



# Monthly Financial Review

Mike Cleary

Senior Vice President & Chief Technology Officer

October 20, 2009

# Financial Review – September 2009 Performance

## Nodal Program

### Approved Forecast to Actual Comparison

Month of September 2009

		Favorable / (Unfavorable)		
		Forecast Cumulative		
		Variance		
		(Pending Contingency Mgmt Disposition)		
Line	Cost Summary	Forecast	Actual	Forecast Variance
1	Internal Labor Costs	\$2.3	\$2.3	\$0.0
2	Backfill Labor Costs	0.1	0.1	0.0
3	External Resource Costs	4.9	3.5	1.4
4	Software & Software Maintenance	0.6	0.5	0.1
5	Hardware & Hardware Maintenance	3.7	1.7	2.0
6	Other	0.1	0.0	0.1
7	<b>Sub-total Direct Project Costs</b>	<b>\$11.7</b>	<b>\$8.1</b>	<b>\$3.6</b>
8	<b>Board Discretionary Fund</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
9	Allocations	\$0.5	\$0.4	\$0.1
10	Finance Charges	1.0	1.0	0.0
11	<b>Sub-total Indirect Project Costs</b>	<b>\$1.5</b>	<b>\$1.4</b>	<b>\$0.1</b>
12				
13	<b>Total</b>	<b>\$13.2</b>	<b>\$9.5</b>	<b>\$3.7</b>

Amounts in millions



# Financial Review - LTD Performance through September 2009

## Nodal Program

### Approved Forecast to Actual Comparison

Life-to-Date through September 2009

Line	Cost Summary	Forecast	Actual	Favorable / (Unfavorable)		
				June-September 2009 Forecast Variance	January-May 2009 Budget Variance	Forecast Cumulative Variance
1	Internal Labor Costs	\$49.9	\$49.6	\$0.3	\$3.4	\$3.7
2	Backfill Labor Costs	5.0	4.9	0.1	(0.2)	(0.1)
3	External Resource Costs	250.2	245.3	4.9	8.6	13.5
4	Software & Software Maintenance	24.1	22.9	1.2	(0.6)	0.6
5	Hardware & Hardware Maintenance	51.7	49.7	2.0	1.6	3.6
6	Other	2.0	1.9	0.1	0.2	0.3
7	<b>Sub-total Direct Project Costs</b>	<b>\$382.9</b>	<b>\$374.3</b>	<b>\$8.6</b>	<b>\$13.0</b>	<b>\$21.6</b>
8	<b>Board Discretionary Fund</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
9	Allocations	\$19.1	\$18.9	\$0.2	\$1.6	\$1.8
10	Finance Charges	21.5	21.7	(0.2)	1.3	1.1
11	<b>Sub-total Indirect Project Costs</b>	<b>\$40.6</b>	<b>\$40.6</b>	<b>\$0.0</b>	<b>\$2.9</b>	<b>\$2.9</b>
12						
13	<b>Total</b>	<b>\$423.5</b>	<b>\$414.9</b>	<b>\$8.6</b>	<b>\$15.9</b>	<b>\$24.5</b>

Amounts in millions

# Board Discretionary Fund Summary

- **The Board Approved Budget is \$643.8M as of February 17, 2009 which included the Board Discretionary Fund (BDF) of \$58.6M. This remains a sound not-to-exceed budget.**
- **Direct Program Costs: January 2009 through September 2009 underspend is \$21.6M**
  - \$10.1 million reprogrammed by projects to forward months
  - \$2.3 million reprogrammed for Risk Identified Items
  - \$9.2 million added to BDF from Direct Program Costs
- **Indirect Program Costs: January 2009 through September 2009 underspend is \$2.9M**
  - \$1.8 million of support and facilities allocations added to BDF from indirect program costs
  - \$1.1 million of financing costs added to BDF from indirect program costs
- **Financing Costs, forward months to full Nodal Costs recovery: reduction of \$14.0M added to BDF due to interest rate hedging program and changes in Nodal borrowing levels**
- **Board Discretionary Fund of \$58.6M increased by \$26.2M to \$84.8M**

