

# **NYISO 2011 BUDGET OVERVIEW**

*(dollars in millions, unless otherwise noted)*

Draft – For Discussion Only

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# NYISO 2011 BUDGET: HIGHLIGHTS & SUMMARY INFORMATION

# Schedule

- **September 8:** NYISO to present draft 2011 Budget presentation to BPWG
- **September 24:** BPWG meeting
- **September 29:** BPWG to present 2011 budget to Management Committee
- **October 8:** BPWG meeting
- **October 18:** BOD meeting to review 2011 budget
- **October 20:** BPWG meeting [if needed]
- **October 21:** MC vote on 2011 budget
- **November 16:** BOD approval of final 2011 budget

# Main Priorities for 2011

## **Market Evolution:**

- Continue phased implementation of Broader Regional Markets
- Continue progress on high priority market enhancement features, such as Enhanced Shortage Pricing, DVT, and Development of New Criteria for New Capacity Zones
- Continue to expand the Demand Response program , including DSASP Aggregations, DSASP Direct Metering, and Demand Response in Real-Time Energy Market
- Continue developing the market design and software design for evolution of the TCC market

## **Broader Regional Planning:**

- Support and further develop the Eastern Interconnection Planning Collaborative
- Continue to support new initiatives in System Planning, including the NYS Energy Planning Board and the implementation of transmission upgrades and expansion solutions
- Implement the second phase of the Congestion Assessment and Resource Integration Study (CARIS) in accordance with Order 890 and the new Comprehensive System Planning Process (CSPP)
- Continue to support the interconnection of new facilities and related system upgrades through the Interconnection process

# Main Priorities for 2011 (*continued*)

## Smart Grid:

- Continue multi-year project implementation of Phasor Measurement Units and Capacitor Banks
- Support Smart Grid/Smart Metering solutions and develop technology assessment
- Support the evolution of Dynamic Pricing; identify potential technology solutions

## Compliance:

- Achieve/maintain compliance with FERC/NERC/ERO/CIP/CEII standards
- Develop and file implementation plan in response to the Long-Term Loop Flow Order

## Infrastructure Improvements / Project Continuations:

- Continuation of multi-year Infrastructure Master Plan
- Continue projects to reinforce cyber security protocols, and targeted automation of NERC security standards
- Continue technology infrastructure initiatives to optimize and consolidate computer platforms allowing reduction of required footprint and associated costs (Data Warehouse Platform Evolution and Web Posting Enhancements )
- Continue Credit Management System enhancements and improve invoicing systems
- Continue to realize improved performance from Lean Six Sigma and process/control enhancements

# Budget Highlights

## *In Summary:*

- NYISO's draft 2011 budget totals \$156.5M, allocated across a forecast of 167.7 million MWhs, for a Rate Schedule 1 charge/MWh of \$0.933. Comparatively, the 2010 budget was \$149.2M allocated across 167.3 million MWhs for a RS1 charge/MWh of \$0.892.

## *Primary Drivers:*

- The primary reason for an increase in RS1 from 2010 to 2011 is the inclusion of \$12.7M in Infrastructure Master Plan costs, primarily those associated with completing the facility maintenance upgrades at the PCC, in Rate Schedule 1 without the benefit of long-term financing to offset the short-term impact of these capital improvements.
- Additionally, the 2011 budgeted MWh volumes reflect only a 0.2% increase from the 2010 budget.
- In an effort to mitigate these rate impacts, and in recognition of NYISO's ongoing cost consciousness efforts, NYISO has reduced spending or held budgets flat in various 2011 budget categories.
- Net of the Infrastructure Master Plan, NYISO's 2011 budget reflects a \$5.4M or 4% reduction from the 2010 budget, indicative of NYISO's ongoing focus to reduce spending where possible.

## *Peer Comparison:*

- NYISO's amount of debt outstanding, and number of full-time equivalent employees, continue to be among the lowest of all ISOs/RTOs.

# Budget Highlights: Infrastructure Master Plan

## History:

- In 2008, Market Participants supported a 2009 budget that included \$25M to address facility deficiencies at Carman Road (data center, emergency generators, etc.). This plan did not address any enhancements to NYISO's primary or alternate control room operations.
- In 2009, NYISO revised the scope of the Carman Road facility project to address issues associated with primary and alternate control room operations (Infrastructure Master Plan). In October 2009, Market Participants approved proceeding with NYISO's Infrastructure Master Plan.
- In order to mitigate the short-term impact to customers, NYISO sought to finance the cost of the Infrastructure Master Plan over 20 years such that the initial two years would be interest-only, with 18 years of principal and interest repayment to match the project's long-term nature. Under NYISO's proposed financing plan, the 2011 Rate Schedule 1 impact of the Infrastructure Master Plan would have been \$1.6M or \$0.01/MWh.
- The NY Public Service Commission has not acted on NYISO's financing petition to support the Infrastructure Master Plan, and NYISO's financing commitment has subsequently expired.



