

Control Number: 27706



Item Number: 21

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PUCT PROJECT NO. 27706

REPORTS OF THE ELECTRIC RELIABILITY COUNCIL OF TEXAS

2004 MAY 17 AM 9: 07
PUBLIC UTILITY COMMISSION
OF TEXASIC UTILITY COMMISSION
FILING CLERK

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ERCOT'S REPORT FOR THE FIRST QUARTER OF 2004

COMES NOW, the Electric Reliability Council of Texas, Inc. (ERCOT) and files its *Report for the First Quarter of 2004* for the quarter ending March 31, 2004, pursuant to P.U.C. SUBST. R. §25.362(h)(2). Attachments marked with an asterisk (*) contain information which are 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:

Document Description	Required By	Attachment
ERCOT Financial Reports Ending	§25.362(h)(2)(A)	A
March 31, 2004		
Audit Cover Letter: ERCOT's	§25.362(h)(2)(A)	В
Merchandise Sales Function		
Audit: ERCOT's Merchandise Sales	§25.362(h)(2)(A)	B1*
Function		
Audit Cover Letter: Taylor	§25.362(h)(2)(A)	C
Expansion Project		
Audit: Taylor Expansion Project	§25.362(h)(2)(A)	C1*
Review		
Audit Cover Letter: Lawson	§25.362(h)(2)(A)	D
Purchasing and Procurement Pre-		
Implementation Review		
Audit: Lawson Purchasing and	§25.362(h)(2)(A)	D1*
Procurement Pre-Implementation		
Review		
Performance Measures Report for the	§§25.362(h)(2)(B)	Not attached. This document
First Quarter of 2004	and 25.88	has been concurrently filed in
		P.U.C. Docket No. 24462
Status Report on Competitive	§25.311(e)(1)	Not attached. This document
Metering for the First Quarter of 2004		has been concurrently filed in
		P.U.C. Docket No. 28109

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Respectfully Submitted,

Mark A. Walker

Texas Bar No.: 20717318

ERCOT

7620 Metro Center Drive Austin, Texas 78744

Telephone No. (512) 225-7076

Fax No. (512) 225-7079 Email: <u>mwalker@ercot.com</u>

Shari Heino

CORPORATE COUNSEL

Texas Bar No: 90001866 Phone: (512) 225-7073 Fax: (512) 225-7079 <u>sheino@ercot.com</u>

ERCOT

7620 Metro Center Drive

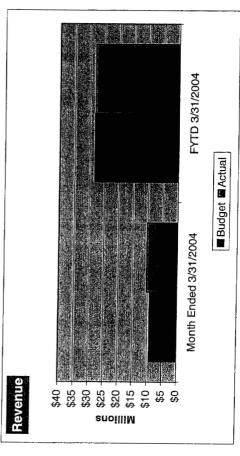
Austin, TX 78744

ERCOT Financial Summary

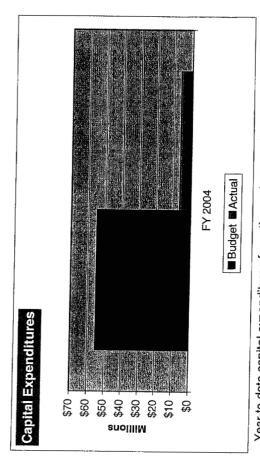
March 31, 2004

ERCOT financial snapshot

March 31, 2004

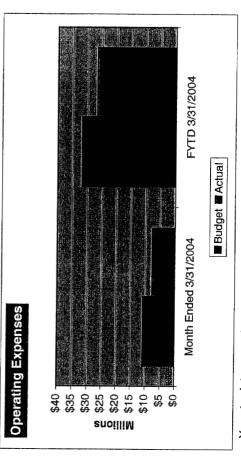


Year-to-date revenue of \$28.2 million is \$0.1 million (0.4 percent) below budget primarily because load on the ERCOT system has been 587,000 MWH (0.9 percent) below budget.

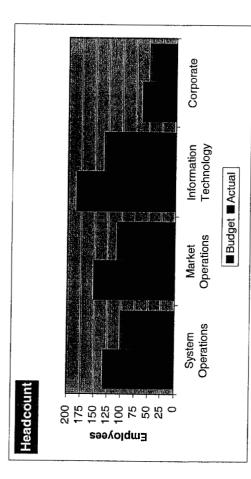


Year-to-date capital expenditures for active projects totaled approximately \$6.4 million, or 12 percent of the \$55 million total capital budget for the year.

See the capital budget-to-actual schedule for more details.

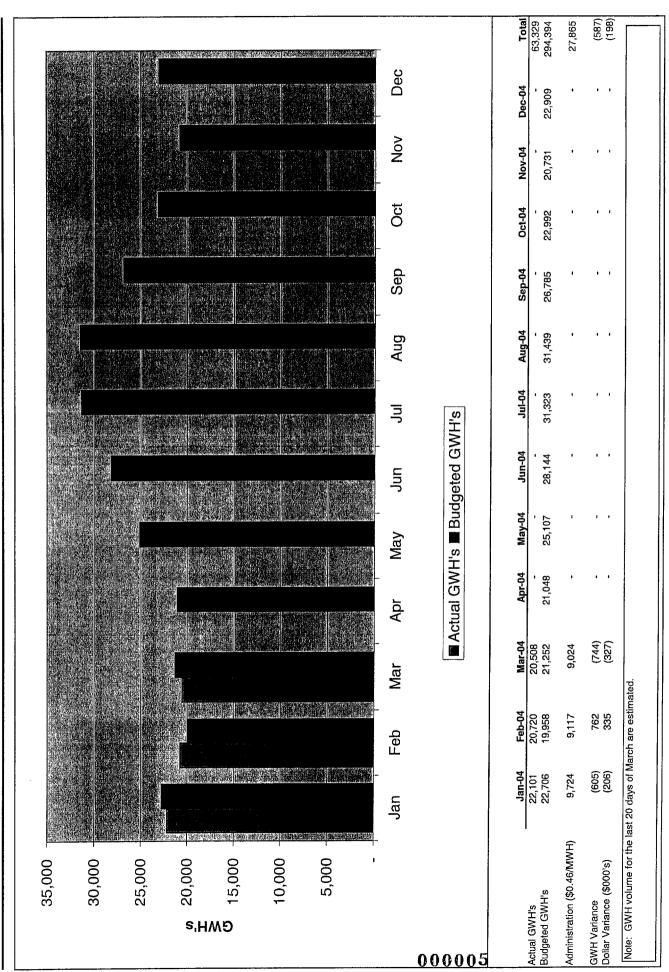


Year-to-date operating and maintenance expenses are \$5.1 million (16.1 percent) below budget primarily due to timing differences in consultant and contractor fees, labor, and software and hardware licensing and maintenance support costs. See the budget-to-actual schedule for more details.



