

2006 BUDGET VS. ACTUAL RESULTS

April 2006

(\$ in millions, unless otherwise noted)

Budget, Standards & Performance Subcommittee;
Project Prioritization Team

May 26, 2006

For Discussion Only

SUMMARY RESULTS

<u>(\$ in millions, except MWH)</u>	<u>ANNUAL AMOUNTS</u>			<u>YTD AMOUNTS AS OF 4/30/06</u>		
<u>Cost Category</u>	<u>Revised Budget</u>	<u>Year-End Projection</u>	<u>Variance</u>	<u>Revised Budget</u>	<u>Actuals</u>	<u>Variance</u>
Current Year Needs (excluding FERC Fees)	\$ 130.1	\$ 131.2	\$ 1.1	\$ 39.8	\$ 34.0	\$ (5.8)
Plus: Debt Service from Prior Year Financings	\$ 31.2	\$ 31.2	\$ -	\$ 10.5	\$ 10.5	\$ -
Cash Budget (excluding FERC Fees)	\$ 161.3	\$ 162.4	\$ 1.1	\$ 50.3	\$ 44.5	\$ (5.8)
Less: Miscellaneous Revenues	\$ (2.5)	\$ (4.2)	\$ (1.7)	\$ (1.2)	\$ (1.6)	\$ (0.4)
Less: Net proceeds on 2006 Financings	\$ (23.1)	\$ (23.2)	\$ (0.1)	\$ (4.9)	\$ (5.0)	\$ (0.1)
Less: Proceeds from 2005 budget underrun and 2004/05 load overcollections	\$ (12.5)	\$ (12.5)	\$ -	\$ (4.2)	\$ (4.2)	\$ -
Net Budget Needs (excluding FERC Fees)	\$ 123.2	\$ 122.5	\$ (0.7)	\$ 40.0	\$ 33.7	\$ (6.3)
FERC Fees	\$ 9.9	\$ 9.9	\$ -	\$ 3.3	\$ 3.3	\$ -
Rate Schedule #1 Revenue Requirements	\$ 133.1	\$ 132.4	\$ (0.7)	\$ 43.3	\$ 37.0	\$ (6.3)
Volume (Over)/Under Collections	\$ 133.1	TBD	TBD	\$ 41.3	\$ 43.0	\$ (1.7)

Notes:

1. *Revised Budget = The budget as presented to the Management Committee and approved by the BOD in November 2005, with adjustments for applying 2005 budget underrun, load overcollections and updated salaries/organizational structure.*
2. *Year-End Projection = The estimated year-end spending projection, as updated based on information provided by department heads to Finance.*
3. *Variance = See the components of the budget variances on the next slide.*

DETAIL RESULTS

<u>Cost Category</u>	<u>ANNUAL AMOUNTS</u>			<u>YTD AMOUNTS AS OF 4/30/06</u>		
	<u>Revised Budget</u>	<u>Year-End Projection</u>	<u>Variance</u>	<u>Revised Budget</u>	<u>Actuals</u>	<u>Variance</u>
Capital	\$ 21.0	\$ 20.4	\$ (0.6)	\$ 3.3	\$ 1.3	\$ (2.0)
Salaries & Benefits	\$ 49.3	\$ 47.2	\$ (2.1)	\$ 16.4	\$ 15.2	\$ (1.2)
Professional Fees (including Legal)	\$ 29.2	\$ 33.4	\$ 4.2	\$ 9.8	\$ 7.8	\$ (2.0)
Building Services	\$ 4.4	\$ 4.6	\$ 0.2	\$ 1.5	\$ 1.6	\$ 0.1
Computer Services	\$ 10.5	\$ 10.8	\$ 0.3	\$ 3.5	\$ 3.4	\$ (0.1)
Insurance	\$ 4.6	\$ 3.6	\$ (1.0)	\$ 1.5	\$ 1.4	\$ (0.1)
Telecommunications	\$ 5.1	\$ 5.1	\$ -	\$ 1.7	\$ 1.7	\$ -
Other Expenses (BOD, Travel/Trng, NPCC Fees)	\$ 6.0	\$ 6.1	\$ 0.1	\$ 2.1	\$ 1.6	\$ (0.5)
Current Year Needs (excluding FERC Fees)	\$ 130.1	\$ 131.2	\$ 1.1	\$ 39.8	\$ 34.0	\$ (5.8)
Debt Service from Prior Year Financings	\$ 31.2	\$ 31.2	\$ -	\$ 10.5	\$ 10.5	\$ -
Cash Budget (excluding FERC Fees)	\$ 161.3	\$ 162.4	\$ 1.1	\$ 50.3	\$ 44.5	\$ (5.8)
Less: Miscellaneous Revenues	\$ (2.5)	\$ (4.2)	\$ (1.7)	\$ (1.2)	\$ (1.6)	\$ (0.4)
Less: Proceeds from 2006 Budget Debt	\$ (15.5)	\$ (15.5)	\$ -	\$ (5.0)	\$ (5.0)	\$ -
Less: Proceeds from 2005 budget underrun and 2004/05 load overcollections	\$ (12.5)	\$ (12.5)	\$ -	\$ (4.2)	\$ (4.2)	\$ -
Less: Proceeds from Renovations Debt	\$ (8.5)	\$ (8.5)	\$ -	\$ -	\$ -	\$ -
Add: Interest on 2006 Budget Debt	\$ 0.5	\$ 0.4	\$ (0.1)	\$ 0.1	\$ -	\$ (0.1)
Add: Interest on Renovations Debt	\$ 0.4	\$ 0.4	\$ -	\$ -	\$ -	\$ -
Net Budget Needs (excluding FERC Fees)	\$ 123.2	\$ 122.5	\$ (0.7)	\$ 40.0	\$ 33.7	\$ (6.3)
FERC Fees	\$ 9.9	\$ 9.9	\$ -	\$ 3.3	\$ 3.3	\$ -
Rate Schedule #1 Revenue Requirement	\$ 133.1	\$ 132.4	\$ (0.7)	\$ 43.3	\$ 37.0	\$ (6.3)

