

# Budget vs. Actual Summary: August 2005

*Prepared By:*

NYISO Finance Department

September 2005

# Summary Results

(\$ in millions, except RS#1 charge)

<u>Cost Category</u>	<u>2005 Annual Amounts</u>				<u>YTD through 8/05 Amounts</u>		
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Year-End Projection</u>	<u>Variance</u>	<u>Revised Budget</u>	<u>Actuals</u>	<u>Variance</u>
Baseline	\$106.5	\$106.1	\$106.8	\$0.7	\$71.1	\$70.4	(\$0.7)
Projects (excl. New Building Acquisition)	\$14.6	\$14.6	\$14.2	(\$0.4)	\$9.7	8.1	(\$1.6)
New Building Acquisition	\$2.3	\$16.8	\$18.6	\$1.8	\$15.5	\$15.7	\$0.2
Debt Service	<u>\$26.5</u>	<u>\$26.5</u>	<u>\$25.7</u>	<u>(\$0.8)</u>	<u>\$17.8</u>	<u>\$17.2</u>	<u>(\$0.6)</u>
<b>Cash Budget</b>	<b>\$149.9</b>	<b>\$164.0</b>	<b>\$165.3</b>	<b>\$1.3</b>	<b>\$114.1</b>	<b>\$111.4</b>	<b>(\$2.7)</b>
Less: Net proceeds on 2005 budget debt	(\$19.9)	(\$19.9)	(\$20.0)	(\$0.1)	(\$14.7)	(\$14.8)	(\$0.1)
Less: Net proceeds on mortgage	-	(\$13.2)	(\$15.1)	(\$1.9)	(\$15.0)	(\$14.6)	\$0.4
Less: Misc. Revenues	<u>(\$1.0)</u>	<u>(\$1.9)</u>	<u>(\$3.0)</u>	<u>(\$1.1)</u>	<u>(\$1.0)</u>	<u>(\$1.8)</u>	<u>(\$0.8)</u>
<b>Rate Schedule #1 Revenue Req.</b>	<b><u>\$129.0</u></b>	<b><u>\$129.0</u></b>	<b><u>\$127.2</u></b>	<b><u>(\$1.8)</u></b>	<b><u>\$83.4</u></b>	<b><u>\$80.2</u></b>	<b><u>(\$3.2)</u></b>
<b>Rate Schedule #1 Charge (\$/MWH)</b>	<b><u>\$0.788</u></b>	<b><u>\$0.788</u></b>					

Notes:

1. *The significant differences between Original and Revised Budgets reflect updated estimates (since 2005 budget preparation) related to the new building acquisition.*
2. *Credit Insurance was not renewed in 2005, resulting in an expected \$1.7M underrun at year-end.*
3. *See the components of the YTD budget variance on the next slide.*

# Detailed Results

(\$ in millions)

	Original Budget	Revised Budget	Year-End Projection	Year-End Variance	Revised Budget thru 8/05	Actual thru 8/05	Variance thru 8/05
Capital	\$5.9	\$21.8	\$22.4	\$0.6	\$19.0	\$18.9	(\$0.1)
Salaries & Benefits	47.4	47.4	47.0	(0.4)	31.6	31.3	(0.3)
Consultants	24.3	24.3	26.7	2.4	16.2	15.6	(0.6)
Legal	5.0	5.0	5.9	0.9	3.3	3.9	0.6
Building Services	6.0	4.2	4.7	0.5	2.9	2.9	-
Computer Services	11.5	11.5	9.5	(2.0)	7.7	6.2	(1.5)
Insurance	6.8	6.8	4.2	(2.6)	4.5	2.8	(1.7)
Telecommunications	4.2	4.2	4.9	0.7	2.8	3.3	0.5
BOD	0.9	0.9	1.3	0.4	0.6	0.7	0.1
Training, Meetings, Travel	2.7	2.7	2.7	-	1.8	1.6	(0.2)
NPCC Fees	1.7	1.7	1.7	-	1.2	1.3	0.1
FERC Fees	7.0	7.0	8.6	1.6	4.7	5.7	1.0
Debt Service	<u>26.5</u>	<u>26.5</u>	<u>25.7</u>	<u>(0.8)</u>	<u>17.8</u>	<u>17.2</u>	<u>(0.6)</u>
<b>Cash Budget</b>	<b>\$149.9</b>	<b>\$164.0</b>	<b>\$165.3</b>	<b>\$1.3</b>	<b>\$114.1</b>	<b>\$111.4</b>	<b>(\$2.7)</b>
Less: Revenues	(1.0)	(1.9)	(3.0)	(1.1)	(1.0)	(1.8)	(0.8)
Less: Proceeds from 2005 Budget Debt	(20.4)	(20.4)	(20.5)	(0.1)	(15.0)	(15.0)	-
Less: Proceeds from Mortgage	-	(15.9)	(17.6)	(1.7)	(15.1)	(14.7)	0.4
Add: Interest on 2005 Budget Debt	0.5	0.5	0.5	-	0.3	0.2	(0.1)
Add: Principal & Interest on Mortgage	___	<u>2.7</u>	<u>2.5</u>	<u>(0.2)</u>	<u>0.1</u>	<u>0.1</u>	<u>___</u>
<b>Rate Schedule #1 Revenue Requirement</b>	<b>\$129.0</b>	<b>\$129.0</b>	<b>\$127.2</b>	<b>(\$1.8)</b>	<b>\$83.4</b>	<b>\$80.2</b>	<b>(\$3.2)</b>

