

NYISO Management Committee Meeting

November 12, 2003

NYS Nurses Association

MOTIONS FROM THE MEETING

Motion #1:

Motion to approve the Minutes from the October 17, 2003 MC meeting.

(Motion passed unanimously by a show of hands)

Motion #2:

Motion to recommend a 2004 NYISO budget to the Board of Directors of \$169.7 million as described in the presentation materials at the November 12, 2003 Management Committee Meeting subject to the following provisions:

- a. **Cash Expenditures** - Total amount of budgeted cash expenditures should be \$169.7 million or less.
- b. **Rate Schedule #1** - The budgeted rate schedule 1 charges should be maintained at equal to or less than 0.769 \$/MWH.
- c. **Blackout Costs** - Incremental blackout costs (excluding labor costs) are not included in the budgeted amount under items a. and b. above. Cash expenditures related to the August 14, 2003 blackout should, to the degree possible, be managed within the above budget. To the degree it is not possible to manage the expenditures within the above budget, a surcharge should be placed on Schedule 1 charges to recover the costs. As an incentive to control costs, the NYISO Board performance incentives for employees and executive annual goals should include a budget target based on a. and b. above. This budget target should be measured on cash expenditures and make superior performance contingent upon completing the funded projects and paying for all blackout related costs without the use of a surcharge.
- d. **Project Financing** - Five year project financing should be used to manage the rate schedule 1 charges in the 2004 budget. To the degree required to meet the 2004 rate schedule 1 charges, repayment of 2004 financing costs should be partially deferred for recovery over the 2005 - 2008 period when there are no longer payments for NYISO start-up costs.
- e. **Flexible Project Funding** - The \$2.4 million in Flexible Project funding should be used for projects listed in the November 12, 2003 presentation according to priorities set by the PPT. In the event that new projects come up, other than projects required by Orders or regulations issued by jurisdictional agencies, resources could be redirected using the BS&P Project Financing Process. In the event that the new project cannot be completed without eliminating a project currently listed as a Flexible Project, or otherwise increasing the 2004 budget, the ISO shall request BS&P review and recommendation and shall request the new project be prioritized by the PPT. Notwithstanding these exceptions to the BS&P Project Financing Guidelines, the thresholds, and exceptions for emergencies, as listed in the BS&P Project Financing Guidelines, would continue to apply to any such new project.
- f. **Debt Payment** - If a budget under run occurs after taking into account blackout costs, the under run should be reserved for paying down the principal of the 2004 debt. This policy should apply for the five-year duration of the 2004 financing.

- g. **Expenditures for Insurance** – The NYISO should examine whether expenditures for insurance could be reduced. Among the ways examined to reduce costs, the NYISO staff should examine whether the level of credit insurance can be reduced in light of recent changes to the credit policy. To the degree possible, insurance practices of other ISOs/RTOs should be investigated.
- h. **Obligation for Repayment** - In approving the 2004 budget, the Management Committee acknowledges and agrees that the cost of financing (i) NYISO startup, (ii) hardware for projects prior to 2003, (iii) the funds expended on 2003 projects, and (iv) the funds expended on 2004 projects must be repaid in the future NYISO budgets that cover the relevant amortization periods.

(Motion passed by a majority show of hands)

Motion #3:

**2005-2008 NYISO Budget Target Motion
Submitted on Behalf of the BS&P on November 3, 2003**

Motion to adopt, for the purpose of guidance and input, the 2005-2008 NYISO budget targets described in the presentation materials at the November 12, 2003 Management Committee Meeting subject to provisions a. through e. below.

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 12, 2003, the MC expects that the NYISO will attempt to operate within the cash budget targets in years 2005-2008.

- a. **Cash Expenditure and Rate Schedule #1 Targets** - Total amount of budgeted cash expenditures and Rate Schedule #1 should be kept at or under the values listed in the November 12, 2003 presentation to the Management Committee.
- b. **Projects Expenditures** – After other cost management strategies have been applied to reduce projected baseline costs, the project expenditure budget should be adjusted to achieve the targeted cash expenditure targets.
- c. **Changing Project Expenditure Targets** – The level of future project expenditures will be adjusted consistent with the BS&P Project Financing Guidelines. If, in future years additional projects are justified, the process can be used to increase the level of project funding contained in the budget targets. Such increases would result in the increased obligation to pay for the cost of implementing or financing the projects.
- d. **Project Financing** - Project financing should be used to the minimum degree possible to achieve the Rate Schedule #1 targets while staying within the targeted cash expenditures.
- e. **Obligation for Repayment** – The budget targets should include provisions for repayment of the cost of financing (i) NYISO startup, (ii) hardware for previous year's projects, (iii) the funds expended on 2003 projects, (iv) the funds expended on 2004 projects, and (v) any future financing of projects in 2005 through 2008.

(Motion passed by a majority show of hands)

NYISO Management Committee Meeting

November 10, 2004

Albany, NY

MOTION FROM THE MEETING

Motion #1:

Motion to approve the Minutes from the October 1, 2004 and October 14, 2004 MC meetings.

(Motion passed unanimously by show of hands with abstentions)

Motion #2:

The Management Committee (MC) recommends that the Board of Directors approve the proposed Rate Schedule #1 Revenue Requirement Budget of \$129.0M for the 2005 budget year as described in the presentation materials for the October 14, 2004 and November 10, 2004 Management Committee meetings. This budget represents the funding level required to meet NYISO's key objectives and projects scheduled for 2005 while staying within the 2005 target budget. Approval of the budget is subject to the understanding that any proposal for the acquisition of NYISO facilities will be submitted to the Management Committee for approval. The Management Committee also recommends that the Revenue Requirement Budget of \$129.0M be subject to the following provisions:

- a. **Cash Expenditures** – Total amount of budgeted cash expenditures should be \$149.9 million or less.
- b. **Rate Schedule #1** – The budgeted rate schedule 1 charges should be maintained at equal to or less than 0.788 \$/MWH.
- c. **Debt Payment** – If a budget under run occurs, the under run should be reserved for paying down the principal of outstanding debt. This policy should apply for the five-year duration of the 2004 financing.
- d. **Expenditures for Insurance** – Recommend that Board consider eliminating Credit Insurance expenditures in light of current ISO credit policy.
- e. **Reduce Consultant Costs** – Move forward on conversion of LECG price validation efforts to internal resources in 2005 (addition of 4 TEs at \$0.4M could offset \$0.3M in LECG costs in 2005; savings for LECG costs in 2006 would be \$0.7M)
- f. **Obligation for Repayment** – In approving the 2005 budget, the Management Committee acknowledges and agrees that the cost of financing (i) the funds expended on 2003 projects, and (ii) the funds expended on 2004 projects must be repaid in the future NYISO budgets that cover the relevant amortization periods.

(Motion passed by majority show of hands)

Motion #3:

The Management Committee requests NYISO staff to inform the FERC of the conclusions and recommendations contained in this presentation and advise the FERC that it is deferring the schedule for implementing a physical self supply option. The Committee also recommends that the NYISO further inform the FERC that the NYISO may be making a filing in the third quarter of 2005 addressing the implementation of a physical self-supply option in New York's markets or the implementation of alternative market mechanisms.

(Motion passed unanimously by show of hands with abstentions)

* The Management Committee elected Jerry Ancona, to fill the Vice Chair position for December 2004 through November 2005.

(Mr. Ancona was elected MC Vice Chairperson by ballot with 76.75% affirmative votes)