As of September 30, 2009	Amounts in millions	
Preliminary Board Discretionary Fund		\$58.6
Direct Program Costs Underspend	\$21.6	
Less Direct Program Costs reprogrammed	(10.1)	
Less Direct Program Costs Risk Items	(2.3)	
Plus Direct Program Costs Underspend		9.2
Plus Allocation & Facilities Costs Underspend		1.8
Plus Finance Charge Underspend		1.1
Plus Finance Cost Reduction		14.0
<b>Updated Board Discretionary Fund</b>		<b>\$84.8</b>

# Direct Program Costs: Reprogram by Project of \$12.4M

		Favorable / (Unfavorable)			
Nodal Systems Category	Nodal Projects	2/17 Board Approved Budget	Underspend Thru September 2009	Reprogrammed Amount	Estimate at Completion
Market Trials	Early Delivery Systems	\$35.0	\$1.5	\$8.9	\$24.5
Integration Testing	Integration & Product Testing	40.2	3.9	1.9	34.4
Corporate Applications	Enterprise Integration Project	27.1	(1.3)	1.6	26.8
	Enterprise Data Warehouse	6.8	0.6	(0.6)	6.7
	Market Information System	6.0	0.0	(0.9)	7.0
Infrastructure	Infrastructure	131.5	7.8	(0.2)	123.9
ERCOT Readiness	ERCOT Readiness & Transition	30.7	3.8	(3.3)	30.2
Market Systems	Congestion Revenue Rights	9.1	0.2	0.3	8.6
	Commercial Systems	28.2	1.6	(2.1)	28.7
	Market Management System	79.2	2.4	(2.5)	79.3
Reliability Systems	Network Model Management System	15.7	0.4	(2.8)	18.1
	Energy Management System	34.0	0.4	(3.7)	37.3
Program Controls, Administration, & IDA	Program Control	20.3	0.3	(9.3)	29.4
	Administration	\$6.9	(\$0.3)	\$0.3	\$6.9
	Integration & Design Authority	11.2	0.2	0.0	11.0
<b>Direct Program Costs</b>		<b>\$481.8</b>	<b>\$21.6</b>	<b>(\$12.4)</b>	<b>\$472.6</b>
<b>Board Discretionary Fund</b>		<b>\$58.6</b>		<b>(\$26.2)</b>	<b>\$84.8</b>
Allocations		\$25.7	\$1.8	\$0.1	\$23.7
Finance Charges		77.7	1.1	13.9	62.7
<b>Indirect Program Costs</b>		<b>\$103.4</b>	<b>\$2.9</b>	<b>\$14.0</b>	<b>\$86.4</b>
<b>Total Program Costs</b>		<b>\$643.8</b>	<b>\$24.5</b>	<b>\$0.0</b>	<b>\$643.8</b>

# Direct Program Costs: Reprogramming of the \$12.4 million

	Major Activities/Adjustments	Amount (Increase) / Decrease
	<b>Underspend through September 30, 2009</b>	<b>\$21.6 million</b>
Market Trials (EDS)	<ul style="list-style-type: none"> <li>• Shifted start of Market Trials from 2009 to 2010</li> <li>• Transferred scope to ERT &amp; ORT budgets (e.g. internal training, metrics, IT support during cutover)</li> <li>• Reduction in support level required to deliver Market Trials</li> </ul>	\$8.9
Integration Testing	<ul style="list-style-type: none"> <li>• Aligned Integration Testing Approach with Market Trials releases</li> <li>• Displacement of external contractors with internal effort</li> </ul>	\$1.9
Corporate Applications	<ul style="list-style-type: none"> <li>• Accelerated transition of tasks to Home Team resources</li> <li>• Requirements and maintenance/support through go-live</li> <li>• Approved scope change (CI316) ; NOGRR025 Compliance</li> </ul>	\$0.1
Infrastructure / ORT - Operational Readiness	<ul style="list-style-type: none"> <li>• TCC data center expansion equipment ( Brocade Capacity &amp; Cisco Switches, racks)</li> <li>• Delay in purchase of IMM/OTS hardware due to back order @ vendor</li> </ul>	(\$0.2)
Direct Program Costs for Risk Items	<ul style="list-style-type: none"> <li>• Infrastructure Hardware Purchases- hardware switches to support the nodal environment infrastructure</li> <li>• Traceability- ensuring effort is completed by end of year to identify known gaps and impacts to system remediation are planned</li> <li>• Orchestration/Business Continuity- effort to define, plan and implement processes for interaction of market timelines and supporting business and technology activities, particularly in the event of specific business and technology scenario failures</li> </ul>	(\$2.3)
ERCOT Readiness	<ul style="list-style-type: none"> <li>• Increase in scope from EDS transfer (Internal training, metrics tracking)</li> <li>• Market Participant site visits</li> <li>• Metrics tracking</li> </ul>	(\$3.3)
Market Systems	<ul style="list-style-type: none"> <li>• Delay in the start of IMM development; strategic shift to in-house development</li> <li>• Roll forward of ABB/MMS development/break fix support</li> <li>• CMM Phase II internal development</li> </ul>	(\$4.3)
Reliability Systems	<ul style="list-style-type: none"> <li>• Requirements and maintenance/support through go-live</li> <li>• Deferred the start of new task order for Operator Training Simulator (OTS) to align with Black Start testing</li> <li>• Approved scope change (CI322) RID EPS meters</li> </ul>	(\$6.5)
Program Controls & Admin	<ul style="list-style-type: none"> <li>• New program management structure (CTO, HR, FMO)</li> <li>• Increase use of 3<sup>rd</sup> party audits</li> <li>• Protocol traceability effort</li> </ul>	(\$6.7)
<b>Total Reprogrammed</b>		<b>(\$12.4)</b>

