



**The Finance & Audit (F&A) Committee is  
expected to consider  
F&A Committee Agenda Item 3:**

***Recommendation regarding 2016-2017 Budget and  
Fee  
at its meeting on June 8, 2015.***

**The Board of Directors is expected to hear the  
F&A Committee's recommendation on this matter  
as part of the F&A Committee Report at  
the Board meeting on June 9, 2015.**

**Attached are the Board materials in relation to  
these agenda items.**



---

## **Item 3: Recommendation regarding 2016-2017 Budget and Fee**

*Sean Taylor*  
Controller

Finance & Audit Committee Meeting  
ERCOT Public  
June 8, 2015

# Requirements

---

## **ERCOT Bylaw Requirement**

- Sections 4.10 (Duties) and 10.3 (Budget): It is the duty of the ERCOT Board to approve the budget.

## **Finance & Audit Committee Charter Requirement**

- With respect to budget oversight...
  - Annually or biennially, the Committee shall review staff's proposed budget for the following year(s).
  - The Committee shall review the staff's recommendation of the amount and type of financing needed, both revenue and debt financing, to support the proposed budget and meet the Company's liquidity needs.
  - Following the Committee's review of the above items, the Committee shall recommend to the Board, a proposed budget and associated financing plan for the following year(s).

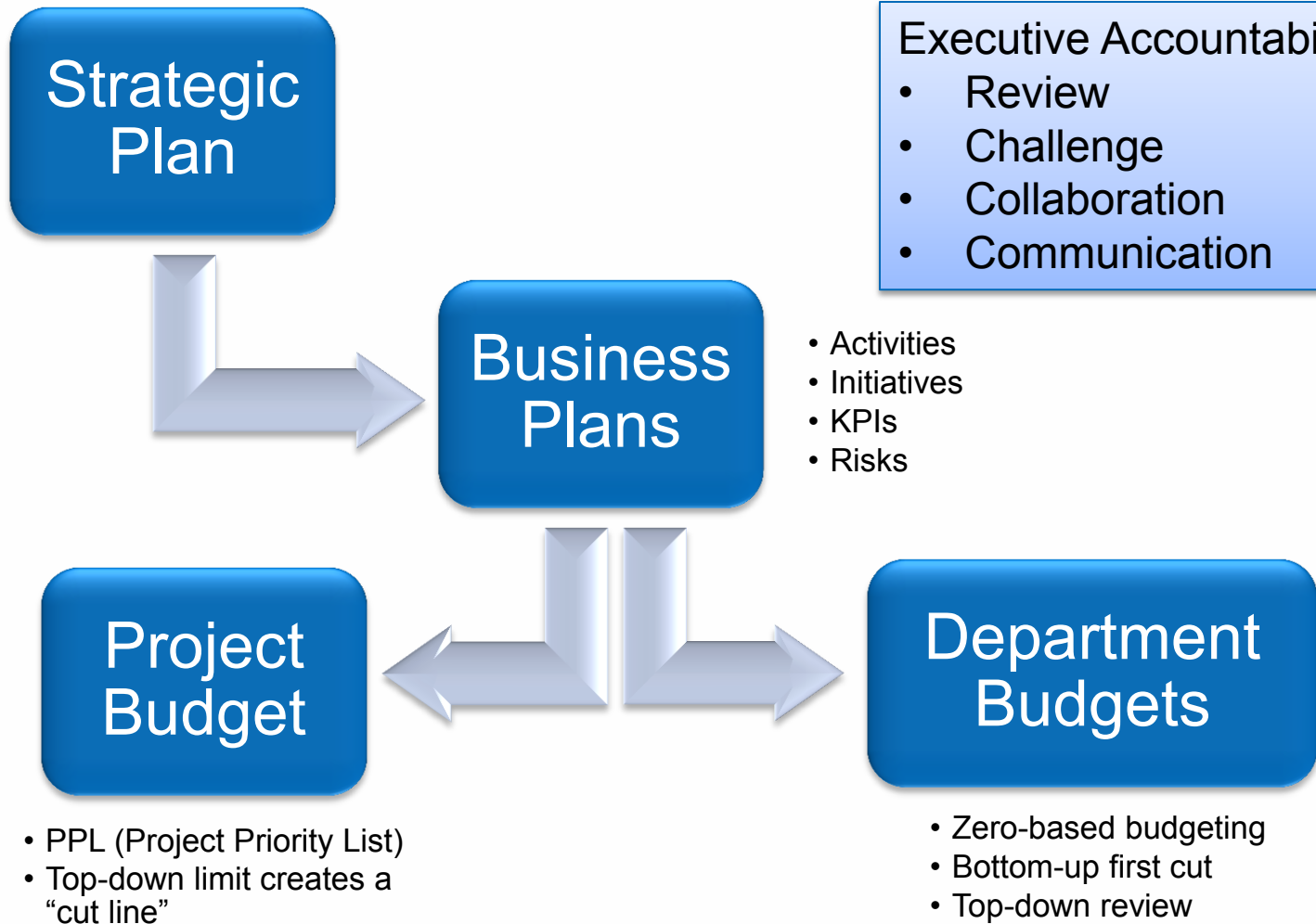
**<VOTE>** following presentation

# Agenda

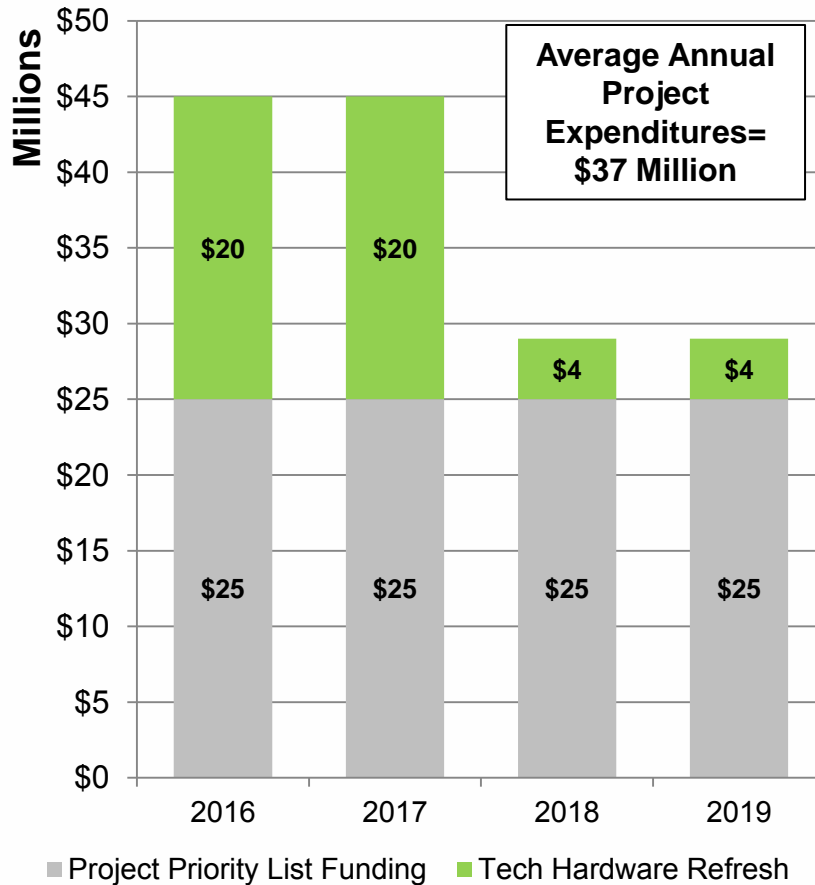
---

1. Overview of the Budget Process
2. Budget Request Drivers
  - a) Project Expenditures
  - b) New Responsibilities
  - c) Cost of Inflation
3. Game Changers
4. Budget Request
5. Request for Vote

# Overview of the Budget Process



# Budget Request Drivers: Project Expenditures



- Tech Hardware Refresh drives project expenditures increase
  - Required to replace obsolete, aging infrastructure in order to maintain reliable systems
  - \$40 Million of project expenditures in 2016 and 2017
  - \$12 Million average annual project expenditures over the four years
- Project Priority List Funding
  - \$25 Million average annual project expenditures
  - Consistent with recent years

# Budget Request Drivers: New Responsibilities

---

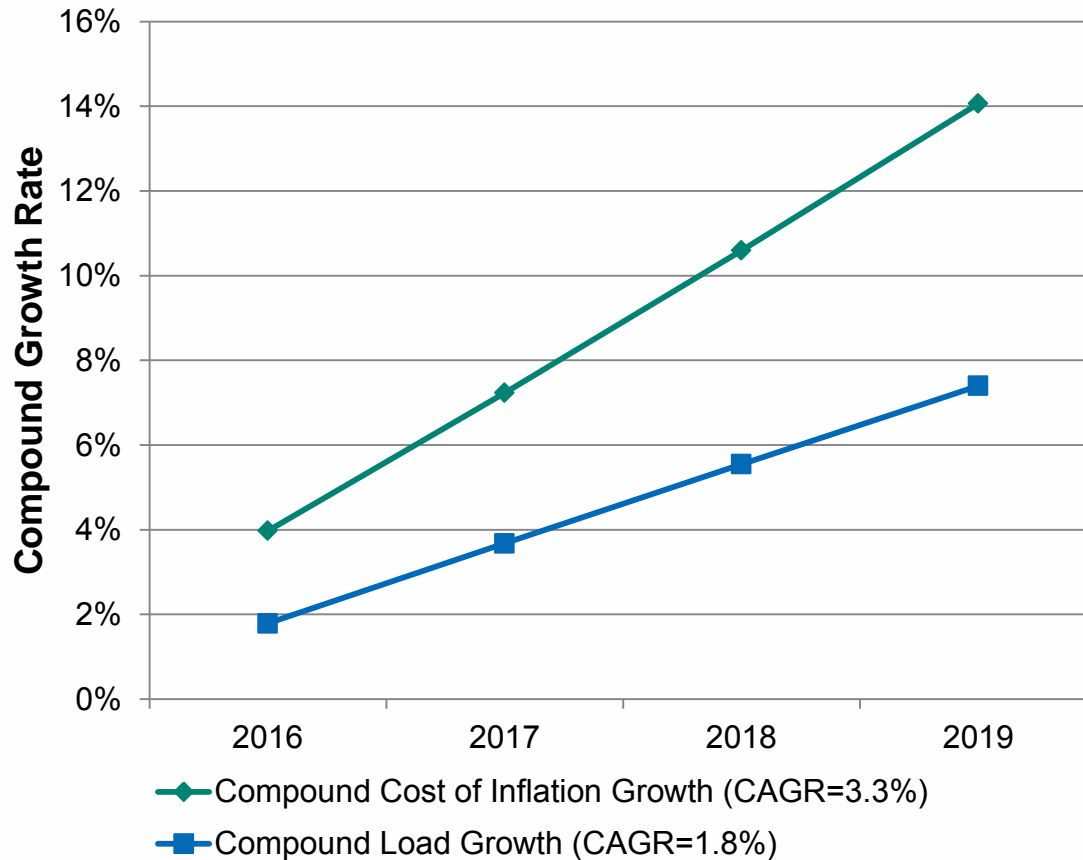
## Grid Planning and Operations

- Additional studies and planning support for NERC's recently approved standard TPL-001-4 which "raises the bar" on reliability
- An additional "desk" for normal operations
  - Manage growing renewable resources
  - Enhance coordination and problem resolution related to voltage control and non-thermal limits as CREZ becomes more heavily loaded

