

# **2005 Budget vs. Actual Results**

*(\$ in millions, unless otherwise noted)*

**Budget, Standards & Performance Subcommittee**

**Project Prioritization Team**

**February 13, 2006**

# Summary

- Budget Underrun: \$2.5M (*see composition and details on subsequent slides*)
- Load Overcollections: \$2.0M from 2004  
\$8.0M from 2005  
\$10.0M subtotal
- Total 2005 Remaining Funds: \$12.5M
- The budget underrun above is after reflecting a \$2.4M reduction in 2005 budgeted debt borrowings. The reduction in 2005 borrowings was due to savings in credit insurance and lower cash needs, and will result in \$0.8M annual principal and interest savings from 2006-2009. \$0.6M of these savings was already incorporated when the 2006 budget was approved, and the remaining \$0.2M represents savings above those previously anticipated.
- NYISO's 2006 borrowings will be reduced \$12.5M from the levels outlined in the 2006 approved budget, pending any significant load under collections, changes in FERC invoices, or other unanticipated budget issues. The reduction of \$12.5M in 2006 borrowings will result in \$0.4M in savings on 2006 interest and \$3.5M annual principal and interest savings from 2007-2010.
- The 2005 actual results outlined in this presentation are contingent upon completion of the Deloitte and Touche 2005 financial statement audit.

# 2005 Detailed Budget vs. Actual Results

<u>Budget Category</u>	<u>Budget</u>	<u>Actuals</u>	<u>Variance</u>
Capital	\$21.8	\$22.7	\$0.9
Salaries & Benefits	47.4	45.8	(1.6)
Consultants	24.3	23.6	(0.7)
Legal	5.0	6.4	1.4
Building Services	4.2	4.9	0.7
Computer Services	11.5	9.8	(1.7)
Insurance	6.8	4.3	(2.5)
Telecommunications	4.2	4.6	0.4
BOD	0.9	1.1	0.2
Training, Meetings, Travel	2.7	2.5	(0.2)
NPCC Fees	1.7	1.7	-
FERC Fees	7.0	8.9	1.9
Debt Service	<u>26.5</u>	<u>25.7</u>	<u>(0.8)</u>
<b>Cash Budget</b>	<b>\$164.0</b>	<b>\$162.0</b>	<b>(\$2.0)</b>
Less: Revenues	(1.9)	(4.3)	(2.4)
Less: Proceeds from 2005 Budget Debt	(20.4)	(18.0)	2.4
Less: Proceeds from Mortgage	(15.9)	(16.1)	(0.2)
Add: Interest on 2005 Budget Debt	0.5	0.4	(0.1)
Add: Principal & Interest on Mortgage	<u>2.7</u>	<u>2.5</u>	<u>(0.2)</u>
<b>Rate Schedule #1 Revenue Requirement</b>	<b>\$129.0</b>	<b>\$126.5</b>	<b>(2.5)</b>

*For Discussion Only*

# Detailed Results Variance Explanations

**Capital** – Capital was overspent by \$0.9M at year end primarily due to accelerated spending (from 2006 into 2005) on the new facility renovation costs and overruns on Oracle computer licenses, offset by underruns in PCC modifications planned that will be deferred to future years.

**Salaries & Benefits** – Year-end headcount was 383, which lead to an underrun from the total budgeted headcount for 2005 of 411.

**Consultants** – Consultants were under budget by \$0.7M. This was primarily due to a \$1.9M underrun on consultants for software development projects (see details on page 6), offset by overruns of \$0.5M for Lean Six Sigma consultants and \$0.4M for reorganization consultants.

**Legal** – The legal budget was \$1.4M over budget due primarily to regulatory matters beyond NYISO's control (e.g. demand curve matters, Energy Limited Resources / Emergency Corrective Actions) and new building costs. Also, savings were budgeted in 2005 due to the addition of 2 in-house attorneys, but these positions could not be filled for the entire 2005 budget period. As such, a greater reliance on external counsel occurred than was originally planned..

**Building Services** – This line item exceeded budget by \$0.7M primarily for two reasons. First, utility costs were \$0.4M higher than expected, driven mainly by rising fuel costs. Also, building costs for operating the new headquarters facility were \$0.3M higher than expected (although such costs were recovered from Phoenix and are included in Misc. Revenues).

**Computer Services** – A \$1.7M underrun resulted due to renegotiation of several hardware and software maintenance contracts.

**Insurance** – Credit insurance was not renewed, which resulted in annual savings of \$1.7M. Other insurance policies were renewed lower than budget: ~\$0.5M savings in Property insurance and ~\$0.5M savings in D&O insurance, resulting in an underrun of \$2.6M.

# Detailed Results Variance Explanations

*(continued)*

**Telecommunications** – This line item went over budget primarily due to additional Telecom lines required when SMD deployed. NYISO engaged a consultant to review all telecom contracts and has identified and implemented steps to lower future charges.