*For Discussion Only*

# Detailed Variance Explanations

**Capital** – Year-end projections expect an overrun, primarily because \$1.7M in New Facility renovation costs will be accelerated into 2005 instead of 2006, net of an ~\$1M underrun in modifications planned for the PCC will be deferred to future years.

**Salaries & Benefits** – As of August, headcount is 403, which is leading to a slight underrun from the total budgeted headcount for 2005 of 411. A slight underrun is projected for year end, based on a headcount target of 421, and conservative estimates for bonuses. Such assumptions and trends will be revisited as needed later in the year.

**Consultants** – This line item is currently under budget due to timing differences on the spending for certain consultants (TCC settlement audit, HR studies and surveys, internal audits, planning, market studies, and certain project costs), which are all spent more heavily in later months of the year. The current projection for consultants indicates a ~ 10% overrun by year-end. This projection will be updated in September and some funds may be unspent. Any underrun will be applied to debt.

**Legal** – The legal budget is trending over budget due primarily to litigation, AMP, TCC and new building costs. Costs are roughly equal to last year, but savings were budgeted in 2005 due to the addition of 2 in-house attorneys. However, these positions were not filled for the entire 2005 budget period, therefore contributing to the 2005 overrun. The year-end projections have been revised down from July, as actual costs were reduced for May and June.

**Computer Services** – This line item is currently under budget and is projected to remain so by year-end. Lower hardware and software maintenance costs have been achieved through renegotiation of several contracts.

**Insurance** – Credit insurance was not renewed, which will result in annual savings of \$1.7M. Other insurance policies were renewed lower than budget: \$465K savings in Property insurance and \$468K savings in D&O insurance, resulting in a projected 2005 budget underrun of \$2.6M.

**Telecommunications** – This line item is over budget primarily due to additional Telecom lines required when SMD deployed.

**Board of Directors** – Board fees were increased late in 2004, the first increase in 5 years, resulting in a 2005 budgetary overrun.

**FERC Fees** – FERC invoiced a 22% budget increase for 2005, which was \$1.6M higher than budgeted.

**Debt Service & Bank Fees** – Interest expense will be lower than budget, due to interest rates remaining lower than the 5% budgeted rate, plus savings from refinancing in April.

**Misc. Revenues** – Interest income is expected to be \$1.1M higher than budget, due to rising interest rates.

**Proceeds from Mortgage** – Approximately \$1.7M of New Facility costs have been accelerated into 2005 instead of 2006.

# Projects Summary

(\$ in millions)

