



Texas Regional Entity Financial Report

Advisory Committee
December 14, 2009

November 2009 Financial Review

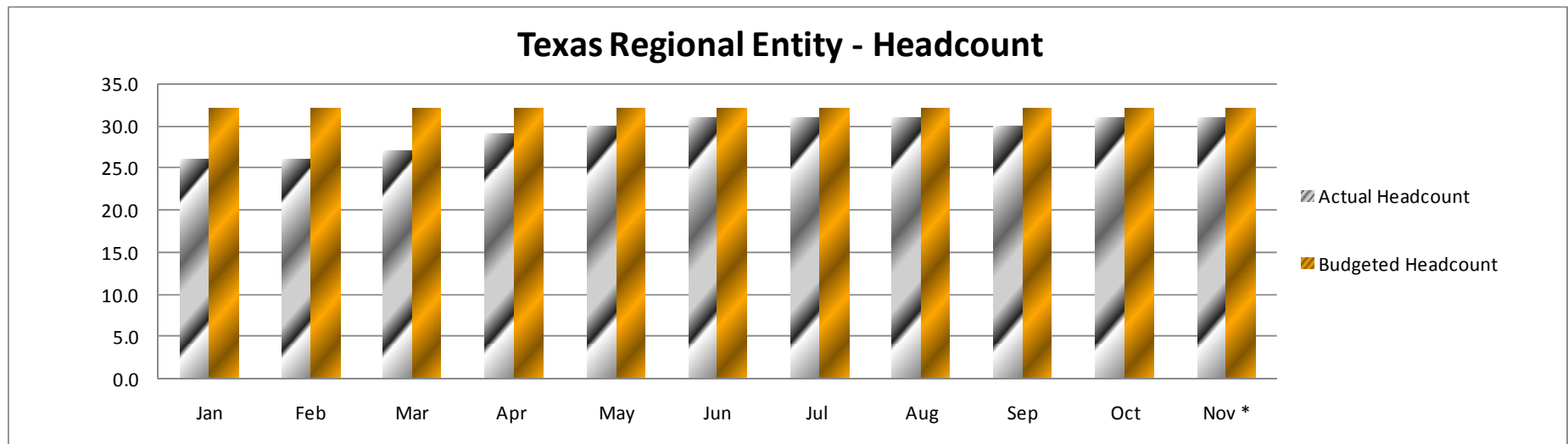
- **Texas RE should end the year with a total expense variance that is better than budget by \$1,239K**
 - The cash reserve of \$855K will occur as planned.
 - Additionally, Texas RE expenses are forecast to be \$384K less than budget. This is attributed to personnel vacancy savings, Rent, and MOU related expenses.
- **Texas RE is preparing to work with Ernst & Young on its 2009 financial statement audit**
 - The expected expense for this year's audit is estimated to be \$30K.
- **Texas RE has prepared a supplemental business plan & budget reflecting the most recent cost for structural separation**