ERCOT had 392 active employees at March 31, 2004 versus the 530 staff level included in the 2004 budget. Vacancies exist in each of the four functional areas of the company. ERCOT has experienced a net increase of 12 staff members during 2004.

Summary Revenue Variance Analysis Fiscal Year 2003 for the Three Month Ended March 31, 2004



Summary Revenue Variance Analysis For the Twelve Months Ended March 31, 2004

ERCOT

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Statement of Operations For the Three Month Ended March 31, 2004

		Fisc	Fiscal Year as of March 31, 2004	arch 31. 2004		Annu	Annual Budget - 2004	04
	Notes	Budget	Actual	\$ Var	% Var	Budget	Actual	% of Budget
				Fav / (Unfav)				
ERCOT Revenue by Type	,			0000	70/	420 522 000	27 864 BOE	91 E%
ERCOT System Administration Fee	(a)	28,063,000	27,864,605	(198,395)	-0.7%	129,555,000	7,004,003	0/ C.1.2/0 /00/ C.C
Non-ERCOT LSE Fees		188,845	168,827	(20,018)	-10.6%	6/5,56/	108,827	62.37
Membership Fees		60,000	62,874	2,874	4.8%	240,000	62,874	26.2%
Other Revenue	(Q)	25,000	132,076	107,076	428.3%	100,000	132,076	132.1%
Total - ERCOT Revenue by Type		28,336,845	28,228,382	(108,463)	-0.4%	130,628,379	28,228,382	21.6%
ERCOT Operating Expenses by Expense Type							;	,
Labor & Benefits	(၁)	12,702,047	11,312,241	1,389,806	10.9%	50,808,186	11,312,241	22.3%
Contra-Labor to Capital Projects	(<u>(</u>)	(1,707,962)	(1,337,967)	(369,995)	21.7%	(6,831,847)	(1,337,967)	19.6%
Tools, Equipment, Materials & Supplies	(р	411,843	379,792	32,051	7.8%	1,647,370	379,792	23.1%
Hardware & Software Expenses	(e)	2,046,811	1,191,565	855,246	41.8%	8,187,242	1,191,565	14.6%
Consultants & Contractors	€	4,352,923	2,281,699	2,071,224	47.6%	17,411,693	2,281,699	13.1%
Utilities, Maintenance & Facilities	(b)	1,242,471	1,047,235	195,236	15.7%	4,969,882	1,047,235	21.1%
Wide Area Network Services (Net)	Ξ	183,729	194,553	(10,824)	-5.9%	734,916	194,553	26.5%
Training, Travel & Other Employee Expenses	€	703,240	302,255	400,985	22.0%	2,812,958	302,255	10.7%
Insurance	6	437,500	378,079	59,421	13.6%	1,750,000	378,079	21.6%
Depreciation & Amortization	į	10,476,740	10,513,718	(36,978)	-0.4%	41,906,960	10,513,718	25.1%
Other	≅	1,042,405	488,254	554,151	53.2%	4,169,619	488,254	11.7%
Total - ERCOT Operating Expenses by Expense Type	l	31,891,745	26,751,424	5,140,321	16.1%	127,566,979	26,751,424	21.0%
Excess (Deficiency) of Revenues over Expenses	ı	(3,554,900)	1,476,958	5,031,858	141.5%	3,061,400	1,476,958	48.2%
Other income (expense)		000	077 07	(1004)	60	000	70.470	10,10
interest income	ŧ		6/4/0/	(126,96)	-43.0%	200,000	(4,000 4)	7 7 7
Interest expense	€	(2,452,291)	(1,898,349)	553,942	22.6%	(9,809,162)	(1,898,349)	19.4%
Change in Unrestricted Assets	1 1	(5,882,191)	(350,912)	5,531,279	94.0%	(6,247,762)	(350,912)	2.6%

Notes addressing variances are on the following page.

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Statement of Operations

For the Three Month Ended March 31, 2004

REVENUE & OPERATING EXPENSE VARIANCE NOTES

- (a) ERCOT system administration fee Unfavorable variance results from load that was 857,000 MWH (0.9 percent) less than expected.
 - Other revenue Variance is primarily the result of generation interconnection studies.
- (c) Labor The 2004 budget assumed 433 ERCOT staff members by the end of the first quarter of 2004; however, ERCOT had only 392 employees on staff at that time. During the three months ending March 31, 2004, ERCOT has had a net increase of 12 staff members.
 - (d) Tools, equipment, materials & supplies The favorable variance relates primarily to timing differences in the acquisition of office supplies.
 - (e) Hardware & software Variance stems from timing differences and negotiated maintenance and support rates below budgted amounts.
- Consultants & contractors Favorable variance primarily reflects lower-than-expected use of consultants and contractors across the organization primarily relating to market redesign efforts, SAS 70 audit preparation, and outside legal counsel.
- (g) Utilities, maintenance & facilities Favorable variance reflects lower-than-budgeted expenses for building maintenance, local telephone, internet services, office rental, and custodial services. The variance is believed to be a timing difference that should reverse as the year progresses.
 - costs of administering the wide-area network system. As of March 31, 2004, the non-reimbursed cost of operating the wide-area network (approximately equal to the (h) Wide area network services - The 2004 budget assumed ERCOT would bear \$735,000 (after reimbursement from market participants using the network) of the fixed costs of operating the network) is \$195,000 - an annualized \$780,000 or \$45,000 over budget.
 - (i) Training, travel and other employee expenses Operational and development project responsibilities have necessitated the deferral of certain non-critical training and development activity during the year.
 - (i) Insurance Favorable variance stems from timing differences.
- (k) Other Favorable variance results from timing differences for payment of NERC dues and relocation benefit payments.
- (I) Interest & fees Favorable variance due to lower than anticipated borrowing levels and timing differences relating to short-term borrowing costs associated with

ERCOT's capital spending program.

