



Item 4: Discussion of 2018-2019 Biennial Budget Assumptions

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Controller

Finance & Audit Committee Meeting

ERCOT Public
April 3, 2017

2018-2019 Budget and Fee 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

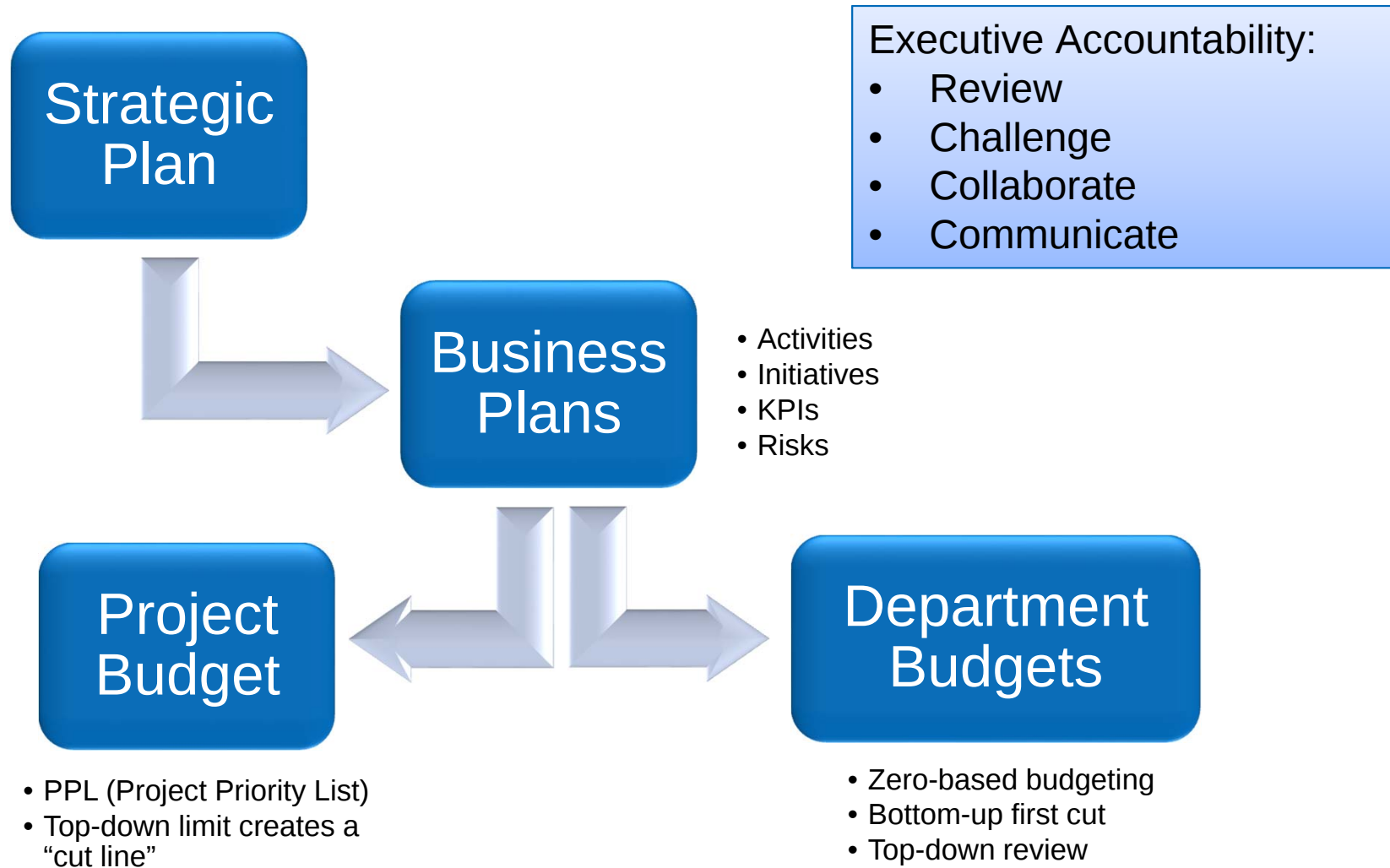
- With respect to budget oversight...
 - Annually or biennially, the Committee shall review staff's proposed budget for the following year(s).
 - The Committee shall review the staff's recommendation of the amount and type of financing needed, both revenue and debt financing, to support the proposed 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).

Today is DISCUSSION only. The vote request will be at the June meeting.

Agenda

1. Overview of the Budget Process
2. Budget Request Drivers
 - Be Consistent with 2016-2017 Approved Biennial Budget
 - Incorporate Key Initiatives
 - Comply with Board's Debt Strategy Guidance
3. Budget Request

Overview of the Budget Process



Budget Request Drivers: Be Consistent with 2016-2017 Approved Biennial Budget

System Administration Fee

- Remains the same at \$0.5550

Multi-Year Planning Horizon

- Continues to incorporate known items in out years (e.g., major refreshes)
- Accounts for the cost of inflation
 - Labor 4%
 - Non-labor 2.3%
 - Load growth less than 2%
- Maintains 2016-2017 budgeted headcount of 749 FTEs
- Continues to use debt and working capital to keep fee consistent across years

Budget Request Drivers: Incorporate Key Initiatives

Address Changing Resource Mix

- Continue to develop new tools and change operating practices to minimize risks associated with the changing mix.
- Work with stakeholders to identify and implement protocol and guide changes to deliver grid reliability and support the success of the competitive market.

Improve Training

- Enhance our capability to provide effective training to ERCOT staff and Market Participants to support region-wide grid reliability by new investments in our facilities.

