

Control Number: 27706



Item Number: 66

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**PUCT PROJECT NO. 27706**

**REPORTS OF THE ELECTRIC  
RELIABILITY COUNCIL OF TEXAS**

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**PUBLIC UTILITY COMMISSION  
OF TEXAS**

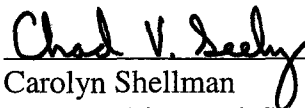
**REPORT OF ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.  
FOR THE FIRST QUARTER OF 2006**

COMES NOW, Electric Reliability Council of Texas, Inc. (ERCOT) and files its Report for the First Quarter of 2006, pursuant to P.U.C. SUBST. R. § 25.362(h)(2). Attachments marked with an asterisk (\*) contain information which is proprietary and confidential and shall be provided in accordance with Commission policy set forth in P.U.C. PROC. R. § 22.71 and P.U.C. SUBST. R. § 25.362. The following documents comprise this report:

<b>Document Description</b>	<b>Required By</b>	<b>Attachment</b>
ERCOT Financial Summary Ending December 30, 2005	§ 25.362(h)(2)(A)	A
Audit Cover Letter: Cash Receipts, Disbursements and Bank Reconciliation (January 17, 2006)	§ 25.362(h)(2)(A)	B
Audit: Cash Receipts, Disbursements and Bank Reconciliation (January 17, 2006)	§ 25.362(h)(2)(A)	B1*
Audit Cover Letter: Information Systems Security and Cyber Security (February 15, 2006)	§ 25.362(h)(2)(A)	C
Audit: Information Systems Security and Cyber Security (February 15, 2006)	§ 25.362(h)(2)(A)	C1*
Audit Cover Letter: General Ledger Adjusting Journal Entries (March 24, 2006)	§ 25.362(h)(2)(A)	D
Audit: General Ledger Adjusting Journal Entries (March 24, 2006)	§ 25.362(h)(2)(A)	D1*

Document Description	Required By	Attachment
Audit Cover Letter: Market Operations (Settlement Disputes and Alternative Disputes) (March 24, 2006)	§ 25.362(h)(2)(A)	E
Audit: Market Operations – Settlement Disputes and Alternative Disputes (March 24, 2006)	§ 25.362(h)(2)(A)	E1*
Audit Cover Letter: Market Operation System (March 1, 2006)	§ 25.362(h)(2)(A)	F
Audit: Market Operation System (March 1, 2006)	§ 25.362(h)(2)(A)	F1*
Performance Measures Report for the Fourth Quarter of 2005	§§ 25.362(h)(2)(B) and 25.88	Not attached. This document has been concurrently filed in PUC Docket No. 24462
Status Report on Competitive Metering for the Fourth Quarter of 2005	§ 25.311(e)(1)	Not attached. This document has been concurrently filed in PUC Docket No. 28109

Respectfully submitted,



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# **ERCOT**

## **Financial Summary**

### **March 31, 2006**

# Executive Dashboard

For the Month Ended March 31, 2006  
(\$ in Millions)

## Year-to-Date Operating Expenses

Expense category:	Budget	Actual	Var - #	Var - %
Labor and benefits	12.49	14.64	-2.15	-17%
Contractors	1.84	2.14	-0.30	-16%
Hardware and software support	1.81	1.54	0.27	15%
Depreciation & Amortization	12.41	12.32	0.09	1%
Other expenses	5.43	5.29	0.14	3%
Total	33.98	35.93	-1.95	-6%

### Expense Division:

	Budget	Actual	Var - #	Var - %
Market Operations	3.72	3.27	0.45	12%
System Operations	4.27	4.13	0.14	3%
Market Redesign (Nodal)	0.04	0.88	-0.84	-2100%
IT Operations	6.56	6.44	0.12	2%
Corporate Operations	19.39	21.21	-1.82	-9%
Total	33.98	35.93	-1.95	-6%

## Year-to-Date Capital Expenditures

Project Expenditures	Annual Budget	YTD Actual	Remaining	%
Market Operations	2.45	0.22	2.23	91%
System Operations	7.64	0.65	6.99	91%
Retail Operations	6.75	0.66	6.09	90%
IT Operations	6.69	1.66	5.03	75%
Corporate Operations	1.47	0.03	1.44	98%
Total	25.00	3.22	21.78	87%

YTD Number of projects by status

	Initiation	Planning	Execution	Complete
Total	68	15	13	30

## Year-to-Date Revenue & Billing Determinants

	Budget	Actual	Var - \$/ #	Var - %
System Administration Fee	27.94	26.89	-1.05	-4%
Other Revenue	0.47	0.73	0.26	55%
Total	28.41	27.62	-0.79	-3%
MWH volume (millions)	66.53	64.02	-2.51	-4%

## Debt

Debt Type	Current Month	Prior Month
	Balance	Rate
Senior Notes	122.73	6.17%
Term Notes	25.00	4.88%
Revolver - Borrowed	0.00	0.00%
Total / Average	147.73	5.95%
Term Borrowing	14.00	2.00
Term Notes - Unused Capacity	0.00	0.00
Revolver - Unused Capacity	50.00	50.00

## Human Resources

Employee Count:	2006 Budget	FTE Budget	Actual (A)
Market Operations	138	128	123
System Operations	152	141	145
IT Operations	182	169	172
Corporate Operations	112	104	100
Total	584	542	540

	* Staff Aug	Total	Total vs FTE	Total vs FTE	* Project
	Contractors (B)	(A + B)	Budget Var #	Budget Var %	Contractors (C)
Total FTE Resource:	4	127	1	0.8%	0
Market Operations	1	146	-5	-3.5%	0
System Operations	17	189	-20	-11.8%	33
Corporate Operations	11	111	-7	-6.7%	13
Total	33	573	-31	-5.7%	46

\* Combined Staff Augmentation & Project Contractors (B + C)

	Byone	Giuliani	Jones	Shellman/Fisher	Hinsley	Schrader	Nodal	Total
	21	4	1	3	36	0	14	79

## Market Settlement and Credit

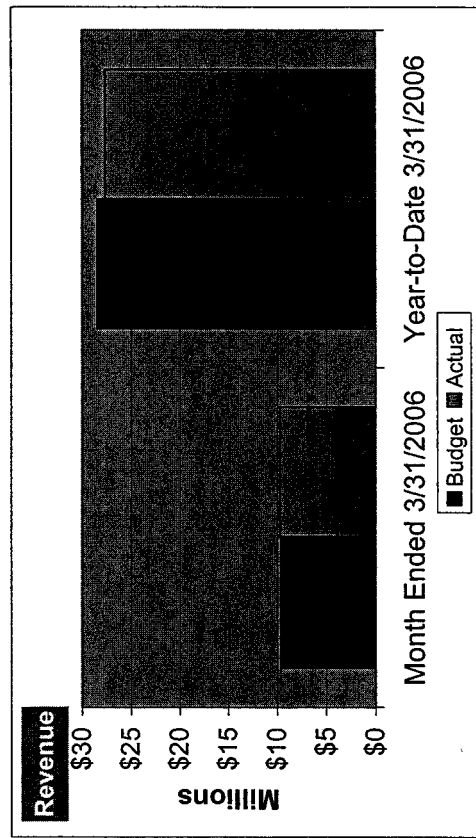
	Current Mo.	Prior Mo.	% Change
QSE and TCR security deposits	79.86	94.93	-16%
QSE advance receipts and due to generators	14.85	11.28	32%
TCR auction receipts	49.85	51.66	-4%
Total market settlement liability & security deposit	144.56	157.87	-8%
Settlement short pmts balance after uplifts	5.75	5.71	1%