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20123 110,000 4,589 5,411 54% 12,000 6,306 5,504 20123 110,000 4,589 5,411 54% 12,000 6,306 5,504 20123 1182,000 10,241 88% 5,510,000 4,596 17,502 30077 3,400,000 747,832 26,21,68 78% 5,030,000 17,513 20,502 30014 7,000 11,57 28,866 38% 5,030,000 17,032 70,703 30014 7,000 11,57 28,866 38% 5,030,000 17,032 70,000 30014 7,000 11,500 12,04 48,83 77% 5,030,00 15,020 10,020 30015 11,500 12,04 48,83 77% 5,030 15,147 5,147 11,147 7,047 18,87 11,147 10,000 11,147 10,000 11,147 10,000 11,147 10,000 11,147 10,000 11,147 10,000 11,147	Canital Project Description	Statue	Droinet #	Rudget	Actual	S Var	% Var	Rudget	Actual	Svar	% var
the third parameter of the control o	Cupitat I tolet pesculption	Crutical	" tooffer "	ndan.		East / Clarford				Fav / (Unfav)	
quent 2012 10.00 4.58 5.41 364 1.500 6.306 3.69 mixturperency quen 2012 10.00 4.58 5.41 364 1.500 6.30 3.509 mixturperency quen 2015 18.500 1.470 17.24 182.00 1.62 1.500 3.45 3.58 3.58 3.58 3.58 3.58 3.58 3.58 3.58 3.58 3.58 3.58 3.58 3.58 3.58 3.58 3.58 3.58 3.58 3.58 3.500 3.45 3.500 3.45 3.58 3.58 3.58 3.58 3.58 3.59 3.52 3.500						rav/(cmav)					;
gen of District Number epa no District Number op no District Number	Direct Load Control	oben	20123	10,000	4,589	5,411	54%	12,000	906'9	5,694	47.5%
open 2012 58,000 74,750 70,241 87% 50,000 34,590 73,992 open 30007 3,400,000 74,175 28,863 38% 5,590,000 18,017 3,700 77,992 open 30007 3,400,000 10,450 77% 77% 70,000 70,700 70,700 open 30016 6,000 15,107 12,240 77% 70,000 13,617 3,828 open 30016 16,000 12,340 87% 20,000 13,617 3,828 open 30040 16,000 12,340 87% 20,000 13,617 3,828 open 30040 15,000 12,249 87% 20,000 13,249 3,420 open 30040 12,000 12,249 87% 20,000 13,249 3,420 open 30040 12,000 12,249 87% 20,000 13,249 3,420 open 30040 12,000	Dashboard	oben	20125	182,000	0	182,000	100%	182,000	0	182,000	100.0%
open 30002 3,40,000 4,132 2,62,108 78% 5,100,000 18,11,87 7,23,11,23 open 30004 7,5000 46,132 2,62,133 88% 1,540,000 15,11,77 78,443 78,700 15,11,77 78,443 78,400 15,11,77 78,443 78,400 15,11,77 78,443 78,400 15,11,77 78,443 78,400 15,11,77 78,443 78,400 15,11,77 78,443 78,400 15,11,77 78,443 78,400 15,11,77 78,41,400 15,11,77 15,11,11,77 18,11	Web Postings for Market Transparency	oben	20126	85,000	14,760	70,241	83%	108,500	34,509	73,992	68.2%
angle and the state of the state o	Move-In / Move-Out (MIMO)	obeu	30002	3,400,000	747,832	2,652,168	78%	5,030,000	1,801,877	3,228,123	64.2%
Program open 30014 7.400 116,770 633.23 86% 7.154,000 15,157 20.84 Program open 3002 15,100 15,107 63.23 778 78.00 15,157 6.28 Program open 3002 15,100 12,157 73.29 77.24 187.79 78.00 15,157 6.28 actions 3002 15,000 12,157 37.24 18% 20.1000 7.204 197.79 dischards PHIII open 3005 15,000 12,729 27.24 18% 2.05800 137.37 23.54 purple open 3005 15,000 12,729 27.24 18% 2.05800 137.35 3.40 untry Remaining open 30075 30,000 12,777 34,023 66% 3.74,100 32.53 3.40 Upgade open 30,125 10,000 2.27 34,023 66% 3.74,100 37.24 3.45	NAESB 1.6 Upgrade	oben	30007	75,000	46,137	28,863	38%	259,000	188,300	70,700	27.3%
open 30016 65,000 1,246 49,833 77% 77,000 7,240 62,833	Load Research Sampling	oben	30014	740,000	106,767	633,233	86%	1,154,000	373,572	780,428	67.6%
open 30005 195,000 7,204 187,796 96% 20,100 7,204 193,796 open 30047 100,000 29,600 122,749 27,231 18% 20,6300 187,560 91,240 open 30051 150,000 122,749 27,231 18% 20,6300 187,560 235,510 open 30058 280,000 15,772 27,231 18% 26,6800 187,560 235,510 open 30075 280,000 15,772 24,232 64% 3,7100 159,470 24,336 open 30075 280,000 15,772 24,223 64% 3,7100 159,400 24,304 17,801 open 30075 13,8200 15,270 24,428 99% 24,400 11,337 24,304 open 30174 100,000 21,201 17,432 99% 24,400 13,403 17,139 open 30175 100,000 21,201 17,402 99% </td <td>Dynamic Ratings Pilot Program</td> <td>oben</td> <td>30016</td> <td>000'59</td> <td>15,167</td> <td>49,833</td> <td>777%</td> <td>78,000</td> <td>15,167</td> <td>62,833</td> <td>80.6%</td>	Dynamic Ratings Pilot Program	oben	30016	000'59	15,167	49,833	777%	78,000	15,167	62,833	80.6%
open 30071 100,000 22651 70.35 70% 800,700 101,240 open 30051 150,000 127,40 71,249 71,249 71,647 215,340 180,250 218,400 87,87 265,340 180,250 218,401 87,70 180,230 21,240 21,240 87,84 26,840 180,403 21,240 21,240 21,240 37,41,000 180,430 21,240 <td>Automate EPS Meter Data Transmittal</td> <td>open</td> <td>30026</td> <td>195,000</td> <td>7,204</td> <td>187,796</td> <td>26%</td> <td>201,000</td> <td>7,204</td> <td>193,796</td> <td>96.4%</td>	Automate EPS Meter Data Transmittal	open	30026	195,000	7,204	187,796	26%	201,000	7,204	193,796	96.4%
φpen 30051 112,740 27,251 18% 2,685,000 1,944,30 715,80 φpen 30053 30,000 437,507 512,403 54% 2,685,000 1,944,30 717,80 φpen 30053 284,000 457,507 512,403 64% 3,4100 350,40 743,80 φpen 30053 30,000 15,772 3,22,73 64% 3,4100 350,40 3,43,40 open 30062 15,700 66,721 36,529 228,40 8% 2,4000 15,430 343,43 343,43 open 30062 15,700 46,248 99% 3,4000 16,347 343,63 343,43 34	EDI Pipeline & Transaction Systems	орел	30047	100,000	29,651	70,350	70%	899,000	807,760	91,240	10.1%
open 30052 95,000 473,507 512,493 54% 2.6500 1304,030 171,697 g open 30068 284,000 55,599 222,278 66% 3,741,000 159,430 43,830 open 30068 35,0000 15,577 22,22,78 66% 3,741,000 15,977 34,023 66% 3,741,000 15,973 34,030 open 30072 750,000 86,522 15,977 34,023 86,500 21,6597 34,030 open 30102 13,182,000 65,721 13,115,279 96% 13,741,000 24,383 34,311 open 30102 10,000 21,12 76,498 99% 15,400 34,311 36,317 open 30112 10,000 21,712 74,277 74% 114,00 220,299 34,136 open 30114 70,000 21,746 71,274 74% 71,440 71,44 open 3014 70,000 <th< td=""><td>Database Management</td><td>ореп</td><td>30051</td><td>150,000</td><td>122,749</td><td>27,251</td><td>18%</td><td>2,053,000</td><td>1,817,850</td><td>235,150</td><td>11.5%</td></th<>	Database Management	ореп	30051	150,000	122,749	27,251	18%	2,053,000	1,817,850	235,150	11.5%
