



# Finance Overview

**Roy Bowman**

**Interim Vice President and Chief Financial Officer**

- **Controllership**
  - Accounting
  - Financial Reporting
  - Budget
  - Financial Analysis
  - Internal Control Management Program (ICMP)
- **Treasury**
  - Credit Risk Management
  - Cash Management
  - Debt Financing
  - Enterprise Risk Management (ERM)
- **Contract Administration and Procurement**

# Finance Organizational Chart

Chief Financial Officer

Controllership

Treasury

Contract  
Administration &  
Procurement

Accounting,  
Financial  
Reporting &  
Payroll

Budgeting and  
Financial  
Analysis

Internal Control  
Management

Credit and  
Cash  
Management

Debt Financing  
and  
ERM

## Controllership – Key Duties

- Financial Statements – prepare periodic financial statements and related footnotes. Prepare interpretive analysis of the financial statements. Prepare and distribute recurring and one-time management reports.
- Budgeting – coordinate the annual budget process, maintain the company budget and transfer the budget information into company financial statements. Play key role in obtaining regulatory approval of the annual budget and rates needed to recover revenue requirements.
- Payroll – oversee administration of the company’s payroll processes including pay computation and distribution, payroll tax filings and transactions, payroll reporting and W2 preparation and garnishment accounting and compliance
- Internal Control Systems – create and maintain the corporate financial control systems by documenting the existing control structure, eliminating redundant controls and adding new controls to cover potential risks arising out of new business situations.

## Controllership – Key Duties (continued)

- Auditing – prepare work papers for external audits and provide additional assistance needed by external auditors to complete the annual audit.
- Fixed Assets – analyze all capital expenditure requests. Record fixed assets in company financial records, ensuring use of correct asset categories and depreciation methods.
- Financial Analysis – develop, prepare and analyze reports comparing actual to budgeted financial results. Analyze revenue and expense trends. Communicate finding to management along with recommendations for improvement.
- Regulatory Filings – contribute to the development of corporate strategy for meeting regulatory filing requirements, coordinate preparation of various financial schedules in support of regulatory filings and prepare and provide testimony to supplement regulatory filings

## Controllership – Key Duties (continued)

- Policies and Procedures – create and maintain policies and procedures related to control of company assets and the proper completion of financial transactions. Train accounting personnel in the use of accounting policies and procedures.
- Process Analysis – review processes involving financial analysis to see if they can be completed with better controls, lower cost or greater speed.
- Recordkeeping – ensure the proper indexing, storage and retrieval of all accounting documents.
- Transaction processing – record all company transactions timely and accurately.

## Controllership – Notable Accomplishments

- Led organizational restructuring to 501(c)(4)
- Managed independent audit services
- Administered corporate property tax processes
- Implemented contingent workforce management program
- Automated business expense reimbursement processes
- Obtained approval of the 2010 budget
- Developed comprehensive financial internal control documentation

## Credit

- **Provide information to and work with PUCT, the ERCOT Board of Directors, the Technical Advisory Committee and other stakeholders to address credit risk in the ERCOT market as they seek to maintain the long-term financial integrity of the market.**
  - Produce potential future exposure analyses quarterly
  - Initiate or provide input on Protocol changes that impact credit
  - Work with Finance and Audit Committee and credit work groups on credit issues
- **Administer credit function – market**
  - Review and approve new applicants in the market
  - On an ongoing basis, review market participant financial statements and assign unsecured credit
  - Monitor and collateralize exposure daily/weekly
  - Identify and help address credit issues as they arise
  - Manage default processes (as needed)



### Cash management

- Invest cash held as collateral, TCR auction receipts and market settlement payments
- Ensure adequate controls are in place over cash and investment accounts and that investments are secure
- Process cash transactions timely and accurately

### Debt financing

- Ensure adequate liquidity for 12-18 month time horizon under lending agreements or in cash
- Maintain and manage relationships with lenders and potential lenders
- Ensure compliance with lending documents

### Enterprise Risk Management (ERM)

- Manage ERM process/reporting
- Help ensure risks are identified and addressed timely
- Risk training
- Place insurance coverage

## Treasury – Notable Accomplishments

- Worked with the market and the Board of Directors to establish a Market Credit Risk Standard that seeks to maintain the financial integrity of the ERCOT market and requires evaluation of potential future exposure (PFE)
- Produced first two PFE analyses internally based on key risk elements in the ERCOT market
- Implementing new credit monitoring and management system to be used in the Nodal market
- Worked with the F&A Committee to strengthen language in the guarantee collateral documents
- Worked through multiple qualified service entity defaults in June 2008 and managed through a high price event
- Invest between \$100 - \$400 million in investments
- Process over \$4 billion annually in cash transactions
- Obtained \$150 million of additional capacity under debt facilities in 4Q 2008
- Executed \$80 million of interest rate swaps to lock in historically low rates

## Strategic Sourcing by Commodity

- **Assist business users with sourcing, negotiating (business requirements) and managing requisition to purchase order completion**
  - Request For Proposal (RFP) creation and distribution
  - Cost/Pricing Analysis
  - Monitoring Delivery of goods & services
  - Track/Monitor Insurance requirements
- **Contract Management/Compliance**
  - Facilitation of Statement Of Work (SOW) drafting
  - Supplier management for key contracts
  - Expiration and Renewal notifications for contracts
- **Training on Operating Procedures as required**
- **Manage Qualified Vendor List (QVL @ 234 vendors)**
- **Payables and Delivery reconciliation**
- **Manage Vendor Contract Management (VCM) database**
- **Key Process Indicator (KPI) reporting**

# Contract Administration and Procurement – Notable Accomplishments

- Kick-off Formalized Vendor Management Program
- Manage the Contingent Labor Program via Allegis Group Services (AGS)
- Created & implemented on-line Procurement/Contract Administration training module
- Created and implemented on-line internal customer satisfaction survey
- Implemented web portal Office Supply Program
- Implemented upgraded Lawson Enterprise Resource Planning Tool
- New PO spend through October = \$106.2 million
- PO's placed through October = 538
- Contracts/renewals through October = 523
- Negotiated savings through October = \$4.1 million

## Finance – Budget and Staffing

| Departments                           | Current Staffing Level | Budget 2009    | Budget 2010    |
|---------------------------------------|------------------------|----------------|----------------|
| Controller                            | 26                     | \$4.58 million | \$4.61 million |
| Treasury                              | 10                     | \$3.39 million | \$3.24 million |
| Contract Administration & Procurement | 9                      | \$615,000      | \$939,500 *    |
| TOTAL                                 | 47                     | \$8.59 million | \$8.79 million |

\* In 2010, intend to replace outside Nodal contractors with 2 FTEs to negotiate complex Nodal contracts.