

Motion #1:

2006 NYISO Budget

The Management Committee recommends that the Board of Directors approve the proposed Rate Schedule #1 Revenue Requirement Budget of \$133.1 million for the 2006 budget year as described in the presentation materials for the October 11, 2005 and November 9, 2005 Management Committee meetings. This budget represents the funding level required to meet NYISO's key objectives and projects scheduled for 2006 while staying within the 2006 target budget. The Management Committee also recommends that the Revenue Requirements Budget of \$133.1 million be subject to the following provisions:

- a. **Cash Expenditures** – Total amount of budgeted cash expenditures should be \$171.4 million or less.
- b. **Rate Schedule #1** – The budgeted Rate Schedule #1 charges should be maintained at equal to or less than \$.802 /mwh.
- c. **Spending Under-runs** – If a spending under-run occurs, the related funds should be utilized to pay down the principal amount of outstanding debt. This policy was adopted in 2003 and should continue to apply for the five-year duration of the 2006 financing.
- d. **Volume variances-** Rate Schedule#1 over-collection as of December 31, 2005 resulting from volume variances should be utilized to pay down the principal amount of outstanding debt. Future over-collections related to transactional volume variances, if any, should also be utilized to retire debt. The NYISO will manage under-collections related to transactional volumes, if any, in conjunction with anticipated borrowings and spending variances so that market participants are not assessed an increase to Rate Schedule #1 during any budget year.
- e. **Obligation for Repayment** – In approving the 2006 budget, the Management Committee acknowledges and agrees that the cost of financing 2003, 2004, 2005 and 2006 projects must be repaid in the future NYISO budgets that cover the relevant amortization periods.

Motion #2:

2007-2010 NYISO Budget Targets

The Management Committee recommends that the Board of Directors adopt, for the purpose of guidance and input, the 2007-2010 NYISO budget targets described in the presentation materials at the November 9, 2005 Management Committee Meeting. The Management Committee recognizes that budget targets are non-binding targets adopted to provide input and guidance into the development of pro-forma budgets and financing plans and their impacts on the planning and development of NYISO operations and projects. These targets will be updated and adjusted annually as part of the budget process. Actual budgets adopted in future years may be higher or lower than the targets as circumstances warrant. Nevertheless, in order to preserve, to the greatest extent possible, the benefits contemplated in the five year budget projections, as set forth in the BS&P Report to the MC dated November 9, 2005, the MC expects that the NYISO will attempt to operate within the cash budget targets in years 2007-2010. In approving the 2007-2010 budget targets, the Management Committee acknowledges and agrees that the cost of financing 2003 through 2005 projects and any future financing of projects in 2006 through 2010 must be repaid in the future NYISO budgets that cover the relevant amortization periods.