gen 30058 324,000 13,579 228,401 68% 403,000 310,594,20 24,5580 gen open 30061 350,000 15,772 228,401 68% 30,000 30,1599 3,4,204 open 30072 50,000 15,977 34,023 68% 30,000 74,750 15,377 open 30072 13,000 66,721 11,15,279 9% 12,400 74,750 13,13,220 open 3012 100,000 25,723 1,142 78,89 79% 14,000 74,750 13,13,220 open 3012 100,000 25,723 1,427 74,89 79% 14,400 76,47 100,351 open 30142 400,000 25,723 17,79 78 714,00 74,48 78 74,77 open 30142 400,000 25,723 17,427 74,74 77,49 open 30142 400,000 25,227 37,429 74,74	Portal Redevopment (includes PH II)	ореп	30052	950,000	437,507	512,493	54%	2,658,000	1,940,303	717,697	27.0%
g open 30061 350,000 15,77 320,278 64% 3,141,000 130,599 34,404,01 open 30075 350,000 15,977 34,023 64% 3,141,000 16,397 34,401 open 30089 750,000 15,977 34,023 66,592 15,000 16,397 34,204 open 30089 730,000 13,132,000 66,711 11,14,279 99% 13,000 33,432 90,469 open 30112 100,000 21,113 77,88 99% 12,600 33,432 90,469 open 30143 400,000 22,713 14,277 74% 716,000 33,437 466,73 open 30149 700,000 23,247 43,477 74% 716,000 33,433,47 466,73 open 30149 700,000 23,247 43,673 95% 476,000 32,434 476,73 open 30149 700,000 33,347 43,673 <	Seibel 7.0 Upgrade/Replacement	oben	30058	284,000	55,599	228,401	80%	403,000	159,420	243,580	60.4%
open 30075 50,000 15,977 34,023 68% 50,000 16,397 33,603 open 30082 75,0000 86,721 13,115,279 99% 2,046,000 744,735 95,671 open 30099 13,82,000 86,721 13,115,279 99% 13,400,000 74,737 99% 13,400,000 74,737 99% 13,400,000 74,737 99% 13,400 73,433 90,517	Enterprise Physical Security Remaining	oben	30061	350,000	126,722	223,278	64%	3,741,000	320,599	3,420,401	91.4%
open 30082 750,000 80,522 (56,552) -8% 2,564,000 2,103,615 160,385 open 30092 13,182,000 67,72 13,115,279 99% 13,000,000 33,483 90,469 open 30102 30,000 21,103 78,888 99% 13,000,000 33,483 90,469 open 30102 100,000 27,723 74,277 79% 12,000 33,483 90,469 open 30143 100,000 27,724 47,277 74 114,000 32,883 90,469 10,400 10,411,120 90,469 10,400 30,461 90,469 10,400 30,461 90,469 10,400 30,461 11,11,11,120 10,400 30,461 11,11,11,11,11,11,11,11,11,11,11,11,11,	Outage Scheduler	орел	30075	20,000	15,977	34,023	68%	20,000	16,397	33,603	67.2%
open 30099 13,182,000 66,721 13,15,279 99% 13,9000 784,750 13,115,250 open 30102 30,000 21,002 49,488 99% 84,000 33,483 30,517 open 30125 100,000 21,103 44,289 79% 84,000 133,532 90,617 n open 30125 100,000 21,033 11,039 39% 71,400 326,527 90,517 n open 30143 100,000 23,227 44,277 74% 114,000 326,523 90,517 open 30143 100,000 23,227 45,274 37% 49% 80,000 42,025 open 30149 700,000 35,247 46,733 57% 49,800 42,023 77,149 open 30156 400,000 31,571 67,429 57% 35,230 77,249 42,023 open 30174 50,000 31,571 67,429 57%	Commercial Systems Upgrade	oben	30082	750,000	806,952	(56,952)	-8%	2,264,000	2,103,615	160,385	7.1%
open 30102 50,000 512 49,488 99% 84,000 33,483 50,517 open 30125 100,000 21,103 78,98 79% 224,000 133,532 90,469 open 30124 100,000 22,207 311,793 99% 716,000 30,483 77,749 open 30143 100,000 22,207 311,793 99% 716,000 30,837 77,749 open 30143 24,000,000 23,207 311,793 49% 716,000 30,837 77,749 open 30149 790,000 325,247 436,733 45% 51,000 466,729 17,749 open 30151 700,000 313,247 436,733 45% 81,000 17,743 37,271 open 30152 400,000 32,247 436,733 436,730 48,733 37,271 open 30153 400,000 32,247 436,739 436 43,230 43,231 43,	New Taylor Office Complex	oben	30099	_	66,721	13,115,279	%66	13,900,000	784,750	13,115,250	94.4%
open 30125 100,000 21,103 78,898 79% 224,000 133,532 90,469 open 30143 100,000 22,723 71,797 71,49 714% 114,000 26,655 87,375 open 30143 160,000 22,723 71,794 77,600 226,652 87,375 open 30143 160,000 22,723 71,794 776,000 408,673 184,271 open 30149 760,000 40,000 71,746 77,400 46,867,29 184,271 open 30156 40,000 40,000 74,673 55% 35,2300 22,234 67,037 open 30157 40,000 40,000 21,234 66% 66,710 486,723 184,211 open 30154 40,000 21,239 26,400 77,401 69% 46,800 420,531 77,443 open 30154 46,000 9,906 27,429 77,401 78,74 78,74	NICE Playback System	oben	30102	20,000	512	49,488	%66	84,000	33,483	50,517	60.1%
open 30135 100,000 25,723 74,277 74,87 114,000 36,625 87,375 open 30142 400,000 25,207 71,793 93% 716,000 36,625 87,375 open 30148 160,000 127,460 37,400 176,000 4686,729 17,493 open 30148 160,000 177,460 466,733 55% 450,000 4686,729 17,491 open 30149 770,000 40,369 65,371 94% 810,000 18,4271 77,49 open 30151 670,000 11,393 388,607 97% 816,000 418,723 397,277 open 30158 400,000 32,571 67,429 97% 816,000 117,043 25,197 open 30174 45,000 32,571 67,429 67% 360,000 177,043 25,197 open 30181 40,000 32,431 67,429 78,400 175,231 87,520 <	Lodestar Data Loading Improvements	oben	30125	100,000	21,103	78,898	266	224,000	133,532	90,469	40.4%
open 30142 400,000 28,207 371,793 93% 716,000 329,837 386,163 open 30143 165,000 127,460 377,540 23% 498,000 4,0251 77,749 open 30149 7,00,000 353,247 466,733 55% 3,523,000 4,884,271 677,261 open 30149 70,000 353,247 466,733 55% 3,523,000 4,884,271 677,49 open 30151 60,000 40,369 20,631 94% 816,000 116,797 642,203 open 30158 30,000 92,929 207,011 97% 816,000 116,234 95,757 open 30174 450,000 32,571 67,429 67% 238,000 116,234 95,757 open 30181 75,000 32,571 67,429 67% 808,000 117,043 35,799 open 30182 400,000 326,36 38,364 110,000 36,363 <td>Settlement Estimation Transparency</td> <td>oben</td> <td>30135</td> <td>100,000</td> <td>25,723</td> <td>74,277</td> <td>74%</td> <td>114,000</td> <td>26,625</td> <td>87,375</td> <td>76.6%</td>	Settlement Estimation Transparency	oben	30135	100,000	25,723	74,277	74%	114,000	26,625	87,375	76.6%
