

PUCT PROJECT NO. 38533

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PUBLIC UTILITY COMMISSION
PUBLIC UTILITIES DIVISION

PUC REVIEW OF ERCOT BUDGET § PUBLIC UTILITY COMMISSION
§ OF TEXAS
§

ERCOT'S 2014/2015 BIENNIAL BUDGET SUBMISSION

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PUCT PROJECT NO. 38533

PUC REVIEW OF ERCOT BUDGET § PUBLIC UTILITY COMMISSION
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ERCOT'S 2014/2015 BIENNIAL BUDGET SUBMISSION

COMES NOW, Electric Reliability Council of Texas, Inc. (ERCOT) and files its *2014/2015 Biennial Budget Submission*, pursuant to P.U.C. SUBST. R. 25.363(d) and H.B. No. 1600 (the Sunset Act),¹ for review by the Commission.

I. Background & Summary

The Commission adopted P.U.C. SUBST. R. 25.363(d) on March 22, 2011. The rule provides that ERCOT's annual budget and any change in the system administration fee are subject to review by the Commission, and sets forth a process for Commission participation in the budget development process for ERCOT. On May 25, 2013, the Texas Legislature, through the Sunset Act, amended Public Utility Regulatory Act (PURA) Section 39.151 by amending Subsections (d-1) and (e), and adding Subsection (d-2), (d-3), (d-4), and (e-1), with an effective date of September 1, 2013. In relevant part, the Sunset Act specifies that the review and approval of ERCOT's proposed budget, or a proceeding to authorize or set the range for the amount of a System Administration Fee is not considered a contested case.² The Sunset Act also authorizes the Commission to request ERCOT to prepare either annual or biennial budgets.

Upon approval of an ERCOT budget, the Sunset Act requires the Commission to authorize ERCOT to charge a "reasonable and competitively neutral" System Administration Fee, within a range determined by the Commission, as the means for ERCOT to collect the

¹ On May 25, 2013, Section 39.151 of the Public Utility Regulatory Act (PURA) was amended by the Texas Legislature by amending Subsections (d-1) and (e), and adding Subsection (d-2), (d-3), (d-4), and (e-1), with an effective date of September 1, 2013. See H.B. 1600, 83rd Leg., R.S., Article 1, Section 1.08, available at <http://www.capitol.state.tx.us/tlodocs/83R/billtext/html/HB01600F.htm>.

² *Id.*, Subsection (e-1).

revenues to fund its approved budget.³ ERCOT's System Administration Fee must be based on ERCOT's expected cost of performing its required functions as described in PURA § 39.151(a) and P.U.C. SUBST. R. 25.363. In determining whether ERCOT's System Administration Fee is reasonable and necessary, the Commission may consider the following: (i) ERCOT's budget justification; (ii) ERCOT's long-term operations plan; (iii) costs incurred by Market Participants and other Independent System Operators for similar activities; (iv) costs incurred in prior years; (v) capital projects identified in ERCOT's budget; and (vi) any other information and data considered appropriate by the Commission.⁴

The 2014/2015 ERCOT biennial budget included in this submission contemplates an increase in the ERCOT System Administration Fee from \$0.4171 per Megawatt hour (MWh) in 2013 to \$0.4650 per MWh for years 2014 and 2015. ERCOT's request does not seek to revise the manner in which the System Administration Fee is charged and collected, which the Commission has previously found to be reasonable and competitively neutral.⁵

In its *2014/2015 Biennial Budget Submission*, ERCOT has included information and data supporting the reasonableness of its budget request and the proposed increase to ERCOT's System Administration Fee. ERCOT's proposed System Administration Fee represents the first increase in the fee in nine years.⁶

II. Consultation with Commission Staff

In accordance with § 25.363(d), ERCOT staff consulted "with commission staff designated by the executive director in connection with the development of the budget," and

³ *Id.*, Subsection (e).

⁴ P.U.C. SUBST. R. 25.363(c).

⁵ See *Application of the Electric Reliability Council of Texas to Change the ERCOT Administrative Fee*, Docket No. 28832 (March 18, 2004); *Application of the Electric Reliability Council for Approval of the ERCOT Administrative Fee*, Docket No. 31824 (May 15, 2006).

⁶ *Application of the Electric Reliability Council of Texas to Change the ERCOT Administrative Fee*, Docket No. 28832 (March 18, 2004).

provided “to the staff information concerning budget strategies, staffing requirements, categories of expenses, capital outlays, exceptional expenses and capital items, and proposals to incur additional debt.” ERCOT and Commission staff began the consultation meetings in March 2013, and held regular meetings as ERCOT prepared its 2014/2015 biennial budget for approval by the ERCOT Board in July 2013. Between the consultation meetings, ERCOT staff responded to informal information requests from Commission staff regarding particular budget categories and the format of ERCOT’s budget presentation. To ERCOT’s knowledge, it has responded to all the requests or concerns raised by Commission staff in the consultation process.

As part of the consultation meetings, Commission staff recommended that ERCOT continue to utilize a format for structuring the budget filed with the Commission that includes the key components of the Legislative Appropriations Request (LAR) utilized by the Texas Legislative Budget Board. ERCOT has organized its budget schedules to conform to the LAR format to the extent possible, and has prepared a summary statement from ERCOT’s President & Chief Executive Officer similar to the LAR “Administrator’s Statement.” After the passage of the Sunset Act, Commission staff requested that ERCOT file a biennial, rather than annual, budget for review in the 2014/2015 budget cycle. In addition, Commission staff authorized ERCOT to file its budget and fee request by a mutually agreed deadline of September 3, 2013.⁷

III. ERCOT Board Approval of 2014/2015 ERCOT Biennial Budget

The ERCOT Board approved the proposed 2014/2015 ERCOT biennial budget at its meeting on July 16, 2013. The ERCOT Board adopted the budget recommendations of ERCOT staff and the Board’s Finance and Audit (F&A) Committee, which included identification of operating expenses, project spending, and debt service obligations. The F&A Committee discussed the development of the 2014/2015 ERCOT biennial budget in public meetings held in

⁷ The Commission’s Order approving ERCOT’s 2013 budget required ERCOT to file its 2014 budget request by May 1, 2013, but permitted Commission staff to authorize a later filing date. The September 3, 2013 deadline was memorialized in a letter from PUC Special Counsel Thomas S. Hunter, filed on July 26, 2013 in Docket No. 38533 (Interchange Item No. 14).

the first and second quarters of 2013.⁸ A copy of the July 16, 2013 ERCOT Board resolution approving the budget is included in this submission as Attachment A. The budget presentation made by ERCOT staff at the July 16, 2013 Board meeting is included as Attachment B.

The ERCOT Board's decision to approve the 2014/2015 ERCOT biennial budget was not appealed by any party to the Commission. The Commission's procedural rules require that if a party seeks Commission review of "ERCOT conduct," it must file its complaint at the Commission "within 35 days of the ERCOT conduct complained of" ⁹ The term ERCOT "conduct" is defined as "a decision or an act done or omitted to be done."¹⁰ Under ERCOT's governing documents, a vote of the ERCOT Board constitutes a "decision" made by ERCOT.¹¹ The thirty-five (35) day appeal period expired on August 20, 2013, and no party has contested the Board's approval of the 2014/2015 ERCOT biennial budget.

IV. Contents of ERCOT's Budget Submission

In addition to this pleading, ERCOT's budget submission includes the following attachments:

- A. ERCOT Board Resolution approving proposed budget and System Administration Fee
- B. ERCOT Staff Presentation to the ERCOT Board of 2014/2015 Biennial Budget
- C. Statement of ERCOT CEO Summarizing the 2014/2015 Biennial Budget
- D. ERCOT 2014/2015 Biennial Budget Schedules and Workpapers
- E. ERCOT 2013 – 2017 Strategic Plan

⁸ The F&A Committee agendas and budget presentation materials are available at: http://www.ercot.com/committees/board/finance_audit/.

⁹ P.U.C. PROC. R. 22.251(d). A party may also file a request for alternative dispute resolution (ADR) under Section 20 of the ERCOT Protocols to contest ERCOT decisions. ERCOT would not expect a party contesting the budget to file for ADR rather than appealing to the Commission under § 22.251, but ERCOT notes for the record that no party filed an ADR contesting the ERCOT Board's approval of the 2014/2015 ERCOT biennial budget.

¹⁰ *Id.*, 22.251(b).

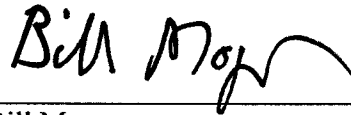
¹¹ ERCOT Bylaws, Section 4.7(b).

V. Conclusion

ERCOT's 2014/2015 biennial budget submission, and the consultation process with Commission staff prior to seeking ERCOT Board approval of its budget, conform to the requirements for approval of the ERCOT budget included in P.U.C. SUBST. R. 25.363(d) and the Sunset Act. ERCOT respectfully requests that the Commission take the actions necessary to approve the 2014/2015 ERCOT biennial budget and authorize the proposed System Administration Fee prior to the beginning of ERCOT's 2014 fiscal year on January 1, 2014.

Respectfully Submitted,

By:



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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 accept the recommendations of ERCOT staff and the Finance and Audit (F&A) Committee that the Board approve ERCOT's proposed 2014 / 2015 Biennial Budget (Budget), which includes operating expenses, project spending, and debt service obligations; and

WHEREAS, Sections 4.10 (*Duties*) and 10.3 (*Budget*) of the Amended and Restated Bylaws of Electric Reliability Council of Texas, Inc., approved on April 16, 2010 (Bylaws), requires that the Board approve the ERCOT Budget; and

WHEREAS, ERCOT staff discussed financial concepts, assumptions, methodologies and schedules relating to the Budget in a public meeting with the F&A Committee, and consulted with the staff of the Public Utility Commission of Texas regarding development of the Budget; and

WHEREAS, ERCOT management presented its recommended 2014 / 2015 Biennial Budget, which includes a revenue requirement totaling \$175,852,155 and \$179,950,633 respectively with debt-funded project spending of \$15,000,000 each year; and

WHEREAS, the Budget proposed by ERCOT management will require an increase in the ERCOT System Administration Fee from \$0.4171 to \$0.4650 for 2014 and 2015;

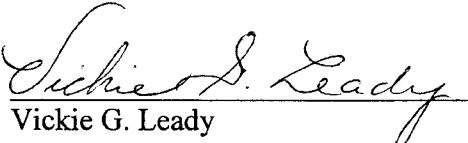
THEREFORE, BE IT RESOLVED, that the Board hereby:

- Approves the recommended 2014 / 2015 Biennial Budget as set forth in Attachment A, which includes \$190,852,155 and \$194,950,633 respectively total spending authorization for operating expenses, project spending, and debt service obligations; and
- Approves the request for a recommended increase to the ERCOT System Administration Fee from \$0.4171 to \$0.4650 per megawatt-hour for 2014 and 2015; and
- Authorizes ERCOT Legal to file the Board-approved 2014 / 2015 Biennial Budget for approval by the PUCT, pursuant to P.U.C. Substantive Rule Section 25.363(d).

CORPORATE SECRETARY'S CERTIFICATE

I, Vickie G. Leady, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its July 16, 2013 meeting, the ERCOT Board passed a motion approving the above Resolution by unanimous voice vote with no abstentions.

IN WITNESS WHEREOF, I have hereunto set my hand this 17th day of July, 2013.


Vickie G. Leady
Assistant Corporate Secretary

Attachment A - Proposed 2014 / 2015 Biennial Budget Revenue Requirements

ERCOT Fiscal Years 2014 and 2015 Budget (\$ in Thousands) Revenue Requirements

Line		2012 Actual	2013 Forecast	2013 Budget	2014 Request	2015 Request	2016 Projection	2017 Projection	2018 Projection	2019 Projection
1	Operating Expenses									
2	Labor	\$ 71,591	\$ 77,065	\$ 77,165	\$ 86,350	\$ 89,804	\$ 93,396	\$ 97,132	\$ 101,017	\$ 105,058
3	Hardware & Software Support & Maintenance	18,478	19,131	19,706	20,654	20,972	21,330	21,735	22,160	22,595
4	Facilities & Equipment	8,931	8,860	10,033	8,947	9,103	9,273	9,458	9,651	9,848
5	Outside Services	7,782	4,695	4,077	4,917	4,341	4,442	4,280	4,666	4,461
6	Independent Market Monitoring	2,800	3,200	2,900	3,300	3,400	3,500	3,600	3,670	3,743
7	Protocol Services	999	1,029	1,029	970	999	1,029	1,060	1,092	1,124
8	Market Design Contingency	-	-	-	1,000	-	-	-	-	-
9	Other Expenses	4,463	4,469	4,144	4,638	4,709	4,789	4,880	4,976	5,073
10	Employee Expenses	1,498	1,601	1,601	1,909	1,938	1,971	2,008	2,048	2,088
11	Wide Area Network	3,363	2,980	2,880	3,505	3,559	3,619	3,688	3,760	3,834
12	Subtotal - Operating Expenses	119,906	123,030	123,533	136,189	138,825	143,350	147,841	153,040	157,826
13	Debt Service Obligations									
14	Principal Payments	26,200	15,242	16,570	15,031	16,030	16,568	14,660	18,757	15,644
15	Interest Expense	3,382	2,328	2,328	2,633	3,095	3,218	3,340	3,463	3,585
16	Subtotal - Debt Service Obligations	29,582	17,570	18,898	17,663	19,125	19,786	18,000	22,220	19,229
17	Revenue-Funded Project Expenditures									
18	Project Expenditures	16,366	15,000	15,000	25,000	25,000	25,000	25,000	25,000	25,000
19	Debt-Funded Project Expenditures	9,820	9,000	9,000	15,000	15,000	15,000	15,000	15,000	15,000
20	Subtotal - Revenue-Funded Project Expenditures	6,546	6,000	6,000	10,000	10,000	10,000	10,000	10,000	10,000
21	Reliability Organization Assessment	13,062	11,749	13,249	12,000	12,000	12,000	12,000	12,000	12,000
22	Subtotal - Revenue Requirements	169,096	158,348	161,680	175,852	179,951	185,136	187,841	197,260	199,054
23										
24	Revenue Sources									
25	System Administration Fee Revenue	136,273	138,996	139,896	159,309	163,345	168,461	171,088	180,423	182,132
26	Reliability Organization Assessment Fee	13,062	11,749	13,249	12,000	12,000	12,000	12,000	12,000	12,000
27	Wide Area Network Revenue	3,276	2,939	2,820	3,447	3,500	3,560	3,627	3,698	3,771
28	Other Revenue	1,126	1,175	915	1,096	1,105	1,115	1,127	1,139	1,151
29	Prior Year Carry Forward	15,359	3,490	4,800	-	-	-	-	-	-
30	Subtotal - Revenue Sources	169,096	158,348	161,680	175,852	179,951	185,136	187,841	197,260	199,054
31										
32	System Administration Fee Calculation									
33	System Administration Fee Revenue	136,273	138,996	139,896	159,309	163,345	168,461	171,088	180,423	182,132
34	Energy Consumption (GWH)	326,715	333,208	335,401	342,600	351,281	362,281	367,930	372,007	375,531
35	System Administration Fee	0 4171	0 4171	0 4171	0 4650	0 4650	0 4650	0 4650	0 4850	0 4850
36										
37	Total Spending Authorization Computation									
38	Revenue Requirements	169,096	158,348	161,680	175,852	179,951	185,136	187,841	197,260	199,054
39	Debt-Funded Project Expenditures	9,820	9,000	9,000	15,000	15,000	15,000	15,000	15,000	15,000
40	Total Spending Authorization	\$ 178,916	\$ 167,348	\$ 170,680	\$ 190,852	\$ 194,951	\$ 200,136	\$ 202,841	\$ 212,260	\$ 214,054
Item 9.1										



Date: July 9, 2013
To: Board of Directors
From: H.B. "Trip" Doggett, ERCOT President and Chief Executive Officer (CEO)
Subject: 2014 / 2015 Biennial Budget

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: July 16, 2013

Item No.: 9.1

Issue:

Whether the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) should approve ERCOT staff's recommended 2014 / 2015 Biennial Budget, which includes operating expenses, project spending, and debt service obligations, with funding sources to include an increase to the ERCOT System Administration Fee.

Background/History:

Sections 4.10 (*Duties*) and 10.3 (*Budget*) of the ERCOT Bylaws requires that the Board approve the ERCOT Budget. Section 3.3 of the Board Policies and Procedures, amended effective July 1, 2012 (Board Policies), provides as follows:

The CEO will present to the Board ... an annual Budget to carry out the Board's directives for the following year. The Budget will include projections of ERCOT's overall financial performance and financing plans, and describe the services, projects, programs, and the associated revenues and expenditures for the next fiscal year. Adoption of the Budget by the Board and as approved by the PUCT authorizes the CEO to complete work plans and make associated expenditures as provided for in accordance with the Budget.

Public Utility Commission of Texas (PUCT) Substantive Rule Section 25.363(d) provides that the ERCOT Budget and any change in the system administration fee are subject to review and approval by the PUCT. PUCT Substantive Rule Section 25.363(d) further provides that, prior to submission of the ERCOT Budget for Board approval, ERCOT shall consult with PUCT staff in connection with the development of the Budget and provide PUCT staff with information concerning budget strategies, staffing requirements, categories of expenses, capital outlays, exceptional expenses and capital items, and proposals to incur additional debt. Effective September 1, 2013, H.B. No. 1600, Section 1.08, authorizes ERCOT, with PUCT approval, to charge a system administration fee, within a range determined by the PUCT, that is reasonable and competitively neutral to fund the approved budget. In the first and second quarters of 2013, ERCOT staff discussed financial concepts, assumptions, methodologies, schedules and a system administration fee range relating to the 2014 / 2015 Biennial Budget with the PUCT staff designated by the PUCT Executive Director.



ERCOT management will present its recommended 2014 / 2015 Biennial Budget to the F&A Committee on July 15, 2013. The recommended 2014 / 2015 Biennial Budget includes revenue requirements of \$175,852,155 in 2014 and \$179,950,633 in 2015. The Biennial Budget also includes debt-funded project spending of \$15,000,000 each year, which enables ERCOT to undertake projects totaling \$25,000,000 each year.

The recommended 2014 / 2015 Biennial Budget requires an increase to the ERCOT System Administration Fee from \$0.4171 to \$0.4650 per megawatt-hour. The ERCOT System Administration Fee has been the same rate of \$0.4171 from 2006-2013.

	2014 Recommended Amount <u>(\$ in thousands)</u>	2015 Recommended Amount <u>(\$ in thousands)</u>
<u>Revenue sources</u>		
ERCOT System Administration Fee	\$159,309	\$163,345
NERC/ERO pass-through cost recovery	12,000	12,000
Other revenue	<u>4,543</u>	<u>4,605</u>
Subtotal – Revenue sources	<u>\$175.852</u>	<u>\$179.951</u>
 <u>Revenue requirements</u>		
Operating and maintenance	\$136,189	\$138,825
Debt service (principal and interest)	17,663	19,125
NERC/ERO pass-through cost	12,000	12,000
Revenue-funded project spending	<u>10,000</u>	<u>10,000</u>
Subtotal – Revenue requirements	<u>\$175.852</u>	<u>\$179.951</u>
 <u>Spending authorization</u>		
Revenue requirements	175,852	179,951
Debt-funded project spending	<u>15,000</u>	<u>15,000</u>
Total – Spending authorization	<u>\$190.852</u>	<u>\$194.951</u>

The F&A Committee will meet prior to the Board meeting on Monday, July 15, 2013, and is expected to make a recommendation to the Board regarding the 2014 / 2015 Biennial Budget. The Board is expected to consider the F&A Committee's recommendation on Tuesday, July 16, 2013.

If the F&A Committee recommends that the Board approve the 2014 / 2015 Biennial Budget and the Board so approves the Budget, then ERCOT staff will seek PUCT approval of the Board-approved 2014 / 2015 Biennial Budget, as required by PUCT Substantive Rule Section 25.363(d).



Key Factors Influencing Issue:

- Sections 4.10 and 10.3 of the Bylaws require that the Board approve the ERCOT Budget for the ensuing one or more fiscal years.
- ERCOT requires approval of the Budget by the Board and the PUCT for funding to enable ERCOT to fulfill its statutory functions as an independent organization as required by PURA Section 39.151(a). For instance, ERCOT must have adequate funds in 2014 and 2015 to:
 - Staff appropriately to participate in and support full market operations;
 - Implement system improvements and required functionality to support the market;
 - 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.

Conclusion/Recommendation:

ERCOT management respectfully requests that the F&A Committee recommend management's recommendations for Board approval, and that the Board:

- Approve the recommended 2014 / 2015 Biennial Budget as set forth in Attachment A, which includes \$190,852,155 and \$194,950,633 respectively total spending authorization for operating expenses, project spending, and debt service obligations;
- Approve the recommended increase to the ERCOT System Administration Fee from \$0.4171 to \$0.4650 per megawatt-hour for 2014 and 2015; and
- Authorize ERCOT Legal to file the Board-approved 2014 / 2015 Biennial Budget for approval by the PUCT, pursuant to P.U.C. Substantive Rule Section 25.363(d).



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 accept the recommendations of ERCOT staff and the Finance and Audit (F&A) Committee that the Board approve ERCOT's proposed 2014 / 2015 Biennial Budget (Budget), which includes operating expenses, project spending, and debt service obligations; and

WHEREAS, Sections 4.10 (*Duties*) and 10.3 (*Budget*) of the Amended and Restated Bylaws of Electric Reliability Council of Texas, Inc., approved on April 16, 2010 (Bylaws), requires that the Board approve the ERCOT Budget; and

WHEREAS, ERCOT staff discussed financial concepts, assumptions, methodologies and schedules relating to the Budget in a public meeting with the F&A Committee, and consulted with the staff of the Public Utility Commission of Texas regarding development of the Budget; and

WHEREAS, ERCOT management presented its recommended 2014 / 2015 Biennial Budget, which includes a revenue requirement totaling \$175,852,155 and \$179,950,633 respectively with debt-funded project spending of \$15,000,000 each year; and

WHEREAS, the Budget proposed by ERCOT management will require an increase in the ERCOT System Administration Fee from \$0.4171 to \$0.4650 for 2014 and 2015;

THEREFORE, BE IT RESOLVED, that the Board hereby:

- Approves the recommended 2014 / 2015 Biennial Budget as set forth in Attachment A, which includes \$190,852,155 and \$194,950,633 respectively total spending authorization for operating expenses, project spending, and debt service obligations; and
- Approves the request for a recommended increase to the ERCOT System Administration Fee from \$0.4171 to \$0.4650 per megawatt-hour for 2014 and 2015; and
- Authorizes ERCOT Legal to file the Board-approved 2014 / 2015 Biennial Budget for approval by the PUCT, pursuant to P.U.C. Substantive Rule Section 25.363(d).

CORPORATE SECRETARY'S CERTIFICATE

I, Vickie G. Leady, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its July 16, 2013 meeting, the ERCOT Board passed a motion approving the above Resolution by _____.

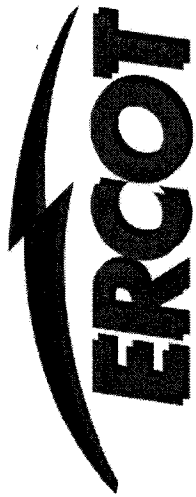
IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of July, 2013.

Vickie G. Leady
Assistant Corporate Secretary

Attachment A - Proposed 2014 / 2015 Biennial Budget Revenue Requirements

ERCOT Fiscal Years 2014 and 2015 Budget (\$ in Thousands) Revenue Requirements

Line	2012 Actual	2013 Forecast	2013 Budget	2014 Request	2015 Request	2016 Projection	2017 Projection	2018 Projection	2019 Projection
Operating Expenses									
1									
2	\$ 71,591	\$ 77,065	\$ 77,165	\$ 86,350	\$ 89,804	\$ 93,396	\$ 97,132	\$ 101,017	\$ 105,058
3	18,478	19,131	19,706	20,654	20,972	21,330	21,735	22,160	22,595
4	8,931	8,860	10,033	8,947	9,103	9,273	9,458	9,651	9,848
5	7,782	4,695	4,077	4,917	4,341	4,442	4,280	4,666	4,461
6	2,800	3,200	2,900	3,300	3,400	3,500	3,600	3,670	3,743
7	999	1,029	1,029	970	999	1,029	1,060	1,092	1,124
8	-	-	-	1,000	-	-	-	-	-
9	4,463	4,469	4,144	4,638	4,709	4,789	4,880	4,976	5,073
10	1,498	1,601	1,601	1,909	1,938	1,971	2,008	2,048	2,088
11	3,363	2,980	2,880	3,505	3,559	3,619	3,688	3,760	3,834
12	119,906	123,030	123,533	136,189	138,825	143,350	147,841	153,040	157,826
Debt Service Obligations									
13									
14	26,200	15,242	16,570	15,031	16,030	16,568	14,560	18,757	15,644
15	3,382	2,328	2,328	2,633	3,095	3,218	3,340	3,463	3,585
16	29,582	17,570	18,898	17,663	19,125	19,786	18,000	22,220	19,229
Revenue-Funded Project Expenditures									
17									
18	16,366	15,000	15,000	25,000	25,000	25,000	25,000	25,000	25,000
19	9,820	9,000	9,000	15,000	15,000	15,000	15,000	15,000	15,000
20	6,546	6,000	6,000	10,000	10,000	10,000	10,000	10,000	10,000
21	13,062	11,749	13,249	12,000	12,000	12,000	12,000	12,000	12,000
22	169,096	158,348	161,680	175,852	179,951	185,136	187,841	197,260	199,054
23									
Revenue Sources									
24									
25	136,273	138,996	139,896	159,309	163,345	168,461	171,088	180,423	182,132
26	13,062	11,749	13,249	12,000	12,000	12,000	12,000	12,000	12,000
27	3,276	2,939	2,820	3,447	3,500	3,560	3,627	3,698	3,771
28	1,126	1,175	915	1,096	1,105	1,115	1,127	1,139	1,151
29	15,359	3,490	4,800	-	-	-	-	-	-
30	169,096	158,348	161,680	175,852	179,951	185,136	187,841	197,260	199,054
31									
System Administration Fee Calculation									
32									
33	136,273	138,996	139,896	159,309	163,345	168,461	171,088	180,423	182,132
34	326,715	333,208	335,401	342,600	351,281	362,281	367,930	372,007	375,531
35	0.4171	0.4171	0.4171	0.4650	0.4650	0.4650	0.4650	0.4850	0.4850
36									
37									
Total Spending Authorization Computation									
38	169,096	158,348	161,680	175,852	179,951	185,136	187,841	197,260	199,054
39	9,820	9,000	9,000	15,000	15,000	15,000	15,000	15,000	15,000
40	178,916	167,348	170,680	190,852	194,951	200,136	202,841	212,260	214,054



Item 9.1: Recommendation Regarding 2014-15 Budget

Michael Petterson
VP, Finance & Treasury

Board of Directors Meeting
ERCOT Public
July 16, 2013

Recommendation Regarding 2014-15 Budget Introduction

- **Bottoms up, zero-based resource requests with top-down challenge and rationalization**
- **Cost consciousness and efficiency**
- **Considers and is consistent with:**
 - Strategic plans
 - Risk assessments
 - Key performance indicators

Recommendation Regarding 2014-15 Budget Introduction

- ERCOT, the PUC, and Market Participants all anticipated that moving to a nodal market would increase ERCOT's operating costs.
- Since Nodal Go-Live (Dec. 2010), ERCOT has effectively managed nodal operations, but has not requested a fee increase to cover the additional costs.
- Looking toward 2014-15, ERCOT does not believe ongoing cost control initiatives will be sufficient to fully offset incremental costs of managing the nodal market (and costs of other additional work and duties).
- The ERCOT management team takes our duty to prudently manage our resources extremely seriously.
- The requested increase in the System Administration Fee from \$0.4171/MWH to \$0.4650/MWH for 2014-15 (an increase of \$0.0479/MWH or approximately 11.5%) is a reasonable response to the challenges facing ERCOT.

