

2006 BUDGET VS. ACTUAL RESULTS

August 2006

(\$ in millions, unless otherwise noted)

Budget, Standards & Performance Subcommittee

September 27, 2006

For Discussion Only

SUMMARY RESULTS

<i>(\$ in millions, except MWH)</i>	ANNUAL AMOUNTS				YTD AMOUNTS AS OF 8/31/06		
	Original Budget	Revised Budget	Year-End Projection	Variance	Revised Budget	Actuals	Variance
Current Year Needs (excluding FERC Fees)	\$ 130.0	\$ 130.1	\$ 133.9	\$ 3.8	\$ 85.1	\$ 74.4	\$ (10.7)
Plus: Debt Service from Prior Year Financings	\$ 31.5	\$ 31.2	\$ 31.0	\$ (0.2)	\$ 20.9	\$ 20.8	\$ (0.1)
Cash Budget (excluding FERC Fees)	\$ 161.5	\$ 161.3	\$ 164.9	\$ 3.6	\$ 106.0	\$ 95.2	\$ (10.8)
Less: Miscellaneous Revenues	\$ (2.5)	\$ (2.5)	\$ (5.0)	\$ (2.5)	\$ (1.8)	\$ (3.0)	\$ (1.2)
Less: Net proceeds on 2006 Financings	\$ (35.8)	\$ (23.1)	\$ (23.6)	\$ (0.5)	\$ (4.8)	\$ (4.9)	\$ (0.1)
Less: Proceeds from 2005 budget underrun and 2004/05 load overcollections	\$ -	\$ (12.5)	\$ (12.5)	\$ -	\$ (8.3)	\$ (8.3)	\$ -
Net Budget Needs (excluding FERC Fees)	\$ 123.2	\$ 123.2	\$ 123.8	\$ 0.6	\$ 91.1	\$ 79.0	\$ (12.1)
FERC Fees	\$ 9.9	\$ 9.9	\$ 7.8	\$ (2.1)	\$ 6.6	\$ 4.8	\$ (1.8)
Rate Schedule #1 Revenue Requirements	\$ 133.1	\$ 133.1	\$ 131.6	\$ (1.5)	\$ 97.7	\$ 83.8	\$ (13.9)
Volume (Over)/Under Collections	\$ 133.1	\$ 133.1	TBD	TBD	\$ 89.9	\$ 93.6	\$ (3.7)

Notes:

1. Original Budget = The budget as presented to the Management Committee and approved by the BOD in November 2005.
2. Revised Budget = The Original Budget with adjustments for applying 2005 budget underrun, load overcollections and updated salaries/organizational structure.
3. Year-End Projection = The estimated year-end spending projection, as updated based on information provided by department heads to Finance
4. Variance = See the components of the budget variances on the next slide.