open 30143 165,000 127,460 37,540 23% 498,000 420,251 77,749 open 30148 2,400,000 365,347 1,699,807 71% 6,571,000 4,686,739 1,884,271 open 30149 7,00,000 40,369 629,631 94% 819,000 7,6734 642,203 open 30156 400,000 41,369 38,607 97% 816,000 718,733 397,273 open 30159 400,000 11,393 38,607 97% 816,000 118,733 397,273 open 30159 100,000 22,229 207,071 69% 536,000 117,433 251,557 open 30150 400,000 30,2493 292,507 49% 643,000 143,648 95,766 open 30181 4,500 30,2493 292,507 36,304 41,369 37,44,31 36,744 413,000 36,304 36,300 37,231 35,764 36,764 36,300	Document Managing Imaging System	uedo	30142	400,000	28,207	371,793	93%	716,000	329,837	386,163	53.9%
open 30148 2,400,000 700,193 1,699,807 71% 6,571,000 4,686,729 1,884,271 open 30149 790,000 353,247 446,753 55% 3,523,000 2,823,347 697,653 open 30158 400,000 11,393 388,677 97% 816,000 415,73 397,277 open 30158 300,000 92,929 207,071 69% 360,00 417,043 251,057 open 30158 300,000 92,929 207,071 69% 360,00 417,043 357,06 open 30174 45,000 996 35,044 78% 808,000 117,043 251,057 open 30174 45,000 30,493 35,044 78% 808,000 117,043 251,057 open 30181 45,000 30,493 35,044 78% 808,000 117,043 35,766 grade open 30181 41,500,000 322,443 37,445,22 3	Portfolio / Project Management System	open	30143	165.000	127.460	37.540	23%	498,000	420,251	77,749	15.6%
open 30149 790,000 353,247 436,753 55% 3,523,000 2,825,347 697,653 open 30151 60,000 40,369 626,61 94% 819,000 117,977 642,203 open 30154 400,000 1,395 207,071 69% 816,000 117,043 251,557 1) open 30158 300,000 92,929 207,071 69% 369,000 117,043 251,557 1) open 30174 45,000 92,926 207,071 69% 369,000 117,043 251,557 1) open 30174 45,000 32,221 674,29 67% 208,000 117,043 251,557 h Out 30174 45,000 32,221 674,29 67% 208,000 117,043 251,750 system Upgrade open 30181 75,000 36,236 38,364 51% 41,000,000 123,41,280 37,64,42 36,300 113,231 38,21,88	EMMS System Release 3.0	oben	30148	2,400,000	700,193	1,699,807	71%	6,571,000	4,686,729	1,884,271	28.7%
open 30151 670,000 40,369 629,631 94% 819,000 176,797 642,203 open 30156 400,000 11,393 388,677 97% 816,000 418,723 37,777 open 30158 400,000 92,929 207,071 69% 36,000 117,043 57,166 sting open 30159 100,000 32,571 67,429 67,429 67,429 67,429 67,429 78% 63,000 117,043 55,766 sting open 30174 45,000 9,996 35,004 78% 63,000 117,043 55,709 sting open 30174 45,000 30,449 32,507 49% 80,000 11,039 38,364 51,6 41,100,000 27,311 35,709 system Upgrade open 30183 4,000,000 235,458 3,764,542 94% 4,100,000 15,413,00 15,231 450,639 orm 30184 4,150,000 71	Data Warehouse	uedo	30149	790,000	353,247	436,753	55%	3,523,000	2,825,347	697,653	19.8%
open 30156 400,000 11,393 388,607 97% 816,000 418,723 397,277 ongestion open 30158 400,000 11,393 388,607 97% 816,000 418,723 397,277 open 30174 45,000 32,939 27,71 67,429 67% 360,00 117,043 251,557 sting open 30174 45,000 302,493 292,507 49% 63,000 367,204 55,706 n Out open 30177 595,000 302,493 292,507 49% 80,000 367,478 56,522 System Upgrade open 30181 75,000 302,493 3,764,542 94% 410,000 12,31 80,679 System Upgrade open 30182 4,150,000 213,224 3,764,422 94% 4,100,000 178,721 3,826,888 System Upgrade open 30184 4,150,000 213,220 3,431,230 440,960 3,431,230 440,960	New HR System	oben	30151	000,029	40,369	629,631	94%	819,000	176,797	642,203	78.4%
open 30158 300,000 92,929 207,071 69% 369,000 117,043 251,957 open 30159 100,000 32,571 67,429 67,429 67,800 142,234 95,766 open 30174 45,000 30,2493 35,004 78% 63,000 142,234 95,766 open 30177 595,000 30,436 38,364 51% 21,291 35,709 open 30182 75,000 36,636 38,364 51% 21,290 36,310 open 30183 4,000,000 235,458 3,764,542 94% 4,100,000 12,311.80 36,522 open 30184 4,150,000 718,720 3,431,280 83% 222,296,000 18,864,191 3,431,809 open 30184 4,150,000 718,720 3,431,280 83% 222,296,000 18,864,191 3,431,809 open 30185 500,000 4,139 200,862 98% 205,000 13,431,809<	QSE/MOS MP Test System	oben	30156	400,000	11,393	388,607	61%	816,000	418,723	397,277	48.7%
open 30159 100,000 32,571 67,429 67% 238,000 142,234 95,766 open 30174 45,000 39,96 35,004 48% 63,000 27,291 35,709 open 30174 55,000 302,493 292,507 49% 808,000 36,310 439,690 open 30181 75,000 129 79,871 100% 93,000 12,321 80,572 open 30182 80,000 235,438 3.764,422 94,000 12,321 80,679 open 30184 4,150,000 718,720 3,431,280 83% 22,296,000 18,864,191 3,431,809 open 30186 500,000 131,255 368,745 74% 883,000 4,139 200,862 open 40020 90,000 4,139 200,862 98% 205,000 4,139 200,800 open 40042 210,000 302,444 3,297,556 92% 200,000 302,444	PRR 397-McCamey Area Congestion	oben	30158	300,000	92,929	207,071	%69	369,000	117,043	251,957	68.3%
open 30174 45,000 9,996 35,004 78% 63,000 27,291 35,709 open 30177 595,000 302,493 292,507 49% 808,000 368,310 439,690 open 30181 75,000 36,565 38,364 51% 213,000 156,478 56,522 open 30182 80,000 129 77,871 100% 93,000 123,21 80,679 open 30183 4,000,000 235,458 3,764,542 94% 4,100,000 133,243 80,679 open 30184 4,150,000 718,720 3,431,280 83% 22,2296,000 18,864,191 3,431,809 open 30186 500,000 131,255 368,745 74% 883,000 4,139 200,862 98% 205,000 4,139 200,862 98% 205,000 4,139 200,862 98% 205,000 4,139 200,800 90,000 90,000 90,000 90,000 90,000 <t< td=""><td>OOMC Payments (PRR-371)</td><td>oben</td><td>30159</td><td>100,000</td><td>32,571</td><td>67,459</td><td>%19</td><td>238,000</td><td>142,234</td><td>95,766</td><td>40.2%</td></t<>	OOMC Payments (PRR-371)	oben	30159	100,000	32,571	67,459	%19	238,000	142,234	95,766	40.2%
open 30177 595,000 302,493 292,507 49% 808,000 368,310 439,690 open 30181 75,000 36,636 38,364 51% 213,000 156,478 56,522 open 30182 80,000 129 79,871 100% 93,000 12,321 80,679 open 30183 4,000,000 235,458 3,764,542 94% 4,100,000 12,321 80,679 open 30184 4,150,000 718,720 3,431,280 83% 22,296,000 18,864,191 3,431,809 open 30186 500,000 131,255 368,745 74% 883,000 4,139 200,862 98% 205,000 4,139 200,862 98% 205,000 4,139 200,862 98% 3600,000 0 90,000 0 90,000 0 90,000 0 90,000 0 90,000 0 90,000 0 90,000 0 90,000 0 90,000 0	MOStoLodestar Re-write testing	open	30174	45,000	966'6	35,004	78%	63,000	27,291	35,709	26.7%
