

## Analysis of ERCOT Estimated Cost Reductions related to Decrease in Board Meeting Frequency<sup>1</sup> (08.10.2009)

Description of Costs if Frequency of Board Meetings Decreased from 13 to 8 Times Per Year	Estimated Cost Reduction Amount	Comments
<b>Unaffiliated Director Compensation<sup>2</sup></b>		
<ul style="list-style-type: none"> <li>Board Meeting Fee (\$2,000 per day per Unaffiliated Director)</li> </ul>	\$50,000	Calculated using a reduction of 5 meetings per year (that is, 5 times the \$2,000 Board Meeting Fee times 5 Unaffiliated Directors).
<ul style="list-style-type: none"> <li>Special Board Meeting Fee (\$200 per meeting)</li> </ul>	\$0	No expected reductions in the Special Board Meeting Fee since Special Board Meetings are difficult to predict.
<ul style="list-style-type: none"> <li>Committee Meeting Fee (\$900 per meeting; \$900 maximum per day)</li> </ul>	\$18,000	Calculated using a reduction of 4 Finance and Audit Committee and H.R. & Governance Committee meetings per year (that is, 4 times the \$900 Committee Meeting Fee maximum times 5 Unaffiliated Directors). Assumes Special Nodal Program Committee Meetings will occur as usual on a monthly basis; if not, another \$18,000 should be added to the reduction.
<ul style="list-style-type: none"> <li>Special Committee Meeting Fee (\$200 per meeting)</li> </ul>	\$0	No expected reductions in the Special Committee Meeting Fee since Special Committee Meetings are difficult to predict.
<ul style="list-style-type: none"> <li>Travel Reimbursement (Average of \$716 per month per Unaffiliated Director)</li> </ul>	\$5,728	Calculated using a reduction of 4 trips per year (that is, 4 times the \$716 historical monthly average from January to June 2009 per Unaffiliated Director times 2 Unaffiliated Directors). Assumes that Special Nodal Program Committee Meetings will continue to require monthly travel of 3 Unaffiliated Directors who sit on that Committee.
<b>Subtotal</b>	<b>\$73,728</b>	
<b>Office Supplies</b>		
<ul style="list-style-type: none"> <li>Paper, copies, binders, tabs, dividers and other office supplies</li> </ul>	\$6,000	Calculated using an average of \$1,500 per month for office supplies for Board materials over 4 months. Does not include average of \$330 per month for related delivery costs over same 4 months since Special Nodal Program Committee materials would continue to be sent to Board members and the Public Utility Commission of Texas.
<b>Subtotal</b>	<b>\$6,000</b>	
<b>Webcast Fees</b>		
<ul style="list-style-type: none"> <li>Board of Directors Meeting Webcast Fee</li> <li>Finance &amp; Audit Committee Meeting Webcast Fee</li> <li>H.R. &amp; Governance Committee Meeting Webcast Fee</li> <li>Board of Directors Question &amp; Answer Sessions Webcast Fee</li> </ul>	\$38,000	<p>Calculated using the following conservative assumptions:</p> <ul style="list-style-type: none"> <li>Reduction of: <ul style="list-style-type: none"> <li>5 Board of Directors Meetings;</li> <li>4 Finance &amp; Audit Committee Meetings;</li> <li>4 H.R. &amp; Governance Committee Meetings; and</li> <li>4 Board of Directors Question &amp; Answer Sessions.</li> </ul> </li> <li>No reduction of Special Nodal Program Committee Meetings.</li> <li>The Board of Directors and Finance &amp; Audit Committee Meetings occur in the same meeting room (Room 206) on the same day at the ERCOT Austin office.</li> <li>The Special Nodal Program Committee Meeting and Board of Directors Question &amp; Answer Sessions occur in the same meeting room (Room 206) on the same day at the ERCOT Austin office.</li> </ul> <p>Prices could vary significantly depending on vendor and meeting locations.</p>
<b>Subtotal</b>	<b>\$38,000</b>	

<sup>1</sup> Includes proposed additional cost of court reporter transcriptions of General Sessions of Board and Board Committee meetings (except for the Board of Directors Question & Answer Sessions). The Legal Department would continue to prepare formal, standard minutes for the Executive Sessions of these meetings and formal, but less detailed minutes for the General Sessions of these meetings.

<sup>2</sup> Assumes no change to Unaffiliated Directors' \$40,000 Annual Retainer and the Board Chair's \$10,000 Annual Board Chair compensation.