# EAC Reforecast from 02/17/09 Board Approved Budget

Version: 9/30/09	2/17/2009 Approved Budget	Actuals Through September	Estimate to Complete			Estimate at Completion	Favorable / (Unfavorable) Change from 2/17/2009 Approved
			2009	2010	Total		
COST SUMMARY (\$)							
Internal Labor	\$86.1	\$49.6	\$6.4	\$31.2	\$37.6	\$87.2	(\$1.1)
Backfill	8.5	4.9	0.4	1.9	2.3	7.2	1.3
Contingent Labor (External)	292.5	245.3	11.4	32.1	43.5	288.8	3.7
Software	37.1	22.9	3.4	3.9	7.3	30.2	6.9
Hardware	54.4	49.7	1.1	3.5	4.6	54.3	0.1
Travel & Miscellaneous	3.2	1.9	0.1	2.9	3.0	4.9	(1.7)
Total Direct Project Costs	\$481.8	\$374.3	\$22.8	\$75.5	\$98.3	\$472.6	\$9.2
Board Discretionary Fund	\$58.6			\$26.2	\$26.2	\$84.8	(\$26.2)
Allocations	\$25.7	\$18.9	\$1.1	\$3.7	\$4.8	\$23.7	\$2.0
Finance Charges	77.7	21.7	3.7	37.3	41.0	62.7	15.0
Total Direct Project Costs	\$103.4	\$40.6	\$4.8	\$41.0	\$45.8	\$86.4	\$17.0
Total Program Costs	\$643.8	\$414.9	\$27.6	\$142.7	\$170.3	\$643.8	\$0.0
Amounts in millions							

# Examples of Major Changes Identified

- **Misses**

- EMS requirements and maintenance/support through go-live
- NMMS requirements and maintenance/support through go-live
- EDW maintenance/support through go-live
- Performance awards on successful completion
- Allocation for ERCOT Directors (25% allocation) within Project Controls through go-live
- Business validation of Performance Testing (ORT)