Maintain Complex Hardware and Software Systems

- Manage the technological sophistication required by a modern electric grid.
- Update software and hardware systems for changes in ERCOT's market rules and reliability requirements.
- Periodically replace hardware systems.

Budget Request Drivers:

Comply with Board's Debt Strategy Guidance

Maintain or Improve ERCOT's Long-Term Financial Integrity

- Continue to decrease outstanding debt

Maintain Stable, Fair and Predictable Fees

- Use debt matching appropriately

Provide Lowest Cost to Fee-Payers

- Use lowest cost debt that is available and appropriate

Budget Request: Management Recommended Flat Fee (\$0.5550)

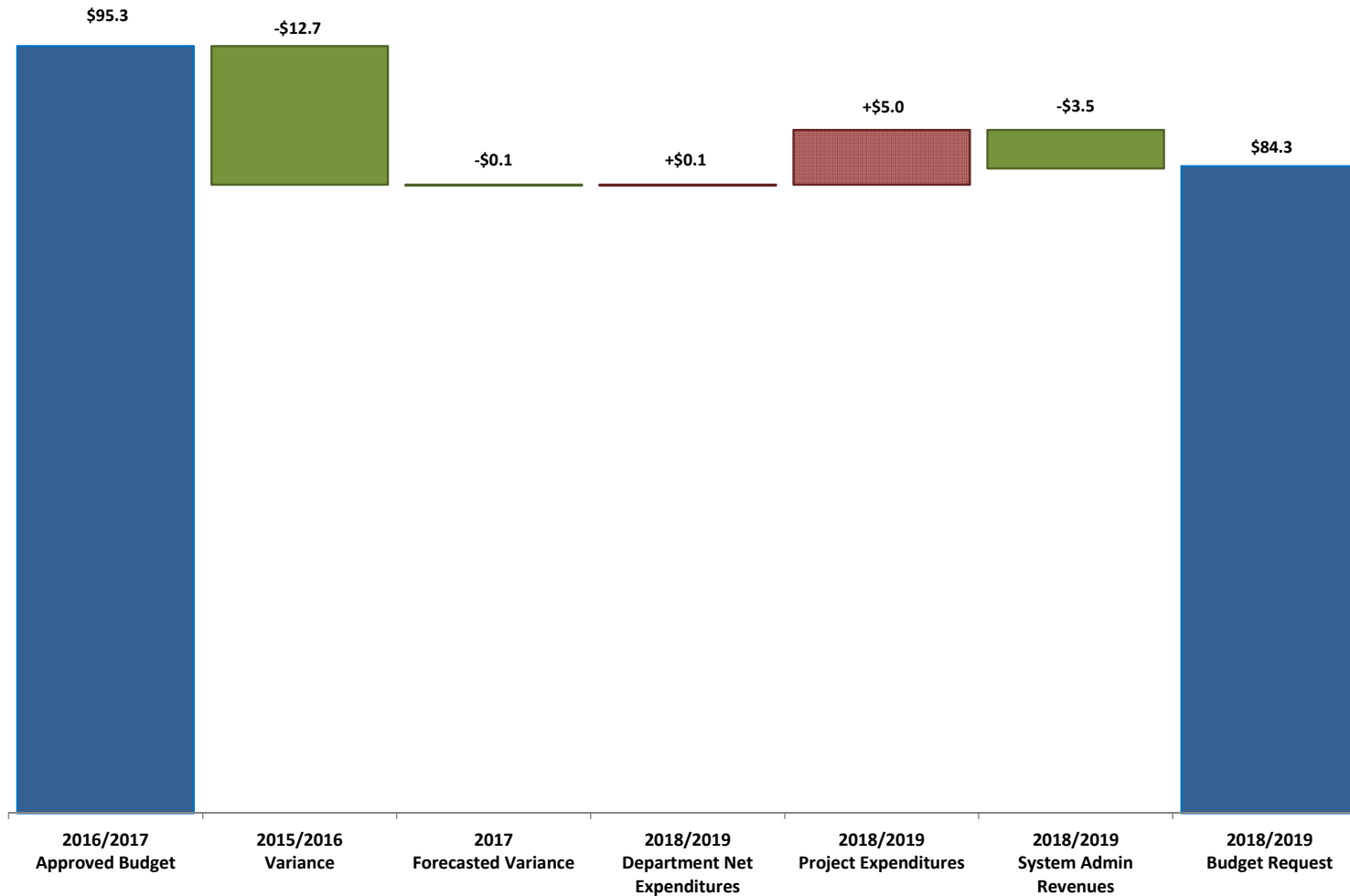
System Administration Fee Revenue Requirement									
	2016 Actual	2017 Budget	2017 Forecast	2018 Request	2019 Request	2020 Projection	2021 Projection	2022 Projection	2023 Projection
1 Department Net Expenditures	\$ 142,736	\$ 159,000	\$ 157,972	\$ 165,824	\$ 169,346	\$ 174,757	\$ 181,010	\$ 186,754	\$ 193,550
2 Project Expenditures	31,805	40,500	40,500	28,500	28,500	27,000	29,000	45,000	45,000
3 Total Net Expenditures	\$ 174,541	\$ 199,500	\$ 198,472	\$ 194,324	\$ 197,846	\$ 201,757	\$ 210,010	\$ 231,754	\$ 238,550
4									
5 Long Term Debt	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
6 Change in Working Capital	17,380	(5,963)	(5,869)	3,498	5,580	5,497	512	(17,811)	(21,206)
7 Change in Debt & Working Capital	\$ 21,380	\$ (1,963)	\$ (1,869)	\$ 7,498	\$ 9,580	\$ 9,497	\$ 4,512	\$ (13,811)	\$ (17,206)
8									
9 System Administration Fee Requirement	\$ 195,920	\$ 197,537	\$ 196,602	\$ 201,822	\$ 207,425	\$ 211,254	\$ 214,522	\$ 217,943	\$ 221,344
10 Energy Consumption (GWH)	353,009	355,922	354,238	363,643	373,739	380,637	386,527	392,690	398,818
11 System Administration Fee Rate	\$ 0.5550	\$ 0.5550	\$ 0.5550	\$ 0.5550	\$ 0.5550	\$ 0.5550	\$ 0.5550	\$ 0.5550	\$ 0.5550
Debt & Working Capital									
	2016 Actual	2017 Budget	2017 Forecast	2018 Request	2019 Request	2020 Projection	2021 Projection	2022 Projection	2023 Projection
12 Debt & Working Capital Balance at End of Year	\$ 99,525	\$ 101,488	\$ 101,395	\$ 93,897	\$ 84,317	\$ 74,820	\$ 70,308	\$ 84,119	\$ 101,325
13 Yearly Change in Debt & Working Capital	\$ (21,380)	\$ 1,963	\$ 1,869	\$ (7,498)	\$ (9,580)	\$ (9,497)	\$ (4,512)	\$ 13,811	\$ 17,206
14 Cumulative Change in Debt & Working Capital			\$ 1,869	\$ (5,628)	\$ (15,208)	\$ (24,705)	\$ (29,217)	\$ (15,406)	\$ 1,800
15 Interest Expense	\$ 1,934	\$ 3,682	\$ 2,112	\$ 2,069	\$ 1,997	\$ 1,910	\$ 1,752	\$ 1,467	\$ 1,347