open 30181 75,000 36,636 38,364 51% 213,000 156,478 56,522 open 30182 80,000 129 79,871 100% 93,000 12,321 80,679 open 30183 4,000,000 235,48 3,764,542 94% 4,100,000 12,321 80,679 open 30184 4,150,000 718,720 3,431,280 83% 22,296,000 18,64,191 3,431,809 open 30186 500,000 4,139 200,862 98% 205,000 4,139 200,862 98% 205,000 4,139 200,862 98% 3,600,000 4,139 200,862 98% 3,600,000 4,139 200,862 92% 3,600,000 4,139 200,862 92% 3,600,000 4,139 200,862 92% 3,600,000 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Austin MET 1st Floor Finish Out	uado	30177	295,000	302,493	292,507	49%	808,000	368,310	439,690	54.4%
open 30182 80,000 129 79,871 100% 93,000 12,321 80,679 open 3183 80,000 235,458 3,764,542 94% 4,100,000 273,112 3,826,888 city open 30184 4,150,000 718,720 3,41,280 83% 22,296,000 18,864,191 3,431,809 open 30184 500,000 4,139 200,862 98% 205,000 4,139 200,862 98% 205,000 4,139 200,862 98% 205,000 4,139 200,862 98% 205,000 4,139 200,862 98% 205,000 4,139 200,862 98% 205,000 4,139 200,862 98% 3,600,000 4,139 200,862 99% 90,000 4,139 200,862 92% 3,600,000 90,000 1 90,000 1 90,000 1 90,000 90,000 90,000 90,000 90,000 90,000 90,000 90,000 90,000 90,000 9	Network Systems Management Software	oben	30181	75,000	36,636	38,364	51%	213,000	156,478	56,522	26.5%
open 30183 4,000,000 235,458 3,764,542 94% 4,100,000 273,112 3,826,888 apacity open 30184 4,150,000 718,720 3,431,280 83% 22,296,000 18,864,191 3,431,809 open 30186 500,000 131,255 368,745 74% 883,000 4,139 200,862 open 40020 90,000 0 90,000 100% 90,000 0 90,000 100% 90,000 0 90,000 100% 90,000 0 90,000 100% 90,000 100% 90,000 100% 90,000 100% 90,000 100% 90,000 90,000 100% 90,000 90,000 100% 90,000 90,000 100% 90,000	Employee and Node Access System Upgrade	uədo	30182	80,000	129	79,871	100%	93,000	12,321	80,679	86.8%
apacity open 30184 4,150,000 718,720 3,431,280 83% 22,296,000 18,864,191 3,431,809 open 30186 500,000 131,255 368,745 74% 883,000 432,016 450,984 open 30192 205,000 4,139 200,862 98% 205,000 4,139 200,862 open 40020 90,000 0 90,000 100% 90,000 0 90,000 100% 90,000 100% 100% 100% 302,444 3,297,556 3,600,000 840 210,160 840 210,160 840 210,160 840 210,160 840 210,160 840 210,160 840 210,160 840 210,160 840 210,160 840 212,900 377,851 1,751,149 1,751,149 1,751,149 1,751,149 1,751,149 1,751,149 1,751,149 1,751,149 1,751,149 1,751,149 1,751,149 1,751,149 1,751,149 1,751,149 1,751,149 1,7	EMMS Release 4.0		30183	4,000,000	235,458	3,764,542	94%	4,100,000	273,112	3,826,888	93.3%
open 30186 500,000 131,255 368,745 74% 883,000 432,016 450,984 open 30192 205,000 4,139 200,862 98% 205,000 4,139 200,862 open 40020 90,000 0 90,000 0 90,000 0 open 40042 3,600,000 302,444 3,297,556 92% 3,600,000 302,444 3,297,556 open 40043 2,000,000 377,851 1,622,149 81% 2,129,000 377,851 1,751,149 open 30160 151,111 (151,111) - 0 518,845 (518,845) open 41,593,000 6,309,110 35,283,890 85% 81,655,500 40,020,666 40,629,434	IT Computing Servers and Data Storage Capacity		30184	4,150,000	718,720	3,431,280	83%	22,296,000	18,864,191	3,431,809	15.4%
open 30192 205,000 4,139 206,862 98% 205,000 4,139 200,862 open 40020 90,000 0 90,000 100% 90,000 0 90,000 1 open 40043 3,600,000 302,444 3,297,556 92% 3,600,000 302,444 3,297,556 open 40043 2,000,000 377,851 1,622,149 81% 2,129,000 377,851 1,751,149 open 30160 - 151,111 (151,111) - 0 518,845 (518,845) open 41,593,000 6,309,110 35,283,890 85% 81,655,500 41,026,066 40,629,434	SCR 727 Phase II (Ph II from 30149)	oben	30186	200,000	131,255	368,745	74%	883,000	432,016	450,984	51.1%
open 40020 90,000 0 90,000 100% 90,000 0 90,000 1 open 40042 3,600,000 302,444 3,297,556 92% 3,600,000 302,444 3,297,556 open 40043 210,000 840 209,160 100% 211,000 840 210,160 open 99904 2,000,000 377,851 1,622,149 81% 2,129,000 377,851 1,751,149 open 41,593,000 6,309,110 35,283,890 85% 81,655,500 40,026,666 40,629,434	Ancillary Services & ERCOT Wide Totals	oben	30192	205,000	4,139	200,862	%86	205,000	4,139	200,862	98.0%
open 40042 3,600,000 302,444 3,297,556 92% 3,600,000 302,444 3,297,556 open 40043 210,000 840 209,160 100% 211,000 840 210,160 open 99904 2,000,000 377,851 1,622,149 81% 2,129,000 377,851 1,751,149 open 30160 - 151,111 (151,111) - 0 518,845 (518,845) 41,593,000 6,309,110 35,283,890 85% 81,655,500 41,026,066 40,629,434	HTTP HTTPS for Market Certification	open	40020	000'06	0	90,000	100%	000'06	0	000'06	100.0%
open 40043 210,000 840 209,160 100% 211,000 840 210,160 open 99904 2,000,000 377,851 1,622,149 81% 2,129,000 377,851 1,751,149 open 30160 - 151,111 (151,111) - 0 518,845 (518,845) 41,593,000 6,309,110 35,283,890 85% 81,655,500 41,026,066 40,629,434	Enterprise DataWarehouse Ph II	oben	40042	3,600,000	302,444	3,297,556	92%	3,600,000	302,444	3,297,556	91.6%
open 99904 2,000,000 377,851 1,622,149 81% 2,129,000 377,851 1,751,149 open 30160 - 151,111 (151,111) - 0 518,845 (518,845) 41,593,000 6,309,110 35,283,890 85% 81,655,500 41,026,066 40,629,434	Settlements Reengineering	oben	40043	210,000	840	209,160	100%	211,000	840	210,160	66.6%
open 30160 - 151,111 (151,111) - 0 518,845 (518,845) 41,593,000 6,309,110 35,283,890 85% 81,655,500 41,026,066 40,629,434	2004 Minor Capital Purchases	oben	99904	2,000,000	377,851	1,622,149	81%	2,129,000	377,851	1,751,149	82.3%
41,593,000 $6,309,110$ $35,283,890$ $85%$ $81,655,500$ $41,026,066$ $40,629,434$	Texas Nodal Design - Not Capital Yet	oben	30160	t	151,111	(151,111)		0	518,845	(518,845)	,
	Subtotal			41,593,000	6,309,110	35,283,890	85%	81,655,500	41,026,066	40,629,434	49.8%