## Year-to-Date Cash Flow Summary

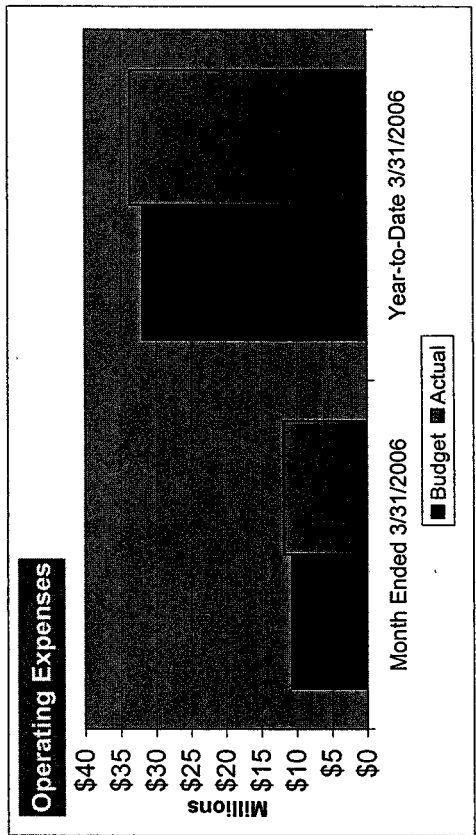
	Amount
Beginning Cash (January 1, 2006)	85.27
Cash Provided / (Used) by Operations	1.99
Cash Used in Investing Activities (Projects)	(6.28)
Cash Provided / (Used) by Financing Activities	(32.19)
Ending Cash (March 31, 2006)	48.79

# ERCOT financial snapshot

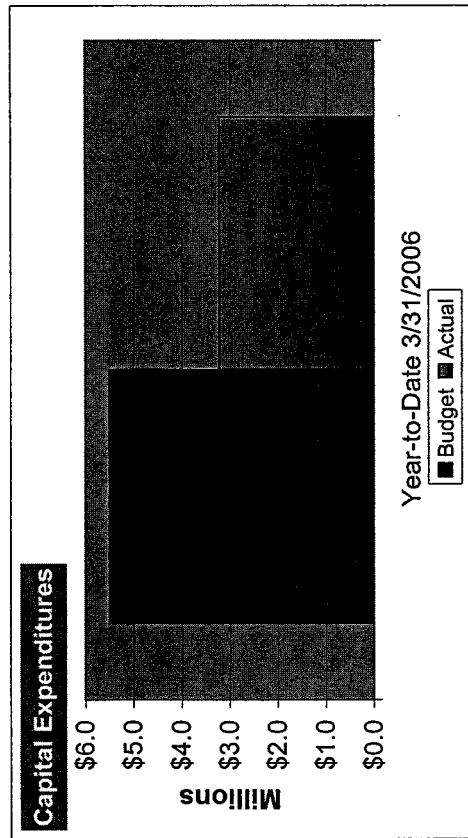
March 31, 2006



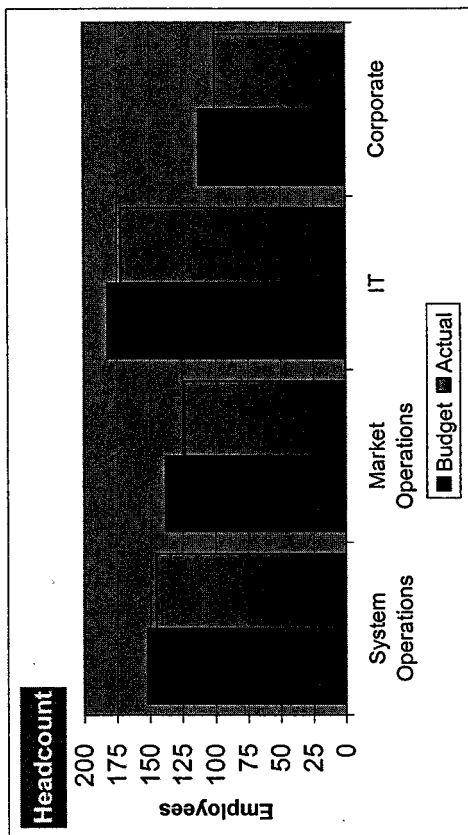
Year-to-date total revenue of \$27.6 million is \$0.8 million (2.8 percent) lower than budget primarily because load on the ERCOT system has been 2,506,000 MWH (3.8 percent) below budget.



Year-to-date operating and maintenance expenses are \$1.8 million (5.7 percent) higher than budget primarily due to increased salaries as a result of a quicker hiring pace than expected and due to lower labor applied to capitalized projects. Wholesale market redesign expenses included as ERCOT operating expenses total approximately \$870,000 through March 31, 2006. See the budget-to-actual schedule for more details.



Year-to-date capital expenditures for active projects totaled \$3.2 million, or 58 percent of the \$5.5 million year-to-date capital budget for the year. Each CART area, except IO, is significantly under spending their respective annual budget allocations (assuming even project expenditures throughout 2006). See the capital budget-to-actual schedule for more details.



ERCOT's 2006 budget demonstrated need for 584 staff members but provided funding for only 93 percent of that number of employees in recognition of turnover and the time required to hire new staff. ERCOT reached the average funding level more quickly than expected - February 2006. ERCOT had 540 active employees at March 31, 2006, a net increase of 19 staff members in 2006. Forty-one of the 540 employees on board at March 31, 2006 are identified as committed to the wholesale market