ERCOT
Fiscal Years 2014 and 2015 Budget (\$ In Thousands)
Revenue Requirements - Current Year Budget vs. Years Requested

Line	(\$ Thousands)	2013			2014			2015			2014 vs. 2015 Variance		
		Forecast	Budget	Request	Budget	Request	Request	Request	\$	%	\$	%	
1	Operating expenses												
2	* Labor	\$ 77,065	\$ 77,165	\$ 86,350	\$ 9,185	\$ 11.9	\$ 89,804	\$ 3,454	4.0				
3	* Hardware & Software Support & Maintenance	19,131	19,706	20,654	949	4.8	20,972	318	1.5				
4	* Facilities & Equipment	8,860	10,033	8,947	(1,086)	(10.8)	9,103	156	1.7				
5	* Outside Services	4,695	4,917	4,917	840	20.6	4,341	(576)	(11.7)				
6	Independent Market Monitoring	3,200	2,900	3,300	400	13.8	3,400	100	3.0				
7	Protocol Services	1,029	1,029	970	(59)	(5.7)	999	29	3.0				
8	Market Design Contingency	-	-	1,000	1,000	-	-	(1,000)	(100.0)				
9	Other Expenses	4,469	4,144	4,638	494	11.9	4,709	71	1.5				
10	Employee Expenses	1,601	1,601	1,909	308	19.2	1,938	29	1.5				
11	Wide Area Network	2,980	2,880	3,505	625	21.7	3,559	54	1.5				
12	Subtotal - Operating Expenses	123,030	123,533	136,189	12,655	10.2	138,825	2,636	1.9				
13	Debt Service Obligations												
14	Principal Payments	15,242	16,570	15,031	(1,539)	(9.3)	16,030	1,000	6.7				
15	Interest Expense	2,328	2,328	2,633	305	13.1	3,095	463	17.6				
16	Subtotal - Debt Service Obligations	17,570	18,898	17,663	(1,234)	(6.5)	19,125	1,462	8.3				
17	Revenue-Funded Project Expenditures												
18	* Project Expenditures	15,000	15,000	25,000	10,000	66.7	25,000	-	-				
19	Debt-Funded Project Expenditures	9,000	9,000	15,000	6,000	66.7	15,000	-	-				
20	Subtotal - Revenue-Funded Project Expenditures	6,000	6,000	10,000	4,000	66.7	10,000	-	-				
21	Reliability Organization Assessment	11,749	13,249	12,000	(1,249)	(9.4)	12,000	-	-				
22	Subtotal - Revenue Requirements	158,348	161,680	175,852	14,172	8.8	179,951	4,098	2.3				
23													
24	Revenue Sources												
25	System Administration Fee Revenue	138,996	139,896	159,309	19,413	13.9	163,345	4,036	2.5				
26	Reliability Organization Assessment Fee	11,749	13,249	12,000	(1,249)	(9.4)	12,000	-	-				
27	Wide Area Network Revenue	2,939	2,820	3,447	627	22.2	3,500	53	1.5				
28	Other Revenue	1,175	915	1,096	181	19.8	1,105	9	0.8				
29	Prior Year Carry Forward	3,490	4,800	-	(4,800)	(100.0)	-	-	-				
30	Subtotal - Revenue Sources	158,348	161,680	175,852	14,172	8.8	179,951	4,098	2.3				
31													
32	System Administration Fee Calculation												
33	System Administration Fee Revenue	138,996	139,896	159,309	19,413	13.9	163,345	4,036	2.5				
34	Energy Consumption (GWH)	333,208	335,401	342,600	7,199	2.1	351,281	8,681	2.5				
35	System Administration Fee	0,471	0,4171	0,4650	0,0479	11.5	0,4650	-	-				
36													
37	Total Spending Authorization Computation												
38	Revenue Requirements	158,348	161,680	175,852	14,172	8.8	179,951	4,098	2.3				
39	Debt-Funded Project Expenditures	9,000	9,000	15,000	6,000	66.7	15,000	-	-				
40	Total Spending Authorization	\$ 167,348	\$ 170,680	\$ 190,852	\$ 20,172	11.8	\$ 194,951	\$ 4,098	2.1				

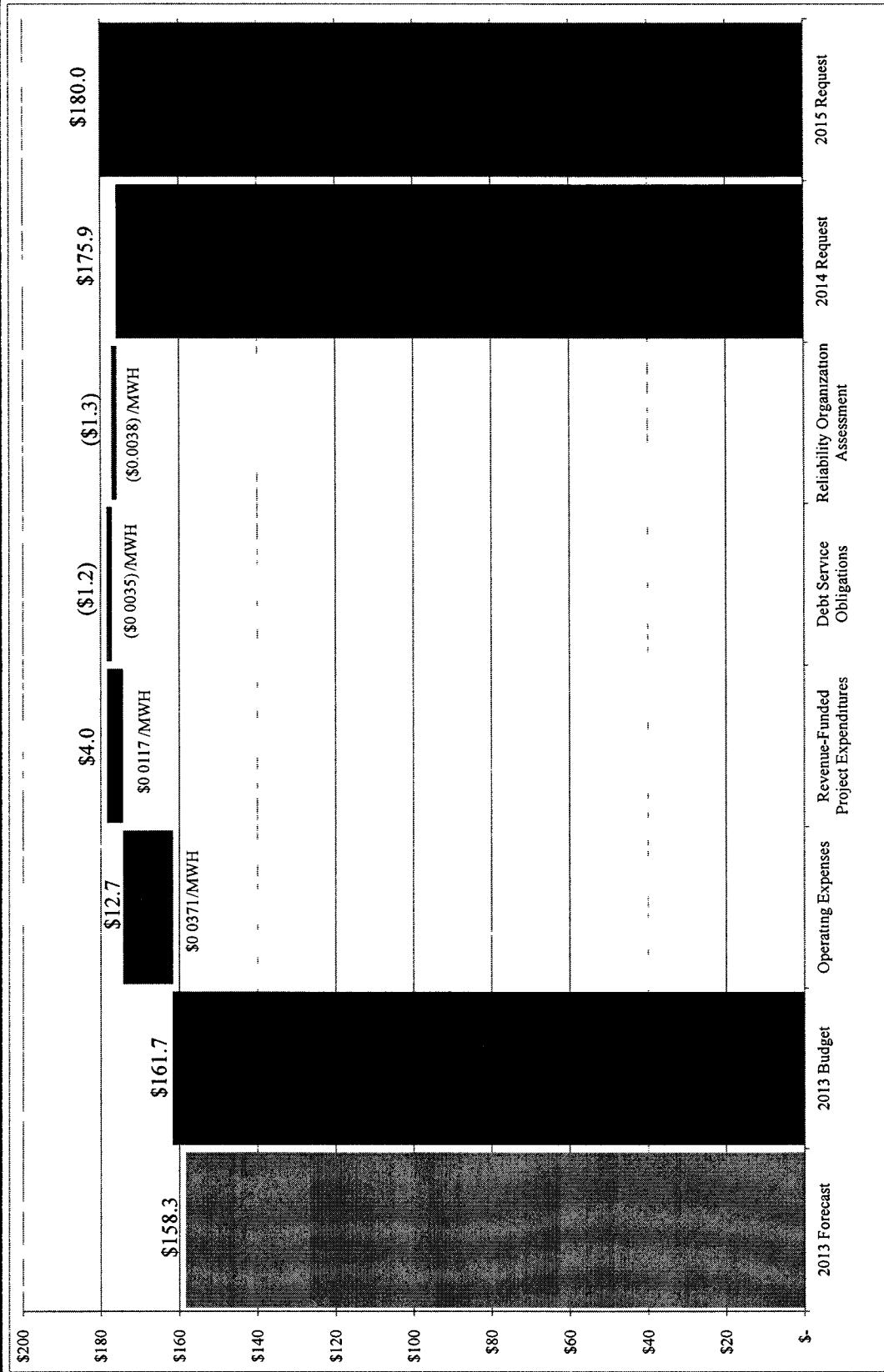
* Indicates that a waterfall chart is included for the corresponding line

Recommendation Regarding 2014-15 Budget

Appendix A 2013 Budget vs. 2014 Request Variance Analysis

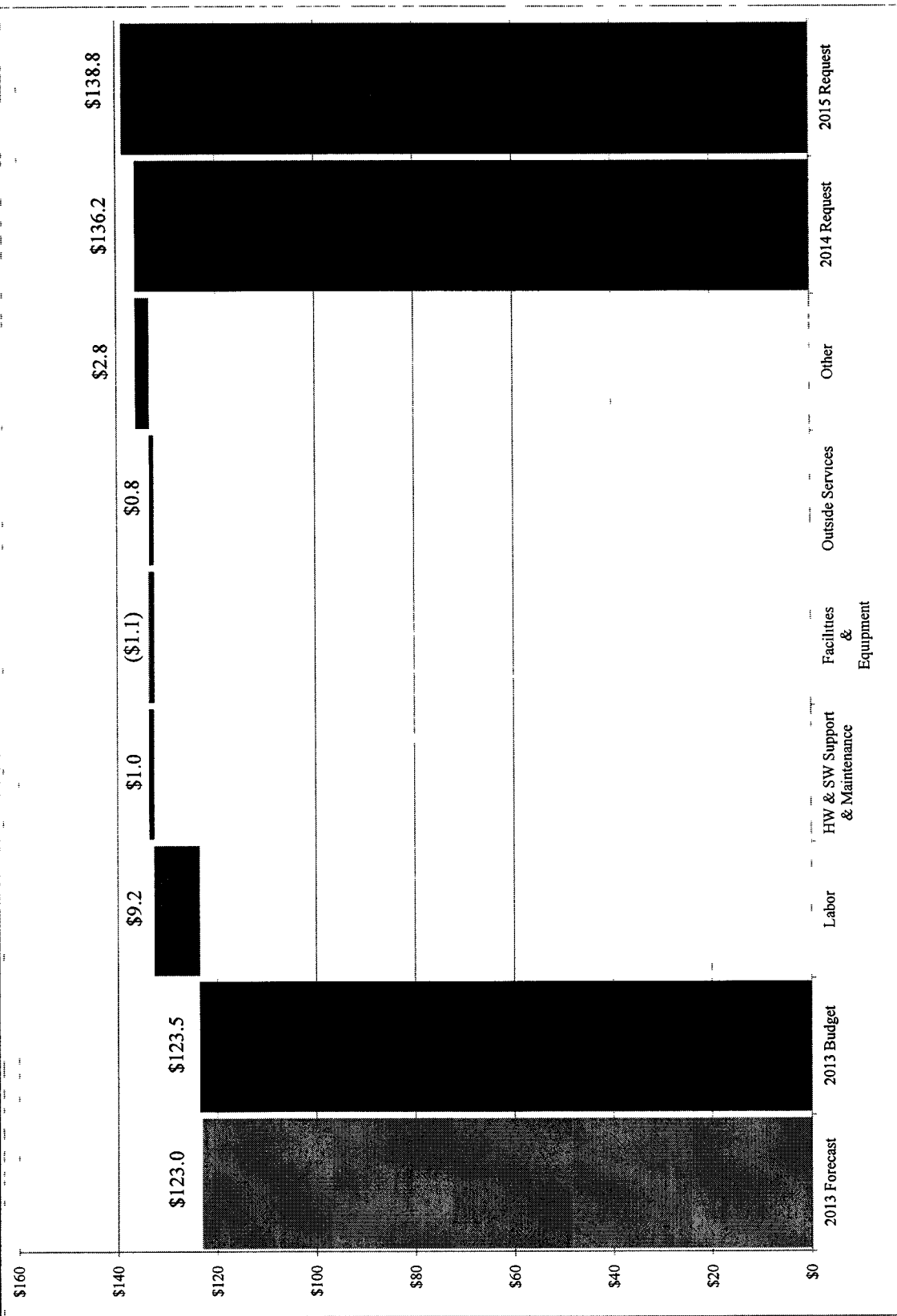
ERCOT

**Fiscal Years 2014 and 2015 Budget (\$ In Millions)
2013 Budget vs. 2014 Request Variance Analysis - All Expenditure Categories**



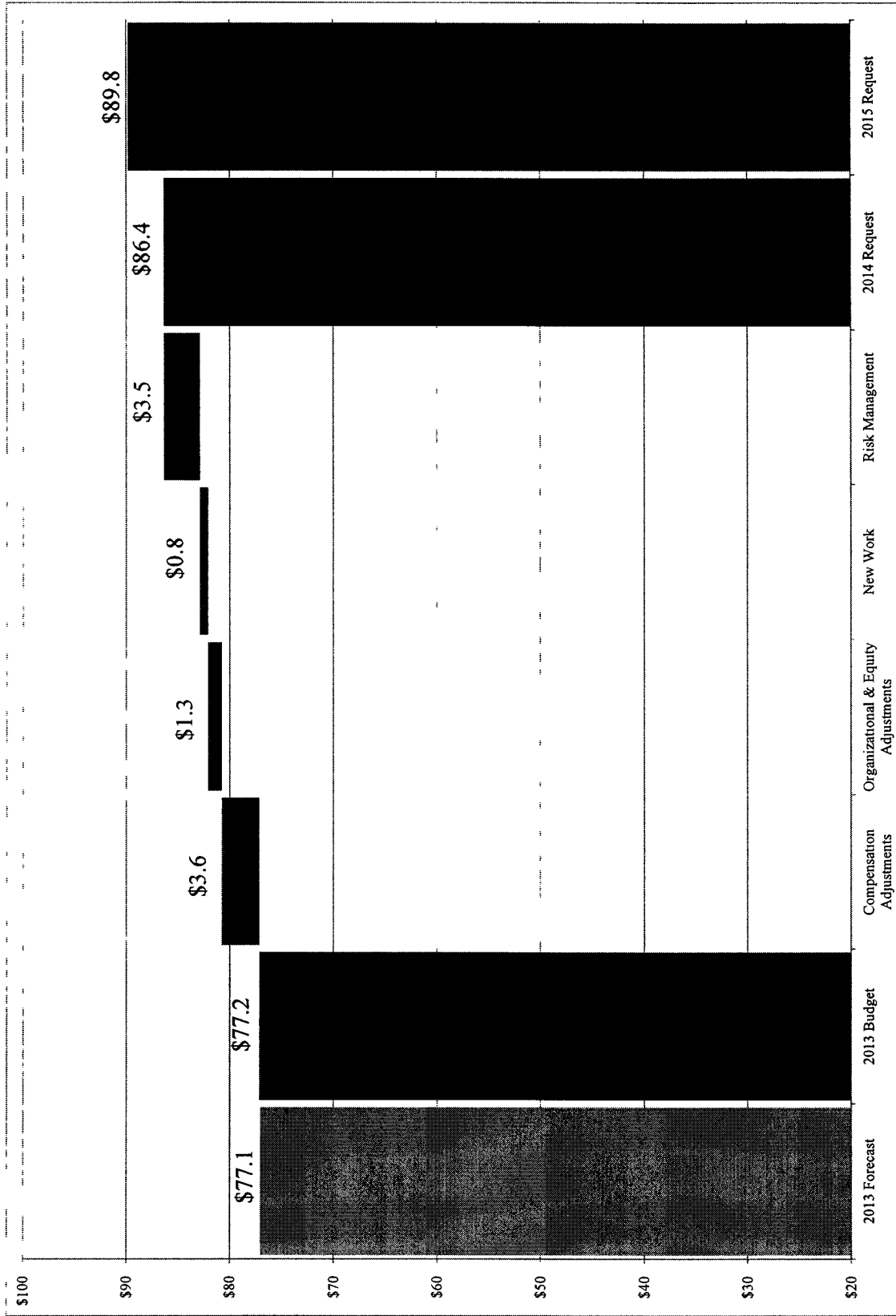
ERCOT

**Fiscal Years 2014 and 2015 Budget (\$ In Millions)
2013 Budget vs. 2014 Request Variance Analysis - Operating Expense Categories**



ERCOT

**Fiscal Years 2014 and 2015 Budget (\$ In Millions)
2013 Budget vs. 2014 Request Variance Analysis - Labor Expense Category**



Recommendation Regarding 2014-15 Budget Labor Expense

- **Compensation adjustments based on market data (\$3.6M)**
 - Consistent with 2013: 3% merit and 1% promotions
 - Mercer, Culpepper, and Worldatwork surveys

- **Organizational and equity adjustments (\$1.3M)**

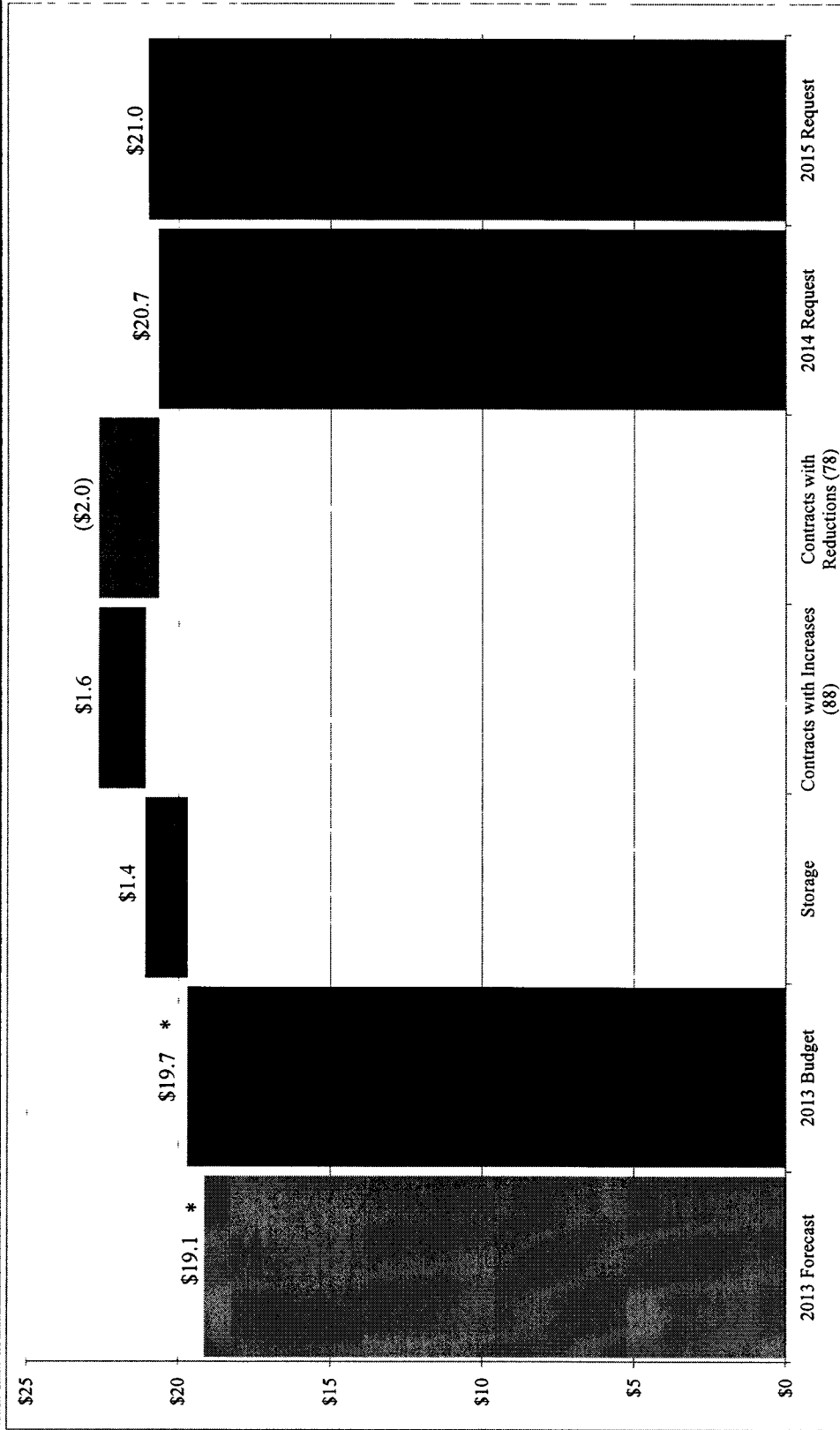
- **New Work (\$0.8M)**
 - NPRRs
 - Projects

- **Risk Management (\$3.5M)**
 - Development opportunities
 - Cross-training
 - Succession planning

ERCOT

Fiscal Years 2014 and 2015 Budget (\$ In Millions)

2013 Budget vs. 2014 Request Variance Analysis - Hardware & Software Support & Maintenance Expense Category



Note:

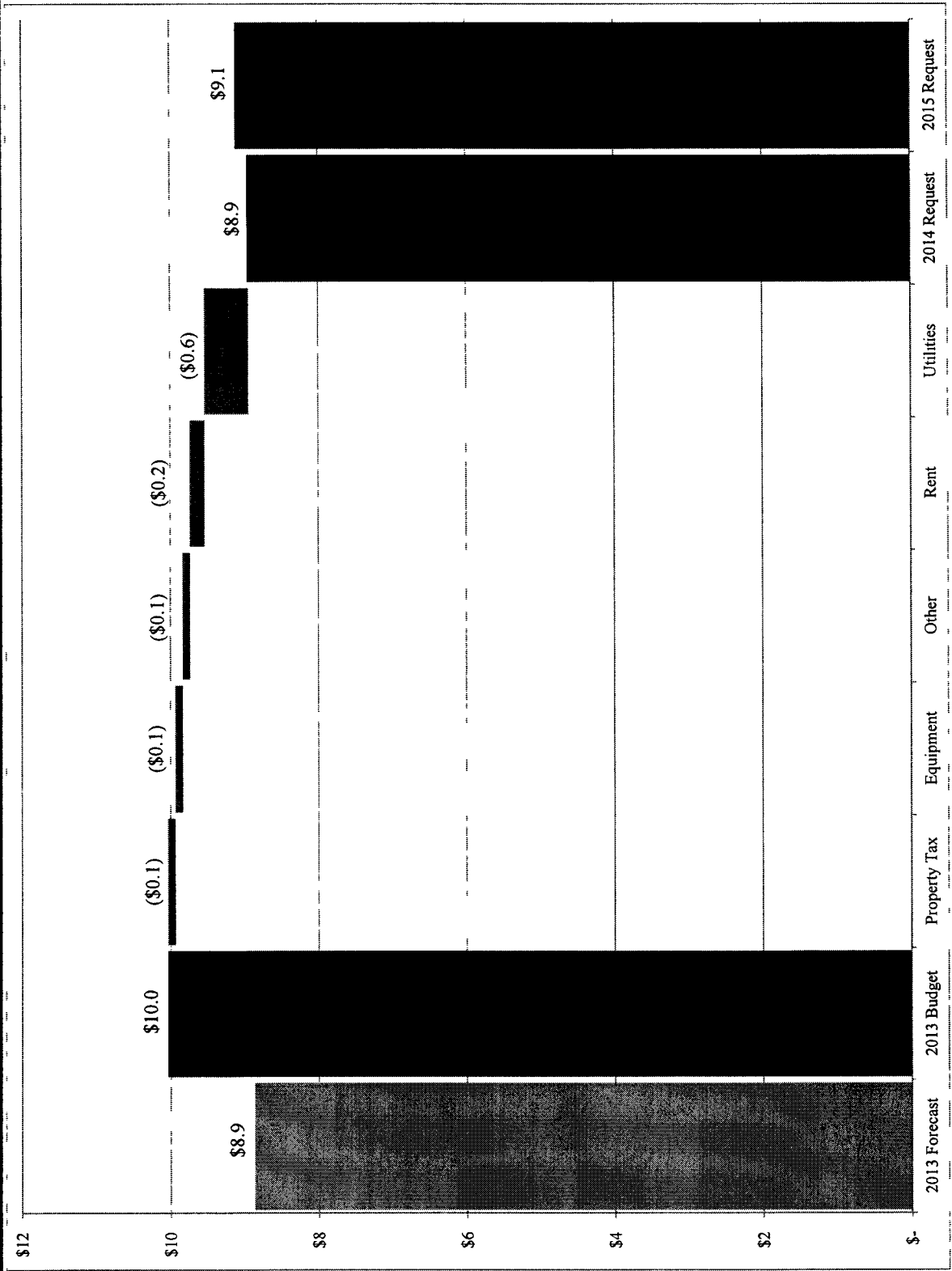
* \$1.0 M of the 2013 Forecast and Budget will be managed as project expenditures.

