

Budget vs. Actual Summary: September 2005

Prepared For:

Budget, Standards & Performance Subcommittee

October 24, 2005

Summary Results

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

<u>Cost Category</u>	<u>2005 Annual Amounts</u>				<u>YTD through 9/05 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	\$106.9	\$0.8	\$80.0	\$78.6	(\$1.4)
Projects (excl. New Building Acquisition)	\$14.6	\$14.6	\$13.3	(\$1.3)	\$10.9	\$8.6	(\$2.3)
New Building Acquisition	\$2.3	\$16.8	\$18.6	\$1.8	\$15.8	\$16.0	\$0.2
Debt Service	\$26.5	\$26.5	\$25.7	(\$0.8)	\$20.0	\$19.3	(\$0.7)
Cash Budget	\$149.9	\$164.0	\$164.5	\$0.5	\$126.7	\$122.5	(\$4.2)
Less: Net proceeds on 2005 budget debt	(\$19.9)	(\$19.9)	(\$18.3)	\$1.6	(\$14.6)	(\$14.7)	(\$0.1)
Less: Net proceeds on mortgage	-	(\$13.2)	(\$15.1)	(\$1.9)	(\$15.1)	(\$14.5)	\$0.6
Less: Misc. Revenues	(\$1.0)	(\$1.9)	(\$3.2)	(\$1.3)	(\$1.2)	(\$2.1)	(\$0.9)
Rate Schedule #1 Revenue Req.	\$129.0	\$129.0	\$127.9	(\$1.1)	\$95.8	\$91.2	(\$4.6)
Rate Schedule #1 Charge (\$/MWH)	\$0.788	\$0.788					

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 and was applied to 2005 budget debt.
3. See the components of the YTD budget variance on the next slide.

Detailed Results

(\$ in millions)

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Year-End Projection</u>	<u>Year-End Variance</u>	<u>Revised Budget thru 9/05</u>	<u>Actual thru 9/05</u>	<u>Variance thru 9/05</u>
Capital	\$5.9	\$21.8	\$22.5	\$0.7	\$19.7	\$19.0	(\$0.7)
Salaries & Benefits	47.4	47.4	46.7	(0.7)	35.5	35.4	(0.1)
Consultants	24.3	24.3	26.0	1.7	18.2	17.3	(0.9)
Legal	5.0	5.0	6.0	1.0	3.8	4.5	0.7
Building Services	6.0	4.2	4.6	0.4	3.3	3.2	(0.1)
Computer Services	11.5	11.5	9.5	(2.0)	8.7	6.7	(2.0)
Insurance	6.8	6.8	4.3	(2.5)	5.1	3.1	(2.0)
Telecommunications	4.2	4.2	4.9	0.7	3.1	3.6	0.5
BOD	0.9	0.9	1.3	0.4	0.7	0.8	0.1
Training, Meetings, Travel	2.7	2.7	2.7	-	2.1	1.8	(0.3)
NPCC Fees	1.7	1.7	1.7	-	1.3	1.4	0.1
FERC Fees	7.0	7.0	8.6	1.6	5.2	6.4	1.2
Debt Service	<u>26.5</u>	<u>26.5</u>	<u>25.7</u>	<u>(0.8)</u>	<u>20.0</u>	<u>19.3</u>	<u>(0.7)</u>
Cash Budget	\$149.9	\$164.0	\$164.5	\$0.5	\$126.7	\$122.5	(\$4.2)
Less: Revenues	(1.0)	(1.9)	(3.2)	(1.3)	(1.2)	(2.1)	(0.9)
Less: Proceeds from 2005 Budget Debt	(20.4)	(20.4)	(18.8)	1.6	(15.0)	(15.0)	-
Less: Proceeds from Mortgage	-	(15.9)	(17.7)	(1.8)	(15.3)	(14.7)	0.6
Add: Interest on 2005 Budget Debt	0.5	0.5	0.5	-	0.4	0.3	(0.1)
Add: Principal & Interest on Mortgage	___	<u>2.7</u>	<u>2.6</u>	<u>(0.1)</u>	<u>0.2</u>	<u>0.2</u>	<u>___</u>
Rate Schedule #1 Revenue Requirement	\$129.0	\$129.0	\$127.9	(\$1.1)	\$95.8	\$91.2	(\$4.6)

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 September, headcount is 399, which is leading to a slight underrun from the total budgeted headcount for 2005 of 411. A \$0.7M underrun is projected for year-end, although this may be larger as the 2005 corporate incentive goal bonus payouts are expected to be lower than anticipated. Such amounts will be calculated later in 2005.

