

Management Committee

November 9, 2005 Meeting

Motion - Agenda #5

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 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.
- f. **2007 and 2008 Budget Targets** – In approving the 2006 budget, the Management Committee reaffirms its support for the 2007 and 2008 budget targets adopted for the purpose of input and guidance at the November 12, 2003 Management Committee meeting.