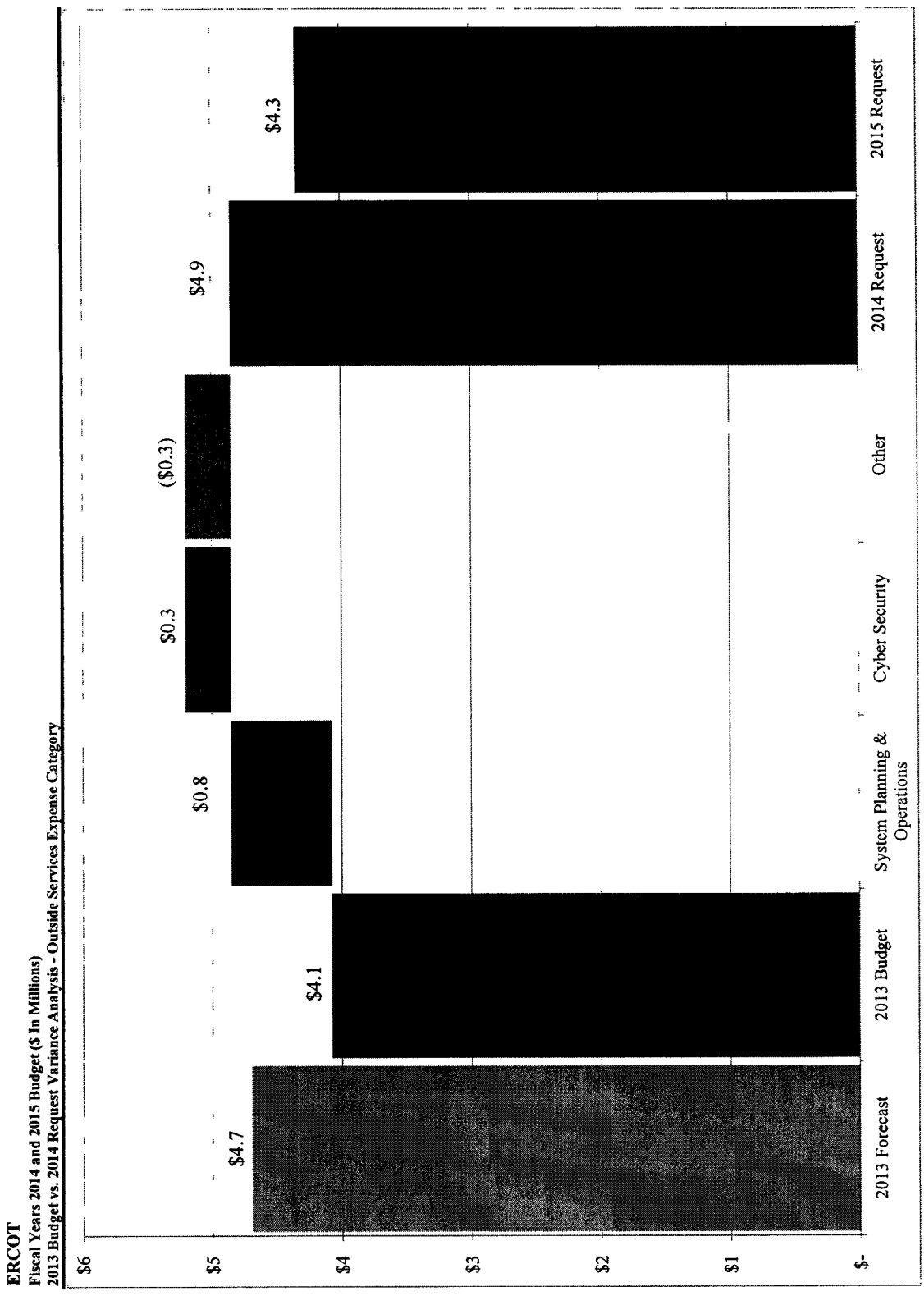
Recommendation Regarding 2014-15 Budget Hardware and Software Support and Maintenance Expense

- **Key driver: Increase in storage licensing and storage growth due to Nodal**
 - Enterprise license agreement requires renewal in 2014
 - Organic growth of storage forecasted at 9.75%
- **Increases across 88 maintenance contracts**
 - New or expanding services deployed in 2013 or 2014
 - Maintenance for Minor Capital purchases (previously unbudgeted)
 - Cyber security, network, servers, operating systems maintenance
 - Corporate monitoring and control tools
- **Decreases across 78 maintenance contracts:**
 - Reduced Operation and Maintenance cost for Market Management System (MMS), Energy Management System (EMS), Network Model Management System (NMMS), and Congestion Revenue Rights (CRR)
 - Efficiencies (retirement, reduced services, credits)

ERCOT

**Fiscal Years 2014 and 2015 Budget (\$ In Millions)
2013 Budget vs. 2014 Request Variance Analysis - Facilities & Equipment Expense Category**



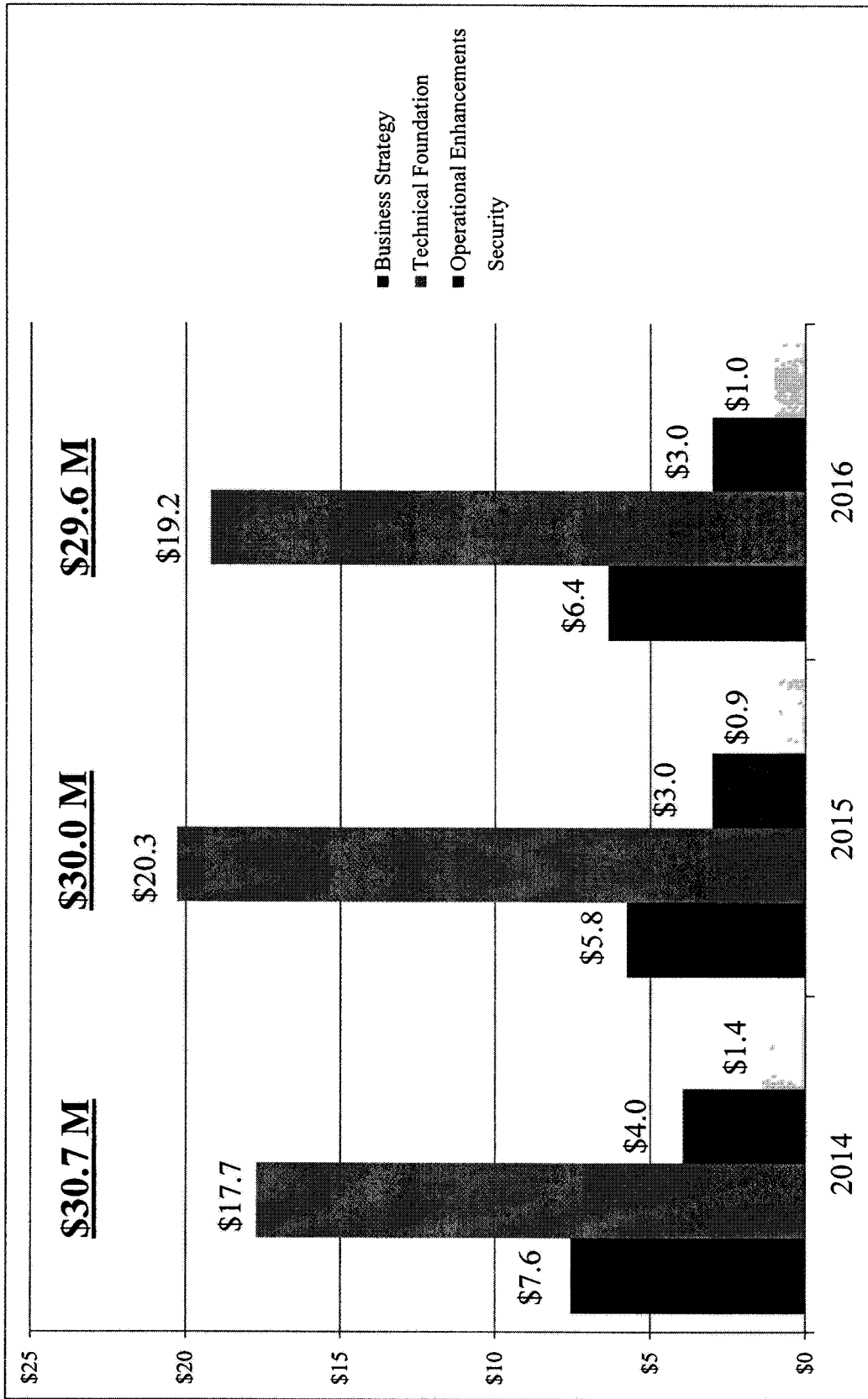


**Recommendation Regarding 2014-15 Budget
Outside Services Expense**

➤ **System Planning and Operations**

- Electric/Gas Pipeline Infrastructure Dependency Analysis
- Loss of Load Expectation (LOLE) Study Update
- Need for Outside Assistance with Implementation of New NERC Planning Standard (TPL-001-2)

Recommendation Regarding 2014-15 Budget Capital Project Demand



Recommendation Regarding 2014-15 Budget Capital Projects

➤ Project Funding Request Balances Capacity and Demand

- Balance across years to avoid excessive funding needs and resource demands in any given year

Demand Drivers

Technical foundation (derived from IT roadmap)

Security (both cyber and physical)

Business strategy (includes NPRRs & other revision requests)

Operational enhancements

Capacity Drivers

Internal ERCOT labor

Vendor labor

Application environments for development and testing

Risk management

➤ Why is \$25M the right amount?

- Project estimate developed from the bottom up – we believe \$25M in project funding is appropriate for the projects that need to be done in 2014
- Maximizes internal and vendor labor capacity
- There will be several projects in flight at the end of 2013 that will consume \$11.4M in 2014 funds
 - Examples: Energy Management System (EMS) Upgrade, Market Management System (MMS) Tech Refresh, Settlement System Upgrade
- We need to proceed with several projects that have been deferred in recent years due to limited funding
 - Taylor Control Room Upgrade, Data Warehouse Upgrade, SQL Server Upgrade

Recommendation Regarding 2014-15 Budget Load Forecast

2014 Forecast:

- **342.6 TWh – adjusted Moody’s low 2013 Forecast**
 - Forecasted a 2.1% growth rate over 2013
- **Based on Moody’s low case scenario (adjusted)**
 - In March, Bureau of Labor Statistics updated historical non-farm employment values from 2011 forward. Resulted in 2013 non-farm employment values increasing by approximately 1%.
 - In April, Moody’s updated their forecast to reflect these changes in historical data
 - 2014 budget forecast was increased to reflect this change (overly conservative to not reflect this change)
- **Sharyland load added to ERCOT region**
- **15-year normal weather (1998 – 2012)**

Recommendation Regarding 2014-15 Budget Load Forecast

2015 through 2019 Forecast:

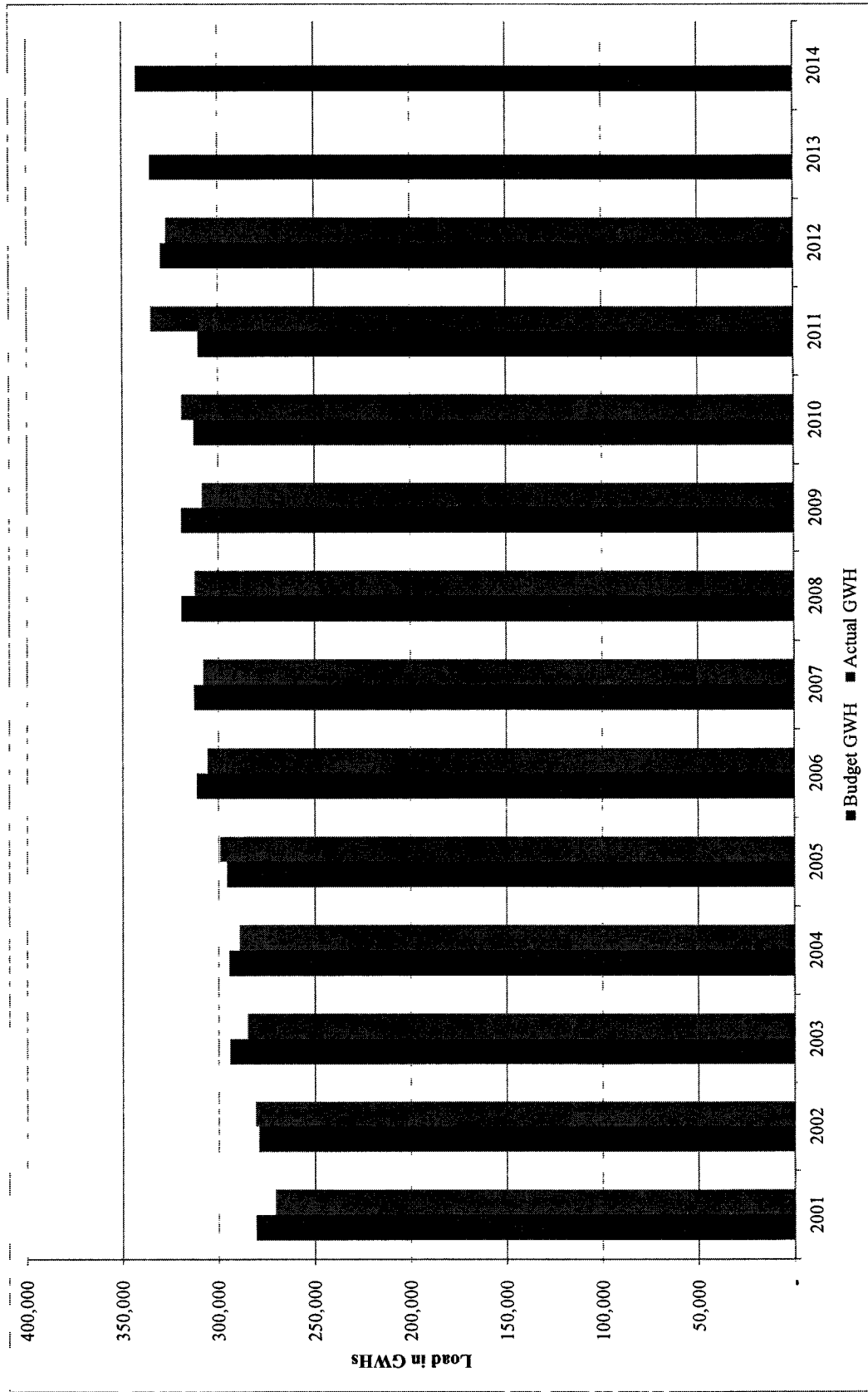
- **Based on Moody's low case scenario**
 - Strong growth in 2014 and 2015 then slows down significantly

- **Performed a high level comparison with the base forecast from Global Insight for the State of Texas**
 - More level growth from Global Insight
 - Moody's forecast has higher growth rate in the first few years
 - Global Insight forecast is smoother over the forecast time frame
 - Forecasts converge in 2017

- **15-year normal weather (1998 – 2012)**

ERCOT

**Fiscal Years 2014 and 2015 Budget (\$ In Millions)
Load Trend (2001-2014)**



Appendix B
Detailed Schedules and Workpapers

**ERCOT
Fiscal Years 2014 and 2015 Budget (\$ in Thousands)
Revenue Requirements**

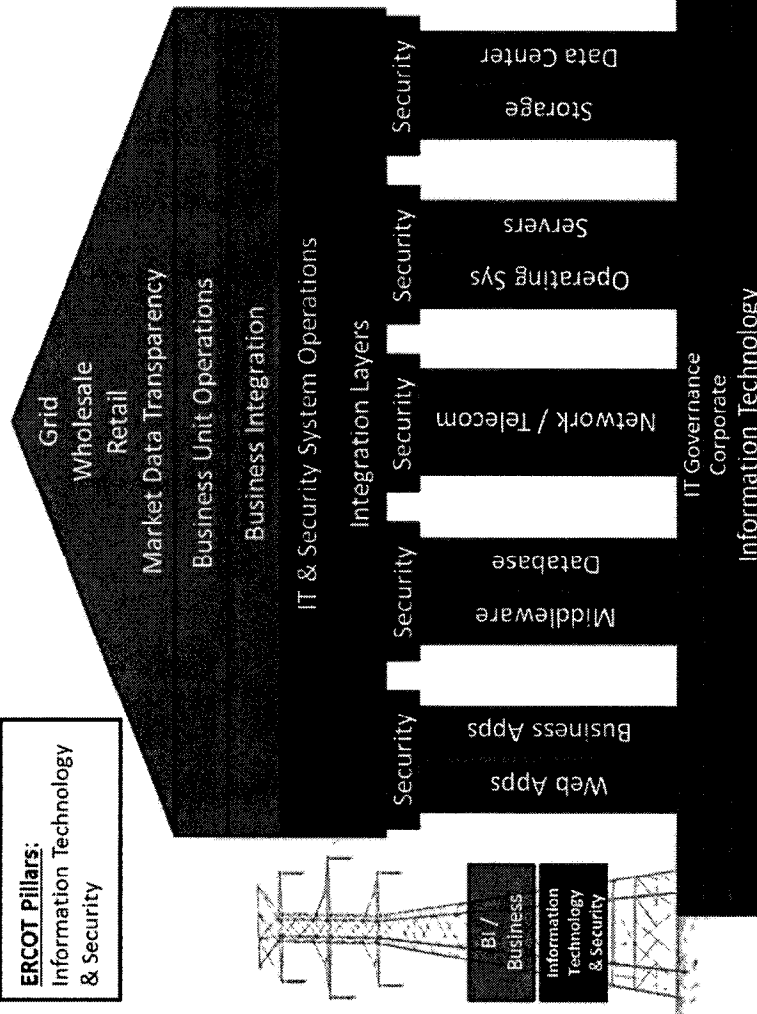
Line	(\$ Thousands)	2012 Actual	2013 Forecast	2013 Budget	2014 Request	2015 Request	2016 Projection	2017 Projection	2018 Projection	2019 Projection
1	Operating Expenses									
2	Labor	\$ 71,591	\$ 77,065	\$ 77,165	\$ 86,350	\$ 89,804	\$ 93,396	\$ 97,132	\$ 101,017	\$ 105,058
3	Hardware & Software Support & Maintenance	18,478	19,131	19,706	20,654	20,972	21,330	21,735	22,160	22,595
4	Facilities & Equipment	8,931	8,860	10,033	8,947	9,103	9,273	9,458	9,651	9,848
5	Outside Services	7,782	4,695	4,077	4,917	4,341	4,442	4,280	4,666	4,461
6	Independent Market Monitoring	2,800	3,200	2,900	3,300	3,400	3,500	3,600	3,670	3,743
7	Protocol Services	999	1,029	1,029	970	999	1,029	1,060	1,092	1,124
8	Market Design Contingency	-	-	-	1,000	-	-	-	-	-
9	Other Expenses	4,463	4,469	4,144	4,638	4,709	4,789	4,880	4,976	5,073
10	Employee Expenses	1,498	1,601	1,601	1,909	1,938	1,971	2,008	2,048	2,088
11	Wide Area Network	3,363	2,980	2,880	3,505	3,559	3,619	3,688	3,760	3,834
12	Subtotal - Operating Expenses	119,906	123,030	123,533	136,189	138,825	143,350	147,841	153,040	157,826
13	Debt Service Obligations									
14	Principal Payments	26,200	15,242	16,570	15,031	16,030	16,568	14,660	18,757	15,644
15	Interest Expense	3,382	2,328	2,328	2,633	3,095	3,218	3,340	3,463	3,585
16	Subtotal - Debt Service Obligations	29,582	17,570	18,898	17,663	19,125	19,786	18,000	22,220	19,229
17	Revenue-Funded Project Expenditures									
18	Project Expenditures	16,366	15,000	15,000	25,000	25,000	25,000	25,000	25,000	25,000
19	Debt-Funded Project Expenditures	9,820	9,000	9,000	15,000	15,000	15,000	15,000	15,000	15,000
20	Subtotal - Revenue-Funded Project Expenditures	6,546	6,000	6,000	10,000	10,000	10,000	10,000	10,000	10,000
21	Reliability Organization Assessment	13,062	11,749	13,249	12,000	12,000	12,000	12,000	12,000	12,000
22	Subtotal - Revenue Requirements	169,096	158,348	161,680	175,852	179,951	185,136	187,841	197,260	199,054
23										
24	Revenue Sources									
25	System Administration Fee Revenue	136,273	138,996	139,896	159,309	163,345	168,461	171,088	180,423	182,132
26	Reliability Organization Assessment Fee	13,062	11,749	13,249	12,000	12,000	12,000	12,000	12,000	12,000
27	Wide Area Network Revenue	3,276	2,939	2,820	3,447	3,500	3,560	3,627	3,698	3,771
28	Other Revenue	1,126	1,175	915	1,096	1,105	1,115	1,127	1,139	1,151
29	Prior Year Carry Forward	15,359	3,490	4,800	-	-	-	-	-	-
30	Subtotal - Revenue Sources	169,096	158,348	161,680	175,852	179,951	185,136	187,841	197,260	199,054
31										
32	System Administration Fee Calculation									
33	System Administration Fee Revenue	136,273	138,996	139,896	159,309	163,345	168,461	171,088	180,423	182,132
34	Energy Consumption (GWH)	326,715	333,208	335,401	342,600	351,281	362,281	367,930	372,007	375,531
35	System Administration Fee	0.4171	0.4171	0.4171	0.4650	0.4650	0.4650	0.4650	0.4650	0.4850
36										
37	Total Spending Authorization Computation									
38	Revenue Requirements	169,096	158,348	161,680	175,852	179,951	185,136	187,841	197,260	199,054
39	Debt-Funded Project Expenditures	9,820	9,000	9,000	15,000	15,000	15,000	15,000	15,000	15,000
40	Total Spending Authorization	\$ 178,916	\$ 167,348	\$ 170,680	\$ 190,852	\$ 194,951	\$ 200,136	\$ 202,841	\$ 212,260	\$ 214,054

ERCOT

Fiscal Years 2014 and 2015 Budget

Hardware and Software Support and Maintenance

ERCOT Pillars:
Information Technology
& Security



2014 Proposed Budget

Hardware and Software Support and Maintenance

\$ 4,914,230 Grid
 \$ 7,330,648 Wholesale
 \$ 2,733,274 Retail
 \$ 1,230,950 Market Data Transparency

\$ 1,523,184 Compliance / Security
 \$ 229,856 IT Governance
 \$ 2,692,161 Corporate

\$ 20,654,303 Grand Total

ERCOT
Fiscal Years 2014 and 2015 Budget
Facilities & Equipment

Line	Description	2012 Actual	2013 Budget	2014 Request	2015 Request	2016 Projection	2017 Projection	2018 Projection	2019 Projection
1	Building Maintenance								
2	Building Security Services	\$ 1,335,292	\$ 1,435,000	\$ 1,385,345	\$ 1,406,677	\$ 1,430,692	\$ 1,457,807	\$ 1,486,349	\$ 1,515,544
3	Building Maintenance	999,432	1,048,888	1,002,200	1,017,633	1,035,006	1,054,622	1,075,269	1,096,389
4	Custodial Service	253,730	250,000	260,000	264,004	268,511	273,600	278,957	284,436
5	Miscellaneous Facilities Services	145,218	155,654	137,000	139,110	141,485	144,167	146,989	149,876
6	Grounds Maintenance	64,990	60,000	65,000	66,001	67,128	68,400	69,739	71,109
7	Subtotal - Building Maintenance	2,796,622	2,949,542	2,849,545	2,893,425	2,942,822	2,998,596	3,057,303	3,117,354
8									
9	Property Tax	2,352,298	2,299,260	2,168,259	2,211,624	2,255,856	2,300,973	2,346,992	2,393,932
10									
11	Utilities								
12	Electricity	1,623,978	2,000,000	1,500,000	1,523,097	1,549,100	1,578,459	1,609,363	1,640,974
13	Water/Gas/Sewer/Trash	112,073	150,000	105,000	106,617	108,437	110,492	112,655	114,868
14	Fuel Oil	52,235	75,000	51,996	52,797	53,698	54,716	55,787	56,883
15	Subtotal - Utilities	1,788,286	2,225,000	1,656,996	1,682,511	1,711,235	1,743,667	1,777,805	1,812,725
16	Rent								
17	Office Rental	636,854	900,000	588,000	605,640	623,809	642,523	661,799	681,653
18	Storage Rental	86,829	66,000	84,000	85,293	86,749	88,392	90,123	91,893
19	Miscellaneous Rental	69,072	-	67,000	68,032	69,193	70,504	71,884	73,296
20	Subtotal - Rent	792,756	966,000	739,000	758,965	779,751	801,419	823,806	846,842
21	Telecom								
22	Telephone	184,535	204,000	239,000	242,680	246,823	251,501	256,425	261,462
23	Conferencing	204,845	289,100	217,700	221,053	224,827	229,088	233,574	238,162
24	Internet Service	99,190	88,000	142,000	144,186	146,648	149,427	152,353	155,345
25	Frame Relay (NERC)	22,695	30,000	24,000	24,370	24,786	25,256	25,750	26,256
26	Subtotal - Telecom	511,265	611,100	622,700	632,289	643,084	655,272	668,102	681,225
27	Equipment & Tools								
28	Equipment & Tools <\$1,000	192,347	119,992	198,200	201,252	204,688	208,567	212,650	216,826
29	Software <\$1,000	54,153	175,000	180,000	182,772	185,892	189,415	193,123	196,916
30	Hardware <\$1,000	76,581	246,751	174,000	176,680	179,696	183,101	186,686	190,353
31	Equipment Maintenance	110,526	156,000	126,000	127,940	130,124	132,591	135,187	137,842
32	Office Supplies	88,801	104,775	107,184	108,834	110,698	112,790	114,997	117,255
33	Chemical Supplies	45,375	52,500	50,000	50,770	51,637	52,616	53,646	54,700
34	Equipment Rental	98,556	83,160	38,000	38,585	39,244	39,988	40,771	41,572
35	Misc Equip Repairs	-	31,200	23,200	23,557	23,959	24,413	24,891	25,380
36	Vehicle Maintenance	23,850	12,600	14,000	14,216	14,459	14,733	15,021	15,316
37	Total - Equipment & Tools	690,188	981,978	910,584	924,606	940,397	958,214	976,972	996,160
38									
39	Total - Facilities & Equipment	\$ 8,931,415	\$ 10,032,880	\$ 8,947,084	\$ 9,103,420	\$ 9,273,145	\$ 9,458,141	\$ 9,650,980	\$ 9,848,238

ERCOT
Fiscal Years 2014 and 2015 Budget
Outside Services

Line	Description	2012 Actual	2013 Budget	2014 Request	2015 Request	2016 Projection	2017 Projection	2018 Projection	2019 Projection
1	Consulting and Staff Augmentation	5,540,550	2,463,405	3,259,608	2,648,891	2,714,339	2,516,090	2,865,300	2,622,876
2	Immigration Services	125,676	190,000	190,000	193,990	198,064	202,223	206,470	210,806
3	Legal Services	301,205	600,000	600,000	612,600	625,465	638,600	652,011	665,703
4	Independent Board Compensation & Expenses	483,289	554,000	542,100	553,484	565,107	576,974	589,090	601,461
5	Accounting/Audit Services	208,708	269,100	325,000	331,825	338,794	345,909	353,172	360,587
6	Special Audits	1,122,628	-	-	-	-	-	-	-
7	Total - Outside Services	\$ 7,782,056	\$ 4,076,505	\$ 4,916,708	\$ 4,340,790	\$ 4,441,769	\$ 4,279,796	\$ 4,666,043	\$ 4,461,433

ERCOT
Fiscal Years 2014 and 2015 Budget
Outside Services

Line	Department	Description of Requested Outside Service(s)	2013 Budget	2014 Request	2013 vs. 2014 Variance	2015 Request	2014 vs. 2015 Variance
Mandated Outside Services							
1	General Counsel	Statement on Standards for Attestation Engagements (SSAE 16) audit required to be performed by external, independent certified public accounting (CPA) firm.	86,100	126,000	39,900	128,646	2,646
2	Human Resources & Strategic Planning	Federal law requires independently audited benefit plan financial statements be filed via Internal Revenue Service (IRS) Form 5500.	18,000	21,000	3,000	21,441	441
3	Human Resources & Strategic Planning	Actuarial support to assist with the Financial Accounting Standards Board (FASB) 106 liability for post retiree medical benefits	15,000	18,000	3,000	18,378	378
4	Accounting & Budget	Required statutory audit and filing of annual Internal Revenue Service (IRS) Form 990 which provides financial information for tax-exempt entities.	20,000	20,000	-	20,420	420
5	Accounting & Budget	Department of Energy (DOE) grant audit to be performed independently.	20,000	20,000	-	20,420	420
6	Accounting & Budget	Annual financial statement audit, which must be performed externally, is mandatory to be compliant with PUCT rules	125,000	120,000	(5,000)	122,520	2,520
7	Board of Directors	Expenses associated with the ongoing support and administration of the Board of Directors <ul style="list-style-type: none"> • Independent member compensation • Business expense reimbursement • Special meetings and retreats 	554,000	542,100	(11,900)	553,484	11,384
8	Board of Directors	Court reporting services for Board meetings	36,000	20,000	(16,000)	20,420	420
9	Treasury	Investment rating review by independent recognized rating agency required by state law for bond issuance	30,000	9,500	(20,500)	9,700	200
10	Retail Operations	PUCT mandated end user switch notifications.	580,400	400,000	(180,400)	408,400	8,400
Subtotal - Mandated Outside Services			\$ 1,484,500	\$ 1,296,600	\$ (187,900)	\$ 1,323,829	\$ 27,229

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ERCOT
Fiscal Years 2014 and 2015 Budget
Outside Services