## Technology Support

- Add IT operation support for new grid databases and dashboards
- Add access control and configuration compliance for NERC CIP v5
- Increase release management for additional project throughput
- Add strategic initiatives leader for complex programs

# Budget Request Drivers: Cost of Inflation



*Cost of inflation is forecast to continue to grow at a rate faster than load.*



# Game Changers

---

**The Budget Request does NOT include any amounts for “Game Changers” including the following:**

- Real Time Co-optimization
- Multi-Interval Security Constrained Economic Dispatch (SCED)
- Smart Meter Texas
- Future Ancillary Services Team (FAST)
- Distributed Energy Resources

# Budget Request:

## Scenario 1: Pay As You Go (Varied Fee)

System Administration Fee Revenue Requirement									
	2014 Actual	2015 Budget	2015 Forecast	2016 Request	2017 Request	2018 Projection	2019 Projection	2020 Projection	2021 Projection
1 Department Net Expenditures	\$ 134,243	\$ 140,665	\$ 142,165	\$ 154,060	\$ 158,793	\$ 164,427	\$ 170,481	\$ 176,839	\$ 182,721
2 Project Expenditures	23,552	21,650	21,650	42,500	40,500	26,000	26,000	29,000	38,000
3 <b>Total Net Expenditures</b>	<b>\$ 157,795</b>	<b>\$ 162,315</b>	<b>\$ 163,815</b>	<b>\$ 196,560</b>	<b>\$ 199,293</b>	<b>\$ 190,427</b>	<b>\$ 196,481</b>	<b>\$ 205,839</b>	<b>\$ 220,721</b>
4									
5 Long Term Debt	\$ 17,630	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
6 Change in Working Capital	(16,684)	(2,970)	(8,354)	2,354	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
7 <b>Change in Debt &amp; Working Capital</b>	<b>\$ 946</b>	<b>\$ 1,030</b>	<b>\$ (4,354)</b>	<b>\$ 6,354</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>
8									
9 <b>System Administration Fee Requirement</b>	<b>\$ 158,741</b>	<b>\$ 163,345</b>	<b>\$ 159,461</b>	<b>\$ 202,914</b>	<b>\$ 200,293</b>	<b>\$ 191,427</b>	<b>\$ 197,481</b>	<b>\$ 206,839</b>	<b>\$ 221,721</b>
10 Energy Consumption (GWH)	341,379	351,281	342,928	349,440	355,922	362,338	368,702	375,034	381,369
11 <b>System Administration Fee Rate</b>	<b>\$ 0.4650</b>	<b>\$ 0.4650</b>	<b>\$ 0.4650</b>	<b>\$ 0.5807</b>	<b>\$ 0.5627</b>	<b>\$ 0.5283</b>	<b>\$ 0.5356</b>	<b>\$ 0.5515</b>	<b>\$ 0.5814</b>

Debt & Working Capital									
	2014 Actual	2015 Budget	2015 Forecast	2016 Request	2017 Request	2018 Projection	2019 Projection	2020 Projection	2021 Projection
1 Debt & Working Capital Balance at End of Year	\$ 105,018	\$ 103,988	\$ 109,372	\$ 103,018	\$ 102,018	\$ 101,018	\$ 100,018	\$ 99,018	\$ 98,018
2 Yearly Change in Debt & Working Capital	\$ (946)	\$ (1,030)	\$ 4,354	\$ (6,354)	\$ (1,000)	\$ (1,000)	\$ (1,000)	\$ (1,000)	\$ (1,000)
3 Cumulative Change in Debt & Working Capital			\$ 4,354	\$ (2,000)	\$ (3,000)	\$ (4,000)	\$ (5,000)	\$ (6,000)	\$ (7,000)
4									
5 Interest Expense Avoided vs. \$0.555 Flat Fee	\$ -	\$ -	\$ -	\$ 29	\$ 207	\$ 188	\$ (22)	\$ (182)	\$ (65)
6 Interest Expense Avoided (Impact on SAF Rate)	\$ -	\$ -	\$ -	\$ 0.000	\$ 0.001	\$ 0.001	\$ (0.000)	\$ (0.000)	\$ (0.000)

# Budget Request :

## Scenario 2: Minimum Flat Fee (\$0.5519)

System Administration Fee Revenue Requirement									
	2014 Actual	2015 Budget	2015 Forecast	2016 Request	2017 Request	2018 Projection	2019 Projection	2020 Projection	2021 Projection
1 Department Net Expenditures	\$ 134,243	\$ 140,665	\$ 142,165	\$ 154,093	\$ 159,032	\$ 164,682	\$ 170,576	\$ 176,837	\$ 182,915
2 Project Expenditures	23,552	21,650	21,650	42,500	40,500	26,000	26,000	29,000	38,000
3 <b>Total Net Expenditures</b>	<b>\$ 157,795</b>	<b>\$ 162,315</b>	<b>\$ 163,815</b>	<b>\$ 196,593</b>	<b>\$ 199,532</b>	<b>\$ 190,682</b>	<b>\$ 196,576</b>	<b>\$ 205,837</b>	<b>\$ 220,915</b>
4									
5 Long Term Debt	\$ 17,630	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
6 Change in Working Capital	(16,684)	(2,970)	(8,354)	(7,740)	(7,102)	5,289	2,907	(2,859)	(14,441)
7 <b>Change in Debt &amp; Working Capital</b>	<b>\$ 946</b>	<b>\$ 1,030</b>	<b>\$ (4,354)</b>	<b>\$ (3,740)</b>	<b>\$ (3,102)</b>	<b>\$ 9,289</b>	<b>\$ 6,907</b>	<b>\$ 1,141</b>	<b>\$ (10,441)</b>
8									
9 <b>System Administration Fee Requirement</b>	<b>\$ 158,741</b>	<b>\$ 163,345</b>	<b>\$ 159,461</b>	<b>\$ 192,853</b>	<b>\$ 196,430</b>	<b>\$ 199,971</b>	<b>\$ 203,483</b>	<b>\$ 206,977</b>	<b>\$ 210,474</b>
10 Energy Consumption (GWH)	341,379	351,281	342,928	349,440	355,922	362,338	368,702	375,034	381,369
11 <b>System Administration Fee Rate</b>	<b>\$ 0.4650</b>	<b>\$ 0.4650</b>	<b>\$ 0.4650</b>	<b>\$ 0.5519</b>	<b>\$ 0.5519</b>	<b>\$ 0.5519</b>	<b>\$ 0.5519</b>	<b>\$ 0.5519</b>	<b>\$ 0.5519</b>
<b>Debt &amp; Working Capital</b>									
	2014 Actual	2015 Budget	2015 Forecast	2016 Request	2017 Request	2018 Projection	2019 Projection	2020 Projection	2021 Projection
1 Debt & Working Capital Balance at End of Year	\$ 105,018	\$ 103,988	\$ 109,372	\$ 113,112	\$ 116,214	\$ 106,925	\$ 100,018	\$ 98,877	\$ 109,318
2 Yearly Change in Debt & Working Capital	\$ (946)	\$ (1,030)	\$ 4,354	\$ 3,740	\$ 3,102	\$ (9,289)	\$ (6,907)	\$ (1,141)	\$ 10,441
3 Cumulative Change in Debt & Working Capital			\$ 4,354	\$ 8,094	\$ 11,196	\$ 1,907	\$ (5,000)	\$ (6,141)	\$ 4,300
4									
5 Interest Expense	\$ 2,172	\$ 3,095	\$ 3,095	\$ 2,824	\$ 3,714	\$ 3,895	\$ 4,061	\$ 4,371	\$ 4,937
6 Interest Expense (Impact on SAF Rate)	\$ 0.006	\$ 0.009	\$ 0.009	\$ 0.008	\$ 0.010	\$ 0.011	\$ 0.011	\$ 0.012	\$ 0.013

# Budget Request :

## Scenario 3: Management Recommended Flat Fee (\$0.555)

System Administration Fee Revenue Requirement									
	2014 Actual	2015 Budget	2015 Forecast	2016 Request	2017 Request	2018 Projection	2019 Projection	2020 Projection	2021 Projection
1 Department Net Expenditures	\$ 134,243	\$ 140,665	\$ 142,165	\$ 154,089	\$ 159,000	\$ 164,614	\$ 170,459	\$ 176,656	\$ 182,656
2 Project Expenditures	23,552	21,650	21,650	42,500	40,500	26,000	26,000	29,000	38,000
3 <b>Total Net Expenditures</b>	<b>\$ 157,795</b>	<b>\$ 162,315</b>	<b>\$ 163,815</b>	<b>\$ 196,589</b>	<b>\$ 199,500</b>	<b>\$ 190,614</b>	<b>\$ 196,459</b>	<b>\$ 205,656</b>	<b>\$ 220,656</b>
4									
5 Long Term Debt	\$ 17,630	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
6 Change in Working Capital	(16,684)	(2,970)	(8,354)	(6,650)	(5,963)	6,483	4,171	(1,513)	(12,996)
7 <b>Change in Debt &amp; Working Capital</b>	<b>\$ 946</b>	<b>\$ 1,030</b>	<b>\$ (4,354)</b>	<b>\$ (2,650)</b>	<b>\$ (1,963)</b>	<b>\$ 10,483</b>	<b>\$ 8,171</b>	<b>\$ 2,487</b>	<b>\$ (8,996)</b>
8									
9 <b>System Administration Fee Requirement</b>	<b>\$ 158,741</b>	<b>\$ 163,345</b>	<b>\$ 159,461</b>	<b>\$ 193,939</b>	<b>\$ 197,537</b>	<b>\$ 201,098</b>	<b>\$ 204,630</b>	<b>\$ 208,144</b>	<b>\$ 211,660</b>
10 Energy Consumption (GWH)	341,379	351,281	342,928	349,440	355,922	362,338	368,702	375,034	381,369
11 <b>System Administration Fee Rate</b>	<b>\$ 0.4650</b>	<b>\$ 0.4650</b>	<b>\$ 0.4650</b>	<b>\$ 0.5550</b>	<b>\$ 0.5550</b>	<b>\$ 0.5550</b>	<b>\$ 0.5550</b>	<b>\$ 0.5550</b>	<b>\$ 0.5550</b>

