

**PROJECT NO. 30626**

**DEVELOPMENT OF THE FILING § PUBLIC UTILITY COMMISSION  
PACKAGE FOR FEES AND RATES OF §  
INDEPENDENT ORGANIZATIONS § OF TEXAS**

**REVISED FEE-FILING PACKAGE**

**PUBLIC UTILITY COMMISSION OF TEXAS**

**FILING REQUIREMENTS  
FOR FEES AND RATES OF ERCOT  
PURSUANT TO SUBSTANTIVE RULE 25.363(b)  
*ERCOT Fee Filing Package***

**March 31, 2005**

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## ACRONYMS

ERCOT	Electric Reliability Council of Texas
ERCOT-FFP	Electric Reliability Council of Texas Fee-Filing Package
ESI-ID	Electric Service Identifier
FERC	Federal Energy Regulatory Commission
Non-ERCOT LSE Fee Commission	Non-ERCOT Load Serving Entity Fee Public Utility Commission of Texas
PURA	Public Utility Regulatory Act

## GENERAL INSTRUCTIONS

The following instructions are applicable to all schedules required in the ERCOT Fee-Filing Package (ERCOT-FFP), unless otherwise noted.

1. **Chart of Accounts.** Unless otherwise indicated, the information required in this filing will be taken from the approved standard chart of accounts, which is shown in Attachment A of this fee-filing package. If ERCOT changes the classification of any expenses or revenues between filings, ERCOT shall file a reconciliation/disposition schedule detailing how funds would have been classified in the previous filing and providing a complete explanation of the change.
2. **Definitions.** For the filing of the ERCOT-FFP, the following terms have the following meaning:
  - a. **Historical Test Year** -- A historic twelve-month period representing either (1) the latest twelve-month period, (2) the latest calendar year or (3) the latest fiscal year for which actual data are available at the time of filing the fee-filing package.
  - b. **Future Test Year** -- Any consecutive twelve-month period ending no later than 24 months after the date of filing the fee-filing package.
3. **Test Year.** ERCOT shall use a Historical Test Year for determining its reasonable costs, except that ERCOT may use a Future Test Year if ERCOT demonstrates that the scope of its activities and functions has been expanded by the Commission or the market participants, resulting in higher future costs. The projected revenue requirements for the Future Test Year shall be based on forecasted costs approved by ERCOT's governing body as part of an annual budget or revised annual budget.
4. **Additional Requirements/Filings if ERCOT uses a Future Test Year:** If ERCOT uses a Future Test Year, the forecasted costs shall have been approved by ERCOT's governing body as part of an annual budget. ERCOT shall file the following additional data if it chooses to use a Future Test Year:
  - a. A comparison of forecast period data to historical period data to demonstrate the reliability and accuracy of ERCOT's forecast including a comparison of prior years' forecast or budgeted data to actual data for those periods. The historical period data must be sufficiently detailed to permit it to be treated as a Historical Test Year.
  - b. Documentation showing that the forecasted costs were approved by ERCOT's governing body as part of an annual budget or revised annual budget.
  - c. A statement by ERCOT's Chief Financial Officer that the forecast is reasonable, reliable and was made in good faith.
  - d. Sufficient documentation to allow the Commission staff to test the appropriateness of the forecast data.

