

# **Budget vs. Actual Summary: June 2005**

**Prepared By:**

**NYISO Finance Department**

**July 2005**

# Summary Results

(\$ in millions, except RS#1 charge)

<u>Cost Category</u>	<u>2005 Annual Amounts</u>				<u>YTD through 6/05 Amounts</u>		
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Year-End Projection</u>	<u>Variance</u>	<u>Revised Budget</u>	<u>Actuals</u>	<u>Variance</u>
Baseline	\$106.5	\$106.1	\$106.1	-	\$53.1	\$52.8	(\$0.3)
Projects (excl. New Building Acquisition)	\$14.6	\$14.6	\$14.7	\$0.1	\$7.3	\$6.8	(\$0.5)
New Building Acquisition	\$2.3	\$16.8	\$16.8	-	\$1.0	\$1.0	-
Debt Service	\$26.5	\$26.5	\$25.7	(\$0.8)	\$13.2	\$12.9	(\$0.3)
<b>Cash Budget</b>	<b>\$149.9</b>	<b>\$164.0</b>	<b>\$163.3</b>	<b>(\$0.7)</b>	<b>\$74.6</b>	<b>\$73.5</b>	<b>(\$1.1)</b>
Less: Net proceeds on 2005 budget debt	(\$19.9)	(\$19.9)	(\$20.0)	(\$0.1)	(\$11.9)	(\$11.9)	-
Less: Net proceeds on mortgage	-	(\$13.2)	(\$13.2)	-	-	-	-
Less: Misc. Revenues	(\$1.0)	(\$1.9)	(\$2.8)	(\$0.9)	(\$0.5)	(\$1.1)	(\$0.6)
<b>Rate Schedule #1 Revenue Req.</b>	<b>\$129.0</b>	<b>\$129.0</b>	<b>\$127.3</b>	<b>(\$1.7)</b>	<b>\$62.2</b>	<b>\$60.5</b>	<b>(\$1.7)</b>
<b>Rate Schedule #1 Charge (\$/MWH)</b>	<b>\$0.788</b>	<b>\$0.788</b>					

Notes:

1. *The significant differences between Original and Revised Budgets reflect updated estimates (since 2005 budget preparation) related to the new building acquisition.*
2. *Credit Insurance was not renewed in 2005, resulting in the expected \$1.7M underrun at year-end.*
3. *See the components of the YTD budget variance on the next slide.*

# Detailed Results

(\$ in millions)

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Year-End Projection</u>	<u>Year-End Variance</u>	<u>Revised Budget thru 6/05</u>	<u>Actual thru 6/05</u>	<u>Variance thru 6/05</u>
Capital	\$5.9	\$21.8	\$21.0	(\$0.8)	\$3.5	\$4.6	\$1.1
Salaries & Benefits	47.4	47.4	46.9	(0.5)	23.7	23.3	(0.4)
Consultants	24.3	24.3	26.7	2.4	12.1	11.6	(0.5)
Legal	5.0	5.0	6.1	1.1	2.5	3.0	0.5
Building Services	6.0	4.2	4.6	0.4	2.1	1.9	(0.2)
Computer Services	11.5	11.5	9.4	(2.1)	5.8	4.6	(1.2)
Insurance	6.8	6.8	4.1	(2.7)	3.4	2.1	(1.3)
Telecommunications	4.2	4.2	4.7	0.5	2.1	2.4	0.3
BOD	0.9	0.9	1.3	0.4	0.4	0.6	0.2
Training, Meetings, Travel	2.7	2.7	2.7	-	1.4	1.3	(0.1)
NPCC Fees	1.7	1.7	1.7	-	0.9	1.0	0.1
FERC Fees	7.0	7.0	8.4	1.4	3.5	4.2	0.7
Debt Service	<u>26.5</u>	<u>26.5</u>	<u>25.7</u>	<u>(0.8)</u>	<u>13.2</u>	<u>12.9</u>	<u>(0.3)</u>
<b>Cash Budget</b>	<b>\$149.9</b>	<b>\$164.0</b>	<b>\$163.3</b>	<b>(\$0.7)</b>	<b>\$74.6</b>	<b>\$73.5</b>	<b>(\$1.1)</b>
Less: Revenues	(1.0)	(1.9)	(2.8)	(0.9)	(0.5)	(1.1)	(0.6)
Less: Proceeds from 2005 Budget Debt	(20.4)	(20.4)	(20.5)	(0.1)	(12.0)	(12.0)	-
Less: Proceeds from Mortgage	-	(15.9)	(15.9)	-	-	-	-
Add: Interest on 2005 Budget Debt	0.5	0.5	0.5	-	0.1	0.1	-
Add: Principal & Interest on Mortgage	___	<u>2.7</u>	<u>2.7</u>	___	___	___	___
<b>Rate Schedule #1 Revenue Requirement</b>	<b>\$129.0</b>	<b>\$129.0</b>	<b>\$127.3</b>	<b>(\$1.7)</b>	<b>\$62.2</b>	<b>\$60.5</b>	<b>(\$1.7)</b>

