

NYISO Headquarters Building Acquisition

Management Committee Meeting

October 14, 2004

Background

- ISO personnel are dispersed in four locations due primarily to staff growth occurring during the uncertain “merger” era when long term space commitments were prudently avoided
- DOE and other security audit findings necessitate a new location for the NYISO’s Alternate Control Center (ACC)
- Locational discussions with the Board affirmed management’s position to keep the NYISO in the capital region

Rationale for Proceeding now with Purchase of Headquarter Office Building

- Locates all personnel (except PCC or ACC personnel) in one professional location; thus improving communication, efficiency, and the NYISO's image. The NYISO would be consolidated into only two locations – office building with either an ACC or PCC co-located; and a separate ACC or PCC
- Proposed building has adequate space for expansion and possible internal ACC location with significant capital cost savings
- Open space (part of property) provides excellent security buffer and room for expansion (ACC or PCC), and Market Participant conference center, if needed
- Purchase of an existing headquarter office building eliminates the distraction of a major engineering and construction project
- Purchase of existing facility will save ~\$20 million over a new construction alternative
- Limited window of opportunity to acquire subject building
- Proposed plan provides a phased approach to overall Office/PCC/ACC needs

1. **Base Case – Status Quo but new ACC location**
2. **New Construction**
 - a) Office Building with new PCC and Market Participant Conference Center (existing PCC becomes an ACC)
 - b) Office Building with new ACC and Market Participant Conference Center (existing PCC upgraded and retained)
3. **Purchase Existing Building**
 - a) Purchase office building and build ACC within it (existing PCC upgraded and maintained)
 - b) Purchase office building and build a new PCC adjacent to it (existing PCC becomes an ACC)
 - c) Purchase office building and build a new ACC adjacent to it (existing PCC upgraded and retained)

Capital Cost Comparisons

New Construction – Office Building & New PCC

	2005	2006	2007	Totals
Office Building & Transition (See Note 1)	\$1M	\$31M	\$2M	\$34M
PCC	\$1M	\$25M	\$2M	\$28M
Conference Center	---	\$2M	\$1M	\$3M
Total (See Note 2)	\$2M	\$58M	\$5M	\$65M

Purchase Existing Office Building – ACC Inside

	2005	2006	2007	Totals
Office Building & Transition (See Note 1)	\$18M	\$3M	\$1M	\$22M
Move ACC to Office Building	\$4M	\$7M	\$2M	\$13M
Conference Center	---	\$2M	\$1M	\$3M
Total (See Note 2)	\$22M	\$12M	\$4M	\$38M

Base Case
Requires
Relocated
ACC
At \$23M

Purchase Existing Office Building – PCC Adjacent

	2005	2006	2007	Totals
Office Building & Transition (See Note 1)	\$18M	\$3M	\$2M	\$23M
New PCC	\$4M	\$20M	\$1M	\$25M
Conference Center	---	\$2M	\$1M	\$3M
Total (See Note 2)	\$22M	\$25M	\$4M	\$51M

Notes: (1) Above costs include purchase, construction, furniture, migration and security.
 (2) Corporate Continuity not included in above numbers.

Recommended Plan and Schedule

- Purchase Existing Building – 1st Quarter 2005
- Transition (in phases) to new office building – 3rd Quarter 2005 – 2nd Quarter 2007
- Commission new ACC location – 1st Quarter 2007