5. **Adjustments.** Adjustments to Test Year balances shall be made for the removal of items not allowed to be included in ERCOT's cost of service by the Commission rule. Additionally, adjustments shall be made to the Test Year to remove nonrecurring costs and normalize extraordinary expenditures. Workpapers detailing and explaining the adjustments shall be provided with the fee-filing package.
6. **Billing Determinants:** ERCOT shall use the following billing determinants for the respective fees:
  - a. ERCOT System Administration Fee - The billing determinant is the metered amount of energy consumption within ERCOT during the Historical Test Year expressed in terms of megawatt hours. If ERCOT uses a Future Test Year, the billing determinant shall be the forecasted amount of energy consumption for ERCOT for the Future Test Year.
  - b. Non-ERCOT Load Serving Entity Fee – The billing determinant is the total number of ESI IDs registered in the statewide registration system.
7. **Fees Other than Non-ERCOT Load Serving Entity Fee and ERCOT System Administration Fee:** These fees include the Mismatched Schedule Processing Fee, the Market Participant Application Fee, the Map Sales Fee, the Voluminous Copy Fee, and the Wide-Area Network Fee. If ERCOT desires to change any of these fees or to add similar fees for specific services, ERCOT shall set the fee to recover the costs of providing the specific services addressed by the fee. Justification for the fees and the expected costs shall be provided.
8. **Non-ERCOT Load Serving Entity Fee:** If ERCOT desires to change the Non-ERCOT LSE Fee, ERCOT shall set the Non-ERCOT LSE Fee to recover a share of ERCOT's total registration costs as determined based on the total number of ESI IDs in the registration system.
9. **ERCOT Total Revenue Requirement:** ERCOT's Total Revenue Requirement (for either a Historical or Future Test Year) shall be summarized on Schedule 1 of the fee-filing package. The Total Revenue Requirement shall be comprised of the following: (1) operating and maintenance expenses, (2) debt service (including both principle payments and interest expense), and (3) revenue funded capital expenditures. Schedule 1 shall also indicate the expected change in annual revenue compared to the last test year, expressed as an annual dollar increase or decrease to adjusted test year revenues and as a percentage change to adjusted test year revenues.
10. **ERCOT System Administration Fee:** ERCOT shall set the ERCOT System Administration Fee to recover that part of its Total Revenue Requirement not recovered by ERCOT's other fees.
11. **Five Year Forecast:** ERCOT shall file a schedule showing budgeted sources and uses of funds for a six-year period beginning with the year in which the fee-filing package is filed and the next five fiscal years.
12. **Testimony:** ERCOT shall provide direct testimony that adopts and/or sponsors the required schedules and workpapers. The testimony shall be in sufficient scope and detail to meet

ERCOT's burden of proof to justify the proposed rate change. The testimony shall indicate ERCOT's proposed effective date for the new fees and charges and, if an interim rate is requested, the testimony shall also include any additional information required by the Commission's Substantive Rules.

13. **Schedules:** ERCOT shall file the schedules listed in Attachment B. Schedules that are not applicable shall be so designated and include an explanation of why they are not applicable. A sample set of schedules is attached to these instructions.
14. **Proposed Notice:** ERCOT shall file a proposed notice of its application, containing all of the information required by the Commission's rules.
15. **Workpapers:** As part of the ERCOT-FFP, ERCOT must also file with the Commission corresponding complete sets of workpapers used in the preparation of schedules, and supporting cost management and control issues. A sample set of workpapers is attached to these instructions. The filing of workpapers shall be subject to the provisions of General Instruction No. 18 dealing with voluminous workpapers. ERCOT shall also file as part of the ERCOT-FFP copies of its entire direct case, including all testimony and exhibits. In addition, one complete set of the same ERCOT-FFP, testimony, exhibits and workpapers shall be delivered to the Office of Public Counsel on the date of filing. Upon request by any person moving to intervene (which request may be made prior to any anticipated rate filing), on the date of filing ERCOT will furnish to such person one complete set of the same ERCOT-FFP, testimony, exhibits and workpapers filed with the Commission.
  - a. Workpaper content: All assumptions, calculations, sources, and data supporting revenues and expenses shall be included in sufficient detail in the workpaper supporting each schedule to allow independent replication of the calculations contained in the application. In addition, specific numbers which "tie" between the schedule and the workpaper must be referenced on both the workpaper and the schedule.
  - b. Workpaper format: Definitions of all terms shall be consistent throughout the filing. Electronic files shall contain all cell formulas, calculations, and formats used in their creation.
  - c. Workpaper location: All workpapers not considered voluminous (See General Instruction No. 18, below) shall be organized and appear in the same order as the schedules they support.
16. **Electronic Files:** To the maximum extent possible, the fee-filing package, testimony and schedules also shall be provided to all participants on diskette or CD-ROM format on the date of filing. Any numerical data provided electronically shall be in Microsoft Excel on MS-DOS formatted computer diskette or CD-ROM.
17. **Confidentiality:** If ERCOT claims that requested information is confidential, a statement to that effect shall be included in the filing package in the schedule where the information is requested. All information requested in the schedule for which ERCOT does not claim confidentiality shall be included in the fee-filing package schedule. ERCOT shall include as part of the ERCOT-FFP a signed statement by its attorney that presents, for each schedule for which ERCOT claims that the requested information is confidential, the claimed reasons that

the information should be treated as confidential and that states that the attorney has reviewed the information sufficiently to state in good faith that the information is confidential.

