

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

***Recommendation Regarding 2018-2019
Budget and Fee***

at its meeting on June 12, 2017.

**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 13, 2017.**

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



Item 3: Recommendation Regarding 2018-2019 Budget and Fee

Sean Taylor
Controller

Finance & Audit Committee Meeting

ERCOT Public
June 12, 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

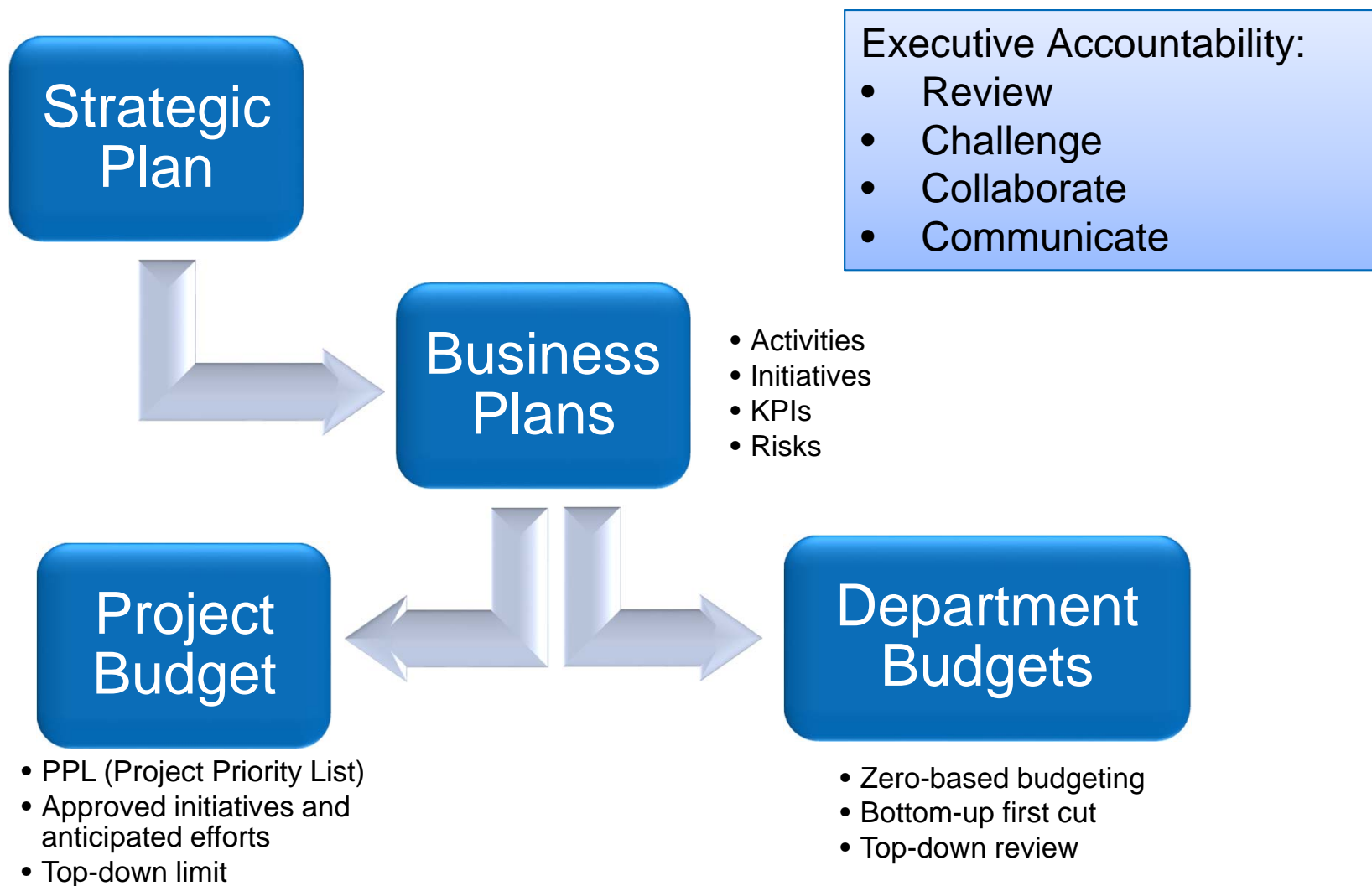
- With respect to budget oversight...
 - Annually or biennially, the Committee shall review staff's proposed budget for the following year(s).
 - The Committee shall review the staff's recommendation of the amount and type of financing needed, both revenue and debt financing, to support the proposed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

<VOTE> following presentation

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
4. Risks to Meeting 2018-2019 Management Recommended Budget
5. Request for Vote

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	\$ 156,068	\$ 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	\$ 196,568	\$ 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)	(3,407)	3,498	5,580	5,497	512	(17,811)	(21,206)
7 Change in Debt & Working Capital	\$ 21,380	\$ (1,963)	\$ 593	\$ 7,498	\$ 9,580	\$ 9,497	\$ 4,512	\$ (13,811)	\$ (17,206)
8									
9 System Administration Fee Requirement	\$ 195,920	\$ 197,537	\$ 197,161	\$ 201,822	\$ 207,425	\$ 211,254	\$ 214,522	\$ 217,943	\$ 221,344
10 Energy Consumption (GWH)	353,009	355,922	355,245	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	\$ 98,933	\$ 91,435	\$ 81,855	\$ 72,358	\$ 67,846	\$ 81,657	\$ 98,863
13 Yearly Change in Debt & Working Capital	\$ (21,380)	\$ 1,963	\$ (593)	\$ (7,498)	\$ (9,580)	\$ (9,497)	\$ (4,512)	\$ 13,811	\$ 17,206
14 Cumulative Change in Debt & Working Capital			\$ (593)	\$ (8,090)	\$ (17,670)	\$ (27,167)	\$ (31,679)	\$ (17,868)	\$ (662)
15 Interest Expense	\$ 1,934	\$ 3,682	\$ 2,112	\$ 2,069	\$ 1,997	\$ 1,910	\$ 1,752	\$ 1,467	\$ 1,347
						Schedule may not foot due to rounding.			