# Preliminary - Unaudited

## ERCOT

### Statement of Operations

For the Three Months Ended March 31, 2006

	Notes	Fiscal Year as of March 31, 2006			% Var	Budget - 2006		
		YTD Budget	YTD Actual	\$ Var		Annual Budget	YTD Actual	% of Budget
				Fav / (Unfav)				
<b>ERCOT Revenue by Type</b>								
ERCOT System Administration Fee	(a)	27,940,920	26,888,580	(1,052,340)	-3.8%	126,790,301	26,888,580	21.2%
Wide-area Network Fees		325,000	447,797	122,797	37.8%	1,300,000	447,797	34.4%
Non-ERCOT LSE Fees		22,500	53,393	30,893	137.3%	90,000	53,393	59.3%
Membership Fees		62,500	63,364	864	1.4%	250,000	63,364	25.3%
Other Revenue		62,500	162,333	99,833	159.7%	250,000	162,333	64.9%
<b>Total - ERCOT Revenue by Type</b>		<b>28,413,420</b>	<b>27,615,467</b>	<b>(797,953)</b>	<b>-2.8%</b>	<b>128,680,301</b>	<b>27,615,467</b>	<b>21.5%</b>
<b>ERCOT Operating Expenses by Type</b>								
Labor & Benefits	(b)	14,191,975	16,211,907	(2,019,932)	-14.2%	59,313,464	16,211,907	27.3%
Contra-Labor to Capital Projects	(b)	(1,697,563)	(970,289)	(727,274)	-42.8%	(6,790,776)	(970,289)	14.3%
Contra-Labor to Nodal	(b)	-	(603,594)	603,594	100.0%	-	(603,594)	100.0%
Subtotal Labor and Contra-Labor		<b>12,494,412</b>	<b>14,638,024</b>	<b>(2,143,612)</b>	<b>-17.2%</b>	<b>52,522,688</b>	<b>14,638,024</b>	<b>27.9%</b>
Tools, Equipment, Materials & Supplies	(c)	323,024	203,734	119,290	36.9%	1,292,135	203,734	15.8%
Hardware & Software Expenses	(c)	1,805,124	1,536,866	268,258	14.9%	7,220,510	1,536,866	21.3%
Consultants & Contractors	(d)	1,844,177	2,135,131	(290,955)	-15.8%	7,376,746	2,135,131	28.9%
Utilities, Maintenance & Facilities		1,522,617	1,555,799	(33,182)	-2.2%	6,090,491	1,555,799	25.5%
Training, Travel & Other Employee Expenses		349,456	276,775	72,681	20.8%	1,400,825	276,775	19.8%
Insurance		440,440	386,767	53,673	12.2%	1,761,763	386,767	22.0%
Property Taxes		260,750	260,750	-	0.0%	1,043,000	260,750	25.0%
Depreciation & Amortization		12,409,855	12,317,481	92,374	0.7%	44,555,631	12,317,481	27.6%
Other		420,467	373,220	47,247	11.2%	1,682,541	373,220	22.2%
<b>Total - ERCOT Operating Expenses by Type</b>		<b>31,870,321</b>	<b>33,684,547</b>	<b>(1,814,226)</b>	<b>-5.7%</b>	<b>124,946,330</b>	<b>33,684,547</b>	<b>27.0%</b>
<b>Excess (Deficiency) of Revenues over Expenses</b>		<b>(3,456,901)</b>	<b>(6,069,080)</b>	<b>(2,612,179)</b>	<b>-75.6%</b>	<b>3,733,971</b>	<b>(6,069,080)</b>	<b>-162.5%</b>
<b>Other income (expense)</b>								
Interest income	(e)	228,000	871,660	643,660	282.3%	672,000	871,660	129.7%
Interest expense		(2,105,151)	(2,245,088)	(139,937)	-6.6%	(8,420,603)	(2,245,088)	26.7%
Non Operating Income		-	-	-	0.0%	-	-	0.0%
<b>Change in Unrestricted Assets</b>		<b>(5,334,052)</b>	<b>(7,442,508)</b>	<b>(2,108,457)</b>	<b>-39.5%</b>	<b>(4,014,632)</b>	<b>(7,442,508)</b>	<b>185.4%</b>

Notes addressing variances are on the following page.

0000006

**ERCOT**

**Statement of Operations**

**For the Three Months Ended March 31, 2006**

**YEAR-TO-DATE REVENUE & OPERATING EXPENSE VARIANCE NOTES:**

- (a) **ERCOT system administration fee** - Year-to-date revenue of \$26.9 million is \$1.1 million (3.8 percent) less than budget because load on the ERCOT system has been 2,506,000 MWH (3.8 percent) below budget. Assuming energy consumption for the remainder of the year is equal to budget, ERCOT will experience an unfavorable revenue variance for 2006. Additionally, it is expected the PUCT will reduce the ERCOT System Administration Fee by the equivalent of approximately \$0.9 million suggesting a total unfavorable revenue variance of approximately \$2.0 million at the end of the year.
- (b) **Labor** - Increased salaries as a result of a quicker hiring pace than budgeted. Also due to lower labor applied to capitalized projects. The figure includes unbudgeted labor costs associated with the wholesale market redesign project totaling approximately \$700,000 through March 31, 2006.
- (c) **Hardware & software** - Lower than budgeted costs for hardware and software support due to budget timing. It is expected that actual costs will approach budget levels as the year progresses.
- (d) **Consultants & Contractors** - The figure includes unbudgeted consulting costs associated with the reevaluation of ERCOT's project management processes, the wholesale market redesign project, internal control initiatives, and higher than expected consulting costs associated with the PUCT fee filing.
- (e) **Interest income** - Higher than expected TCR auction receipts (\$54.6 million for the 2006 annual auction versus \$19.7 for the 2005 annual auction) have led to the favorable interest income variance.

0000007



## Preliminary - Unaudited

ERCOT  
Capital Projects - Preliminary Summary Budget to Actual Comparison  
For the Three Months Ended March 31, 2006