*NYISO Budget vs. Actual - June 2005*

# Detailed Variance Explanations

**Capital** – This line item is over budget currently due to a large software license purchased in May. Year-end projections expect an underrun, primarily because significant modifications planned for the PCC will be \$500k lower than anticipated. \$2.1M was budgeted for such improvements, but the projected year-end spending on this item is \$1.6M.

**Salaries & Benefits** – Current projections indicate a slight underrun. This is based on a current headcount target of 421 and conservative estimates for bonuses. Such assumptions and trends will be revisited as needed later in the year. As of June, headcount is 403, which is leading to a slight underrun from the total budgeted headcount for 2005 of 411.

**Consultants** – This line item is currently under budget due to timing differences on the spending for certain consultants (TCC settlement audit, HR studies and surveys, internal audits, planning, and certain project costs), which are all spent more heavily in later months of the year. The current projection for consultants indicates a ~ 10% overrun by year-end.

**Legal** – Annualized from May invoices, the legal budget is trending over budget due primarily to litigation, AMP, TCC and new building costs. The trend is being monitored closely, and NYISO is taking any available steps to reduce further 2005 legal invoice levels.

**Computer Services** – This line item is currently under budget and is projected to remain so by year-end, primarily due to lower hardware and software maintenance costs than budgeted.

**Insurance** – Credit insurance was not renewed, which will result in annual savings of \$1.7M. Other insurance policies were renewed lower than budget: \$465K savings in Property insurance and \$468K savings in D&O insurance, resulting in a projected 2005 budget underrun of \$2.7M.

**Telecommunications** – This line item is over budget primarily due to additional Telecom lines required when SMD deployed.

**Board of Directors** – Board fees were increased late in 2004, the first increase in 5 years, resulting in a budgetary overrun for 2005.

**Debt Service & Bank Fees** – Interest expense will be lower than budget, as interest rates have remained lower than the 5% budgeted rate. The 2003 and 2004 budget debt was also refinanced in April, which will result in 2005 savings approximating \$150K (total of \$425K over the remaining life of the loans).

**Misc. Revenues** – Interest income is expected to be \$0.9M higher than budget, due to rising interest rates.

# Projects Summary

(\$ in millions)