DETAIL RESULTS

<u>Cost Category</u>	<u>ANNUAL AMOUNTS</u>				<u>YTD AMOUNTS AS OF 8/31/06</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>
Capital	\$ 22.4	\$ 21.0	\$ 25.7	\$ 4.7	\$ 12.2	\$ 7.6	\$ (4.6)
Salaries & Benefits	\$ 50.3	\$ 49.3	\$ 46.3	\$ (3.0)	\$ 32.9	\$ 30.5	\$ (2.4)
Professional Fees (including Legal)	\$ 26.6	\$ 29.2	\$ 31.7	\$ 2.5	\$ 19.5	\$ 17.2	\$ (2.3)
Building Services	\$ 4.4	\$ 4.4	\$ 4.5	\$ 0.1	\$ 2.9	\$ 2.9	\$ -
Computer Services	\$ 10.5	\$ 10.5	\$ 11.7	\$ 1.2	\$ 7.0	\$ 7.3	\$ 0.3
Insurance	\$ 4.6	\$ 4.6	\$ 3.6	\$ (1.0)	\$ 3.1	\$ 2.5	\$ (0.6)
Telecommunications	\$ 5.1	\$ 5.1	\$ 4.7	\$ (0.4)	\$ 3.4	\$ 3.0	\$ (0.4)
Other Expenses (BOD, Travel/Trng, NPCC Fees)	\$ 6.1	\$ 6.0	\$ 5.7	\$ (0.3)	\$ 4.1	\$ 3.4	\$ (0.7)
Current Year Needs (excluding FERC Fees)	\$ 130.0	\$ 130.1	\$ 133.9	\$ 3.8	\$ 85.1	\$ 74.4	\$ (10.7)
Debt Service from Prior Year Financings	\$ 31.5	\$ 31.2	\$ 31.0	\$ (0.2)	\$ 20.9	\$ 20.8	\$ (0.1)
Cash Budget (excluding FERC Fees)	\$ 161.5	\$ 161.3	\$ 164.9	\$ 3.6	\$ 106.0	\$ 95.2	\$ (10.8)
Less: Miscellaneous Revenues	\$ (2.5)	\$ (2.5)	\$ (5.0)	\$ (2.5)	\$ (1.8)	\$ (3.0)	\$ (1.2)
Less: Proceeds from 2006 Budget Debt	\$ (28.0)	\$ (15.5)	\$ (15.5)	\$ -	\$ (5.0)	\$ (5.0)	\$ -
Less: Proceeds from 2005 budget underrun and 2004/05 load overcollections	\$ -	\$ (12.5)	\$ (12.5)	\$ -	\$ (8.3)	\$ (8.3)	\$ -
Less: Proceeds from Renovations Debt	\$ (9.0)	\$ (8.5)	\$ (8.5)	\$ -	\$ -	\$ -	\$ -
Add: Interest on 2006 Budget Debt	\$ 0.8	\$ 0.5	\$ 0.3	\$ (0.2)	\$ 0.1	\$ 0.1	\$ -
Add: Interest on Renovations Debt	\$ 0.4	\$ 0.4	\$ 0.1	\$ (0.3)	\$ 0.1	\$ -	\$ (0.1)
Net Budget Needs (excluding FERC Fees)	\$ 123.2	\$ 123.2	\$ 123.8	\$ 0.6	\$ 91.1	\$ 79.0	\$ (12.1)
FERC Fees	\$ 9.9	\$ 9.9	\$ 7.8	\$ (2.1)	\$ 6.6	\$ 4.8	\$ (1.8)
Rate Schedule #1 Revenue Requirement	\$ 133.1	\$ 133.1	\$ 131.6	\$ (1.5)	\$ 97.7	\$ 83.8	\$ (13.9)

DETAIL RESULTS VARIANCE EXPLANATIONS

<u>Capital</u>	Through August, there were the following underruns: \$0.5M in IT hardware (driven primarily by a \$1M transfer to Computer Services for HP and IBM Maintenance), \$0.9M for software development projects, \$0.7M for PCC renovations and \$2.5M in KCC renovations. Many Capital purchases were delayed until 4 th Quarter due to the Projects Schedule and Building Migration timeline. A \$4.7M overrun is expected based on increases in additional Hardware Replacements, Storage needs, Licensing costs and PCC Renovations.
<u>Salaries & Benefits</u>	Higher than expected vacancies combined with a change in the compensation increase effective date from 1/1/06 to 3/1/06 have resulted in YTD savings of \$2.4M. Headcount at the end of August was 385 vs. a budget of 421. Total 2006 savings are expected to be up to \$3.0M.
<u>Professional Fees</u>	Through August, Professional Fees are \$2.3M under budget due primarily to timing on software development projects (\$1.5M). A number of projects have been ramping up in the late summer timeframe and a \$2.5M overrun in Professional Fees is projected based on increased costs for Legal, LECG, LSS Implementation and Compliance & Control Initiatives.
<u>Building Services</u>	N/A
<u>Computer Services</u>	Year-end is reflecting a \$1.2M overrun, driven primarily by a \$1M transfer from Capital to Computer Services for HP and IBM Maintenance.
<u>Insurance</u>	Insurance was renewed in March at a savings of \$1.0M for 2006.
<u>Telecommunications</u>	\$0.4M in savings are anticipated due to elimination of redundant lines.
<u>Other Expenses</u>	This YTD variance is timing-related. Training costs are under budget by \$0.4M as employee & market participant training will be held later in the year. General travel and MP meetings costs are \$0.3M under budget, which should result in a year-end underrun.
<u>Debt Service</u>	\$0.2M in savings are anticipated because no short-term borrowings are needed for cash flow and bank fees were reduced by renegotiating terms with NYISO's lender.
<u>Misc. Revenues</u>	YTD interest income is \$1.5M higher than budgeted. At year-end, the following are expected to exceed budget: Interest income by \$1.6M, Planning studies revenue by \$0.8M and Lease revenue by \$0.1M.
<u>Current Year Debt</u>	\$0.5M in interest savings is expected because borrowings have not been needed for cash flow purposes.
<u>FERC Fees</u>	The actual FERC fees were significantly less than budgeted. Year-end savings of \$2.1M will be realized.