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	\$ 197,161	\$ 201,822	\$ 207,425	\$ 211,254	\$ 214,522	\$ 217,943	\$ 221,344
2 Reliability Organization Assessment *	13,977	15,000	14,345	15,000	15,000	15,000	15,000	15,000	15,000
3 Other Revenues	5,639	4,609	5,911	5,440	5,587	5,704	5,824	5,946	6,071
4 Decrease in Working Capital	-	5,963	3,407	-	-	-	-	17,811	21,206
5 Total Sources	\$ 215,536	\$ 223,108	\$ 220,824	\$ 222,262	\$ 228,012	\$ 231,958	\$ 235,346	\$ 256,700	\$ 263,621
6									
7 Department Expenditures	\$ 148,375	\$ 163,608	\$ 161,979	\$ 171,264	\$ 174,933	\$ 180,461	\$ 186,834	\$ 192,700	\$ 199,621
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 *	13,977	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	\$ 215,536	\$ 223,108	\$ 220,824	\$ 222,262	\$ 228,012	\$ 231,958	\$ 235,346	\$ 256,700	\$ 263,621
* Reliability Organization Assessment is a pass-through collected on behalf of the Texas Regional Entity; it is not set by ERCOT.									
						Schedule may not foot due to rounding.			

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

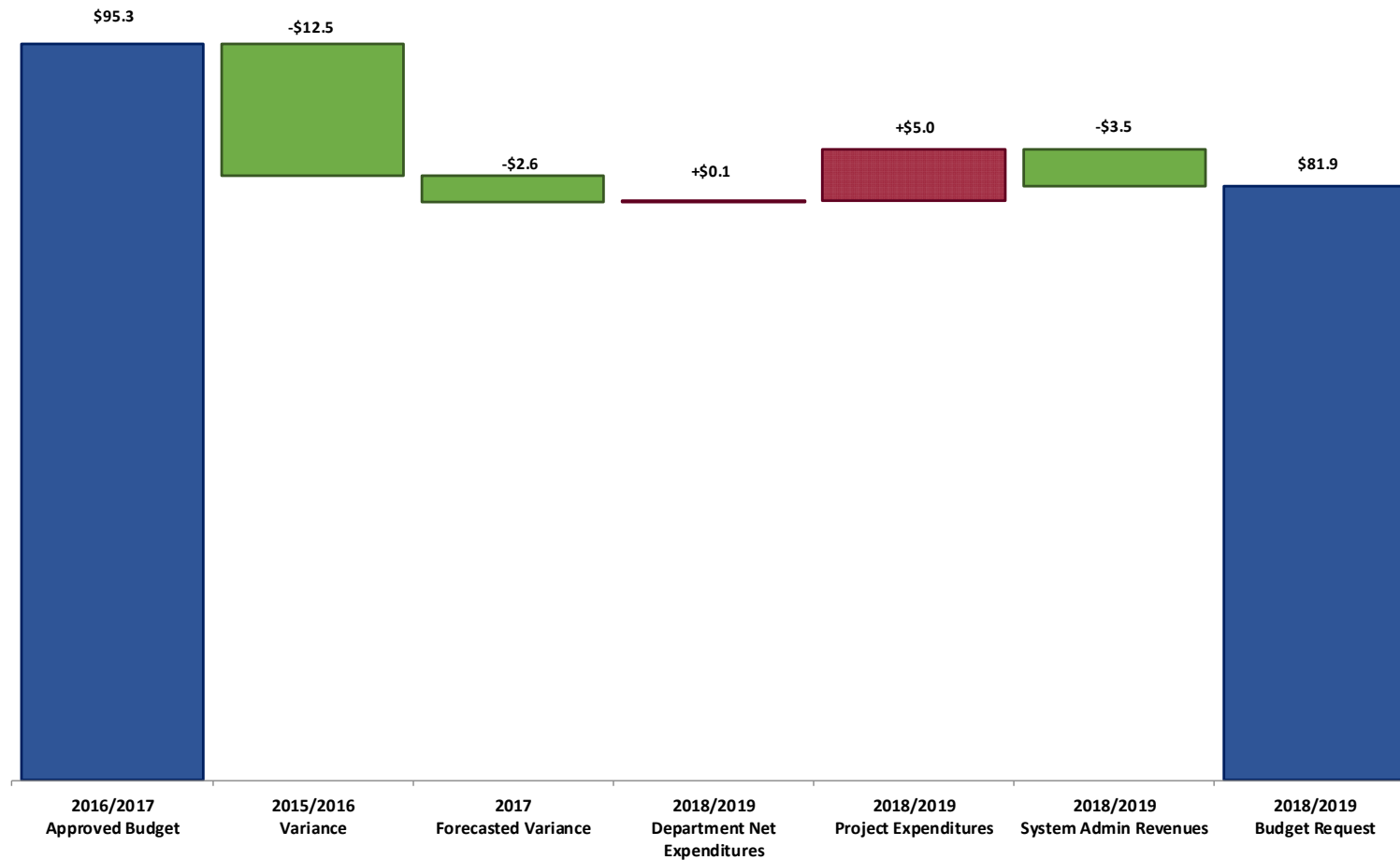


Chart may not foot due to rounding.

