



Texas Regional Entity Financial Report

Board of Directors
January 18, 2010

December 2009 Financial Review

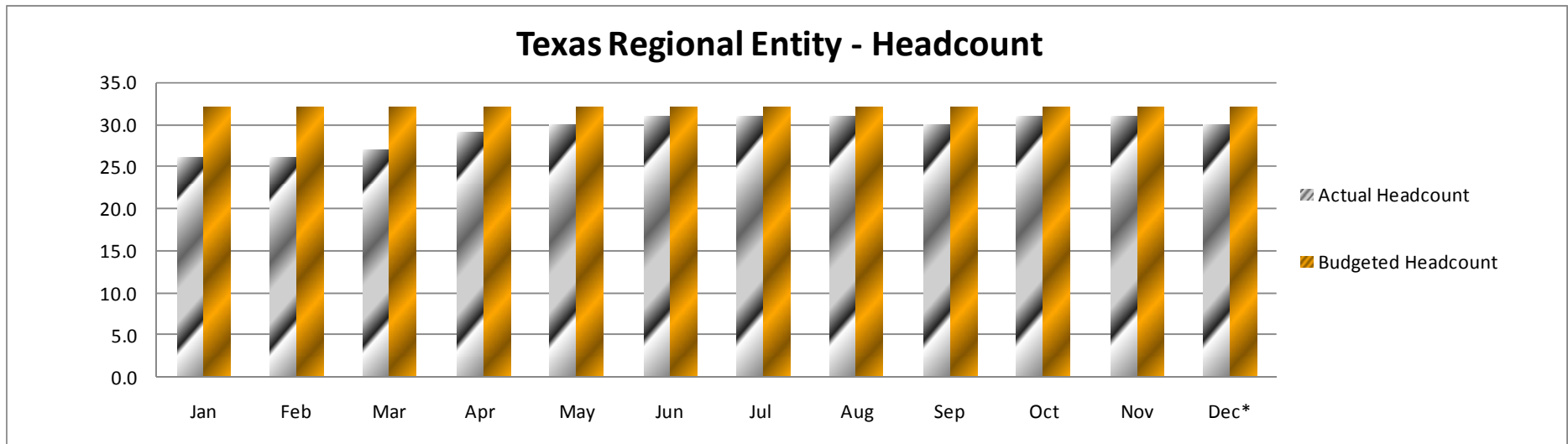
- **Texas RE has prepared an amended business plan & budget reflecting the most recent cost for implementing the new corporate structure**
- **Texas RE has accrued \$119K in NERC related expenses in December for the NERC led audit of ERCOT ISO**

