



CALIFORNIA ISO

California Independent
System Operator

MONTHLY FINANCIAL REPORT

January 2006

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
MONTHLY FINANCIAL REPORT - January 2006

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CALIFORNIA ISO

SUMMARY, DISCUSSION AND COMMENTARY

For the one-month period ended January 31, 2006

The ISO

OPERATIONS: (pages 1, 2, 7,8 and 9)

- ♦ Operating Revenues for January were \$16.5M, \$1.7M higher than budget.
 - The variance was primarily due to higher GMC and to higher interest income.
- ♦ O&M expenses for January were \$9.9M, \$0.7M lower than the budget.
 - The variance was primarily due to lower salaries and benefits, and to the timing of other expenses.
- ♦ At year end, there were 477 full-time employees compared to the 516 full-time employees budgeted.

BALANCE SHEET: (page 3)

- ♦ The changes to the accounts are due to normal business activity during the month.

CAPITAL PROJECTS: (pages 1, 4 and 10)

- ♦ 2006 approved capital expenditures were budgeted for the year at \$81.7M. Period to date actual expenditures for 2006 capital projects totaled \$4K. Expenditures for 2005 approved capital projects totaled \$1K. Capital expenditures for 2005 and 2006 approved projects will be funded by the proceeds of the 2004 bonds.
- ♦ 2006 capital projects approved through January totaled \$69.9M and include \$69.0M for MRTU projects.

OPERATING RESERVES AND REVENUE REQUIREMENTS: (pages 1, 5, 11 and 12)

- ♦ During January, the Operating Reserve increased by \$3.7M to \$75.0M. The increase during the month, as compared to the projected increase of \$1.8M, is due primarily to higher collection of GMC than projected, and to higher interest income.
- ♦ The uncommitted Operating Reserve balance is \$45.4M including the reserve requirement of \$20.1M (which is to equal 15% of 2006 budgeted expenses).
- ♦ The Revenue Requirement for the month was \$16.4M, \$6M lower than budget, primarily due to lower operating expenses and higher interest income and other revenue.

INTEREST COSTS: (page 13)

- ♦ During January, the ISO bond interest rates averaged 3.82%, 0.17% higher than the budgeted rate of 3.65%. The January rate was higher than the 2005 average rate of 3.65%.

CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the one-month period ended January 31, 2006

The ISO Markets

MARKET CHARGES: (page 6)

- ◆ Charges for the market (including GMC and FERC Fees) settled in December amounted to \$148.9M (October Preliminary) vs. \$140.4M settled in December (September Preliminary and Final).

ISO MARKET COSTS: (page 14 and 15)

- ◆ The total costs managed by the ISO include GMC, RMR, A/S Capacity, Real Time Energy and Transmission.

OBLIGATIONS OF MARKET PARTICIPANTS: (pages 16)

- ◆ PG&E is no longer required to post security to collateralize their market obligations; Both PG&E as well as SCE are now only required to collateralize their GMC obligations.

IMPACT OF BILATERAL SETTLEMENTS: (page 17)

- ◆ Graph shows effects of the Williams (\$240M), Dynegy (\$241M), Duke (\$256M), Mirant (\$210M), Reliant (\$203M) and Enron (\$38M) settlements on receivables from the PX.
- ◆ Past due obligations at the end of October 2005 trade month were \$1.27B, which represents amounts due from Cal PX.

TIMELINESS OF MARKET COLLECTIONS: (page 18)

- ◆ Twelve payments (of 243 invoices) in the October 2005 clearing were received late compared to fifteen late payments (of 255 invoices) in the August 2005 clearing.

California ISO

Summary of Financial Results

For the one-month period ended January 31, 2006

(dollars in thousands)

<u>Category</u>	<u>Current Month</u>			<u>Annual 2006</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Budget</u>
Operating Revenues	\$ 16,489	\$ 14,791	\$ 1,698	\$ 185,698
Operating Expenses	\$ 9,903	\$ 10,584	\$ (681)	\$ 133,936
Capital Expenditures (Approved 2005 Projects)	\$ 4			\$ 81,673
Operating Reserve (Committed and Uncommitted)	\$ 75,020	\$ 73,179	\$ 1,841	\$ 64,847
Revenue Requirement	\$ 16,366	\$ 16,951	\$ (585)	\$ 209,247

CALIFORNIA ISO

Statement of Operations

For the one-month period ended January 31, 2006
(dollars in thousands)

	Month				2006 Budget
	Actual	Budget	Variance	Var (%)	
Revenues:					
Grid Management Charge	\$ 15,406	\$ 14,360	\$ 1,046	7%	\$ 178,971
Fines, WSCC & Other Fees	269	308	(39)	-13%	5,257
Interest income & other	814	123	691	562%	1,470
Total revenues	16,489	14,791	1,698	11%	185,698
Operating Expenses:					
Salaries and Benefits	5,691	5,906	(215)	-4%	76,824
Building, Leases and Facility	531	708	(177)	-25%	8,491
Insurance	-	1	(1)	-	1,974
Third Party Vendor Contracts	2,361	2,213	148	7%	26,464
Professional and Consulting Services	541	524	17	3%	5,056
Legal and Audit	575	594	(19)	-3%	7,259
Training, Travel and Professional Dues	196	325	(129)	-40%	4,015
Other	8	313	(305)	-97%	3,853
Total operating expenses	9,903	10,584	(681)	-6%	133,936
Net operating income (loss)	6,586	4,207	2,379	57%	51,762
Interest and Other Expenses					
Interest expense	946	713	233	33%	7,464
Depreciation and amortization	1,437	1,437	-	-	25,200
Total interest and other expenses	2,383	2,150	233	11%	32,664
Excess (Deficiency) of Revenues Over Expenses	\$ 4,203	\$ 2,057	\$ 2,146	104%	\$ 19,098
Number of Full-time Employees	477	516	(39)	-8%	516

CALIFORNIA ISO**Balance Sheet**

As of January 31, 2006

(dollars in thousands)

