



## 2005 Budget vs. Actual Variance Explanations as of February 2005

### Capital Assets

There were only minimal purchases of assets in the first two months. Most acquisitions of computer equipment and building improvements will occur later in the year. Certain software was acquired in late 2004, and \$350K in funds previously earmarked for this were transferred to consulting to cover increases for security guards. Another \$225K was reclassified from capital to computer services for uncapitalizable software / equipment. Approximately \$16M has been added to the original budget for the cost of the Phoenix building, plus renovations.

### Salaries and Benefits

Salaries and benefits are tracking on budget.

### Consultants

Consultants are expected to be higher later in the year, after SMD deployment in February. HR studies and surveys, internal audits, and research and development are all expended more in later months than the beginning of the year. By year-end, the Consultants line item is expected to exceed budget due to increased cost of security guards (\$350K) and of data and process risk analyses (\$400K).

### Legal

Legal is trending over budget through February due to a Federal District Court of Appeals ruling on a FERC order related to AMP. Additionally, there were negotiations and contracts for the new building purchase and financing, as well as work related to the TCC error. The Legal budget vs. actual trend will be monitored closely throughout the year, and year-end actuals will be revised, if necessary, at a later point in 2005.

### Building Services

Building Services are tracking on budget. At year-end, this line item will reflect a \$200K overrun as copier equipment, which was budgeted under computer services, has actuals recorded to Building Services (the computer services line item will reflect the offsetting underrun). The revised Building Services budget includes estimated maintenance and operating costs for the Phoenix building, which will be revised when the closing date is finalized.

### Computer Services

The underrun in Computer Services through February is mainly hardware maintenance and computer supplies. Both are expected to increase later in the year and stay within budget.

### Insurance

Credit insurance was not renewed in December 2004. YTD savings on this policy are \$278K. Property insurance renewed lower than budgeted, with YTD savings of \$67K and annual savings of \$400K. Estimates for Directors and Officers insurance will be revised when the March renewals are complete – a savings is expected.



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### Telecommunications

Telecommunications costs are tracking on budget.

### Board of Directors

Board costs are tracking on budget.

### Meetings, Travel and Training

Internal and market participant training courses are planned for later in the year, thereby reflecting a timing underrun through February.

### NPCC and FERC Fees

NPCC fees will be \$32K under budget. FERC fees will not be known until around July.

### Debt Service & Bank Fees

Interest rates have stayed below the budgeted rate of 5%, thereby causing a budget underrun through February. NYISO has not yet quantified the expected underrun for 2005.

### Miscellaneous Revenues

Planning studies and training income are below budget, approximately \$42K, but are expected to increase later in the year. Interest income is about \$52K higher than budget, due to rising interest rates.

### Lease Income

Approximately \$1.6M has been budgeted for Lease Income on the Phoenix building. This will be estimated with more certainty when the closing date is finalized.

### Proceeds and Interest on 2005 Bank Financing

NYISO borrowed \$1M more than originally anticipated during January for short-term cash needs. The total borrowings for 2005 are expected to remain at \$20M. Interest costs were lower than the 5% budgeted interest rate.

### Proceeds and Interest on Mortgage

The mortgage is expected to close by June 30, 2005. Principal and interest costs on the mortgage will be revised once the closing date is finalized. Interest is estimated at 6%, and NYISO has entered into interest rate swap agreements to fix the interest at slightly less than 6%.