Line	Department	Description of Requested Outside Service(s)	2013 Budget	2014 Request	2013 vs. 2014 Variance	2015 Request	2014 vs. 2015 Variance
Discretionary Outside Services							
1	Transmission Planning	Continuing electric/gas pipeline infrastructure dependency analysis: consultant would further evaluate the increasing reliance on gas-fired resources for energy and ancillary services in ERCOT and how gas pipeline contingencies could affect the grid, such a scenario is listed as a possible condition to study under the Extreme Events analysis in the new NERC TPL-001-2 standard, but it is not required. Funding would allow the consulting firm to acquire the necessary pipeline hydraulic data and to develop a model that will allow this type of contingency analysis. This request could have combined benefits for ERCOT Operations and could support blackstart analysis.	-	250,000	250,000	-	(250,000)
2	Resource Adequacy	Loss of Load study results are included in the NERC Long Term Resource Adequacy data request	-	250,000	250,000	-	(250,000)
3	Database Administration	Staff augmenting contractor for information technology storage/backup services.	-	211,200	211,200	215,635	4,435
4	Critical Infrastructure Security	Co-hosted managed security solution to support and maintain security applications.	150,000	350,000	200,000	357,350	7,350
5	Board of Directors	Outside facilitation of two-year Board Strategic Planning.	-	150,000	150,000	153,150	3,150
6	Transmission Planning	Contractor to assist in implementing TPL-001-2, the new NERC TPL-001-2 standard will require significantly more resource time in Transmission Planning in order to complete the additionally required studies. A short term contractor is needed to assist in setting up the processes and working through the issues that arise due to the increased analysis	-	135,200	135,200	-	(135,200)
7	System Operations Training	Rework of the ERCOT Black Start Selection Process to include consideration for gas transmission infrastructure and support.	-	120,000	120,000	122,520	2,520
8	Critical Infrastructure Security	Security assessment to be provided by independent third party	-	100,000	100,000	102,100	2,100
9	Human Resources & Strategic Planning	External hosting of employee wellness incentive program & 3-touch screening	-	93,000	93,000	94,953	1,953
10	Load Forecasting & Analysis	Consulting services for statistical model review for long-term and mid-term load forecasting models	-	48,000	48,000	49,008	1,008
11	Training & Development	Partnership with University of Texas for two management leadership/training programs: * Professional Development Center (PDC) * Cockrell School of Engineering's Center for Lifelong Engineering Education (CLEE)	162,645	208,932	46,287	213,320	4,388
12	External Affairs	Contracted graphic designer support services	-	35,000	35,000	35,735	735

ERCOT
Fiscal Years 2014 and 2015 Budget
Outside Services

Line	Department	Description of Requested Outside Service(s)	2013 Budget	2014 Request	2013 vs. 2014 Variance	2015 Request	2014 vs. 2015 Variance
13	Transmission Planning	Short circuit analysis training: per the new NERC TPL-001.2 standard, ERCOT Planning staff will be required to perform short circuit analysis which is a new responsibility; therefore, in-house training is being requested.	-	30,000	30,000	-	(30,000)
14	Network, Telecom & Deskside Support	IT network equipment planning and implementation services	-	13,200	13,200	13,477	277
15	Human Resources & Strategic Planning	External data and compensation reviews/comparisons for specific employee positions.	80,000	83,000	3,000	84,743	1,743
16	Database Administration	Contractor for Database Administrator services	-	-	-	-	-
17	System Operations Training	Operations Training Seminar outside contractor (to be paid from the Operator Training Seminar Fees)	-	-	-	-	-
18	Human Resources & Strategic Planning	External hosting of candidate tracking system to assist with employee recruiting process	13,600	13,600	-	13,886	286
19	Settlements & Billing Operations	Consultant review of Reliability Must Run (RMR) actual cost submittals - protocol optional requirement (Nodal Protocols Section 22, Attachment B, Section 13).	35,000	35,000	-	35,735	735
20	Resource Integration	Assistance with defining processes and software to routinely validate generator dynamic model parameters using data collected from Phasor Measurement Units and Fault Recorders (continuation from 2013)	192,000	192,000	-	196,032	4,032
21	Resource Integration	Outside consultant review of Sub Synchronous Control Interaction studies completed by ERCOT staff to review technical accuracy.	38,400	38,400	-	39,206	806
22	Human Resources & Strategic Planning	Specialized legal expertise in the area of immigration assistance, as well as, filing fees associated with hiring non-US citizens. These services assist in recruiting Power Engineers and certain Information Technology functions. Approximately half of the estimated amount is for legal services and the remaining half is for filing fees.	190,000	190,000	-	193,990	3,990
23	Facilities Management	Courier services necessary for mail collection, routing, and distribution.	50,000	50,000	-	51,050	1,050
24	General Counsel	Outside legal services for specialized legal knowledge and skills not possessed by in-house legal staff or not requiring a full time position (e.g., litigation, expert witness fees, court reporting fees, employment/employee benefits, information technology, intellectual property, security/compliance, tax/financing, governance, insurance/risk management, and records management).	600,000	600,000	-	612,600	12,600
25	Accounting & Budget	Assistance with annual inventory of fixed assets.	17,000	17,000	-	17,357	357
26	Business Integration	Contract resource to assist with project initiation and impact analysis	14,400	14,400	-	14,702	302

ERCOT
Fiscal Years 2014 and 2015 Budget
Outside Services

Line	Department	Description of Requested Outside Service(s)	2013 Budget	2014 Request	2013 vs. 2014 Variance	2015 Request	2014 vs. 2015 Variance
27	Database Administration	Professional Information Technology storage services and training (Project Manager services as part of the 2010 storage acquisition)	71,464	71,464	-	72,965	1,501
28	Accounting & Budget	Invoice management automation tool to allow for soft-copy invoice routing and manager approval	20,000	19,200	(800)	19,603	403
29	External Affairs	Media Training Seminar to educate employees internally.	6,500	-	(6,500)	-	-
30	Training & Development	Instructor Based Training • Excel, SQL Level 1 and 2, Cognos, SharePoint and Other	50,516	43,512	(7,004)	44,426	914
31	Physical Security	Lenel system upgrade to newer version. System information requested by NERC auditors and Statement on Standards for Attestation Engagements (SSAE 17), and necessary to remain compliant with CIP 6R3, CIP 7R3, R4 and R5.	10,000	-	(10,000)	-	-
32	Business Integration Administration	Outside facilitation for the Advanced Metering Implementation Team (AMIT) meetings	37,600	-	(37,600)	-	-
33	Internal Audit	External Quality Assessment Review (QAR) of the Internal Audit department which is required every five years by the International Professional Practices Framework (IPPF) by the Institute of Internal Auditors (IIA Standard 1312 - External Assessments). The last QAR was performed in Q1 of 2008, therefore, the next one needs to be completed in 2013 in order to remain in compliance with the IIA Standards	40,000	-	(40,000)	-	-
34	Settlements & Billing Operations	Contractor to assist with Verifiable Cost task	51,480	-	(51,480)	-	-
35	General Counsel	Senior Paralegal staff augmenting services dedicated to support corporate functions, including procurement, vendor contracts, and real estate matters	62,400	-	(62,400)	-	-
36	Resource Adequacy	Evaluation of Capacity Value (Effective Load Carrying Capability [ELCC]) of new technologies. The Generation Adequacy Task Force (GATF) has requested that ERCOT evaluate the ELCC of solar generation when greater than 300 MW of solar generation are connected to the ERCOT grid. Also, ERCOT will need an analysis of how to incorporate energy storage devices into the Capacity, Demand and Reserves (CDR) report	75,000	-	(75,000)	-	-
37	Technology Services Administration	Lawson hosting services; it is cost beneficial to procure external hosting, since it would require hardware and three support specialists to host internally.	336,000	258,000	(78,000)	263,418	5,418
38	Commercial Services	Contracted software support resources needed for application development (for settlements and credit applications) due to cancellation of vendor maintenance contracts	288,000	-	(288,000)	-	-
Subtotal - Discretionary Outside Services			\$ 2,592,005	\$ 3,620,108	\$ 1,028,103	\$ 3,016,961	\$ (603,147)
Total - Outside Services			\$ 4,076,505	\$ 4,916,708	\$ 840,203	\$ 4,340,790	\$ (575,918)

ERCOT
Fiscal Years 2014 and 2015 Budget
Employee Expenses

Line	Description	2012 Actual	2013 Budget	2014 Request	2015 Request	2016 Projection	2017 Projection	2018 Projection	2019 Projection
1	Travel & Training	\$ 1,062,312	\$ 1,045,918	\$ 1,436,765	\$ 1,460,197	\$ 1,486,576	\$ 1,516,362	\$ 1,547,709	\$ 1,579,780
2	Cellular Phone/PDA	235,373	236,421	244,973	248,745	252,992	257,787	262,834	267,996
3	Remote System Access	86,732	112,639	98,732	100,252	101,964	103,896	105,930	108,011
4	College Education Reimbursement	75,365	150,000	85,000	85,000	85,000	85,000	85,000	85,000
5	Professional Dues	38,083	55,551	43,083	43,746	44,493	45,337	46,224	47,132
6	Total - Employee Expenses	\$ 1,497,864	\$ 1,600,529	\$ 1,908,553	\$ 1,937,941	\$ 1,971,025	\$ 2,008,381	\$ 2,047,697	\$ 2,087,919

Expenses included in "Travel & Training"	
Registration Fees	
Mileage Reimbursement	
Meals	
Car Rental	
Airfare	
Lodging	
Taxi, Bus or Other	
Gasoline	
Parking	
Tips	
Hotel Telephone/Internet	

ERCOT
Fiscal Years 2014 and 2015 Budget
Other Expenses

Line	Description	2012 Actual	2013 Budget	2014 Request	2015 Request	2016 Projection	2017 Projection	2018 Projection	2019 Projection
1	Insurance Premiums	\$ 1,813,905	\$ 1,892,202	\$ 2,033,079	\$ 2,064,385	\$ 2,099,629	\$ 2,139,422	\$ 2,181,308	\$ 2,224,154
2	Data Services	1,304,525	1,596,108	1,559,874	1,583,895	1,610,935	1,641,467	1,673,602	1,706,475
3	Sponsored Meetings	184,002	98,120	130,800	132,813	135,080	137,639	140,334	143,090
4	Dues	23,943	93,617	109,094	110,774	112,665	114,800	117,048	119,347
5	Web Based Training	55,968	60,000	60,000	60,924	61,964	63,138	64,374	65,638
6	Job Posting Advertising	25,416	55,000	30,000	30,462	30,982	31,569	32,187	32,819
7	Recruiting Expense	446,806	50,000	38,400	38,991	39,657	40,409	41,200	42,009
8	Reward & Recognition	46,827	40,000	80,740	81,986	83,381	84,961	86,624	88,328
9	Report Printing	9,347	31,693	24,540	24,918	25,343	25,823	26,328	26,844
10	Employment Screening	26,576	25,000	25,000	25,385	25,818	26,307	26,822	27,349
11	Express Shipping	16,378	21,863	16,827	17,085	17,377	17,707	18,055	18,410
12	Publications	36,860	14,870	10,596	10,758	10,940	11,147	11,366	11,588
13	Corporate Events	21,567	12,000	61,376	62,321	63,385	64,586	65,850	67,143
14	Postage & Delivery	3,762	7,164	7,240	7,352	7,478	7,620	7,769	7,921
15	Miscellaneous	(340)	-	-	-	-	-	-	-
16	Operator Training Services	128,218	146,005	200,000	203,080	206,547	210,462	214,583	218,798
17	Legal Expense- Claims & Settle	33,926	-	-	-	-	-	-	-
18	Public Service Announcements	285,022	-	250,000	253,850	258,184	263,077	268,228	273,497
19	Total - Other Expenses	\$ 4,462,707	\$ 4,143,642	\$ 4,637,566	\$ 4,708,979	\$ 4,789,365	\$ 4,880,134	\$ 4,975,678	\$ 5,073,410

ERCOT

Fiscal Years 2014 and 2015 Budget

Other Expenses: Insurance Premiums

Line	Description	2013 Budget	2014 Request	2013 vs. 2014 Variance	2015 Request	2014 vs. 2015 Variance
1	Excess Liability	\$ 1,343,297	\$ 1,489,065	\$ 145,768	\$ 1,511,994	\$ 22,929
2	Board of Directors & Officers	253,329	265,328	12,000	269,414	4,086
3	Property	124,389	119,387	(5,002)	121,225	1,838
4	Workers' Compensation	77,749	81,400	3,652	82,654	1,253
5	Pollution	26,360	8,238	(18,122)	8,365	127
6	Commercial General Liability	24,607	23,774	(833)	24,140	366
7	Crime/Theft	20,612	21,495	883	21,826	331
8	Fiduciary Liability	14,149	16,828	2,679	17,087	259
9	Automobile	7,712	7,564	(147)	7,681	116
10	Total - Insurance Premiums	\$ 1,892,202	\$ 2,033,079	\$ 140,877	\$ 2,064,385	\$ 31,306

ERCOT

**Fiscal Years 2014 and 2015 Budget
Other Expenses: Data Services**

Line	Description	2013 Budget	2014 Request	2013 vs. 2014 Variance	2015 Request	2014 vs. 2015 Variance
1	Wind Generation Forecasting Software	672,000	725,000	\$ 53,000	736,164	\$ 11,164
2	Information Technology industry research and related services	81,299	150,000	68,701	152,310	2,310
3	Generation and transmission data integration tool for energy scheduling and trading systems	146,438	145,929	(509)	148,176	2,247
4	Economic Forecasting Data	113,760	120,000	6,240	121,848	1,848
5	Miscellaneous Other	82,438	117,006	34,568	118,807	1,801
6	Credit Subscriptions	136,907	76,302	(60,605)	77,477	1,175
7	Daily fuel index price (FIP) subscription	62,040	60,000	(2,040)	60,924	924
8	Subscription to Employee Performance Management portal	56,772	56,772	-	57,646	874
9	Enterprise Vulnerability Intelligence data	37,667	57,000	19,333	57,878	878
10	Weather forecasting software for load forecasting	45,510	41,965	(3,544)	42,612	647
11	Compensation and Benefit data subscriptions	46,000	9,900	(36,100)	10,052	152
12	Modeling Software tools to support internal load forecasting	115,278	-	(115,278)	-	-
13	Total - Data Services	\$ 1,596,108	\$ 1,559,874	\$ (36,234)	\$ 1,583,894	\$ 24,020

ERCOT
Fiscal Years 2014 and 2015 Budget
Project Priority List Detail

Line	Project Category	Project Name	2014 Budget Range	2015 Budget Range
1	Business Strategy	Sync with PRR787, Add Non-Compliance Language to QSE Performance Standards	\$80k-\$120k	-
2	Business Strategy	MP Online Data Entry - Ph 2	\$1M-\$2M	-
3	Business Strategy	Revisions to Congestion Revenue Rights Credit Calculations and Payments	\$150k-\$300k	-
4	Business Strategy	Credit Monitoring Posting Requirements - CRR Portion	\$80k-\$100k	-
5	Business Strategy	ERCOT System Change Allowing Independent Master QSE to Represent Split Generation Resources	\$40k-\$55k	-
6	Business Strategy	CRRAH Digital Certificate New Role for Read Only Access	\$80k-\$100k	-
7	Business Strategy	Updating a Counter-Party's Available Credit Limit for Current Day DAM	\$120k-\$130k	-
8	Business Strategy	MarkeTrak Enhancements - Remaining SCR756 Items	\$200k-\$250k	-
9	Business Strategy	Daily Grid Operations Summary Report	\$200k-\$250k	-
10	Business Strategy	Setting the Shadow Price Caps and Power Balance Penalties in Security-Constrained Economic Dispatch	\$35k-\$45k	-
11	Business Strategy	CRR Shift Factors Report	\$245k-\$270k	-
12	Business Strategy	Balancing Account Resettlement Due to DAM Resettlement	\$80k-\$90k	-
13	Business Strategy	Clarification for Fuel Adder Provisions	\$15k-\$30k	-
14	Business Strategy	New Extract for Five Minute Interval Settlement Data	\$80k-\$90k	-
15	Business Strategy	Posting of Generation that is Off but Available	\$60k-\$75k	-
16	Business Strategy	QSGR Dispatch Adjustment	\$25k-\$45k	-
17	Business Strategy	Revision Request Funding - 2014	\$3M-\$4M	-
18	Business Strategy	Blackstart Facilities Enhancements	\$500k-\$1M	-
19	Business Strategy	Program Control - 2014	\$250k-\$500k	-
20	Business Strategy	MP Online Data Entry - Ph 3	-	\$1M-\$2M
21	Business Strategy	Revisions to Congestion Revenue Rights Credit Calculations and Payments - S&B Portion	-	\$100k-\$120k
22	Business Strategy	Revise Real Time Energy Imbalance and RMR Adjustment Charge	-	\$25k-\$30k
23	Business Strategy	Day-Ahead Market Self-Commitment of Generation Resources	-	\$260k-\$285k
24	Business Strategy	Revision Request Funding - 2015	-	\$4M-\$5M
25	Business Strategy	Program Control - 2015	-	\$250k-\$500k

ERCOT
Fiscal Years 2014 and 2015 Budget
Project Priority List Detail

Line	Project Category	Project Name	2014 Budget Range	2015 Budget Range
26	Technical Foundation	Settlement System Upgrade	\$1.0M-\$1.5M	<\$50k
27	Technical Foundation	EMS Upgrade	\$2M-\$4M	\$2M-\$4M
28	Technical Foundation	REC Rewrite & Refresh	\$100k-\$200k	-
29	Technical Foundation	Replace Sun IDM	\$500k-\$1M	-
30	Technical Foundation	Windows 2003 Retirement - Phase 1	\$50k-\$150k	-
31	Technical Foundation	ABB MMS OS Technology Refresh	\$2M-\$3M	\$200k-\$300k
32	Technical Foundation	EIS Reporting and Control Systems Upgrade	\$500k-\$1M	-
33	Technical Foundation	IBM AIX Operating System Upgrades	<\$10k	-
34	Technical Foundation	SQL Server 2012 Upgrade / Cluster Consolidation	\$700k-\$750k	-
35	Technical Foundation	Net Backup Architecture Redesign	\$75k-\$100k	-
36	Technical Foundation	Red Hat Jboss Operations Network	\$200k-\$225k	-
37	Technical Foundation	Email Redundancy	\$60k-\$80k	-
38	Technical Foundation	Appworx Replaces TIBCO Code in CSI Framework	\$75k-\$125k	-
39	Technical Foundation	Symposium Call Center Replacement	\$100k-\$150k	-
40	Technical Foundation	Replace Paperfree	\$200k-\$300k	-
41	Technical Foundation	Voice Over IP (VOIP) Replacement for PBX	\$650k-\$665k	-
42	Technical Foundation	Minor Cap - 2014	\$2M-\$3M	-
43	Technical Foundation	Improvements to Conference Bridge for Training Events	\$145k-\$155k	-
44	Technical Foundation	EDW Platform Transition Phase 2	\$500k-\$750k	\$3M-\$5M
45	Technical Foundation	EIF Database Utilization	\$400k-\$500k	-
46	Technical Foundation	EMMS Database Load Automation	\$50k-\$100k	-

ERCOT
Fiscal Years 2014 and 2015 Budget
Project Priority List Detail

Line	Project Category	Project Name	2014 Budget Range	2015 Budget Range
47	Technical Foundation	EMMS Site Failover Automation	\$50k-\$100k	-
48	Technical Foundation	IBM AIX Operating System Upgrades - Next Phase	\$250k-\$400k	\$100k-\$200k
49	Technical Foundation	Network Refresh - Phase 1	\$750k-\$1.25M	-
50	Technical Foundation	OSI PI Ace	\$250k-\$350k	-
51	Technical Foundation	Production Virtualization Expansion	\$1M-\$3M	\$1M-\$2M
52	Technical Foundation	Red Hat 7 x Upgrade	\$250k-\$500k	-
53	Technical Foundation	Remedy Upgrade/Replacement	\$200k-\$300k	-
54	Technical Foundation	Replace Actoncal Policy Manager	\$200k-\$300k	-
55	Technical Foundation	SOTE/MOTE Upgrade	\$50k-\$100k	-
56	Technical Foundation	SAN Array Preparation	\$100k-\$200k	-
57	Technical Foundation	Replace Sun DSEE	-	\$500k-\$1M
58	Technical Foundation	UC4 Automation Upgrade v9	-	\$300k-\$400k
59	Technical Foundation	Minor Cap - 2015	-	\$1M-\$2M
60	Technical Foundation	Data Center Growth & Asset Replacement - 2015	-	\$3M-\$4M
61	Technical Foundation	ERCOT com Tech Refresh	-	\$150k-\$300k
62	Technical Foundation	Network Refresh - Phase 2	-	\$400k-\$800k
63	Technical Foundation	Oracle 12c Upgrade	-	\$100k-\$250k
64	Technical Foundation	TIBCO Monitoring Tool	-	\$200k-\$300k
65	Technical Foundation	VoIP WAN System	-	\$600k-\$800k
66	Technical Foundation	Windows 2003 Retirement - Phase 2	-	\$200k-\$400k
67	Technical Foundation	SAN Array Upgrade/Replacement	-	\$3M-\$5M

ERCOT
Fiscal Years 2014 and 2015 Budget
Project Priority List Detail

Line	Project Category	Project Name	2014 Budget Range	2015 Budget Range
68	Operational Enhancements	MP Online Data Entry - Ph 1	\$300k-\$500k	-
69	Operational Enhancements	CMSDK/MIR Replacement	<\$10k	-
70	Operational Enhancements	MP Communications Tool	\$50k-\$75k	-
71	Operational Enhancements	Replace N2N System	\$50k-\$100k	-
72	Operational Enhancements	Taylor Control Room Upgrade	\$2.0M-\$2.5M	-
73	Operational Enhancements	RTCA Enhancements	\$90k-\$100k	-
74	Operational Enhancements	On-Site Storage	\$150k-\$250k	-
75	Operational Enhancements	AV Upgrades to TCC1 Conference Rooms	\$150k-\$200k	-
76	Operational Enhancements	Upgrade TCC1 Safety Equipment	\$50k-\$100k	-
77	Operational Enhancements	External TCC Enhancements	\$25k-\$50k	-
78	Operational Enhancements	Capital Efficiencies and Enhancements - 2014	\$500k-\$750k	-
79	Operational Enhancements	Efficiencies and Enhancements Funding - 2015	-	\$2M-\$3M

ERCOT

**Fiscal Years 2014 and 2015 Budget
Project Priority List Detail**

Line	Project Category	Project Name	2014 Budget Range	2015 Budget Range
80	Security	Cyber Security Project #7	\$40k-\$60k	-
81	Security	Cyber Security Project #10	\$250k-\$500k	-
82	Security	Cyber Security Project #11	\$250k-\$500k	-
83	Security	Cyber Security Project #14	\$425k-\$475k	-
84	Security	Cyber Security Project #12	-	\$250k-\$350k
85	Security	Cyber Security Project #13	-	\$150k-\$250k
86	Security	Cyber Security Project #15	-	\$300k-\$500k

ERCOT
Fiscal Years 2014 and 2015 Budget
Revenue Sources

Line	Description	2012 Actual	2013 Budget	2014 Request	2015 Request	2016 Projection	2017 Projection	2018 Projection	2019 Projection
1	ERCOT System Administration Fee	\$ 136,273,013	\$ 139,895,824	\$ 159,309,000	\$ 163,345,466	\$ 168,460,853	\$ 172,248,147	\$ 177,422,393	\$ 182,178,176
2	NERC Electric Reliability Organization Fee	13,062,260	13,248,627	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
3	Private Wide-Area Network Fee	3,276,325	2,820,000	3,446,905	3,499,982	3,559,735	3,627,201	3,698,216	3,770,857
4	Generation Interconnection Study Fees	488,127	300,000	300,000	304,619	309,820	315,692	321,873	328,195
5	Memberships Dues	288,150	320,000	270,000	270,000	270,000	270,000	270,000	270,000
6	Operations Training Seminar	198,821	215,250	215,250	218,564	222,296	226,509	230,944	235,480
7	Risk Management Verification Fee	-	-	180,000	180,000	180,000	180,000	180,000	180,000
8	Blackstart Training	77,464	65,000	65,000	66,001	67,128	68,400	69,739	71,109
9	Market Participant Registration Fees	39,000	15,000	66,000	66,000	66,000	66,000	66,000	66,000
10	Other Miscellaneous Income	34,331	-	-	-	-	-	-	-
11		\$ 153,737,490	\$ 156,879,701	\$ 175,852,155	\$ 179,950,633	\$ 185,135,831	\$ 189,001,949	\$ 194,259,163	\$ 199,099,816

Recommendation Regarding 2014-15 Budget

Closing Comments

PROJECT NO. 38533

PUC REVIEW OF ERCOT BUDGET § PUBLIC UTILITY COMMISSION
§
§ OF TEXAS

STATEMENT OF ERCOT CHIEF EXECUTIVE OFFICER SUMMARIZING
2014/2015 ERCOT BIENNIAL BUDGET AND BUDGET STRATEGIES

Introduction

Electric Reliability Council of Texas, Inc. (ERCOT) presents a 2014/2015 biennial budget that provides for an increase in ERCOT’s System Administration Fee – its primary funding source – from \$0.4171 per Megawatt hour (MWh) in 2013 to \$0.4650 per MWh for years 2014 and 2015. This increase in the System Administration Fee is the first since 2006. ERCOT management and its Board of Directors are gratified that the development of the Board-approved 2014/2015 biennial budget was the result of a productive collaboration with Commission staff.

We present the following information for the Commission’s consideration, in a format modeled on the “Administrator’s Statement” utilized by Texas state agencies in their Legislative Appropriations Requests. In addition to this statement, ERCOT has filed with the Commission the supporting documentation required by Commission rules or otherwise requested by Commission staff.

ERCOT is prepared to provide additional information at the Commission’s request.

ERCOT Overview

ERCOT manages the flow of electric power to approximately 23 million Texas customers, representing 85 percent of the state's electric load and 75 percent of Texas land area. As the independent system operator (ISO) for the region, ERCOT schedules power on an electric grid that connects 40,500 miles of transmission lines and more than 550 generation units. ERCOT also manages financial settlement for the competitive wholesale bulk-power market and administers customer switching for 6.7 million Texans in competitive choice areas.

ERCOT is a Texas non-profit corporation, operating as a tax-exempt organization under §501(c)(4) of the Internal Revenue Code. ERCOT’s core duties are delineated in Section 39.151 of the Texas Public Utility Regulatory Act (PURA). As the “independent organization” designated to serve as the ISO for the ERCOT power region, ERCOT is responsible for performing the following functions:

- (1) Ensure access to the transmission and distribution systems for all buyers and sellers of electricity on nondiscriminatory terms;

- (2) Ensure the reliability and adequacy of the regional electrical network;
- (3) Ensure that information relating to a customer's choice of retail electric provider is conveyed in a timely manner to the persons who need that information; and
- (4) Ensure that electricity production and delivery are accurately accounted for among the generators and wholesale buyers and sellers in the region.¹

ERCOT's actions in furtherance of its statutory mission are subject to the oversight and review of the Commission. In addition, ERCOT is responsible for ensuring compliance with federal electric reliability standards, pursuant to the Federal Power Act. For federal reliability standards, ERCOT is accountable to the Texas Reliability Entity (TRE), the North American Electric Reliability Corporation (NERC), and the Federal Energy Regulatory Commission (FERC).