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>
ASSETS			
NET ELECTRIC UTILITY PLANT	<u>\$ 108,125</u>	<u>\$ 109,558</u>	<u>\$ (1,433)</u>
RESTRICTED AND TRUST FUNDS	<u>\$ 21,151</u>	<u>\$ 20,929</u>	<u>\$ 222</u>
CURRENT ASSETS			
Cash and Investments			
Unrestricted	222,852	223,592	(740)
Restricted for Payment of Debt Service	<u>32,993</u>	<u>29,719</u>	<u>3,274</u>
Total Cash and Investments	<u>255,845</u>	<u>253,311</u>	<u>2,534</u>
Accounts Receivable, net	47,738	51,566	(3,828)
Prepayments and Other	<u>1,297</u>	<u>1,680</u>	<u>(383)</u>
Total Current Assets	<u>304,880</u>	<u>306,557</u>	<u>(1,677)</u>
NONCURRENT ASSET AND DEFERRED CHARGES			
Unamortized debt expenses and other	<u>997</u>	<u>1,325</u>	<u>(328)</u>
Total Noncurrent Asset and Deferred Charges	<u>997</u>	<u>1,325</u>	<u>(328)</u>
TOTAL ASSETS	<u><u>\$ 435,153</u></u>	<u><u>\$ 438,369</u></u>	<u><u>\$ (3,216)</u></u>
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION			
Stakeholders' Surplus	\$ 120,574	\$ 116,371	\$ 4,203
Long-term Debt	<u>192,635</u>	<u>192,635</u>	<u>-</u>
TOTAL CAPITALIZATION	<u>313,209</u>	<u>309,006</u>	<u>4,203</u>
CURRENT LIABILITIES			
Long-term debt due within one year	58,800	58,800	-
Accounts Payable	17,127	24,171	(7,044)
Fines subject to refund	<u>41,077</u>	<u>41,077</u>	<u>-</u>
Total Current Liabilities	<u>117,004</u>	<u>124,048</u>	<u>(7,044)</u>
NONCURRENT LIABILITY AND DEFERRED CREDITS			
Other	<u>4,940</u>	<u>5,315</u>	<u>(375)</u>
Total Noncurrent Liability and Deferred Credits	<u>4,940</u>	<u>5,315</u>	<u>(375)</u>
TOTAL LIABILITIES	<u>121,944</u>	<u>129,363</u>	<u>(7,419)</u>
TOTAL CAPITALIZATION AND LIABILITIES	<u><u>\$ 435,153</u></u>	<u><u>\$ 438,369</u></u>	<u><u>\$ (3,216)</u></u>

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Capital Projects Report

For the one-month period ended January 31, 2006
(dollars in thousands)

Capital Spending

	Approved Projects					
	<u>Month</u> <u>Actual</u>	<u>YTD</u> <u>Actual</u>	<u>2006</u> <u>Approved</u> <u>Projects</u>	<u>Projected</u> <u>Costs for</u> <u>Approved</u> <u>Projects</u>	<u>Original</u> <u>2006</u> <u>Budget</u>	<u>Future</u> <u>O&M</u>
Facilities	\$ -	\$ -	\$ -	\$ -	\$ 2,444	\$ -
Market Redesign	2	2	29,629	29,629	29,629	-
Technology Upgrade	2	2	39,376	39,376	39,376	-
Main Operating Systems - All	-	-	850	850	3,845	-
Other Systems - Corporate Support	-	-	48	48	6,379	-
Total 2006 Capital Spending	4	4	69,903	69,903	81,673	-
2005 Capital Projects	1	1	5,867	5,867	-	-
Total Capital	\$ 6	\$ 5	\$ 75,769	\$ 75,769	\$ 81,673	\$ -

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Operating Reserve and Gross Revenue Requirement

For the one-month period ended January 31, 2006

	Month				Budget 2006
	Actual	Projected	Variance	Var (%)	
<u>Revenues</u>					
GMC revenue collected (75 day lag from month scheduled)	\$ 18,676	\$17,420	\$ 1,256	7%	\$ 186,343
Other gross revenue	1,083	560	523	48%	6,727
Less: Restricted interest income	(386)	-	(386)		-
Total Revenues	<u>19,373</u>	<u>17,980</u>	<u>1,393</u>	<u>7%</u>	<u>193,070</u>
<u>Operating Expenses</u>					
	<u>9,903</u>	<u>10,584</u>	<u>(681)</u>	<u>-7%</u>	<u>133,935</u>
Net Before Debt Service and Capital	<u>9,470</u>	<u>7,396</u>	<u>2,074</u>	<u>22%</u>	<u>59,135</u>
<u>Debt Service and Other Interest</u>					
Bond principal payments	4,847	4,847	-	-	58,167
Bond interest payments	946	713	233	25%	7,464
Other interest expense	-	-	-	*%	-
Total Debt Service and Other Interest	<u>5,793</u>	<u>5,560</u>	<u>233</u>	<u>4%</u>	<u>65,631</u>
Increase (Decrease)	3,677	1,836	1,841	*%	(6,496)
<u>Operating Reserve Fund (Committed and Uncommitted)</u>					
Beginning Balance	<u>71,343</u>	<u>71,343</u>	<u>-</u>	<u>0%</u>	<u>71,343</u>
Ending Balance	<u>\$ 75,020</u>	<u>\$73,179</u>	<u>\$ 1,841</u>	<u>2%</u>	<u>\$ 64,847</u>
Gross Revenue Requirement					
<u>Net Operating Costs</u>					
Operating Expenses	\$ 9,903	\$10,584	\$ (681)	-7%	\$ 133,935
Less Interest & Other Revenue	(697)	(560)	(137)	20%	(6,727)
Net Operating Costs	<u>9,206</u>	<u>10,024</u>	<u>(818)</u>	<u>-9%</u>	<u>127,208</u>
<u>Debt Service and Other Interest</u>					
Principal and interest payments	5,793	5,560	233	4%	65,631
25% Debt Service Reserve	1,367	1,367	-	0%	16,408
Other Interest	-	-	-	*%	-
Total Debt Service and Other Interest	<u>7,160</u>	<u>6,927</u>	<u>233</u>	<u>3%</u>	<u>82,039</u>
Revenue Requirement	<u>\$ 16,366</u>	<u>\$16,951</u>	<u>\$ (585)</u>	<u>-4%</u>	<u>\$ 209,247</u>

