



2004 Budget vs Actual Variances as of May 2004

Capital Assets

Approximately \$3.7M was reclassified from capital assets for SMD to Computer Services for project development costs. By year end, NYISO expects to have reclassified \$6.3M from capital assets to consultants and project development for various projects.

Salaries and Benefits

Salaries and benefits will trend under budget all year, with an annual underrun of approximately \$2.1M 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 impact of the TCC issue on the remaining legal budget cannot be quantified at this time, but will likely increase costs.

Building Services

Annual savings of \$200,000 have been obtained for mainframe software leases. For year end, expected increases in utility costs will put NYISO 6% over budget.

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 relates to the reclass in expenses which were budgeted under Capital Assets.

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.

Board of Directors

Trending on budget at this time.

Meetings, Travel and Training

Trending on budget at this time.

NPCC and FERC fees

Actual NPCC slightly less than budget. The FERC fees are not yet known for 2004. NYISO is projecting them to be the same as 2003.

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. There may be some savings on interest, but we have not quantified any savings at this time.

RS #1

Currently, Rate Schedule 1 charges have exceeded the budget by \$1.4M due to the load being approximately 2M MWH higher than forecasted. No attempt is made to estimate any variance at year end.

6/30/04