DETAIL RESULTS VARIANCE EXPLANATIONS

<u>Capital</u> –	This YTD variance is largely timing-related. In April, underruns of \$1.3M in IT hardware, \$1.0M for software development projects and \$0.1M for facilities are offset by a \$0.4M overrun in headquarters renovations.
<u>Salaries & Benefits</u> –	Higher than expected vacancies combined with a change in the compensation increase effective date from 1/1/06 to 3/1/06 resulted in YTD savings of \$1.2M. Headcount at the end of April was 390 vs. a budget of 396. Total 2006 savings may be up to \$2.1M due primarily to these factors.
<u>Professional Fees</u> –	For April, Professional Fees are under budget due to the following underruns: \$0.7M on software development projects, \$0.8M in other Market Structures, \$0.3M in IT, \$0.6M for Others. External legal fees are over budget \$0.4M YTD.
<u>Building Services</u> -	N/A
<u>Computer Services</u> –	N/A
<u>Insurance</u> –	Insurance was renewed in March at a savings of \$1.0M for 2006.
<u>Telecommunications</u> –	N/A
<u>Other Expenses</u> –	This YTD variance is timing-related. Training costs are under budget by \$0.2M as employee & market participant training will be held later in the year. General travel and MP meetings costs are \$0.3M under budget.
<u>Debt Service</u> –	N/A
<u>Misc. Revenues</u> –	YTD interest income is \$0.4M higher than budgeted. At year-end, the following are expected to exceed budget: Interest income by \$0.9M, Planning studies revenue by \$0.7M, and lease revenue by \$0.1M.
<u>Current Year Debt</u> –	N/A
<u>FERC Fees</u> -	N/A