CALIFORNIA ISO

Monthly Market Summary By Charge Type

For the Prelim trade month October 2005 settled in January 2006

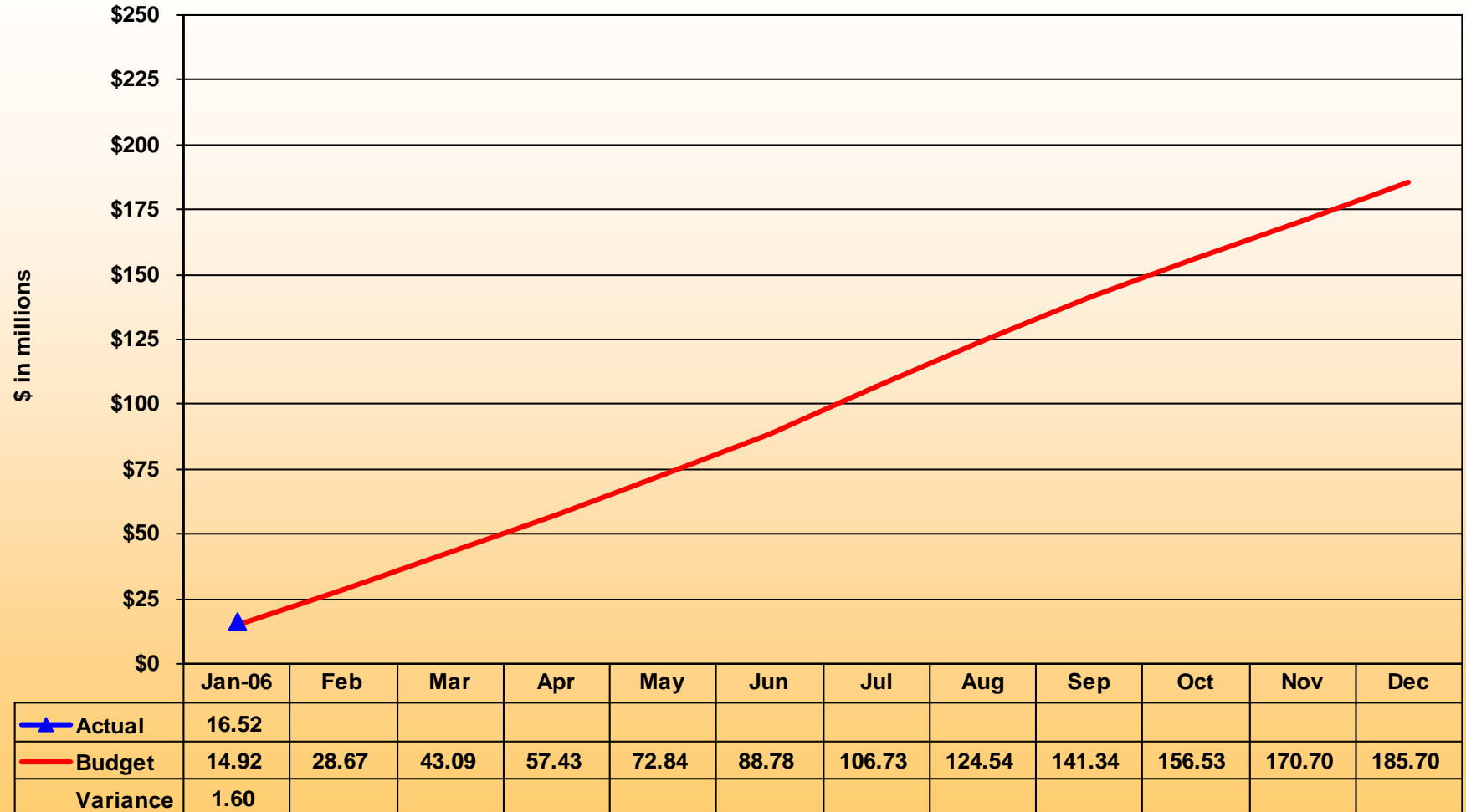
Charge Type	Type	Unit		Settlements Amount	
		Due SC	Due ISO	Due SC	Due ISO
Spin Reserve	MW	15,691,097	272,739	\$ 1,269,980	\$ 1,290,469
Non-Spin Reserve	MW	1,259,006	170,130	408,220	421,876
AGC/Regulation	MW	404,995	151,351	4,094,970	3,857,353
Replacement Reserve	MW	-	-	-	-
No-Pay Provision		20,362,145	42,478	286,555	286,601
Rational Buyer Adjustment		-	5,615,153	-	203,486
Total Ancillary Services		37,717,243	6,251,851	\$ 6,059,725	\$ 6,059,784
Energy (Note1)	MWh	702,025	16,088,285	\$ 47,897,848	\$ 51,625,904
Neutrality		20,792,762	1,028	3,576,630	286,132
Minimum Load Cost Compensation		71,698	20,603,755	14,045,811	13,878,767
Start-Up Cost Compensation		19,809,954	19,809,954	682,047	682,047
Emissions Cost Compensation		-	-	-	-
Voltage Support		-	8,130,998	236,504	236,504
Intermittent Resource Deviation		541,218	541,219	541,218	541,218
Total Energy		41,917,656	65,175,238	\$ 66,980,059	\$ 67,250,572
Inter-Zonal Congestion	MWh	1,307,237	6,287,275	\$ 11,610,529	\$ 11,340,357
Wheeling & High Voltage Access Charge	MWh	19,376,775	17,863,104	44,724,765	44,724,765
Others		9,481	94,806	10,816	9,486
FERC Fee		-	-	808	834,234
Penalty and Interest Charge		-	-	-	-
Total Transmission and Other		20,693,493	24,245,184	\$ 56,346,917	\$ 56,908,842
Total Market Billed by Charge Type		100,328,392	95,672,273	\$ 129,386,701	\$ 130,219,199
Other Billings					
Grid Management Charge		-	-	\$ 30,339	\$ 18,706,364
Total Market Charges		100,328,392	95,672,273	129,417,040	148,925,563

Note 1 - Energy includes Supplemental Energy, Imbalance Energy and Unaccounted-For-Energy



Cumulative Operating Revenues

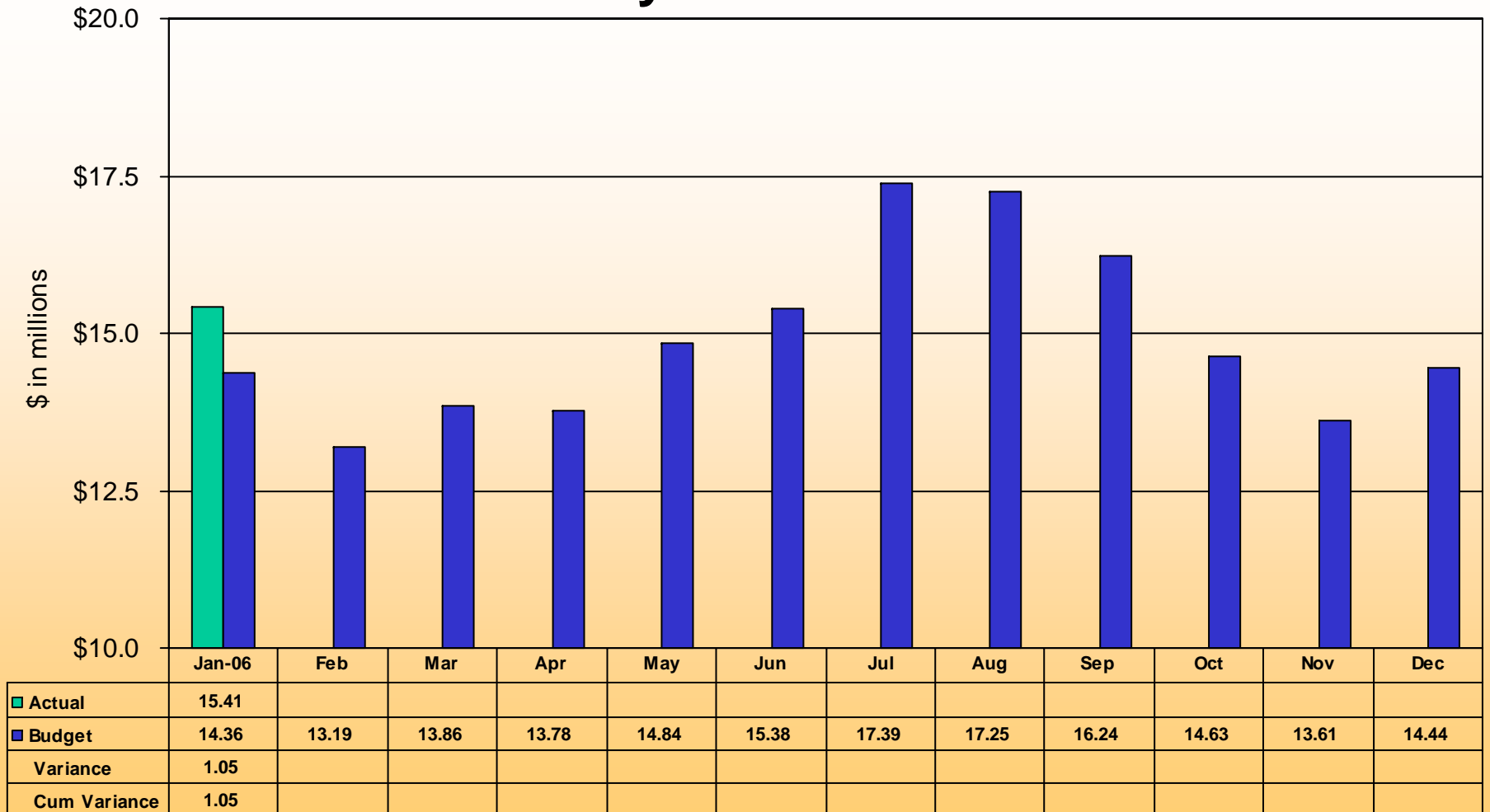
Revenues = GMC, Interest, WSCC Security & Other Fees