2006 Annual Budget Estimates with YTD Actuals										Total Approved Budget and Inception to Date Actuals			
Program Area	Capital Project Description	Project #	Budget	Actual	\$ Var (Unfav)	% Var	Total Approved Budget	Actual	\$ Var (Unfav)	% Var			
CO	Lawson SIR Enhancements	50016	288,300	39,925	248,375	86.2%	688,300	306,615	381,685	54.1%			
CO	Collateral Calculation	50017	105,000	28,798	76,202	72.6%	217,000	94,317	122,683	56.5%			
CO	Security Camera Enhancements	50106	287,000	16,183	270,817	94.4%	287,000	16,183	270,817	94.4%			
CO	Vendor & Contract Management	50111	253,000	110	252,890	100.0%	253,000	110	252,890	100.0%			
CO	Document Mgt Implementation	50123	362,000	(14,638)	376,638	104%	575,000	198,135	376,865	65.5%			
CO	Network Intrusion Detection	50132	25,000	31,884	(6,884)	-27.5%	588,000	574,671	13,329	2.3%			
CO	Log and Event Management	50140	60,000	(76,628)	136,628	227.7%	752,000	572,208	179,792	23.9%			
CO	Secure E-Mail	50141	25,000	(18,065)	43,065	172.3%	314,000	178,969	135,031	43.0%			
CO	Computer Aided Facilities Mngt	50149	13,000	195	12,805	98.5%	65,000	41,293	23,707	36.5%			
CO	IT Incident Reporting	50152	17,000	25,812	(8,812)	-51.8%	78,000	85,383	(7,383)	-9.5%			
CO	Risk Management	60014	321,400	-	321,400	100.0%	321,400	-	321,400	100.0%			
CO	Host Intrusion Detection System	60016	281,800	-	281,800	100.0%	281,800	-	281,800	100.0%			
CO	Identity & Access Management	60075	335,700	-	335,700	100.0%	335,700	-	335,700	100.0%			
CO	Proxy Server	60076	306,900	-	306,900	100.0%	306,900	-	306,900	100.0%			
Subtotal - CO			2,681,000	33,576	2,647,424	98.7%	5,043,000	2,067,884	2,975,116	59.0%			
Budget Allocation - CO			1,468,000										
IO	Austin Itest Build Out	40070	986,400	19,454	966,946	98.0%	1,762,400	168,225	1,594,175	90.5%			
IO	Disk Based Backup	50027	600,000	-	600,000	100.0%	631,400	-	631,400	100.0%			
IO	Altiris DC Implementation	50028	184,900	196,271	(11,371)	-6.1%	282,900	246,597	36,303	12.8%			
IO	EDW EMMS Decommission	50031	223,900	-	223,900	100.0%	223,900	-	223,900	100.0%			
IO	TCC II Completion	50049	484,700	214,876	269,824	55.7%	549,700	419,950	129,750	23.6%			
IO	SBC Network	50078	1,144,800	(3,996)	1,148,596	100.3%	1,205,600	57,048	1,148,552	95.3%			
IO	2005 Storage to Support Ongoing Operations	50125	180,200	164,247	15,953	13.6%	752,500	717,764	34,736	4.6%			
IO	EMMS Development Environment Upgrade	50138	61,000	64,773	(3,773)	-6.2%	356,700	259,074	97,626	27.4%			
IO	IPC Line Networking	50143	-	(2,200)	2,200	-	89,991	1,509	(1,509)	2.1%			
IO	Nortel PBX Upgrade	50144	-	(2,585)	2,585	-	185,000	188,244	(3,244)	-1.8%			
IO	ACC Data Center Power & Cooling	50145	26,200	42,635	(16,435)	-62.7%	182,200	198,569	(16,369)	-9.0%			
IO	Network Analysis	50146	-	7,999	(7,999)	-	297,000	246,985	50,015	16.8%			
IO	Windows Domain Restructuring	50147.01	942,500	234,240	708,260	75.1%	973,800	243,489	730,311	75.0%			
IO	Special Upgrade	60001.01	-	500	(500)	-	100,000	100,587	(587)	-0.6%			
IO	EIS BI Foundations III	60001.01	232,000	-	232,000	100.0%	232,000	-	232,000	100.0%			
IO	EIS Conformed Data Warehouse Foundations	60004.01	1,025,100	-	1,025,100	100.0%	1,025,100	-	1,025,100	100.0%			
IO	EIS CDW Data Marts	60005.01	610,700	-	610,700	100.0%	610,700	-	610,700	100.0%			
IO	SAN Switch Expansion	60011	509,600	-	509,600	100.0%	509,600	-	509,600	100.0%			
IO	Exchange 2003 Implementation	60036	143,300	-	143,300	100.0%	143,300	-	143,300	100.0%			
IO	Minor Capital	99906	1,475,000	277,131	1,197,869	81.2%	1,475,000	277,131	1,197,869	81.2%			
Subtotal - IO			8,840,100	1,659,794	7,180,306	81.2%	11,570,300	3,640,103	7,930,197	68.5%			
Budget Allocation - IO			6,694,000										
MO	Automate EPS Meter Data Transmittal	30026	72,000	32,082	39,908	55.4%	240,200	193,819	46,381	19.3%			
MO	Lodestar 4.0 Upgrade	30082	213,400	-	213,400	100.0%	213,400	65	213,335	100.0%			
MO	SCR T27 Phase II	40007	126,800	(16,987)	143,787	113.4%	389,400	241,478	147,922	38.0%			
MO	TCR Reports	40015	65,000	40,054	24,947	38.4%	204,900	187,914	16,987	8.3%			
MO	Lodestar Extracts	40042	130,500	26,287	104,213	79.9%	479,100	793,215	(314,115)	-65.6%			
MO	TML Phase 3 - Wholesale Enhancements	40103	797,200	-	797,200	100.0%	797,200	-	797,200	100.0%			
MO	EDW BI Reporting Tool	50004	36,000	22,614	13,386	37.2%	309,000	294,989	14,011	4.5%			
MO	Enhancements to SCR T27	50024	41,778	1,444,522	(1,402,744)	-3352.3%	1,796,300	344,783	1,451,517	80.8%			
MO	Enhance ESI ID Look Up Function	50025	256,200	30,641	225,559	88.0%	313,000	64,144	248,856	79.5%			
MO	EDW Lodestar Decommission	50030	175,500	727	174,773	99.6%	181,000	5,618	175,382	96.9%			
MO	MV90 Upgrade	60033	26,800	4,914	21,886	81.7%	81,800	45,126	36,674	44.8%			
MO	Settlement Mismatched Inter-QSE	50128	50,300	11,759	38,541	76.6%	62,100	23,052	39,048	62.9%			
MO	I-Test Lodestar Server Sync	50133	-	9,649	(9,649)	-	-	-	(9,649)	-			
MO	Maestro Upgrade	50137	282,600	13,581	269,019	95.2%	716,200	365,806	350,394	48.9%			
MO	Removal of Price Admin. For Zonal Congestion	60080	50,000	-	50,000	100.0%	50,000	-	50,000	100.0%			
Subtotal - MO			3,768,600	217,098	3,551,502	94.2%	5,833,600	2,569,657	3,263,943	56.0%			
Budget Allocation - MO			2,444,000										

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Preliminary - Unaudited

ERCOT  
Capital Projects - Preliminary Summary Budget to Actual Comparison  
For the Three Months Ended March 31, 2006