Budget Request:

Risks to Meeting 2018-2019 Management Recommended Budget

Potential Risks

- Labor and Technology Costs Increase
- Exceptional Items
- Lower-than-Projected Load Growth

Risk Characteristics

- Low Probability
- Slow Velocity

Mitigation Responses

- Targeted Hiring for Critical Positions
- Prioritize Spending
- Delay Projects
- Working Capital Utilization

Budget Request: Risks to Meeting 2018-2019 Management Recommended Budget

System Administration Fee Revenue Requirement						
	2018 Request	2019 Request	2018 Risk Impact	2019 Risk Impact	2018 Scenario	2019 Scenario
1 Department Net Expenditures	\$ 165,824	\$ 169,346	\$ 1,200	\$ 1,300	\$ 167,024	\$ 170,646
2 Project Expenditures	28,500	28,500	5,000	5,000	33,500	33,500
3 Total Net Expenditures	\$ 194,324	\$ 197,846	\$ 6,200	\$ 6,300	\$ 200,524	\$ 204,146
4						
5 Long Term Debt	\$ 4,000	\$ 4,000	\$ -	\$ -	\$ 4,000	\$ 4,000
6 Change in Working Capital	3,498	5,580	(8,700)	(11,300)	(5,202)	(5,720)
7 Change in Debt & Working Capital	\$ 7,498	\$ 9,580	\$ (8,700)	\$ (11,300)	\$ (1,202)	\$ (1,720)
8						
9 System Administration Fee Requirement	\$ 201,822	\$ 207,425	\$ (2,500)	\$ (5,000)	\$ 199,322	\$ 202,425
10 Energy Consumption (GWH)	363,643	373,739	(4,505)	(9,009)	359,139	364,730
11 System Administration Fee Rate	\$ 0.5550	\$ 0.5550	\$ 0.5550	\$ 0.5550	\$ 0.5550	\$ 0.5550

Debt & Working Capital						
	2018 Request	2019 Request	2018 Risk Impact	2019 Risk Impact	2018 Scenario	2019 Scenario
12 Debt & Working Capital Balance at End of Year	\$ 91,435	\$ 81,855	\$ -	\$ -	\$ 100,135	\$ 101,855
13 Yearly Change in Debt & Working Capital	\$ (7,498)	\$ (9,580)	\$ 8,700	\$ 11,300	\$ 1,202	\$ 1,720
14 Cumulative Change in Debt & Working Capital	\$ (8,090)	\$ (17,670)	\$ 8,700	\$ 20,000	\$ 610	\$ 2,330
15 Interest Expense	\$ 2,069	\$ 1,997	\$ -	\$ -	\$ 2,069	\$ 1,997

Schedule may not foot due to rounding.

Request for Vote

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

- Approve the recommended 2018-2019 Biennial Budget which includes \$222,261,598 and \$228,012,403 total spending authorization for operating expenses, project spending, and debt service obligations for 2018 and 2019, respectively;
- Approve the recommended ERCOT System Administration Fee of \$0.5550 per megawatt-hour for 2018 and 2019; and
- Authorize ERCOT Legal to file the Board-approved 2018-2019 Biennial Budget for approval by the PUCT, pursuant to P.U.C. Substantive Rule Section 25.363(d).

Appendices

Department Net Expenditures by Office

Budget Request: Department Net Expenditures by Office

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	\$ 64,625	\$ 68,598	\$ 69,622	\$ 71,612	\$ 74,278	\$ 76,497	\$ 79,353
2 Operations	54,391	60,180	60,046	63,987	65,310	67,708	70,294	72,907	75,689
3 Finance & Treasury	12,224	15,883	13,380	14,474	14,915	15,268	15,566	15,754	16,123
4 External Affairs & Corporate Communications	6,194	6,444	6,127	6,622	6,883	7,147	7,427	7,712	8,014
5 Human Resources	4,611	5,317	5,289	5,268	5,518	5,670	5,827	5,991	6,160
6 General Counsel	3,469	4,975	4,498	4,804	4,970	5,142	5,322	5,508	5,702
7 Corporate Administration	2,228	2,454	2,104	2,071	2,127	2,210	2,296	2,385	2,508
8 Department Net Expenditures	\$ 142,736	\$ 159,000	\$ 156,068	\$ 165,824	\$ 169,346	\$ 174,757	\$ 181,010	\$ 186,754	\$ 193,550
						Schedule may not foot due to rounding.			

Budget Request: Department Net Expenditures by Office Information Technology

Line		2016 Actual	2017 Budget	2017 Forecast	2018 Request	2019 Request	2020 Projection	2021 Projection	2022 Projection	2023 Projection
1	Salaries	\$ 30,064	\$ 32,703	\$ 32,325	\$ 33,851	\$ 35,205	\$ 36,613	\$ 38,078	\$ 39,601	\$ 41,185
2	Benefits & Taxes	9,212	10,744	10,708	11,208	11,656	12,073	12,556	13,058	13,580
3	Project Funded Labor	(7,620)	(7,920)	(7,683)	(8,715)	(8,624)	(9,163)	(9,163)	(9,702)	(9,702)
4	Department Labor	\$ 31,656	\$ 35,526	\$ 35,350	\$ 36,343	\$ 38,237	\$ 39,523	\$ 41,471	\$ 42,957	\$ 45,063
5	Materials, Supplies & Equipment	1,367	950	950	1,491	1,558	1,594	1,631	1,668	1,707
6	HW/SW License & Maintenance	21,196	22,151	21,751	22,289	21,747	22,247	22,758	23,282	23,817
7	Outside Services	2,941	1,484	2,684	4,612	4,154	4,250	4,347	4,447	4,550
8	Utility, Maintenance & Facility	4,735	4,681	4,681	4,774	4,954	5,068	5,185	5,304	5,426
9	Employee Expenses	591	887	887	1,143	1,150	1,177	1,204	1,231	1,260
10	Insurance	-	-	-	-	-	-	-	-	-
11	Interest & Fees	-	-	-	-	-	-	-	-	-
12	Other Expenses	704	813	813	1,003	1,025	1,049	1,073	1,098	1,123
13	Management Challenge	-	(1,354)	-	(1,199)	(1,135)	(1,179)	(1,226)	(1,275)	(1,327)
14	Department Expense	\$ 63,188	\$ 65,138	\$ 67,116	\$ 70,455	\$ 71,691	\$ 73,728	\$ 76,442	\$ 78,712	\$ 81,619
15	Minor Capital	138	780	380	654	590	604	617	632	646
16	Common Infrastructure	-	1,000	300	300	300	307	314	321	329
17	Subtotal - Department Expenditures	\$ 63,326	\$ 66,918	\$ 67,796	\$ 71,409	\$ 72,581	\$ 74,639	\$ 77,374	\$ 79,665	\$ 82,594
18										
19	* Revenues	\$ (3,707)	\$ (3,172)	\$ (3,172)	\$ (2,811)	\$ (2,959)	\$ (3,027)	\$ (3,096)	\$ (3,167)	\$ (3,240)
20										
21	Total Department Net Expenditures	\$ 59,619	\$ 63,747	\$ 64,625	\$ 68,598	\$ 69,622	\$ 71,612	\$ 74,278	\$ 76,497	\$ 79,353
							Schedule may not foot due to rounding.			