PROJECTS RECAP

Project	Month Deployed	Phase	Project No.	TOTAL PROJECT COST				YTD AMOUNTS AS OF 08/31/06					
				Pre-2006	2006 Budget	Post-2006	Total Project	2006 Budget	Labor Actual	Labor Committed	Non-Labor Actual	Non-Labor Committed	Available Funds
Energy Marketplace Product Enhancements													
Intra-Hour Transaction Scheduling (ITS)		Concept	A706	\$ 0.1	\$ -	\$ -	\$ 0.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Comprehensive Bid Management System		Design	A767	\$ -	\$ 1.5	\$ 3.5	\$ 5.0	\$ 1.5	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.1	\$ 1.0
Enhanced Scheduling of Combined Cycle Units		Concept	A769	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Energy Marketplace Product Enhancements		Testing	A848	\$ -	\$ 0.6	\$ -	\$ 0.6	\$ 0.6	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.1	\$ (0.1)
Enhanced Price Validation		Requirements	A871	\$ -	\$ 2.0	\$ 2.6	\$ 4.6	\$ 2.0	\$ 0.1	\$ 0.2	\$ 0.5	\$ 0.9	\$ 0.3
Wind Forecasting		Concept		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary Market Product Enhancements													
ICAP Market Automation - Phase I	Mar-06	Deployed	A543	\$ 3.9	\$ 0.2	\$ -	\$ 4.1	\$ 0.2	\$ 0.1	\$ -	\$ 0.1	\$ -	\$ -
Demand Response for Ancillary Services		Requirements	A857	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ICAP Auction Automation - Phase II		Planning		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TCC Marketplace Product Enhancements													
TCC Auction Automation - Phase I	Jun-06	Deployed	A796	\$ 0.5	\$ 3.2	\$ -	\$ 3.7	\$ 3.2	\$ 0.5	\$ 0.2	\$ 0.2	\$ 0.1	\$ 2.2
TCC Auction Automation - Phase II		Preliminary		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operations & Reliability Product Enhancements													
SRE OOM Mitigation		Preliminary	A843	\$ -	\$ 0.5	\$ -	\$ 0.5	\$ 0.5	\$ 0.1	\$ 0.1	\$ 0.2	\$ -	\$ 0.1
Outage Schedule Reporting		Planning	A859	\$ -	\$ 0.1	\$ -	\$ 0.1	\$ 0.1	\$ -	\$ 0.1	\$ -	\$ -	\$ -
Controllable Tie Lines Additions		Planning	A862	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Financial Service Product Enhancements													
Billing Simulator		Deployed	A799	\$ 1.4	\$ -	\$ -	\$ 1.4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BAS Replacement/Billing Engine		Testing	A845	\$ -	\$ 3.5	\$ 7.8	\$ 11.3	\$ 3.5	\$ 0.4	\$ 0.2	\$ 1.1	\$ 0.5	\$ 1.3
Working Capital Rebalancing		Planning	A883	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Automation of Voltage Support	May-06	Deployed	A836	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business Intelligence Product Enhancements													
DSS 2005 - Release 4		Deployed	A820	\$ -	\$ 0.1	\$ -	\$ 0.1	\$ 0.1	\$ -	\$ -	\$ 0.1	\$ -	\$ -
DSS Customer Settlements Expansion		Deployed	A795	\$ 0.7	\$ 0.1	\$ -	\$ 0.8	\$ 0.1	\$ -	\$ -	\$ 0.1	\$ -	\$ -
MDEX Enhancements Phase III - Intranet		Deployed	A823	\$ 0.3	\$ 0.2	\$ -	\$ 0.5	\$ 0.2	\$ 0.1	\$ -	\$ 0.1	\$ -	\$ -
DSS Pricing & Operational Data Mart		Development	A849	\$ -	\$ 1.9	\$ -	\$ 1.9	\$ 1.9	\$ 0.2	\$ 0.2	\$ 1.3	\$ 0.2	\$ -
Enhanced Portal Dashboards		Planning		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Projects			TBD	\$ -	\$ 1.3	\$ -	\$ 1.3	\$ 1.3	\$ 0.1	\$ -	\$ -	\$ 0.1	\$ 1.1
Totals				\$ 6.9	\$ 15.2	\$ 13.9	\$ 36.0	\$ 15.2	\$ 1.9	\$ 1.3	\$ 4.1	\$ 2.0	\$ 5.9