# Budget Highlights: Infrastructure Master Plan

## 2011 Budget:

- NYISO's draft 2011 Budget includes prioritized enhancements within the Infrastructure Master Plan that are necessary for 2011 to address facility deficiencies that could impact reliability as well as planning activities to support future requirements.
- NYISO has included \$12.7M or \$0.076/MWh in the 2011 budget, as follows:
  - Carman Road Facility Improvements (\$10.9M in Capital costs and \$0.6M in insurance costs)
    - *Completion of site work, construction, interconnection, and commissioning of Carman Road emergency generators*
    - *Progress towards completion of site work, construction, interior infrastructure, and commissioning of Carman data center*
  - Krey Blvd. Facility Improvements (\$1.2M in Capital costs)
    - *Finalization of design and development of construction drawings for Krey Blvd. power control center expansion*
- The Carman Road enhancements included within the 2011 budget are consistent with the original intent / cost levels of the Infrastructure Master Plan.
- NYISO's draft 2011 budget has assumed no long-term financing would be approved by the NY Public Service Commission to support the Infrastructure Master Plan during 2011.

# Budget Highlights: Infrastructure Master Plan

## 2011 Budget:

- The 2011 NYISO budget does **NOT** include funds for certain improvements identified as part of the Infrastructure Master Plan (these costs are expected to be incurred during 2012-2013):

### Carman Road Facility Improvements

- *Control room upgrades to provide improved visualization technology in support of enhanced situational awareness*
- *Control room space expansion to provide for new business requirements / functions*

### Krey Blvd. Facility Improvements

- *Space or technology upgrades for back-up control center functions*
- *Implementation of redundant commercial power source*

# Budget Highlights

## *Cost Consciousness:*

- NYISO continues to focus its spending on initiatives and investments that: improve overall operations and reliability (e.g. staff additions and facility improvements); are responsive to Market Participant feedback; and represent prudent investments (e.g. Broader Regional Markets).
- NYISO recognizes that ongoing economic conditions are difficult for all Market Participants and has taken feasible steps to implement cost reductions in 2011.
- One significant example of NYISO's efforts to reduce costs relates to a change in business model from utilizing external consultants to relying upon internal NYISO employees. This shift has resulted in an increase to Salaries and Benefits, which is offset by a reduction in Professional Fees, for net annual savings of approximately \$2.4M.
- NYISO also reduced legal fees by \$1.1M from the 2010 budget by hiring additional staff to shift legal matters from outside counsel.
- NYISO reduced budgetary spending for Debt Service costs, Building Service costs, and ongoing Insurance renewals. NYISO also maintained spending on baseline Computer Service costs, BOD/Travel & Training costs, and ongoing Telecommunication costs.

# Historical Budget Comparisons

				<u>% Changes</u>	
<i>(in millions, excluding RS#1/MWH charges)</i>	<u>2009 Budget</u>	<u>2010 Budget</u>	<u>2011 Draft</u>	<u>2011 vs. 2010</u>	<u>2011 vs. 2009</u>
RS#1 Rev. Requirement – in \$\$	\$144.2	\$149.2	\$156.5	4.9%	8.5%
Budgeted MWH Hours	<u>177.3</u>	<u>167.3</u>	<u>167.7</u>	0.2%	(5.4%)
RS#1 Rev. Requirement - \$/MWH	\$0.813	\$0.892	\$0.933	4.6%	14.8%
<u>Supplemental Information – RS1 Charge/MWH by MP Type</u>					
Total RS#1 Rev. Requirement - \$/MWH	\$0.813	\$0.892	\$0.933	4.6%	14.8%
<i>RS#1 Charge/MWH: Purchasers @ 80%</i>	<i>\$0.650</i>	<i>\$0.669</i>	<i>\$0.703</i>	5.1%	8.2%
<i>RS#1 Charge/MWH: Sellers @ 20%</i>	<i>\$0.163</i>	<i>\$0.169</i>	<i>\$0.176</i>	4.1%	7.9%
<i>RS#1 Charge/MWH: Non-physical transactions</i>	-	<i>\$0.054</i>	<i>\$0.054</i>	-	n/a