ERCOT is governed by a Board of Directors (Board), the composition of which is mandated by statute,² as is the Commission's oversight role.³ The members of ERCOT's Board and the dates of their terms are identified in the schedules as Workpaper 1 in Attachment D, ERCOT 2014/2015 Biennial Budget Schedules and Workpapers. The identification of ERCOT's Board members is as of the date of this filing; the annual election of directors representing market segments, and the expiration of terms for unaffiliated directors, could result in new Board members serving in 2014 and 2015.

High-Level 2014/2015 Biennial Budget Overview

Spending Authorization

The 2014/2015 ERCOT biennial budget approved by the ERCOT Board authorizes \$190.9 million of total spending for operating expenses, project spending, and debt service for 2014, and \$195.0 million of total spending for operating expenses, project spending, and debt service for 2015. The 2014/2015 ERCOT biennial budget includes a revenue requirement of \$175.9 million in 2014 and \$180.0 million in 2015. The 2014/2015 ERCOT biennial budget accounts for \$10.0 million each year for revenue-funded project spending, and \$15.0 million each year for debt-funded project spending, which enables ERCOT to undertake projects totaling \$25.0 million each year.

The proposed 2014/2015 budget focuses on attracting, developing and retaining high-quality staff; maintaining and building upon technical infrastructure needed to manage the grid and market effectively; and implementing market and regulatory initiatives. As ERCOT's Board Chairman, Mr. Craven Crowell, noted when the ERCOT Board approved the budget and fee

¹ PURA § 39.151(a)(1)-(4).

² See PURA § 39.151(g).

³ See PURA § 39.151(c)-(f). The Commission's oversight of ERCOT is further detailed in Chapter 25, Subchapter O, Division 2 (Independent Organizations) of the P.U.C. Substantive Rules, and in Sections 22.251 – 22.252 of the P.U.C. Procedural Rules.

change: “If we are to ensure the continued success of ERCOT, we must be able to make necessary investments in the sophisticated technology that we must use and, of course, in the smart people who run those systems. This is what is required to run a world-class electric system that supports a vibrant and growing economy.”

As documented in the materials filed with this application, ERCOT management and staff are dedicated to running efficient operations. In recent years, ERCOT has saved millions of dollars by actively managing vendor relationships, driving costs down through competitive processes, and conducting detailed reviews of every new project and hiring decision. Those practices will continue at ERCOT, but could not fully offset the need to request increase budgetary and fee authority for 2014/2015.

ERCOT is also responsible for budgeting to fund the operations of the NERC Electric Reliability Organization (ERO). Funding for the NERC/ERO is derived from the System Administration Fee (SAF), but is not used to fund ERCOT operations. A total of \$24.0 million of ERCOT’s 2014/2015 biennial budget will be used to fund the NERC/ERO for 2014 and 2015.

Revenue Sources

The 2014/2015 ERCOT biennial budget requires an increase to the ERCOT System Administration Fee (SAF) from \$0.4171 MWh to \$0.4650 MWh. ERCOT has held the System Administration Fee steady for nine years, but is convinced that our duties cannot be managed effectively without the requested increase. The ERCOT Board and management are acutely aware that it is the consumers of Texas who fund ERCOT, and that we must remain focused on running a lean but effective organization that not only meets but exceeds the performance expectations of those we serve.

The Commission’s rules⁴ permit the ERCOT Board to approve user fees for specific services provided by ERCOT to market participants and the public. These user fees are included in the ERCOT Fee Schedule that is maintained along with the ERCOT Protocols. While user fees do not recover a large portion of ERCOT’s revenue requirement (they are expected to generate \$4.5 million in 2014 and \$4.6 million in 2015), ERCOT regularly reviews user fees to ensure they recover appropriate costs.⁵ ERCOT may recommend other user fee changes to the Board while the 2014/2015 ERCOT biennial budget is in effect, but management is not aware of specific new fees or their revenues at this time.

⁴ See P.U.C. SUBST. R. 25.363(f).

⁵ Since March 2011, when the Commission authorized the ERCOT Board to approve changes in user fees, the Board has revised or created fees associated with security screening studies related to interconnection with the ERCOT system, Wide Area Network access, and registration and access to the ERCOT Market Information System. Estimated revenues from these fees are incorporated in the 2014/2015 ERCOT biennial budget.

Summary Table

	2014 Board Approved Amount (\$ in thousands)	2015 Board Approved Amount (\$ in thousands)
<u>Revenue Sources</u>		
System Administration Fee	\$159,309	\$163,345
NERC/ERO pass-through cost recovery	\$12,000	\$12,000
Other revenue	<u>\$4,543</u>	<u>\$4,605</u>
Subtotal – Revenue sources	\$175,852	\$179,951
<u>Revenue Requirements</u>		
Operating and maintenance	\$136,189	\$138,825
Debt service (principal and interest)	\$17,663	\$19,125
NERC/ERO pass-through cost recovery	\$12,000	\$12,000
Revenue-funded project spending	<u>\$10,000</u>	<u>\$10,000</u>
Subtotal – Revenue requirements	\$175,852	\$179,951
<u>Spending Authorization</u>		
Revenue requirements	\$175,852	\$179,951
Debt-funded project spending	<u>\$15,000</u>	<u>\$15,000</u>
Total – Spending authorization	\$190,852	\$194,951

Mission and Driving Forces

ERCOT's mission and driving forces are detailed in its 2013 - 2017 Strategic Plan, which is included in ERCOT's *2014/2015 Biennial Budget Submission* as Attachment E, ERCOT 2013 – 2017 Strategic Plan.

Budget Strategies

ERCOT's budget strategies reflect the organization's focus on successfully addressing the driving forces that challenge achievement of its mission. The budget strategies are organized around ERCOT's core functions, and delineated by the specific capabilities the organization must have to perform its duties.

The capability-based model for budget planning is derived from a management review in 2010 that produced recommendations for ERCOT operations in the nodal market environment. The Capability Assessment identified ERCOT's seven main functions as: Transmission System Operations; Retail Market Operations; Wholesale Market Operations; Renewable Energy Credits; Customer Care; Information Technology; and Other Support and Management Functions. The seven primary functional capability groups became the basis for ERCOT's identification of its budget strategies detailed in the supporting schedules filed with ERCOT's *2014/2015 Biennial Budget Submission*.

The key functions included in the seven categories tie back to ERCOT's core functions. While not exhaustive, the following list provides a summary of capabilities included in each of the budget strategy groups:

- Transmission System Operations: Real time operation of the ERCOT system; maintenance of grid security; scheduling, dispatch, and outage coordination; system planning; load and wind forecasting; interconnection studies and coordination; system performance measurement and testing; and compliance monitoring and reporting.
- Retail Market Operations: Maintenance of retail customer switching registry; registration of retail electric providers; load profile determination and management; collection and aggregation of metering data; retail market development; and dispute management.
- Wholesale Market Operations: Management of processes enabling day-ahead and real-time market transactions; development of wholesale market rules and procedures; management of Congestion Revenue Rights (CRR) and other hedging transactions; and development and maintenance of market information and analysis.
- Renewable Energy Credits: Defining eligibility criteria for obtaining Renewable Energy Credits (RECs); establishing eligibility and registering REC holders; managing ownership of RECs; and maintaining and updating REC program information.
- Customer Care: Management of direct customer relationships with Qualified Scheduling Entities (QSEs) operating in ERCOT; providing education programs and coordinating stakeholder processes; and maintaining a help desk to resolve issues with ERCOT market information and IT systems.
- Information Technology: Information Technology (IT) support, applications and infrastructure; and IT strategy and planning. While IT provides corporate support across the organization, the IT-centric nature of all of ERCOT's operations justifies a separate budget strategy category for IT capabilities.
- Other Support & Management Functions: Corporate support includes executive, accounting, legal, regulatory, external relations, risk management, strategic planning, and internal audit; and providing resources and information to the ERCOT Board.

ERCOT's 2014/2015 Biennial Budget Submission includes, in Attachment D, *ERCOT 2014/2015 Biennial Budget Schedules and Workpapers*, schedules that detail ERCOT's expenditures by budget strategy.

Conclusion

ERCOT will provide additional information as requested to facilitate the Commission's review of ERCOT's 2014/2015 Biennial Budget Submission. ERCOT respectfully requests that the review process conclude by year-end 2013, so ERCOT can implement the 2014/2015 biennial budget and proposed System Administration Fee beginning January 1, 2014.

H.B. "Trip" Doggett
ERCOT President & Chief Executive Officer

SCHEDULES AND WORKPAPERS

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**Electric Reliability Council of Texas, Inc. (ERCOT)
Fiscal Year 2014-2015 Budget Request
Schedule 1: Summary by Capability**

Line	Ref	2012 Actual	2013 Budget	2014 Request	2015 Request	2016 Projection	2017 Projection	2018 Projection	2019 Projection
1		Capability							
2	S4	\$ 66,395,913	\$ 66,534,745	\$ 67,555,652	\$ 65,751,277	\$ 70,184,700	\$ 70,881,509	\$ 73,952,993	\$ 74,329,110
3	S5	7,825,174	7,027,068	7,806,778	7,167,439	7,655,317	7,715,522	8,168,383	8,183,567
4	S6	35,909,297	34,433,162	40,499,153	40,579,657	41,890,311	42,423,801	44,219,545	44,534,804
5	S7	126,007	593,369	165,989	37,945	331,228	328,883	336,511	332,414
6	S8	2,464,636	3,005,962	2,691,903	2,808,410	2,916,398	2,992,998	3,161,896	3,228,175
7	S9	37,200,454	34,999,646	41,798,558	49,916,113	46,863,544	47,660,094	49,950,785	50,559,937
8	S10	28,994,414	24,085,749	30,334,123	28,689,793	30,294,334	30,838,676	32,470,106	32,886,111
9		\$ 178,915,896	\$ 170,679,701	\$ 190,852,155	\$ 194,950,633	\$ 200,135,832	\$ 202,841,483	\$ 212,260,218	\$ 214,054,117
10									
11									
12		Method of Finance							
13	S2	\$ 136,273,013	\$ 139,895,824	\$ 159,309,000	\$ 163,345,466	\$ 168,460,853	\$ 171,087,681	\$ 180,423,446	\$ 182,132,476
14	S2	15,358,857	4,800,000	-	-	-	-	-	-
15	S2	13,062,260	13,248,627	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
16	S2	9,819,548	9,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
17	S2	4,402,219	3,735,250	4,543,155	4,605,167	4,674,980	4,753,803	4,836,772	4,921,641
18		\$ 178,915,896	\$ 170,679,701	\$ 190,852,155	\$ 194,950,633	\$ 200,135,832	\$ 202,841,483	\$ 212,260,218	\$ 214,054,117
19									
20									
21									
22		System Administration Fee Calculation							
23		\$ 136,273,013	\$ 139,895,824	\$ 159,309,000	\$ 163,345,466	\$ 168,460,853	\$ 171,087,681	\$ 180,423,446	\$ 182,132,476
24		326,715,446	335,401,162	342,600,000	351,280,572	362,281,404	367,930,496	372,007,105	375,530,879
25		\$ 0.4171	\$ 0.4171	\$ 0.4650	\$ 0.4650	\$ 0.4650	\$ 0.4650	\$ 0.4850	\$ 0.4850
26									

**Electric Reliability Council of Texas, Inc. (ERCOT)
Fiscal Year 2014-2015 Budget Request
Schedule 2: Method of Finance**

Line	Ref	2012 Actual	2013 Budget	2014 Request	2015 Request	2016 Projection	2017 Projection	2018 Projection	2019 Projection
1	n/a	\$ 136,273,013	\$ 139,895,824	\$ 159,309,000	\$ 163,345,466	\$ 168,460,853	\$ 171,087,681	\$ 180,423,446	\$ 182,132,476
2	n/a	9,819,548	9,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
3	n/a	13,062,260	13,248,627	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
4	n/a	15,358,857	4,800,000	-	-	-	-	-	-
5	n/a								
6	n/a	3,276,326	2,820,000	3,446,905	3,499,982	3,559,736	3,627,202	3,698,217	3,770,857
7	n/a	488,127	300,000	300,000	304,619	309,820	315,692	321,873	328,195
8	n/a	288,150	320,000	270,000	270,000	270,000	270,000	270,000	270,000
9	n/a	198,821	215,250	215,250	218,564	222,296	226,509	230,944	235,480
10	n/a	-	-	180,000	180,000	180,000	180,000	180,000	180,000
11	n/a	39,000	15,000	66,000	66,000	66,000	66,000	66,000	66,000
12	n/a	77,464	65,000	65,000	66,001	67,128	68,400	69,739	71,109
13	n/a	34,331	-	-	-	-	-	-	-
14	n/a								
		\$ 178,915,896	\$ 170,679,701	\$ 190,852,155	\$ 194,950,633	\$ 200,135,832	\$ 202,841,483	\$ 212,260,218	\$ 214,054,117
	Total - ERCOT								

**Electric Reliability Council of Texas, Inc. (ERCOT)
Fiscal Year 2014-2015 Budget Request
Schedule 3: Summary by Object of Expense**

Line	Object of Expense	Ref	2012 Actual	2013 Budget	2014 Request	2015 Request	2016 Projection	2017 Projection	2018 Projection	2019 Projection
1	Salaries & Wages	S/2	\$ 54,299,447	\$ 58,821,147	\$ 65,562,635	\$ 68,185,140	\$ 70,912,546	\$ 73,749,048	\$ 76,699,010	\$ 79,766,970
2	Other Personnel Costs	S/3	16,943,569	18,023,885	20,268,230	21,076,973	21,918,167	22,793,139	23,703,132	24,649,495
3	Professional Fees & Services	n/a	11,581,156	8,005,605	10,186,708	8,739,890	8,970,842	8,939,741	9,428,270	9,328,508
4	Fuels & Lubricants	n/a	52,235	75,000	51,996	52,797	53,698	54,716	55,787	56,883
5	Consumable Supplies	n/a	88,801	104,775	107,184	108,834	110,698	112,790	114,997	117,255
6	Utilities	S/4	7,266,515	7,425,160	7,556,420	7,672,775	7,803,767	7,951,666	8,107,348	8,266,593
7	Rent - Building	S/5	723,683	966,000	672,000	690,933	710,558	730,916	751,922	773,546
8	Travel	n/a	719,652	590,486	742,337	753,768	766,636	781,166	796,458	812,102
9	Rent - Machine & Other	n/a	167,628	83,160	105,000	106,617	108,437	110,492	112,655	114,868
10	Debt Service	n/a	29,540,040	18,897,680	17,663,267	19,125,421	19,785,511	18,000,435	22,219,916	19,228,545
11	Other Operating Expenses	S/6	9,626,838	9,732,470	10,282,075	10,465,142	10,664,584	10,882,725	11,110,540	11,343,899
12	HW/SW Maintenance & Licenses	S/7	18,478,157	19,705,706	20,654,303	20,972,342	21,330,388	21,734,649	22,160,183	22,595,454
13	Reliability Organization Assessment	n/a	13,062,261	13,248,627	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
14	Capital Expenditures	n/a	16,365,914	15,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000
15	Total - ERCOT		\$ 178,915,896	\$ 170,679,701	\$ 190,852,155	\$ 194,950,633	\$ 200,135,832	\$ 202,841,483	\$ 212,260,218	\$ 214,054,117

**Electric Reliability Council of Texas, Inc. (ERCOT)
Fiscal Year 2014-2015 Budget Request**

Schedule 4: Capability 1 - Transmission System Operation

Line	Object of Expense	2012 Actual	2013 Budget	2014 Request	2015 Request
1	Salaries & Wages	\$ 15,540,333	\$ 17,125,610	\$ 18,763,822	\$ 19,514,375
2	Other Personnel Costs	4,848,473	5,246,741	5,799,457	6,030,898
3	Professional Fees & Services	2,508,572	1,523,746	2,075,440	1,499,771
4	Fuels & Lubricants	7,219	11,295	7,186	7,296
5	Consumable Supplies	24,043	28,247	29,020	29,467
6	Utilities	4,056,225	3,795,241	4,239,568	4,304,849
7	Travel	205,962	171,918	212,455	215,726
8	Rent - Building	9,813	31,243	9,060	9,332
9	Rent - Machine & Other	35,071	18,093	24,452	24,829
10	Debt Service	11,090,651	7,366,736	6,290,519	6,487,714
11	Other Operating Expenses	2,837,235	3,144,860	3,155,378	3,170,215
12	HW/SW Maintenance & Licenses	8,885,520	9,900,778	9,931,955	10,084,889
13	Reliability Organization Assessment	13,062,261	13,248,627	12,000,000	12,000,000
14	Capital Expenditures	3,284,535	4,921,609	5,017,341	2,371,917
15	Total	\$ 66,395,913	\$ 66,534,745	\$ 67,555,652	\$ 65,751,277

Electric Reliability Council of Texas, Inc. (ERCOT)

Fiscal Year 2014-2015 Budget Request

Schedule 4a: Key Performance Indicators - Transmission System Operation

Line	Service	Performance Target
1	System Planning	
2	Regional Planning project Review Studies completed on time without substantive errors	95% completed on time or no more than 1 late if less than 20 projects
3	Transmission planning projects initiated or significantly improved by ERCOT staff	10 projects
4	Transmission Connection Management	
5	Generation Interconnection Request (GIR) screening studies completed on time without errors.	95% completed on time or no more than 1 late if less than 20 GIRs
6	Grid Security Management / Real-Time System Control / Scheduling & Dispatch	
7	Control Performance Standard 1 (CPS1) frequency control performance (rolling 12 month CPS1 score)	> 140
8	Interconnection Reliability Operating Limit (IROL) exceedance limitations	None longer than 20 minutes
9	Outage Coordination/Planning	
10	Outage Coordination performance requests approved or denied within timeline and with mitigation plans developed if required	97%
11	Network model update accuracy	No more than 3 emergency database loads due to staff error
12	Forecasting	
13	Operations Load Forecast performance - Mean Average Percent Error (MAPE) monthly average day ahead load forecasts used for DRUC MAPE	All less than 4.0%
14	Wind forecast performance - MAPE based on installed wind capacity monthly average day ahead wind forecasts used for DRUC MAPE.	All less than 15%
15	Compliance Monitoring & Reporting	
16	Required Planning Report performance	No more than two reports required by PUCT Rule, DOE project, NERC or State law filed late or with error
17	Achieve full compliance with NERC/FERC planning and operating standards, OPS, Protocols	No more than 1 high severity and no more than 3 total exceptions from NERC Standards as found in a NERC Compliance Audit excluding current registration mitigation plan regarding TOP
18	Assure property, personnel, and cyber assets are protected (cyber and physical) in accordance with NERC CIP Standards and SSAE16 Controls	No more than 1 high severity and no more than 3 total alleged violations from NERC Standards as found in a NERC Compliance Audit excluding current registration mitigation plan regarding TOP
19	Achieve compliance with ERCOT Protocols and Operating Guides by achieving acceptable operating related exceptions from ERCOT Protocols and Operating Guides as found in Protocol Compliance Audit	No more than 3
20	Ensure ERCOT ISO compliance with protocol Section 8 and operating guide Section 9 requirements (include in aggregate above), excluding Self Reports.	95%

**Electric Reliability Council of Texas, Inc. (ERCOT)
Fiscal Year 2014-2015 Budget Request
Schedule 5: Capability 2 - Retail Market Operation**

Line	Object of Expense	2012 Actual	2013 Budget	2014 Request	2015 Request
1	Salaries & Wages	\$ 1,862,548	\$ 2,090,328	\$ 2,248,891	\$ 2,338,847
2	Other Personnel Costs	581,382	641,003	695,563	723,309
3	Professional Fees & Services	1,648,827	883,133	1,342,582	944,461
4	Fuels & Lubricants	379	702	377	383
5	Consumable Supplies	3,413	5,001	4,120	4,183
6	Utilities	90,892	116,362	99,340	100,870
7	Travel	24,685	20,984	25,463	25,855
8	Rent - Building	11,695	19,668	10,798	11,122
9	Rent - Machine & Other	6,045	3,678	3,882	3,942
10	Debt Service	1,314,114	778,038	730,878	709,704
11	Other Operating Expenses	294,205	459,073	325,680	321,574
12	HW/SW Maintenance & Licenses	1,747,333	1,775,478	1,953,114	1,983,189
13	Reliability Organization Assessment	-	-	-	-
14	Capital Expenditures	239,655	233,621	366,089	-
15	Total	\$ 7,825,174	\$ 7,027,068	\$ 7,806,778	\$ 7,167,439

**Electric Reliability Council of Texas, Inc. (ERCOT)
 Fiscal Year 2014-2015 Budget Request
 Schedule 5a: Key Performance Indicators - Retail Market Operation**

Line	Service	Performance Target
1	Customer Switching/Registry	98%
2	Conduct Retail Transaction processing per Protocol timelines	99%
3	End User Customer Switch Notifications processed per PUCT rules	98%
4	Market Information	98%
5	Retail Extracts available per Protocol timelines	96%
6	Dispute Management	96%
7	Manage Retail Transaction issues and disputes within defined timelines	96%

**Electric Reliability Council of Texas, Inc. (ERCOT)
Fiscal Year 2014-2015 Budget Request**

Schedule 6: Capability 3 - Wholesale Market Operation

Line	Object of Expense	2012 Actual	2013 Budget	2014 Request	2015 Request
1	Salaries & Wages	\$ 8,578,922	\$ 9,965,716	\$ 10,358,425	\$ 10,772,762
2	Other Personnel Costs	2,676,916	3,053,319	3,202,156	3,329,930
3	Professional Fees & Services	2,979,730	3,181,249	3,486,359	3,579,615
4	Fuels & Lubricants	3,942	3,732	3,924	3,985
5	Consumable Supplies	13,943	16,807	16,830	17,089
6	Utilities	535,920	465,003	566,609	575,334
7	Travel	113,700	100,042	117,284	119,090
8	Rent - Building	249,397	304,898	230,265	237,173
9	Rent - Machine & Other	34,509	12,375	19,644	19,947
10	Debt Service	6,012,648	3,812,444	3,793,499	4,034,427
11	Other Operating Expenses	1,451,808	1,302,838	1,643,169	1,663,218
12	HW/SW Maintenance & Licenses	7,787,420	7,973,438	8,704,533	8,838,567
13	Reliability Organization Assessment	-	-	-	-
14	Capital Expenditures	5,470,441	4,241,301	8,356,455	7,388,520
15	Total	\$ 35,909,297	\$ 34,433,162	\$ 40,499,153	\$ 40,579,657

**Electric Reliability Council of Texas, Inc. (ERCOT)
 Fiscal Year 2014-2015 Budget Request
 Schedule 6a: Key Performance Indicators - Wholesale Market Operation**

Line	Service	Performance Target
1	Bidding, Scheduling and Pricing	
2	Percent of days with successful DAM execution solution completed and posted successfully	100%
3	DAM executions completed in acceptable timeframe percent of days with posting solution before 1600	97%
4	DAM quality of solution as measured with price corrections: percent of hourly prices requiring DAM price correction	1-3 % of time
5	Number of minimum Ancillary Services Requirements posted after the 20th of each month	< 2
6	SCED solution is solved and posted percent of 15-minute Settlement Interval prices where price corrections are performed	1 - 3 %
7	Wholesale Metering, Data Collection and Data Aggregation	
8	AMS interval data is loaded into ERCOT systems by final settlement from the MRE in accordance with Protocols for data loading	99%
9	IDR meter data is loaded into ERCOT systems by true-up settlement from the MRE in accordance with Protocols for settlement	99%
10	EPS meter data is accurate and complete as measured by the percent of data that does not change after an initial settlement.	99%
11	Settlement and Billing	
12	Timely settlements per Protocol timelines	99%
13	Accurate settlements as measured by number of resettlements due to manual data errors	2%
14	Market Information	
15	Wholesale extracts available per Protocol timelines	98%
16	CRR/FTR Management	
17	CRR auctions are performed according to Nodal Protocols Requirements (7 5 1)	By end of month
18	Monthly de-ratings of CRRs are within acceptable tolerances.	80%
19	Dispute Management	
20	Process disputes within protocol timelines	95%

**Electric Reliability Council of Texas, Inc. (ERCOT)
Fiscal Year 2014-2015 Budget Request
Schedule 7: Capability 4 - Renewable Energy Credits**

Line	Object of Expense	2012 Actual	2013 Budget	2014 Request	2015 Request
1	Salaries & Wages	\$ 19,019	\$ 24,226	\$ 22,964	\$ 23,882
2	Other Personnel Costs	5,932	7,421	7,095	7,379
3	Professional Fees & Services	-	-	-	-
4	Fuels & Lubricants	3	6	3	4
5	Consumable Supplies	27	38	33	33
6	Utilities	621	837	686	696
7	Travel	252	243	260	264
8	Rent - Building	12	124	11	12
9	Rent - Machine & Other	53	29	33	33
10	Debt Service	21,476	65,698	15,827	3,736
11	Other Operating Expenses	2,931	8,037	3,470	1,906
12	HW/SW Maintenance & Licenses	-	-	-	-
13	Reliability Organization Assessment	-	-	-	-
14	Capital Expenditures	75,681	486,710	115,607	-
15	Total	\$ 126,007	\$ 593,369	\$ 165,989	\$ 37,945

Electric Reliability Council of Texas, Inc. (ERCOT)

Fiscal Year 2014-2015 Budget Request

Schedule 7a: Key Performance Indicators - Renewable Energy Credits

Line	Service	Performance Target
1	Determine REC Obligations and Verify Compliance	
2	Fulfill the protocol obligations for RPS mandate calculations and reporting on time and accurately	99%

**Electric Reliability Council of Texas, Inc. (ERCOT)
Fiscal Year 2014-2015 Budget Request
Schedule 8: Capability 5 - Customer Care**

Line	Object of Expense	2012 Actual	2013 Budget	2014 Request	2015 Request
1	Salaries & Wages	\$ 1,352,297	\$ 1,735,171	\$ 1,632,800	\$ 1,698,112
2	Other Personnel Costs	422,044	531,499	504,897	525,040
3	Professional Fees & Services	1,035	98,646	1,142	1,166
4	Fuels & Lubricants	236	322	235	238
5	Consumable Supplies	2,352	2,595	2,839	2,883
6	Utilities	66,772	85,303	73,125	74,251
7	Travel	17,923	17,419	18,487	18,772
8	Rent - Building	827	2,080	764	786
9	Rent - Machine & Other	3,968	1,708	2,599	2,639
10	Debt Service	406,976	332,821	251,090	276,378
11	Other Operating Expenses	132,323	142,387	139,225	142,448
12	HW/SW Maintenance & Licenses	57,884	56,013	64,701	65,697
13	Reliability Organization Assessment	-	-	-	-
14	Capital Expenditures	-	-	-	-
15	Total	\$ 2,464,636	\$ 3,005,962	\$ 2,691,903	\$ 2,808,410

**Electric Reliability Council of Texas, Inc. (ERCOT)
 Fiscal Year 2014-2015 Budget Request
 Schedule 8a: Key Performance Indicators - Customer Care**

Line	Service	Performance Target
1	Account Management	
2	Establish and maintain Targeted Account Plans and execute per guidelines and schedule.	90%
3	Create, distribute and post Market Notices per the COPs Communication Guide, Section 5, Appendix A.	95%
4	Retail and Wholesale Client Service staff respond/acknowledge MP account management inquiries no later than COB the next Business Day of receipt for those inquiries not involving disputes.	95%

**Electric Reliability Council of Texas, Inc. (ERCOT)
Fiscal Year 2014-2015 Budget Request
Schedule 9: Capability 6 - Information Technology**