18. **Voluminous Material:** For any individual schedule or supporting workpaper that consists of 100 or more pages and is not available electronically, the company may designate such information as voluminous. All voluminous material shall be made available in a designated location in Austin on the date of filing. If the volume of the data meet the threshold for the “freight car doctrine” [eight (8) linear feet of document], the requested material shall be made available at its normal repository on the date of filing. ERCOT shall provide a schedule detailing all normal repositories and cross-reference all ERCOT-FFP schedules to the information contained in those repositories. For the purpose of General Instruction No. 18, each subpart of each section is a separate schedule (e.g., Schedule A-1, B-1, C-1, etc., are all separate schedules). ERCOT shall deliver a hard copy of all voluminous materials not subject to the “freight car doctrine” to both the Public Utility Commission Legal Division and the Office of Public Utility Counsel on the day of filing the ERCOT-FFP.

19. **Fee Schedule:** ERCOT shall provide a revised Fee Schedule listing all of its fees and charges including those for which ERCOT is not seeking a change. The Fee Schedule shall also indicate each of the current fees and charges and the percentage change in each individual fee or charge compared to the current fee or charge.

20. **ERCOT Policies:** ERCOT shall provide its policy statements for the following actions:

- a. Acquisition of real property
- b. Sale of ERCOT assets
- c. Purchases of goods or services
- d. Financing arrangements
- e. Operating and business goals and objectives
- f. Cost control management

In addition, ERCOT shall provide a description of what process(es) ERCOT has undertaken to examine the current cost structure and organization.

21. **Audited Financial Statements:** ERCOT shall provide audited financial statements for the Historical Test Year and any subsequent financial statements including the most recently available time period.

22. **Financial and Accounting Internal Controls:** ERCOT shall provide a report on the financial and accounting internal controls prepared by its independent auditor. The report shall consider audit risk and its components and how ERCOT is addressing risk; examine the internal controls in place for the revenue cycle, expenditure cycle, and finance and investment cycle;

evaluate the internal control activities and be based on any agreed upon procedures determined by Commission Staff and OPC. The report shall not be required for any fee filing made before November 1, 2005. After that date, this report shall be required in a future fee filing request unless (1) the most recent report was completed and submitted less than three years prior to the date the request is filed; or (2) in the most recent ERCOT fee filing, the Commission found ERCOT's internal controls sound and satisfactory.

**23. Non-Financial Audit Reports:** ERCOT shall provide all reports resulting from each non-financial audit conducted by an independent auditor since the last fee filing application, if not previously provided to the Commission before filing the fee change request.

**24. Internal Audit Reports:** ERCOT shall provide all reports resulting from each audit conducted by an internal auditor since the last fee filing application, if not previously provided to the Commission before filing the fee change request. ERCOT shall make available the auditor's workpapers upon request, subject to a protective order, if applicable.

**25. Performance Measures:** ERCOT shall be required to report on the following performance metrics:

- Reliability and Congestion Management
- Retail Transaction Processing Success
- Wholesale Access, Settlement & Billing
- Management Systems and Business Practices
- Financial Management and Cost Effectiveness
- External Affairs
- Organizational Readiness

## **ATTACHMENT A – STANDARD CHART OF ACCOUNTS**

### **Assets**

#### **Current Assets:**

- Cash and cash equivalents
- QSE cash security deposits and congestion fund
- Accounts receivable
- Unbilled revenue

#### **Fixed Assets:**

- Systems under development
- Property and equipment, net, and systems under development
- Software and hardware systems, net
- Leasehold improvements, net
- Furniture, fixtures and equipment, net
- Building, net
- Land
- Capital lease, net

#### **Other Assets:**

- Other assets, net

### **Liabilities and Unrestricted Net Assets**

#### **Liabilities:**

- Accounts payable and accrued expenses
- Capital lease and other obligations
- Notes payable

#### **Unrestricted net assets:**

- Unrestricted net assets

### **Operating Revenues**

- ERCOT System Administration Fee
- Non-ERCOT Load Serving Entity Fee
- Wide area network revenue
- Membership dues
- Other fee revenue