# 2011 Budget Overview

(\$ in millions, except RS#1/MWH)	2011 Draft Budget					2010 Budget	\$ Variance
	Baseline	Projects	Infrast. Master Plan	Grants	Total		
Capital	\$2.2	\$5.1	\$12.1	\$1.7	\$21.1	\$18.6	\$2.5
Less: Proceeds from Infrastructure Master Plan Financing	-	-	-	-	-	(10.0)	10.0
Capital – net of Proceeds from Infrastructure Master Plan Financing	2.2	5.1	12.1	1.7	21.1	8.6	12.5
Salaries & Benefits	57.6	9.3	-	1.4	68.3	63.1	5.2
Professional Fees (including Legal)	18.6	5.6	-	7.0	31.2	37.0	(5.8)
Building Services	5.0	-	-	-	5.0	5.1	(0.1)
Computer Services	15.8	-	-	0.2	16.0	15.8	0.2
Insurance	2.9	-	0.6	-	3.5	3.0	0.5
Telecommunications	4.1	-	-	-	4.1	4.0	0.1
Other Expenses (BOD, Travel/Training, NPCC Fees)	3.2	-	-	-	3.2	3.2	-
<b>Subtotal: Current Year Needs (excl. FERC Fees)</b>	<b>\$109.4</b>	<b>\$20.0</b>	<b>\$12.7</b>	<b>\$10.3</b>	<b>\$152.4</b>	<b>\$139.8</b>	<b>\$12.6</b>
Debt Service	24.1	-	-	-	24.1	24.6	(0.5)
<b>Subtotal: Cash Budget</b>	<b>\$133.5</b>	<b>\$20.0</b>	<b>\$12.7</b>	<b>\$10.3</b>	<b>\$176.5</b>	<b>\$164.4</b>	<b>\$12.1</b>
Less: Miscellaneous Revenues	(2.2)	-	-	(5.3)	(7.5)	(2.3)	(5.2)
Less: Proceeds from Current Year Budget Debt	-	(20.0)	-	(5.0)	(25.0)	(25.0)	-
Add: Interest on Current Year Budget Debt	0.5	-	-	-	0.5	0.7	(0.2)
Add: Principal & Interest on Infrastructure Master Plan Financing	-	-	-	-	-	0.2	(0.2)
<b>Subtotal: Net Budget Needs</b>	<b>\$131.8</b>	<b>-</b>	<b>\$12.7</b>	<b>-</b>	<b>\$144.5</b>	<b>\$138.0</b>	<b>\$6.5</b>
FERC Fees	12.0	-	-	-	12.0	11.2	0.8
<b>Total: Rate Schedule #1 Revenue Requirement in \$\$</b>	<b>\$143.8</b>	<b>-</b>	<b>\$12.7</b>	<b>-</b>	<b>\$156.5</b>	<b>\$149.2</b>	<b>\$7.3</b>
<b>Budgeted MWH Hours (in millions)</b>					<b>167.7</b>	<b>167.3</b>	<b>0.4</b>
<b>Rate Schedule #1 Revenue Requirement in \$/MWH (budget)</b>					<b>\$0.933</b>	<b>\$0.892</b>	<b>\$0.041</b>

For presentation purposes 2010 DOE costs of \$5M have been included in Professional Fees, offset by \$5M in Debt Proceeds.

# Summary of Significant Changes

2011 Rate Schedule 1 Revenue Requirement	\$156.5
2010 Rate Schedule 1 Revenue Requirement	<u>\$149.2</u>
Increase in Rate Schedule 1 Revenue Requirement	\$ 7.3

➤ Efficiencies and reductions

Reduction in Professional Fees	(\$5.8)
Increase in Misc. Revenue ( <i>SGIG &amp; EIPC grants</i> )	(5.2)
Reduction in Debt Service costs	(0.7)
Reduction in Building Services	(0.1)
Reduction in Insurance (baseline)	<u>(0.1)</u>
	(\$11.9)

➤ Budget increases

Increase in Infrastructure Master Plan	\$12.5
Increase in Sal. & Benefits ( <i>partially offset in Prof. Fees</i> )	5.2
Increase in FERC Fees ( <i>7% est. increase</i> )	0.8
Increase in Capital (non-IMP) ( <i>offset by SGIG Revenues</i> )	0.4
Increase in Computer Services ( <i>offset by SGIG Rev.</i> )	0.2
Increase in Telecommunications	<u>0.1</u>
	\$19.2