Line	Object of Expense	2012 Actual	2013 Budget	2014 Request	2015 Request
1	Salaries & Wages	\$ 16,265,090	\$ 16,804,079	\$ 19,638,914	\$ 20,424,470
2	Other Personnel Costs	5,076,789	5,150,796	6,073,715	6,316,008
3	Professional Fees & Services	639,940	387,625	517,509	359,719
4	Fuels & Lubricants	32,790	47,362	32,640	33,143
5	Consumable Supplies	29,330	34,428	35,402	35,947
6	Utilities	1,545,071	1,825,660	1,563,671	1,587,748
7	Travel	215,568	168,690	222,363	225,787
8	Rent - Building	73,058	72,585	69,643	71,031
9	Rent - Machine & Other	47,761	20,937	31,748	32,237
10	Debt Service	6,027,567	3,875,166	3,828,192	4,872,913
11	Other Operating Expenses	2,657,467	2,493,017	2,773,201	2,911,570
12	HW/SW Maintenance & Licenses	-	-	-	-
13	Reliability Organization Assessment	-	-	-	-
14	Capital Expenditures	4,590,024	4,119,299	7,011,561	13,045,541
15	Total	\$ 37,200,454	\$ 34,999,646	\$ 41,798,558	\$ 49,916,113

**Electric Reliability Council of Texas, Inc. (ERCOT)
 Fiscal Year 2014-2015 Budget Request
 Schedule 9a: Key Performance Indicators - Information Technology**

Line	Service	Performance Target
1	IT Application Services	
2	Retail Processing Availability - Bus. Hours	99.5%
3	Retail Processing Availability - Non bus. Hours	99%
4	Retail API Availability	99%
5	MarkeTrak Availability	98%
6	Congestion Revenue Rights (CRR) Availability	98%
7	Market Information System (MIS) Availability	99%
8	Market Management System Aggregate Availability	99%
9	Energy Management System Aggregate Availability	99%
10	Security Constrained Economic Dispatch (SCED) Availability	99.9%
11	Security Constrained Economic Dispatch (SCED): number of outages greater than 30 consecutive minutes (per quarter)	zero outages
12	Load Frequency Control (LFC) Availability	99.9%
13	Load Frequency Control (LFC): number of outages greater than 30 consecutive minutes (per quarter)	zero outages
14	Outage Scheduler Availability	99%

**Electric Reliability Council of Texas, Inc. (ERCOT)
Fiscal Year 2014-2015 Budget Request
Schedule 10: Capability 7 - Management Functions**

Line	Object of Expense	2012 Actual	2013 Budget	2014 Request	2015 Request
1	Salaries & Wages	\$ 10,681,239	\$ 11,076,015	\$ 12,896,820	\$ 13,412,692
2	Other Personnel Costs	3,332,031	3,393,106	3,985,347	4,144,410
3	Professional Fees & Services	3,803,052	1,931,206	2,763,675	2,355,158
4	Fuels & Lubricants	7,667	11,580	7,632	7,749
5	Consumable Supplies	15,692	17,661	18,941	19,232
6	Utilities	971,014	1,136,753	1,013,421	1,029,026
7	Travel	141,563	111,188	146,025	148,274
8	Rent - Building	378,882	535,402	351,459	361,477
9	Rent - Machine & Other	40,221	26,339	22,641	22,990
10	Debt Service	4,666,606	2,666,777	2,753,263	2,740,549
11	Other Operating Expenses	2,250,870	2,182,259	2,241,951	2,254,213
12	HW/SW Maintenance & Licenses	-	-	-	-
13	Reliability Organization Assessment	-	-	-	-
14	Capital Expenditures	2,705,579	997,460	4,132,948	2,194,023
15	Total	\$ 28,994,414	\$ 24,085,749	\$ 30,334,123	\$ 28,689,793

Electric Reliability Council of Texas, Inc. (ERCOT)
 Fiscal Year 2014-2015 Budget Request
 Schedule 10a: Key Performance Indicators - Management Functions

Line	Service	Performance Target
1	Strategy and Business Planning	
2	Enterprise risk assessment updated quarterly	Quarterly update completed
3	Credit reports are correct and posted in a timely manner.	97%
4	Successful SSAE16 audit performance	Unqualified opinion
5	Internal Audit	100% by year end
6	Execute the 2013 Internal Audit Plan as approved by the Finance and Audit Committee, and complete the plan by December 31, 2013.	
7	Finance	Between 0 - 5% favorable variance
8	Manage spending to be equal to or less than the board-approved expenditure budget for 2013	3%
9	Human Resources	90%
10	Retain top talent (Lose no more than 3% of top talent population annually)	90% of planned activities
11	Percent of critical positions with named successors.	99.98%
12	Manage the ERCOT Training and Professional Development Program according to the approved annual education plan.	
13	Facilities/Security	
14	Operate data centers providing availability consistent with data center designed objectives.	No more than one Stage 2 or Stage 3 cyber or physical security Incident.
15	Maintain ERCOT ISO's security posture against cyber and physical security threats as defined in the Incident Security Response Plan	
16	External Affairs	95%
17	Annually, provide timely, thorough and accurate news releases on all ERCOT Board meetings, major reports and filings, board and officer changes, and other newsworthy events.	95%
18	Annually, ensure postings of current information, reports and presentations on the ERCOT website and maintain accurate information about ERCOT organization.	95%
19	Develop and maintain a comprehensive repository of informational and educational resource documents related to ERCOT Inc. and the ERCOT Market.	95%
20	Ensure information of interest to officials and stakeholders is available through social media outlets on a timely basis	10%
21	Project/Program Management	
22	Project Portfolio managed within approved Execution schedule.	10%
23	Project Portfolio managed within approved Execution budget	10%

Electric Reliability Council of Texas, Inc. (ERCOT)

Fiscal Year 2014-2015 Budget Request

Schedule 11: Information Technology and Administrative Cost Summary

Line	Object of Expense	Ref	2012		2013		2014		2015	
			Actual	Budget	Budget	Request	Request	Request		
1	Salaries & Wages	S9 - S10	\$ 26,946,329	\$ 27,880,095	\$ 32,535,733	\$ 33,837,162				
2	Other Personnel Costs	S9 - S10	8,408,820	8,543,902	10,059,062	10,460,417				
3	Professional Fees & Services	S9 - S10	4,442,991	2,318,832	3,281,184	2,714,877				
4	Fuels & Lubricants	S9 - S10	40,456	58,943	40,271	40,892				
5	Consumable Supplies	S9 - S10	45,022	52,089	54,342	55,179				
6	Utilities	S9 - S10	2,516,085	2,962,414	2,577,092	2,616,775				
7	Travel	S9 - S10	357,130	279,879	368,388	374,061				
8	Rent - Building	S9 - S10	451,940	607,988	421,102	432,508				
9	Rent - Machine & Other	S9 - S10	87,982	47,277	54,390	55,227				
10	Debt Service	S9 - S10	10,694,174	6,541,943	6,581,455	7,613,462				
11	Other Operating Expenses	S9 - S10	4,908,337	4,675,276	5,015,152	5,165,782				
12	HW/SW Maintenance & Licenses	S9 - S10	-	-	-	-				
13	Reliability Organization Assessment	S9 - S10	-	-	-	-				
14	Capital Expenditures	S9 - S10	7,295,603	5,116,760	11,144,509	15,239,564				
15	Total - Indirect/Support		\$ 66,194,869	\$ 59,085,395	\$ 72,132,681	\$ 78,605,906				
17	Allocation % to Direct Capabilities (% of Total)									
18	Transmission System Operation	SI	58.9%	59.6%	56.9%	56.5%				
19	Retail Market Operation	SI	6.9%	6.3%	6.6%	6.2%				
20	Wholesale Market Operation	SI	31.9%	30.9%	34.1%	34.9%				
21	Renewable Energy Credits	SI	0.1%	0.5%	0.1%	0.0%				
22	Customer Care	SI	2.2%	2.7%	2.3%	2.4%				
			100.0%	100.0%	100.0%	100.0%				

**Electric Reliability Council of Texas, Inc. (ERCOT)
Fiscal Year 2014-2015 Budget Request**

Schedule 11a: Indirect/Support Allocation to Capability 1 - Transmission System Operation

Line	Object of Expense	Ref	2012		2013		2014		2015	
			Actual	Budget	Budget	Request	Request	Request		
1	Proportional Indirect/Support Cost Allocation									
2	Salaries & Wages	S//	\$ 15,872,159	\$ 16,622,667	\$ 18,514,003	\$ 19,122,797				
3	Other Personnel Costs	S//	4,953,036	5,094,044	5,723,968	5,911,620				
4	Professional Fees & Services	S//	2,617,049	1,382,534	1,867,112	1,534,290				
5	Fuels & Lubricants	S//	23,830	35,143	22,916	23,110				
6	Consumable Supplies	S//	26,519	31,056	30,923	31,184				
7	Utilities	S//	1,482,046	1,766,250	1,466,458	1,478,849				
8	Travel	S//	210,360	166,869	209,626	211,397				
9	Rent - Building	S//	266,205	362,494	239,622	244,429				
10	Rent - Machine & Other	S//	51,824	28,187	30,950	31,211				
11	Debt Service	S//	6,299,175	3,900,437	3,745,085	4,302,686				
12	Other Operating Expenses	S//	2,891,151	2,787,493	2,853,802	2,919,400				
13	HW/SW Maintenance & Licenses	S//	-	-	-	-				
14	Reliability Organization Assessment	S//	-	-	-	-				
15	Capital Expenditures	S//	4,297,319	3,050,714	6,341,626	8,612,515				
16			\$ 38,990,673	\$ 35,227,888	\$ 41,046,090	\$ 44,423,489				
17	Total									
18	Total - Direct and Indirect/Support Costs									
19	Salaries & Wages	S4	\$ 31,412,492	\$ 33,748,279	\$ 37,277,824	\$ 38,637,172				
20	Other Personnel Costs	S4	9,801,509	10,340,786	11,523,426	11,942,518				
21	Professional Fees & Services	S4	5,125,622	2,906,280	3,942,552	3,034,061				
22	Fuels & Lubricants	S4	31,049	46,438	30,102	30,406				
23	Consumable Supplies	S4	50,562	59,303	59,943	60,651				
24	Utilities	S4	5,538,271	5,561,491	5,706,026	5,783,698				
25	Travel	S4	416,322	338,788	422,081	427,123				
26	Rent - Building	S4	276,018	393,737	248,682	253,760				
27	Rent - Machine & Other	S4	86,895	46,281	55,402	56,040				
28	Debt Service	S4	17,389,826	11,267,173	10,035,603	10,790,401				
29	Other Operating Expenses	S4	5,728,386	5,932,353	6,009,180	6,089,615				
30	HW/SW Maintenance & Licenses	S4	8,885,520	9,900,778	9,931,955	10,084,889				
31	Reliability Organization Assessment	S4	13,062,261	13,248,627	12,000,000	12,000,000				
32	Capital Expenditures	S4	7,581,854	7,972,323	11,358,967	10,984,432				
33			\$ 105,386,586	\$ 101,762,635	\$ 108,601,742	\$ 110,174,765				
	Total									

**Electric Reliability Council of Texas, Inc. (ERCOT)
Fiscal Year 2014-2015 Budget Request
Schedule 11b: Indirect/Support Allocation to Capability 2 - Retail Market Operation**

Line	Object of Expense	Ref	2012		2013		2014		2015	
			Actual	Budget	Request	Request	Request	Request		
1	Proportional Indirect/Support Cost Allocation									
2	Salaries & Wages	S//	\$ 1,870,633	\$ 1,755,603	\$ 2,139,491	\$ 2,084,545				
3	Other Personnel Costs	S//	583,746	538,008	661,466	644,416				
4	Professional Fees & Services	S//	308,436	146,016	215,765	167,250				
5	Fuels & Lubricants	S//	2,808	3,712	2,648	2,519				
6	Consumable Supplies	S//	3,125	3,280	3,573	3,399				
7	Utilities	S//	174,668	186,543	169,465	161,207				
8	Travel	S//	24,792	17,624	24,225	23,044				
9	Rent - Building	S//	31,374	38,285	27,691	26,645				
10	Rent - Machine & Other	S//	6,108	2,977	3,577	3,402				
11	Debt Service	S//	742,397	411,945	432,785	469,029				
12	Other Operating Expenses	S//	340,740	294,401	329,787	318,239				
13	HW/SW Maintenance & Licenses	S//	-	-	-	-				
14	Reliability Organization Assessment	S//	-	-	-	-				
15	Capital Expenditures	S//	506,466	322,201	732,843	938,836				
16			\$ 4,595,295	\$ 3,720,594	\$ 4,743,315	\$ 4,842,532				
17	Total									
18	Total - Direct and Indirect/Support Costs									
19	Salaries & Wages	S5	\$ 3,733,181	\$ 3,845,931	\$ 4,388,382	\$ 4,423,392				
20	Other Personnel Costs	S5	1,165,128	1,179,010	1,357,029	1,367,725				
21	Professional Fees & Services	S5	1,957,263	1,029,149	1,558,347	1,111,712				
22	Fuels & Lubricants	S5	3,187	4,414	3,025	2,902				
23	Consumable Supplies	S5	6,539	8,281	7,693	7,583				
24	Utilities	S5	265,561	302,905	268,805	262,077				
25	Travel	S5	49,477	38,608	49,688	48,899				
26	Rent - Building	S5	43,069	57,953	38,489	37,767				
27	Rent - Machine & Other	S5	12,153	6,655	7,459	7,345				
28	Debt Service	S5	2,056,511	1,189,983	1,163,663	1,178,733				
29	Other Operating Expenses	S5	634,945	753,474	655,467	639,813				
30	HW/SW Maintenance & Licenses	S5	1,747,333	1,775,478	1,953,114	1,983,189				
31	Reliability Organization Assessment	S5	-	-	-	-				
32	Capital Expenditures	S5	746,121	555,822	1,098,931	938,836				
33	Total		\$ 12,420,469	\$ 10,747,661	\$ 12,550,093	\$ 12,009,971				

**Electric Reliability Council of Texas, Inc. (ERCOT)
Fiscal Year 2014-2015 Budget Request**

Schedule 11c: Indirect/Support Allocation to Capability 3 - Wholesale Market Operation

Line	Object of Expense	Ref	2012 Actual	2013 Budget	2014 Request	2015 Request
1	Proportional Indirect/Support Cost Allocation					
2	Salaries & Wages	S//	\$ 8,584,234	\$ 8,602,588	\$ 11,099,018	\$ 11,802,000
3	Other Personnel Costs	S//	2,678,780	2,636,278	3,431,480	3,648,469
4	Professional Fees & Services	S//	1,415,394	715,491	1,119,321	946,917
5	Fuels & Lubricants	S//	12,888	18,187	13,738	14,263
6	Consumable Supplies	S//	14,343	16,072	18,538	19,246
7	Utilities	S//	801,544	914,072	879,132	912,700
8	Travel	S//	113,770	86,358	125,669	130,468
9	Rent - Building	S//	143,973	187,599	143,652	150,854
10	Rent - Machine & Other	S//	28,028	14,587	18,554	19,263
11	Debt Service	S//	3,406,820	2,018,560	2,245,153	2,655,485
12	Other Operating Expenses	S//	1,563,638	1,442,587	1,710,835	1,801,763
13	HW/SW Maintenance & Licenses	S//	-	-	-	-
14	Reliability Organization Assessment	S//	-	-	-	-
15	Capital Expenditures	S//	2,324,145	1,578,810	3,801,762	5,315,378
16			\$ 21,087,558	\$ 18,231,190	\$ 24,606,852	\$ 27,416,805
17	Total					
18	Total - Direct and Indirect/Support Costs					
19	Salaries & Wages	S6	\$ 17,163,157	\$ 18,568,304	\$ 21,457,444	\$ 22,574,762
20	Other Personnel Costs	S6	5,355,696	5,689,596	6,633,636	6,978,400
21	Professional Fees & Services	S6	4,395,124	3,896,740	4,605,680	4,526,532
22	Fuels & Lubricants	S6	16,830	21,919	17,662	18,247
23	Consumable Supplies	S6	28,286	32,879	35,368	36,335
24	Utilities	S6	1,337,464	1,379,076	1,445,740	1,488,034
25	Travel	S6	227,470	186,401	242,953	249,558
26	Rent - Building	S6	393,370	492,497	373,917	388,027
27	Rent - Machine & Other	S6	62,537	26,963	38,198	39,209
28	Debt Service	S6	9,419,468	5,831,004	6,038,652	6,689,912
29	Other Operating Expenses	S6	3,015,446	2,745,425	3,354,004	3,464,981
30	HW/SW Maintenance & Licenses	S6	7,787,420	7,973,438	8,704,533	8,838,567
31	Reliability Organization Assessment	S6	-	-	-	-
32	Capital Expenditures	S6	7,794,585	5,820,111	12,158,217	12,703,898
33	Total		\$ 56,996,854	\$ 52,664,352	\$ 65,106,005	\$ 67,996,462

**Electric Reliability Council of Texas, Inc. (ERCOT)
Fiscal Year 2014-2015 Budget Request**

Schedule 11d: Indirect/Support Allocation to Capability 4 -Renewable Energy Credits

Line	Object of Expense	Ref	2012 Actual	2013 Budget	2014 Request	2015 Request
1	Proportional Indirect/Support Cost Allocation					
2	Salaries & Wages	S//	30,122 \$	148,244 \$	45,490 \$	11,036
3	Other Personnel Costs	S//	9,400	45,430	14,064	3,412
4	Professional Fees & Services	S//	4,967	12,330	4,588	885
5	Fuels & Lubricants	S//	45	313	56	13
6	Consumable Supplies	S//	50	277	76	18
7	Utilities	S//	2,813	15,752	3,603	853
8	Travel	S//	399	1,488	515	122
9	Rent - Building	S//	505	3,233	589	141
10	Rent - Machine & Other	S//	98	251	76	18
11	Debt Service	S//	11,955	34,785	9,202	2,483
12	Other Operating Expenses	S//	5,487	24,859	7,012	1,685
13	HW/SW Maintenance & Licenses	S//	-	-	-	-
14	Reliability Organization Assessment	S//	-	-	-	-
15	Capital Expenditures	S//	8,156	27,207	15,582	4,970
16			73,997 \$	314,168 \$	100,853 \$	25,636
17	Total					
18	Total - Direct and Indirect/Support Costs					
19	Salaries & Wages	S7	49,141 \$	172,470 \$	68,454 \$	34,918
20	Other Personnel Costs	S7	15,332	52,851	21,159	10,790
21	Professional Fees & Services	S7	4,967	12,330	4,588	885
22	Fuels & Lubricants	S7	49	319	60	17
23	Consumable Supplies	S7	77	315	109	51
24	Utilities	S7	3,433	16,588	4,289	1,550
25	Travel	S7	651	1,731	775	386
26	Rent - Building	S7	518	3,357	600	153
27	Rent - Machine & Other	S7	151	281	109	51
28	Debt Service	S7	33,431	100,483	25,029	6,219
29	Other Operating Expenses	S7	8,418	32,896	10,482	3,591
30	HW/SW Maintenance & Licenses	S7	-	-	-	-
31	Reliability Organization Assessment	S7	-	-	-	-
32	Capital Expenditures	S7	83,836	513,917	131,189	4,970
33	Total		200,004 \$	907,537 \$	266,841 \$	63,581

**Electric Reliability Council of Texas, Inc. (ERCOT)
Fiscal Year 2014-2015 Budget Request
Schedule 11e: Indirect/Support Allocation to Capability 5 - Customer Care**

Line	Object of Expense	Ref	2012 Actual	2013 Budget	2014 Request	2015 Request
1	Proportional Indirect/Support Cost Allocation					
2	Salaries & Wages	S//	\$ 589,179	\$ 750,993	\$ 737,731	\$ 816,785
3	Other Personnel Costs	S//	183,858	230,143	228,084	252,501
4	Professional Fees & Services	S//	97,146	62,461	74,399	65,534
5	Fuels & Lubricants	S//	885	1,588	913	987
6	Consumable Supplies	S//	984	1,403	1,232	1,332
7	Utilities	S//	55,014	79,797	58,434	63,166
8	Travel	S//	7,809	7,539	8,353	9,029
9	Rent - Building	S//	9,882	16,377	9,548	10,440
10	Rent - Machine & Other	S//	1,924	1,273	1,233	1,333
11	Debt Service	S//	233,827	176,217	149,231	183,779
12	Other Operating Expenses	S//	107,320	125,936	113,716	124,695
13	HW/SW Maintenance & Licenses	S//	-	-	-	-
14	Reliability Organization Assessment	S//	-	-	-	-
15	Capital Expenditures	S//	159,518	137,828	252,696	367,863
16			\$ 1,447,346	\$ 1,591,555	\$ 1,635,572	\$ 1,897,444
17	Total					
18	Total - Direct and Indirect/Support Costs					
19	Salaries & Wages	S8	\$ 1,941,476	\$ 2,486,163	\$ 2,370,531	\$ 2,514,897
20	Other Personnel Costs	S8	605,902	761,642	732,981	777,541
21	Professional Fees & Services	S8	98,181	161,107	75,541	66,700
22	Fuels & Lubricants	S8	1,120	1,909	1,148	1,225
23	Consumable Supplies	S8	3,337	3,998	4,071	4,215
24	Utilities	S8	121,786	165,100	131,559	137,417
25	Travel	S8	25,731	24,958	26,841	27,802
26	Rent - Building	S8	10,709	18,458	10,312	11,227
27	Rent - Machine & Other	S8	5,892	2,981	3,833	3,972
28	Debt Service	S8	640,804	509,038	400,321	460,157
29	Other Operating Expenses	S8	239,643	268,322	252,941	267,143
30	HW/SW Maintenance & Licenses	S8	57,884	56,013	64,701	65,697
31	Reliability Organization Assessment	S8	-	-	-	-
32	Capital Expenditures	S8	159,518	137,828	252,696	367,863
33			\$ 3,911,982	\$ 4,597,517	\$ 4,327,475	\$ 4,705,855
	Total					

Electric Reliability Council of Texas, Inc. (ERCOT)
 Fiscal Year 2014-2015 Budget Request
 Schedule 12: Salaries and Wages

Line	Account Detail	2012 Actual	2013 Budget	2014 Request	2015 Request	2016 Projection	2017 Projection	2018 Projection	2019 Projection
1	Payroll - Salaries & Wages	\$ 58,615,137	\$ 63,361,783	\$ 70,580,671	\$ 73,403,898	\$ 76,340,054	\$ 79,393,656	\$ 82,569,403	\$ 85,872,179
2	Overtime Pay	717,223	885,952	636,119	661,564	688,027	715,548	744,170	773,936
3	Project Funded Labor	(5,032,913)	(5,426,589)	(5,654,156)	(5,880,322)	(6,115,535)	(6,360,156)	(6,614,563)	(6,879,145)
4	Total - ERCOT	\$ 54,299,447	\$ 58,821,147	\$ 65,562,635	\$ 68,185,140	\$ 70,912,546	\$ 73,749,048	\$ 76,699,010	\$ 79,766,970

Electric Reliability Council of Texas, Inc. (ERCOT)
 Fiscal Year 2014-2015 Budget Request
 Schedule 13: Other Personnel Costs

Line	Account Detail	2012 Actual	2013 Budget	2014 Request	2015 Request	2016 Projection	2017 Projection	2018 Projection	2019 Projection
1	Employee Benefits/Taxes	\$ 18,660,481	\$ 20,417,982	\$ 22,616,644	\$ 23,521,307	\$ 24,462,159	\$ 25,440,646	\$ 26,458,275	\$ 27,516,604
2	Reward/Recognition- Monetary	299,619	233,450	224,750	233,740	243,090	252,813	262,926	273,443
3	Reward/Recognition-Non-Monetary	46,827	40,000	80,740	81,986	83,381	84,961	86,624	88,328
4	Bonus	-	5,250	6,875	7,150	7,436	7,733	8,043	8,364
5	Separation Benefits	305,070	-	-	-	-	-	-	-
6	Project Funded Labor	(2,368,429)	(2,672,797)	(2,660,779)	(2,767,210)	(2,877,899)	(2,993,015)	(3,112,735)	(3,237,245)
7	Total - ERCOT	\$ 16,943,568	\$ 18,023,885	\$ 20,268,230	\$ 21,076,973	\$ 21,918,167	\$ 22,793,139	\$ 23,703,132	\$ 24,649,495

Electric Reliability Council of Texas, Inc. (ERCOT)
 Fiscal Year 2014-2015 Budget Request
 Schedule 14: Utilities

Line	Account Detail	2012 Actual	2013 Budget	2014 Request	2015 Request	2016 Projection	2017 Projection	2018 Projection	2019 Projection
1	Wide-Area Network Costs	\$ 3,363,442	\$ 2,880,000	\$ 3,504,549	\$ 3,558,512	\$ 3,619,264	\$ 3,687,857	\$ 3,760,060	\$ 3,833,915
2	Electricity	1,623,978	2,000,000	1,500,000	1,523,097	1,549,100	1,578,459	1,609,363	1,640,974
3	Building Security Services	1,333,292	1,435,000	1,385,345	1,406,677	1,430,692	1,457,807	1,486,349	1,515,544
4	Cellular Phone	235,373	236,421	297,220	301,796	306,948	312,766	318,888	325,152
5	Telephone	184,535	204,000	239,000	242,680	246,823	251,501	256,425	261,462
6	Internet Service	137,845	88,000	223,437	226,877	230,751	235,124	239,727	244,435
7	Conferencing	204,845	289,100	217,700	221,053	224,827	229,088	233,574	238,162
8	Water/Gas/Sewer/Trash	112,073	150,000	105,000	106,617	108,437	110,492	112,655	114,868
9	Remote System Access	48,436	112,639	60,169	61,096	62,139	63,316	64,556	65,824
10	Frame Relay (NERC)	22,695	30,000	24,000	24,370	24,786	25,256	25,750	26,256
11	Total - ERCOT	\$ 7,266,515	\$ 7,425,160	\$ 7,556,419	\$ 7,672,775	\$ 7,803,767	\$ 7,951,666	\$ 8,107,348	\$ 8,266,593

Electric Reliability Council of Texas, Inc. (ERCOT)
 Fiscal Year 2014-2015 Budget Request
 Schedule 15: Rent Building

Line	Account Detail	2012 Actual	2013 Budget	2014 Request	2015 Request	2016 Projection	2017 Projection	2018 Projection	2019 Projection
1	Office Rental	\$ 636,854	\$ 900,000	\$ 588,000	\$ 605,640	\$ 623,809	\$ 642,523	\$ 661,799	\$ 681,653
2	Storage Rental	86,829	66,000	84,000	85,293	86,749	88,392	90,123	91,893
3	Total - ERCOT	\$ 723,683	\$ 966,000	\$ 672,000	\$ 690,933	\$ 710,558	\$ 730,915	\$ 751,922	\$ 773,546

Electric Reliability Council of Texas, Inc. (ERCOT)
 Fiscal Year 2014-2015 Budget Request
 Schedule 16: Other Operating Expenses