2006 Annual Budget Estimates with YTD Actuals				Total Approved Budget and Inception to Date Actuals			
Program Area	Capital Project Description	Project #	Budget	Actual	\$ Var	% Var	% Var
RO	TX Set 2.1	40034	25,000	10,855	14,145	56.6%	35.5%
RO	ERCOT.com Rewrite	40106	-	73,366	(73,366)	-	4.9%
RO	Enhancements to FAS Trak Tools	50007	1,622,900	207,965	1,414,935	87.2%	56.7%
RO	Potential Load Loss	50023	-	(4,773)	4,773	-	22.7%
RO	2005 SIR Enhancements	50026	159,700	95,089	64,611	40.5%	10.8%
RO	Service Oriented Architecture	50121	576,000	277,133	298,867	51.9%	-210.0%
RO	ERCOT Outage Evaluation & Resolution Phase 1 & 2	60006	1,000,000	-	1,000,000	100.0%	100.0%
RO	Performance Measures Reporting Requirements	60007	1,000,000	-	1,000,000	100.0%	100.0%
RO	Terms & Conditions Requirements	60008	500,000	-	500,000	100.0%	100.0%
RO	ERCOT.com Secured Area	60077	291,200	-	291,200	100.0%	100.0%
Subtotal - RO			5,174,800	659,655	4,515,145	87.3%	7.7%
Budget Allocation - RO			6,751,000	-	-	-	-
SO	Replace DSM6 and VGR Freq Recorders	30021	100	1,319	(1,219)	-1219.0%	-3.1%
SO	CSC Thermal & Volt Limits Calculations	30084	212,500	25,687	186,813	87.9%	64.0%
SO	Congestion Management Reports	30105	45,200	20,958	24,242	53.6%	35.4%
SO	EMMS Release 4.0	40001	613,200	115,978	497,223	81.1%	-124.7%
SO	Operator Training Simulator Center	40060_01	23,500	89,957	(66,457)	-282.8%	70.6%
SO	Operator Training Simulator System	40060_02	3,222,900	(72,227)	3,295,127	102.2%	94.1%
SO	MOMS Phase 2 - ISR	50001	89,400	487	(89,400)	100.0%	-0.4%
SO	EDW BI Foundation P2	50002	216,800	-	216,800	100.0%	100.0%
SO	MOMS - Enhancement s to Potomac Software	50003	366,200	55,332	310,868	74.5%	-10.6%
SO	MOMS - Enhancement to AREVA Study Tools	50005	102,000	114,346	(12,346)	68.5%	68.3%
SO	EDW EMMS Extracts	50008	42,400	16,364	26,036	84.0%	28.8%
SO	Aggregation of Combined Cycle Units	50016	19,500	10,167	9,333	76.0%	57.5%
SO	AVR Validation	50021	13,000	-	13,000	100.0%	100.0%
SO	Improve Reliability of Frequency Input to AGC	50029	242,500	-	242,500	100.0%	100.0%
SO	Improve Reliability of Frequency Input to AGC	50050	44,500	41,357	3,143	7.1%	5.4%
SO	Satellite Communications for Black Start Suppliers	50130	39,400	17,193	22,207	56.4%	36.6%
SO	SCE Performance and Monitoring	50131	100,000	-	100,000	100.0%	100.0%
SO	Market Notice of Load Prioritization	50134	883,600	26,288	857,312	97.0%	87.4%
SO	DC Tie Automation and Scheduling	50135	162,600	9,525	153,075	94.1%	-7.3%
SO	Topology Estimation System	50136	16,700	23,276	(6,576)	-39.4%	93.2%
SO	EMMS Software Upgrade - OSI PI and OAG	50142	1,983,800	89,889	1,893,911	95.5%	28.7%
SO	Network Model Management System	50151	123,900	66,472	57,428	48.4%	100.0%
SO	IT Incident Reporting	60002	224,100	-	224,100	100.0%	100.0%
SO	Increase Number of Seats for Study Market Clearing Engines	60003	500,000	-	500,000	100.0%	20.4%
Subtotal - SO			9,287,800	652,368	8,635,432	93.0%	38.5%
Budget Allocation - SO			7,643,000	-	-	-	-
Grand Total Allocated 2006 Capital Budget			29,762,300	3,222,491	26,539,809	89.2%	-
Grand Total 2006 Capital Budget			25,000,000	-	-	-	-

Notes:  
a) Schedule excludes Texas Nodal

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Preliminary - Unaudited

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**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

**Statement of Financial Position**

**As of March 31, 2006**

(Dollars in Thousands)

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**Assets**

**Current assets**

Cash and cash equivalents	\$ 48,794
Accounts receivable	5,344
Unbilled revenue	6,886
Restricted cash	79,862 (a)
Prepaid expenses and other current assets	5,058

Total current assets	145,944
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Property and equipment, net	119,665
Systems under development	11,867
Derivative Assets	78
Debt issuance cost	1,284

Total assets	<u>\$ 278,838</u>
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**Liabilities and Unrestricted Net Assets**

**Current liabilities**

Accounts payable & accrued liabilities	12,671
Market settlement liabilities	64,621 (b)
Security deposits	79,862 (a)
Notes payable, current portion	13,637

Total current liabilities	\$ 170,791
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Notes payable and deferred credits	134,089
Other Long Term Liabilities	353

Total liabilities	305,233
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Commitments and contingencies	-
Unrestricted net (deficit)	(26,395)

Total liabilities and unrestricted net assets	<u>\$ 278,838</u>
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**Notes:**

(a) Restricted cash is comprised of QSE and TCR security deposits and funds held pending bankruptcy court settlement; these deposits are reflected in liabilities.

(b) Net TCR auction revenue receipts, advance QSE settlement receipts, and amounts "due to generators" in connection with the uplift of costs associated with past defaults by QSEs.

Preliminary - Unaudited

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**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

**Statement of Activities**

**For the Three Months Ended March 31, 2006**

(Dollars in Thousands)

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Operating revenues:	
Transaction fees	\$ 26,889
Membership Fees and other	727
Total operating revenue	<u>27,615</u>
Operating expenses	
Salaries and related benefits	14,638
Depreciation and amortization	12,317
Facility and equipment costs	1,760
Consulting and legal services	2,135
Administrative and other	1,297
Hardware and software maintenance and licensing	1,537
Total operating expenses	<u>33,684</u>
Income (loss) from Operations	(6,069)
Other income (expense)	
Interest income	872
Interest expense	(2,245)
Change in unrestricted net (deficit)	<u>(7,442)</u>
Unrestricted net deficit, beginning of year	<u>(18,953)</u>
Unrestricted net deficit, March 31, 2006	<u>\$ (26,395)</u>

Preliminary - Unaudited

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**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**

**Statement of Cash Flows**

**For the Three Months Ended March 31, 2006**

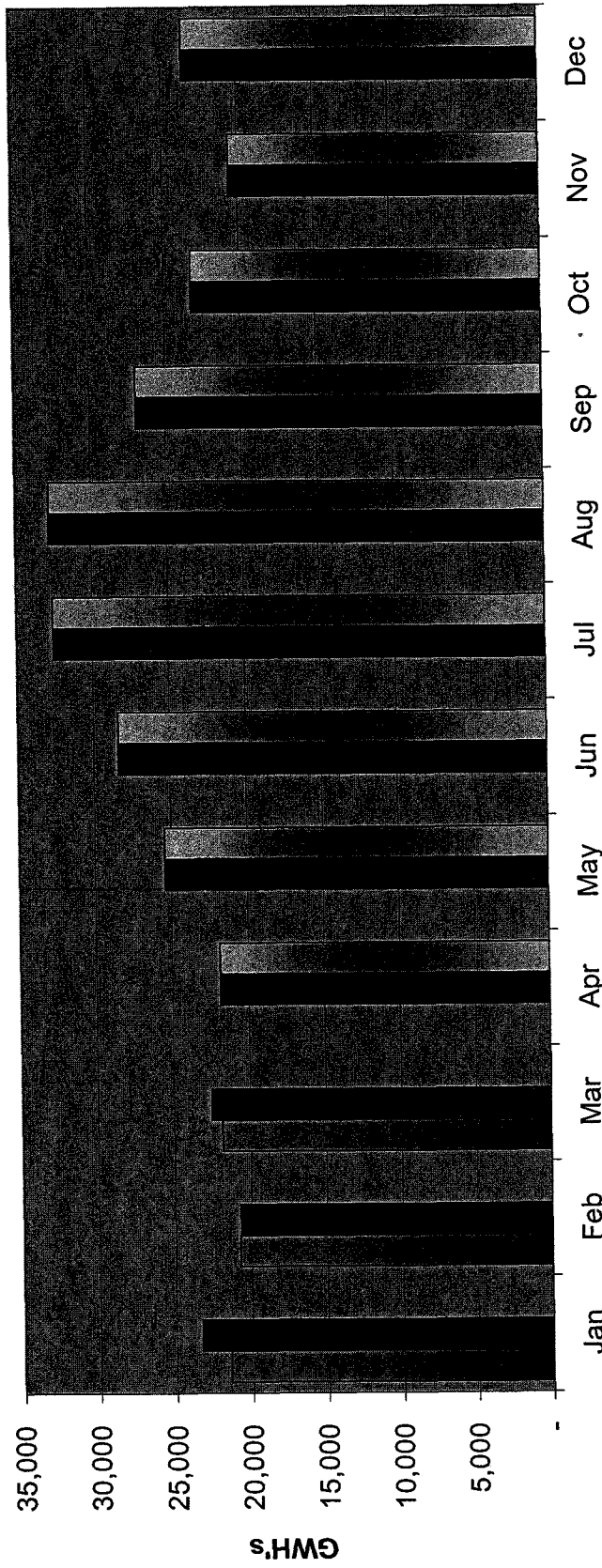
(Dollars in Thousands)