# Comparison with Other ISOs/RTOs

(\$ in millions)				
	<u>REVENUE REQUIREMENT</u>		<u>OTHER INFORMATION</u>	
ISO/RTO	2011 Revenue Requirement: in \$\$ (excludes FERC Fees)	2011 Revenue Requirement: in \$/MWh (excludes FERC Fees)	Debt Outstanding at 12/31/11	FTEs at 12/31/11
MISO	\$263.5M	\$0.387	\$264.1M	815
PJM	\$252.0M	\$0.307	\$100.0M	610-625
CAISO	\$195.1M	\$0.813	\$284.6M	601
NYISO	\$144.5M	\$0.862	\$67.4M	521
ISO-NE	\$137.5M	\$1.040	\$83.9M	521
ERCOT	TBD	TBD	\$225.0M	585
<i>These amounts are draft, and may be subject to change as each ISO/RTO completes its 2011 approval process.</i>				
<i>NYISO Revenue Requirements are net of FERC Fees in order to compare with other ISO/RTO budgets, which exclude FERC Fees.</i>				
<i>PJM's Revenue Requirements are inclusive of recovery for software, hardware, &amp; facilities costs of second data center and control center.</i>				

# NYISO 2011 BUDGET: DETAILED LINE ITEM INFORMATION



# Line Item Details - CAPITAL

<i>(\$ in millions)</i>	<u>2011 Draft</u>	<u>2010 Budget</u>	<u>\$ Change</u>
Facility Improvements - Infrastructure Master Plan	\$12.1	\$10.0	\$2.1
Facility Improvements - other	0.3	0.3	-
Less: Proceeds from Mortgage/Renovations Debt	-	<u>(10.0)</u>	<u>10.0</u>
Subtotal: Facility Improvements, net of Mortgage/Renovations Debt	\$12.4	\$0.3	\$12.1
Replacement of Existing Hardware	5.4	6.3	(0.9)
Smart Grid Investment Grant Hardware & Software	1.7	-	1.7
Software Licenses (capitalized)	<u>1.6</u>	<u>2.0</u>	<u>(0.4)</u>
<b>Total Capital Costs, net of Mortgage/Renovations Debt</b>	<b>\$21.1</b>	<b>\$8.6</b>	<b>\$12.5</b>

## Facility Improvements:

The Infrastructure Master Plan is designed to address deficiencies in NYISO's aging infrastructure, as well as to provide suitable operating environments in support of evolving business requirements. See additional details in a separate presentation for the Infrastructure Master Plan. Other capital costs included within the 2011 budget include \$0.3M for minor KCC and PCC improvements.

## Replacement of Existing Hardware:

Replacement of computing hardware fluctuates from year to year and is driven by technology refresh schedules, planned obsolescence, and the specific mix of new computing requirements identified in the current year project schedule.

## Smart Grid Investment Grant Hardware & Software:

The NYISO was awarded a Smart Grid Investment Grant (SGIG) from the DOE to implement improved situational awareness of the New York power grid. The project started on July 1, 2010 and will proceed for 36 months. The hardware included in the 2011 budget represents planned equipment purchases that were part of the DOE-approved project scope.

## Software Licenses (Capitalized):

Procurement of new software licenses fluctuates from year to year and is driven by technology refresh schedules, planned obsolescence, and the specific mix of new computing requirements identified in the current year project schedule.

## Line Item Details – SALARIES & BENEFITS

<i>(\$ in millions)</i>	2011 <u>Draft</u>	2010 <u>Budget</u>	\$ <u>Change</u>
Base Salaries	\$48.2	\$43.2	\$5.0
Benefit Programs / At-Risk Compensation	\$16.1	\$16.5	(\$0.4)
Payroll Taxes	<u>\$4.0</u>	<u>\$3.4</u>	<u>\$0.6</u>
<b>Total Salaries &amp; Benefits</b>	<b>\$68.3</b>	<b>\$63.1</b>	<b>\$5.2</b>

The increase in Salaries & Benefits is primarily driven by:

- 21 Additional FTE positions added during 2010 primarily to accomplish Broader Regional Markets initiatives (annual market savings expected to approximate \$193M on NY interfaces), to obtain cost savings from external legal resources, and to support required NYISO infrastructure and compliance programs,
- 37 Additional FTE positions planned for 2011 to replace use of external consulting resources (annual savings expected to approximate \$2.4M),
- Estimated 10% increase in cost of employee medical insurance benefits driven by projected premium increases (no changes to benefit plan design),
- Average 3% annual merit increase for NYISO employee compensation.

*See additional details on Salaries & Benefits on the following slides.*

# Line Item Details – SALARIES & BENEFITS

HEADCOUNT SUMMARY:	
Total Authorized FTE Positions for 2010	463
Add: Positions Added during 2010	21
Add: New Positions for 2011 to offset consulting costs	<u>37</u>
Total Authorized FTE Positions for 2011	521
Less: Assumed Vacancies	<u>(30)</u>
<b>Equals: Total Budgeted FTE Positions</b>	<b>491</b>

HEADCOUNT SUMMARY BY YEAR:			
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Total Authorized FTE Positions	521	463	58
Less: Assumed Vacancies	<u>(30)</u>	<u>(10)</u>	<u>20</u>
<b>Total Budgeted FTE Positions</b>	<b>491</b>	<b>453</b>	<b>38</b>