* Private Wide-Area Network Fees

Budget Request: Department Net Expenditures by Office Operations

Line		2016 Actual	2017 Budget	2017 Forecast	2018 Request	2019 Request	2020 Projection	2021 Projection	2022 Projection	2023 Projection
1	Salaries	\$ 37,008	\$ 40,776	\$ 39,745	\$ 41,754	\$ 43,424	\$ 45,155	\$ 46,968	\$ 48,846	\$ 50,800
2	Benefits & Taxes	11,521	13,447	13,454	13,785	14,336	14,894	15,491	16,111	16,755
3	Project Funded Labor	(1,565)	(819)	(1,275)	(925)	(1,040)	(1,106)	(1,106)	(1,171)	(1,171)
4	Department Labor	\$ 46,964	\$ 53,403	\$ 51,925	\$ 54,614	\$ 56,720	\$ 58,943	\$ 61,353	\$ 63,786	\$ 66,385
5	Materials, Supplies & Equipment	192	155	155	201	205	210	215	220	225
6	HW/SW License & Maintenance	41	-	-	-	-	-	-	-	-
7	Outside Services	5,673	6,569	6,661	8,291	7,326	7,494	7,666	7,843	8,023
8	Utility, Maintenance & Facility	1	8	8	15	16	16	16	17	17
9	Employee Expenses	944	1,178	1,178	1,583	1,586	1,623	1,660	1,698	1,737
10	Insurance	-	-	-	-	-	-	-	-	-
11	Interest & Fees	-	-	-	-	-	-	-	-	-
12	Other Expenses	1,147	640	640	951	911	932	954	976	998
13	Management Challenge	-	(1,253)	-	(1,478)	(1,399)	(1,454)	(1,512)	(1,573)	(1,636)
14	Department Expense	\$ 54,961	\$ 60,701	\$ 60,567	\$ 64,177	\$ 65,365	\$ 67,764	\$ 70,352	\$ 72,966	\$ 75,749
15	Minor Capital	471	604	604	830	965	987	1,010	1,033	1,057
16	Common Infrastructure	-	-	-	-	-	-	-	-	-
17	Subtotal - Department Expenditures	\$ 55,432	\$ 61,305	\$ 61,171	\$ 65,007	\$ 66,330	\$ 68,752	\$ 71,362	\$ 73,999	\$ 76,806
18										
19	* Revenues	\$ (1,041)	\$ (1,125)	\$ (1,125)	\$ (1,020)	\$ (1,020)	\$ (1,043)	\$ (1,067)	\$ (1,092)	\$ (1,117)
20										
21	Total Department Net Expenditures	\$ 54,391	\$ 60,180	\$ 60,046	\$ 63,987	\$ 65,310	\$ 67,708	\$ 70,294	\$ 72,907	\$ 75,689
							Schedule may not foot due to rounding.			

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

Budget Request: Department Net Expenditures by Office Finance & Treasury

Line		2016 Actual	2017 Budget	2017 Forecast	2018 Request	2019 Request	2020 Projection	2021 Projection	2022 Projection	2023 Projection
1	Salaries	\$ 2,695	\$ 2,832	\$ 2,987	\$ 3,021	\$ 3,142	\$ 3,268	\$ 3,398	\$ 3,534	\$ 3,676
2	Benefits & Taxes	785	931	936	992	1,032	1,073	1,116	1,160	1,207
3	Project Funded Labor	(7)	-	(14)	(149)	-	-	-	-	-
4	Department Labor	\$ 3,473	\$ 3,763	\$ 3,909	\$ 3,864	\$ 4,174	\$ 4,340	\$ 4,514	\$ 4,694	\$ 4,882
5	Materials, Supplies & Equipment	382	415	415	503	528	540	552	565	578
6	HW/SW License & Maintenance	37	-	-	-	-	-	-	-	-
7	Outside Services	388	382	319	403	319	326	334	341	349
8	Utility, Maintenance & Facility	4,398	5,288	5,132	5,230	5,732	5,864	5,999	6,137	6,278
9	Employee Expenses	127	120	120	190	189	194	198	203	207
10	Insurance	1,853	1,965	2,215	2,697	2,804	2,931	3,063	3,202	3,348
11	Interest & Fees	1,934	3,682	2,112	2,069	1,997	1,910	1,752	1,467	1,347
12	Other Expenses	21	17	17	24	24	24	25	26	26
13	Management Challenge	-	(249)	-	(107)	(101)	(105)	(109)	(114)	(118)
14	Department Expense	\$ 12,614	\$ 15,383	\$ 14,238	\$ 14,874	\$ 15,665	\$ 16,024	\$ 16,327	\$ 16,521	\$ 16,897
15	Minor Capital	174	500	444	900	550	563	576	589	602
16	Common Infrastructure	-	-	-	-	-	-	-	-	-
17	Subtotal - Department Expenditures	\$ 12,788	\$ 15,883	\$ 14,682	\$ 15,774	\$ 16,215	\$ 16,586	\$ 16,903	\$ 17,110	\$ 17,500
18										
19	* Revenues	\$ (564)	\$ -	\$ (1,302)	\$ (1,300)	\$ (1,300)	\$ (1,318)	\$ (1,337)	\$ (1,356)	\$ (1,376)
20										
21	Total Department Net Expenditures	\$ 12,224	\$ 15,883	\$ 13,380	\$ 14,474	\$ 14,915	\$ 15,268	\$ 15,566	\$ 15,754	\$ 16,123
							Schedule may not foot due to rounding.			