PROJECTS RECAP

Project	Project No.	TOTAL PROJECT COST				YTD AMOUNTS AS OF 04/30/06					
		Pre-2006	2006 Budget	Post-2006	Total Project	2006 Budget	Labor Actual	Labor Committed	Non-Labor Actual	Non-Labor Committed	What's Left
ICAP Market Automation	A543	\$ 3.9	\$ 0.2	\$ -	\$ 4.1	\$ 0.2	\$ 0.1	\$ -	\$ 0.1	\$ -	\$ -
Bid Management System	A767	\$ -	\$ 2.3	\$ -	\$ 2.3	\$ 2.3	\$ -	\$ 1.0	\$ 0.2	\$ 0.1	\$ 1.0
DSS Customer Settlements Expansion	A795	\$ 0.7	\$ -	\$ -	\$ 0.7	\$ -	\$ -	\$ -	\$ 0.1	\$ -	\$ (0.1)
TCC Auction Automation	A796	\$ 0.5	\$ 3.2	TBD	\$ 3.7	\$ 3.2	\$ 0.3	\$ 1.2	\$ 0.2	\$ 0.1	\$ 1.4
Billing Simulator	A799	\$ 1.4	\$ -	\$ -	\$ 1.4	\$ -	\$ -	\$ -	\$ 0.1	\$ -	\$ (0.1)
MDEX Enhancements Phase III - Intranet	A823	\$ 0.3	\$ -	\$ -	\$ 0.3	\$ -	\$ 0.1	\$ -	\$ 0.1	\$ -	\$ (0.2)
SRE/OOM Mitigation: Phase II	A843	\$ -	\$ 0.5	\$ -	\$ 0.5	\$ 0.5	\$ -	\$ 0.3	\$ 0.2	\$ 0.1	\$ (0.1)
Settlement System Replacement: Phase II	A845	\$ -	\$ 3.5	TBD	\$ 3.5	\$ 3.5	\$ 0.2	\$ 0.8	\$ 0.5	\$ 1.0	\$ 1.0
Real-time BPCG Mitigation	A848	\$ -	\$ 0.3	\$ -	\$ 0.3	\$ 0.3	\$ -	\$ 0.3	\$ -	\$ -	\$ -
DSS Pricing Datamart	A849	\$ -	\$ 1.8	TBD	\$ 1.8	\$ 1.8	\$ 0.1	\$ 0.3	\$ 0.1	\$ -	\$ 1.3
Other Projects	TBD	\$ -	\$ 3.4	\$ -	\$ 3.4	\$ 3.4	\$ 0.1	\$ 0.8	\$ 0.1	\$ 0.1	\$ 2.3
Totals		\$ 6.8	\$ 15.2	\$ -	\$ 22.0	\$ 15.2	\$ 0.9	\$ 4.7	\$ 1.7	\$ 1.4	\$ 6.5

Projects Presented to MPs

NOTE: Occasionally, due to timing issues in finalizing project costs, this recap may be presented on a one-month lag.

NEW FACILITY PROJECT RECAP

	<u>TOTAL PROJECT COST</u>				<u>ANNUAL AMOUNTS</u>			<u>YTD AMOUNTS AS OF 4/30/06</u>		
	<u>2005 Actuals</u>	<u>2006 Revised Budget</u>	<u>Post-2006</u>	<u>Total Project</u>	<u>2006 Revised Budget</u>	<u>Year-End Projection</u>	<u>Variance</u>	<u>2006 Revised Budget</u>	<u>Actuals</u>	<u>Variance</u>
Capital - Building	\$ 14.7	\$ -	\$ -	\$ 14.7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital - Renovations	\$ 1.5	\$ 9.0	\$ 0.1	\$ 10.6	\$ 9.0	\$ 9.6	\$ 0.6	\$ -	\$ 0.3	\$ 0.3
Capital - Equipment	\$ 0.4	\$ 0.9	\$ -	\$ 1.3	\$ 0.9	\$ 0.9	\$ -	\$ -	\$ 0.1	\$ 0.1
Capital - Furniture	\$ 0.3	\$ 0.6	\$ -	\$ 0.9	\$ 0.6	\$ 0.7	\$ 0.1	\$ -	\$ 0.1	\$ 0.1
Non-Capital costs	\$ 0.5	\$ 0.7	\$ -	\$ 1.2	\$ 0.7	\$ 0.7	\$ -	\$ 0.2	\$ 0.1	\$ (0.1)
Cash Budget	\$ 17.4	\$ 11.2	\$ 0.1	\$ 28.7	\$ 11.2	\$ 11.9	\$ 0.7	\$ 0.2	\$ 0.6	\$ 0.4

NOTE: Variance is based on most recent project estimate. The current projection estimates a \$1.4M overrun, \$0.7M in 2006 and \$0.7M in 2007. Project Manager is working to contain overages.

DEBT SUMMARY

<u>Debt Facility</u>	<u>Loan Status</u>	<u>Interest Rate</u>	<u>Principal Outstanding at 4/30/06</u>	<u>Remaining 2006 Borrowings</u>
Revolver	\$50M available	Variable	\$ -	TBD
2003 Budget Loan	Term loan repayment	4.65%	\$21.5M	\$ -
2004 Budget Loan	Term loan repayment	4.80%	\$28.0M	\$ -
2005 Budget Loan	Term loan repayment	4.80%	\$16.5M	\$ -
2005 Mortgage – Building Acq.	Term loan repayment	5.79%	\$12.6M	\$ -
2005 Mortgage – Building Renov.	\$10M in expected 2006 draws	5.96% (beg. 1/07)	\$ -	\$10.0M
2006 Budget Loan	\$15.5M in expected 2006 draws	4.80% (beg. 1/07)	<u>\$5.0M</u>	<u>\$10.5M</u>
Total			\$83.6M	\$20.5M