Budget Request: Management Recommended Flat Fee (\$0.5550)

Sources and Uses									
	2016 Actual	2017 Budget	2017 Forecast	2018 Request	2019 Request	2020 Projection	2021 Projection	2022 Projection	2023 Projection
1 System Administration Fee Revenues	\$ 195,920	\$ 197,537	\$ 196,602	\$ 201,822	\$ 207,425	\$ 211,254	\$ 214,522	\$ 217,943	\$ 221,344
2 Reliability Organization Assessment *	14,062	15,000	14,345	15,000	15,000	15,000	15,000	15,000	15,000
3 Other Revenues	5,639	4,609	5,411	4,640	4,787	4,886	4,987	5,090	5,195
4 Decrease in Working Capital	-	5,963	5,869	-	-	-	-	17,811	21,206
5 Total Sources	\$ 215,621	\$ 223,108	\$ 222,227	\$ 221,462	\$ 227,212	\$ 231,139	\$ 234,509	\$ 255,844	\$ 262,745
6									
7 Department Expenditures	\$ 148,375	\$ 163,608	\$ 163,382	\$ 170,464	\$ 174,133	\$ 179,642	\$ 185,997	\$ 191,844	\$ 198,745
8 Project Expenditures	31,805	40,500	40,500	28,500	28,500	27,000	29,000	45,000	45,000
9 Reliability Organization Assessment *	14,062	15,000	14,345	15,000	15,000	15,000	15,000	15,000	15,000
10 Repayment of Long Term Debt	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
11 Increase in Working Capital	17,380	-	-	3,498	5,580	5,497	512	-	-
12 Total Uses	\$ 215,621	\$ 223,108	\$ 222,227	\$ 221,462	\$ 227,212	\$ 231,139	\$ 234,509	\$ 255,844	\$ 262,745
* Reliability Organization Assessment is a pass-through collected on behalf of the Texas Regional Entity; it is not set by ERCOT.									

Budget Request: Comparison to 2016-2017 Approved Budget Debt & Working Capital Balance at End of Year 2019



Appendices

Department Net Expenditures by Office

ERCOT
2018-2019 Budget Request
(\$ in Thousands)

Department Net Expenditures										
	2016 Actual	2017 Budget	2017 Forecast		2018 Request	2019 Request	2020 Projection	2021 Projection	2022 Projection	2023 Projection
1 Information Technology	\$ 59,619	\$ 63,747	\$ 64,547		\$ 68,821	\$ 70,039	\$ 72,046	\$ 74,729	\$ 76,967	\$ 79,842
2 Operations	54,391	\$ 60,180	61,848		63,498	64,676	67,054	69,619	72,211	74,970
3 Finance & Treasury	12,224	\$ 15,883	13,564		14,760	15,191	15,550	15,854	16,048	16,424
4 External Affairs & Corporate Communications	6,194	\$ 6,444	6,172		6,601	6,845	7,107	7,386	7,669	7,970
5 Human Resources	4,611	\$ 5,317	5,412		5,287	5,530	5,682	5,840	6,003	6,172
6 General Counsel	3,469	\$ 4,975	4,375		4,792	4,949	5,121	5,300	5,485	5,678
7 Corporate Administration	2,228	\$ 2,454	2,054		2,064	2,115	2,198	2,283	2,372	2,494
8 Department Net Expenditures	\$ 142,736	\$ 159,000	\$ 157,972		\$ 165,824	\$ 169,346	\$ 174,757	\$ 181,010	\$ 186,754	\$ 193,550

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Department Net Expenditures: Information Technology
(\$ in Thousands)