- **New scope**

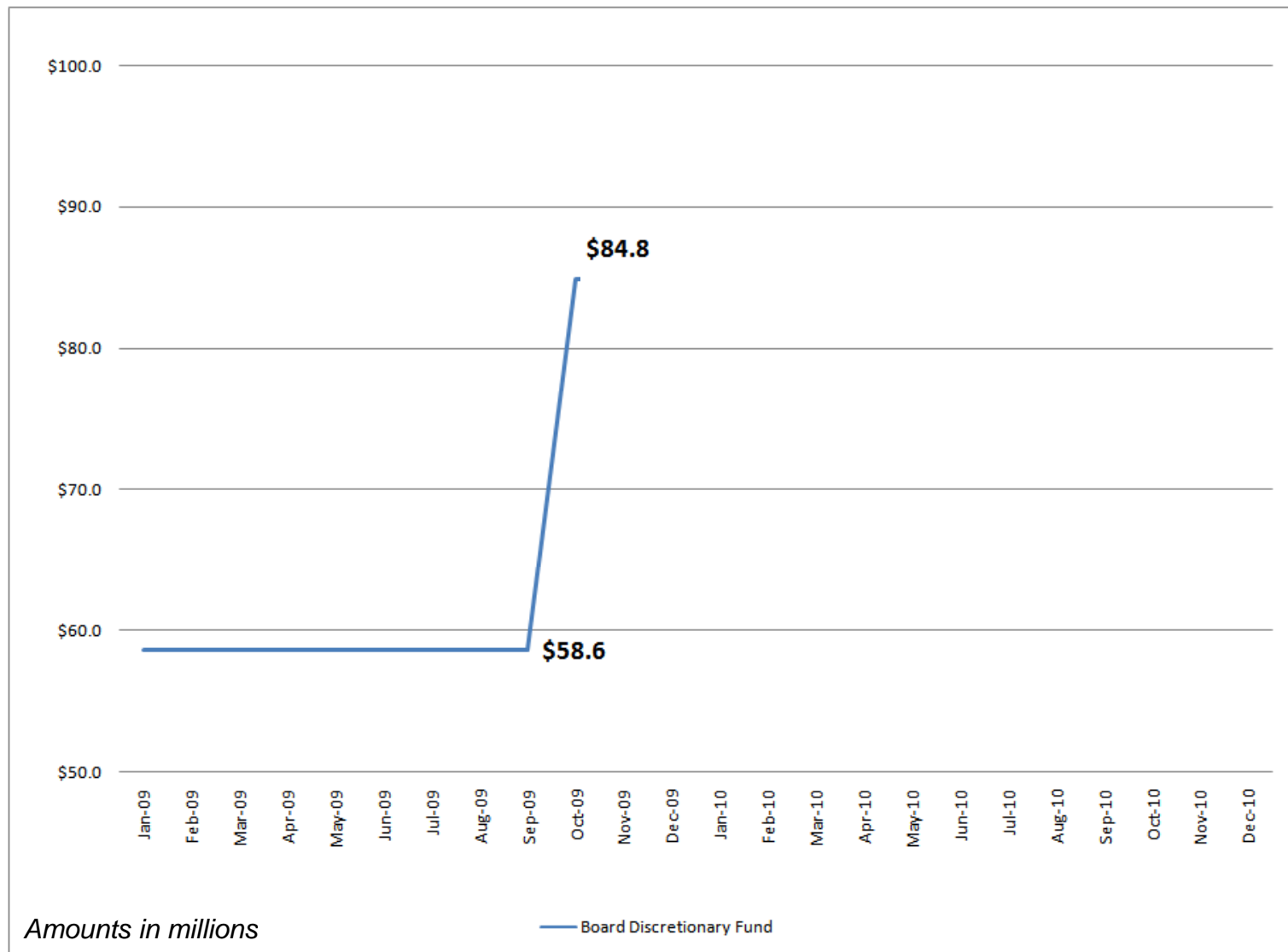
- New program management structure (CTO, HR, key project directors)
- Increase in use of 3rd party audits
- 3rd party negotiator
- Protocol traceability project
- TCC data center expansion equipment
- EDW Scope Change item #CI316
- EMS Approved scope change for item CI322 RID EPS meters
- New Financial Management Office



## Examples of Major Changes Identified - continued

- **Delayed Work**
  - IMM/OTS hardware; P5 upgrade; Brocade capacity
  - Replanned the INT Testing Approach
- **Validated Labor effort (bottom-up estimates)**
  - ERT: Reduced Internal Processes, Procedures & Training; External Outreach & Training; & Metrics Tracking & Assessment
    - NERC Standards, Data Retention and Standards
    - Market Participants site visits reduced in scope and scale of effort
    - Metrics tracking
  - ORT: Reduced Environment Configuration & Management and Production Support by displacing External Contractors
    - Release Management
    - Retail Operations Support
  - EDS: Phase 4 & 5 general support levels adjusted for phased in functionality development and support levels with Market Participants
    - Market Operations Support
    - Settlements and Billing Operations
  - INT: Developed bottom up estimate and aligned INT Test Approach to with Market Trials releases

# Board Discretionary Fund



# Program Cost Management

**Monthly Budget, Forecast and Actual Analysis**  
(Amounts in millions)