Schedule may not foot due to rounding.

* Interest Income

Budget Request: Department Net Expenditures by Office External Affairs & Corporate Communications

Line		2016 Actual	2017 Budget	2017 Forecast	2018 Request	2019 Request	2020 Projection	2021 Projection	2022 Projection	2023 Projection
1	Salaries	\$ 4,515	\$ 4,649	\$ 4,186	\$ 4,755	\$ 4,945	\$ 5,143	\$ 5,348	\$ 5,562	\$ 5,785
2	Benefits & Taxes	1,423	1,534	1,488	1,564	1,627	1,692	1,759	1,830	1,903
3	Project Funded Labor	(75)	(146)	(25)	(89)	(103)	(110)	(110)	(116)	(116)
4	Department Labor	\$ 5,864	\$ 6,038	\$ 5,648	\$ 6,230	\$ 6,468	\$ 6,724	\$ 6,998	\$ 7,276	\$ 7,571
5	Materials, Supplies & Equipment	17	8	8	6	6	6	6	7	7
6	HW/SW License & Maintenance	1	-	-	5	5	5	5	5	5
7	Outside Services	135	104	32	281	282	289	296	302	309
8	Utility, Maintenance & Facility	-	-	-	-	-	-	-	-	-
9	Employee Expenses	118	146	146	207	218	223	228	233	239
10	Insurance	-	-	-	-	-	-	-	-	-
11	Interest & Fees	-	-	-	-	-	-	-	-	-
12	Other Expenses	106	334	334	102	103	106	108	111	113
13	Management Challenge	-	(144)	-	(168)	(159)	(165)	(172)	(179)	(186)
14	Department Expense	\$ 6,241	\$ 6,486	\$ 6,169	\$ 6,662	\$ 6,923	\$ 7,187	\$ 7,469	\$ 7,754	\$ 8,058
15	Minor Capital	-	-	-	-	-	-	-	-	-
16	Common Infrastructure	-	-	-	-	-	-	-	-	-
17	Subtotal - Department Expenditures	\$ 6,241	\$ 6,486	\$ 6,169	\$ 6,662	\$ 6,923	\$ 7,187	\$ 7,469	\$ 7,754	\$ 8,058
18										
19	* Revenues	\$ (46)	\$ (42)	\$ (42)	\$ (40)	\$ (40)	\$ (41)	\$ (42)	\$ (43)	\$ (44)
20										
21	Total Department Net Expenditures	\$ 6,194	\$ 6,444	\$ 6,127	\$ 6,622	\$ 6,883	\$ 7,147	\$ 7,427	\$ 7,712	\$ 8,014

Schedule may not foot due to rounding.

* Market Participant Registration Fees

Budget Request: Department Net Expenditures by Office Human Resources

Line	2016 Actual	2017 Budget	2017 Forecast	2018 Request	2019 Request	2020 Projection	2021 Projection	2022 Projection	2023 Projection
1 Salaries	\$ 2,873	\$ 3,039	\$ 2,907	\$ 2,983	\$ 3,105	\$ 3,193	\$ 3,284	\$ 3,380	\$ 3,479
2 Benefits & Taxes	634	677	678	806	842	870	900	932	964
3 Project Funded Labor	-	-	-	-	-	-	-	-	-
4 Department Labor	\$ 3,508	\$ 3,716	\$ 3,584	\$ 3,789	\$ 3,946	\$ 4,063	\$ 4,185	\$ 4,311	\$ 4,443
5 Materials, Supplies & Equipment	8	5	5	4	4	4	4	4	4
6 HW/SW License & Maintenance	11	-	-	-	-	-	-	-	-
7 Outside Services	660	966	966	817	856	876	896	917	938
8 Utility, Maintenance & Facility	-	-	-	-	-	-	-	-	-
9 Employee Expenses	137	201	201	233	278	284	291	298	304
10 Insurance	-	-	-	-	-	-	-	-	-
11 Interest & Fees	-	-	-	-	-	-	-	-	-
12 Other Expenses	288	532	532	510	515	527	539	551	564
13 Management Challenge	-	(108)	-	(85)	(81)	(84)	(87)	(90)	(93)
14 Department Expense	\$ 4,611	\$ 5,312	\$ 5,289	\$ 5,268	\$ 5,518	\$ 5,670	\$ 5,827	\$ 5,991	\$ 6,160
15 Minor Capital	-	5	-	-	-	-	-	-	-
16 Common Infrastructure	-	-	-	-	-	-	-	-	-
17 Subtotal - Department Expenditures	\$ 4,611	\$ 5,317	\$ 5,289	\$ 5,268	\$ 5,518	\$ 5,670	\$ 5,827	\$ 5,991	\$ 6,160
18									
19 Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20									
21 Total Department Net Expenditures	\$ 4,611	\$ 5,317	\$ 5,289	\$ 5,268	\$ 5,518	\$ 5,670	\$ 5,827	\$ 5,991	\$ 6,160
Schedule may not foot due to rounding.									

