



Date: September 8, 2009
To: Board of Directors
From: Clifton Karnei, Finance & Audit (F&A) Committee Chairman
Subject: ERCOT 2010 Base Operating Budget

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: September 15, 2009

Agenda Item No.: 13a

Issue:

Whether to approve ERCOT's proposed 2010 Base Operating Budget (2010 Budget), which includes operating and maintenance expenses, capital requirements, and debt service obligations for ERCOT's base operations.

Background/History:

Section 4.10 of the ERCOT Bylaws requires that the Board of Directors approve the ERCOT Budget. The ERCOT Board of Directors (Board) has the responsibility for adopting an annual Budget for ERCOT that will enable the company to fulfill its obligations and responsibilities for the reliable operation of the ERCOT market.

ERCOT discussed financial concepts and assumptions and presented budget material at several meetings of the F&A Committee, including its Special Meeting on August 17, 2009 devoted exclusively to a review of the 2010 Budget – all of which were open to the public. The 2010 Budget was also discussed during the August 18, 2009 Board meeting.

Management's budget recommendation includes approximately \$99.1 million for operating and maintenance expenses (including \$2.3 million for market monitoring activities and \$1.5 million for Public Utility Regulatory Act (PURA) compliance functions, \$46.3 million for project expenditures, and \$31.4 million for debt service obligations).

<u>Funding Authorization</u>	2010 Proposed Amount (\$ in thousands)
System Administration Fee	130,515
Interest Income	81
Other Revenue	18,386
Subtotal – Revenue Requirement	148,982
Project Spending – Debt Funded	27,780
Total – Funding Authorization	176,762
<u>Spending Authorization</u>	
Operating Expenses	99,053
Debt Service – Interest	5,272
Debt Service – Principal	26,137



Project Spending	46,300
Total – Spending Authorization	176,762
Excess Funding Authorization over Spending Authorization	-
<p>The 2010 Budget includes an authorized staffing level of 739 full-time equivalents (FTEs) for 2010. Utilizing a 2% vacancy factor, ERCOT is requesting funding for 724 positions. It is expected that approximately 506 of the funded FTEs will perform base operating functions, 195 of the funded FTEs will be engaged in Nodal Program activities, and 23 of the funded FTEs will be working on zonal project related tasks.</p> <p>The 2010 Budget does not require a change to the ERCOT System Administration Fee from 2009. ERCOT fees are summarized in Exhibit A.</p> <p>The F&A Committee will meet immediately prior to the Board meeting on September 15, 2009, and is expected to make a recommendation to the Board regarding the 2010 Budget.</p>	
<p><u>Key Factors Influencing Issue:</u> ERCOT must have adequate funds in 2010 to:</p> <ul style="list-style-type: none">• Implement system improvements and required functionality to support the market;• Staff appropriately to participate in and support full market operations and single control area functions;• Maintain compliance with the Financial Corporate Standard and associated financial performance measures as approved by the Board;• Fund independent market monitoring and Public Utility Regulatory Act (PURA) compliance functions;• Enhance and maintain the computer systems and associated services contracted for with vendors; and• Maintain necessary facilities to provide secure operations and house staff. <p>The Public Utility Commission of Texas (Commission) is required to approve ERCOT’s annual budget and will expect the Board to provide its recommendation to the Commission for ERCOT’s 2010 Budget.</p>	
<p><u>Alternatives:</u></p> <ol style="list-style-type: none">1. Approve the recommendation of the F&A Committee;2. Approve the recommendation of the F&A Committee as modified by the Board; or3. Remand this issue to the F&A Committee with instructions.	
<p><u>Conclusion/Recommendation:</u> ERCOT staff respectfully recommends that the Board:</p> <ul style="list-style-type: none">• Adopt the proposed 2010 Budget, which includes \$176.8 million total spending	



authorization for base operations (including independent market monitoring and PURA functions), capital projects, debt service and a gross staff authorization level of 739 FTEs;

- Approve the current, unchanged rate of ERCOT System Administration Fee of \$0.4171 as outlined in the proposed 2010 Budget; and
- Approve the ERCOT Fee Schedule attached as Exhibit A.



ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, after due consideration of the alternatives, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to:

- Support the base operations activities of ERCOT in 2010;
- Adopt the 2010 Base Operating Budget (2010 Budget), which includes \$176.8 million total spending authorization for base operations (including independent market monitoring and Public Utility Regulatory Act (PURA) functions), capital projects, debt service and a gross staff authorization level of 739 full-time equivalents (FTEs);
- Approve the current, unchanged rate of ERCOT System Administration Fee of \$0.4171 as outlined in the 2010 Budget;
- Approve the ERCOT Fee Schedule attached as Exhibit A; and
- Support the activities of ERCOT in 2010, including operating and maintenance expenses, capital requirements, and debt service obligations for ERCOT's base operations; and

THEREFORE, BE IT RESOLVED, that ERCOT is hereby authorized and approved to:

- Adopt the 2010 Budget (2010 Budget), which includes \$176.8 million total spending authorization for base operations (including independent market monitoring and PURA functions), capital projects, debt service and a gross staff authorization level of 739 FTEs;
- Approve the current, unchanged rate of ERCOT System Administration Fee of \$0.4171 as outlined in the 2010 Budget; and
- Approve the ERCOT Fee Schedule attached as Exhibit A.

CORPORATE SECRETARY'S CERTIFICATE

I, Michael G. Grable, Corporate Secretary of ERCOT, do hereby certify that, at its September 15, 2009 meeting, the ERCOT Board of Directors passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____, 2009.

Michael G. Grable
Corporate Secretary