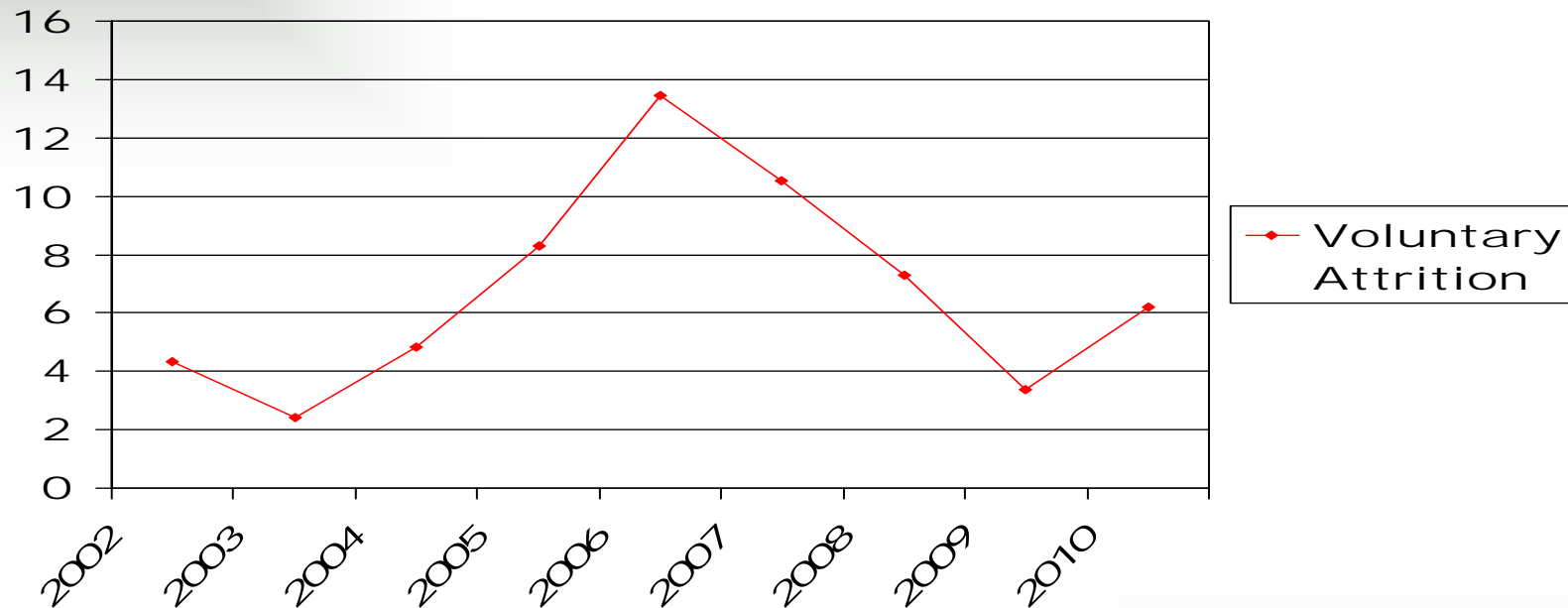
*2011 assumed vacancies are driven by NYISO's current level of voluntary attrition (~6%)*

# Line Item Details – SALARIES & BENEFITS

Department	FTE Positions			Rationale for Additional Positions
	Added in 2010	New for 2011	Total Additions	
IT	6	25	31	To support internal NYISO infrastructure and compliance programs (2010) and to replace external consulting support (2011)
Operations	9	2	11	To accommodate Broader Regional Market initiatives (2010) and to replace external consulting support (2011)
Market Structures	3	6	9	To support internal NYISO infrastructure and compliance programs (2010) and to replace external consulting support (2011)
Planning	1	2	3	To accommodate increased planning initiatives (2010) and to replace external consulting support (2011)
External Affairs	1	1	2	To address increased media relations workload and to replace external consulting support (2011)
Legal	1	-	1	To offset cost of external legal support
Enterprise Services	-	<u>1</u>	<u>1</u>	To replace external consulting support
<b>Totals</b>	<b>21</b>	<b>37</b>	<b>58</b>	

# Line Item Details – SALARIES & BENEFITS

## NYISO Turnover Trend 2002 - 2010



Through 2009, NYISO's voluntary separation rate experienced a downward trend from the peak in 2006. However, recent data indicates voluntary attrition is increasing (currently at ~6% rate). The Society for Human Resource Management (SHRM) estimates that the cost of a vacated position ranges between \$100K - \$150K, which includes the recruiting costs to fill the position as well as an estimate of the lost productivity and opportunity value.