November 2009 Actual Workforce

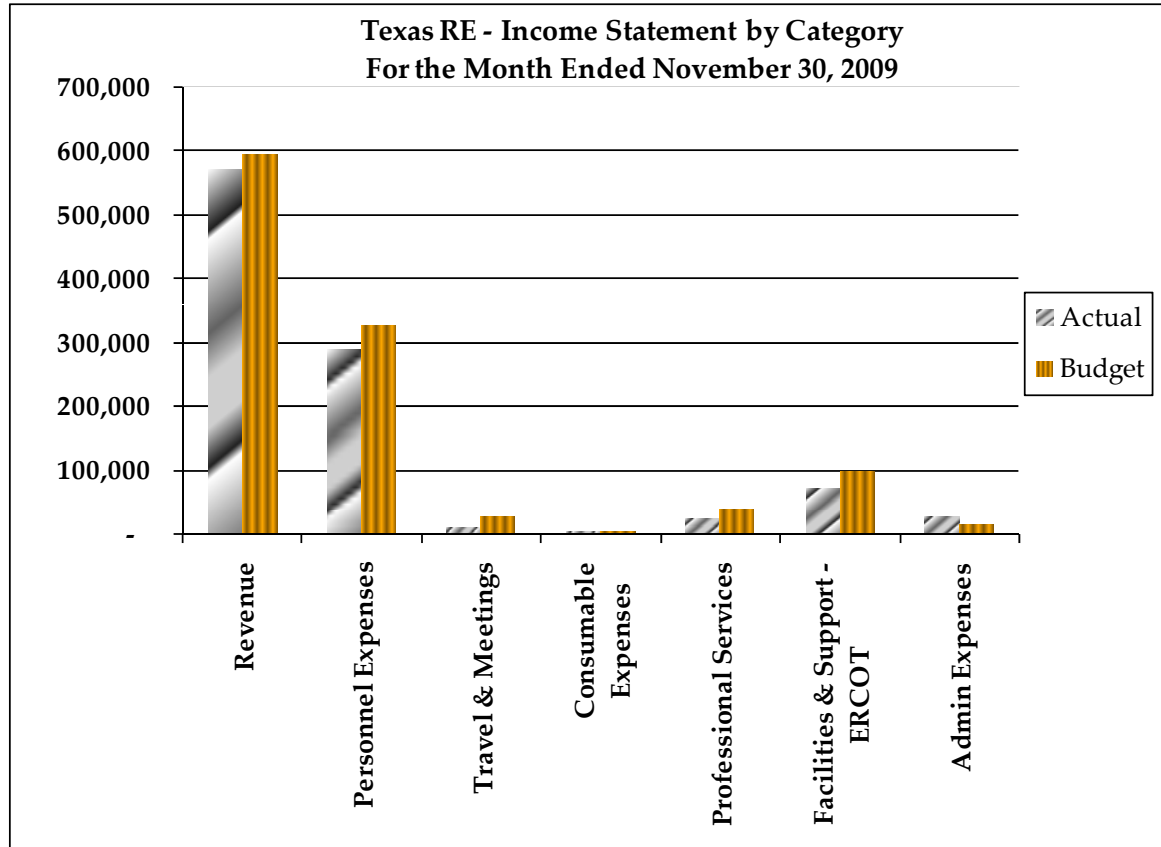
**Texas Regional Entity
Headcount
Statutory & Non-Statutory Combined
For The Month Ended November 30, 2009**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov *	Dec
Actual Headcount	26.0	26.0	27.0	29.0	30.0	31.0	31.0	31.0	30.0	31.0	31.0	
Budgeted Headcount	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	
Variance Under/(Over)	6.0	6.0	5.0	3.0	2.0	1.0	1.0	1.0	2.0	1.0	1.0	

* Does not include interns and consultants



November 2009 Operating Summary



November Comments