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ERCOT Capital Projects - Summary Budget to Actual Comparison For the Third Month Ended March 31, 2004

			Fiscal Year	2004 Budget & Yo	Fiscal Year 2004 Budget & Year-to-Date Expenses	s	Total Approv	ed Budget & Ince	Total Approved Budget & Inception-to-Date Expenses	nses
Capital Project Description	Status	Project #	Budget	Actual	\$ Var	% Var	Budget	Actual	\$ Var	% Var
Lodestar Upgrade/Replace	closed	30083	,	661	(661)	•	44,000	43,447	553	1.3%
TCC Computer Room / Annex HVAC	closed	30172	•	1,422	(1,422)	ŀ	91,000	91,105	(105)	-0.1%
Taylor Blue Building Remodel	closed	30173	75,000	30,416	44,584	26%	259,000	183,928	75,072	29.0%
Taylor Plaza Buildout	closed	30178	1	2,219	(2,219)	r	113,000	112,895	105	0.1%
TCC Data Center Power Distribution Unit Upgrade closed	grade closed	30179	•	5,140	(5,140)	ŧ	115,000	114,899	101	0.1%
2004 Zone CSC Zone	closed	30185	3,000	2,207	793	26%	65,000	61,777	3,223	5.0%
Taylor Plaza Card Shop Buildout	closed	30187	2,000	1,053	947	47%	29,000	26,263	2,737	9.4%
Subtotal			80,000	43,118	36,882	46.1%	716,000	634,314	81,686	11.4%

