



2004 BUDGET OVERVIEW

Budget, Standards & Performance Subcommittee
October 10, 2003

For Discussion Only

NYISO 2004 Budget Overview

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SCHEDULE

- **August 28:** Sr. Mgt. reviews draft 1
- **Early September:** Finance incorporates Sr. Mgt. changes into draft 2
- **September 15:** High-level summary of draft 2 is presented to BOD
- **September 26:** Draft 2 is presented to BSP
- **October 10:** BSP discusses draft 2
- **October 17:** BSP presents draft 2 to MC
- **October 20:** Detailed summary of draft 2 is presented to BOD
- **Late October:** Finance incorporates BOD & MP changes into draft 3
- **November 12:** BSP presents draft 3 to MC; MC votes on draft 3
- **November 18:** BOD approves 2004 Budget

Notes:

1. During Q4, Finance will be working with financial institutions to procure desired financing. Ideally, the specific financing will be completed (with PSC approval) shortly after December 31.

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SUMMARY OF BUDGET

TRENDS & PROJECTIONS

(\$ in millions, except RS#1)

	2003 <u>Final</u>	2004 <u>Draft</u>	2005 <u>Target</u>	2006 <u>Target</u>	2007 <u>Target</u>	2008 <u>Target</u>
Baseline <i>(current year needs)</i>	\$99.2	\$98.3	\$108.0	\$109.0	\$112.0	\$113.0
Projects <i>(current year needs)</i>	\$50.0	\$45.2	\$44.0	\$32.0	\$27.0	\$23.0
Debt Service <i>(prior year financings)</i>	\$17.6	\$30.2	\$29.0	\$38.0	\$45.0	\$40.0
Blackout costs	<u>\$ 0.0</u>	<u>\$5.0</u>	<u>\$5.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>
Cash Budget	\$166.8	\$178.7	\$186.0	\$179.0	\$184.0	\$176.0
Less: Net proceeds on CY financings	(47.0)	(\$41.6)	(\$40.0)	(\$30.0)	(\$27.0)	(\$23.0)
Less: Misc. Revenues	<u>(1.6)</u>	<u>(\$1.1)</u>	<u>(\$1.0)</u>	<u>(\$1.0)</u>	<u>(\$1.0)</u>	<u>(\$1.0)</u>
RS#1 Revenue Requirement	<u>\$118.2</u>	<u>\$136.0</u>	<u>\$145.0</u>	<u>\$148.0</u>	<u>\$156.0</u>	<u>\$152.0</u>
Rate Schedule #1 (\$/MWH)	<u>\$0.74</u>	<u>\$0.85</u>	<u>\$0.89</u>	<u>\$0.88</u>	<u>\$0.92</u>	<u>\$0.88</u>

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Changes made since 9/26

- Blackout costs will not be financed
- Added Billing Simulator project and revised other project costs
- Included 2005-2008 budget targets

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DETAIL BUDGET TRENDS BY COST CATEGORY

(\$ in millions)

Line Item	Baseline	Projects	Debt Serv.	Blackout	2004 Draft Budget	2004 Projected Budget	2003 Final Budget
Capital	\$8.3	\$12.2	\$ -	\$ -	\$20.5	\$17.7	\$31.9
Salaries & Benefits	\$33.8	\$9.5	\$ -	\$0.6	\$43.9	\$42.0	\$38.0
Consultants	\$16.0	\$9.2	\$ -	\$1.3	\$26.5	\$22.0	\$28.7
Legal	\$6.0	\$ -	\$ -	\$3.1	\$9.1	\$6.0	\$6.5
Building Services	\$3.5	\$ -	\$ -	\$ -	\$3.5	\$4.1	\$3.8
Computer Services	\$6.9	\$14.2	\$ -	\$ -	\$21.1	\$21.9	\$20.5
Insurance	\$7.7	\$ -	\$ -	\$ -	\$7.7	\$8.2	\$6.1
Telecommunications	\$2.9	\$ -	\$ -	\$ -	\$2.9	\$2.9	\$3.3
BOD / Training, Meetings, etc. / NPCC Fees	\$5.2	\$0.1	\$ -	\$ -	\$5.3	\$5.7	\$5.5
FERC Fees	\$8.0	\$ -	\$ -	\$ -	\$8.0	\$5.2	\$5.0
Debt Service (from prior years)	\$ -	\$ -	\$30.2	\$ -	\$30.2	\$30.8	\$17.5
TOTAL CASH BUDGET	\$98.3	\$45.2	\$30.2	\$5.0	\$178.7	\$166.5	\$166.8
Less: Net Proceeds from CY financing	(\$8.3)	(\$45.2)	\$11.9	\$ -	(\$41.6)	(\$27.0)	(\$47.0)
Less: Misc. Revenues	(\$1.1)	\$ -	\$ -	\$ -	(\$1.1)	(\$1.4)	(\$1.6)
TOTAL CASH BUDGET, NET OF FIN'GS	\$88.9	\$ -	\$42.1	\$5.0	\$136.0	\$138.1	\$118.2
RATE SCHEDULE #1 (\$/MWH)	\$0.55	\$0.00	\$0.27	\$0.03	\$0.85	\$0.87	\$0.74

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OTHER ISOs COMPARISON

(\$ in millions)