December 2009 Actual Workforce

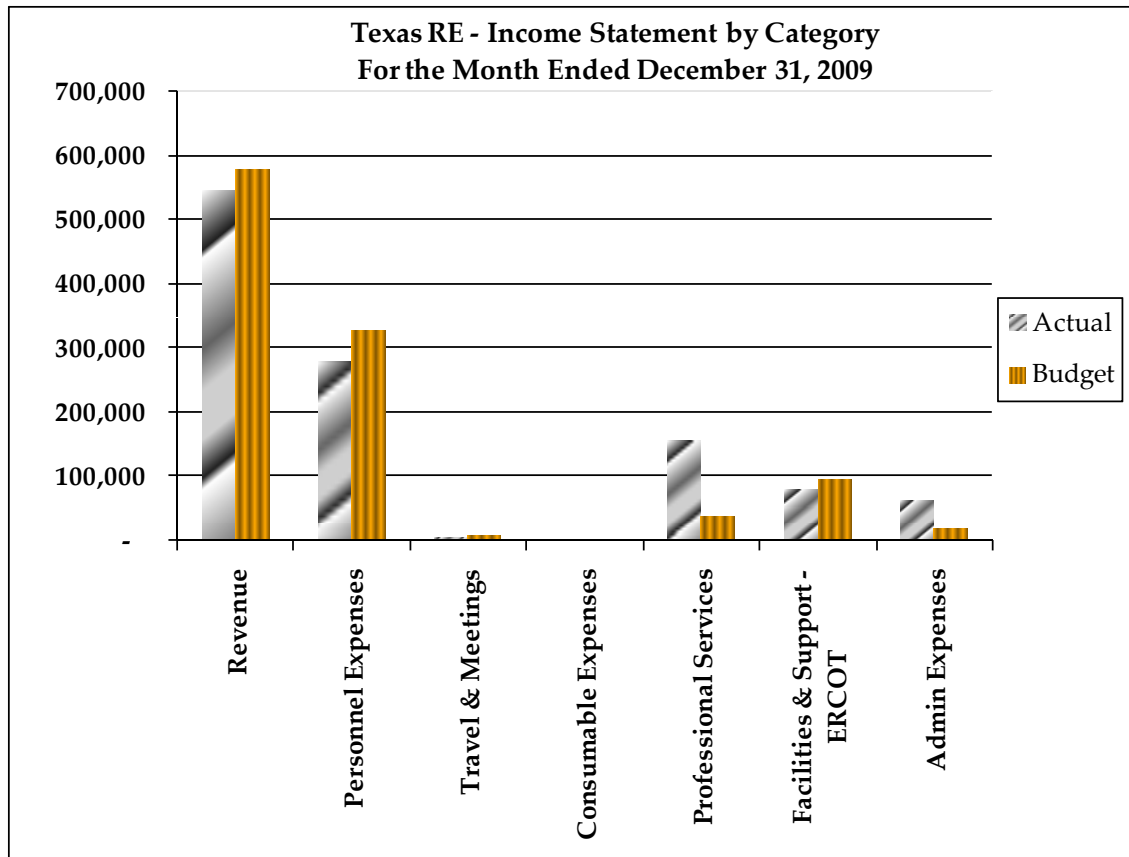
**Texas Regional Entity
Headcount
Statutory & Non-Statutory Combined
For The Month Ended December 31, 2009**

| | 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 | 30.0 |
| Budgeted Headcount | 32.0 | 32.0 | 32.0 | 32.0 | 32.0 | 32.0 | 32.0 | 32.0 | 32.0 | 32.0 | 32.0 | 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 | 2.0 |