88.5% 48,647,772 6,352,228 55,000,000 Grand-Total Allocated 2004 Capital Birdgettars. Total 2004 Capital Budget (a)

13,327,000

2004 Capital Funds Available for Allocation (b)

<u>Notes:</u>
(a) Total 2004 Capital budget includes the following items:

40,000,000 13,000,000 2,000,000 55,000,000 Systems projects
Facilities projects
Minor capital purchases
Total

(b) Allocation to projects identified by the market and ranked as priority items on the project priority list.

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Statement of Financial Position

As of March 31, 2004

(Dollars in Thousands)

Asset	S
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Current assets: Cash and cash equivalents Accounts receivable Unbilled revenue Restricted cash Prepaid expenses and other current assets Total current assets	\$ 38,115 4,624 7,244 24,955 (a) 2,502 77,440
Property and equipment, net Systems under development Debt issuance cost Total assets	122,780 40,586 1,417 \$ 242,223
Current liabilities: Accounts payable Accrued liabilities Market settlement liabilities Security deposits Senior notes payable, current portion 2004 revolver, current portion Total current liabilities	\$ 12,179 1,681 44,854 (b) 24,955 (a) 13,637 14,000
Notes payable Unrestricted net assets Total liabilities and unrestricted net assets	136,363 (5,446) \$ 242,223

- (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 and advance QSE settlement receipts.

Preliminary - Unaudited

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Statement of Activities

For the Three Month Ended March 31, 2004

(Dollars in Thousands)

Operating revenues: Transaction fees Membership Fees and other Total operating revenue	\$ 27,8 6 	69
Operating expenses Salaries and related benefits Depreciation and amortization Facility and equipment costs Consulting and legal services Administrative and other Hardware and software maintenance and licensing Total operating expenses	9,9 10,5 1,9 2,2 1,1 1,15	51 80 82 05 92
Income from Operations	1,4	39
Other income (expense) Interest income Interest expense	(1,86	71 61)
Change in unrestricted net assets	(38	51)
Unrestricted net assets, beginning of year	(5,09	95)
Unrestricted assets, March 31, 2004	\$ (5,44	46)

Preliminary - Unaudited

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.

Statement of Cash Flows

For the Three Month Ended March 31, 2004

(Dollars in Thousands)

Cash flows from operating activities: Change in unrestricted net assets Adjustments to reconcile change in unresitricted net assets to net cash	\$ (351)
provided by operating activities: Depreciation Changes in operating assets and liabilities:	10,551
Restricted cash Accounts receivable	21,821 (955)
Unbilled revenue Other assets	(1,017) 744
Accounts payable Accrued liabilities	1,321 2,871
Market settlement liabilities Security deposits	10,049 (21,821)
Net cash provided by operating activities	 23,213
Cash flows from investing activities: Capital expenditures for property and equipment and systems under development Net cash used in investing activities	 (27,175)
Cash flows from financing activities: Proceeds from issuance of short-term notes payable Repayment of short-term notes payable Proceeds from issuance of long-term notes payable Repayment of long-term notes payable Payment of capital lease obligation Debt issuance cost	 14,000 - - - - - 9
Net cash provided by financing activities	 14,009
Net increase in cash and cash equivalents Cash and cash equivalents, beginning of year Cash and cash equivalents, March 31, 2004	\$ 10,047 28,068 38,115



TO: Heather Tindall

FROM: Ed Ettorre x7213

Internal Audit Manager

CC: Maxine Buckles

Cheryl Moseley

Tom Noel

Margaret Pemberton Michael Petterson Dottie Roarke Mark Walker Cheryl Yager

Finance and Audit Committee

Shannon Baerwald (PricewaterhouseCoopers, LLP)

Date: 3/2/2004

SUBJECT: Audit of ERCOT's Merchandise Sales Function

Attached is a copy of the final audit report from our recent audit of ERCOT's Merchandise Sales Function. We have concluded that significant improvements are necessary as there were several controls that were found to be either non-existent or ineffective during our review from a typical merchandising function. The report rating for this audit is as follows.



Significant Improvements Needed

Management's responses indicated that they have already addressed several of the issues included in this report and that they would be implementing additional actions to resolve these remaining issues during this year. Once implemented, those actions should satisfactorily address the remaining issues identified in the report.

Finally, while we have concluded that significant improvements are needed in this area, the overall financial risks and exposures presented by this function is immaterial to ERCOT's overall operation as described in the first opportunity for improvement included this report.



TO:

Steve Grendel

FROM:

Ed Ettorre x7213

Internal Audit Manager

CC:

Maxine Buckles Charles Diaz

Cheryl Moseley

Tom Noel

Margaret Pemberton Michael Petterson Ken Shoquist

Finance and Audit Committee

Shannon Baerwald (PricewaterhouseCoopers, LLP)

Date:

2/23/2004

SUBJECT:

Taylor Expansion Project Review

Attached is a copy of the final audit report from our review of the Taylor Expansion Project. We have concluded that controls over controls over the Taylor Expansion Project appear reasonable; however, we did note a number of minor documentation issues related to this project which had not been finalized to date. The report rating for this audit is as follows.



Minor Improvements

Needed

Management's responses indicated that they will be addressing the issues included in this report. Therefore, we are not making any formal recommendations at this point in time but will be auditing the project as it moves forward.



TO: Cheryl Yager

FROM: Ed Ettorre x7213

Internal Audit Manager

CC: Maxine Buckles

Robert Connell Jim Dubensky Kevin Judice Cheryl Moseley Tom Noel

Michael Petterson Ken Shoquist

Finance and Audit Committee

Shannon Baerwald (PricewaterhouseCoopers, LLP)

Date: 1/22/2004

SUBJECT: Lawson Purchasing and Procurement Pre-Implementation Review

Attached is a copy of the final audit report from our pre-implementation review of Lawson's Purchasing and Procurement System. We have concluded that controls over Lawson's Purchasing and Procurement System are adequate; however, some minor improvements are necessary to ensure its continued and successful use throughout the rest of the Company. The report rating for this audit is as follows.



Minor Improvements Needed

Management's responses indicated that they have already addressed many of the issues included in this report and that they would be implementing additional actions to resolve these remaining issues prior to the end of the first quarter of 2004. Once implemented, those actions should satisfactorily address the remaining issues identified in the report.