Debt & Working Capital									
	2014 Actual	2015 Budget	2015 Forecast	2016 Request	2017 Request	2018 Projection	2019 Projection	2020 Projection	2021 Projection
1 Debt & Working Capital Balance at End of Year	\$ 105,018	\$ 103,988	\$ 109,372	\$ 112,022	\$ 113,985	\$ 103,501	\$ 95,330	\$ 92,843	\$ 101,839
2 Yearly Change in Debt & Working Capital	\$ (946)	\$ (1,030)	\$ 4,354	\$ 2,650	\$ 1,963	\$ (10,483)	\$ (8,171)	\$ (2,487)	\$ 8,996
3 Cumulative Change in Debt & Working Capital			\$ 4,354	\$ 7,003	\$ 8,966	\$ (1,517)	\$ (9,688)	\$ (12,175)	\$ (3,179)
4									
5 Interest Expense	\$ 2,172	\$ 3,095	\$ 3,095	\$ 2,820	\$ 3,682	\$ 3,827	\$ 3,943	\$ 4,190	\$ 4,678
6 Interest Expense (Impact on SAF Rate)	\$ 0.006	\$ 0.009	\$ 0.009	\$ 0.008	\$ 0.010	\$ 0.011	\$ 0.011	\$ 0.011	\$ 0.012

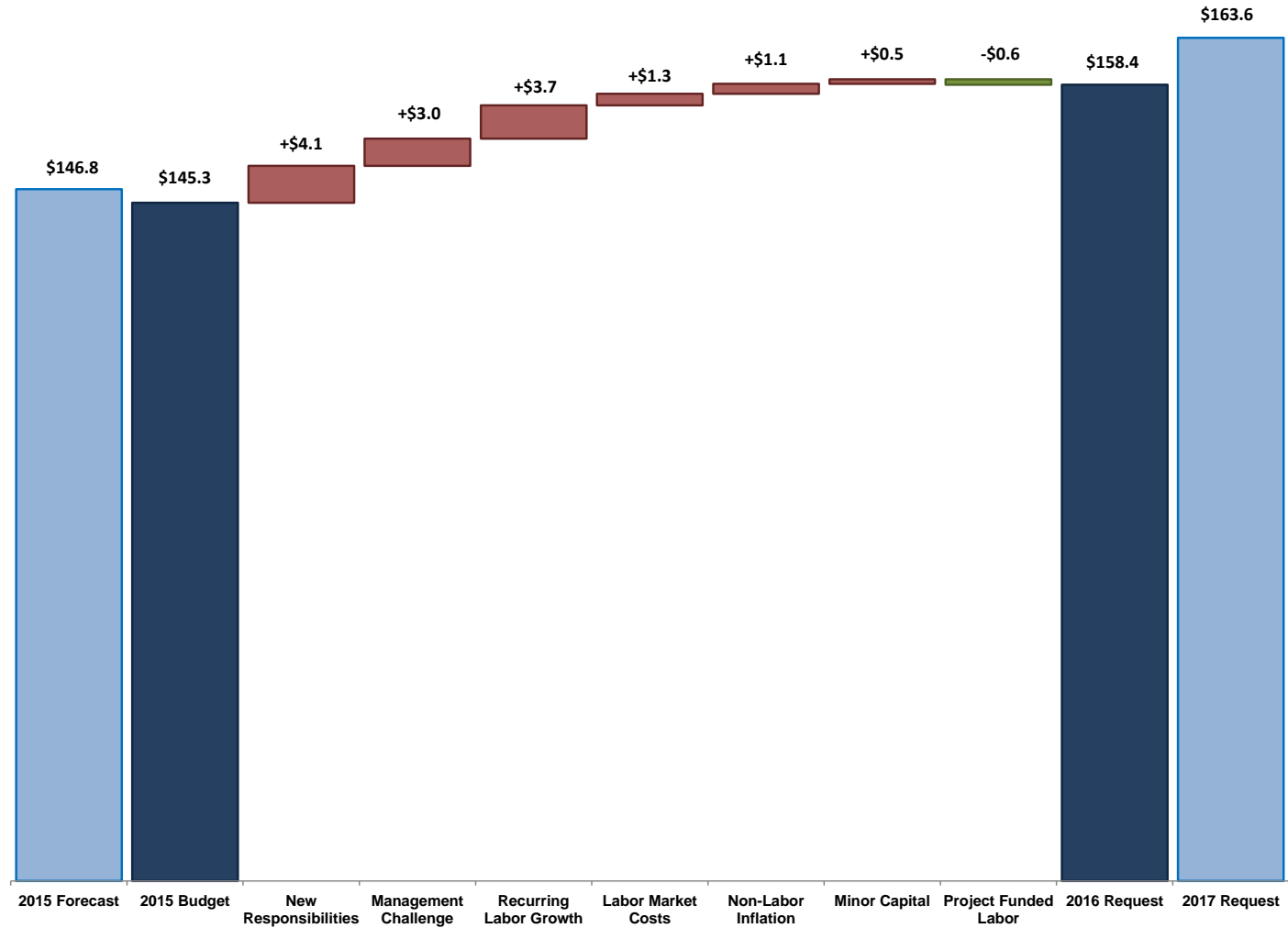
# Budget Request :

## Scenario 3: Management Recommended Flat Fee (\$0.555)

Sources and Uses									
	2014 Actual	2015 Budget	2015 Forecast	2016 Request	2017 Request	2018 Projection	2019 Projection	2020 Projection	2021 Projection
1 System Administration Fee Revenues	\$ 158,741	\$ 163,345	\$ 159,461	\$ 193,939	\$ 197,537	\$ 201,098	\$ 204,630	\$ 208,144	\$ 211,660
2 Reliability Organization Assessment Fee	14,351	14,704	14,704	15,000	15,000	15,345	15,698	16,059	16,428
3 Other Revenues	4,626	4,605	4,605	4,342	4,609	4,692	4,779	4,868	4,959
4 Decrease in Working Capital	16,684	2,970	8,354	6,650	5,963	-	-	1,513	12,996
5 <b>Total Sources</b>	<b>\$ 194,403</b>	<b>\$ 185,624</b>	<b>\$ 187,124</b>	<b>\$ 219,931</b>	<b>\$ 223,108</b>	<b>\$ 221,134</b>	<b>\$ 225,106</b>	<b>\$ 230,583</b>	<b>\$ 246,043</b>
6									
7 Department Expenditures	\$ 138,869	\$ 145,270	\$ 146,770	\$ 158,431	\$ 163,608	\$ 169,306	\$ 175,237	\$ 181,524	\$ 187,615
8 Project Expenditures	23,552	21,650	21,650	42,500	40,500	26,000	26,000	29,000	38,000
9 Reliability Organization Assessment	14,351	14,704	14,704	15,000	15,000	15,345	15,698	16,059	16,428
10 Repayment of Long Term Debt	17,630	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
11 Increase in Working Capital	-	-	-	-	-	6,483	4,171	-	-
12 <b>Total Uses</b>	<b>\$ 194,403</b>	<b>\$ 185,624</b>	<b>\$ 187,124</b>	<b>\$ 219,931</b>	<b>\$ 223,108</b>	<b>\$ 221,134</b>	<b>\$ 225,106</b>	<b>\$ 230,583</b>	<b>\$ 246,043</b>

# Budget Request:

## Department Expenditures: 2015 Budget vs. 2016 Request



# Request for Vote

---

**ERCOT staff recommends that the ERCOT Finance & Audit Committee recommend that the Board of Directors:**

- Approve the recommended 2016-2017 Biennial Budget which includes \$219,931,341 and \$223,108,369 total spending authorization for operating expenses, project spending, and debt service obligations for 2016 and 2017, respectively;
- Approve the recommended increase to the ERCOT System Administration Fee from \$0.4650 to \$0.5550 per megawatt-hour for 2016 and 2017; and
- Authorize ERCOT Legal to file the Board-approved 2016-2017 Biennial Budget for approval by the PUCT, pursuant to P.U.C. Substantive Rule Section 25.363(d).