### **Operating Expenses**

- Labor and benefits
- Labor for capital projects
- Material, supplies, tools and equipment
- Outside services
- Utilities, maintenance and facilities

Hardware/Software license and maintenance  
Insurance  
Employee expenses  
Depreciation and amortization  
Interest and fees  
Other expenses

**EBITDA**

**Other Income**

Interest income  
Interest expense

## **ATTACHMENT B – LIST OF REQUIRED SCHEDULES**

### **HISTORICAL TEST YEAR**

#### **Schedule 1: Revenue Requirement and ERCOT System Administration Fee Summary**

This schedule shall summarize ERCOT's Total Revenue Requirement for the Historical Test Year and the calculation of the ERCOT System Administration Fee based on Historical Test Year data. The schedule shall include a column for adjustments for known and measurable changes to the test year. The schedule shall also contain the Total Revenue Requirement and the ERCOT System Administration Fee for the last historic period and projections for the next five fiscal years. The schedule shall also show the percentage share of revenues for each of ERCOT's fees.

#### **Schedule 2: Summary of Estimated Income Sources**

This schedule shall summarize ERCOT's revenues generated by ERCOT's fees during the Historical Test Year.

#### **Schedule 3: Sources and Uses of Funds Summary**

This schedule shall summarize ERCOT's sources and uses of funds for a six-year period beginning with the last historic year and projections for the next five fiscal years. This schedule shall provide the debt service requirement for each debt issue outstanding, as well as relevant excerpts of the bond and debt covenants supporting the debt service utilized. In addition, this schedule shall provide details itemizing ERCOT's existing and proposed debt by issuance, including at least the following information (projected, where necessary): issuance amount, interest rate, source/lender, terms and restrictions.

#### **Schedule 4: Divisional Expenses by Expense Type**

This schedule shall provide details of ERCOT's divisional expenses by expense type for the Historical Test Year.

#### **Schedule 5: Divisional Expenses by Department**

This schedule shall provide details of ERCOT's divisional expenses by department for the Historical Test Year.

#### **Schedule 6: Summary of Divisional Expenses by Expense Type**

This schedule shall provide a summary of ERCOT's divisional expenses by expense type for the Historical Test Year.

#### **Schedule 7: Prior Year Operating Activity Budget to Actual Comparison**

This schedule shall provide a comparison of ERCOT's operating activity budget to actual for the Historical Test Year.

#### **Schedule 8: Capital Project Spending**

This schedule shall provide full details on capital project spending during the most recent twelve month period prior to the date of filing that distinguishes between short-term (less than one year) and long-term capital projects and between one-time and recurring projects. Also, ERCOT shall

provide a list of budgeted capital projects, including descriptions, purpose statements, individual cost benefit analyses and prioritization criteria, as well as written justification for any projects that are combined, delayed, or abandoned. For each project included in the previous year's and the current test year's budget, the schedule shall provide the expenditures for the project that have been made as of the date of the filing of the current application, the projected completion date and completion cost of each project, and a detailed explanation for any variation in the cost or scope of each project. ERCOT shall also provide the current Project Priority List as approved by ERCOT's Technical Advisory Committee along with the cost-benefit analysis and prioritization criteria for each project on the list. Finally, any information that affects the issuance of debt or ERCOT's capitalization as a result of changes in capital projects shall be provided.

#### **Schedule 9: Capital Project Budget to Actual Comparison**

This schedule shall provide a comparison of capital project budgeted expenditures to actual expenditures for the current fiscal year to date.

#### **Schedule 10: Pro Forma Statements of Financial Position**

This schedule shall show ERCOT's financial position for the Historical Test Year and projected financial position for the next five fiscal years.

#### **Schedule 11: Pro Forma Statements of Activities**

This schedule shall show ERCOT's activities (revenues and expenses) for the Historical Test Year and projected activities for the next five fiscal years.

#### **Schedule 12: Pro Forma Statement of Cash Flows**

This schedule shall show ERCOT's cash flows for Historical Test Year and projected cash flows for the next five fiscal years.