January revenues are estimates.



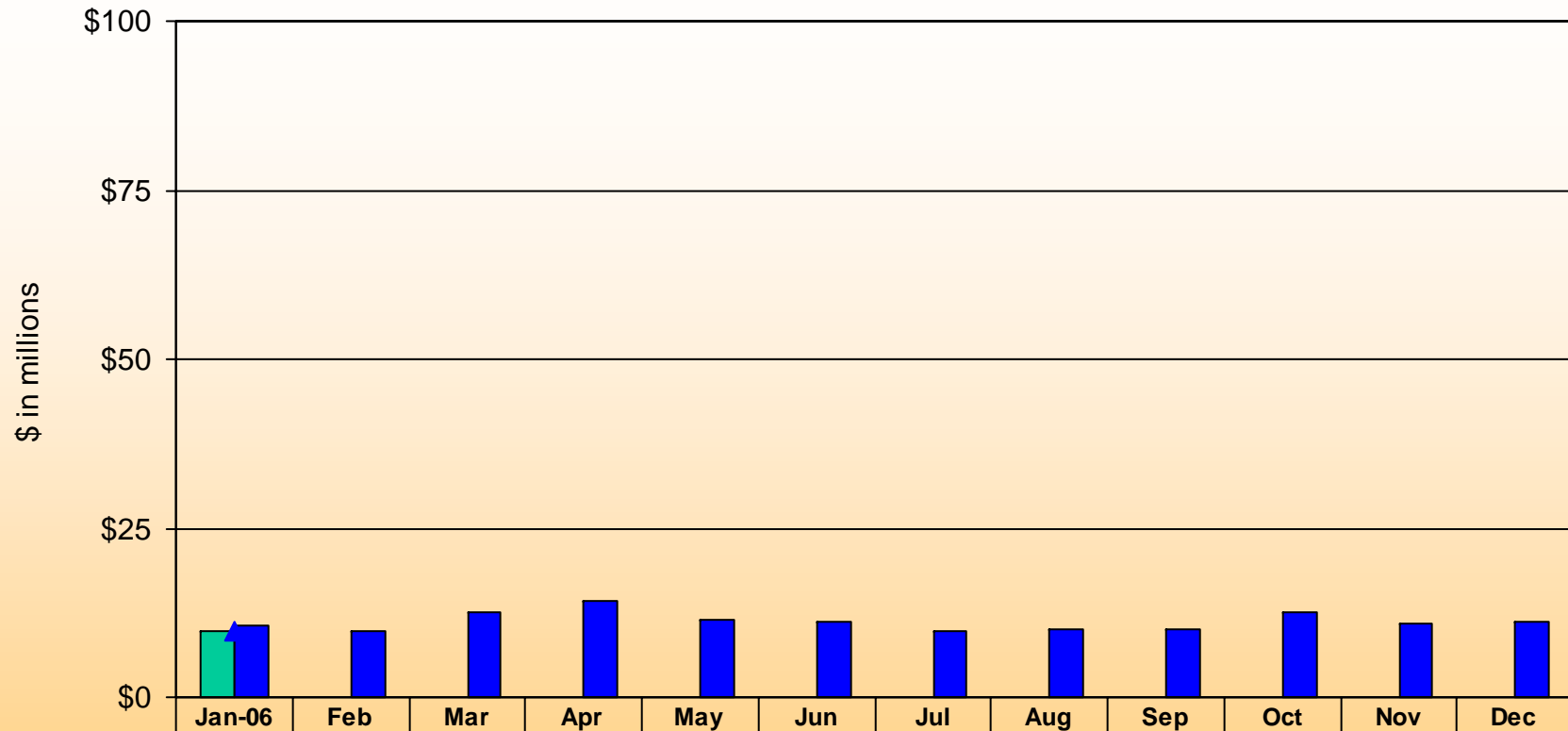
Monthly GMC Revenues



January revenues are estimates. Amounts do not include SWPL and prior-period adjustments.