## Appendices



ERCOT

Recommendation regarding 2016-2017 Budget and Fee

## **Department Net Expenditures by Officer**

**ERCOT**

**Fiscal Years 2016-2017 Budget: Management Recommended Flat Fee (\$0.555)**

(\$ in Thousands)

(\$ in Thousands)										
Department Net Expenditures										
		2014 Actual	2015 Budget	2015 Forecast	2016 Request	2017 Request	2018 Projection	2019 Projection	2020 Projection	2021 Projection
1	Information Technology	\$ 50,506	\$ 55,532	\$ 55,532	\$ 61,455	\$ 63,168	\$ 65,349	\$ 67,835	\$ 70,494	\$ 72,775
2	Operations	41,488	41,651	43,151	46,581	48,261	49,873	51,616	53,418	55,279
3	Finance & Treasury	14,011	15,348	15,348	14,781	15,883	16,382	16,880	17,521	18,349
4	General Counsel and GRC	15,047	14,997	14,997	16,404	16,493	17,133	17,686	18,257	18,847
5	External Affairs & Corporate Communications	6,336	5,818	5,818	6,834	7,025	7,425	7,681	7,945	8,219
6	Human Resources	4,273	4,481	4,481	5,260	5,316	5,462	5,612	5,767	5,926
7	Corporate Administration	2,582	2,838	2,838	2,775	2,854	2,990	3,149	3,255	3,261
8	Department Net Expenditures	\$ 134,243	\$ 140,665	\$ 142,165	\$ 154,089	\$ 159,000	\$ 164,614	\$ 170,459	\$ 176,656	\$ 182,656

**ERCOT**

**Department Net Expenditures: Information Technology**

**(\$ in Thousands)**

	2014	2015	2015	2016	2017	2018	2019	2020	2021
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection
Salaries	\$ 25,745	\$ 28,857	\$ 28,557	\$ 31,143	\$ 32,231	\$ 33,357	\$ 34,522	\$ 35,729	\$ 36,977
Benefits & Taxes	8,648	9,162	9,062	10,230	10,588	10,959	11,342	11,739	12,150
Project Funded Labor	(7,355)	(7,468)	(6,796)	(7,791)	(7,862)	(7,556)	(7,257)	(6,851)	(6,904)
<b>Department Labor</b>	<b>\$ 27,038</b>	<b>\$ 30,552</b>	<b>\$ 30,823</b>	<b>\$ 33,582</b>	<b>\$ 34,957</b>	<b>\$ 36,759</b>	<b>\$ 38,607</b>	<b>\$ 40,617</b>	<b>\$ 42,224</b>
Materials, Supplies & Equipment	383	436	496	902	949	971	993	1,016	1,039
HW/SW License & Maintenance	16,624	20,972	18,505	21,282	22,151	22,660	23,182	23,715	24,260
Outside Services	2,472	580	1,893	1,658	1,484	1,262	1,291	1,321	1,352
Utility, Maintenance & Facility	3,822	4,766	3,841	4,419	4,681	4,789	4,899	5,011	5,127
Employee Expenses	675	609	626	849	879	899	920	941	963
Insurance	-	-	-	-	-	-	-	-	-
Interest & Fees	-	-	-	-	-	-	-	-	-
Other Expenses	1,015	1,261	747	778	813	832	851	871	891
Management Challenge	-	(2,245)	-	(1,314)	(1,354)	(1,400)	(1,452)	(1,508)	(1,556)
<b>Department Expense</b>	<b>\$ 52,028</b>	<b>\$ 56,932</b>	<b>\$ 56,932</b>	<b>\$ 62,157</b>	<b>\$ 64,560</b>	<b>\$ 66,773</b>	<b>\$ 69,291</b>	<b>\$ 71,984</b>	<b>\$ 74,299</b>
Minor Capital	1,254	600	600	752	780	798	816	835	854
Common Infrastructure	280	1,500	1,000	1,500	1,000	1,023	1,047	1,071	1,095
<b>Subtotal - Department Expenditures</b>	<b>\$ 53,562</b>	<b>\$ 59,032</b>	<b>\$ 58,532</b>	<b>\$ 64,409</b>	<b>\$ 66,340</b>	<b>\$ 68,594</b>	<b>\$ 71,154</b>	<b>\$ 73,889</b>	<b>\$ 76,248</b>
<b>* Revenues</b>	<b>\$ (3,056)</b>	<b>\$ (3,500)</b>	<b>\$ (3,000)</b>	<b>\$ (2,954)</b>	<b>\$ (3,172)</b>	<b>\$ (3,245)</b>	<b>\$ (3,319)</b>	<b>\$ (3,396)</b>	<b>\$ (3,474)</b>
<b>Total Department Net Expenditures</b>	<b>\$ 50,506</b>	<b>\$ 55,532</b>	<b>\$ 55,532</b>	<b>\$ 61,455</b>	<b>\$ 63,168</b>	<b>\$ 65,349</b>	<b>\$ 67,835</b>	<b>\$ 70,494</b>	<b>\$ 72,775</b>

\* Private Wide-Area Network Fees

**ERCOT**

**Department Net Expenditures: Operations**

**(\$ in Thousands)**

	2014	2015	2015	2016	2017	2018	2019	2020	2021
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection
Salaries	\$ 28,233	\$ 30,155	\$ 29,855	\$ 32,429	\$ 33,564	\$ 34,739	\$ 35,955	\$ 37,213	\$ 38,516
Benefits & Taxes	9,560	9,647	9,577	10,700	11,074	11,462	11,863	12,278	12,708
Project Funded Labor	(1,168)	(582)	(754)	(872)	(722)	(799)	(799)	(799)	(799)
<b>Department Labor</b>	<b>\$ 36,625</b>	<b>\$ 39,221</b>	<b>\$ 38,678</b>	<b>\$ 42,257</b>	<b>\$ 43,917</b>	<b>\$ 45,402</b>	<b>\$ 47,019</b>	<b>\$ 48,692</b>	<b>\$ 50,424</b>
Materials, Supplies & Equipment	31	44	34	80	82	84	86	88	90
HW/SW License & Maintenance	6	-	-	-	-	-	-	-	-
Outside Services	4,675	4,251	4,721	4,766	4,858	4,987	5,117	5,247	5,378
Utility, Maintenance & Facility	-	-	-	-	-	-	-	-	-
Employee Expenses	661	706	522	915	905	925	947	968	991
Insurance	-	-	-	-	-	-	-	-	-
Interest & Fees	-	-	-	-	-	-	-	-	-
Other Expenses	599	585	465	611	633	653	675	698	724
Management Challenge	-	(2,387)	-	(973)	(1,008)	(1,041)	(1,077)	(1,114)	(1,152)
<b>Department Expense</b>	<b>\$ 42,598</b>	<b>\$ 42,420</b>	<b>\$ 44,420</b>	<b>\$ 47,657</b>	<b>\$ 49,386</b>	<b>\$ 51,010</b>	<b>\$ 52,766</b>	<b>\$ 54,580</b>	<b>\$ 56,454</b>
Minor Capital	107	-	-	-	-	-	-	-	-
Common Infrastructure	-	-	-	-	-	-	-	-	-
<b>Subtotal - Department Expenditures</b>	<b>\$ 42,704</b>	<b>\$ 42,420</b>	<b>\$ 44,420</b>	<b>\$ 47,657</b>	<b>\$ 49,386</b>	<b>\$ 51,010</b>	<b>\$ 52,766</b>	<b>\$ 54,580</b>	<b>\$ 56,454</b>
<b>* Revenues</b>	<b>\$ (1,217)</b>	<b>\$ (769)</b>	<b>\$ (1,269)</b>	<b>\$ (1,076)</b>	<b>\$ (1,125)</b>	<b>\$ (1,137)</b>	<b>\$ (1,149)</b>	<b>\$ (1,162)</b>	<b>\$ (1,175)</b>
<b>Total Department Net Expenditures</b>	<b>\$ 41,488</b>	<b>\$ 41,651</b>	<b>\$ 43,151</b>	<b>\$ 46,581</b>	<b>\$ 48,261</b>	<b>\$ 49,873</b>	<b>\$ 51,616</b>	<b>\$ 53,418</b>	<b>\$ 55,279</b>

\* Generation Interconnection Study Fees, Operations Training Seminar Registration Fees, Risk Management Verification Fees, and Blackstart Training Registration Fees

**ERCOT**

**Department Net Expenditures: Finance & Treasury**

**(\$ in Thousands)**

	2014	2015	2015	2016	2017	2018	2019	2020	2021
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection
Salaries	\$ 2,769	\$ 2,745	\$ 2,745	\$ 2,736	\$ 2,832	\$ 2,931	\$ 3,034	\$ 3,140	\$ 3,250
Benefits & Taxes	892	876	876	899	931	964	997	1,032	1,068
Project Funded Labor	(27)	-	-	-	-	-	-	-	-
<b>Department Labor</b>	<b>\$ 3,634</b>	<b>\$ 3,621</b>	<b>\$ 3,621</b>	<b>\$ 3,636</b>	<b>\$ 3,763</b>	<b>\$ 3,895</b>	<b>\$ 4,031</b>	<b>\$ 4,172</b>	<b>\$ 4,318</b>
Materials, Supplies & Equipment	359	402	402	404	415	416	418	419	421
HW/SW License & Maintenance	3	-	-	-	-	-	-	-	-
Outside Services	228	261	246	363	382	376	385	393	402
Utility, Maintenance & Facility	5,168	5,472	5,271	5,289	5,288	5,421	5,557	5,697	5,770
Employee Expenses	84	67	67	121	120	123	125	128	131
Insurance	1,941	2,064	2,064	1,869	1,965	2,064	2,167	2,275	2,389
Interest & Fees	2,172	3,095	3,095	2,820	3,682	3,827	3,944	4,191	4,678
Other Expenses	23	32	32	23	17	18	18	18	19
Management Challenge	-	(216)	-	(244)	(249)	(256)	(264)	(272)	(279)
<b>Department Expense</b>	<b>\$ 13,612</b>	<b>\$ 14,798</b>	<b>\$ 14,798</b>	<b>\$ 14,281</b>	<b>\$ 15,383</b>	<b>\$ 15,882</b>	<b>\$ 16,380</b>	<b>\$ 17,021</b>	<b>\$ 17,849</b>
Minor Capital	399	550	550	500	500	500	500	500	500
Common Infrastructure	-	-	-	-	-	-	-	-	-
<b>Subtotal - Department Expenditures</b>	<b>\$ 14,011</b>	<b>\$ 15,348</b>	<b>\$ 15,348</b>	<b>\$ 14,781</b>	<b>\$ 15,883</b>	<b>\$ 16,382</b>	<b>\$ 16,880</b>	<b>\$ 17,521</b>	<b>\$ 18,349</b>
<b>Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Department Net Expenditures</b>	<b>\$ 14,011</b>	<b>\$ 15,348</b>	<b>\$ 15,348</b>	<b>\$ 14,781</b>	<b>\$ 15,883</b>	<b>\$ 16,382</b>	<b>\$ 16,880</b>	<b>\$ 17,521</b>	<b>\$ 18,349</b>

**ERCOT**

**Department Net Expenditures: General Counsel and Governance, Risk, & Compliance**

(\$ in Thousands)