#### **Schedule 13: Financial Analysis**

This schedule shall show the following financial ratios and the component data used to calculate these ratios: Funds from operations/average total debt, Funds from operations/interest payments, Net cash flow/capital expenditures, Total debt/total capital. To the extent any ratio inputs are not provided by ERCOT's financial statements, this schedule shall provide the data sources and any associated calculations. In addition, this schedule shall provide all external financial analyses, for example, those from credit rating agencies such as Standard and Poor's, that ERCOT is aware of, since the last fee filing.

#### **Schedule 14: Workforce Requirements**

This schedule shall provide a detailed study performed by a third party consultant that analyzes ERCOT's workforce requirements, including an analysis identifying essential and non-essential functions, and identifying which functions are appropriately performed by contract labor rather than ERCOT employees. In addition to the study, this schedule shall include ERCOT's response to the study, including ERCOT's plans to achieve the study's recommendations. This schedule shall also provide an analysis of the incremental savings that ERCOT could achieve by replacing

existing contract labor with ERCOT employees and the cost savings ERCOT could achieve through automation of manual processes. ERCOT shall also explain how it plans to achieve the savings identified in these analyses. Finally, this schedule shall provide an assessment of ERCOT's compensation levels, measured against comparable employers, to determine reasonableness. Subsequent to a Commission approved fee filing request in which these analyses are provided, this schedule will not be required in a future fee filing request unless (1) the most recent analysis was completed more than three years prior to the date the request is filed; (2) ERCOT's number of employees or its workforce expenses have changed by more than ten percent from the amount contained in a prior fee change request in which this schedule was provided; or (3) in the most recent ERCOT fee filing proceeding, the Commission found ERCOT's compensation levels unreasonable.

#### **Schedule 15: Staffing Activities**

This schedule shall provide detailed information about ERCOT's employee activities based upon time-keeping data and the staffing levels for the historical test year and shall show the difference in budgeted staffing costs and expenses and the costs and expenses actually incurred for the historical test year. ERCOT shall make available work papers supporting its staffing levels in sufficient detail (e.g. timesheet data) to allow the Commission to determine the reasonableness of the level of staffing.

#### **Schedule 16: Consultant Activities**

This schedule shall provide detailed information on ERCOT's consultant requirements for the historic year that includes the difference in budgeted consultant requirements and those actually incurred. ERCOT shall provide work papers that detail its consultant requirements (e.g. types of workload, time sheet data, rationale, etc.) to allow the Commission to determine the reasonableness of the use of outside consultants to perform those functions.

## FUTURE TEST YEAR

### **Schedule 1: Revenue Requirement and ERCOT System Administration Fee Summary**

This schedule shall summarize ERCOT's projected Total Revenue Requirement for the Future Test Year and the calculation of the ERCOT System Administration Fee based on Future Test Year data. The schedule shall also contain the Total Revenue Requirement and the ERCOT System Administration Fee for the last historic period and projections for the next five fiscal years. The schedule shall also show the percentage share of revenues for each of ERCOT's fees.

### **Schedule 2: Summary of Estimated Income Sources**

This schedule shall summarize ERCOT's estimation of the revenues to be generated by ERCOT's fees for the Future Test Year.

### **Schedule 3: Sources and Uses of Funds Summary**

This schedule shall summarize ERCOT's sources and uses of funds for a six-year period beginning with the last historic year and projections for the next five fiscal years. This schedule shall provide the debt service requirement for each debt issue projected to be outstanding.

### **Schedule 4: Divisional Expenses by Expense Type – FY versus FY**

This schedule shall detail ERCOT's expenses by division and shall show the difference in budgeted expenses by expense item for the previous fiscal year and the Future Test Year.

### **Schedule 5: Divisional Expense by Department – FY versus FY**

This schedule shall detail ERCOT's expenses by department (subdivision) and shall show the difference in budgeted expenses by department for the previous fiscal year and the Future Test Year.

### **Schedule 6: Summary of Divisional Expenses by Expense Type**

This schedule shall provide a summary of ERCOT's divisional expenses by expense type for the Future Test Year.

### **Schedule 7: Operating Activity Budget to Actual Comparison**

This schedule shall compare ERCOT's budgeted and actual revenues and expenses for the current fiscal year. The schedule shall compare actual revenues and expenses to date to budgeted revenues and expenses to date and compares forecast actual revenues and expenses for the current fiscal year to the budgeted revenues and expenses for the current fiscal year. The schedule also shall list actual dollar and percentage variances for each revenue and expense item.