Line	Account Detail	2012 Actual	2013 Budget	2014 Request	2015 Request	2016 Projection	2017 Projection	2018 Projection	2019 Projection
1	Tax - Property	\$ 2,352,298	\$ 2,299,260	\$ 2,168,259	\$ 2,211,624	\$ 2,255,856	\$ 2,300,973	\$ 2,346,992	\$ 2,393,932
2	Insurance Premiums	1,813,905	1,892,202	2,033,079	2,064,385	2,099,629	2,139,422	2,181,308	2,224,154
3	Subscriptions - Data Services	1,304,525	1,596,108	1,559,874	1,583,895	1,610,935	1,641,467	1,673,602	1,706,475
4	Building Systems Maintenance	875,555	963,888	837,200	850,092	864,605	880,992	898,240	915,883
5	Relocation	394,953	360,000	600,000	624,000	648,960	674,918	701,915	729,992
6	Tramming Registration Fees	325,185	431,740	543,925	552,301	561,729	572,375	583,580	595,043
7	Custodial Service	253,730	250,000	260,000	264,004	268,511	273,600	278,957	284,436
8	Media	285,022	-	250,000	253,850	258,184	263,077	268,228	273,497
9	Operator Training Services	164,263	164,263	200,000	203,080	206,547	210,462	214,583	218,798
10	Equipment & Tools <\$1,000	192,347	119,992	198,200	201,252	204,688	208,567	212,650	216,826
11	Software < \$1,000	54,153	175,000	180,000	182,772	185,892	189,415	193,123	196,916
12	Hardware < \$1,000	76,581	246,751	174,000	176,680	179,696	183,101	186,686	190,353
13	Building Maintenance	123,877	85,000	165,000	167,541	170,401	173,630	177,029	180,506
14	Miscellaneous Services	145,218	155,654	137,000	139,110	141,485	144,167	146,989	149,876
15	Sponsored Meetings	184,002	79,862	130,800	132,813	135,080	137,639	140,334	143,090
16	Equipment Maintenance	110,526	156,000	126,000	127,940	130,124	132,591	135,187	137,842
17	Dues	23,943	93,617	109,094	110,774	112,665	114,800	117,048	119,347
18	College Education Reimbursement	75,365	150,000	85,000	86,309	87,782	89,446	91,197	92,989
19	Professional Dues	38,083	55,551	69,837	70,912	72,123	73,490	74,928	76,400
20	Grounds Maintenance	64,950	60,000	65,000	66,001	67,128	68,400	69,739	71,109
21	Corporate Events	21,567	12,000	61,376	62,321	63,385	64,586	65,850	67,143
22	Subscriptions - Training	55,968	60,000	60,000	60,924	61,964	63,138	64,374	65,638
23	Chemical Supplies	45,375	52,500	50,000	50,770	51,637	52,616	53,646	54,700
24	Recruiting Expense	446,806	50,000	38,400	38,991	39,637	40,409	41,200	42,009
25	Job Posting Advertising	25,416	55,000	30,000	30,462	30,982	31,569	32,187	32,819
26	Business Registration Fees	17,115	23,692	28,628	29,068	29,565	30,125	30,715	31,318
27	Employment Screening	26,576	25,000	25,000	25,385	25,818	26,307	26,822	27,349
28	Miscellaneous Equip Repairs	-	31,200	23,200	23,557	23,959	24,413	24,891	25,380
29	Report Printing	5,396	25,949	18,100	18,379	18,693	19,047	19,419	19,800
30	Express Shipping	16,378	21,863	16,827	17,085	17,377	17,707	18,055	18,410
31	Vehicle Maintenance	23,850	12,600	14,000	14,216	14,459	14,733	15,021	15,316
32	Subscriptions & Publications	36,860	14,870	10,596	10,758	10,940	11,147	11,366	11,588
33	Postage (U.S. Postal Svc)	3,762	7,164	7,240	7,352	7,478	7,620	7,769	7,921
34	Copying Services	3,952	5,744	6,440	6,539	6,650	6,776	6,909	7,044
35	Bank Fees	41,797	-	-	-	-	-	-	-
36	Legal Expense- Claims & Settle	33,926	-	-	-	-	-	-	-
37	Miscellaneous Expenses	3,308	-	-	-	-	-	-	-
38	Late Fee Payment	856	-	-	-	-	-	-	-
39	Tax - Sales, Excise and Use	-	-	-	-	-	-	-	-
40	Miscellaneous Moving Expenses	-	-	-	-	-	-	-	-
41	Write Off Adjustments	(4,504)	-	-	-	-	-	-	-
42	Training Cost Recovery	(36,045)	-	-	-	-	-	-	-
43	Total - ERCOT	\$ 9,626,838	\$ 9,732,470	\$ 10,282,075	\$ 10,465,142	\$ 10,664,584	\$ 10,882,725	\$ 11,110,540	\$ 11,343,899

Electric Reliability Council of Texas, Inc. (ERCOT)
 Fiscal Year 2014-2015 Budget Request
 Schedule 17: HW/SW Maintenance & License

Line	Account Detail	2012 Actual	2013 Budget	2014 Request	2015 Request	2016 Projection	2017 Projection	2018 Projection	2019 Projection
1	SW Maintenance/License	\$ 12,241,975	\$ 12,295,611	\$ 13,217,120	\$ 13,420,640	\$ 13,649,761	\$ 13,908,456	\$ 14,180,764	\$ 14,459,303
2	HW Support and Maintenance	2,937,607	4,230,782	3,737,183	3,794,729	3,859,513	3,932,660	4,009,656	4,088,414
3	Vendor HW/SW Services	3,298,575	3,179,313	3,700,000	3,756,973	3,821,113	3,893,533	3,969,763	4,047,737
4	Total - ERCOT	\$ 18,478,157	\$ 19,705,706	\$ 20,654,303	\$ 20,972,342	\$ 21,330,388	\$ 21,734,649	\$ 22,160,183	\$ 22,595,454

Electric Reliability Council of Texas, Inc. (ERCOT)
 Fiscal Year 2014-2015 Budget Request
 Schedule 18: Summary by Capability-Exception Request

Line	Ref	2012 Actual	2013 Budget	2014 Baseline Budget	2014 Exceptional Request #1	2014 Corresponding Fee Increase	2014 Exceptional Request #2	2014 Corresponding Fee Increase	2014 Exceptional Request #3	2014 Corresponding Fee Increase	2014 Exceptional Request #4	2014 Corresponding Fee Increase	2014 Exceptional Request #5	2014 Corresponding Fee Increase
1 Capability														
2	S4	\$ 66,395,913	\$ 66,534,745	\$ 64,825,294	\$ 2,694,429	\$ 0.0079	\$ 1,269,833	\$ 0.0037	\$ 1,392,794	\$ 0.0041	\$ (1,579,382)	\$ (0.0046)	\$ 2,006,936	\$ 0.0059
3	S5	7,825,174	7,027,068	6,828,451	321,975	0.0009	147,538	0.0004	395,718	0.0012	(15,911)	(0.0000)	146,435	0.0004
4	S6	35,909,297	34,433,162	33,402,277	1,486,498	0.0043	765,773	0.0022	1,265,498	0.0037	(162,405)	(0.0005)	3,342,582	0.0098
5	S7	126,007	593,369	589,068	3,289	0.0000	3,195	0.0000	209	0.0000	(99)	(0.0000)	46,243	0.0001
6	S8	2,464,636	3,005,962	2,937,728	231,437	0.0007	50,686	0.0001	15,418	0.0000	(7,178)	(0.0000)	-	-
7	S9	37,200,454	34,999,646	33,959,333	2,809,547	0.0082	772,776	0.0023	362,804	0.0011	(186,242)	(0.0005)	2,804,624	0.0082
8	S10	28,994,414	24,085,749	23,337,549	1,854,760	0.0054	555,786	0.0016	774,519	0.0023	(254,809)	(0.0007)	1,653,179	0.0048
9		\$ 178,915,896	\$ 170,679,701	\$ 165,879,701	\$ 9,401,935	\$ 0.0274	\$ 3,565,587	\$ 0.0104	\$ 4,210,959	\$ 0.0123	\$ (2,206,026)	\$ (0.0064)	\$ 10,000,000	\$ 0.0292
10														
11														
12 Method of Finance														
13	S2	\$ 136,273,013	\$ 139,895,824	\$ 139,895,824	\$ 9,220,935	\$ 0.0269	\$ 3,565,587	\$ 0.0104	\$ 3,584,054	\$ 0.0105	\$ (957,399)	\$ (0.0028)	\$ 4,000,000	\$ 0.0117
14	S2	15,358,857	4,800,000	-	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a
15	S2	13,062,260	13,248,627	13,248,627	-	n/a	-	n/a	-	n/a	(1,248,627)	(0.0036)	-	n/a
16	S2	9,819,548	9,000,000	9,000,000	-	n/a	-	n/a	-	n/a	-	n/a	6,000,000	n/a
17	S2	4,402,219	3,735,230	3,735,250	181,000	0.0005	-	n/a	626,905	0.0018	-	n/a	-	n/a
18		\$ 178,915,896	\$ 170,679,701	\$ 165,879,701	\$ 9,401,935	\$ 0.0274	\$ 3,565,587	\$ 0.0104	\$ 4,210,959	\$ 0.0123	\$ (2,206,026)	\$ (0.0064)	\$ 10,000,000	\$ 0.0117

Notes:

- The 2014 Baseline Budget is calculated by reducing the 2013 Authorized Spending amount of \$170,679,701 (which includes \$9,000,000 debt funding for capital expenditures) by the budgeted 2012 carry forward funding amount of \$4,800,000.
- 2014 Exceptional Request #1:
There is a \$9,401,935 increase in the requested 2014 budget over the 2014 baseline budget for operating expenses. The corresponding impact on the system administration fee (SAF) would be \$0.0274. However, because ERCOT is anticipating an increase in Other Revenues, the net impact on the system administration fee (SAF) is \$0.0269.
- 2014 Exceptional Request #2:
The budget request assumes debt obligation payments of \$3,565,587 over the baseline budget which equates to an impact on the system administration fee (SAF) of \$0.0104.
- 2014 Exceptional Request #3:
There is a \$4,210,959 increase additional studies/reviews, the Wide Area Network service costs, public service announcements, and Information Technology storage. The corresponding impact on the system administration fee (SAF) would be \$0.0123 however, due to the additional WAN revenues, the impact to the SAF is only \$0.0105.
- 2014 Exceptional Request #4:
Decreased costs of \$2,206,026 are expected for lower electrical costs, Austin office lease costs, and property taxes (downward pressure on the SAF of \$0.0038), as well as, a lower Reliability Organization Assessment cost (downward pressure on the SAF of \$0.0036).
- 2014 Exceptional Request #5:
The budget request includes Capital Expenditures of \$25,000,000, which are 40% funded by system administration fee (SAF) revenue and 60% funded by debt. This is an increase of \$10,000,000 over the 2013 Budget. The corresponding impact on the SAF would be (\$0.0117).

Electric Reliability Council of Texas, Inc. (ERCOT)
 Fiscal Year 2014-2015 Budget Request

Schedule 19: Summary by Object of Expense-Exception Requests

Line	Object of Expense	Ref	2012 Actual	2013 Budget	2014 Baseline Budget	2014 Exceptional Request #1	2014 Corresponding Fee Increase	2014 Exceptional Request #2	2014 Corresponding Fee Increase	2014 Exceptional Request #3	2014 Corresponding Fee Increase	2014 Exceptional Request #4	2014 Corresponding Fee Increase	2014 Exceptional Request #5	2014 Corresponding Fee Increase
1	Salaries & Wages	S/2	\$ 54,299,447	\$ 58,821,146	\$ 58,821,146	\$6,741,489	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Other Personnel Costs	S/3	16,943,569	18,023,885	18,023,885	2,244,346	0.0066	-	-	-	-	-	-	-	-
3	Professional Fees & Services	n/a	11,581,156	8,005,605	8,005,605	-	-	2,181,103	0.0064	-	-	(23,004)	(0.0001)	-	-
4	Fuels & Lubricants	n/a	52,235	75,000	75,000	-	-	-	-	-	-	-	-	-	-
5	Consumable Supplies	n/a	88,801	104,775	104,775	2,409	0.0000	-	-	-	-	-	-	-	-
6	Utilities	S/4	7,266,515	7,425,160	7,425,160	-	-	-	-	631,259	0.0018	(500,000)	(0.0015)	-	-
8	Rent - Building	S/5	723,683	966,000	966,000	-	-	-	-	-	-	(294,000)	(0.0009)	-	-
7	Travel	n/a	719,652	590,486	590,486	151,852	0.0004	-	-	-	-	-	-	-	-
9	Rent - Machine & Other	n/a	167,628	83,160	83,160	21,840	0.0001	-	-	-	-	-	-	-	-
10	Debt Service	n/a	29,540,040	18,897,680	14,097,680	-	-	3,565,587	0.0104	-	-	-	-	-	-
11	Other Operating Expenses	S/6	9,626,838	9,732,470	9,732,470	240,000	0.0007	-	-	450,000	0.0013	(140,395)	(0.0004)	-	-
12	HW/SW Maintenance & Licenses	S/7	18,478,157	19,705,706	19,705,706	-	-	-	-	948,597	0.0028	-	-	-	-
13	Reliability Organization Assessment	n/a	13,062,261	13,248,627	13,248,627	-	-	-	-	-	-	(1,248,627)	(0.0036)	-	-
14	Capital Expenditures	n/a	16,365,914	15,000,000	15,000,000	-	-	-	-	-	-	-	-	10,000,000	0.0117
15	Total - ERCOT		\$178,915,896	\$170,679,701	\$165,879,701	\$9,401,935	\$ 0.0274	\$3,565,587	\$ 0.0104	\$4,210,959	\$ 0.0123	\$(2,206,026)	\$(0.0064)	\$10,000,000	\$ 0.0117

Notes:

- The 2014 Baseline Budget is calculated by reducing the 2013 Authorized Spending amount of \$170,679,701 (which includes \$9,000,000 debt funding for capital expenditures) by the budgeted 2012 carry forward funding amount of \$4,800,000
- 2014 Exceptional Request #1: This \$9,401,935 request is primarily a result of increases relative to human resources due to normal merit growth, risk management initiatives, and compensation adjustments, as well as, inflationary increases on the remaining expense objects
- 2014 Exceptional Request #2: The budget request assumes debt obligation payments of \$17,663,276. Although this is lower than the 2013 Budget, it equates to \$3,565,587 over the baselined budget of \$14,097,680
- 2014 Exceptional Request #3: There is a \$4,210,959 increase in Professional Fees & Services for additional studies/reviews, Utilities for the Wide Area Network (WAN) service costs, Other Operating Expenses for public service announcements, and Hardware/Software Maintenance & Licenses for Information Technology storage needs
- 2014 Exceptional Request #4: Decreases of \$2,206,026 are planned in Utilities for lower electrical costs, Rent-Building due to lower lease costs for the Austin office, Other Operating Expenses attributable to lower property taxes, and the Reliability Organization Assessment line
- 2014 Exceptional Request #5: The budget request includes Capital Expenditures of \$25,000,000, which are 40% funded by system administration fee (SAF) revenue and 60% funded by debt. This is an increase of \$10,000,000 over the 2013 Budget

Electric Reliability Council of Texas, Inc. (ERCOT)
 Fiscal Year 2014-2015 Budget Request
 Workpaper 1: Board Of Directors

Line	Role	Board Member	Member Type	Term
1	Chair	Craven Crowell	Unaffiliated (Independent) Director	Term 1 01/01/2012-12/31/2014 Eligible for two additional terms
2	Vice Chair	Judy Walsh	Unaffiliated (Independent) Director	Term 1 01/01/2012-12/31/2014 Eligible for two additional terms
3	Board Member	Jorge Bermudez	Unaffiliated (Independent) Director	Term 1 07/01/2010 - 06/30/2013 Term 2 07/01/13- 06/30/2016 Eligible for one additional terms
4	Board Member	Michehl Gent	Unaffiliated (Independent) Director	Term 1 03/21/2006 - 03/20/2009 Term 2 03/21/2009 - 03/20/2012 Term 3 (final) 05/10/2012-05/09/2015
5	Board Member	Karl Pfirrmann	Unaffiliated (Independent) Director	Term 1 01/01/2012 - 12/31/2014 Eligible for two additional terms
6	Board Member	Donna Nelson	Public Utility Commission of Texas Chair (Ex Officio, Non-Voting Director)	
7	Board Member	H B "Trup" Doggett	ERCOT Chief Executive Officer (Ex Officio, Voting Director)	
8	Board Member	Sheri Givens	The Public Counsel (Office of Public Utility Counsel) - Consumer Segment - Residential and Small Commercial (Ex Officio, Voting Director)	
9	Board Member	Andrew J Dalton	Consumer Segment - Industrial	
10	Board Member	Shannon Bowling	Independent Retail Electric Provider (REP) Segment	
11	Board Member	Mark Dreyfus	Municipal Segment	
12	Board Member	Nick Fehrenbach	Consumer Segment - Large Commercial	
13	Board Member	Kevin Gresham	Independent Generator Segment	
14	Board Member	Clifton Karnet	Cooperative Segment	
15	Board Member	Scott Prochazka	Investor-Owned Utility Segment	
16	Board Member	Jean Ryall Porter	Independent Power Marketer Segment	
17				
18	Segment Alternate	Krusty Ashley	Independent Generator Segment	
19	Segment Alternate	Jeff Brown	Independent Power Marketer Segment	
20	Segment Alternate	Mark Carpenter	Investor-Owned Utility Segment	
21	Segment Alternate	Michael Packard	Cooperative Segment	
22	Segment Alternate	Michael Matlock	Independent REP	
23	Segment Alternate	Carolyn Shellman	Municipal Segment	

Electric Reliability Council of Texas, Inc. (ERCOT)
 Fiscal Year 2014-2015 Budget Request
 Workpaper 2: Project Assignment by Capability

Line	Project Description	Capability	2014 Request	2015 Request
1	EMS Upgrade	1 - Transmission System Operation	x	x
2	Daily Grid Operations Summary Report	1 - Transmission System Operation	x	
3	EMMS Database Load Automation	1 - Transmission System Operation	x	
4	EMMS Site Failover Automation	1 - Transmission System Operation	x	
5	Improvements to Conference Bridge for Training Events	1 - Transmission System Operation	x	
6	MP Communications Tool	1 - Transmission System Operation	x	
7	OSI PI Ace	1 - Transmission System Operation	x	
8	Posting of Generation that is Off but Available	1 - Transmission System Operation	x	
9	QSGR Dispatch Adjustment	1 - Transmission System Operation	x	
10	RTCA Enhancements	1 - Transmission System Operation	x	
11	SOTE/MOTE Upgrade	1 - Transmission System Operation	x	
12	Sync with PRR787, Add Non-Compliance Language to QSE Performance Standards	1 - Transmission System Operation	x	
13	Taylor Control Room Upgrade	1 - Transmission System Operation	x	
14	MarketTrak Enhancements - Remaining SCR756 Items	1 - Transmission System Operation	x	
15	Replace Paperfree	2 - Retail Market Operation	x	
16	ABB MMS OS Technology Refresh	2 - Retail Market Operation	x	
17	Settlement System Upgrade	3 - Wholesale Market Operation	x	x
18	Balancing Account Resettlement Due to DAM Resettlement	3 - Wholesale Market Operation	x	x
19	Capital Efficiencies and Enhancements - 2014	3 - Wholesale Market Operation	x	
20	Clarification for Fuel Adder Provisions	3 - Wholesale Market Operation	x	
21	Credit Monitoring Posting Requirements - CRR Portion	3 - Wholesale Market Operation	x	
22	CRR Shift Factors Report	3 - Wholesale Market Operation	x	
23	CRRAH Digital Certificate New Role for Read Only Access	3 - Wholesale Market Operation	x	
24	ERCOT System Change Allowing Independent Master QSE to Represent Split Generation Resources	3 - Wholesale Market Operation	x	
25	MP Online Data Entry - Ph 1	3 - Wholesale Market Operation	x	
26	MP Online Data Entry - Ph 2	3 - Wholesale Market Operation	x	
27	New Extract for Five Minute Interval Settlement Data	3 - Wholesale Market Operation	x	
28	Revision Request Funding - 2014	3 - Wholesale Market Operation	x	
29	Revisions to Congestion Revenue Rights Credit Calculations and Payments	3 - Wholesale Market Operation	x	
30	Setting the Shadow Price Caps and Power Balance Penalties in Security-Constrained Economic Dispatch	3 - Wholesale Market Operation	x	
31	Updating a Counter-Party's Available Credit Limit for Current Day DAM	3 - Wholesale Market Operation	x	
32	Day-Ahead Market Self-Commitment of Generation Resources	3 - Wholesale Market Operation	x	
33	Efficiencies and Enhancements Funding - 2015	3 - Wholesale Market Operation	x	x
34	MP Online Data Entry - Ph 3	3 - Wholesale Market Operation	x	x
35	Reverse Real Time Energy Imbalance and RMR Adjustment Charge	3 - Wholesale Market Operation	x	x
36	Revision Request Funding - 2015	3 - Wholesale Market Operation	x	x
37	Revisions to Congestion Revenue Rights Credit Calculations and Payments - S&B Portion	3 - Wholesale Market Operation	x	x
38	REC Rewrite & Refresh	4 - Renewable Energy Credits	x	x

Electric Reliability Council of Texas, Inc. (ERCOT)
 Fiscal Year 2014-2015 Budget Request
 Workpaper 2: Project Assignment by Capability

Line	Project Description	Capability	2014 Request	2015 Request
39	EDW Platform Transition Phase 2	6 - Information Technology	x	x
40	IBM AIX Operating System Upgrades - Next Phase	6 - Information Technology	x	x
41	Production Virtualization Expansion	6 - Information Technology	x	x
42	Appworx Replaces TIBCO Code in CSI Framework	6 - Information Technology	x	x
43	CMSDK/MIR Replacement	6 - Information Technology	x	x
44	EIF Database Utilization	6 - Information Technology	x	x
45	EIS Reporting and Control Systems Upgrade	6 - Information Technology	x	x
46	Email Redundancy	6 - Information Technology	x	x
47	IBM AIX Operating System Upgrades	6 - Information Technology	x	x
48	Net Backup Architecture Redesign	6 - Information Technology	x	x
49	Network Refresh - Phase 1	6 - Information Technology	x	x
50	Red Hat 7 x Upgrade	6 - Information Technology	x	x
51	Red Hat Jobs Operations Network	6 - Information Technology	x	x
52	Kennedy Upgrade/Replacement	6 - Information Technology	x	x
53	Replace Acton Policy Manager	6 - Information Technology	x	x
54	Replace N2N System	6 - Information Technology	x	x
55	Replace Sun IDM	6 - Information Technology	x	x
56	SAN Array Preparation	6 - Information Technology	x	x
57	SQL Server 2012 Upgrade / Cluster Consolidation	6 - Information Technology	x	x
58	Symposium Call Center Replacement	6 - Information Technology	x	x
59	Voice Over IP (VOIP) Replacement for PBX	6 - Information Technology	x	x
60	Windows 2003 Retirement - Phase 1	6 - Information Technology	x	x
61	Data Center Growth & Asset Replacement - 2015	6 - Information Technology	x	x
62	ERCOT.com Tech Refresh	6 - Information Technology	x	x
63	Network Refresh - Phase 2	6 - Information Technology	x	x
64	Oracle 12c Upgrade	6 - Information Technology	x	x
65	Replace Sun DSEE	6 - Information Technology	x	x
66	SAN Array Upgrade/Replacement	6 - Information Technology	x	x
67	TIBCO Monitoring Tool	6 - Information Technology	x	x
68	UC4 Automaton Upgrade v9	6 - Information Technology	x	x
69	VoIP WAN System	6 - Information Technology	x	x
70	Windows 2003 Retirement - Phase 2	6 - Information Technology	x	x
71	AV Upgrades to TCC1 Conference Rooms	6 - Information Technology	x	x
72	Blackstart Facilities Enhancements	7 - Other Support & Mgmt Functions	x	x
73	Cyber Security Project #10	7 - Other Support & Mgmt Functions	x	x
74	Cyber Security Project #11	7 - Other Support & Mgmt Functions	x	x
75	Cyber Security Project #14	7 - Other Support & Mgmt Functions	x	x
76	Cyber Security Project #7	7 - Other Support & Mgmt Functions	x	x
77	External TCC Enhancements	7 - Other Support & Mgmt Functions	x	x
78	Minor Cap - 2014	7 - Other Support & Mgmt Functions	x	x
79	On-Site Storage	7 - Other Support & Mgmt Functions	x	x
80	Program Control - 2014	7 - Other Support & Mgmt Functions	x	x
81	Upgrade TCC1 Safety Equipment	7 - Other Support & Mgmt Functions	x	x
82	Cyber Security Project #12	7 - Other Support & Mgmt Functions	x	x
83	Cyber Security Project #13	7 - Other Support & Mgmt Functions	x	x
84	Cyber Security Project #15	7 - Other Support & Mgmt Functions	x	x
85	Minor Cap - 2015	7 - Other Support & Mgmt Functions	x	x
86	Program Control - 2015	7 - Other Support & Mgmt Functions	x	x

Electric Reliability Council of Texas, Inc. (ERCOT)
 Fiscal Year 2014-2015 Budget Request
 Workpaper 3: Object of Expense Mapping - ABEST to ERCOT

Line	ABEST		ERCOT		ERCOT Account Description	ERCOT Account Summary
	Object	Object Description	GL Account	Account Description		
1	1001	Salaries & Wages	68000	Payroll - Salaries & Wages	Labor	
2	1001	Salaries & Wages	68010	Overtime Pay	Labor	
3	1001	Salaries & Wages	68015	Payroll Clearing	Labor	
4	68% to 1001 (1)	Salaries & Wages	68019	Contra Labor - O&M Project	Labor	
5	32% to 1002 (1)	Other Personnel Costs				
6	68% to 1001 (1)	Salaries & Wages	68020	Contra Labor - Capital Project	Labor	
7	32% to 1002 (1)	Other Personnel Costs				
8	1002	Other Personnel Costs	68030	Bonus	Labor	
9	1002	Other Personnel Costs	68032	Reward/Recognition-Monetary	Labor	
10	1002	Other Personnel Costs	68033	Service Anniversary Awards	Labor	
11	1002	Other Personnel Costs	68090	Separation Benefits	Labor	
12	1002	Other Personnel Costs	70000	Employee Benefits	Labor	
13	1002	Other Personnel Costs	70010	Health Claims	Labor	
14	1002	Other Personnel Costs	70020	Health Administration Fees	Labor	
15	1002	Other Personnel Costs	70030	Dental Claims	Labor	
16	1002	Other Personnel Costs	70040	Dental Administration Fees	Labor	
17	1002	Other Personnel Costs	70050	Short-Term Disability	Labor	
18	1002	Other Personnel Costs	70060	Long-Term Care	Labor	
19	1002	Other Personnel Costs	70070	Life Premiums	Labor	
20	1002	Other Personnel Costs	70080	401K Match	Labor	
21	1002	Other Personnel Costs	70085	Roth IRA Match	Labor	
22	1002	Other Personnel Costs	70090	Pension Contributions	Labor	
23	1002	Other Personnel Costs	71000	Payroll Taxes-Social Security	Labor	
24	1002	Other Personnel Costs	71020	Payroll Taxes - FUTA	Labor	
25	1002	Other Personnel Costs	71040	Payroll Taxes - Medicare	Labor	
26	1002	Other Personnel Costs	71060	Payroll Taxes - SUI	Labor	
27	1002	Other Personnel Costs	71080	Payroll Federal Taxes	Labor	
28	1002	Other Personnel Costs	71090	Payroll & Benefit Fees	Labor	
29	1002	Other Personnel Costs	71110	PBO Service Cost	Labor	
30	1002	Other Personnel Costs	71120	PBO Interest Cost	Labor	
32	1002	Other Personnel Costs	73400	Miscellaneous Payroll Expense	Labor	
33	1002	Other Personnel Costs	73420	Payroll Cost Recovery	Labor	
31	1002	Other Personnel Costs	73015	Reward/Recognition-NonMonetary	Other Expenses	