Projects Presented to MPs

NEW FACILITY PROJECT RECAP

	TOTAL PROJECT COST				ANNUAL AMOUNTS			YTD AMOUNTS AS OF 8/31/06		
	2005 Actuals	2006 Revised Budget	Post- 2006	Total Project	2006 Revised Budget	Year-End Projection	Variance	2006 Revised Budget	Actuals	Variance
Capital - Building	\$ 14.7	\$ -	\$ -	\$ 14.7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital - Renovations	\$ 1.5	\$ 9.0	\$ 0.1	\$ 10.6	\$ 9.0	\$ 9.6	\$ 0.6	\$ 4.5	\$ 2.5	\$ (2.0)
Capital - Equipment	\$ 0.4	\$ 0.9	\$ -	\$ 1.3	\$ 0.9	\$ 0.9	\$ -	\$ 0.5	\$ 0.1	\$ (0.4)
Capital - Furniture	\$ 0.3	\$ 0.6	\$ -	\$ 0.9	\$ 0.6	\$ 0.7	\$ 0.1	\$ 0.3	\$ 0.1	\$ (0.2)
Non-Capital costs	\$ 0.5	\$ 0.7	\$ -	\$ 1.2	\$ 0.7	\$ 0.7	\$ -	\$ 0.5	\$ 0.1	\$ (0.4)
Cash Budget	\$ 17.4	\$ 11.2	\$ 0.1	\$ 28.7	\$ 11.2	\$ 11.9	\$ 0.7	\$ 5.7	\$ 2.8	\$ (2.9)

NOTE: Variance is based on most recent project estimate. The current projection estimates a \$1.4M overrun, \$0.7M in 2006 and \$0.7M in 2007. Project Manager is working to contain overages.

DEBT SUMMARY

<u>Debt Facility</u>	<u>Loan Status</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Borrowed</u>	<u>Principal Outstanding at 8/31/06</u>	<u>Remaining 2006 Borrowings</u>
Revolving Credit Facility	\$50M Available	Variable	N/A	\$ -	\$ -	TBD
2003 Budget Loan	Term Loan Repayment	4.65%	Jan-08	\$ 47.0	\$ 17.6	\$ -
2004 Budget Loan	Term Loan Repayment	4.80%	Dec-08	\$ 42.0	\$ 24.5	\$ -
2005 Budget Loan	Term Loan Repayment	4.80%	Dec-09	\$ 18.0	\$ 15.0	\$ -
2005 Mortgage - Bldg Acq.	Term Loan Repayment	5.79%	Aug-25	\$ 14.8	\$ 12.6	\$ -
2005 Mortgage - Renovations	\$10M in Expected 2006 Draws	5.96% beginning 01/07	Jan-27	\$ 10.0	\$ -	\$ 10.0
2006 Budget Loan	\$15.5M in Expected 2006 Draws	4.80% beginning 01/07	Dec-10	\$ 15.5	\$ 5.0	\$ 10.5
Total					\$ 74.7	\$ 20.5