Budget Request: Department Net Expenditures by Office General Counsel

Line		2016 Actual	2017 Budget	2017 Forecast	2018 Request	2019 Request	2020 Projection	2021 Projection	2022 Projection	2023 Projection
1	Salaries	\$ 2,076	\$ 2,774	\$ 2,364	\$ 2,590	\$ 2,693	\$ 2,801	\$ 2,913	\$ 3,030	\$ 3,151
2	Benefits & Taxes	581	890	840	849	883	918	955	993	1,033
3	Project Funded Labor	(23)	-	(9)	(27)	(27)	(28)	(28)	(30)	(30)
4	Department Labor	\$ 2,635	\$ 3,664	\$ 3,195	\$ 3,412	\$ 3,549	\$ 3,691	\$ 3,839	\$ 3,993	\$ 4,154
5	Materials, Supplies & Equipment	2	2	2	6	3	3	4	4	4
6	HW/SW License & Maintenance	-	-	-	-	-	-	-	-	-
7	Outside Services	918	1,380	1,280	1,350	1,350	1,381	1,413	1,446	1,479
8	Utility, Maintenance & Facility	47	59	59	55	55	56	58	59	60
9	Employee Expenses	62	131	131	102	102	104	106	109	111
10	Insurance	-	-	-	-	-	-	-	-	-
11	Interest & Fees	-	-	-	-	-	-	-	-	-
12	Other Expenses	84	102	102	239	265	271	277	284	290
13	Management Challenge	-	(92)	-	(91)	(87)	(90)	(94)	(97)	(101)
14	Department Expense	\$ 3,749	\$ 5,245	\$ 4,768	\$ 5,073	\$ 5,238	\$ 5,417	\$ 5,603	\$ 5,796	\$ 5,996
15	Minor Capital	-	-	-	-	-	-	-	-	-
16	Common Infrastructure	-	-	-	-	-	-	-	-	-
17	Subtotal - Department Expenditures	\$ 3,749	\$ 5,245	\$ 4,768	\$ 5,073	\$ 5,238	\$ 5,417	\$ 5,603	\$ 5,796	\$ 5,996
18										
19	* Revenues	\$ (280)	\$ (270)	\$ (270)	\$ (268)	\$ (268)	\$ (275)	\$ (281)	\$ (287)	\$ (294)
20										
21	Total Department Net Expenditures	\$ 3,469	\$ 4,975	\$ 4,498	\$ 4,804	\$ 4,970	\$ 5,142	\$ 5,322	\$ 5,508	\$ 5,702
							Schedule may not foot due to rounding.			

Schedule may not foot due to rounding.

* Membership Dues

Budget Request: Department Net Expenditures by Office Corporate Administration

Line	2016 Actual	2017 Budget	2017 Forecast	2018 Request	2019 Request	2020 Projection	2021 Projection	2022 Projection	2023 Projection
1 Salaries	\$ 1,686	\$ 1,830	\$ 1,487	\$ 1,479	\$ 1,538	\$ 1,600	\$ 1,664	\$ 1,730	\$ 1,799
2 Benefits & Taxes	371	573	503	480	499	519	540	561	584
3 Project Funded Labor	-	-	-	-	-	-	-	-	-
4 Department Labor	\$ 2,057	\$ 2,403	\$ 1,990	\$ 1,959	\$ 2,037	\$ 2,119	\$ 2,203	\$ 2,291	\$ 2,383
5 Materials, Supplies & Equipment	1	2	2	-	-	-	-	-	-
6 HW/SW License & Maintenance	-	-	-	-	-	-	-	-	-
7 Outside Services	-	-	-	25	-	-	-	-	30
8 Utility, Maintenance & Facility	-	-	-	-	-	-	-	-	-
9 Employee Expenses	82	105	105	107	107	110	112	115	118
10 Insurance	-	-	-	-	-	-	-	-	-
11 Interest & Fees	-	-	-	-	-	-	-	-	-
12 Other Expenses	87	7	7	32	32	33	34	34	35
13 Management Challenge	-	(64)	-	(52)	(49)	(51)	(53)	(55)	(58)
14 Department Expense	\$ 2,228	\$ 2,454	\$ 2,104	\$ 2,071	\$ 2,127	\$ 2,210	\$ 2,296	\$ 2,385	\$ 2,508
15 Minor Capital	-	-	-	-	-	-	-	-	-
16 Common Infrastructure	-	-	-	-	-	-	-	-	-
17 Subtotal - Department Expenditures	\$ 2,228	\$ 2,454	\$ 2,104	\$ 2,071	\$ 2,127	\$ 2,210	\$ 2,296	\$ 2,385	\$ 2,508
18									
19 Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20									
21 Total Department Net Expenditures	\$ 2,228	\$ 2,454	\$ 2,104	\$ 2,071	\$ 2,127	\$ 2,210	\$ 2,296	\$ 2,385	\$ 2,508
Schedule may not foot due to rounding.									