* Does not include interns and consultants



December 2009 Operating Summary



December 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 December, but occurred in September.

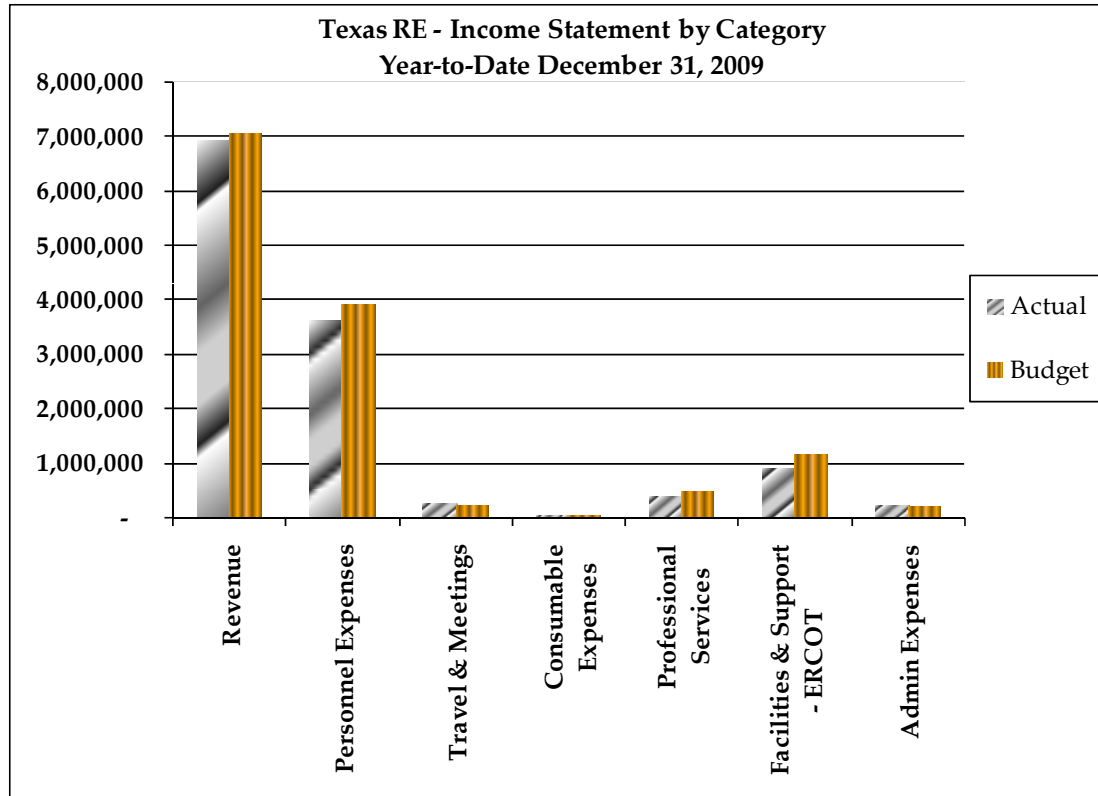
- ➔ **Consumable Expenses** - Slightly less for the month due to lower printing expenses and office supply orders.