Description of Costs if Frequency of Board Meetings Decreased from 13 to 8 Times Per Year	Estimated Cost Reduction Amount	Comments
<b>ERCOT Staff Time</b>		
<ul style="list-style-type: none"> <li>ERCOT Staff Monthly Salary/Benefits Cost (Average cost of \$63.22 per hour and 695 hours per meeting)</li> </ul>	\$175,751	Used average of hours reported in Lawson for ERCOT Staff (including the ERCOT Legal Department) from January to June 2009 and a blended salary/benefits hourly rate. Calculated using a reduction of 4 Board of Directors (and related Committee) meetings (that is, \$63.22 per hour times 695 hours per meeting times 4 meetings).
<ul style="list-style-type: none"> <li>ERCOT Legal Department Monthly Salary/Benefits Cost (Average cost of \$63.22 per hour and average of 348 hours per meeting)</li> </ul>	\$22,000	Used rough average of hours reported in Lawson for ERCOT Legal staff from January to June 2009 and a blended salary/benefits hourly rate. Calculated using a reduction of 1 meeting (that is, 1 times \$63.22 per hour times 348 hours per meeting). Legal staff time will be used for addressing other legal matters within ERCOT, thereby mitigating risk and potentially reducing outside counsel fees. Does not include other ERCOT staff time dedicated to Board meetings.
<ul style="list-style-type: none"> <li>Legal Assistant FTE Salary/Benefits Annual Compensation</li> </ul>	\$62,400	Calculated using a blended \$30 per hour Legal Assistant average. The proposed reduction in frequency of meetings would allow the ERCOT Legal Department to increase its available staff time (including in part due to the reduction of legal staff time devoted to preparing detailed General Session minutes of the Board and Board Committee meetings) and reduce its Legal Assistant headcount by one.
<b>Subtotal</b>	<b>\$260,151</b>	
<b>Transcription of Remaining General Sessions of Board and Board Committee Meetings</b>		
<ul style="list-style-type: none"> <li>Court Reporter Services for the following meetings: <ul style="list-style-type: none"> <li>Remaining 8 Board of Directors Meetings per year;</li> <li>2 Special Board of Directors Meetings per year;</li> <li>Remaining 8 Finance &amp; Audit Committee Meetings per year;</li> <li>1 Special Finance &amp; Audit Committee Meetings per year;</li> <li>Remaining 8 H.R. &amp; Governance Committee Meetings per year;</li> <li>Remaining 8 Special Nodal Program Committee Meetings per year; and</li> <li>1 Special Nodal Program Committee Meetings per year.</li> </ul> </li> </ul>	(\$42,141)	<p>Calculated using the following assumptions:</p> <ul style="list-style-type: none"> <li>Transcription of remaining meetings after proposed frequency reduction: <ul style="list-style-type: none"> <li>Board of Directors Meetings, 10 lasting 6.5 hours per meeting (or 65 hours per year);</li> <li>Finance &amp; Audit Committee Meetings, 9 lasting 2.5 hours per meeting (or 22.5 hours per year);</li> <li>H.R. &amp; Governance Committee Meetings, 8 lasting 2 hours per meeting (or 16 hours per year); and</li> <li>Special Nodal Program Committee Meetings, 9 lasting 3 hours per meeting (or 27 hours per year).</li> </ul> </li> <li>No transcription of the following meetings: <ul style="list-style-type: none"> <li>Board of Directors Question &amp; Answer Sessions;</li> <li>Nominating Committee Meetings; and</li> <li>Annual Meeting of ERCOT Corporate Members.</li> </ul> </li> <li>Minimum charge of \$160.00 per meeting (that is, a total of 36 meetings over a 12-month period for \$5,760 total);</li> <li>Monthly administration fee of \$27.50 per month (that is, a total of 12 months for \$330 total);</li> <li>\$5.25 per page/45 estimated pages per hour (that is, a total of 130.5 hours per year for \$30,831 total)</li> <li>\$40.00 per hour transcriber charge (that is, a total of 130.5 hours per year for \$5,220 total)</li> </ul>
<b>TOTAL ESTIMATED COST REDUCTION</b>	<b>\$(42,141)</b>	

Unaffiliated Director Compensation	\$73,728
Office Supplies	\$6,000
Webcast Fees	\$38,000
ERCOT Staff Time	\$260,151
Transcription of Board/Committee General Session Meetings	( \$42,141)
<b>TOTAL Estimated Cost Reduction</b>	<b>\$335,738</b>