# Line Item Details – SALARIES & BENEFITS

## ➤ Medical Insurance Costs:

- *NYISO's 2011 draft budget assumes a 10% increase in the employer portion of medical insurance costs, due to two major factors.*
  - ▶ The first factor is an underlying increase in the health care costs (estimated at 7-9%).
  - ▶ The second factor is that insurance carriers are including costs within their quoted premiums to cover risks associated with the new health care reform legislation (estimated to be ~5%).

## ➤ Merit Raises:

- *NYISO's 2011 draft budget includes an average merit increase to employee compensation of 3%, which was based upon the following rationale:*
  - ▶ Concerns about rising voluntary attrition trends and the cost of employee turnover,
  - ▶ Consistent with planned 2011 merit increases of other ISOs ranging between 2.9% - 3.0%,
  - ▶ Consistent with 3% median planned merit increases both nationally and in New York State per *WorldatWork* Salary Budget Survey, which is the largest data survey in the U.S. (receiving almost 2,800 submissions),
  - ▶ Consistent with NYISO's 2010 average merit increase levels.

# Line Item Details – PROFESSIONAL FEES

<i>(\$ in millions)</i>	<u>2011 Draft</u>	<u>2010 Budget</u>	<u>\$ Change</u>
Product Enhancement consultants ( <i>several vendors</i> )	\$5.6	\$12.2	(\$6.6)
External legal fees	\$6.3	\$7.4	(\$1.1)
Misc. Professional Fees (all individually < \$500K)	\$3.7	\$5.0	(\$1.3)
Ranger support & enhancements	\$1.5	\$1.6	(\$0.1)
Reliability & Economic Planning	\$1.4	\$1.4	-
External audits and Internal Audit co-sourcing	\$0.7	\$0.5	\$0.2
Market design & related consulting	\$1.1	\$0.9	\$0.2
Security guards	\$1.5	\$1.2	\$0.3
Market advisor & related consulting	\$2.4	\$1.8	\$0.6
DOE Grant Consulting	<u>\$7.0</u>	<u>\$5.0</u>	<u>\$2.0</u>
<b>Total Professional Fees</b>	<b>\$31.2</b>	<b>\$37.0</b>	<b>(\$5.8)</b>

**Product Enhancement Consultants:** The expected decrease is due to NYISO hiring additional FTEs rather than rely on the expertise of external consultants. See details on 2011 product enhancements in a separate presentation.

**External Legal Fees:** During 2010, one employee was added to the General Counsel's staff to offset external legal fees. The majority of the expected 2011 decrease is due to the shifting of legal work from external to internal resources.

**Market advisor & related consulting:** The expected increase in such costs is driven by the increased reporting structure / scope of responsibilities for the external market advisor and ongoing assistance with market review & monitoring efforts.

**DOE Grant Consulting:** Consultancy for project management and grant administration services represents a full year of effort for 2011. 50% of these costs will be reimbursed by DOE and 50% will be funded by 2011 debt borrowings.

## Line Item Details – BUILDING SERVICES

<i>(\$ in millions)</i>	<u>2011 Draft</u>	<u>2010 Budget</u>	<u>\$ Change</u>
Total Building Services	\$5.0	\$5.1	(\$0.1)

**Building Services:**

NYISO includes building service contracts, repairs & maintenance, and membership dues & subscriptions within this budget category. The 2011 budget is a minor reduction from 2010 and negotiations in a variety of service contracts will be pursued to meet these levels.



## Line Item Details – COMPUTER SERVICES

<i>(\$ in millions)</i>	2011 <u>Baseline</u>	2011 <u>Grants</u>	2011 <u>Draft</u>	2010 <u>Budget</u>	\$ <u>Change</u>
<b>Total Computer Services Costs</b>	<b>\$15.8</b>	<b>\$0.2</b>	<b>\$16.0</b>	<b>\$15.8</b>	<b>\$0.2</b>

### Computer Services:

There has been no increase from 2010 budgeted levels in the 2011 baseline budget for Computer Services. The overall increase is due to Computer Supplies required to install Capital equipment related to the SGIG grant. Although NYISO continues to experience increased costs for hardware/software maintenance and software licenses due to growth in the number of software products and escalating vendor increases, NYISO continues to offset such increases by savings realized during aggressive contract renegotiations.

## Line Item Details - INSURANCE

<i>(\$ in millions)</i>	2011 <u>Baseline</u>	2011 <u>IMP</u>	2011 <u>Draft</u>	2010 <u>Budget</u>	\$ <u>Change</u>
<b>Total Insurance</b>	<b>\$2.9</b>	<b>\$0.6</b>	<b>\$3.5</b>	<b>\$3.0</b>	<b>\$0.5</b>

Insurance:

The increase in Insurance is due to additional coverage requirements for building construction at the Primary Control Center in Guilderland.