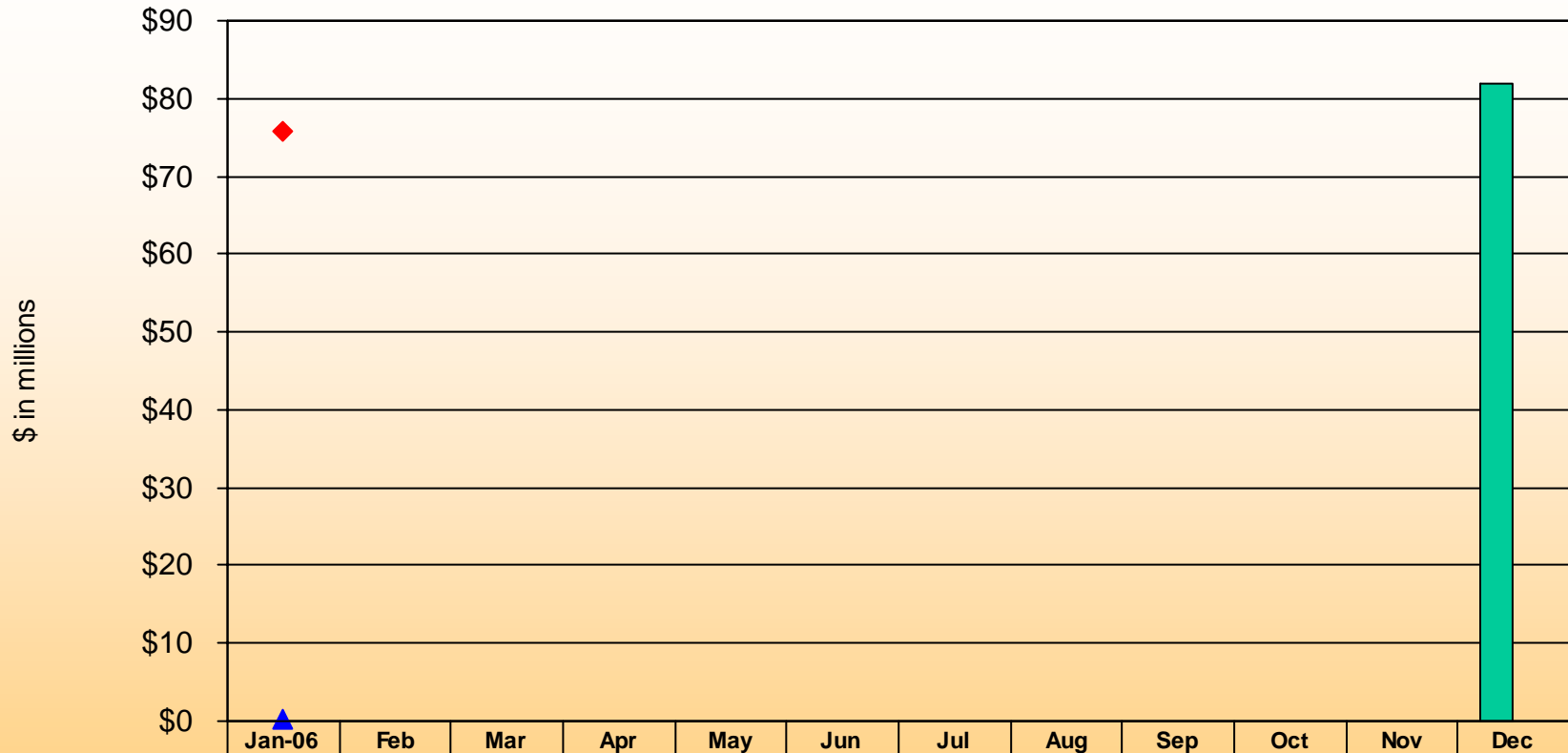
Operating and Maintenance Expenses (O&M)



	Jan-06	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	9.90											
Monthly Budget	10.58	9.68	12.55	14.27	11.36	11.20	9.81	10.14	9.99	12.51	10.78	11.06
Cum Actual	9.90											
Cum Budget	10.58											
Cum Variance	0.68											



Cumulative Capital Expenditures

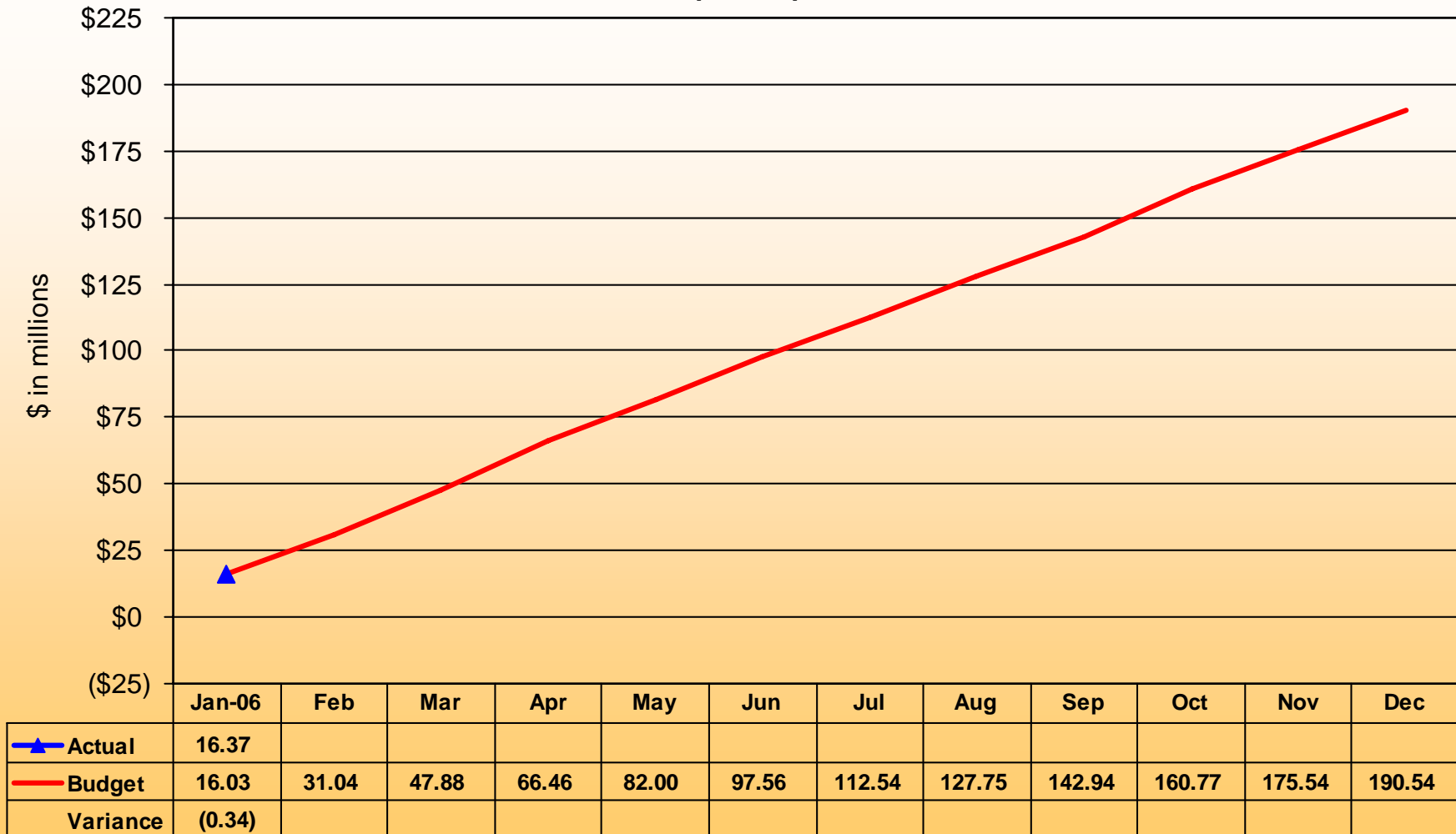


	Jan-06	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Budgeted capital												82.00
2006 O&M Impact	-											
Cumulative Expenditures	0.35											
Approved projects	75.77											