<u>Project Name</u>	<u>Original Budget</u>			<u>Year-End Projection</u>			<u>Total Variance</u>
	<u>Labor</u>	<u>Non-Labor</u>	<u>Total</u>	<u>Labor</u>	<u>Non-Labor</u>	<u>Total</u>	
Billing Automation & Enhancements: TCC Settlement	\$0.2	\$0.0	\$0.2	\$0.0	\$0.0	\$0.0	(\$0.2)
Billing Automation & Enhancements: Rate Schedule 1 Allocation	\$0.2	\$0.2	\$0.4	\$0.2	\$0.0	\$0.2	(\$0.2)
Billing Automation & Enhancements: NTAC & TSC Rate Mgt.	\$0.2	\$0.0	\$0.2	\$0.2	\$0.0	\$0.2	\$0.0
Billing Automation & Enhancements: BAS Replacement Strategy / Billing Sim.	\$0.7	\$1.1	\$1.8	\$0.7	\$1.5	\$2.2	\$0.4
Billing Automation & Enhancements: DSS Customer Settlements Expansion	\$0.4	\$1.6	\$2.0	\$0.8	\$1.5	\$2.3	\$0.3
TCC & UCAP Auction Automation	\$0.7	\$1.1	\$1.8	\$1.0	\$1.1	\$2.1	\$0.3
Controllable Tie Lines Scheduling and Pricing	\$0.3	\$0.6	\$0.9	\$0.4	\$0.5	\$0.9	\$0.0
15 Minute Scheduling	\$0.1	\$0.3	\$0.4	\$0.1	\$0.1	\$0.2	(\$0.2)
Scheduling of Combined Cycle Units	\$1.0	\$0.5	\$1.5	\$0.0	\$0.0	\$0.0	(\$1.5)
Self Supply of Reserves	\$0.4	\$0.5	\$0.9	\$0.0	\$0.0	\$0.0	(\$0.9)
SMD Feature Extensions (SMD 2.1)	\$0.7	\$0.2	\$0.9	\$0.2	\$0.8	\$1.0	\$0.1
MIS Enhancements: Comprehensive Bid Mgt. System	\$0.5	\$0.1	\$0.6	\$0.0	\$0.0	\$0.0	(\$0.6)
MIS Enhancements: Oracle Forms Replacement	\$0.2	\$0.1	\$0.3	\$0.0	\$0.0	\$0.0	(\$0.3)
Outage Schedule Reporting	\$0.5	\$0.3	\$0.8	\$0.0	\$0.0	\$0.0	(\$0.8)
Intra-Hour Transaction Scheduling ( <i>previously named VRD</i> )	\$0.1	\$0.5	\$0.6	\$0.1	\$0.1	\$0.2	(\$0.4)
Documentum Expanded Implementation & MDEX	\$0.4	\$0.9	\$1.3	\$0.4	\$1.1	\$1.5	\$0.2
SMD 2.0 and Related Projects	\$0.0	\$0.0	\$0.0	\$0.9	\$0.8	\$1.7	\$1.7
SMD Feature Extensions (SMD 2.2)	\$0.0	\$0.0	\$0.0	\$0.2	\$0.7	\$0.9	\$0.9
E-Tagging 2.0	\$0.0	\$0.0	\$0.0	\$0.2	\$0.6	\$0.8	\$0.8
<b>Total – Projects (excluding New Building Acquisition)</b>	<b>\$6.6</b>	<b>\$8.0</b>	<b>\$14.6</b>	<b>\$5.4</b>	<b>\$8.8</b>	<b>\$14.2</b>	<b>(\$0.4)</b>

*For Discussion Only*

# New Facility Recap

(\$ in millions)

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Year-End Projection</u>	<u>Budget thru 8/05</u>	<u>Actual thru 8/05</u>	<u>Variance thru 8/05</u>	<u>Revised Budget Components</u>
Capital	\$ -	\$15.9	\$17.6	\$15.1	\$15.3	\$ 0.2	\$14.7M building purchase + \$2.9M retrofit in 2005
Salaries & Benefits**	-	0.4	0.4	0.2	0.2	-	Internal employee hours reallocated from Baseline
Building Services	<u>2.3</u>	<u>0.5</u>	<u>0.5</u>	<u>0.2</u>	<u>0.2</u>	-	Building Costs (utilities, taxes, etc.); most reimbursed from Phoenix & captured under "Revenues"
<b>TOTAL BUDGET</b>	<b>\$2.3</b>	<b>\$16.8</b>	<b>\$18.5</b>	<b>\$15.5</b>	<b>\$15.7</b>	<b>\$ 0.2</b>	
Less: Revenues	-	(0.9)	(0.9)	(0.3)	(0.3)	-	Lease revenue from Phoenix: base rent and reimbursement of building costs
Less: Proceeds from Mortgage	-	(15.9)	(17.6)	(15.1)	(14.7)	0.4	\$14.7M building purchase + \$2.9M retrofit in 2005
Add: Principal & Interest on Mortgage	-	<u>2.7</u>	<u>2.7</u>	<u>0.1</u>	<u>0.1</u>	-	P&I payments for building purchase; Interest only for retrofit
<b>Required Cash via Rate Schedule #1</b>	<b>\$2.3</b>	<b>\$2.7</b>	<b>\$2.7</b>	<b>\$0.2</b>	<b>\$0.8</b>	<b>\$0.6</b>	

\*\* Note: An estimate of salaries and benefits related to the new building was not prepared during the budget approval process.