## Line Item Details - TELECOMMUNICATIONS

<i>(\$ in millions)</i>	2011 Draft	2010 Budget	\$ Change
Total Telecommunications	\$4.1	\$4.0	\$0.1

Telecommunications:

The increase is due to a one-time service fee to upgrade to a 10 gigabit ethernet. All other Telecommunications costs are being maintained at 2010 budgeted levels.

# Line Item Details – OTHER EXPENSES

<i>(\$ in millions)</i>	<u>2011 Draft</u>	<u>2010 Budget</u>	<u>\$ Change</u>
Travel, Meetings, Training Costs	\$1.8	\$1.7	\$0.1
BOD Fees and Expenses	\$1.1	\$1.2	(\$0.1)
NPCC Fees	<u>\$0.3</u>	<u>\$0.3</u>	-
<b>Total Other Expenses</b>	<b>\$3.2</b>	<b>\$3.2</b>	<b>-</b>

### Travel, Meetings, Training Costs:

NYISO plans to continue austerity spending for travel, meetings & training costs during 2011. The amounts funded for 2011 vs. 2010 budgets consist of:

	<u>2011</u>	<u>2010</u>	<u>\$ Change</u>
Employee travel/mtgs/training	1.4M	1.3M	\$0.1
MP meetings	0.2M	0.2M	-
MP training courses	0.1M	0.1M	-
Dispatcher training courses	0.1M	0.1M	-

### BOD Fees and Expenses:

The decrease above reflects the 2011 estimate of BOD compensation and meeting costs.

### NPCC Fees:

The 2011 budget is an estimate based upon information provided by NPCC for 2010 annual budget funding allocations.

# Line Item Details – DEBT SERVICE

ANNUAL PRINCIPAL AND INTEREST REPAYMENTS **									
(\$ in millions)									
Debt Facility & Repayment Period	Borrowings	2008	2009	2010	2011	2012	2013	2014	2015
2004 Budget Loan (4 yrs)	\$42M	\$10.7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2005 KCC Bldg Mortgage & Renov. (20 yrs)	\$24.8M	\$1.7	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1
2005 Budget Loan (4 yrs)	\$18M	\$4.7	\$4.6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2006 Budget Loan (4 yrs)	\$15.5M	\$4.3	\$3.9	\$4.0	\$ -	\$ -	\$ -	\$ -	\$ -
2007 Budget Loan (3 yrs)	\$15.0M	\$5.7	\$5.4	\$5.1	\$ -	\$ -	\$ -	\$ -	\$ -
2008 Budget Loan (3 yrs)	\$16.7M	\$0.5	\$6.3	\$6.0	\$5.7	\$ -	\$ -	\$ -	\$ -
2009 Budget Loan (3 yrs)	\$18.3M	\$ -	\$0.4	\$7.0	\$6.6	\$6.3	\$ -	\$ -	\$ -
2010 Budget Loan (3 yrs)	\$25.0M Est.	\$ -	\$ -	\$0.5	\$9.2	\$8.9	\$8.5	\$ -	\$ -
2011 Budget Loan (3 yrs)	\$25.0M Est.	\$ -	\$ -	\$ -	\$0.5	\$9.0	\$8.8	\$8.5	\$ -
2012 Budget Loan (3 yrs)	\$25.0M Est.	\$ -	\$ -	\$ -	\$ -	\$0.6	\$9.2	\$8.9	\$8.5
2013 Budget Loan (3 yrs)	\$25.0M Est.	\$ -	\$ -	\$ -	\$ -	\$ -	\$0.7	\$9.4	\$9.0
Bank Fees	n/a	\$0.6	\$0.6	\$0.4	\$0.5	\$0.6	\$0.6	\$0.6	\$0.6
<b>Total Debt Service Payments</b>		<b>\$28.2</b>	<b>\$23.3</b>	<b>\$25.1</b>	<b>\$24.6</b>	<b>\$27.5</b>	<b>\$29.9</b>	<b>**</b>	<b>**</b>
<p><b>** Note: Totals after 2013 are not presented as additional loans after 2013 are not factored into this table.</b></p> <p><b>\$25M is expected to be borrowed annually during 2011-2013, with ~\$20M representing the annual cost of implementing Projects and the remaining ~\$5M for the completion of the DOE SGIG award.</b></p>									