<u>Project Name</u>	<u>Original Budget</u>			<u>Year-End Projection</u>			<u>Total Variance</u>
	<u>Labor</u>	<u>Non-Labor</u>	<u>Total</u>	<u>Labor</u>	<u>Non-Labor</u>	<u>Total</u>	
Billing Automation & Enhancements: TCC Settlement	\$0.2	\$0.0	\$0.2	\$0.0	\$0.0	\$0.0	(\$0.2)
Billing Automation & Enhancements: Rate Schedule 1 Allocation	\$0.2	\$0.2	\$0.4	\$0.2	\$0.0	\$0.2	(\$0.2)
Billing Automation & Enhancements: NTAC & TSC Rate Mgt.	\$0.2	\$0.0	\$0.2	\$0.2	\$0.0	\$0.2	\$0.0
Billing Automation & Enhancements: BAS Replacement Strategy / Billing Sim.	\$0.7	\$1.1	\$1.8	\$0.7	\$1.4	\$2.1	\$0.3
Billing Automation & Enhancements: DSS Customer Settlements Expansion	\$0.4	\$1.6	\$2.0	\$0.8	\$1.5	\$2.3	\$0.3
TCC & UCAP Auction Automation	\$0.7	\$1.1	\$1.8	\$1.0	\$1.0	\$2.0	\$0.2
Controllable Tie Lines Scheduling and Pricing	\$0.3	\$0.6	\$0.9	\$0.3	\$0.6	\$0.9	\$0.0
15 Minute Scheduling	\$0.1	\$0.3	\$0.4	\$0.1	\$0.1	\$0.2	(\$0.2)
Scheduling of Combined Cycle Units	\$1.0	\$0.5	\$1.5	\$0.0	\$0.0	\$0.0	(\$1.5)
Self Supply of Reserves	\$0.4	\$0.5	\$0.9	\$0.0	\$0.0	\$0.0	(\$0.9)
SMD Feature Extensions (SMD 2.1)	\$0.7	\$0.2	\$0.9	\$0.7	\$0.6	\$1.3	\$0.4
MIS Enhancements: Comprehensive Bid Mgt. System	\$0.5	\$0.1	\$0.6	\$0.0	\$0.0	\$0.0	(\$0.6)
MIS Enhancements: Oracle Forms Replacement	\$0.2	\$0.1	\$0.3	\$0.0	\$0.0	\$0.0	(\$0.3)
Outage Schedule Reporting	\$0.5	\$0.3	\$0.8	\$0.0	\$0.0	\$0.0	(\$0.8)
Intra-Hour Transaction Scheduling ( <i>previously named VRD</i> )	\$0.1	\$0.5	\$0.6	\$0.1	\$0.1	\$0.2	(\$0.4)
Documentum Expanded Implementation & MDEX	\$0.4	\$0.9	\$1.3	\$0.4	\$1.2	\$1.6	\$0.3
SMD 2.0 and Related Projects	\$0.0	\$0.0	\$0.0	\$0.9	\$1.1	\$2.0	\$2.0
SMD Feature Extensions (SMD 2.2)	\$0.0	\$0.0	\$0.0	\$0.2	\$0.7	\$0.9	\$0.9
E-Tagging 2.0	\$0.0	\$0.0	\$0.0	\$0.2	\$0.6	\$0.8	\$0.8
<b>Total – Projects (excluding New Building Acquisition)</b>	<b>\$6.6</b>	<b>\$8.0</b>	<b>\$14.6</b>	<b>\$5.8</b>	<b>\$8.9</b>	<b>\$14.7</b>	<b>\$0.1</b>

# New Facility Recap

(\$ in millions)

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Budget thru 6/05</u>	<u>Actual thru 6/05</u>	<u>Variance thru 6/05</u>	<u>Revised Budget Components</u>
Capital	\$ -	\$15.9	\$0.8	\$0.8	\$ -	~\$15M building purchase + ~\$1M retrofit in 2005
Salaries & Benefits**	-	0.4	0.2	0.2	-	Internal employee hours reallocated from Baseline
Building Services	<u>2.3</u>	<u>0.5</u>	-	-	-	Building Costs (utilities, taxes, etc.); most reimbursed from Phoenix & captured under "Revenues"
<b>TOTAL BUDGET</b>	<b>\$2.3</b>	<b>\$16.8</b>	<b>\$1.0</b>	<b>\$1.0</b>	<b>\$ -</b>	
Less: Revenues	-	(0.9)	-	-	-	Lease revenue from Phoenix: base rent and reimbursement of building costs
Less: Proceeds from Mortgage	-	(15.9)	-	-	-	~\$15M building purchase + ~\$1M retrofit in 2005
Add: Principal & Interest on Mortgage	-	<u>2.7</u>	-	-	-	P&I payments for building purchase; Interest only for retrofit
<b>Required Cash via Rate Schedule #1</b>	<b>\$2.3</b>	<b>\$2.7</b>	<b>\$1.0</b>	<b>\$1.0</b>	<b>-</b>	
<b>** Note:</b> An estimate of salaries & benefits related to the new building was not prepared during the budget approval process.						