Cumulative Revenue Requirement

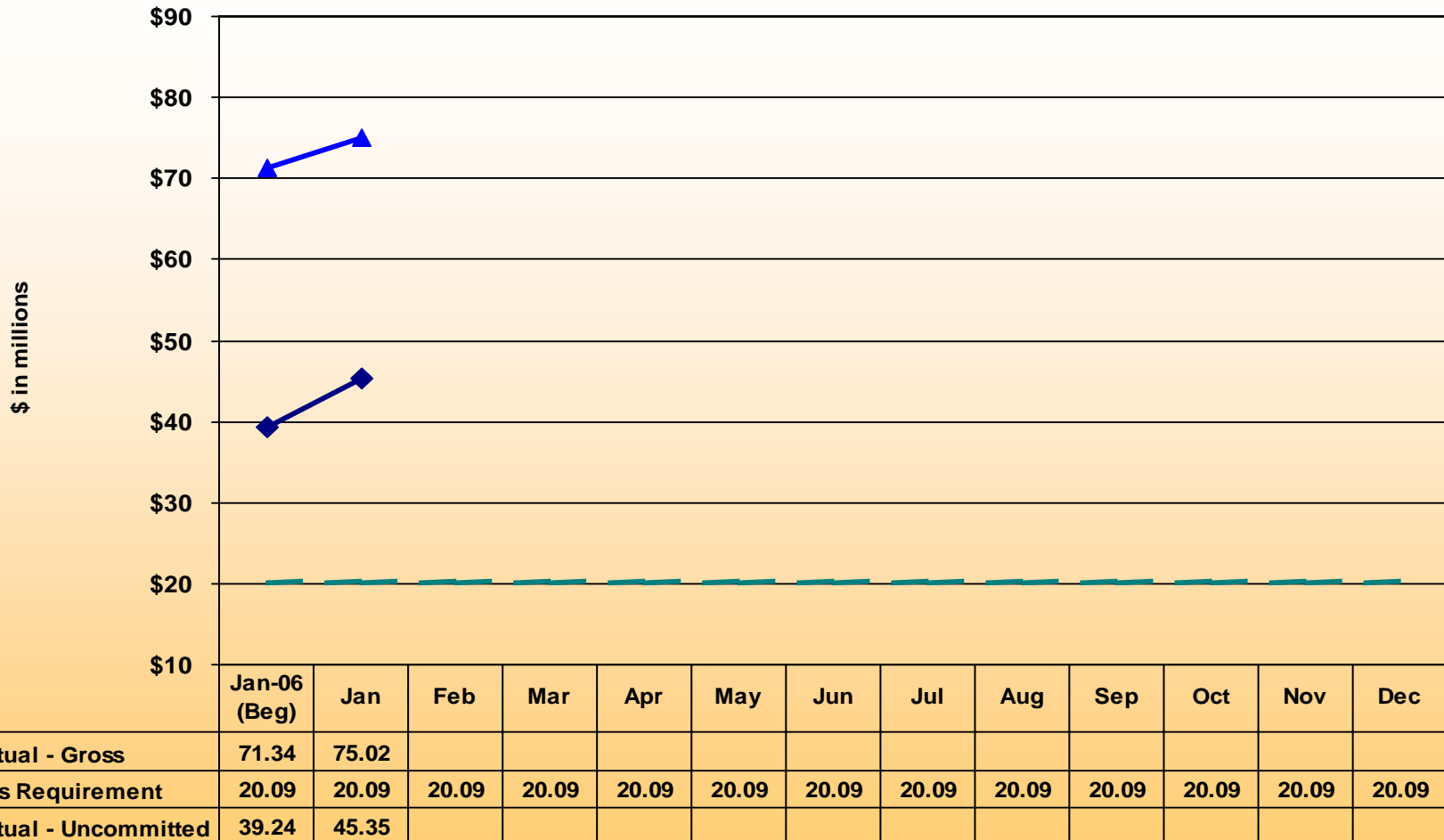
Rev Req = O&M costs - Misc Rev + Debt Service + 25% Debt Service Reserve+Funded Capital Expenditures





Monthly Operating Reserve

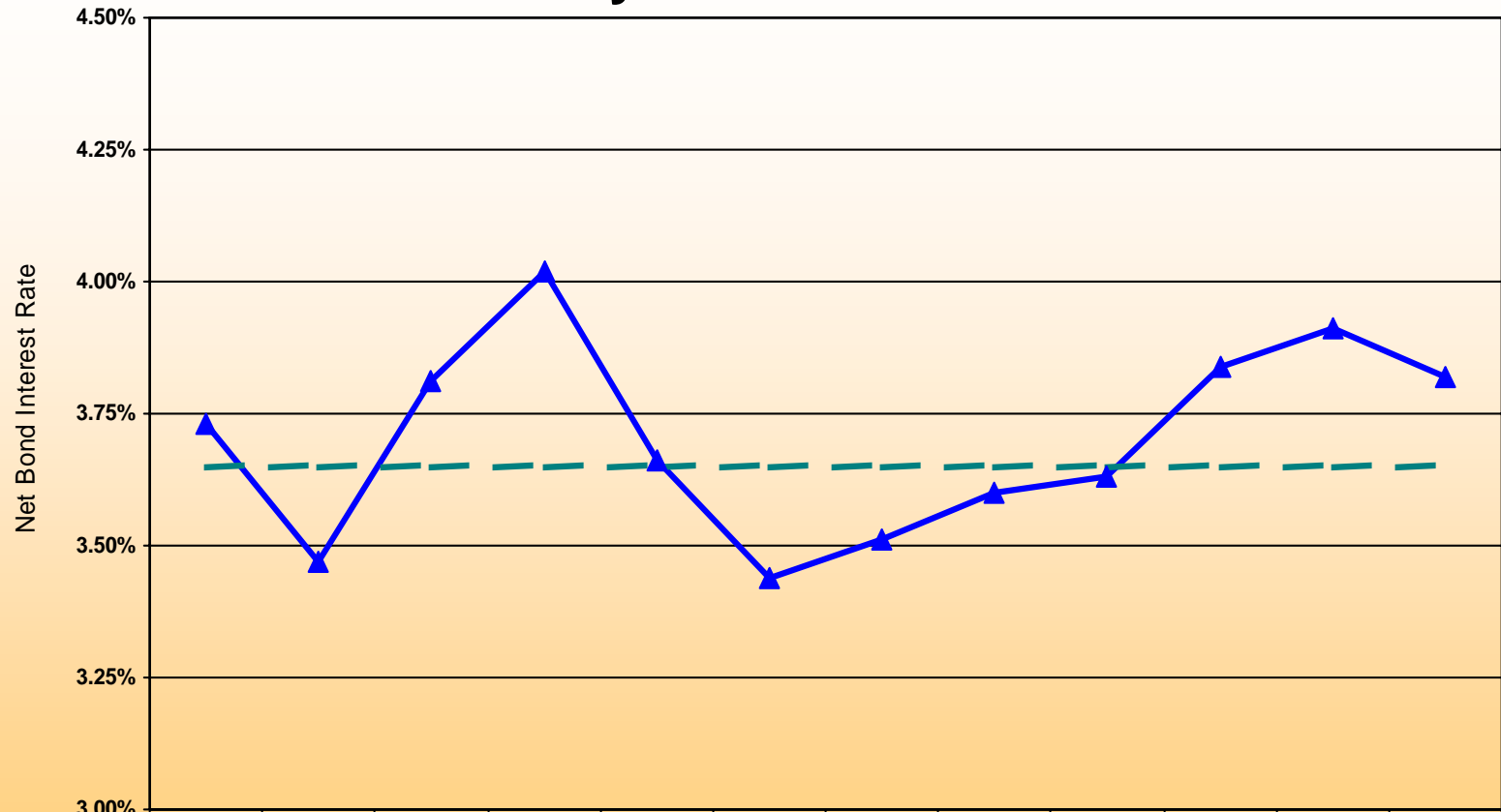
Op Res = Unrestricted Cash - Accrued Expenses & Payables