Consultants – This line item is currently under budget due to anticipated underruns for certain consultants (internal audits, planning & market studies, and certain project costs). While the current projection for consultants indicates a ~ 7% overrun by year-end, this is a conservative estimate as certain consultants may not complete anticipated services by year-end. 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 downward slightly from the anticipated year-end projection of \$6.3M as actual charges incurred from May – August have been lower than originally expected.

Computer Services – This line item's current status and year-end projection indicate an underrun due to renegotiation of several hardware and software maintenance 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 \$2.5M.

Telecommunications – This line item is over budget primarily due to additional Telecom lines required when SMD deployed. NYISO has engaged a consultant to review all telecom contracts for potential ability to renegotiation and lower future charges.

Board of Directors – Board fees were increased late in 2004, the first increase in 5 years, resulting in a 2005 budgetary overrun. While a conservative overrun estimate of \$0.4M is reflected, the trend through September indicates that the overrun may decrease slightly to ~\$0.2M.

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 achieved from refinancing in April.

Misc. Revenues – Interest income is expected to be \$1.3M 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)

Project Name	Original Budget			Year-End Projection			Total Variance
	Labor	Non-Labor	Total	Labor	Non-Labor	Total	
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	\$0.5	\$1.5	\$2.0	\$0.2
Billing Automation & Enhancements: DSS Customer Settlements Expansion	\$0.4	\$1.6	\$2.0	\$0.3	\$1.5	\$1.8	(\$0.2)
TCC & UCAP Auction Automation	\$0.7	\$1.1	\$1.8	\$0.8	\$1.1	\$1.9	\$0.1
Controllable Tie Lines Scheduling and Pricing	\$0.3	\$0.6	\$0.9	\$0.2	\$0.5	\$0.7	(\$0.2)
15 Minute Scheduling	\$0.1	\$0.3	\$0.4	\$0.2	\$0.1	\$0.3	(\$0.1)
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	\$0.1	\$0.7	\$0.8	(\$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 (previously named VRD)	\$0.1	\$0.5	\$0.6	\$0.1	\$0.1	\$0.2	(\$0.4)
Documentum Expanded Implementation & MDEX	\$0.4	\$0.9	\$1.3	\$0.5	\$1.3	\$1.8	\$0.5
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
Total – Projects (excluding New Building Acquisition)	\$6.6	\$8.0	\$14.6	\$4.4	\$8.9	\$13.3	(\$1.3)

For Discussion Only

New Facility Recap

(\$ in millions)

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Year-End Projection</u>	<u>Budget thru 9/05</u>	<u>Actual thru 9/05</u>	<u>Variance thru 9/05</u>	<u>Notes</u>
Capital	\$ -	\$15.9	\$17.6	\$15.3	\$15.6	\$ 0.3	\$14.7M building purchase + \$2.9M retrofit in 2005
Salaries & Benefits**	-	0.4	0.4	0.3	0.2	(0.1)	Internal employee hours reallocated from Baseline
Building Services	<u>2.3</u>	<u>0.5</u>	<u>0.6</u>	<u>0.2</u>	<u>0.2</u>	-	Building Costs (utilities, taxes, etc.); most reimbursed from Phoenix & captured under "Revenues"
TOTAL BUDGET	\$2.3	\$16.8	\$18.6	\$15.8	\$16.0	\$ 0.2	
Less: Revenues	-	(0.9)	(0.9)	(0.4)	(0.4)	-	Lease revenue from Phoenix: base rent and reimbursement of building costs
Less: Proceeds from Mortgage	-	(15.9)	(17.7)	(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>2.6</u>	<u>0.2</u>	<u>0.2</u>	-	P&I payments for building purchase; Interest only for retrofit
Required Cash via Rate Schedule #1	\$2.3	\$2.7	\$2.6	\$0.5	\$1.1	\$0.6	

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