	2014	2015	2015	2016	2017	2018	2019	2020	2021
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection
Salaries	\$ 8,593	\$ 8,631	\$ 9,181	\$ 9,650	\$ 9,985	\$ 10,332	\$ 10,691	\$ 11,063	\$ 11,448
Benefits & Taxes	2,701	2,754	2,929	3,152	3,263	3,377	3,495	3,617	3,744
Project Funded Labor	(502)	(27)	(30)	(111)	(98)	-	-	-	-
<b>Department Labor</b>	<b>\$ 10,793</b>	<b>\$ 11,359</b>	<b>\$ 12,080</b>	<b>\$ 12,692</b>	<b>\$ 13,150</b>	<b>\$ 13,709</b>	<b>\$ 14,186</b>	<b>\$ 14,680</b>	<b>\$ 15,192</b>
Materials, Supplies & Equipment	108	31	31	75	75	77	79	81	82
HW/SW License & Maintenance	6	-	90	-	-	-	-	-	-
Outside Services	2,031	2,200	1,994	2,776	2,541	2,610	2,670	2,731	2,794
Utility, Maintenance & Facility	1,277	1,413	93	12	12	12	12	13	13
Employee Expenses	398	249	288	394	402	411	420	430	440
Insurance	-	-	-	-	-	-	-	-	-
Interest & Fees	-	-	-	-	-	-	-	-	-
Other Expenses	57	75	71	45	45	46	47	49	50
Management Challenge	-	(679)	-	(335)	(337)	(350)	(361)	(373)	(385)
<b>Department Expense</b>	<b>\$ 14,671</b>	<b>\$ 14,647</b>	<b>\$ 14,647</b>	<b>\$ 15,659</b>	<b>\$ 15,889</b>	<b>\$ 16,515</b>	<b>\$ 17,054</b>	<b>\$ 17,611</b>	<b>\$ 18,186</b>
Minor Capital	376	350	350	745	604	618	632	647	662
Common Infrastructure	-	-	-	-	-	-	-	-	-
<b>Subtotal - Department Expenditures</b>	<b>\$ 15,047</b>	<b>\$ 14,997</b>	<b>\$ 14,997</b>	<b>\$ 16,404</b>	<b>\$ 16,493</b>	<b>\$ 17,133</b>	<b>\$ 17,686</b>	<b>\$ 18,257</b>	<b>\$ 18,847</b>
<b>Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Department Net Expenditures</b>	<b>\$ 15,047</b>	<b>\$ 14,997</b>	<b>\$ 14,997</b>	<b>\$ 16,404</b>	<b>\$ 16,493</b>	<b>\$ 17,133</b>	<b>\$ 17,686</b>	<b>\$ 18,257</b>	<b>\$ 18,847</b>

**ERCOT**

**Department Net Expenditures: External Affairs & Corporate Communications**

**(\$ in Thousands)**

	2014	2015	2015	2016	2017	2018	2019	2020	2021
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection
Salaries	\$ 4,153	\$ 4,524	\$ 4,349	\$ 4,948	\$ 5,122	\$ 5,301	\$ 5,486	\$ 5,678	\$ 5,877
Benefits & Taxes	1,374	1,443	1,265	1,633	1,690	1,749	1,810	1,874	1,939
Project Funded Labor	(238)	(221)	(221)	(170)	(204)	(50)	(50)	(50)	(50)
<b>Department Labor</b>	<b>\$ 5,289</b>	<b>\$ 5,746</b>	<b>\$ 5,392</b>	<b>\$ 6,411</b>	<b>\$ 6,608</b>	<b>\$ 7,000</b>	<b>\$ 7,247</b>	<b>\$ 7,502</b>	<b>\$ 7,767</b>
Materials, Supplies & Equipment	14	7	7	15	9	9	9	9	10
HW/SW License & Maintenance	-	-	-	-	-	-	-	-	-
Outside Services	805	80	94	102	104	107	109	112	114
Utility, Maintenance & Facility	-	-	-	-	-	-	-	-	-
Employee Expenses	92	107	107	154	156	160	164	167	171
Insurance	-	-	-	-	-	-	-	-	-
Interest & Fees	-	-	-	-	-	-	-	-	-
Other Expenses	119	300	284	334	334	342	350	358	366
Management Challenge	-	(356)	-	(140)	(144)	(152)	(158)	(163)	(169)
<b>Department Expense</b>	<b>\$ 6,320</b>	<b>\$ 5,884</b>	<b>\$ 5,884</b>	<b>\$ 6,876</b>	<b>\$ 7,067</b>	<b>\$ 7,465</b>	<b>\$ 7,721</b>	<b>\$ 7,985</b>	<b>\$ 8,259</b>
Minor Capital	16	-	-	-	-	-	-	-	-
Common Infrastructure	-	-	-	-	-	-	-	-	-
<b>Subtotal - Department Expenditures</b>	<b>\$ 6,336</b>	<b>\$ 5,884</b>	<b>\$ 5,884</b>	<b>\$ 6,876</b>	<b>\$ 7,067</b>	<b>\$ 7,465</b>	<b>\$ 7,721</b>	<b>\$ 7,985</b>	<b>\$ 8,259</b>
<b>* Revenues</b>	<b>\$ -</b>	<b>\$ (66)</b>	<b>\$ (66)</b>	<b>\$ (42)</b>	<b>\$ (42)</b>	<b>\$ (40)</b>	<b>\$ (40)</b>	<b>\$ (40)</b>	<b>\$ (40)</b>
<b>Total Department Net Expenditures</b>	<b>\$ 6,336</b>	<b>\$ 5,818</b>	<b>\$ 5,818</b>	<b>\$ 6,834</b>	<b>\$ 7,025</b>	<b>\$ 7,425</b>	<b>\$ 7,681</b>	<b>\$ 7,945</b>	<b>\$ 8,219</b>

\* Market Participant Registration Fees

**ERCOT**

**Department Net Expenditures: Human Resources**

**(\$ in Thousands)**

	2014	2015	2015	2016	2017	2018	2019	2020	2021
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection
Salaries	\$ 2,815	\$ 2,987	\$ 3,055	\$ 2,988	\$ 3,039	\$ 3,127	\$ 3,218	\$ 3,311	\$ 3,408
Benefits & Taxes	392	591	591	660	677	699	721	744	768
Project Funded Labor	(48)	-	-	-	-	-	-	-	-
<b>Department Labor</b>	<b>\$ 3,159</b>	<b>\$ 3,579</b>	<b>\$ 3,647</b>	<b>\$ 3,648</b>	<b>\$ 3,716</b>	<b>\$ 3,826</b>	<b>\$ 3,939</b>	<b>\$ 4,056</b>	<b>\$ 4,176</b>
Materials, Supplies & Equipment	2	3	3	5	5	5	5	6	6
HW/SW License & Maintenance	-	-	-	-	-	-	-	-	-
Outside Services	588	641	448	963	966	988	1,011	1,034	1,058
Utility, Maintenance & Facility	-	-	-	-	-	-	-	-	-
Employee Expenses	138	109	109	200	201	205	210	215	220
Insurance	-	-	-	-	-	-	-	-	-
Interest & Fees	-	-	-	-	-	-	-	-	-
Other Expenses	381	274	274	551	531	543	556	569	582
Management Challenge	-	(125)	-	(107)	(108)	(111)	(115)	(118)	(121)
<b>Department Expense</b>	<b>\$ 4,267</b>	<b>\$ 4,481</b>	<b>\$ 4,481</b>	<b>\$ 5,260</b>	<b>\$ 5,311</b>	<b>\$ 5,457</b>	<b>\$ 5,607</b>	<b>\$ 5,761</b>	<b>\$ 5,920</b>
Minor Capital	6	-	-	-	5	5	5	5	5
Common Infrastructure	-	-	-	-	-	-	-	-	-
<b>Subtotal - Department Expenditures</b>	<b>\$ 4,273</b>	<b>\$ 4,481</b>	<b>\$ 4,481</b>	<b>\$ 5,260</b>	<b>\$ 5,316</b>	<b>\$ 5,462</b>	<b>\$ 5,612</b>	<b>\$ 5,767</b>	<b>\$ 5,926</b>
<b>Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Department Net Expenditures</b>	<b>\$ 4,273</b>	<b>\$ 4,481</b>	<b>\$ 4,481</b>	<b>\$ 5,260</b>	<b>\$ 5,316</b>	<b>\$ 5,462</b>	<b>\$ 5,612</b>	<b>\$ 5,767</b>	<b>\$ 5,926</b>



**ERCOT**

**Department Net Expenditures: Corporate Administration**

**(\$ in Thousands)**

	2014	2015	2015	2016	2017	2018	2019	2020	2021
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection
Salaries	\$ 1,663	\$ 1,681	\$ 1,769	\$ 1,771	\$ 1,830	\$ 1,891	\$ 1,954	\$ 2,019	\$ 2,087
Benefits & Taxes	347	536	511	554	573	593	614	635	657
Project Funded Labor	-	-	-	-	-	-	-	-	-
<b>Department Labor</b>	<b>\$ 2,011</b>	<b>\$ 2,216</b>	<b>\$ 2,280</b>	<b>\$ 2,325</b>	<b>\$ 2,403</b>	<b>\$ 2,484</b>	<b>\$ 2,568</b>	<b>\$ 2,655</b>	<b>\$ 2,744</b>
Materials, Supplies & Equipment	10	1	1	2	2	2	2	2	2
HW/SW License & Maintenance	-	-	-	-	-	-	-	-	-
Outside Services	546	727	559	550	550	602	675	691	602
Utility, Maintenance & Facility	63	87	54	55	55	56	58	59	60
Employee Expenses	68	91	107	103	105	107	110	112	115
Insurance	-	-	-	-	-	-	-	-	-
Interest & Fees	-	-	-	-	-	-	-	-	-
Other Expenses	238	117	107	72	72	74	76	77	79
Management Challenge	-	(132)	-	(62)	(64)	(67)	(70)	(72)	(72)
<b>Department Expense</b>	<b>\$ 2,936</b>	<b>\$ 3,108</b>	<b>\$ 3,108</b>	<b>\$ 3,045</b>	<b>\$ 3,124</b>	<b>\$ 3,260</b>	<b>\$ 3,419</b>	<b>\$ 3,525</b>	<b>\$ 3,531</b>
Minor Capital	-	-	-	-	-	-	-	-	-
Common Infrastructure	-	-	-	-	-	-	-	-	-
<b>Subtotal - Department Expenditures</b>	<b>\$ 2,936</b>	<b>\$ 3,108</b>	<b>\$ 3,108</b>	<b>\$ 3,045</b>	<b>\$ 3,124</b>	<b>\$ 3,260</b>	<b>\$ 3,419</b>	<b>\$ 3,525</b>	<b>\$ 3,531</b>
<b>* Revenues</b>	<b>\$ (353)</b>	<b>\$ (270)</b>	<b>\$ (270)</b>	<b>\$ (270)</b>	<b>\$ (270)</b>	<b>\$ (270)</b>	<b>\$ (270)</b>	<b>\$ (270)</b>	<b>\$ (270)</b>
<b>Total Department Net Expenditures</b>	<b>\$ 2,582</b>	<b>\$ 2,838</b>	<b>\$ 2,838</b>	<b>\$ 2,775</b>	<b>\$ 2,854</b>	<b>\$ 2,990</b>	<b>\$ 3,149</b>	<b>\$ 3,255</b>	<b>\$ 3,261</b>