	2016	2017	2017	2018	2019	2020	2021	2022	2023
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection
Salaries	\$ 30,064	\$ 32,703	\$ 33,703	\$ 34,143	\$ 35,738	\$ 37,168	\$ 38,655	\$ 40,201	\$ 41,809
Benefits & Taxes	9,212	10,744	\$ 11,544	11,304	11,832	12,256	12,746	13,256	13,786
Project Funded Labor	(7,620)	(7,920)	(7,920)	(8,715)	(8,624)	(9,163)	(9,163)	(9,702)	(9,702)
Department Labor	\$ 31,656	\$ 35,526	\$ 37,326	\$ 36,731	\$ 38,946	\$ 40,261	\$ 42,238	\$ 43,755	\$ 45,893
Materials, Supplies & Equipment	1,367	950	950	1,491	1,558	1,594	1,631	1,668	1,707
HW/SW License & Maintenance	21,196	22,151	22,151	22,289	21,747	22,247	22,758	23,282	23,817
Outside Services	2,941	1,484	1,484	4,612	4,154	4,250	4,347	4,447	4,550
Utility, Maintenance & Facility	4,735	4,681	4,781	4,774	4,954	5,068	5,185	5,304	5,426
Employee Expenses	591	887	887	1,143	1,150	1,177	1,204	1,231	1,260
Insurance	-	-	-	-	-	-	-	-	-
Interest & Fees	-	-	-	-	-	-	-	-	-
Other Expenses	704	813	813	1,003	1,025	1,049	1,073	1,098	1,123
Management Challenge	-	(1,354)	(1,354)	(1,363)	(1,427)	(1,483)	(1,542)	(1,604)	(1,668)
Department Expense	\$ 63,188	\$ 65,138	\$ 67,038	\$ 70,679	\$ 72,108	\$ 74,162	\$ 76,894	\$ 79,182	\$ 82,107
Minor Capital	138	780	480	654	590	604	617	632	646
Common Infrastructure	-	1,000	300	300	300	307	314	321	329
Subtotal - Department Expenditures	\$ 63,326	\$ 66,918	\$ 67,818	\$ 71,633	\$ 72,998	\$ 75,073	\$ 77,825	\$ 80,134	\$ 83,082
* Revenues	\$ (3,707)	\$ (3,172)	\$ (3,272)	\$ (2,811)	\$ (2,959)	\$ (3,027)	\$ (3,096)	\$ (3,167)	\$ (3,240)
Total Department Net Expenditures	\$ 59,619	\$ 63,747	\$ 64,547	\$ 68,821	\$ 70,039	\$ 72,046	\$ 74,729	\$ 76,967	\$ 79,842

* Private Wide-Area Network Fees

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Department Net Expenditures: Operations

(\$ in Thousands)

	2016	2017	2017	2018	2019	2020	2021	2022	2023
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection
Salaries	\$ 37,008	\$ 40,776	\$ 41,276	\$ 41,754	\$ 43,424	\$ 45,155	\$ 46,968	\$ 48,846	\$ 50,800
Benefits & Taxes	11,521	13,447	14,428	13,785	14,336	14,894	15,491	16,111	16,755
Project Funded Labor	(1,565)	(819)	(819)	(925)	(1,040)	(1,106)	(1,106)	(1,171)	(1,171)
Department Labor	\$ 46,964	\$ 53,403	\$ 54,884	\$ 54,614	\$ 56,720	\$ 58,943	\$ 61,353	\$ 63,786	\$ 66,385
Materials, Supplies & Equipment	192	155	155	201	205	210	215	220	225
HW/SW License & Maintenance	41	-	-	495	250	256	262	268	274
Outside Services	5,673	6,569	6,756	7,495	6,775	6,931	7,091	7,254	7,421
Utility, Maintenance & Facility	1	8	8	15	16	16	16	17	17
Employee Expenses	944	1,178	1,178	1,583	1,586	1,623	1,660	1,698	1,737
Insurance	-	-	-	-	-	-	-	-	-
Interest & Fees	-	-	-	-	-	-	-	-	-
Other Expenses	1,147	640	640	951	911	932	954	976	998
Management Challenge	-	(1,253)	(1,253)	(1,666)	(1,733)	(1,801)	(1,874)	(1,949)	(2,027)
Department Expense	\$ 54,961	\$ 60,701	\$ 62,369	\$ 63,688	\$ 64,731	\$ 67,110	\$ 69,677	\$ 72,270	\$ 75,030
Minor Capital	471	604	604	830	965	987	1,010	1,033	1,057
Common Infrastructure	-	-	-	-	-	-	-	-	-
Subtotal - Department Expenditures	\$ 55,432	\$ 61,305	\$ 62,973	\$ 64,518	\$ 65,696	\$ 68,097	\$ 70,687	\$ 73,303	\$ 76,087
* Revenues	\$ (1,041)	\$ (1,125)	\$ (1,125)	\$ (1,020)	\$ (1,020)	\$ (1,043)	\$ (1,067)	\$ (1,092)	\$ (1,117)
Total Department Net Expenditures	\$ 54,391	\$ 60,180	\$ 61,848	\$ 63,498	\$ 64,676	\$ 67,054	\$ 69,619	\$ 72,211	\$ 74,970

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

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Department Net Expenditures: Finance & Treasury
(\$ in Thousands)

