

# Budget vs. Actual Summary: October 2005

*Prepared For:*

Budget, Standards & Performance Subcommittee

December 8, 2005

# Summary Results

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

<u>Cost Category</u>	<u>2005 Annual Amounts</u>				<u>YTD through 10/05 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	\$109.4	\$3.3	\$88.8	\$87.1	(\$1.7)
Projects (excl. New Building Acquisition)	\$14.6	\$14.6	\$10.5	(\$4.1)	\$12.2	\$8.8	(\$3.4)
New Building Acquisition	\$2.3	\$16.8	\$18.2	\$1.4	\$16.1	\$17.1	\$1.0
Debt Service	\$26.5	\$26.5	\$25.7	(\$0.8)	\$22.1	\$21.5	(\$0.6)
<b>Cash Budget</b>	<b>\$149.9</b>	<b>\$164.0</b>	<b>\$163.8</b>	<b>(\$0.2)</b>	<b>\$139.2</b>	<b>\$134.5</b>	<b>(\$4.7)</b>
Less: Net proceeds on 2005 budget debt	(\$19.9)	(\$19.9)	(\$17.6)	\$2.3	(\$14.6)	(\$14.7)	(\$0.1)
Less: Net proceeds on mortgage	-	(\$13.2)	(\$14.6)	(\$1.4)	(\$15.2)	(\$14.4)	\$0.8
Less: Misc. Revenues	(\$1.0)	(\$1.9)	(\$4.0)	(\$2.1)	(\$1.4)	(\$2.8)	(\$1.4)
<b>Rate Schedule #1 Revenue Req.</b>	<b>\$129.0</b>	<b>\$129.0</b>	<b>\$127.6</b>	<b>(\$1.4)</b>	<b>\$108.0</b>	<b>\$102.6</b>	<b>(\$5.4)</b>
<b>Rate Schedule #1 Charge (\$/MWH)</b>	<b>\$0.788</b>	<b>\$0.788</b>					

*Notes:*

- The significant differences between Original and Revised Budgets reflect updated estimates (since 2005 budget preparation) related to the new building acquisition.*
- Credit Insurance was not renewed in 2005 and was applied to 2005 budget debt.*
- 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 10/05</u>	<u>Actual thru 10/05</u>	<u>Variance thru 10/05</u>
Capital	\$5.9	\$21.8	\$23.2	\$1.4	\$20.5	\$20.1	(\$0.4)
Salaries & Benefits	47.4	47.4	46.0	(1.4)	39.5	38.2	(1.3)
Consultants	24.3	24.3	24.6	0.3	20.2	19.3	(0.9)
Legal	5.0	5.0	6.4	1.4	4.2	5.0	0.8
Building Services	6.0	4.2	4.9	0.7	3.7	3.7	-
Computer Services	11.5	11.5	9.8	(1.7)	9.6	7.5	(2.1)
Insurance	6.8	6.8	4.3	(2.5)	5.6	3.7	(1.9)
Telecommunications	4.2	4.2	4.9	0.7	3.5	4.0	0.5
BOD	0.9	0.9	1.1	0.2	0.7	0.9	0.2
Training, Meetings, Travel	2.7	2.7	2.6	(0.1)	2.3	2.0	(0.3)
NPCC Fees	1.7	1.7	1.7	-	1.5	1.5	-
FERC Fees	7.0	7.0	8.6	1.6	5.8	7.1	1.3
Debt Service	<u>26.5</u>	<u>26.5</u>	<u>25.7</u>	<u>(0.8)</u>	<u>22.1</u>	<u>21.5</u>	<u>(0.6)</u>
<b>Cash Budget</b>	<b>\$149.9</b>	<b>\$164.0</b>	<b>\$163.8</b>	<b>(\$0.2)</b>	<b>\$139.2</b>	<b>\$134.5</b>	<b>(\$4.7)</b>
Less: Revenues	(1.0)	(1.9)	(4.0)	(2.1)	(1.4)	(2.8)	(1.4)
Less: Proceeds from 2005 Budget Debt	(20.4)	(20.4)	(18.0)	2.4	(15.0)	(15.0)	-
Less: Proceeds from Mortgage	-	(15.9)	(17.1)	(1.2)	(15.5)	(14.7)	0.8
Add: Interest on 2005 Budget Debt	0.5	0.5	0.4	(0.1)	0.4	0.3	(0.1)
Add: Principal & Interest on Mortgage	<u>-</u>	<u>2.7</u>	<u>2.5</u>	<u>(0.2)</u>	<u>0.3</u>	<u>0.3</u>	<u>0.0</u>
<b>Rate Schedule #1 Revenue Requirement</b>	<b>\$129.0</b>	<b>\$129.0</b>	<b>\$127.6</b>	<b>(1.4)</b>	<b>\$108.0</b>	<b>\$102.6</b>	<b>(\$5.4)</b>

*For Discussion only*

# Detailed Variance Explanations

**Capital** – Year-end projections expect a \$1.4M overrun. Approximately \$1.2M in New Facility renovation costs are expected to be accelerated into 2005 instead of 2006 plus a \$1.4M overrun for computer licenses & storage costs are offset by underruns of ~\$1.2M in modifications planned for the PCC that will be deferred to future years.