- ➔ **Revenue** - Is less than budget primarily due to a lower non-statutory reimbursement for services from ERCOT. Texas RE's non-statutory revenue must equal its expenses. Our non-statutory expenses in November were less than budget which resulted in our revenue being less than budget.

- ➔ **Personnel Expenses** - Less than plan due to personnel vacancies.

- ➔ **Travel & Meetings Expenses** - Less than budget due to workshop costs budgeted in November, but occurred in September.

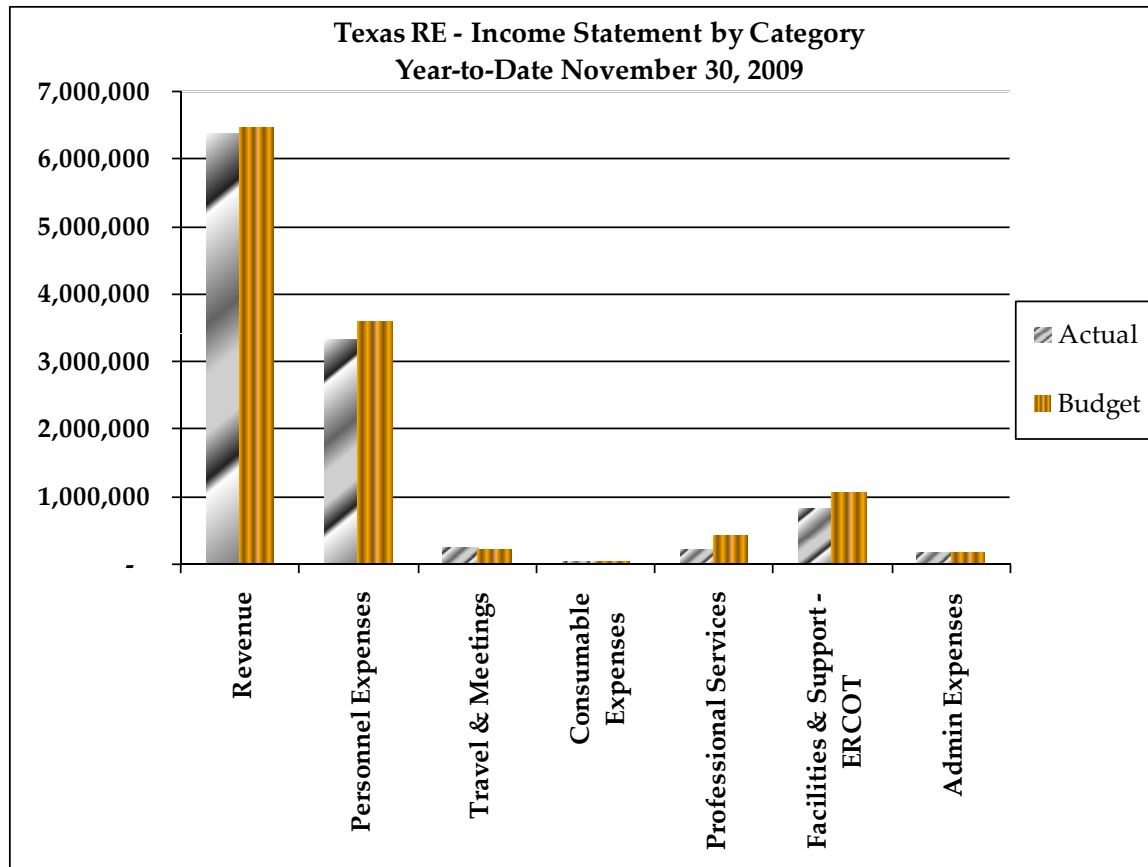
- ➔ **Consumable Expenses** - Slightly higher for the month due to increased printing expense in November.