# Line Item Details – DEBT SERVICE (cont'd)

PRINCIPAL BALANCE OUTSTANDING AT DECEMBER 31, (\$ in millions)									
Debt Facility	2008	2009	2010	2011	2012	2013	2014	2015	2016
2004 Budget Loan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2005 KCC Bldg Mortgage & Renov.	\$22.0	\$21.2	\$20.4	\$19.6	\$18.7	\$17.7	\$16.7	\$15.6	\$14.4
2005 Budget Loan	\$4.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2006 Budget Loan	\$7.4	\$3.6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2007 Budget Loan	\$10.0	\$5.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2008 Budget Loan	\$16.7	\$11.1	\$5.6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2009 Budget Loan	\$ -	\$18.3	\$12.2	\$6.1	\$ -	\$ -	\$ -	\$ -	\$ -
2010 Budget Loan	\$ -	\$ -	\$25.0	\$16.7	\$8.3	\$ -	\$ -	\$ -	\$ -
2011 Budget Loan	\$ -	\$ -	\$ -	\$25.0	\$16.7	\$8.3	\$ -	\$ -	\$ -
2012 Budget Loan	\$ -	\$ -	\$ -	\$ -	\$25.0	\$16.7	\$8.3	\$ -	\$ -
2013 Budget Loan	\$ -	\$ -	\$ -	\$ -	\$ -	\$25.0	\$16.7	\$8.3	\$ -
<b>Total Principal Outstanding</b>	<b>\$60.6</b>	<b>\$59.2</b>	<b>\$63.2</b>	<b>\$67.4</b>	<b>\$68.7</b>	<b>\$67.7</b>	<b>**</b>	<b>**</b>	<b>**</b>

*\*\* Note: Totals after 2013 are not presented as additional loans after 2013 are not factored into this table.*

# Line Item Details – MISC. REVENUE

<i>(\$ in millions)</i>	2011 <u>Baseline</u>	2011 <u>Grants</u>	2011 <u>Draft</u>	2010 <u>Budget</u>	\$ <u>Change</u>
<b>Total Miscellaneous Revenues</b>	<b>\$2.2</b>	<b>\$5.3</b>	<b>\$7.5</b>	<b>\$2.3</b>	<b>\$5.2</b>

<u>Miscellaneous Revenues:</u>	<u>2011</u>	<u>2010</u>	<u>\$ Change</u>
SGIG & EIPC Grant Revenue	\$5.3M	-	\$5.3M
Interconnection Studies Revenue	\$1.3M	\$1.0M	\$0.3M
Governance Fees	\$0.4M	\$0.4M	-
MP Training Revenue	\$0.3M	\$0.3M	-
Economic Planning Studies	\$0.1M	\$0.1M	-
Interest Income	<u>\$0.1M</u>	<u>\$0.5M</u>	<u>(\$0.4M)</u>
<b>Total</b>	<b>\$7.5M</b>	<b>\$2.3M</b>	<b>\$5.2M</b>

The increase in miscellaneous revenues reflected above is attributable to SGIG and EIPC grant revenues. The revenue related to the SGIG grant is \$5.0M which is 50% Federal reimbursement of allowable costs. \$0.3M in revenue is related to the EIPC grant and is 100% Federal reimbursement of allowable costs.

In 2011, increases in expected revenue from interconnection studies total \$0.3M.

These increases are partially offset by \$0.4M decrease in interest income earned on NYISO's investments caused by continued declines in interest rates.

## Line Item Details – FERC FEES

<i>(\$ in millions)</i>	<u>2011 Draft</u>	<u>2010 Budget</u>	<u>\$ Change</u>
<b>Total FERC Fees</b>	<b>\$12.0</b>	<b>\$11.2</b>	<b>\$0.8</b>

### FERC Fees:

NYISO includes FERC Fees within its annual RS#1 budget revenue requirements. None of the other ISOs do this, and instead, assess FERC Fees as a direct pass-through to MPs.

NYISO's 2011 budget for FERC Fees is \$12.0M, which represents a corresponding ~12% increase from the 2010 actuals. NYISO's 2010 FERC assessment was disproportionately less than prior years due to decreased MWh sales in 2009. In 2010, FERC's annual program costs increased 6.2% vs. the ~12% increases in both 2008 and 2009.

Note that NYISO's 2011 draft includes estimates for both the assessment to be received in mid-2011 and a \$0.5M "true-up" associated with the estimation for the difference in NYISO's calendar year and FERC's fiscal year.



# Recap

- Market Participant questions on 2011 Budget?
- NYISO to develop draft 2012-2013 budget projections and discuss with Market Participants in the context of these items:
  - *Continuation of Infrastructure Master Plan,*
  - *Potential NYISO budget commitment,*
  - *Potential to reduce sole reliance on MWs for NYISO revenue without annual true-up feature*
  - *Potential to remove FERC Fees from NYISO budgetary process to minimize cash flow/budgetary difficulties*