

Management Committee
November 6, 2006 Special Meeting
Motion - Agenda #02

2007 NYISO Budget

The Management Committee recommends that the Board of Directors approve the proposed Rate Schedule #1 Revenue Requirement for the 2007 budget year as described in the presentation materials for the November 6, 2006 Management Committee meeting. This budget represents the funding level required to meet NYISO's key objectives and projects scheduled for 2007 while meeting the 2007 Rate Schedule #1 target, subject to the following provisions:

- a. **Revenue Requirement** - The Revenue Requirement is \$139.7 million
- b. **Rate Schedule #1** – The budgeted Rate Schedule #1 should be maintained at equal to or less than \$.821/mwh.
- c. **Spending Under-runs** – If a spending under-run occurs, the related funds should be utilized to pay down the principal amount of outstanding debt or reduce anticipated future debt borrowings. This policy was adopted in 2003.
- d. **Volume variances-** Rate Schedule #1 over-collections as of December 31, 2006 resulting from volume variances should be utilized to pay down the principal amount of outstanding debt. Future over-collections related to transactional volume variances, if any, should also be utilized to retire debt. The NYISO will manage under-collections related to transactional volumes, if any, in conjunction with anticipated borrowings and spending variances so that market participants are not assessed an increase to Rate Schedule #1 during any budget year.
- e. **Obligation for Repayment** – In approving the 2007 budget, the Management Committee acknowledges and agrees that the cost of financing 2003 through 2007 projects must be repaid in the future NYISO budgets that cover the relevant amortization periods.
- f. **2008 Budget Target** – In approving the 2007 budget, the Management Committee reaffirms its support for the 2008 Rate Schedule #1 target of \$.787/mwh adopted for the purpose of input and guidance at the November 12, 2003 Management Committee meeting.
- g. **2009-2011 Budget Targets** – In addition, in approving the 2007 budget, the Management Committee expresses its support for the development of budget targets for the 2009-2011 at levels appropriately reflecting lower debt service requirements and other efficiencies through “excellence in execution” and other current initiatives.

2007 BUDGET OVERVIEW FOR THE NYISO

Summary Budget

<u>Cost Category</u> <i>(\$ in millions, excluding RS#1/MWH)</i>	<u>2007 Draft</u>	<u>2006 Budget</u>	<u>2005 Actuals</u>	<u>2004 Actuals</u>	<u>2003 Actuals</u>
Current Year Needs (excl. FERC Fees)	\$117.9	\$130.1	\$127.4	\$132.1	\$139.8
Plus: Debt Service from Prior Year Financings	<u>35.4</u>	<u>31.2</u>	<u>25.7</u>	<u>\$29.0</u>	<u>\$15.9</u>
Cash Budget	\$153.3	\$161.3	\$153.1	\$161.1	\$155.7
Less: Miscellaneous Revenues	(2.3)	(2.5)	(4.3)	(\$1.1)	(\$1.0)
Less: Prior Year Underrun/Overcollection applied	(5.0)	(12.5)	-	-	-
Less: Net Proceeds on Current Year Financings	(14.5)	(23.1)	(31.2)	(\$41.5)	(\$45.8)
Net Budget Needs – in \$\$	\$131.5	\$123.2	\$117.6	\$118.5	\$108.9
FERC Fees – in \$\$	<u>\$8.2</u>	<u>\$9.9</u>	<u>\$8.9</u>	<u>\$5.3</u>	<u>\$7.9</u>
Total RS#1 Rev. Requirement – in \$\$	\$139.7	\$133.1	\$126.5	\$123.8	\$116.8
Net Budget Needs – in \$/MWH	\$0.773	\$0.742	\$0.745	\$0.736	\$0.686
FERC Fees – in \$/MWH	\$0.048	\$0.060	\$0.043	\$0.033	\$0.050
Total RS#1 Rev. Requirement - \$/MWH	\$0.821	\$0.802	\$0.788	\$0.769	\$0.736
RS#1 Charge/MWH: Purchasers @ 80% (85% pre-2005)	\$0.657	\$0.642	\$0.630	\$0.654	\$0.626
RS#1 Charge/MWH: Sellers @ 20% (15% pre-2005)	\$0.164	\$0.160	\$0.158	\$0.115	\$0.110

For Discussion Only