<u>ISO</u>	2004 Budget Revenue Requirement	Projected Headcount at 12/31/04
California ISO	\$217M	600 FTEs + ?? OCs
PJM Interconnection	\$215M	<i>TBD</i>
ISO New England	\$140M	397 FTEs + ?? OCs
New York ISO	\$136M	392 FTEs + 17 OCs
ERCOT	\$130M	530 FTEs + ?? OCs
Midwest ISO	<i>TBD</i>	<i>TBD</i>

Comparisons between ISOs are difficult to make without a detailed understanding of the components of each ISO's budget, including the amount of financing undertaken. For example,

1. NYISO's 2004 Budget Revenue Requirement includes ~\$12M for repayment of start-up costs (which some other ISOs do not include as part of their budget revenue requirements) and \$8M in FERC Fees (which not all ISOs are subject to, etc.).
2. Historically, NYISO has financed a lower portion of its annual budget than other ISOs.

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PROJECTS SUMMARY

(\$ in millions)

<u>Project</u>	<u>Labor Costs</u>	<u>Capital Costs</u>	<u>Other Costs</u>	<u>Total Costs</u>
SMD 2.0 & related	\$4.6	\$8.8	\$9.6	\$23.0
Other Projects – specific costs per project are individually < \$2.5M <i>(see details per project on next slide)</i>	\$7.3	\$3.4	\$9.2	\$19.9
Other Projects – specific costs per project not yet determined	<u>\$1.4</u>	<u>\$0.0</u>	<u>\$0.9</u>	<u>\$ 2.3</u>
Total Projects	\$13.3	\$12.2	\$19.7	\$45.2

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PROJECTS DETAIL

(\$ in millions)

<u>Project Name</u>	<u>Labor</u>	<u>Capital</u>	<u>Other</u>	<u>Total</u>
SMD 2.0	\$4.6	\$8.8	\$9.6	\$23.0
DSS	\$0.9	\$0.3	\$ 1.3	\$ 2.5
Facilitated Checkout	\$0.8	\$0.0	\$ 1.5	\$ 2.3
Market Data Ex. Enhancements (Portal)	\$0.7	\$0.7	\$ 0.7	\$ 2.1
Billing Simulator	\$0.4	\$0.2	\$1.3	\$ 1.9
Computer System Availability Monitoring	\$0.4	\$0.7	\$ 0.5	\$ 1.6
TCC & UCAP Automation	\$0.7	\$0.0	\$ 0.8	\$ 1.5
New Technology Initiatives	\$0.6	\$0.2	\$ 0.2	\$ 1.0
Billing Projects	\$0.9	\$0.0	\$ 0.1	\$ 1.0
TransEnergie Cross Sound Cable	\$0.4	\$0.0	\$ 0.5	\$ 0.9
Software Dev. Lifecycle Tools (Rational)	\$0.3	\$0.5	\$ 0.0	\$ 0.8
Operational Information to the Marketplace	\$0.2	\$0.3	\$ 0.3	\$ 0.8
Documentum Implementation	\$0.3	\$0.1	\$ 0.3	\$ 0.7
Enhanced Market Access & Security (LDAP / SSO)	\$0.1	\$0.4	\$ 0.1	\$ 0.6
Inter-ISO Standards for Market Messages	\$0.3	\$0.0	\$ 0.3	\$ 0.6
Develop a Virtual Regional Dispatch	\$0.1	\$0.0	\$ 0.5	\$ 0.6
Assess Options to Shorten Billing Cycle	\$0.1	\$0.0	\$ 0.4	\$ 0.5
Consolidated NYISO Offices	\$0.1	\$0.0	\$ 0.4	\$ 0.5
Other Projects	\$1.4	\$0.0	\$ 0.9	\$ 2.3
Total	\$13.3	\$12.2	\$19.7	\$45.2

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DEBT SERVICE SUMMARY

(\$ in millions)

	<u>Scheduled Annual Repayments (p&i)</u>				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Term Loan re: Start-Up Costs (2000)	\$12.1	\$ -	\$ -	\$ -	\$ -
Hardware Financings (2001-2002)	\$3.6	\$2.2	\$ -	\$ -	\$ -
Budget Financing (2003)	\$13.8	\$13.2	\$12.7	\$12.1	\$ -
Budget Financing (2004)	\$ -	\$12.9	\$12.0	\$11.6	\$11.0
Budget Financing (2005)	\$ -	\$ -	\$12.6	\$11.5	\$11.0
Budget Financing (2006)	\$ -	\$ -	\$ -	\$9.1	\$8.7
Budget Financing (2007)	\$ -	\$ -	\$ -	\$ -	\$8.2
Bank Fees	<u>\$0.7</u>	<u>\$0.7</u>	<u>\$0.7</u>	<u>\$0.7</u>	<u>\$0.7</u>
Subtotal: Debt Service Payments (prior year financings)	\$30.2	\$29.0	\$38.0	\$45.0	\$40.0
Initial year funding (current year financing)	<u>\$11.9</u>	<u>\$11.3</u>	<u>\$8.6</u>	<u>\$7.8</u>	<u>\$6.6</u>
Total: Debt Service	\$42.1	\$40.3	\$46.6	\$52.8	\$46.6
RS#1 Impact per Year	\$0.26	\$0.25	\$0.28	\$0.31	\$0.27