- ➔ **Professional Services** - Less than plan for the month primarily due to underspending on legal expenses.

- ➔ **Facilities & Support** - Facilities related expenses less than budget.

- ➔ **Administrative Expenses** - Variance is primarily driven by depreciation expense and compliance portal hosting expense.

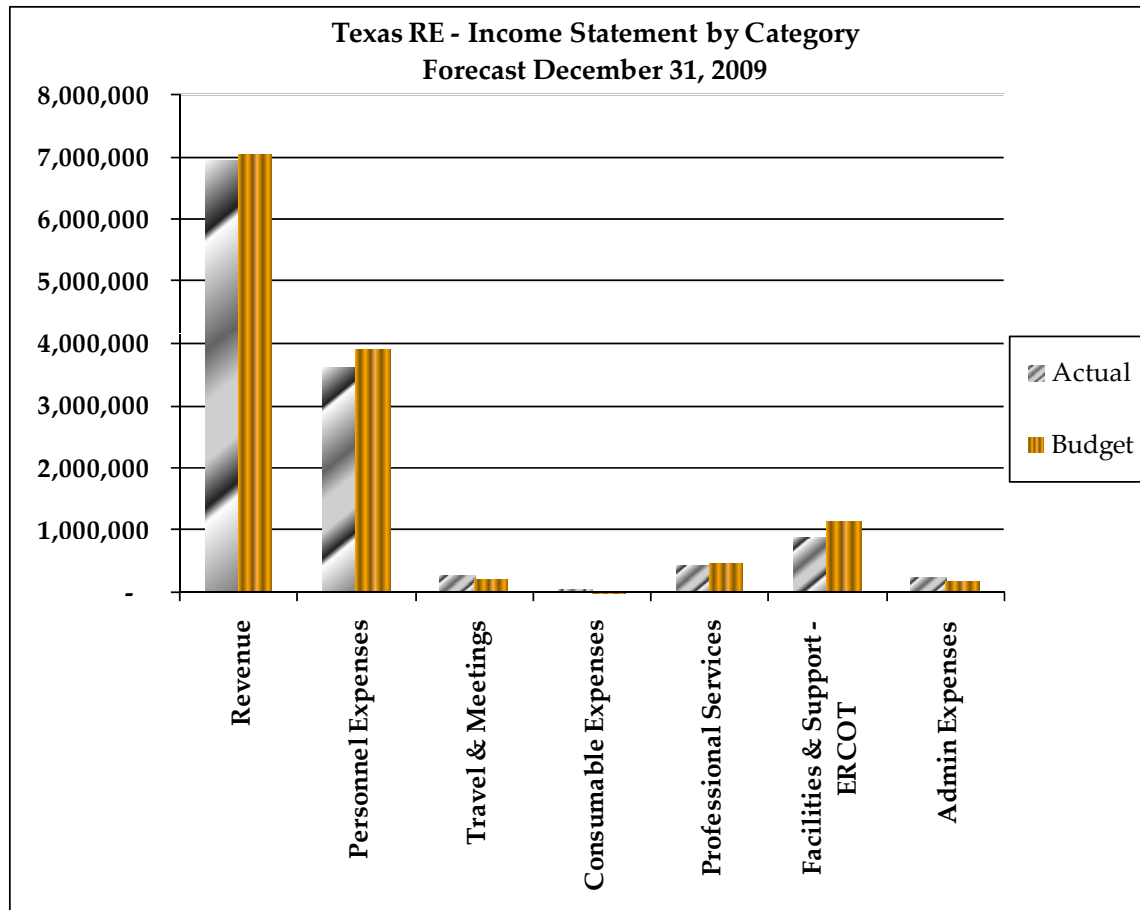
YTD November 2009 Operating Summary



YTD November Comments

- ➔ **Revenue** - Is less than budget primarily due to a lower non-statutory reimbursement for services from ERCOT. Texas RE's non-statutory revenue must equal it's expenses. Our non-statutory expenses YTD November were less than budget which resulted in our revenue being less than budget.
- ➔ **Personnel Expenses** - Lower YTD due to employee vacancies.
- ➔ **Travel & Meetings Expenses** - Overspending due to Operations Training Seminar (OTS). The OTS overages were offset by additional fees charged to attendees.
- ➔ **Consumable Expenses** - Spending is higher than plan due to expenses incurred for the OTS. This additional spending was offset by additional fees charged to attendees.
- ➔ **Professional Services** - Less than plan primarily due to underspending in legal.
- ➔ **Facilities & Support** - Variance due to the timing of Texas RE's move to the new facility. Actual rent expenses are less than budget.
- ➔ **Administrative Expenses** - Variance is primarily driven by depreciation expense and compliance portal hosting expense.

2009 Forecast for Annual Operating Summary



2009 Forecast Comments

- ➔
Revenue - Is projected to be less than budget primarily due to the non-statutory reimbursement for services from ERCOT. Texas RE's non-statutory revenue must equal its expenses. Our non-statutory expenses are expected to be less than budget which will result in our revenue being less than budget. Most of this variance has been offset by collections for the OTS.

- ➔
Personnel Expenses - Lower YTD due to employee vacancies. Budget is 32 FTEs.

- ➔
Travel & Meetings Expenses - Overspending due to OTS costs, however spending has been offset by additional fees charged to the OTS attendees. Additionally, more NERC and Audit related travel.

- ➔
Consumable Expenses - Expect to exceed plan primarily due to the FERC audit.

- ➔
Professional Services - Expect to be less than plan due to underspending on legal.

- ➔
Facilities & Support - Expect to be below budget on rent.

- ➔
Administrative Expenses - Variance is primarily driven by depreciation expense and compliance portal hosting expense.

Operating Summary Statement

Texas Regional Entity
Income Statement
Statutory & Non-Statutory Consolidated
For the Period Ended November 30, 2009
Unaudited Management Report