**Salaries & Benefits** – As of October, headcount is 398, which is leading to an underrun from the total budgeted headcount for 2005 of 411. Also, the corporate incentive bonus is expected to be about 85% of budget. A \$1.4M underrun is projected for year-end, although this may be larger if the 2005 corporate incentive bonus payout is less than expected.

**Consultants** – This line item is currently under budget due to anticipated underruns for certain consultants (internal audits, planning & market studies, and certain project costs). While the current projection for consultants indicates a \$.3M overrun by year-end, this is a conservative estimate as certain consultants may not complete anticipated services by year-end.

**Legal** – The legal budget is trending over budget due primarily to litigation, AMP, TCC, SRE/OMM issues and new building costs. Also, savings were budgeted in 2005 due to the addition of 2 in-house attorneys, but these positions were not filled for the entire 2005 budget period, therefore contributing to the 2005 overrun.

**Building Services** – Will be overbudget due to \$0.2M increases in HQ lease costs (offset by Revenues), plus \$0.5M increases in maintenance & utility costs.

**Computer Services** – This line item's current status and year-end projection indicate an underrun due to renegotiation of several hardware and software maintenance contracts.

**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 \$2.5M.

**Telecommunications** – This line item is over budget primarily due to additional Telecom lines required when SMD deployed. NYISO engaged a consultant to review all telecom contracts and has identified and implemented steps to lower future charges.

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

**FERC Fees** – FERC invoiced a 22% budget increase for 2005, which was \$1.6M higher than budgeted.

**Debt Service & Bank Fees** – Interest expense will be lower than budget, due to interest rates remaining lower than the 5% budgeted rate, plus savings achieved from refinancing in April. 2005 borrowings were reduced by \$1.7M by applying savings from credit insurance.

**Misc. Revenues** – Interest income is expected to be \$1.8M higher than budget, due to rising interest rates and new cash investment mutual funds. In addition, lease revenues from the Phoenix building will be approximately \$.3M higher than originally budgeted.

**Proceeds from Mortgage** – Approximately \$1.2M of New Facility costs may be accelerated into 2005 instead of 2006.

# 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	\$0.0	\$0.1	\$0.1	(\$0.3)
Billing Automation & Enhancements: NTAC & TSC Rate Mgt.	\$0.2	\$0.0	\$0.2	\$0.1	\$0.0	\$0.1	(\$0.1)
Billing Automation & Enhancements: BAS Replacement Strategy / Billing Sim.	\$0.7	\$1.1	\$1.8	\$0.4	\$1.2	\$1.6	(\$0.2)
Billing Automation & Enhancements: DSS Customer Settlements Expansion	\$0.4	\$1.6	\$2.0	\$0.3	\$1.1	\$1.4	(\$0.6)
TCC & UCAP Auction Automation	\$0.7	\$1.1	\$1.8	\$0.8	\$1.0	\$1.8	\$0.0
Controllable Tie Lines Scheduling and Pricing	\$0.3	\$0.6	\$0.9	\$0.2	\$0.4	\$0.6	(\$0.3)
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	\$0.1	\$0.7	\$0.8	(\$0.1)
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	\$0.0	\$0.0	\$0.0	(\$0.6)
Documentum Expanded Implementation & MDEX	\$0.4	\$0.9	\$1.3	\$0.3	\$0.9	\$1.2	(\$0.1)
SMD 2.0 and Related Projects	\$0.0	\$0.0	\$0.0	\$0.9	\$0.7	\$1.6	\$1.6
SMD Feature Extensions (SMD 2.2)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.3	\$0.3	\$0.3
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>\$3.4</b>	<b>\$7.1</b>	<b>\$10.5</b>	<b>(\$4.1)</b>

*For Discussion only*

# New Facility Recap

(\$ in millions)

	Original Budget	Revised Budget	Year-End Projection	Budget thru 10/05	Actual thru 10/05	Variance thru 10/05	Year-End projections
Capital + Retrofit Costs	\$ -	\$15.9	\$17.1	\$15.5	\$16.3	\$ 0.8	\$14.7M building purchase + \$2.4M retrofit in 2005
Salaries & Benefits**	-	0.4	0.4	0.3	0.3	-	Internal employee hours reallocated from Baseline
Building Services	<u>2.3</u>	<u>0.5</u>	<u>0.7</u>	<u>0.3</u>	<u>0.5</u>	<u>0.2</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>\$18.2</b>	<b>\$16.1</b>	<b>\$17.1</b>	<b>\$1.0</b>	
Less: Revenues	-	(0.9)	(1.2)	(0.6)	(0.8)	(0.2)	Lease revenue from Phoenix: base rent and reimbursement of building costs
Less: Proceeds from Mortgage	-	(15.9)	(17.1)	(15.5)	(14.7)	0.8	\$14.7M building purchase + \$2.4M retrofit in 2005 ***
Add: Principal & Interest on Mortgage	-	<u>2.7</u>	<u>2.5</u>	<u>0.3</u>	<u>0.3</u>	<u>0.0</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>\$2.4</b>	<b>\$0.3</b>	<b>\$1.9</b>	<b>\$1.6</b>	

\*\* Note: An estimate of salaries and benefits related to the new building was not prepared during the budget approval process.

\*\*\* Note: Actual \$2.4M draws on mortgage for renovation costs may occur in 1<sup>st</sup> Quarter 2006, rather than 4<sup>th</sup> Quarter 2005.