	2016 Actual	2017 Budget	2017 Forecast	2018 Request	2019 Request	2020 Projection	2021 Projection	2022 Projection	2023 Projection
Salaries	\$ 2,695	\$ 2,832	\$ 3,232	\$ 3,021	\$ 3,142	\$ 3,268	\$ 3,398	\$ 3,534	\$ 3,676
Benefits & Taxes	785	931	\$ 1,031	992	1,032	1,073	1,116	1,160	1,207
Project Funded Labor	(7)	-	-	(149)	-	-	-	-	-
Department Labor	\$ 3,473	\$ 3,763	\$ 4,263	\$ 3,864	\$ 4,174	\$ 4,340	\$ 4,514	\$ 4,694	\$ 4,882
Materials, Supplies & Equipment	382	415	415	503	528	540	552	565	578
HW/SW License & Maintenance	37	-	-	-	-	-	-	-	-
Outside Services	388	382	319	403	319	326	334	341	349
Utility, Maintenance & Facility	4,398	5,288	5,208	5,230	5,732	5,864	5,999	6,137	6,278
Employee Expenses	127	120	120	190	189	194	198	203	207
Insurance	1,853	1,965	1,965	2,197	2,304	2,419	2,540	2,667	2,800
Interest & Fees	1,934	3,682	2,112	2,069	1,997	1,910	1,752	1,467	1,347
Other Expenses	21	17	17	24	24	24	25	26	26
Management Challenge	-	(249)	(249)	(120)	(125)	(130)	(135)	(141)	(146)
Department Expense	\$ 12,614	\$ 15,383	\$ 14,169	\$ 14,360	\$ 15,141	\$ 15,487	\$ 15,778	\$ 15,959	\$ 16,321
Minor Capital	174	500	98	900	550	563	576	589	602
Common Infrastructure	-	-	-	-	-	-	-	-	-
Subtotal - Department Expenditures	\$ 12,788	\$ 15,883	\$ 14,266	\$ 15,260	\$ 15,691	\$ 16,050	\$ 16,354	\$ 16,548	\$ 16,924
* Revenues	\$ (564)	\$ -	\$ (702)	\$ (500)	\$ (500)	\$ (500)	\$ (500)	\$ (500)	\$ (500)
Total Department Net Expenditures	\$ 12,224	\$ 15,883	\$ 13,564	\$ 14,760	\$ 15,191	\$ 15,550	\$ 15,854	\$ 16,048	\$ 16,424

* Interest Income

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Department Net Expenditures: External Affairs & Corporate Communications
(\$ in Thousands)

	2016 Actual	2017 Budget	2017 Forecast	2018 Request	2019 Request	2020 Projection	2021 Projection	2022 Projection	2023 Projection
Salaries	\$ 4,515	\$ 4,649	\$ 4,449	\$ 4,755	\$ 4,945	\$ 5,143	\$ 5,348	\$ 5,562	\$ 5,785
Benefits & Taxes	1,423	1,534	1,534	1,564	1,627	1,692	1,759	1,830	1,903
Project Funded Labor	(75)	(146)	(146)	(89)	(103)	(110)	(110)	(116)	(116)
Department Labor	\$ 5,864	\$ 6,038	\$ 5,838	\$ 6,230	\$ 6,468	\$ 6,724	\$ 6,998	\$ 7,276	\$ 7,571
Materials, Supplies & Equipment	17	8	8	6	6	6	6	7	7
HW/SW License & Maintenance	1	-	-	5	5	5	5	5	5
Outside Services	135	104	32	281	282	289	296	302	309
Utility, Maintenance & Facility	-	-	-	-	-	-	-	-	-
Employee Expenses	118	146	146	207	218	223	228	233	239
Insurance	-	-	-	-	-	-	-	-	-
Interest & Fees	-	-	-	-	-	-	-	-	-
Other Expenses	106	334	334	102	103	106	108	111	113
Management Challenge	-	(144)	(144)	(190)	(197)	(205)	(213)	(222)	(231)
Department Expense	\$ 6,241	\$ 6,486	\$ 6,214	\$ 6,641	\$ 6,885	\$ 7,148	\$ 7,428	\$ 7,712	\$ 8,014
Minor Capital	-	-	-	-	-	-	-	-	-
Common Infrastructure	-	-	-	-	-	-	-	-	-
Subtotal - Department Expenditures	\$ 6,241	\$ 6,486	\$ 6,214	\$ 6,641	\$ 6,885	\$ 7,148	\$ 7,428	\$ 7,712	\$ 8,014
* Revenues	\$ (46)	\$ (42)	\$ (42)	\$ (40)	\$ (40)	\$ (41)	\$ (42)	\$ (43)	\$ (44)
Total Department Net Expenditures	\$ 6,194	\$ 6,444	\$ 6,172	\$ 6,601	\$ 6,845	\$ 7,107	\$ 7,386	\$ 7,669	\$ 7,970

* Market Participant Registration Fees

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Department Net Expenditures: Human Resources
(\$ in Thousands)

	2016 Actual	2017 Budget	2017 Forecast	2018 Request	2019 Request	2020 Projection	2021 Projection	2022 Projection	2023 Projection
Salaries	\$ 2,873	\$ 3,039	\$ 3,089	\$ 2,983	\$ 3,105	\$ 3,193	\$ 3,284	\$ 3,380	\$ 3,479
Benefits & Taxes	634	677	727	806	842	870	900	932	964
Project Funded Labor	(0)	-	-	-	-	-	-	-	-
Department Labor	\$ 3,507	\$ 3,716	\$ 3,816	\$ 3,789	\$ 3,946	\$ 4,063	\$ 4,185	\$ 4,311	\$ 4,443
Materials, Supplies & Equipment	8	5	5	4	4	4	4	4	4
HW/SW License & Maintenance	11	-	-	-	-	-	-	-	-
Outside Services	660	966	966	817	856	876	896	917	938
Utility, Maintenance & Facility	-	-	-	-	-	-	-	-	-
Employee Expenses	137	201	201	233	278	284	291	298	304
Insurance	-	-	-	-	-	-	-	-	-
Interest & Fees	0	-	-	-	-	-	-	-	-
Other Expenses	288	532	532	510	515	527	539	551	564
Management Challenge	-	(108)	(108)	(66)	(69)	(72)	(75)	(78)	(81)
Department Expense	\$ 4,611	\$ 5,312	\$ 5,412	\$ 5,287	\$ 5,530	\$ 5,682	\$ 5,840	\$ 6,003	\$ 6,172
Minor Capital	-	5	-	-	-	-	-	-	-
Common Infrastructure	-	-	-	-	-	-	-	-	-
Subtotal - Department Expenditures	\$ 4,611	\$ 5,317	\$ 5,412	\$ 5,287	\$ 5,530	\$ 5,682	\$ 5,840	\$ 6,003	\$ 6,172
* Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Department Net Expenditures	\$ 4,611	\$ 5,317	\$ 5,412	\$ 5,287	\$ 5,530	\$ 5,682	\$ 5,840	\$ 6,003	\$ 6,172

