



## 2004 Budget vs. Actual Variance Explanations as of August 2004

### Capital Assets

Space and power limitations at the NYISO facilities have limited the ability to purchase additional hardware in 2004. Additionally, certain hardware originally budgeted for 2004 was actually able to be acquired during 2003. This line item will underrun by approximately \$5.8M due to transfers made to other line items from the hardware budget. \$3.7M in SMD costs was reclassified from capital assets (hardware) to Computer Services (ABB project development costs). \$2M was also transferred from capital to consultants for facility and security improvements.

### Salaries and Benefits

Salaries and benefits will trend under budget all year due primarily to the delay in converting onsite contractors to FTEs associated with the postponed deployment of SMD. An annual underrun of approximately \$2.3M is expected.

### Consultants

Items included in this cost category are both consultants and onsite contractors. Consultants are projected to be under budget by \$.9M, caused primarily by underruns in Internal Audit, IT, HR, and Market Monitoring. The underrun in consultants is offset by an expected overrun in onsite contractors of \$.4M due primarily to the delay in converting onsite contractors to FTEs associated with the postponed deployment of SMD. The net underrun on this line item is expected to be \$0.5M by year-end.

### Legal

This line item is trending on budget at this time. The cost of legal services related to the TCC issue is expected to be absorbed within the existing Legal budget. An additional FTE was added in July, which will help lower outside legal costs for the remainder of 2004 and beyond.

### Building Services

The primary driver for the expected \$0.7M overrun is due to significant increases in utility costs.

### Computer Services

The \$7.9M overrun in Computer Services is driven by \$4.7M in Project Development costs, \$1.5M in maintenance and \$0.8M in computer supplies. Dollars were transferred from Capital to cover the majority of these costs.

### Insurance

Insurance renewals during the 4<sup>th</sup> quarter of 2003, were below the amount projected in the 2004 budget. Annual savings are projected to be approximately \$1.4M.

### Telecommunications

Telecommunication costs are currently over budget and will continue to exceed budget at year-end by \$1.5M. The 2004 budget appears to have been understated as certain items such as additional capacity of data lines to handle computer and phone transmissions, plus Wolf Road costs were mistakenly omitted in the 2004 budget planning.

### Board of Directors

The Board and its committees have been meeting less frequently in 2004 as compared to prior years. An annual underrun of \$0.2M is expected.

### Meetings, Travel and Training

Certain internal and market participant training courses are currently under budget by \$0.2M, and are expected to continue that trend through year-end.

### NPCC and FERC Fees

Actual NPCC fees were slightly less than budgeted. Actual FERC fees for 2004 were significantly less than budget (\$6.7M 2004 assessment less a \$1.4M refund on 2003 FERC fees for a net charge of \$5.3M).

### Debt Service & Bank Fees

Interest rates paid on the Hardware Financing Debt and 2003 Debt Facility loans have been significantly below the budgeted rate of 5%. Rates are expected to gradually increase, but stay below 3.5% for the remainder of this year. Using the savings on these items as well as the overall underrun on the 2004 budget, NYISO intends to prepay \$2.4M remaining on the Hardware Financing debt by the end of 2004.

### Miscellaneous Revenues

Generally, these costs are running on budget.

### Proceeds and Interest on 2004 Bank Financing

NYISO has borrowed \$23M on this facility year-to-date and anticipates total draws of about \$42M by year-end. Originally, borrowings on this facility were expected to be \$46M, but were lowered to coincide with an expected overall underrun on the 2004 budget (which is due to be applied to reduce 2004 debt). NYISO estimates \$0.8M in savings on interest, due to lower rates than expected and borrowings drawn later than planned.

### RS #1

Currently, Rate Schedule 1 charges have exceeded the budget by \$1.6M due to the load being approximately 2.5M MWH higher than forecasted. No attempt is made to estimate any variance at year-end.