Budget Request: Department Net Expenditures by Office Total

Line		2016 Actual	2017 Budget	2017 Forecast	2018 Request	2019 Request	2020 Projection	2021 Projection	2022 Projection	2023 Projection
1	Salaries	\$ 80,918	\$ 88,603	\$ 86,001	\$ 90,432	\$ 94,052	\$ 97,772	\$ 101,653	\$ 105,683	\$ 109,874
2	Benefits & Taxes	24,529	28,796	28,607	29,683	30,873	32,039	33,316	34,644	36,025
3	Project Funded Labor	(9,289)	(8,885)	(9,006)	(9,904)	(9,794)	(10,407)	(10,407)	(11,019)	(11,019)
4	Department Labor	\$ 96,157	\$ 108,514	\$ 105,602	\$ 110,212	\$ 115,131	\$ 119,404	\$ 124,563	\$ 129,309	\$ 134,881
5	Materials, Supplies & Equipment	1,968	1,536	1,536	2,211	2,304	2,357	2,412	2,467	2,524
6	HW/SW License & Maintenance	21,285	22,151	21,751	22,293	21,751	22,251	22,763	23,287	23,822
7	Outside Services	10,715	10,886	11,942	15,778	14,287	14,616	14,952	15,296	15,678
8	Utility, Maintenance & Facility	9,180	10,036	9,880	10,075	10,757	11,004	11,257	11,516	11,781
9	Employee Expenses	2,062	2,767	2,767	3,564	3,630	3,714	3,799	3,887	3,976
10	Insurance	1,853	1,965	2,215	2,697	2,804	2,931	3,063	3,202	3,348
11	Interest & Fees	1,934	3,682	2,112	2,069	1,997	1,910	1,752	1,467	1,347
12	Other Expenses	2,437	2,446	2,446	2,861	2,876	2,942	3,010	3,079	3,150
13	Management Challenge	-	(3,264)	-	(3,180)	(3,010)	(3,129)	(3,254)	(3,384)	(3,519)
14	Department Expense	\$ 147,592	\$ 160,719	\$ 160,251	\$ 168,580	\$ 172,528	\$ 178,001	\$ 184,317	\$ 190,125	\$ 196,987
15	Minor Capital	783	1,889	1,428	2,384	2,105	2,153	2,203	2,254	2,305
16	Common Infrastructure	-	1,000	300	300	300	307	314	321	329
17	Subtotal - Department Expenditures	\$ 148,375	\$ 163,608	\$ 161,979	\$ 171,264	\$ 174,933	\$ 180,461	\$ 186,834	\$ 192,700	\$ 199,621
18										
19	Revenues	\$ (5,639)	\$ (4,609)	\$ (5,911)	\$ (5,440)	\$ (5,587)	\$ (5,704)	\$ (5,824)	\$ (5,946)	\$ (6,071)
20										
21	Total Department Net Expenditures	\$ 142,737	\$ 159,000	\$ 156,068	\$ 165,824	\$ 169,346	\$ 174,757	\$ 181,010	\$ 186,754	\$ 193,550
							Schedule may not foot due to rounding.			

Project Expenditures

Budget Request: Project Expenditures

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	\$ 3,500	\$ 4,000	\$ 4,000	\$ 4,500	\$ 4,500	\$ 5,000	\$ 5,000
2 Regulatory	1,804	2,000	1,500	2,000	2,000	2,000	3,000	3,000	3,000
3 Internal Enhancements	4,184	4,500	7,500	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	8,000	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
						Schedule may not foot due to rounding.			

Budget Request: Project Expenditures

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	RARF Replacement (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

Budget Request: Project Expenditures

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	Business Strategy Projects Expected to be Approved and Initiated in 2018/2019	\$2M-\$3M	\$3M-\$5M
18	Internal Enhancements	Efficiency/Enhancement Projects Expected to be Approved and Initiated in 2018/2019	\$1M-\$2M	\$1M-\$2M
19	Internal Enhancements	Cyber and Physical Security Projects Expected to be Approved and Initiated in 2018/2019	\$500k-\$1M	\$500k-\$1M

Budget Request: Project Expenditures

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 and Initiated in 2018/2019	\$3M-\$5M	\$3M-\$5M

Line	Project Category	Project Name	2018 Budget Range	2019 Budget Range
26	Technical Foundation - Software	Identity and Access Management	\$1M-\$3M	-
27	Technical Foundation - Software	Replace Paperfree	\$500k-\$1M	-
28	Technical Foundation - Software	REC Technology Refresh	<\$50k	-
29	Technical Foundation - Software	Tech Foundation - Software Projects Expected to be Approved and Initiated in 2018/2019	\$10M-\$15M	\$8M-\$11M

Financial Ratios

Budget Request: Financial Ratios

Debt Service Coverage Ratio									
	2016	2017	2017	2018	2019	2020	2021	2022	2023
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection
1 Revenues									
2 System Administration Fee Revenue	\$ 195,920	\$ 197,537	\$ 197,161	\$ 201,822	\$ 207,425	\$ 211,254	\$ 214,522	\$ 217,943	\$ 221,344
3 Reliability Organization Assessment	13,977	15,000	14,345	15,000	15,000	15,000	15,000	15,000	15,000
4 Other Revenue	5,639	4,609	5,911	5,440	5,587	5,704	5,824	5,946	6,071
5 Total Revenues	\$ 215,536	\$ 217,145	\$ 217,416	\$ 222,262	\$ 228,012	\$ 231,958	\$ 235,346	\$ 238,889	\$ 242,416
6 Expenditures									
7 Operating Expenditures (includes interest; excludes depreciation)	\$ 148,375	\$ 163,608	\$ 161,979	\$ 171,264	\$ 174,933	\$ 180,461	\$ 186,834	\$ 192,700	\$ 199,621
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	159,867	169,195	172,935	178,551	185,082	191,233	198,274
10 Reliability Organization Assessment	13,977	15,000	14,345	15,000	15,000	15,000	15,000	15,000	15,000
11 EBITDA	\$ 55,118	\$ 42,219	\$ 43,204	\$ 38,066	\$ 40,077	\$ 38,407	\$ 35,264	\$ 32,656	\$ 29,141
12									
13 Interest Expense	1,934	3,682	2,112	2,069	1,997	1,910	1,752	1,467	1,347
14 Principal Payment	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
15 Total Debt Service	\$ 5,934	\$ 7,682	\$ 6,112	\$ 6,069	\$ 5,997	\$ 5,910	\$ 5,752	\$ 5,467	\$ 5,347
16									
17 Debt Service Coverage Ratio (EBITDA)	9.29	5.50	7.07	6.27	6.68	6.50	6.13	5.97	5.45

Liquidity Ratio									
	2016	2017	2017	2018	2019	2020	2021	2022	2023
	Actual	Budget	Forecast	Request	Request	Projection	Projection	Projection	Projection
18 * Operating Expenditures (2 Month Average)	\$ 24,407	\$ 26,654	\$ 26,645	\$ 28,199	\$ 28,823	\$ 29,758	\$ 30,847	\$ 31,872	\$ 33,046
19 Debt Service (6 Month Average)	2,967	3,841	3,056	3,034	2,999	2,955	2,876	2,734	2,674
20 Project Expenditures (2 Month Average)	5,301	6,750	6,750	4,750	4,750	4,500	4,833	7,500	7,500
21 Targeted Minimum Level of Liquidity	\$ 32,675	\$ 37,245	\$ 36,450	\$ 35,984	\$ 36,571	\$ 37,214	\$ 38,556	\$ 42,106	\$ 43,219
22									
23 Undrawn Borrowing Capacity	\$ 125,000	\$ 66,015	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000
24									
25 Liquidity Ratio	3.83	1.77	3.43	3.47	3.42	3.36	3.24	2.97	2.89

* Excludes Operating Revenues and Interest Expense

Schedule may not foot due to rounding.