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

**Training, Meetings and Travel** – This line item was under budget by \$0.2M due to a lower average headcount than expected and savings in MP meeting costs from the original budget.

**FERC Fees** – The 2006 actuals exceeded budget by \$1.9M, primarily due to a 22% increase in FERC Fee assessments for 2005.

**Debt Service** – Interest expense was lower than budget, due to interest rates remaining lower than the 5% budgeted rate, plus savings achieved from refinancing several loans in April 2005.

**Misc. Revenues** – Interest income was \$2.0M higher than budget, due to rising interest rates and improvements in cash investment strategies. In addition, lease revenues from the Phoenix building were \$0.3M higher than originally budgeted (offset by increased building services).

**Proceeds from 2005 Budget Debt** – 2005 borrowings were reduced by \$1.7M by applying savings from credit insurance. Another \$0.7M was not borrowed, due to reduced cash needs.

# Projects Summary

<u>Project Name</u>	<u>Original Budget</u>			<u>Year-End Actuals</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>	
TCC & UCAP Auction Automation	\$0.7	\$1.1	\$1.8	\$0.8	\$0.8	\$1.6	(\$0.2)
SMD 2.0 and Related Projects	\$0.0	\$0.0	\$0.0	\$0.9	\$0.7	\$1.6	\$1.6
Billing Automation & Enhancements: BAS Replacement Strategy / Billing Sim.	\$0.7	\$1.1	\$1.8	\$0.4	\$1.1	\$1.5	(\$0.3)
Billing Automation & Enhancements: DSS Customer Settlements Expansion	\$0.4	\$1.6	\$2.0	\$0.3	\$0.8	\$1.1	(\$0.9)
SMD Feature Extensions (SMD 2.1)	\$0.7	\$0.2	\$0.9	\$0.1	\$0.7	\$0.8	(\$0.1)
Documentum Expanded Implementation & MDEX	\$0.4	\$0.9	\$1.3	\$0.3	\$0.5	\$0.8	(\$0.5)
E-Tagging 2.0	\$0.0	\$0.0	\$0.0	\$0.2	\$0.5	\$0.7	\$0.7
Controllable Tie Lines Scheduling and Pricing	\$0.3	\$0.6	\$0.9	\$0.2	\$0.4	\$0.6	(\$0.3)
SMD Feature Extensions (SMD 2.2)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.3	\$0.3	\$0.3
Billing Automation & Enhancements: NTAC & TSC Rate Mgt.	\$0.2	\$0.0	\$0.2	\$0.1	\$0.1	\$0.2	\$0.0
15 Minute Scheduling	\$0.1	\$0.3	\$0.4	\$0.1	\$0.1	\$0.2	(\$0.2)
Billing Automation & Enhancements: Rate Schedule 1 Allocation	\$0.2	\$0.2	\$0.4	\$0.0	\$0.1	\$0.1	(\$0.3)
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)
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	\$0.0	\$0.0	\$0.0	(\$0.6)
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)
Billing Automation & Enhancements: TCC Settlement	\$0.2	\$0.0	\$0.2	\$0.0	\$0.0	\$0.0	(\$0.2)
<b>Total – Projects (excluding New Building Acquisition)</b>	<b>\$6.6</b>	<b>\$8.0</b>	<b>\$14.6</b>	<b>\$3.4</b>	<b>\$6.1</b>	<b>\$9.5</b>	<b>(\$5.1)</b>

*For Discussion Only*

# New Facility Project Recap

<i>(\$ in millions)</i>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actuals</u>	<u>Variance</u>
Capital + Retrofit Costs	\$ -	\$15.9	\$17.3	\$1.4
Salaries & Benefits	-	0.4	0.3	(0.1)
Building Services	<u>2.3</u>	<u>0.5</u>	<u>0.9</u>	<u>0.4</u>
<b>Cash Budget</b>	<b>\$2.3</b>	<b>\$16.8</b>	<b>\$18.5</b>	<b>\$1.7</b>
Less: Misc. Revenues	-	(0.9)	(1.2)	(0.3)
Less: Proceeds from Mortgage	-	(15.9)	(16.1)	(0.2)
Add: Principal & Interest on Mortgage	-	<u>2.7</u>	<u>2.5</u>	<u>(0.2)</u>
<b>Rate Schedule #1 Revenue Req.</b>	<b>\$2.3</b>	<b>\$2.7</b>	<b>\$3.7</b>	<b>\$1.0</b>
<p><b>NOTES:</b>  Revised Budget reflects the significant budget revisions made to gross up the \$2.3M budget estimate made prior to finalizing the building acquisition strategy, etc.</p> <p>Proceeds from Mortgage includes \$14.7M from Mortgage for building purchase, plus \$1.4M in borrowings for Renovations. The timing of the borrowings for the Renovations will be in early 2006.</p>				