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Department Net Expenditures: General Counsel

(\$ in Thousands)

	2016 Actual	2017 Budget	2017 Forecast	2018 Request	2019 Request	2020 Projection	2021 Projection	2022 Projection	2023 Projection
Salaries	\$ 2,076	\$ 2,774	\$ 2,374	\$ 2,590	\$ 2,693	\$ 2,801	\$ 2,913	\$ 3,030	\$ 3,151
Benefits & Taxes	581	890	\$ 790	849	883	918	955	993	1,033
Project Funded Labor	(23)	-	-	(27)	(27)	(28)	(28)	(30)	(30)
Department Labor	\$ 2,635	\$ 3,664	\$ 3,164	\$ 3,412	\$ 3,549	\$ 3,691	\$ 3,839	\$ 3,993	\$ 4,154
Materials, Supplies & Equipment	2	2	2	6	3	3	4	4	4
HW/SW License & Maintenance	-	-	-	-	-	-	-	-	-
Outside Services	918	1,380	1,280	1,350	1,350	1,381	1,413	1,446	1,479
Utility, Maintenance & Facility	47	59	59	55	55	56	58	59	60
Employee Expenses	62	131	131	102	102	104	106	109	111
Insurance	-	-	-	-	-	-	-	-	-
Interest & Fees	-	-	-	-	-	-	-	-	-
Other Expenses	84	102	102	239	265	271	277	284	290
Management Challenge	-	(92)	(92)	(103)	(107)	(112)	(116)	(121)	(126)
Department Expense	\$ 3,749	\$ 5,245	\$ 4,645	\$ 5,061	\$ 5,217	\$ 5,395	\$ 5,581	\$ 5,773	\$ 5,972
Minor Capital	-	-	-	-	-	-	-	-	-
Common Infrastructure	-	-	-	-	-	-	-	-	-
Subtotal - Department Expenditures	\$ 3,749	\$ 5,245	\$ 4,645	\$ 5,061	\$ 5,217	\$ 5,395	\$ 5,581	\$ 5,773	\$ 5,972
* Revenues	\$ (280)	\$ (270)	\$ (270)	\$ (268)	\$ (268)	\$ (275)	\$ (281)	\$ (287)	\$ (294)
Total Department Net Expenditures	\$ 3,469	\$ 4,975	\$ 4,375	\$ 4,792	\$ 4,949	\$ 5,121	\$ 5,300	\$ 5,485	\$ 5,678

* Membership Dues

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Department Net Expenditures: Corporate Administration
(\$ in Thousands)

	2016 Actual	2017 Budget	2017 Forecast	2018 Request	2019 Request	2020 Projection	2021 Projection	2022 Projection	2023 Projection
Salaries	\$ 1,686	\$ 1,830	\$ 1,530	\$ 1,479	\$ 1,538	\$ 1,600	\$ 1,664	\$ 1,730	\$ 1,799
Benefits & Taxes	371	573	473	480	499	519	540	561	584
Project Funded Labor	-	-	-	-	-	-	-	-	-
Department Labor	\$ 2,057	\$ 2,403	\$ 2,003	\$ 1,959	\$ 2,037	\$ 2,119	\$ 2,203	\$ 2,291	\$ 2,383
Materials, Supplies & Equipment	1	2	2	-	-	-	-	-	-
HW/SW License & Maintenance	-	-	-	-	-	-	-	-	-
Outside Services	(0)	-	-	25	-	-	-	-	30
Utility, Maintenance & Facility	-	-	-	-	-	-	-	-	-
Employee Expenses	82	105	105	107	107	110	112	115	118
Insurance	-	-	-	-	-	-	-	-	-
Interest & Fees	-	-	-	-	-	-	-	-	-
Other Expenses	87	7	7	32	32	33	34	34	35
Management Challenge	-	(64)	(64)	(59)	(61)	(64)	(66)	(69)	(71)
Department Expense	\$ 2,228	\$ 2,454	\$ 2,054	\$ 2,064	\$ 2,115	\$ 2,198	\$ 2,283	\$ 2,372	\$ 2,494
Minor Capital	-	-	-	-	-	-	-	-	-
Common Infrastructure	-	-	-	-	-	-	-	-	-
Subtotal - Department Expenditures	\$ 2,228	\$ 2,454	\$ 2,054	\$ 2,064	\$ 2,115	\$ 2,198	\$ 2,283	\$ 2,372	\$ 2,494
* Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Department Net Expenditures	\$ 2,228	\$ 2,454	\$ 2,054	\$ 2,064	\$ 2,115	\$ 2,198	\$ 2,283	\$ 2,372	\$ 2,494

ERCOT

Department Net Expenditures: Total

(\$ in Thousands)