Date: June 6, 2017
To: Board of Directors
From: Judy Walsh, Finance and Audit (F&A) Committee Chair
Subject: 2018-2019 Budget and Fee

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: June 13, 2017

Item No.: 12.1

Issue:

Approval by the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) of the ERCOT 2018-2019 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 by October of each year when the Budget is to be approved, or at such other time as directed by 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 in pertinent part:

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 F&A Committee is expected to recommend to the Board whether it should approve, reject or amend the 2018-2019 Biennial Budget at its June 13, 2017 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 2018 and 2019 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 2017, ERCOT staff discussed financial assumptions, methodologies, schedules and a system administration fee relating to the 2018-2019 Biennial Budget with PUCT staff designated by the PUCT Executive Director.
- ERCOT staff will present its recommended 2018-2019 Biennial Budget to the F&A Committee on June 12, 2017.
- The Budget recommended by ERCOT staff will keep the ERCOT system administration fee flat at \$0.5550 for 2018 and 2019.

Conclusion/Recommendation:

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

- Approve the recommended 2018-2019 Biennial Budget as set forth in Attachment A, which includes \$222,261,598 and \$228,012,403 total spending authorization for operating expenses, project spending, and debt service obligations for 2018 and 2019, respectively;
- Approve the recommended ERCOT system administration fee of \$0.5550 per megawatt-hour rate for 2018-2019, which represents no increase from the current ERCOT system administration fee, as set forth in Attachment B; and
- Authorize ERCOT Legal to file the Board-approved 2018-2019 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 2018-2019 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 August 17, 2015 (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 2018-2019 Biennial Budget, which includes a total spending authorization of \$222,261,598 and \$228,012,403 respectively; and

WHEREAS, the Budget recommended by ERCOT staff will keep the ERCOT system administration fee flat at \$0.5550 for 2018 and 2019;

THEREFORE, BE IT RESOLVED, that the Board hereby:

- Approves the recommended 2018-2019 Biennial Budget as set forth in Attachment A, which includes \$222,261,598 and \$228,012,403 total spending authorization for operating expenses, project spending, and debt service obligations for 2018 and 2019, respectively; and
- Approves the request for the ERCOT system administration fee of \$0.5550 per megawatt-hour for 2018 and 2019 as set forth in Attachment B; and
- Authorizes ERCOT Legal to file the Board-approved 2018-2019 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 13, 2017 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, 2017.

Vickie G. Leady
Assistant Corporate Secretary

Attachment A

Fiscal Years 2018-2019 Budget: Management Recommended Fee (\$0.555)

(\$ in Thousands)

(\$ in Thousands)										
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	\$ 197,161	\$ 201,822	\$ 207,425	\$ 211,254	\$ 214,522	\$ 217,943	\$ 221,344
2	Reliability Organization Assessment	13,977	15,000	14,345	15,000	15,000	15,000	15,000	15,000	15,000
3	Other Revenues	5,639	4,609	5,911	5,440	5,587	5,704	5,824	5,946	6,071
4	Decrease in Working Capital	-	5,963	3,407	-	-	-	-	17,811	21,206
5	Total Sources	\$ 215,536	\$ 223,108	\$ 220,824	\$ 222,262	\$ 228,012	\$ 231,958	\$ 235,346	\$ 256,700	\$ 263,621
6										
7	Department Expenditures	\$ 148,375	\$ 163,608	\$ 161,979	\$ 171,264	\$ 174,933	\$ 180,461	\$ 186,834	\$ 192,700	\$ 199,621
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	13,977	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	\$ 215,536	\$ 223,108	\$ 220,824	\$ 222,262	\$ 228,012	\$ 231,958	\$ 235,346	\$ 256,700	\$ 263,621
							Schedule may not foot due to rounding.			

Schedule may not foot due to rounding.

Attachment B

Fiscal Years 2018-2019 Budget: Management Recommended Fee (\$0.555)

(\$ in Thousands except per GWH Amounts)

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	\$ 156,068	\$ 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	\$ 196,568	\$ 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)	(3,407)	3,498	5,580	5,497	512	(17,811)	(21,206)
7 Change in Debt & Working Capital	\$ 21,380	\$ (1,963)	\$ 593	\$ 7,498	\$ 9,580	\$ 9,497	\$ 4,512	\$ (13,811)	\$ (17,206)
8									
9 System Administration Fee Requirement	\$ 195,920	\$ 197,537	\$ 197,161	\$ 201,822	\$ 207,425	\$ 211,254	\$ 214,522	\$ 217,943	\$ 221,344
10 Energy Consumption (GWH)	353,009	355,922	355,245	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	\$ 98,933	\$ 91,435	\$ 81,855	\$ 72,358	\$ 67,846	\$ 81,657	\$ 98,863
13 Yearly Change in Debt & Working Capital	\$ (21,380)	\$ 1,963	\$ (593)	\$ (7,498)	\$ (9,580)	\$ (9,497)	\$ (4,512)	\$ 13,811	\$ 17,206
14 Cumulative Change in Debt & Working Capital			\$ (593)	\$ (8,090)	\$ (17,670)	\$ (27,167)	\$ (31,679)	\$ (17,868)	\$ (662)
15 Interest Expense	\$ 1,934	\$ 3,682	\$ 2,112	\$ 2,069	\$ 1,997	\$ 1,910	\$ 1,752	\$ 1,467	\$ 1,347

Schedule may not foot due to rounding.