



2004 Budget vs. Actual Variances as of June 2004

Capital Assets

Approximately \$3.7M was reclassified from capital assets for SMD to Computer Services for project development costs. \$2M was transferred to consultants for facility and security costs. By year end, NYISO expects to have reclassified \$6.6M from capital assets to cover various project development or consultants.

Salaries and Benefits

Salaries and benefits will trend under budget all year, with an annual underrun of approximately \$2.3M expected. Contractors anticipated to be converted to FTE's by mid-year will probably not be converted until the fourth quarter, due to the delay in the SMD2 Project from April to September/October.

Consultants

Currently consultants are under budget in most cost centers, including internal audit, IT, HR, Market Monitoring, Facilities and Security. With the delay of SMD from April, onsite contractors will over run the budget by approximately \$2M by year end, which NYISO expects to offset with unspent consultant dollars.

Legal

Trending on budget at this time. The cost of legal services related to the TCC issue is expected to be approximately \$670,000, based on June's invoice. At this time, it appears the legal budget will be able to absorb these costs. An additional FTE was added in July, which will help lower outside legal costs.

Building Services

The primary driver for the expected year-end overrun is due to significant increases in utility costs. Several other factors go into this line, including rent, building service contractors, office supplies, dues and subscriptions.

Computer Services

As anticipated, computer services expenses are heavier in the first half of the year due to the SMD project. The over run in Computer Services includes \$4.7M in Project Development costs, \$1.5M in maintenance and \$750,000 in assets costing less than \$5,000 (which were previously capitalized). Dollars were transferred from Capital to cover these costs.

Insurance

Insurance renewals during the 4th quarter of 2003, were under the amount projected. Annual savings are projected of approximately \$1.4M.

Telecommunications

Telecommunication costs are currently overbudget and will continue to exceed budget at year end. The capacity of data lines was doubled to handle computer and phone transmissions, plus Wolf Road costs were mistakenly omitted in the 2004 budget planning.

Board of Directors

There have been fewer Board meetings so far this year. We are projecting the underrun to continue through year-end.

Meetings, Travel and Training

The underrun in meetings, travel & training is projected to continue through year-end. To date, market participant training courses have been below budget.

NPCC and FERC fees

Actual NPCC were slightly less than budget. FERC fees have been projected the same as 2003 until actual details are known.

Debt Service & Bank Fees

Interest rates paid on the Hardware Financing Debt and 2003 Debt Facility loans have been significantly below the budgeted rate of 5%. Rates are expected to gradually increase, but stay below 3.5% for the remainder of this year.

Miscellaneous Revenues

Receipts for training costs are underbudget. Additional Market Participant training is anticipated with the SMD deployment, but overall misc. revenues are estimated to be slightly underbudget at year end.

2004 Proceeds from Bank Financing

NYISO borrowed \$23M on this facility year-to-date and anticipates total draws of about \$46M. We estimate \$734 savings on interest, due to low rates and borrowings drawn later than planned.

RS #1

Currently, Rate Schedule 1 charges have exceeded the budget by \$2.0M due to the load being approximately 2.7M MWH higher than forecasted. No attempt is made to estimate any variance at year-end.

8/3/04