\* Membership Dues

**ERCOT**

**Department Net Expenditures: Total**  
**(\$ in Thousands)**

	2014	2015	2015	2016	2017	2018	2019	2020	2021
	Actual	Budget	Forecast	Request	Request	Request	Request	Request	Request
Salaries	\$ 73,971	\$ 79,581	\$ 79,512	\$ 85,665	\$ 88,603	\$ 91,678	\$ 94,861	\$ 98,154	\$ 101,563
Benefits & Taxes	23,914	25,010	24,812	27,828	28,796	29,802	30,843	31,920	33,035
Project Funded Labor	(9,337)	(8,298)	(7,802)	(8,944)	(8,885)	(8,406)	(8,107)	(7,700)	(7,753)
<b>Department Labor</b>	<b>\$ 88,548</b>	<b>\$ 96,293</b>	<b>\$ 96,522</b>	<b>\$ 104,550</b>	<b>\$ 108,514</b>	<b>\$ 113,075</b>	<b>\$ 117,597</b>	<b>\$ 122,374</b>	<b>\$ 126,845</b>
Materials, Supplies & Equipment	906	925	974	1,483	1,536	1,564	1,592	1,620	1,649
HW/SW License & Maintenance	16,636	20,972	18,595	21,282	22,151	22,660	23,182	23,715	24,260
Outside Services	11,345	8,740	9,954	11,178	10,886	10,932	11,258	11,529	11,700
Utility, Maintenance & Facility	10,335	11,737	9,258	9,775	10,036	10,278	10,526	10,780	10,970
Employee Expenses	2,115	1,938	1,826	2,737	2,767	2,831	2,896	2,962	3,030
Insurance	1,941	2,064	2,064	1,869	1,965	2,064	2,167	2,275	2,389
Interest & Fees	2,172	3,095	3,095	2,820	3,682	3,827	3,944	4,191	4,678
Other Expenses	2,433	2,645	1,980	2,415	2,446	2,508	2,573	2,640	2,710
Management Challenge	-	(6,139)	-	(3,176)	(3,264)	(3,377)	(3,496)	(3,619)	(3,733)
<b>Department Expense</b>	<b>\$ 136,432</b>	<b>\$ 142,270</b>	<b>\$ 144,270</b>	<b>\$ 154,934</b>	<b>\$ 160,719</b>	<b>\$ 166,362</b>	<b>\$ 172,237</b>	<b>\$ 178,466</b>	<b>\$ 184,498</b>
Minor Capital	2,157	1,500	1,500	1,997	1,889	1,921	1,954	1,987	2,021
Common Infrastructure	280	1,500	1,000	1,500	1,000	1,023	1,047	1,071	1,095
<b>Subtotal - Department Expenditures</b>	<b>\$ 138,869</b>	<b>\$ 145,270</b>	<b>\$ 146,770</b>	<b>\$ 158,431</b>	<b>\$ 163,608</b>	<b>\$ 169,306</b>	<b>\$ 175,237</b>	<b>\$ 181,524</b>	<b>\$ 187,615</b>
<b>Revenues</b>	<b>\$ (4,626)</b>	<b>\$ (4,605)</b>	<b>\$ (4,605)</b>	<b>\$ (4,342)</b>	<b>\$ (4,609)</b>	<b>\$ (4,692)</b>	<b>\$ (4,779)</b>	<b>\$ (4,868)</b>	<b>\$ (4,959)</b>
<b>Total Department Net Expenditures</b>	<b>\$ 134,243</b>	<b>\$ 140,665</b>	<b>\$ 142,165</b>	<b>\$ 154,089</b>	<b>\$ 159,000</b>	<b>\$ 164,614</b>	<b>\$ 170,459</b>	<b>\$ 176,656</b>	<b>\$ 182,656</b>

**ERCOT**

**Recommendation regarding 2016-2017 Budget and Fee**

## **Project Priority List Detail**

ERCOT

Fiscal Years 2016-2017 Budget: Management Recommended Flat Fee (\$0.555)

(\$ in Thousands)

(\$ in Thousands)										
Project Expenditures										
		2014 Actual	2015 Budget	2015 Forecast	2016 Request	2017 Request	2018 Projection	2019 Projection	2020 Projection	2021 Projection
1	Revision Requests	\$ 2,438	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
2	Regulatory	781	-	-	2,500	2,000	2,000	2,000	2,000	2,000
3	Internal Enhancements	4,510	1,000	1,000	6,000	4,500	4,000	4,000	4,000	4,000
4	Technical Foundation - Hardware Refreshes	3,457	4,000	4,000	20,000	20,000	4,000	4,000	9,000	18,000
5	Technical Foundation - Software	12,367	12,650	12,650	10,000	10,000	12,000	12,000	10,000	10,000
6	Project Expenditures	\$ 23,552	\$ 21,650	\$ 21,650	\$ 42,500	\$ 40,500	\$ 26,000	\$ 26,000	\$ 29,000	\$ 38,000

**ERCOT****Fiscal Years 2016 and 2017 Budget****Project Priority List Detail**

Line	Project Category	Project Name	2016 Budget Range	2017 Budget Range
1	Revision Requests	Revision Request Funding - 2016	\$1M-\$2M	-
2	Revision Requests	Outage Scheduler Enhancements – Group 2, Usability and Filtering Enhancements	\$500k-\$700k	-
3	Revision Requests	Daily Grid Operations Summary Report	\$200k-\$400k	-
4	Revision Requests	Resolution of Alignment Items A33, A92, A106, and A150 - TSPs Must Submit Outages for Resource Owned Equipment and Clarification of Changes in Status of Transmission Element Postings	\$200k-\$400k	-
5	Revision Requests	Revisions to Congestion Revenue Rights Credit Calculations and Payments - Phase 1b / 2	\$150k-\$300k	-
6	Revision Requests	Definition and Participation of Quick Start Generation Resources	\$125k-\$150k	-
7	Revision Requests	Updating a Counter-Party's Available Credit Limit for Current Day DAM	\$125k-\$135k	-
8	Revision Requests	Day-Ahead Market Self-Commitment of Generation Resources	\$100k-\$200k	-
9	Revision Requests	Collateral Requirements for Counter-Parties with No Load or Generation	\$60k-\$80k	-
10	Revision Requests	Sync with PRR787, Add Non-Compliance Language to QSE Performance Standards	\$50k-\$150k	-
11	Revision Requests	QSGR Dispatch Adjustment	\$35k-\$45k	-
12	Revision Requests	Energy Offer Flexibility	\$30k-\$50k	-
13	Revision Requests	Exemption of ERS-Only QSEs from Collateral and Capitalization Requirements	\$30k-\$50k	-
14	Revision Requests	Revision to Available Credit Limit Calculation	\$25k-\$50k	-
15	Revision Requests	Wind Forecasting Change to P50, Sync with PRR841	\$25k-\$50k	-
16	Revision Requests	Half-Hour RUC Clawback	\$10k-\$20k	-
17	Revision Requests	Revision Request Funding - 2017	-	\$4M-\$5M

**ERCOT****Fiscal Years 2016 and 2017 Budget****Project Priority List Detail**

Line	Project Category	Project Name	2016 Budget Range	2017 Budget Range
18	Regulatory	Physical Security Project #2	\$1.0M-\$1.5M	-
19	Regulatory	Privileged Account Management - Other	\$350k-\$700k	-
20	Regulatory	Privileged Account Management - SSAE16	\$300k-\$500k	-
21	Regulatory	Records Management and eDiscovery	\$100k-\$250k	\$250k-\$500k
22	Regulatory	CIP v5 Readiness Project	\$10k-\$25k	-
23	Regulatory	Regulatory Requirements - 2017	-	\$1M-\$2M

**ERCOT****Fiscal Years 2016 and 2017 Budget****Project Priority List Detail**

Line	Project Category	Project Name	2016 Budget Range	2017 Budget Range
24	Internal Enhancements	CRR UI Framework Upgrade	\$1M-\$2M	-
25	Internal Enhancements	Enterprise Content Alignment Program	\$1M-\$2M	-
26	Internal Enhancements	Capital Efficiencies and Enhancements - 2016	\$500k-\$750k	-
27	Internal Enhancements	Enterprise Business Management Software	\$500k-\$1M	-
28	Internal Enhancements	MP Online Data Entry - Ph 2	\$500k-\$1M	\$500k-\$1M
29	Internal Enhancements	Cyber Security Project #16	\$350k-\$700k	-
30	Internal Enhancements	PMU Monitor	\$200k-\$400k	-
31	Internal Enhancements	Retail Market Testing Website	\$200k-\$400k	-
32	Internal Enhancements	CREZ Voltage Control and Coordination - Phase 2	\$175k-\$225k	-
33	Internal Enhancements	AV Upgrades to TCC1 Conference Rooms	\$150k-\$200k	-
34	Internal Enhancements	Cyber Security Project #17	\$100k-\$200k	-
35	Internal Enhancements	Cyber Security Project #18	\$100k-\$200k	-
36	Internal Enhancements	Cyber Security Project #19	\$100k-\$200k	-
37	Internal Enhancements	Emergency Energy Settlements Inputs Automation	\$100k-\$155k	-
38	Internal Enhancements	Cyber Security Project #20	\$50k-\$100k	-
39	Internal Enhancements	Build Load Models for TSAT	\$15k-\$30k	-
40	Internal Enhancements	Tools for Renewables Desk	\$15k-\$30k	-
41	Internal Enhancements	N-1-x Tool	\$5k-\$15k	-
42	Internal Enhancements	Efficiencies and Enhancements Funding - 2017	-	\$1M-\$2M
43	Internal Enhancements	Capital Efficiencies and Enhancements - 2017	-	\$500k-\$750k
44	Internal Enhancements	Cyber Security Project #22	-	\$350k-\$700k
45	Internal Enhancements	Cyber Security Project #23	-	\$350k-\$700k
46	Internal Enhancements	Cyber Security Project #12	-	\$250k-\$350k
47	Internal Enhancements	On-Site Storage	-	\$150k-\$250k
48	Internal Enhancements	Cyber Security Project #21	-	\$100k-\$200k