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Cash flows from operating activities	
Change in unrestricted net deficit	\$ (7,442)
Adjustments to reconcile change in unrestricted net deficit to net cash provided by operating activities:	
Depreciation	12,319
Amortization of Loan Cost	47
Net losses on disposition of capital assets	-
Changes in operating assets and liabilities:	
Accounts receivable	1,282
Unbilled revenue	226
Prepaid expenses and other assets	(1,165)
Accounts payable and accrued liabilities	(3,270)
Net cash provided by operating activities	<u>1,997</u>
Cash flows from investing activities:	
Capital expenditures for property and equipment and systems under development	(6,284)
Net cash used in investing activities	<u>(6,284)</u>
Cash flows from financing activities	
Repayment of notes payable	(12,500)
Repayment of long-term notes payable	(42)
Increase (decrease) in deferred rent credits	(13)
Decrease in Debt Issuance Cost	46
Increase (decrease) in restricted cash	16,814
Increase (decrease) in market settlement liabilities	(19,682)
Increase (decrease) security deposits	(16,814)
Net cash provided by (used in) financing activities	<u>(32,191)</u>
Net decrease in cash and cash equivalents	(36,478)
Cash and cash equivalents, beginning of year	85,272
Cash and cash equivalents, March 31, 2006	<u><u>\$ 48,794</u></u>

**ERCOT**

Summary Revenue Variance Analysis  
Fiscal Year 2006 for the Three Months Ended March 31, 2006



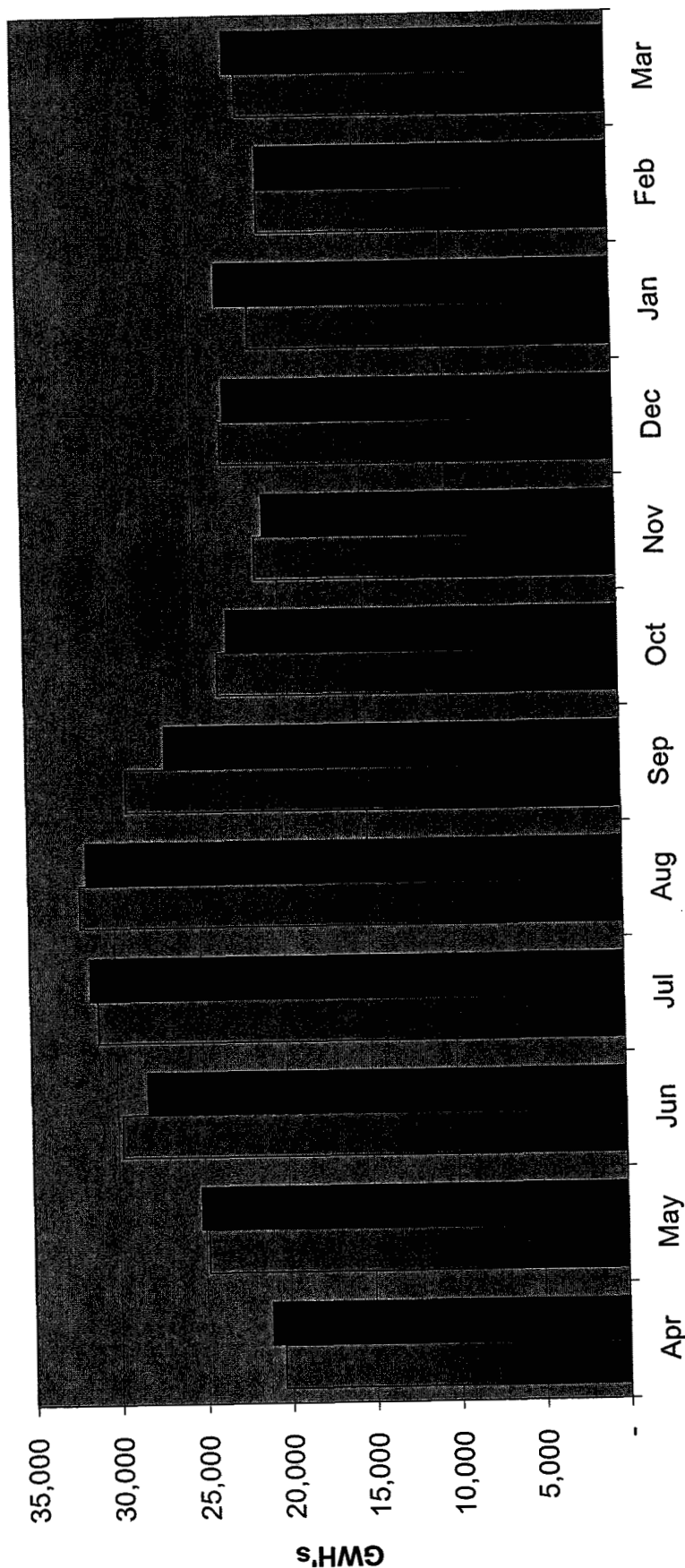
Actual GWH's ■ Budget GWH's ■ Forecast GWH's

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Total
Actual GWH's	21,427	20,743	21,850	21,857	25,416	28,365	32,608	32,805	26,935	23,208	20,576	23,622	64,020
Budget GWH's	23,310	20,700	22,516	21,857	25,416	28,365	32,608	32,805	26,935	23,208	20,576	23,621	301,917
Forecast GWH's	-	-	9,177	-	-	-	-	-	-	-	-	-	235,391
Administration (\$0.42/MWH)	8,999	8,712	9,177	-	-	-	-	-	-	-	-	-	26,888
GWH Variance	(1,883)	43	(666)	-	-	-	-	-	-	-	-	-	(2,506)
Dollar Variance (\$000's)	(791)	18	(280)	-	-	-	-	-	-	-	-	-	(1,053)

Note: GWH volume for the last 8 days of March are estimated.