### **Schedule 8: Capital Project Spending**

This schedule shall provide full details on capital project spending during the most recent twelve month period prior to the date of the filing that distinguishes between short-term (less than one year) and long-term capital projects and between one-time and recurring projects. Also, ERCOT shall provide a list of budgeted capital projects, including descriptions, purpose statements, individual cost benefit analyses and prioritization criteria, as well as written justification for any projects that are combined, delayed, or abandoned. For each project included in the previous

year's and the current test year's budget, the schedule shall provide the expenditures for the project that have been made as of the date of the filing of the current application, the projected completion date and completion cost of each project, and a detailed explanation for any variation in the cost or scope of each project. ERCOT shall also provide the current Project Priority List as approved by ERCOT's Technical Advisory Committee along with the cost-benefit analysis and prioritization criteria for each project on the list. Finally, any information that affects the issuance of debt or ERCOT's capitalization as a result of changes in capital projects shall be provided.

#### **Schedule 9: Capital Project Budget to Actual Comparison**

This schedule shall provide a comparison of capital project budgeted expenditures to actual expenditures for the current fiscal year to date.

#### **Schedule 10: Pro Forma Statements of Financial Position**

This schedule shall show ERCOT's projected financial position for the end of the fiscal year for the current fiscal year and the next five fiscal years.

#### **Schedule 11: Pro Forma Statements of Activities**

This schedule shall show ERCOT's projected activities (revenues and expenses) for the current fiscal year and the next five fiscal years.

#### **Schedule 12: Pro Forma Statement of Cash Flows**

This schedule shall show ERCOT's projected cash flows for current fiscal year and the next five fiscal years.

#### **Schedule 13: Financial Analysis**

This schedule shall show the following projected financial ratios and the component data used to calculate these ratios: Funds from operations/average total debt, Funds from operations/interest payments, Net cash flow/capital expenditures, Total debt/total capital. To the extent any ratio inputs are not provided in ERCOT's financial statements, this schedule shall provide the data sources and any associated calculations. In addition, this schedule shall provide all external financial analyses, for example, those from credit rating agencies such as Standard and Poor's, that ERCOT is aware of, since the last fee filing.

#### **Schedule 14: Workforce Requirements**

This schedule shall provide a detailed study performed by a third party consultant that analyzes ERCOT's workforce requirements, including an analysis identifying essential and non-essential functions, and identifying which functions are appropriately performed by contract labor rather than ERCOT employees. In addition to the study, this schedule shall include ERCOT's response to the study, including ERCOT's plans to achieve the study's recommendations. This schedule shall also provide an analysis of the incremental savings that ERCOT could achieve by replacing existing contract labor with ERCOT employees and the cost savings ERCOT could achieve through automation of manual processes. ERCOT shall also explain how it plans to achieve the savings identified in these analyses. Finally, this schedule shall provide an assessment of

ERCOT's compensation levels, measured against comparable employers, to determine reasonableness. Subsequent to a Commission approved fee filing request in which these analyses are provided, this schedule will not be required in a future fee filing request unless (1) the most recent analysis was completed more than three years prior to the date the request is filed; (2) ERCOT's number of employees or its workforce expenses have changed by more than ten percent from the amount contained in a prior fee change request in which this schedule was provided; or (3) in the most recent ERCOT fee filing proceeding, the Commission found ERCOT's compensation levels unreasonable.

#### **Schedule 15: Staffing Activities**

This schedule shall provide detailed information about ERCOT's projected employee activities based upon time-keeping data and the staffing levels for the future test year and shall show for the most recent twelve month period the difference in budgeted staffing costs and expenses and the costs and expenses actually incurred during the period. ERCOT shall make available work papers supporting its staffing levels in sufficient detail (e.g. timesheet data) to allow the Commission to determine the reasonableness of the level of staffing.

#### **Schedule 16: Consultant Activities**

This schedule shall provide detailed information on ERCOT's projected consultant requirements for the future test year and shall show, for the most recent twelve month period, the difference in budgeted consultant requirements and those actually incurred. ERCOT shall provide work papers that detail its consultant requirements (e.g. types of workload, time sheet data, rationale, etc.) to allow the Commission to determine the reasonableness of the use of outside consultants to perform those functions.