



2010 Budget Review

Steve Byone
Chief Financial Officer

Finance & Audit Special Committee Meeting
August 17, 2009

Overview of 2010 Recommended Budget – Corporate

Steve Byone

- Areas covered:
 - ERCOT Board, CEO and Internal Audit
 - General Counsel, Corporate Communications & Regulatory
 - Treasury & Cash Management, Market Credit, Accounting/Payroll, Internal Controls, Budgeting & Management Reporting, and Procurement
 - Other items, NERC Dues, Vacancy Savings, etc.
- Also Includes:
 - Outside Fees
 - Audit Services (primarily financial and SAS 70)
 - Debt Service (principal and interest)
 - Insurance Costs
 - Property Tax

Overview of Key Cost Management Initiatives – Corporate

Steve Byone

- Review of Corporate Structure
 - Tax Status (c6 to c4 to c3) – elimination of sales tax resulting in benefits to ERCOT of ~\$40million
 - Anticipate ongoing financing cost savings if successful with C3 conversion
- Liability Management – declining imbedded portfolio interest rate
 - 2006-2008 average imbedded interest rate – 5.4 %,
 - Reduced to an estimated rate of 4.4% in 2009
- Achieved an upgrade in corporate credit rating from aa1 to aa3, resulting in ongoing reduced borrowing rates
- Successfully challenged assessed property valuations achieving a ~\$1million in property tax savings since 2004
- Reduced reliance on outside consultants
 - Auditors
 - Internal control / training materials
 - External fixed asset inventory
 - Conversion to paperless invoice routing
- Implemented Contingent Workforce Management tool – 1st year savings ~\$.9 million
- Enhanced Procurement practices including improved RFPs and enhanced price/cost analysis i.e. computer hardware, accounting services, office supplies and guard services

Overview of Recommended 2010 Budget – Corporate

Steve Byone

Office	2007 Actual	2008 Actual	2009 Approved	2010 Preliminary (July Board Meeting)	Mgmt. Adjustments	2010 Management Recommendation
Corporate						
Executive	2,480,071	2,312,101	1,791,653	1,756,133	57,801	1,813,934
Finance	12,641,451	16,037,523	16,172,736	15,206,257	(738,199)	14,468,058
General Counsel	2,040,298	3,032,642	2,450,253	2,996,090	(82,949)	2,913,141
Entity	1,177,821	1,913,416	(1,971,816)	2,754,806	(1,408,483)	1,346,322
Total - Corporate	18,339,642	23,295,682	18,442,826	22,713,285	(2,171,831)	20,541,455

Note(s):

- Schedule excludes headcount related to Human Resources, Program Management & Facilities.
- Schedule excludes depreciation.

Questions