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**ERCOT**  
**Summary Revenue Variance Analysis**  
**For the Twelve Months Ended March 31, 2006**



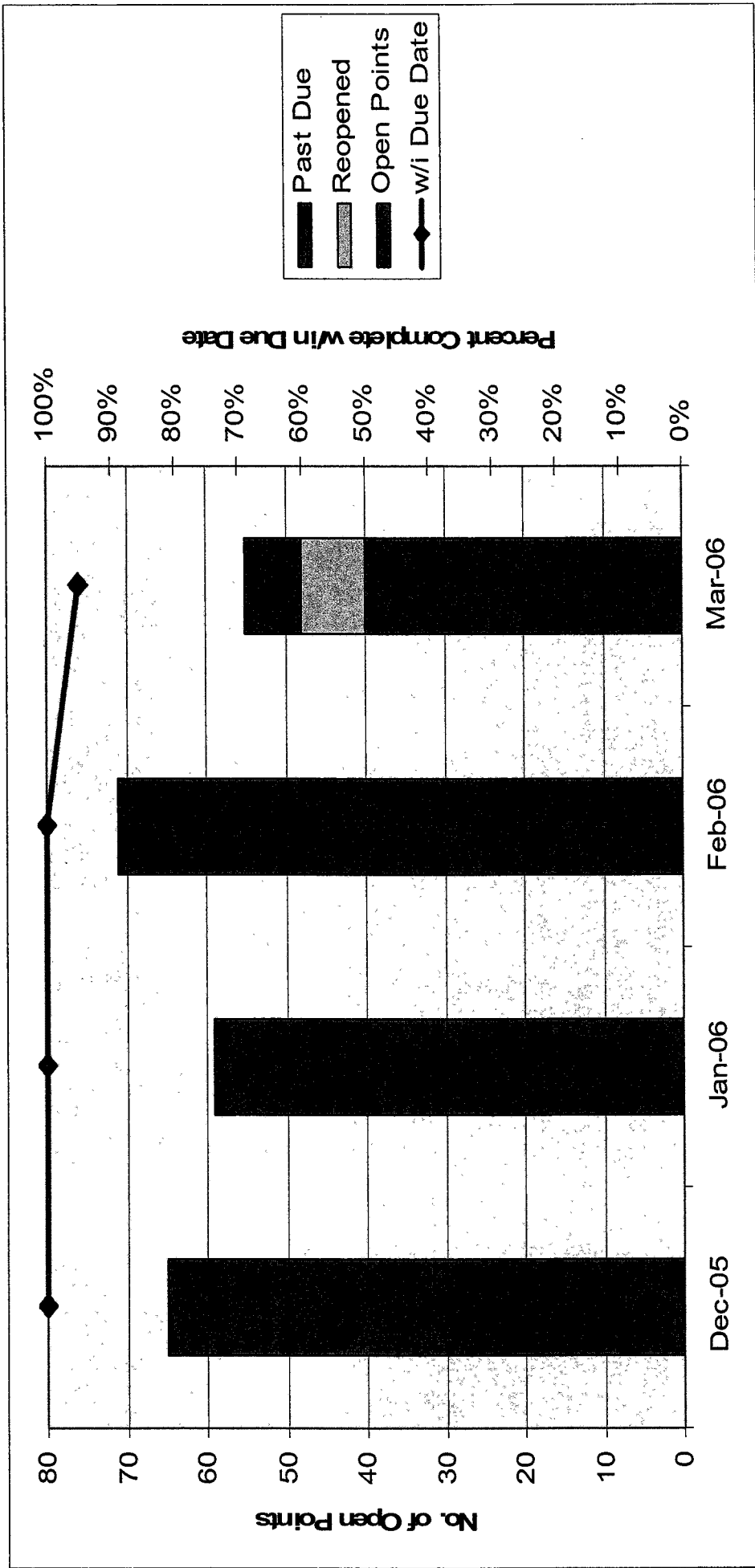
Actual GWH's ■ Budgeted GWH's

	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Total
Actual GWH's	20,413	24,825	29,733	31,028	32,005	29,183	23,674	21,324	23,237	21,427	20,743	21,850	299,442
Budgeted GWH's	21,137	25,212	28,263	31,455	31,571	26,898	23,089	20,818	23,005	23,310	20,700	22,516	297,974
GWH Variance	(724)	(387)	1,470	(427)	434	2,285	585	506	232	(1,883)	43	(666)	1,468
Dollar Variance (\$000's)	(304)	(163)	617	(179)	182	960	246	213	97	(791)	18	(280)	616

Note: GWH volume for the last 8 days of March are estimated.

ERCOT

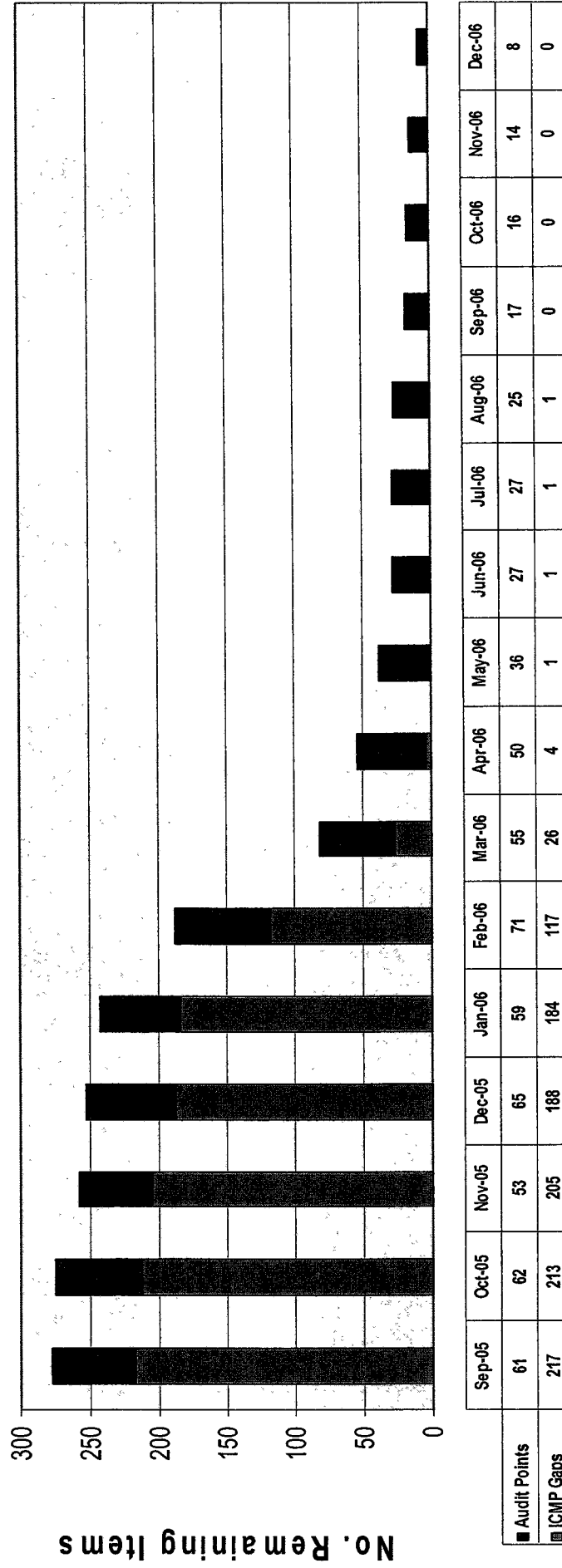
Status of Audit Points  
As of March 31, 2006