**ERCOT****Fiscal Years 2016 and 2017 Budget****Project Priority List Detail**

Line	Project Category	Project Name	2016 Budget Range	2017 Budget Range
49	Technical Foundation - Hardware Refreshes	DC4 Corp/Mgmt--x86 Compute	\$5M-\$10M	-
50	Technical Foundation - Hardware Refreshes	DC4 Corp/Mgmt--Storage Capacity, Monitoring and Backup	\$3M-\$5M	-
51	Technical Foundation - Hardware Refreshes	DC4 Commercial--AIX Compute	\$2M-\$3M	-
52	Technical Foundation - Hardware Refreshes	DC4 Corp/Mgmt--Core Network	\$2M-\$3M	-
53	Technical Foundation - Hardware Refreshes	DC4 Corp/Mgmt--Telecom VOIP PBX Replacement	\$1M-\$2M	-
54	Technical Foundation - Hardware Refreshes	DC4 EMMS--AIX Compute	\$1M-\$2M	-
55	Technical Foundation - Hardware Refreshes	DC4 Remote--Citrix Consolidation Compute & Storage	\$1M-\$2M	-
56	Technical Foundation - Hardware Refreshes	DC4 Corp/Mgmt--Enterprise NAS	\$500k-\$1M	-
57	Technical Foundation - Hardware Refreshes	DC4 Corp/Mgmt--Load Balancer	\$250k-\$500k	-
58	Technical Foundation - Hardware Refreshes	DC4 Corp/Mgmt--Telecom Forum Hotline / Nice Recorder	\$250k-\$500k	-
59	Technical Foundation - Hardware Refreshes	DC4 Corp/Mgmt--Telecom Trader Phone IPC	\$250k-\$500k	-
60	Technical Foundation - Hardware Refreshes	DC4 Corp/Mgmt--Syslog	\$100k-\$250k	-
61	Technical Foundation - Hardware Refreshes	DC4 Corp/Mgmt--Telecom Voice Firewall	\$100k-\$250k	-
62	Technical Foundation - Hardware Refreshes	DC4 Corp/Mgmt--Web Proxy	\$100k-\$250k	-
63	Technical Foundation - Hardware Refreshes	DC4 Commercial--Storage, Capacity, Monitoring & Backup	-	\$3M-\$5M
64	Technical Foundation - Hardware Refreshes	DC4 MDT--Storage Capacity, Monitoring & Backup	-	\$3M-\$5M
65	Technical Foundation - Hardware Refreshes	DC4 Commercial--x86 Compute	-	\$2M-\$3M
66	Technical Foundation - Hardware Refreshes	DC4 MDT--x86 Compute	-	\$2M-\$3M
67	Technical Foundation - Hardware Refreshes	DC4 EMMS--Additional Storage Capacity	-	\$1M-\$2M
68	Technical Foundation - Hardware Refreshes	DC4 Remote--Citrix / VDI / Netscaler	-	\$1M-\$2M
69	Technical Foundation - Hardware Refreshes	DC4 Corp/Mgmt--Telecom VoIP WAN	-	\$500k-\$1M
70	Technical Foundation - Hardware Refreshes	DC4 Corp/Mgmt--Telecom Optical Transport Platform	-	\$250k-\$500k



**ERCOT****Fiscal Years 2016 and 2017 Budget****Project Priority List Detail**

Line	Project Category	Project Name	2016 Budget Range	2017 Budget Range
71	Technical Foundation - Software	Analytical Data Archive Platform Transition (ADAPT)	\$2M-\$4M	\$1M-\$2M
72	Technical Foundation - Software	EMS Upgrade	\$2M-\$4M	-
73	Technical Foundation - Software	Production Virtualization	\$1M-\$3M	-
74	Technical Foundation - Software	Oracle X Upgrade (Next Generation)	\$500k-\$750k	\$200k-\$400k
75	Technical Foundation - Software	Replace Sun DSEE	\$500k-\$1M	-
76	Technical Foundation - Software	NMMS Upgrade	\$400k-\$600k	-
77	Technical Foundation - Software	SAS Technical Architecture Redesign (STAR)	\$350k-\$700k	-
78	Technical Foundation - Software	UC4 Automation Upgrade v9	\$300k-\$400k	-
79	Technical Foundation - Software	Replace Paperfree	\$250k-\$500k	-
80	Technical Foundation - Software	Access and Roles Management	\$200k-\$400k	-
81	Technical Foundation - Software	Cyber Security Project #15	\$200k-\$400k	\$300k-\$500k
82	Technical Foundation - Software	Integration Monitoring Tool	\$200k-\$300k	-
83	Technical Foundation - Software	Jboss Application Monitoring & Management (JAMM)	\$200k-\$225k	-
84	Technical Foundation - Software	REC Rewrite & Refresh	\$200k-\$300k	-
85	Technical Foundation - Software	TIBCO Upgrade	\$200k-\$300k	\$500k-\$1M
86	Technical Foundation - Software	Upgrade to OEM Lifecycle Mgmt Pack	\$200k-\$400k	-
87	Technical Foundation - Software	Replace Actional Policy Manager	\$150k-\$250k	-
88	Technical Foundation - Software	Appworx Replaces TIBCO Code in CSI Framework	\$75k-\$125k	-
89	Technical Foundation - Software	Apache Upgrade	\$50k-\$100k	-
90	Technical Foundation - Software	Enterprise Disk Erasure Phase 2	\$50k-\$150k	-
91	Technical Foundation - Software	EIF Database Utilization	\$30k-\$50k	-
92	Technical Foundation - Software	Tech Foundation - Software - 2017	-	\$5M-\$10M

**ERCOT**

**Recommendation regarding 2016-2017 Budget and Fee**

# **Financial Ratios**

**ERCOT**
**Debt Service Coverage Ratio and Liquidity Ratio**

(\$ in Thousands)

<b>Debt Service Coverage Ratio</b>									
	2014 Actual	2015 Budget	2015 Forecast	2016 Request	2017 Request	2018 Projection	2019 Projection	2020 Projection	2021 Projection
1 <b>Revenues</b>									
2 System Administration Fee Revenue	\$ 158,741	\$ 163,345	\$ 159,461	\$ 193,939	\$ 197,537	\$ 201,098	\$ 204,630	\$ 208,144	\$ 211,660
3 Reliability Organization Assessment Fee	14,351	14,704	14,704	15,000	15,000	15,345	15,698	16,059	16,428
4 Other Revenue (includes DOE)	4,925	4,605	4,605	4,342	4,609	4,692	4,779	4,868	4,959
5 <b>Total Revenues</b>	<b>\$ 178,017</b>	<b>\$ 182,654</b>	<b>\$ 178,770</b>	<b>\$ 213,281</b>	<b>\$ 217,145</b>	<b>\$ 221,134</b>	<b>\$ 225,106</b>	<b>\$ 229,070</b>	<b>\$ 233,047</b>
6 <b>Expenses</b>									
7 Operating Expenditures (includes DOE and interest; excludes depreciation)	\$ 139,177	\$ 145,270	\$ 146,770	\$ 158,431	\$ 163,608	\$ 169,306	\$ 175,237	\$ 181,524	\$ 187,615
8 Less: Interest Expense	2,625	3,095	3,095	2,820	3,682	3,827	3,943	4,190	4,678
9 Operating Expenditures Less Interest Expense	136,552	142,175	143,675	155,611	159,927	165,479	171,294	177,334	182,937
10 Reliability Organization Assessment	14,351	14,704	14,704	15,000	15,000	15,345	15,698	16,059	16,428
11 <b>EBITDA</b>	<b>\$ 27,114</b>	<b>\$ 25,775</b>	<b>\$ 20,391</b>	<b>\$ 42,670</b>	<b>\$ 42,219</b>	<b>\$ 40,310</b>	<b>\$ 38,115</b>	<b>\$ 35,678</b>	<b>\$ 33,682</b>
12 Interest Expense	2,625	3,095	3,095	2,820	3,682	3,827	3,943	4,190	4,678
13 Debt Service - Principal Payment	17,630	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
14 <b>Total Debt Service</b>	<b>\$ 20,255</b>	<b>\$ 7,095</b>	<b>\$ 7,095</b>	<b>\$ 6,820</b>	<b>\$ 7,682</b>	<b>\$ 7,827</b>	<b>\$ 7,943</b>	<b>\$ 8,190</b>	<b>\$ 8,678</b>
15									
16 <b>Debt Service Coverage Ratio (EBITDA)</b>	<b>1.34</b>	<b>3.63</b>	<b>2.87</b>	<b>6.26</b>	<b>5.50</b>	<b>5.15</b>	<b>4.80</b>	<b>4.36</b>	<b>3.88</b>
<b>Liquidity Ratio</b>									
	2014 Actual	2015 Budget	2015 Forecast	2016 Request	2017 Request	2018 Projection	2019 Projection	2020 Projection	2021 Projection
1 * Operating Expenditures (2 Month Average)	\$ 23,196	\$ 24,212	\$ 24,462	\$ 26,405	\$ 27,268	\$ 28,218	\$ 29,206	\$ 30,254	\$ 31,269
2 Debt Service (6 Month Average)	10,128	3,548	3,548	3,410	3,841	3,913	3,972	4,095	4,339
3 Project Expenditures (2 Month Average)	3,925	3,608	3,608	7,083	6,750	4,333	4,333	4,833	6,333
4 <b>Targeted Minimum Level of Liquidity</b>	<b>\$ 37,249</b>	<b>\$ 31,368</b>	<b>\$ 31,618</b>	<b>\$ 36,899</b>	<b>\$ 37,859</b>	<b>\$ 36,464</b>	<b>\$ 37,511</b>	<b>\$ 39,183</b>	<b>\$ 41,941</b>
5									
6 <b>Undrawn Borrowing Capacity</b>	<b>\$ 125,000</b>	<b>\$ 85,000</b>	<b>\$ 125,000</b>	<b>\$ 71,978</b>	<b>\$ 66,015</b>	<b>\$ 72,499</b>	<b>\$ 76,670</b>	<b>\$ 75,157</b>	<b>\$ 62,161</b>
7									
8 <b>Liquidity Ratio</b>	<b>3.36</b>	<b>2.71</b>	<b>3.95</b>	<b>1.95</b>	<b>1.74</b>	<b>1.99</b>	<b>2.04</b>	<b>1.92</b>	<b>1.48</b>



**Date:** June 2, 2015  
**To:** Board of Directors  
**From:** Jorge Bermudez, Finance and Audit (F&A) Committee Chairman  
**Subject:** 2016-2017 Budget and Fee

**Issue for the ERCOT Board of Directors**

**ERCOT Board of Directors Meeting Date:** June 9, 2015

**Item No.:** 9.1

**Issue:**

Approval by the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) of the ERCOT 2016-2017 Biennial Budget.