Group Rollup	Group Rollup Name	Period to Date			Year to Date			Forecast Actual	Annual Budget	Difference
		Actual	Budget	Difference	Actual	Budget	Difference			
Revenue	1-Assessments	570,990	593,987	(22,997)	6,196,134	6,390,961	(194,827)	6,767,124	6,969,023	(201,899)
	2-Workshops	-	-	-	180,607	70,000	110,607	180,607	70,000	110,607
	3-Interest Income	18	-	18	2,926	-	2,926	2,944	-	2,944
Total Revenue		571,008	593,987	(22,979)	6,379,667	6,460,961	(81,294)	6,950,675	7,039,023	(88,348)
Personnel	10-Salaries	234,447	247,571	13,124	2,589,312	2,712,426	123,114	2,823,759	2,945,048	121,289
	11-Payroll Taxes	13,998	19,740	5,742	187,395	216,424	29,029	201,393	235,604	34,211
	12-Employee Benefits	18,968	26,748	7,780	219,002	252,927	33,925	237,970	305,571	67,601
	13-Saving and Retirement	22,557	31,809	9,252	336,348	388,451	52,103	358,905	421,495	62,590
Total Personnel		289,970	325,868	35,898	3,332,058	3,570,228	238,171	3,622,028	3,907,718	285,690
Travel & Meetings	20-Meetings & Training	17,500	17,500	-	139,806	105,000	(34,806)	139,806	105,000	(34,806)
	30-Travel	8,046	7,992	(54)	109,280	105,900	(3,380)	117,326	109,651	(7,675)
Total Travel & Meetings		8,046	25,492	17,446	249,086	210,900	(38,186)	257,133	214,651	(42,482)
Consumables	40-Office Supplies	428	860	432	9,226	9,360	134	9,654	10,200	546
	41-Postage & Shipping	267	200	(67)	4,719	2,200	(2,519)	4,986	2,400	(2,586)
	42-Telecommunications	1,045	967	(78)	8,784	10,633	1,849	9,829	4,960	(4,869)
	43-Printing & Copying	394	100	(294)	9,859	1,100	(8,759)	10,253	1,200	(9,053)
Total Consumables		2,134	2,127	(8)	32,588	23,293	(9,294)	34,722	18,760	(15,962)
Equipment & Maintenance	50-Equipment Maintenance	-	-	-	1,750	-	(1,750)	1,750	-	(1,750)
Professional Services & Consulting	60-Professional Services-Legal	13,169	29,167	15,998	110,162	320,833	210,671	185,162	350,000	164,838
	61-Professional Services-Auditing	4,178	3,750	(428)	44,785	41,250	(3,535)	30,000	45,000	15,000
	62-Professional Services-Other	4,672	5,575	903	56,103	70,075	13,972	209,495	75,650	(133,845)
Total Professional Services & Consulting		22,018	38,492	16,474	211,050	432,158	221,109	424,657	470,650	45,993
Facilities & Support - ERCOT	70-Rent & Improvements	32,500	49,979	17,479	323,503	549,769	226,267	356,003	599,748	243,746
	71-Support (HR, Treas, Finance, BOD)	18,838	26,388	7,550	263,528	290,266	26,738	297,366	316,654	19,288
	72-IT/MIS Support & Services	19,866	19,000	(866)	219,161	209,000	(10,161)	239,027	228,000	(11,027)
Total Facilities & Support - ERCOT		71,204	95,367	24,163	806,192	1,049,035	242,843	892,396	1,144,402	252,006
Administrative	73-IT/MIS Projects, Purchases & Maint	10,292	5,250	(5,042)	107,568	58,712	(48,856)	155,496	63,988	(91,507)
	74-Employee Training	335	550	215	6,810	6,690	(120)	7,614	7,440	(174)
	80-Depreciation Expense	16,350	6,378	(9,971)	41,105	70,162	29,057	64,708	76,540	11,832
	82-Bank Fees	110	-	(110)	1,452	-	(1,452)	1,562	-	(1,562)
	90-Miscellaneous Other	(594)	2,700	3,294	2,363	30,385	28,022	2,613	33,712	31,099
Total Administrative Expenses		26,492	14,878	(11,614)	159,299	165,949	6,650	231,993	181,680	(50,312)
Total Expenses		419,866	502,224	82,358	4,792,022	5,451,564	659,542	5,464,677	5,937,861	473,184
GAIN / (LOSS)		151,143	91,764	59,379	1,587,645	1,009,397	578,249	1,485,998	1,101,162	384,836
Non-Operating Expenses	91-Cash / Contingency Reserve	-	71,250	71,250	-	783,750	783,750	-	855,000	855,000
Grand Total of Expenses (Operating & Non-Operating)		419,866	573,474	153,608	4,792,022	6,235,314	1,443,292	5,464,677	6,792,861	1,328,184
TOTAL GAIN / (LOSS)		151,143	20,513	130,629	1,587,645	225,647	1,361,999	1,485,998	246,162	1,239,836



Drivers for Additional 2010 Cost

- **Start Up Costs**

- \$1,308,500 - primarily to acquire furniture, fixtures, and equipment (primarily computers and information technology)

- **Increased On-going Expenses**

- \$716,336 for additional employee expenses
 - One (1) Human Resources (HR) Manager
 - One (1) Member Services
 - One (1) Budget & Accounting Manager
 - One (1) Attorney
 - Two (2) IT personnel
- \$296,276 for corporate services, board support, internal audit (outsourced), and benefits administration costs

2010 Amended Business Plan & Budget

	Statutory	Non-Statutory	Total Combined
Previously Approved 2010 Budget	\$ 6,842,377	\$ 1,153,772	\$ 7,996,149
Net New Operating Expenses	987,251	25,359	1,012,610
Net New Start Up Budget	1,308,500	-	1,308,500
Additional Cash Reserve	215,212	4,748	219,960
Total Additional Expenses	2,510,963	30,107	2,541,070
Proposed 2010 Budget	\$ 9,353,340	\$ 1,183,879	\$ 10,537,219
Funding per MWh*	\$ 0.0301	\$ 0.0038	\$ 0.0339
Increased Headcount	5.50	0.50	6.00