	2016	2017	2017	2018	2019	2020	2021	2022	2023
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection
Salaries	\$ 80,918	\$ 88,603	\$ 89,653	\$ 90,724	\$ 94,585	\$ 98,326	\$ 102,230	\$ 106,283	\$ 110,498
Benefits & Taxes	24,529	28,796	30,527	29,779	31,049	32,222	33,507	34,842	36,231
Project Funded Labor	(9,289)	(8,885)	(8,885)	(9,904)	(9,794)	(10,407)	(10,407)	(11,019)	(11,019)
Department Labor	\$ 96,157	\$ 108,514	\$ 111,295	\$ 110,600	\$ 115,840	\$ 120,141	\$ 125,330	\$ 130,106	\$ 135,710
Materials, Supplies & Equipment	1,968	1,536	1,536	2,211	2,304	2,357	2,412	2,467	2,524
HW/SW License & Maintenance	21,285	22,151	22,151	22,788	22,001	22,507	23,025	23,555	24,096
Outside Services	10,715	10,886	10,757	14,983	13,737	14,053	14,376	14,707	15,075
Utility, Maintenance & Facility	9,180	10,036	10,136	10,075	10,757	11,004	11,257	11,516	11,781
Employee Expenses	2,062	2,767	2,767	3,564	3,630	3,714	3,799	3,887	3,976
Insurance	1,853	1,965	1,965	2,197	2,304	2,419	2,540	2,667	2,800
Interest & Fees	1,934	3,682	2,112	2,069	1,997	1,910	1,752	1,467	1,347
Other Expenses	2,437	2,446	2,446	2,861	2,876	2,942	3,010	3,079	3,150
Management Challenge	-	(3,264)	(3,264)	(3,568)	(3,720)	(3,866)	(4,021)	(4,182)	(4,349)
Department Expense	\$ 147,592	\$ 160,719	\$ 161,901	\$ 167,780	\$ 171,728	\$ 177,182	\$ 183,480	\$ 189,269	\$ 196,111
Minor Capital	783	1,889	1,182	2,384	2,105	2,153	2,203	2,254	2,305
Common Infrastructure	-	1,000	300	300	300	307	314	321	329
Subtotal - Department Expenditures	\$ 148,375	\$ 163,608	\$ 163,382	\$ 170,464	\$ 174,133	\$ 179,642	\$ 185,997	\$ 191,844	\$ 198,745
Revenues	\$ (5,639)	\$ (4,609)	\$ (5,411)	\$ (4,640)	\$ (4,787)	\$ (4,886)	\$ (4,987)	\$ (5,090)	\$ (5,195)
Total Department Net Expenditures	\$ 142,736	\$ 159,000	\$ 157,972	\$ 165,824	\$ 169,346	\$ 174,757	\$ 181,010	\$ 186,754	\$ 193,550

Project Priority List Detail

ERCOT
2018-2019 Budget Request
(\$ in Thousands)

Project Expenditures									
	2016 Actual	2017 Budget	2017 Forecast	2018 Request	2019 Request	2020 Projection	2021 Projection	2022 Projection	2023 Projection
1 Revision Requests	\$ 2,382	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,500	\$ 4,500	\$ 5,000	\$ 5,000
2 Regulatory	1,804	2,000	2,000	2,000	2,000	2,000	3,000	3,000	3,000
3 Internal Enhancements	4,184	4,500	4,500	7,500	7,500	5,500	5,500	6,000	6,000
4 Technical Foundation - Hardware Refreshes	16,065	20,000	20,000	4,000	4,000	-	4,000	20,000	20,000
5 Technical Foundation - Software	7,370	10,000	10,000	11,000	11,000	15,000	12,000	11,000	11,000
6 Project Expenditures	\$ 31,805	\$ 40,500	\$ 40,500	\$ 28,500	\$ 28,500	\$ 27,000	\$ 29,000	\$ 45,000	\$ 45,000

ERCOT**2018-2019 Budget Request****Project Priority List Detail**

Line	Project Category	Project Name	2018 Budget Range	2019 Budget Range
1	Revision Requests	2015 CMM NPRRs (NPRR484, NPRR519, NPRR620, NPRR648, NPRR660, NPRR683, NPRR702, NPRR741, NPRR743, NPRR755, NPRR760, NPRR800)	\$500k-\$700k	-
2	Revision Requests	MP Online Data Entry (SCR781)	\$250k-\$500k	-
3	Revision Requests	Option Cost for Outstanding CRRs (NPRR749)	\$15k-\$25k	-
4	Revision Requests	Revision Request Funding - 2018/2019	\$3M-\$4M	\$4M-\$5M

Line	Project Category	Project Name	2018 Budget Range	2019 Budget Range
5	Regulatory	Regulatory Funding - 2018/2019	\$1M-\$2M	\$1M-\$2M

ERCOT**2018-2019 Budget Request****Project Priority List Detail**

Line	Project Category	Project Name	2018 Budget Range	2019 Budget Range
6	Internal Enhancements	Training Facility	\$4M-\$5M	\$4M-\$5M
7	Internal Enhancements	MP Online Data Entry - Ph 2	\$750k-\$1M	-
8	Internal Enhancements	Capital Efficiencies and Enhancements - 2018	\$500k-\$750k	-
9	Internal Enhancements	IT Change and Configuration Management Phase 2	\$400k-\$600k	-
10	Internal Enhancements	AREA - Generation	\$100k-\$150k	-
11	Internal Enhancements	Multi Station Breaker to Breaker One Lines (Planning)	\$100k-\$200k	-
12	Internal Enhancements	2017 EPS Metering Enhancements	\$50k-\$150k	-
13	Internal Enhancements	SAS Technical Architecture Redesign	\$25k-\$75k	-
14	Internal Enhancements	Standard Report for Events and Near-Miss Analysis	\$20k-\$40k	-
15	Internal Enhancements	CRR Framework Upgrade	<\$50k	-
16	Internal Enhancements	MP Online Data Entry - Ph 3	-	\$500k-\$1M
17	Internal Enhancements	Cyber and Physical Security Projects Expected to be Approved in 2018/2019	\$500k-\$1M	\$500k-\$1M
18	Internal Enhancements	Business Strategy Projects Expected to be Approved in 2018/2019	\$2M-\$3M	\$3M-\$5M
19	Internal Enhancements	Efficiency/Enhancement Projects Expected to be Approved in 2018/2019	\$1M-\$2M	\$1M-\$2M