5100015



ERCOT  
 Remaining Audit Point and ICMP Gaps  
 As of March 31, 2006



910000

## ERCOT

## 2006 Cost Control Summary

As of March 31, 2006

Expense Category	Relative to the 2006 Budget			Common
	Cost Reduction/Adjustment Target	Targeted Annual Cost Savings - One Year	Targeted Annual Cost Savings - Recurring	
Outside Services	Leadership and management development training	195,000	-	- Consistent with discussions and direction relating to the 2006 fee filing proceeding at the PUCT
Outside services	System operations interns	76,000	-	- Consistent with discussions and direction relating to the 2006 fee filing proceeding at the PUCT
Outside Services	EPRI consulting services - stability load modeling effort	30,000	-	- Consistent with discussions and direction relating to the 2006 fee filing proceeding at the PUCT
Outside Services	Default QSE payments	-	60,000	Annual contract executed at \$120,000 for 2006 rather than \$180,000 as budgeted
Other	Corporate Events	-	45,000	Consistent with discussions and direction relating to the 2006 fee filing proceeding at the PUCT
Outside Services	Independent audit fees	-	40,000	Competitive process relating to independent audit fees leads to bid approximately \$40,000 below the budgeted amount for financial audit, benefit plan audit and IRS form 990 review services.
Total		301,000	145,000	

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000017



TO: Michael Petterson  
Cheryl Yager

FROM: Ed Ettorre x3174  
Internal Audit Manager

CC: Steve Byone  
Tom Schrader  
Finance and Audit Committee

Date: 01/17/2006

SUBJECT: Audit of Cash Receipts, Disbursements and Bank Reconciliation

Attached is a copy of the final audit report from our recent audit of ERCOT's cash receipts, disbursements and bank reconciliation processes. We have concluded that the controls over these processes are functioning as intended and no additional recommendations are necessary at this time.

The report rating for this audit is as follows:

	Controlled
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Additional details on this audit can be found in the attached report.



TO: Jim Brenton

FROM: Geoff Mueller x6529  
IT Security Auditor

CC:	Todd Baxter	Ann Delenela
	Ron Hinsley	David Johnson
	Nancy McIntire	Donald Meek
	Cheryl Moseley	Michael Petterson
	Tom Schrader	Finance and Audit Committee

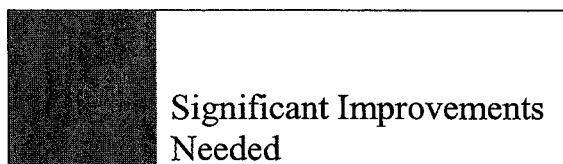
Date: 2/15/2006

SUBJECT: Information Systems Security Department and Cyber Security Audit

Attached is a copy of the final audit report from our recent audit of Cyber Security. We have concluded the controls over the program require significant improvements needed. Specifically, we noted opportunities for improvement within the following areas:

- information and application ownership;
- access control; and,
- maintenance of policies and procedures.

The report rating for this audit is as follows:



Additional details on these and other issues along with management's responses are included in the Opportunities for Improvement section of this report. Management's responses indicated that they have or will be implementing action plans to address these issues.



TO: Michael Petterson

FROM: Brandon McElfresh (x6514) on behalf of Ed Ettorre

CC: Steve Byone  
Tom Schrader  
Robert Symington  
Cheryl Yager  
Finance and Audit Committee

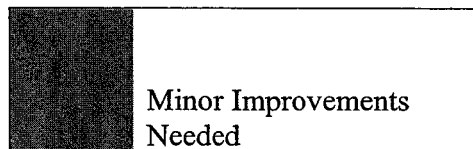
Date: 03/24/2006

SUBJECT: Audit of the General Ledger Adjusting Journal Entries

Attached is a copy of the final audit report from our recent audit of the General Ledger (G/L) Adjusting Journal Entries. We have concluded the controls over the program require minor improvements needed. Specifically, we noted opportunities for improvement within the following areas:

- revisiting dollar thresholds for entries requiring additional management approvals;
- improving the process over the preparation and processing of manual G/L journal entries;  
and
- enhancing the controls over the monitoring of manual and recurring G/L journal entries.

The report rating for this audit is as follows:



Additional details on these issues along with management's responses are included in the Opportunities for Improvement section of this report. Management's responses indicated that they have or will be implementing action plans to address these issues.



TO: Betty Day  
Richard Gruber

FROM: Brandon McElfresh on behalf of Melissa Chagoya  
Internal Auditor


CC: Steve Byone  
Andy Gallo  
Tom Schrader  
Carolyn Shellman  
Finance and Audit Committee

Date: 03/24/2006

SUBJECT: Audit of Market Operations (Settlement Disputes and Alternative Disputes)

Attached is a copy of the final audit report from our recent audit of ERCOT's market operations regarding settlement disputes and alternative dispute resolution processes. We have concluded that the controls over these processes are functioning as intended and no additional recommendations are necessary at this time.

The report rating for this audit is as follows:

	Controlled
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Additional details on this audit can be found in the attached report.



TO: Sam Jones  
Ron Hinsley

FROM: Brandon McElfresh  
Internal Audit, IT Auditor

CC: Jim Brenton Steven Myers  
Melissa Chagoya Diran Obadina  
Ann Delenela Lisa Petoskey  
Carlos Gonzalez-Perez Kent Saathoff  
James Hinson Tom Schrader  
Dave Johnson  
Finance and Audit Committee

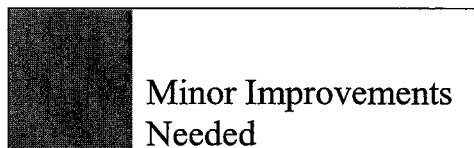
Date: 3/1/2006

SUBJECT: Audit of the Market Operation System

Attached is a copy of the final audit report from our recent audit of the Market Operation System. We have concluded the controls over the Market Operation System (MOS) require minor improvements needed. Specifically, we noted opportunities for improvement within the following areas:

- ensuring that individualized user accounts are used to access the Market Operating Interface (MOI) application; and
- improving auditing capabilities by tracking the last updated date and username for each creation, deletion, and modification to user-entered transactions in MOS.

The report rating for this audit is as follows:



Additional details on these issues along with management's responses are included in the "Opportunities for Improvement" section of this report. Management's responses indicate that they will be implementing action plans to address this issue.

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