Notes
 (1) The contra credit accounts for project funded labor is allocated at 68% to the 1001 - Salaries & Wages ABEST object and 32% to the 1002-Other Personnel Costs ABEST object.
 (2) These expenses do not clearly correlate to ABEST objects, therefore, ERCOT has assigned pseudo ABEST object numbers in the allocation model to assist with reporting of the expenses

Electric Reliability Council of Texas, Inc. (ERCOT)
 Fiscal Year 2014-2015 Budget Request
 Workpaper 3: Object of Expense Mapping - ABEST to ERCOT

Line	ABEST		ERCOT		ERCOT Account Description	ERCOT Account Summary
	Object	Object Description	GL Account	Account Description		
34	2001	Professional Fees & Services	65060	Professional Fees - Operations	Outside Services	Outside Services
35	2001	Professional Fees & Services	65062	Prof Fees - Reimbursed Business Expense	Outside Services	Outside Services
36	2001	Professional Fees & Services	65070	Prof Fees - Training	Outside Services	Outside Services
37	2001	Professional Fees & Services	65071	Prof Fees-Software Services	Outside Services	Outside Services
38	2001	Professional Fees & Services	65075	Immigration Services	Outside Services	Outside Services
39	2001	Professional Fees & Services	65085	Contract Labor - CWM	Outside Services	Outside Services
40	2001	Professional Fees & Services	65180	Legal Fees	Outside Services	Outside Services
41	2001	Professional Fees & Services	65190	Independent Board Taxable Expense	Outside Services	Outside Services
42	2001	Professional Fees & Services	65191	Independent Board Non-Taxable Expense	Outside Services	Outside Services
43	2001	Professional Fees & Services	65200	Accounting/Audit Expense	Outside Services	Outside Services
44	2001	Professional Fees & Services	65201	Special Audits	Outside Services	Outside Services
45	2001	Professional Fees & Services	65210	Market Monitoring Services	Independent Market Monitoring	Independent Market Monitoring
46	2001	Professional Fees & Services	73185	Building Security Services	Facilities and Equipment	Facilities and Equipment
47	2002	Fuels & Lubricants	73128	Fuel Oil	Facilities and Equipment	Facilities and Equipment
48	2003	Consumable Supplies	73020	Office Supplies	Facilities and Equipment	Facilities and Equipment
49	2003	Consumable Supplies	73021	Toner/Ink Cartridges	Facilities and Equipment	Facilities and Equipment
55	2004	Utilities	73080	Telephone - Local	Facilities and Equipment	Facilities and Equipment
56	2004	Utilities	73085	Telephone - Long Distance	Facilities and Equipment	Facilities and Equipment
57	2004	Utilities	73090	Conferencing	Facilities and Equipment	Facilities and Equipment
58	2004	Utilities	73120	Electricity	Facilities and Equipment	Facilities and Equipment
59	2004	Utilities	73160	Water/Gas/Sewer/Trash	Facilities and Equipment	Facilities and Equipment
60	2004	Utilities	73200	Internet Service	Facilities and Equipment	Facilities and Equipment
61	2004	Utilities	73201	Web Conferencing	Facilities and Equipment	Facilities and Equipment
62	2004	Utilities	73220	Frame Relay (NERC)	Facilities and Equipment	Facilities and Equipment
63	2004	Utilities	73502	Data Center Connectivity	Facilities and Equipment	Facilities and Equipment
50	2004	Utilities	73100	Cellular Phone	Employee Expenses	Employee Expenses
51	2004	Utilities	73240	Remote System Access	Employee Expenses	Employee Expenses
52	2004	Utilities	73620	Smart Phone Allowance	Employee Expenses	Employee Expenses
53	2004	Utilities	73640	Wireless PC Card	Employee Expenses	Employee Expenses
54	2004	Utilities	73650	Internet at the Home	Employee Expenses	Employee Expenses
64	2004	Utilities	73501	WAN Reimbursable Costs	Wide Area Network	Wide Area Network
65	2005	Travel	65120	Mileage Reimbursement	Employee Expenses	Employee Expenses
66	2005	Travel	73280	Meals	Employee Expenses	Employee Expenses
67	2005	Travel	73290	Car Rental	Employee Expenses	Employee Expenses
68	2005	Travel	73300	Employee Expense Other	Employee Expenses	Employee Expenses
69	2005	Travel	73305	Travel-Airfare	Employee Expenses	Employee Expenses

Electric Reliability Council of Texas, Inc. (ERCOT)
 Fiscal Year 2014-2015 Budget Request
 Worksheet 3: Object of Expense Mapping - ABEST to ERCOT

Line	ABEST		ERCOT		ERCOT Account Description	ERCOT Account Summary
	Object	Description	GL Account	Description		
70	2005	Travel	73310	Travel-Lodging	Employee Expenses	
71	2005	Travel	73330	Taxi, Bus or Other	Employee Expenses	
72	2005	Travel	73350	Gasoline	Employee Expenses	
73	2005	Travel	73355	Parking	Employee Expenses	
74	2005	Travel	73510	Tips	Employee Expenses	
75	2005	Travel	73638	Telephone-Hotel	Employee Expenses	
76	2006	Rent - Building	67000	Office Rental	Facilities and Equipment	
77	2006	Rent - Building	67060	Storage Rental	Facilities and Equipment	
78	2007	Rent - Machine & Other	63000	Equipment Rental	Facilities and Equipment	
79	2007	Rent - Machine & Other	67010	Miscellaneous Rental	Facilities and Equipment	
80	2008	Debt Service	65100	Fees & Interest	Interest Expense	
81	2008	Debt Service	73900	Texas Nodal O&M Interest Cost	Interest Expense	
82	2008	Debt Service	73901	\$125M Revolver Interest-2012 JPM	Interest Expense	
83	2008	Debt Service	73902	Cap Interest- \$125M JPM Revolver	Interest Expense	
84	2008	Debt Service	73903	Nodal Cap Interest- \$125M JPM Revolver	Interest Expense	
85	2008	Debt Service	73910	2002 Note Interest	Interest Expense	
86	2008	Debt Service	73911	Cap Interest - 2002 Note Interest	Interest Expense	
87	2008	Debt Service	73912	Nodal Cap Interest - 2002 Note	Interest Expense	
88	2008	Debt Service	73913	2012 Interest Private Debt	Interest Expense	
89	2008	Debt Service	73914	Cap Interest- 2012 Private Debt	Interest Expense	
90	2008	Debt Service	73915	Nodal Cap Interest- 2012 Private De	Interest Expense	
91	2008	Debt Service	73930	2002 Note Issue Cost Amortization	Interest Expense	
92	2008	Debt Service	73931	Cap Interest - 2002 Note Issue Cost	Interest Expense	
93	2008	Debt Service	73932	Nodal Cap Interest - 2002 Note Issue	Interest Expense	
94	2008	Debt Service	73935	2008 BofA Revolver Issue Cost	Interest Expense	
95	2008	Debt Service	73936	Cap Interest - 2008 BofA Revolver I	Interest Expense	
96	2008	Debt Service	73937	Nodal Cap Interest-2008 BofA Revolver	Interest Expense	
97	2008	Debt Service	73938	Cap Interest-2008 BofA Revolver	Interest Expense	
98	2008	Debt Service	73939	Nodal Cap Interest-2008 BofA Revolver	Interest Expense	
99	2008	Debt Service	73946	Cap Interest - 2004/05 Term Note	Interest Expense	
100	2008	Debt Service	73947	Nodal Cap Interest - 2005 Loan Issue	Interest Expense	
101	2008	Debt Service	73950	2004 Revolver Interest	Interest Expense	
102	2008	Debt Service	73956	Cap Interest - 2004/05 Revolver Issue	Interest Expense	
103	2008	Debt Service	73957	Nodal Cap Interest - Revolver Issue	Interest Expense	
104	2008	Debt Service	73960	2005 Term Loan Interest	Interest Expense	
105	2008	Debt Service	73961	Cap Interest - 2005 Term Loan Interest	Interest Expense	

**Electric Reliability Council of Texas, Inc. (ERCOT)
 Fiscal Year 2014-2015 Budget Request
 Workpaper 3: Object of Expense Mapping - ABEST to ERCOT**

Line	ABEST Object	ABEST Object Description	GL Account	ERCOT Account Description	ERCOT Account Summary
106	2008	Debt Service	73962	Nodal Cap Interest - 2005 Term Loan	Interest Expense
107	2008	Debt Service	73963	2007 Term Loan Interest	Interest Expense
108	2008	Debt Service	73964	Cap Interest - 2007 Term Loan	Interest Expense
109	2008	Debt Service	73965	Nodal Cap Interest - 2007 Term Loan	Interest Expense
110	2008	Debt Service	73966	2008 JP Revolver Issue Amortization	Interest Expense
111	2008	Debt Service	73967	Cap Interest - 2008 JP Revolver Issue	Interest Expense
112	2008	Debt Service	73968	Nodal Cap Interest- JP Revolver Issue	Interest Expense
113	2008	Debt Service	73969	Cap Interest-2008 JP Revolver Interest	Interest Expense
114	2008	Debt Service	73970	Revolver Interest- 2007	Interest Expense
115	2008	Debt Service	73971	Cap Interest - 2005 Revolver Interest	Interest Expense
116	2008	Debt Service	73972	Nodal Cap Interest - Revolver	Interest Expense
117	2008	Debt Service	73973	Revolver Interest 2008-JP	Interest Expense
118	2008	Debt Service	73974	Revolver Interest- 2008 BofA	Interest Expense
119	2008	Debt Service	73976	Nodal Cap Interest-2008 JP Revolver	Interest Expense
120	2008	Debt Service	76000	Derivative Valuation Change	Interest Expense
121	2009	Other Operating Expenses	62040	Professional Dues	Employee Expenses
122	2009	Other Operating Expenses	65040	Registration Fees	Employee Expenses
123	2009	Other Operating Expenses	65050	College Education Reimbursement	Employee Expenses
124	2009	Other Operating Expenses	62080	Equipment Maintenance	Facilities and Equipment
125	2009	Other Operating Expenses	63025	Hardware < \$1,000	Facilities and Equipment
126	2009	Other Operating Expenses	63030	Software < \$1,000	Facilities and Equipment
127	2009	Other Operating Expenses	63040	Miscellaneous Equip Repairs	Facilities and Equipment
128	2009	Other Operating Expenses	63100	Vehicle Maintenance	Facilities and Equipment
129	2009	Other Operating Expenses	63110	Equipment & Tools < \$1,000	Facilities and Equipment
130	2009	Other Operating Expenses	73025	Chemical Supplies	Facilities and Equipment
131	2009	Other Operating Expenses	73060	Tax - Property	Facilities and Equipment
132	2009	Other Operating Expenses	73180	Building Maintenance	Facilities and Equipment
133	2009	Other Operating Expenses	73980	Bank Fees	Interest Expense
134	2009	Other Operating Expenses	73985	Miscellaneous Interest Expense	Interest Expense
135	2009	Other Operating Expenses	68040	Relocation Benefit	Labor
136	2009	Other Operating Expenses	61000	Late Fee Payment	Other Expenses
137	2009	Other Operating Expenses	61010	Write Off Adjustments	Other Expenses
138	2009	Other Operating Expenses	62000	Company Dues	Other Expenses
139	2009	Other Operating Expenses	62060	Subscriptions & Publications	Other Expenses
140	2009	Other Operating Expenses	62061	Subscriptions - Training	Other Expenses
141	2009	Other Operating Expenses	62062	Subscriptions - Data Services	Other Expenses

Electric Reliability Council of Texas, Inc. (ERCOT)
 Fiscal Year 2014-2015 Budget Request
 Workpaper 3: Object of Expense Mapping - ABEST to ERCOT

Line	ABEST Object	ABEST Object Description	GL Account	ERCOT Account Description	ERCOT Account Summary
142	2009	Other Operating Expenses	65000	Corporate Events	Other Expenses
143	2009	Other Operating Expenses	65010	Corporate Sponsorships	Other Expenses
144	2009	Other Operating Expenses	65020	Sponsored Meetings	Other Expenses
145	2009	Other Operating Expenses	65140	Miscellaneous Expense	Other Expenses
146	2009	Other Operating Expenses	65160	Miscellaneous Moving Expense	Other Expenses
147	2009	Other Operating Expenses	65220	Job Posting Advertising	Other Expenses
148	2009	Other Operating Expenses	65240	Recruiting Expense	Other Expenses
149	2009	Other Operating Expenses	65245	Employment Screening	Other Expenses
150	2009	Other Operating Expenses	65250	Temp-to-Hire Fees	Other Expenses
151	2009	Other Operating Expenses	65310	Freight	Other Expenses
152	2009	Other Operating Expenses	66000	Insurance Premiums	Other Expenses
153	2009	Other Operating Expenses	72000	Postage (U S Postal Svc)	Other Expenses
154	2009	Other Operating Expenses	72001	Express Shipping	Other Expenses
155	2009	Other Operating Expenses	73000	Report Printing	Other Expenses
156	2009	Other Operating Expenses	73001	Copying Services	Other Expenses
157	2009	Other Operating Expenses	73002	Stationary and Office Forms	Other Expenses
158	2009	Other Operating Expenses	73008	Media	Other Expenses
159	2009	Other Operating Expenses	73040	Tax - Sales, Excise and Use	Other Expenses
#REF!	2009	Other Operating Expenses	73440	Operator Training Services	Other Expenses
#REF!	2009	Other Operating Expenses	73460	Training Cost Recovery	Other Expenses
#REF!	2009	Other Operating Expenses	73600	Legal Expense- Claims & Settle	Other Expenses
#REF!	2010 ⁽²⁾	HW/SW Maintenance & Licenses	63020	Software Maintenance/License	Hardware & Software Support & Maintenance
#REF!	2010 ⁽²⁾	HW/SW Maintenance & Licenses	63021	Renewable Software License	Hardware & Software Support & Maintenance
#REF!	2010 ⁽²⁾	HW/SW Maintenance & Licenses	63022	Hardware Support and Maintenance	Hardware & Software Support & Maintenance
#REF!	2010 ⁽²⁾	HW/SW Maintenance & Licenses	63023	Vendor Hardware/Software Services	Hardware & Software Support & Maintenance
#REF!	2011 ⁽²⁾	Reliability Organization Assessment	62001	Reliability Organization Assessment	Reliability Organization Assessment

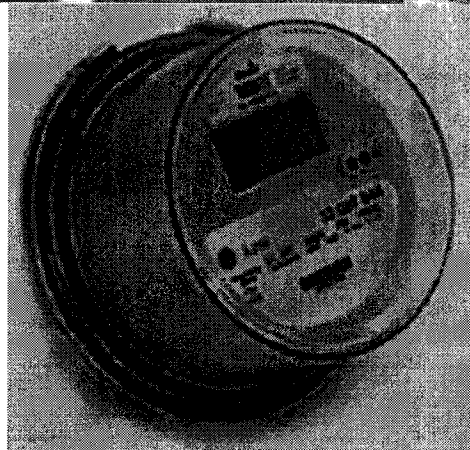
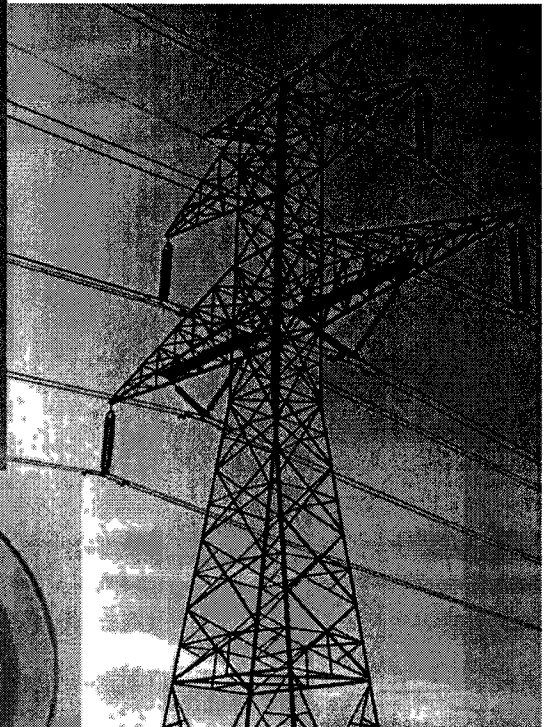
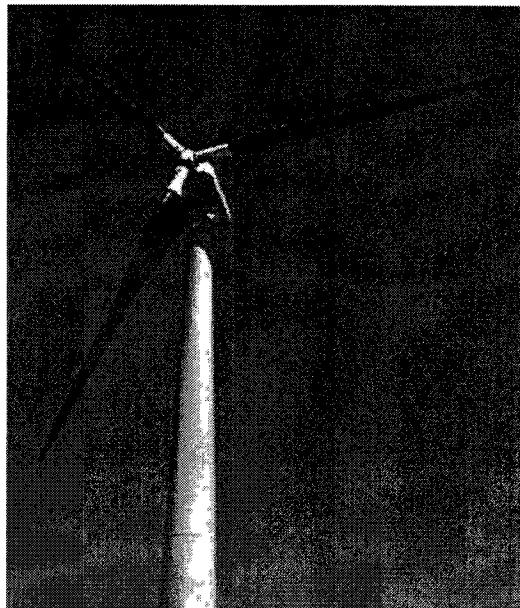
Notes

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Electric Reliability Council of Texas



Strategic Plan

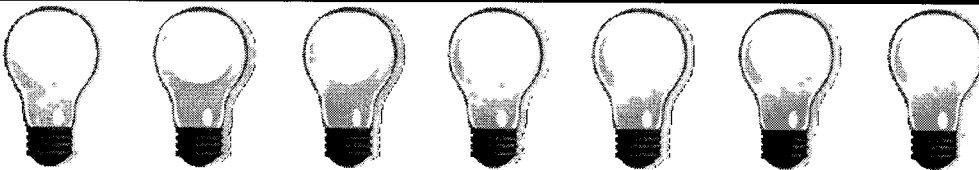


2013 – 2017

ERCOT's Mission

We serve the public by ensuring a reliable grid, efficient electricity markets, open access and retail choice.

The Electric Reliability Council of Texas (ERCOT) manages the flow of electric power to approximately 23 million Texas customers — representing 85 percent of the state's electric load and 75 percent of the Texas land area. As the Independent System Operator for the region, ERCOT schedules power on an electric grid that connects 40,500 miles of transmission lines and more than 550 generation units. ERCOT also manages financial settlement for the competitive wholesale bulk-power market and administers customer switching for 6.6 million premises in competitive choice areas.



ERCOT's Vision for the Future

Proactively evaluate and address resource and transmission adequacy risks leveraging emerging technologies and new market products while effectively communicating those risks to our stakeholders.

ERCOT's Core Values

A stylized lightbulb icon with a textured, stippled effect. The word "Accountability" is written in a bold, sans-serif font across the middle of the bulb, underlined.

Accountability

Taking personal responsibility for doing the right things the right way.

A stylized lightbulb icon with a textured, stippled effect. The word "Innovation" is written in a bold, sans-serif font across the middle of the bulb, underlined.

Innovation

Implementing and operating creative solutions.

A stylized lightbulb icon with a textured, stippled effect. The word "Expertise" is written in a bold, sans-serif font across the middle of the bulb, underlined.

Expertise

Developing and demonstrating respected skill and knowledge.

A stylized lightbulb icon with a textured, stippled effect. The word "Leadership" is written in a bold, sans-serif font across the middle of the bulb, underlined.

Leadership

Developing a vision and ensuring its successful completion.

A stylized lightbulb icon with a textured, stippled effect. The word "Trust" is written in a bold, sans-serif font across the middle of the bulb, underlined.

Trust

Building confidence and consistency through reliability, truth, and ability.



- **Resource Adequacy**
 - **Transmission Adequacy**
 - **Market Evolution**
 - **Regulatory Environment**
 - **Cyber Security**
 - **New and Emerging Technologies**
 - **Complexity of the Business Environment**
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Resource Adequacy:

ERCOT's role in the competitive market is to provide an outlook for future peak demand and how much generation will be needed to maintain long-term reliability of the electric grid. Energy demand growth without commensurate increased capacity is expected to continue to put pressure on reserve margins in upcoming years. ERCOT must be able to anticipate and respond rapidly to changes in market dynamics, rules, and processes that are directed toward ensuring resource adequacy.

Transmission Adequacy:

Load growth and changes in load and generation location may lead to transmission constraints on the ERCOT grid. In order to improve grid reliability and power deliverability as well as to reduce congestion and improve grid efficiency, ERCOT completes system planning studies of the ERCOT transmission system. ERCOT will work with transmission owners and stakeholder committees to ensure a transmission system that cost-effectively meets relevant NERC standards and ERCOT Protocol requirements, facilitates the ERCOT market, and appropriately accounts for low probability events that could have significant market impact.

Market Evolution:

There is a correlation between actions taken to ensure reliability and the impact those actions have on prices within the marketplace. The market should be designed to send accurate price signals, drive reliability and transparency, and provide opportunities to mitigate risk to Market Participants.

Regulatory Environment:

Proposed environmental standards and their implementation timelines can impact resource adequacy and reserve margins. Potential changes to market rules, changes to NERC event analysis requirements, new NERC requirements, and support of PUCT Protocol and Operating Guide enforcement all require close coordination between ERCOT and state and national regulators.

Cyber Security:

The ongoing evolution of cyber threats requires ERCOT to continually reassess and upgrade its cyber security defenses and risk management capabilities. Potential national cyber security legislation and the determination of which federal agency ultimately has jurisdiction regarding the development and implementation of new security standards will impact ERCOT.

New and Emerging Technologies:

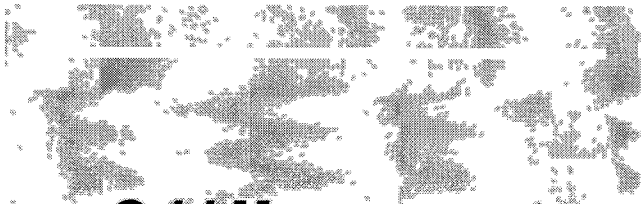
A variety of new resource types are entering the market place. To ensure appropriate integration of these new resources, ERCOT, in cooperation with the Public Utility Commission of Texas and Market Participants, may design and execute clearly defined pilot programs to explore the capabilities and behaviors of various emerging technologies. Utilizing the data collected through pilot programs, stakeholders in the ERCOT region will be better positioned to develop Protocol language to integrate new technologies.

Complexity of the Business Environment:

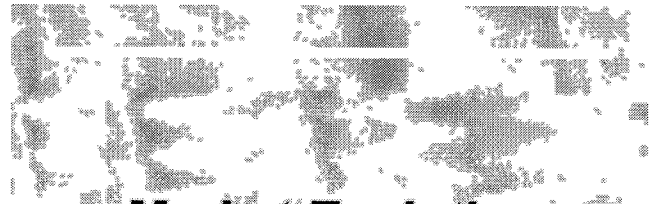
The complexity of the ERCOT environment and the technology required to design, develop and execute ERCOT operations and markets require highly skilled individuals. Such expertise is in high demand, limited supply and difficult to develop. ERCOT is continuously challenged to attract, develop and retain individuals with subject matter expertise and familiarity with ERCOT processes.



Strategic Objectives



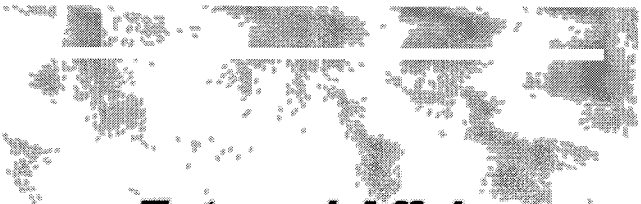
Grid Management



Market Evolution



***Compliance, Security,
and Enterprise Risk
Management***



External Affairs



***Human Resources
and Organizational
Development***

Grid Management

Manage the grid in a manner that maintains a high level of reliability.

- 1.1 Work with Market Participants to ensure the grid is positioned to effectively respond to future operational challenges.**
- 1.2 Develop a long-term (greater than five years) transmission strategy for the region and incorporate into the mid-term (one to five years) transmission plan.**
- 1.3 Guide the market in the integration of emerging technologies and demand response into the ERCOT grid.**



Market Evolution

Manage the development of wholesale and retail markets to meet a changing business environment.

- 2.1 Facilitate market development that incents resource investment.**
 - 2.2 Recognize and remedy anomalies in, and implement improvements to, the market design.**
 - 2.3 Evaluate opportunities for loads and alternate technologies to participate in the wholesale market.**
 - 2.4 Ensure credit requirements are appropriate to support financial stability of the ERCOT market.**
 - 2.5 Develop and support enhancements to the ERCOT retail market.**
 - 2.6 Support the market evolution of new products and services to increase participation in demand response programs.**
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Compliance, Security and Enterprise Risk Management

Meet the requirements for compliance with risk based reliability standards, cyber security requirements, and Protocol and Operating Guides.

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- 3.1 Promote a “Culture of Reliability, Security and Compliance” throughout ERCOT consistent with the evolving focus of NERC, FERC and TRE.**
 - 3.2 Deploy best practice processes and incorporate NAESB standards to meet compliance expectations.**
 - 3.3 Actively participate in industry committees and in partnership with NERC, FERC and ISO experts.**
 - 3.4 Assist the PUCT in Protocol and Operating Guides compliance.**
 - 3.5 Prioritize security initiatives to defend ERCOT’s sensitive information and critical assets.**
 - 3.6 Integrate enterprise risk management across the organization.**
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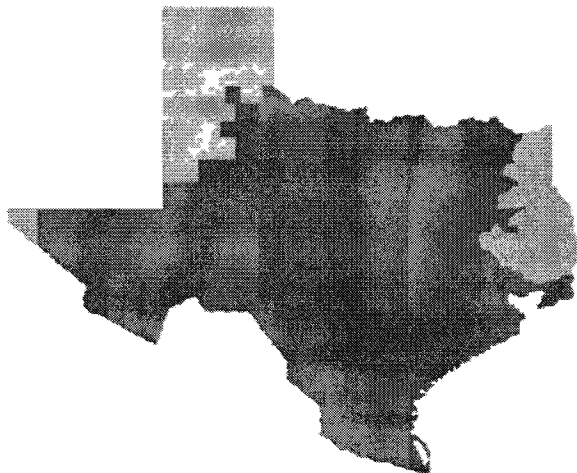
External Affairs

Develop and maintain productive external relationships through proactive, effective and comprehensive communications.

- 4.1 Provide timely, accurate and useful information to external audiences including policy makers, market participants, consumers and other stakeholders.**

 - 4.2 Strategically expand ERCOT's profile and develop its reputation as an independent voice and thought leader to assist policy makers in their deliberations.**

 - 4.3 Implement effective outreach strategies during times of grid alerts and appeals for conservation.**
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Human Resources and Organizational Development

Attract, develop and retain a highly skilled workforce.

- 5.1 Enhance performance management and talent identification processes.**
 - 5.2 Focus on career development and growing needed skills.**
 - 5.3 Refine the succession planning process for executive and director level positions.**
 - 5.4 Expand recruiting and retention by capitalizing on ERCOT's image as an industry leader in retail, wholesale and grid operations.**
 - 5.5 Recognize and celebrate individual and team accomplishments.**
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