- ➔ **Professional Services** - Higher than plan for the month primarily due to NERC bill received for ERCOT ISO audit.

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

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

YTD December 2009 Operating Summary



YTD December 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 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.

Operating Summary Statement

Texas Regional Entity
Income Statement
Statutory & Non-Statutory Consolidated
For the Period Ended December 31, 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 | 544,259 | 578,055 | (33,797) | 6,740,393 | 6,969,016 | (228,624) | 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 | 14 | - | 14 | 2,940 | - | 2,940 | 2,944 | - | 2,944 |
| Total Revenue | | 544,273 | 578,055 | (33,782) | 6,923,940 | 7,039,016 | (115,076) | 6,950,675 | 7,039,023 | (88,348) |
| Personnel | 10-Salaries | 225,223 | 247,578 | 22,355 | 2,814,535 | 2,960,004 | 145,469 | 2,823,759 | 2,945,048 | 121,289 |
| | 11-Payroll Taxes | 11,719 | 17,198 | 5,479 | 199,115 | 234,131 | 35,016 | 201,393 | 235,604 | 34,211 |
| | 12-Employee Benefits | 16,513 | 24,234 | 7,721 | 235,515 | 276,933 | 41,418 | 237,970 | 305,571 | 67,601 |
| | 13-Saving and Retirement | 25,124 | 36,871 | 11,747 | 361,473 | 425,041 | 63,569 | 358,905 | 421,495 | 62,590 |
| Total Personnel | | 278,580 | 325,881 | 47,301 | 3,610,637 | 3,896,109 | 285,472 | 3,622,028 | 3,907,718 | 285,690 |
| Travel & Meetings | 20-Meetings & Training | 1,336 | - | (1,336) | 141,142 | 105,000 | (36,142) | 139,806 | 105,000 | (34,806) |
| | 30-Travel | 4,746 | 6,784 | 2,039 | 114,026 | 112,685 | (1,341) | 117,326 | 109,651 | (7,675) |
| Total Travel & Meetings | | 6,082 | 6,784 | 703 | 255,168 | 217,685 | (37,483) | 257,133 | 214,651 | (42,482) |
| Consumables | 40-Office Supplies | 365 | 840 | 475 | 9,591 | 10,200 | 609 | 9,654 | 10,200 | 546 |
| | 41-Postage & Shipping | 404 | 200 | (204) | 5,123 | 2,400 | (2,723) | 4,986 | 2,400 | (2,586) |
| | 42-Telecommunications | 936 | 967 | 31 | 9,720 | 11,600 | 1,880 | 9,829 | 4,960 | (4,869) |
| | 43-Printing & Copying | - | 100 | 100 | 9,859 | 1,200 | (8,659) | 10,253 | 1,200 | (9,053) |
| Total Consumables | | 1,705 | 2,107 | 402 | 34,292 | 25,400 | (8,892) | 34,722 | 18,760 | (15,962) |
| Equipment & Maintenance | 50-Equipment Maintenance | 3,333 | - | (3,333) | 5,083 | - | (5,083) | 1,750 | - | (1,750) |
| Professional Services & Consultir | 60-Professional Services-Legal | 31,994 | 29,167 | (2,828) | 142,156 | 350,000 | 207,844 | 185,162 | 350,000 | 164,838 |
| | 61-Professional Services-Auditing | (15,775) | 3,750 | 19,525 | 29,010 | 45,000 | 15,990 | 30,000 | 45,000 | 15,000 |
| | 62-Professional Services-Other | 137,779 | 5,575 | (132,204) | 193,882 | 75,650 | (118,232) | 209,495 | 75,650 | (133,845) |
| Total Professional Services & Consulting | | 153,998 | 38,492 | (115,506) | 365,048 | 470,650 | 105,602 | 424,657 | 470,650 | 45,993 |
| Facilities & Support - ERCOT | 70-Rent & Improvements | 32,500 | 49,979 | 17,479 | 356,003 | 599,748 | 243,746 | 356,003 | 599,748 | 243,746 |
| | 71-Support (HR, Treas, Finance, BOD) | 26,716 | 26,388 | (328) | 290,244 | 316,654 | 26,410 | 297,366 | 316,654 | 19,288 |
| | 72-IT/MIS Support & Services | 20,514 | 19,000 | (1,514) | 239,675 | 228,000 | (11,675) | 239,027 | 228,000 | (11,027) |
| Total Facilities & Support - ERCOT | | 79,730 | 95,367 | 15,637 | 885,922 | 1,144,402 | 258,480 | 892,396 | 1,144,402 | 252,006 |
| Administrative | 73-IT/MIS Projects, Purchases & Maint | 24,579 | 5,276 | (19,303) | 132,148 | 63,988 | (68,160) | 155,496 | 63,988 | (91,507) |
| | 74-Employee Training | 585 | 750 | 165 | 7,395 | 7,440 | 45 | 7,614 | 7,440 | (174) |
| | 80-Depreciation Expense | 36,172 | 6,378 | (29,794) | 77,277 | 76,540 | (737) | 64,708 | 76,540 | 11,832 |
| | 82-Bank Fees | 104 | - | (104) | 1,557 | - | (1,557) | 1,562 | - | (1,562) |
| | 90-Miscellaneous Other | - | 5,255 | 5,255 | 2,363 | 35,640 | 33,277 | 2,613 | 33,712 | 31,099 |
| Total Administrative Expenses | | 61,441 | 17,659 | (43,782) | 220,740 | 183,608 | (37,131) | 231,993 | 181,680 | (50,312) |
| Total Expenses | | 584,869 | 486,290 | (98,579) | 5,376,891 | 5,937,854 | 560,963 | 5,464,677 | 5,937,861 | 473,184 |
| GAIN / (LOSS) | | (40,596) | 91,766 | (132,361) | 1,547,049 | 1,101,162 | 445,887 | 1,485,998 | 1,101,162 | 384,836 |
| Non-Operating Expenses | 91-Cash / Contingency Reserve | - | 71,250 | 71,250 | - | 855,000 | 855,000 | - | 855,000 | 855,000 |
| Grand Total of Expenses (Operating & Non-Operating) | | 584,869 | 557,540 | (27,329) | 5,376,891 | 6,792,854 | 1,415,963 | 5,464,677 | 6,792,861 | 1,328,184 |
| TOTAL GAIN / (LOSS) | | (40,596) | 20,515 | (61,111) | 1,547,049 | 246,162 | 1,300,887 | 1,485,998 | 246,162 | 1,239,836 |