ERCOT**2018-2019 Budget Request****Project Priority List Detail**

Line	Project Category	Project Name	2018 Budget Range	2019 Budget Range
20	Technical Foundation - Hardware Refreshes	DC4 App Stack Migration	\$500k-\$1.5M	-
21	Technical Foundation - Hardware Refreshes	DC4 Storage - Database Install and Migration	\$500k-\$1.5M	-
22	Technical Foundation - Hardware Refreshes	DC4 Network - Command and Control	\$250k-\$500k	-
23	Technical Foundation - Hardware Refreshes	DC4 Telecom - Control Room and Grid Ops	\$150k-\$250k	-
24	Technical Foundation - Hardware Refreshes	DC4 Program Control	\$50k-\$100k	-
25	Technical Foundation - Hardware Refreshes	Tech Foundation - Hardware Projects Expected to be Approved in 2018/2019	\$3M-\$5M	\$3M-\$5M

Line	Project Category	Project Name	2018 Budget Range	2019 Budget Range
26	Technical Foundation - Software	Tech Foundation - Software - 2018	\$10M-\$15M	\$8M-\$10M
27	Technical Foundation - Software	Identity and Access Management	\$1M-\$3M	-
28	Technical Foundation - Software	Replace Paperfree	\$500k-\$1M	-
29	Technical Foundation - Software	REC Technology Refresh	<\$50k	-
30	Technical Foundation - Software	Tech Foundation -Software Projects Expected to be Approved in 2018/2019	\$6M-\$8M	\$2M-\$4M

ERCOT
2018-2019 Budget Request

Financial Ratios

ERCOT
2018-2019 Budget Request
(\$ in Thousands)

Debt Service Coverage Ratio									
	2016 Actual	2017 Budget	2017 Forecast	2018 Request	2019 Request	2020 Projection	2021 Projection	2022 Projection	2023 Projection
1 Revenues									
2 System Administration Fee Revenue	\$ 195,920	\$ 197,537	\$ 196,602	\$ 201,822	\$ 207,425	\$ 211,254	\$ 214,522	\$ 217,943	\$ 221,344
3 Reliability Organization Assessment Fee	14,062	15,000	14,345	15,000	15,000	15,000	15,000	15,000	15,000
4 Other Revenue	5,639	4,609	5,411	4,640	4,787	4,886	4,987	5,090	5,195
5 Total Revenues	\$ 215,621	\$ 217,145	\$ 216,358	\$ 221,462	\$ 227,212	\$ 231,139	\$ 234,509	\$ 238,033	\$ 241,539
6 Expenses									
7 Operating Expenditures (includes interest; excludes depreciation)	\$ 148,375	\$ 163,608	\$ 163,382	\$ 170,464	\$ 174,133	\$ 179,642	\$ 185,997	\$ 191,844	\$ 198,745
8 Less: Interest Expense	1,934	3,682	2,112	2,069	1,997	1,910	1,752	1,467	1,347
9 Operating Expenditures Less Interest Expense	146,440	159,927	161,271	168,395	172,135	177,732	184,245	190,377	197,398
10 Reliability Organization Assessment	14,062	15,000	14,345	15,000	15,000	15,000	15,000	15,000	15,000
11 EBITDA	\$ 55,118	\$ 42,219	\$ 40,742	\$ 38,066	\$ 40,077	\$ 38,407	\$ 35,264	\$ 32,656	\$ 29,141
12 Interest Expense	1,934	3,682	2,112	2,069	1,997	1,910	1,752	1,467	1,347
13 Debt Service - Principal Payment	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
14 Total Debt Service	\$ 5,934	\$ 7,682	\$ 6,112	\$ 6,069	\$ 5,997	\$ 5,910	\$ 5,752	\$ 5,467	\$ 5,347
15									
16 Debt Service Coverage Ratio (EBITDA)	9.29	5.50	6.67	6.27	6.68	6.50	6.13	5.97	5.45

Liquidity Ratio									
	2016 Actual	2017 Budget	2017 Forecast	2018 Request	2019 Request	2020 Projection	2021 Projection	2022 Projection	2023 Projection
17 * Operating Expenditures (2 Month Average)	\$ 24,407	\$ 26,654	\$ 26,878	\$ 28,066	\$ 28,689	\$ 29,622	\$ 30,707	\$ 31,729	\$ 32,900
18 Debt Service (6 Month Average)	2,967	3,841	3,056	3,034	2,999	2,955	2,876	2,734	2,674
19 Project Expenditures (2 Month Average)	5,301	6,750	6,750	4,750	4,750	4,500	4,833	7,500	7,500
20 Targeted Minimum Level of Liquidity	\$ 32,675	\$ 37,245	\$ 36,684	\$ 35,850	\$ 36,438	\$ 37,077	\$ 38,417	\$ 41,963	\$ 43,073
21									
22 Undrawn Borrowing Capacity	\$ 125,000	\$ 66,015	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000
23									
24 Liquidity Ratio	3.83	1.77	3.41	3.49	3.43	3.37	3.25	2.98	2.90

* Excludes Operating Revenues