**Background/History:**

Public Utility Commission of Texas (PUCT) Substantive Rule 25.363, ERCOT Budget and Fee  
P.U.C. SUBST. R. 25.363(d) provides that the ERCOT budget (Budget) and any change in the system administration fee are subject to review and approval by the PUCT. P.U.C. SUBST. R. 25.363(d) further specifies that the review and approval of the Budget, or a proceeding to authorize and set the range for the amount of the system administration fee is not a contested case.

P.U.C. SUBST. R. 25.363(e) provides that, prior to submission of the 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.

**ERCOT Bylaws**

Sections 4.10 (*Duties*) and 10.3 (*Budget*) of the ERCOT Bylaws require that the Board approve the Budget.

**ERCOT Board Policies and Procedures**

Section 3.3 of the Board Policies and Procedures provides as follows:

The CEO will present to the Board ... a Budget to carry out the Board's directives for the following year or longer as directed by the Board. 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.



#### F&A Committee Charter

The Duties and Responsibilities section of the Finance & Audit Committee Charter states:

With respect to budget oversight...

1. Annually or biennially, the Committee shall review staff's proposed budget for the following year(s).
2. The Committee shall review the staff's recommendation of the amount and type of financing needed, both revenue and debt financing, to support the proposed budget and meet the Company's liquidity needs.
3. Following the Committee's review of the above items, the Committee shall recommend to the Board, a proposed budget and associated financing plan for the following year(s).

The Committee is expected to recommend to the Board whether it should approve, reject or amend the 2016-2017 Biennial Budget at its June 8, 2015 meeting.

#### **Key Factors Influencing Issue:**

- 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 Section 39.151(a) of the Public Utility Regulatory Act (PURA). For instance, ERCOT must have adequate funds in 2016 and 2017 to:
  - Maintain compliance with the Financial Corporate Standard and associated financial performance measures as approved by the Board;
  - Fund independent market monitoring, PURA, and North American Electric Reliability Corporation (NERC) compliance functions;
  - Staff appropriately to participate in and support full market operations;
  - Implement system improvements and required functionality to support the market;
  - Enhance and maintain the computer systems and associated services contracted for with vendors; and
  - Maintain necessary facilities to provide secure operations and house staff.
- In the first and second quarters of 2015, ERCOT staff discussed financial assumptions, methodologies, schedules and a system administration fee relating to the 2016-2017 Biennial Budget with PUCT staff designated by the PUCT Executive Director.
- ERCOT staff will present its recommended 2016-2017 Biennial Budget to the F&A Committee on June 8, 2015.

#### **Conclusion/Recommendation:**

ERCOT staff recommends, and the F&A Committee is expected to recommend, that the Board:

- Approve the recommended 2016-2017 Biennial Budget as set forth in Attachment A, which includes \$219,931,341 and \$223,108,369 total spending authorization for operating expenses, project spending, and debt service obligations for 2016 and 2017, respectively;
- Approve the recommended increase to the ERCOT system administration fee from \$0.4650 to \$0.5550 per megawatt-hour for 2016 and 2017 as set forth in Attachment B; and



- Authorize ERCOT Legal to file the Board-approved 2016-2017 Biennial Budget for approval by the PUCT, pursuant to P.U.C. SUBST. R. 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 the ERCOT recommended 2016-2017 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 September 11, 2014 (Bylaws), requires that the Board approve the Budget; and

WHEREAS, ERCOT staff discussed financial 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 (PUCT) regarding development of the Budget; and

WHEREAS, ERCOT staff presented its recommended 2016-2017 Biennial Budget, which includes a total spending authorization of \$219,931,341 and \$223,108,369 respectively; and

WHEREAS, the Budget recommended by ERCOT staff will require an increase in the ERCOT system administration fee from \$0.4650 to \$0.5550 for 2016 and 2017;

THEREFORE, BE IT RESOLVED, that the Board hereby:

- Approves the recommended 2016-2017 Biennial Budget as set forth in Attachment A, which includes \$219,931,341 and \$223,108,369 total spending authorization for operating expenses, project spending, and debt service obligations for 2016 and 2017, respectively; and
- Approves the request for a recommended increase to the ERCOT system administration fee from \$0.4650 to \$0.5550 per megawatt-hour for 2016 and 2017 as set forth in Attachment B; and
- Authorizes ERCOT Legal to file the Board-approved 2016-2017 Biennial Budget for approval by the PUCT, pursuant to P.U.C. SUBST. R. 25.363(d).



**CORPORATE SECRETARY'S CERTIFICATE**

I, Vickie G. Leady, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its June 9, 2015 meeting, the ERCOT Board passed a motion approving the above Resolution by \_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of June, 2015.

---

Vickie G. Leady  
Assistant Corporate Secretary



Attachment A

Fiscal Years 2016-2017 Budget: Management Recommended Flat Fee (\$0.555)

(\$ in Thousands)

Sources and Uses									
	2014 Actual	2015 Budget	2015 Forecast	2016 Request	2017 Request	2018 Projection	2019 Projection	2020 Projection	2021 Projection
1 System Administration Fee Revenues	\$ 158,741	\$ 163,345	\$ 159,461	\$ 193,939	\$ 197,537	\$ 201,098	\$ 204,630	\$ 208,144	\$ 211,660
2 Reliability Organization Assessment Fee	14,351	14,704	14,704	15,000	15,000	15,345	15,698	16,059	16,428
3 Other Revenues	4,626	4,605	4,605	4,342	4,609	4,692	4,779	4,868	4,959
4 Decrease in Working Capital	16,684	2,970	8,354	6,650	5,963	-	-	1,513	12,996
5 <b>Total Sources</b>	<b>\$ 194,403</b>	<b>\$ 185,624</b>	<b>\$ 187,124</b>	<b>\$ 219,931</b>	<b>\$ 223,108</b>	<b>\$ 221,134</b>	<b>\$ 225,106</b>	<b>\$ 230,583</b>	<b>\$ 246,043</b>
6									
7 Department Expenditures	\$ 138,869	\$ 145,270	\$ 146,770	\$ 158,431	\$ 163,608	\$ 169,306	\$ 175,237	\$ 181,524	\$ 187,615
8 Project Expenditures	23,552	21,650	21,650	42,500	40,500	26,000	26,000	29,000	38,000
9 Reliability Organization Assessment	14,351	14,704	14,704	15,000	15,000	15,345	15,698	16,059	16,428
10 Repayment of Long Term Debt	17,630	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
11 Increase in Working Capital	-	-	-	-	-	6,483	4,171	-	-
12 <b>Total Uses</b>	<b>\$ 194,403</b>	<b>\$ 185,624</b>	<b>\$ 187,124</b>	<b>\$ 219,931</b>	<b>\$ 223,108</b>	<b>\$ 221,134</b>	<b>\$ 225,106</b>	<b>\$ 230,583</b>	<b>\$ 246,043</b>

Attachment B

Fiscal Years 2016-2017 Budget: Management Recommended Flat Fee (\$0.555)

(\$ in Thousands except per GWH Amounts)

System Administration Fee Revenue Requirement										
		2014 Actual	2015 Budget	2015 Forecast	2016 Request	2017 Request	2018 Projection	2019 Projection	2020 Projection	2021 Projection
1	Department Net Expenditures	\$ 134,243	\$ 140,665	\$ 142,165	\$ 154,089	\$ 159,000	\$ 164,614	\$ 170,459	\$ 176,656	\$ 182,656
2	Project Expenditures	23,552	21,650	21,650	42,500	40,500	26,000	26,000	29,000	38,000
3	Total Net Expenditures	\$ 157,795	\$ 162,315	\$ 163,815	\$ 196,589	\$ 199,500	\$ 190,614	\$ 196,459	\$ 205,656	\$ 220,656
4										
5	Long Term Debt	\$ 17,630	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
6	Change in Working Capital	(16,684)	(2,970)	(8,354)	(6,650)	(5,963)	6,483	4,171	(1,513)	(12,996)
7	Change in Debt & Working Capital	\$ 946	\$ 1,030	\$ (4,354)	\$ (2,650)	\$ (1,963)	\$ 10,483	\$ 8,171	\$ 2,487	\$ (8,996)
8										
9	System Administration Fee Requirement	\$ 158,741	\$ 163,345	\$ 159,461	\$ 193,939	\$ 197,537	\$ 201,098	\$ 204,630	\$ 208,144	\$ 211,660
10	Energy Consumption (GWH)	341,379	351,281	342,928	349,440	355,922	362,338	368,702	375,034	381,369
11	System Administration Fee Rate	\$ 0.4650	\$ 0.4650	\$ 0.4650	\$ 0.5550	\$ 0.5550	\$ 0.5550	\$ 0.5550	\$ 0.5550	\$ 0.5550

Debt & Working Capital										
		2014 Actual	2015 Budget	2015 Forecast	2016 Request	2017 Request	2018 Projection	2019 Projection	2020 Projection	2021 Projection
1	Debt & Working Capital Balance at End of Year	\$ 105,018	\$ 103,988	\$ 109,372	\$ 112,022	\$ 113,985	\$ 103,501	\$ 95,330	\$ 92,843	\$ 101,839
2	Yearly Change in Debt & Working Capital	\$ (946)	\$ (1,030)	\$ 4,354	\$ 2,650	\$ 1,963	\$ (10,483)	\$ (8,171)	\$ (2,487)	\$ 8,996
3	Cumulative Change in Debt & Working Capital			\$ 4,354	\$ 7,003	\$ 8,966	\$ (1,517)	\$ (9,688)	\$ (12,175)	\$ (3,179)
4										
5	Interest Expense	\$ 2,172	\$ 3,095	\$ 3,095	\$ 2,820	\$ 3,682	\$ 3,827	\$ 3,943	\$ 4,190	\$ 4,678
6	Interest Expense (Impact on SAF Rate)	\$ 0.006	\$ 0.009	\$ 0.009	\$ 0.008	\$ 0.010	\$ 0.011	\$ 0.011	\$ 0.011	\$ 0.012