Reserve requirement set at 15% of 2005 budgeted O&M expenses, which is included in the actual-uncommitted balance.



ISO Monthly Debt Rates



	Feb-05	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-06
Net Int. Rate (All Bonds)	3.73%	3.47%	3.81%	4.02%	3.66%	3.44%	3.51%	3.60%	3.63%	3.84%	3.91%	3.82%
Budgeted Net Int. Rate	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%

These rates do not include adjustments for amortization of bond issuance costs and remarketing fees.

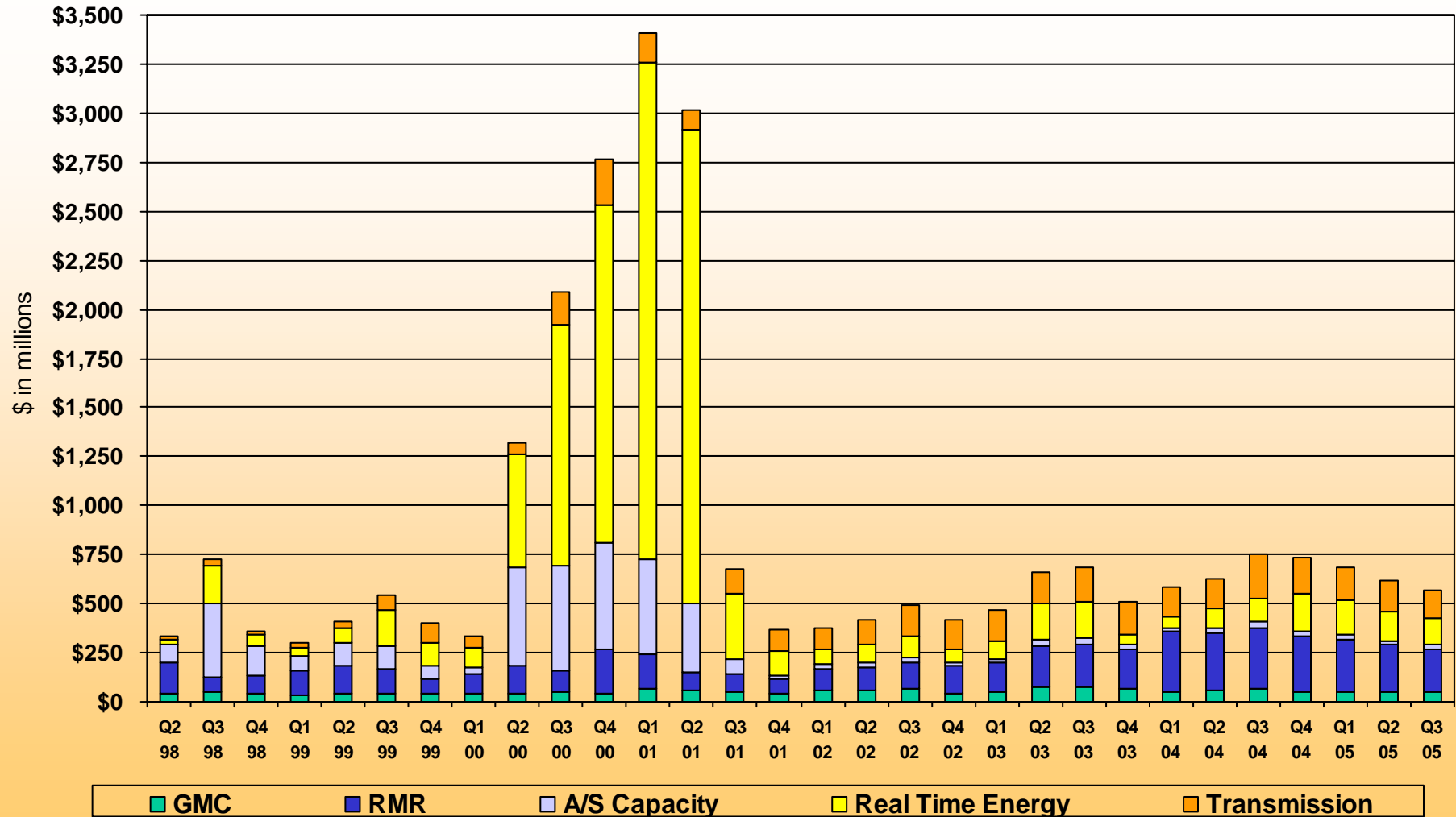


CALIFORNIA ISO

California Independent System Operator

CAISO Market Costs By Quarter

2nd Quarter 1998 (Inception) through 3rd Quarter 2005

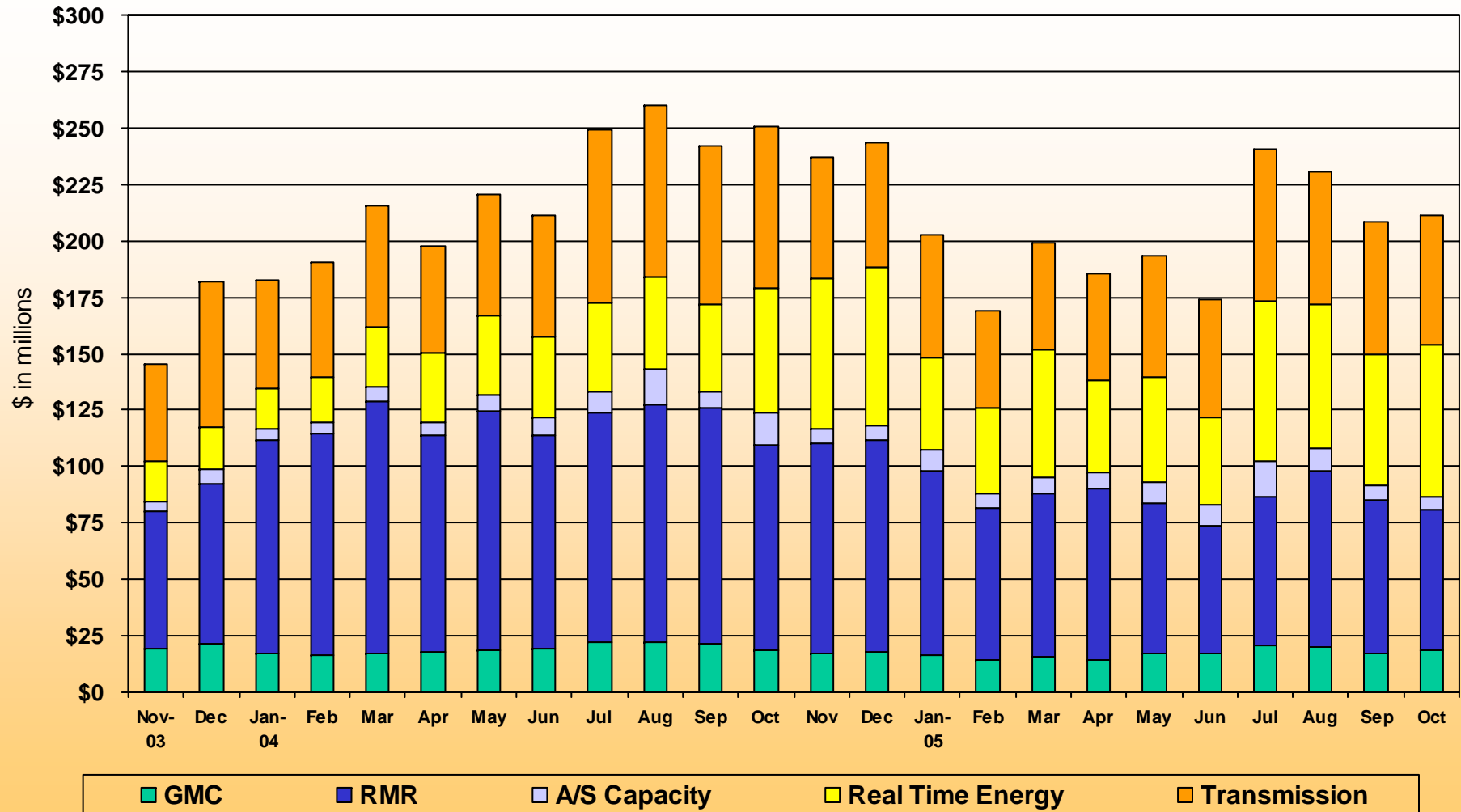




CALIFORNIA ISO

California Independent System Operator

CAISO Market Costs By Month November 2003 through October 2005





Outstanding Obligations of Market Participants

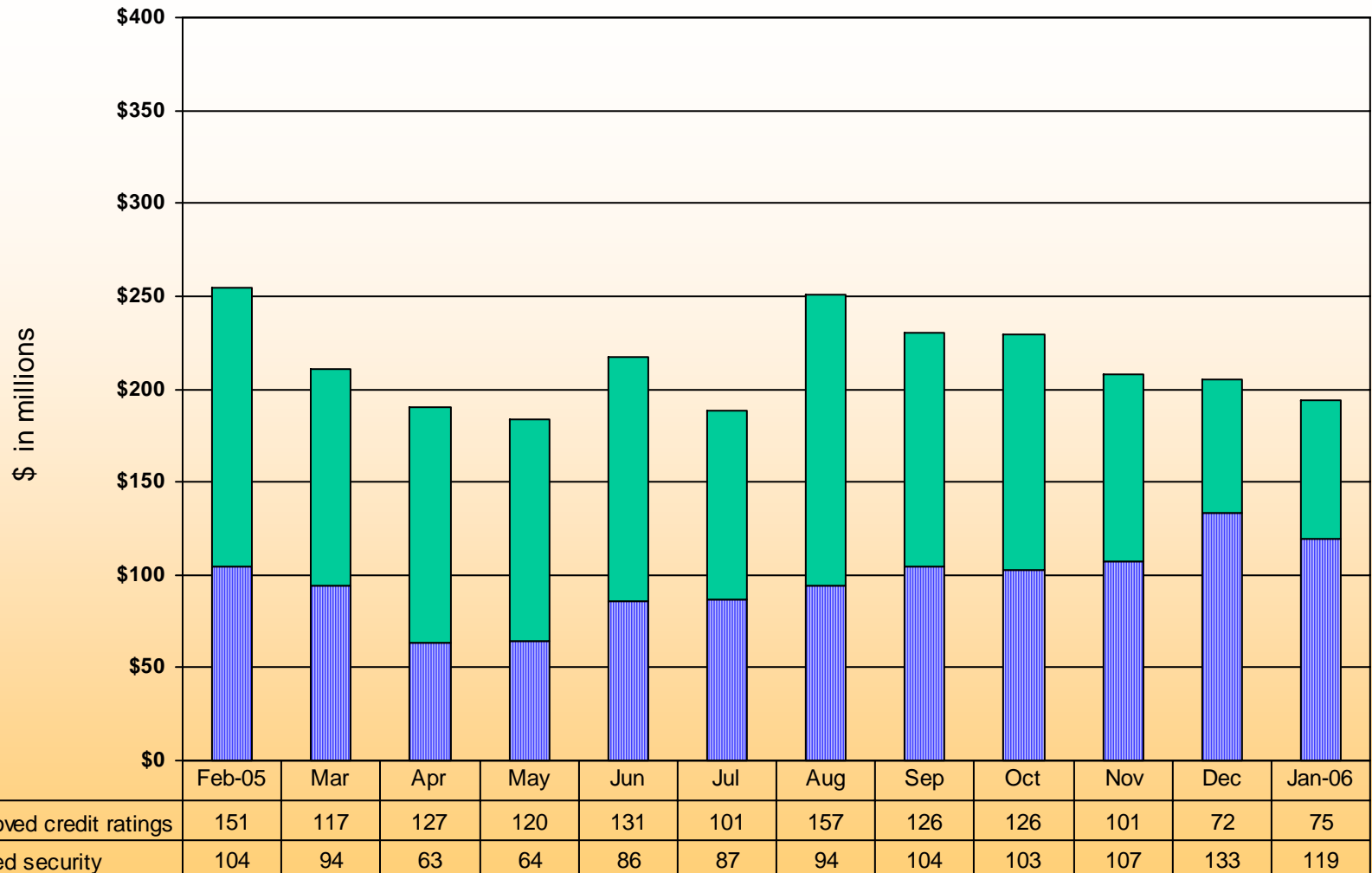


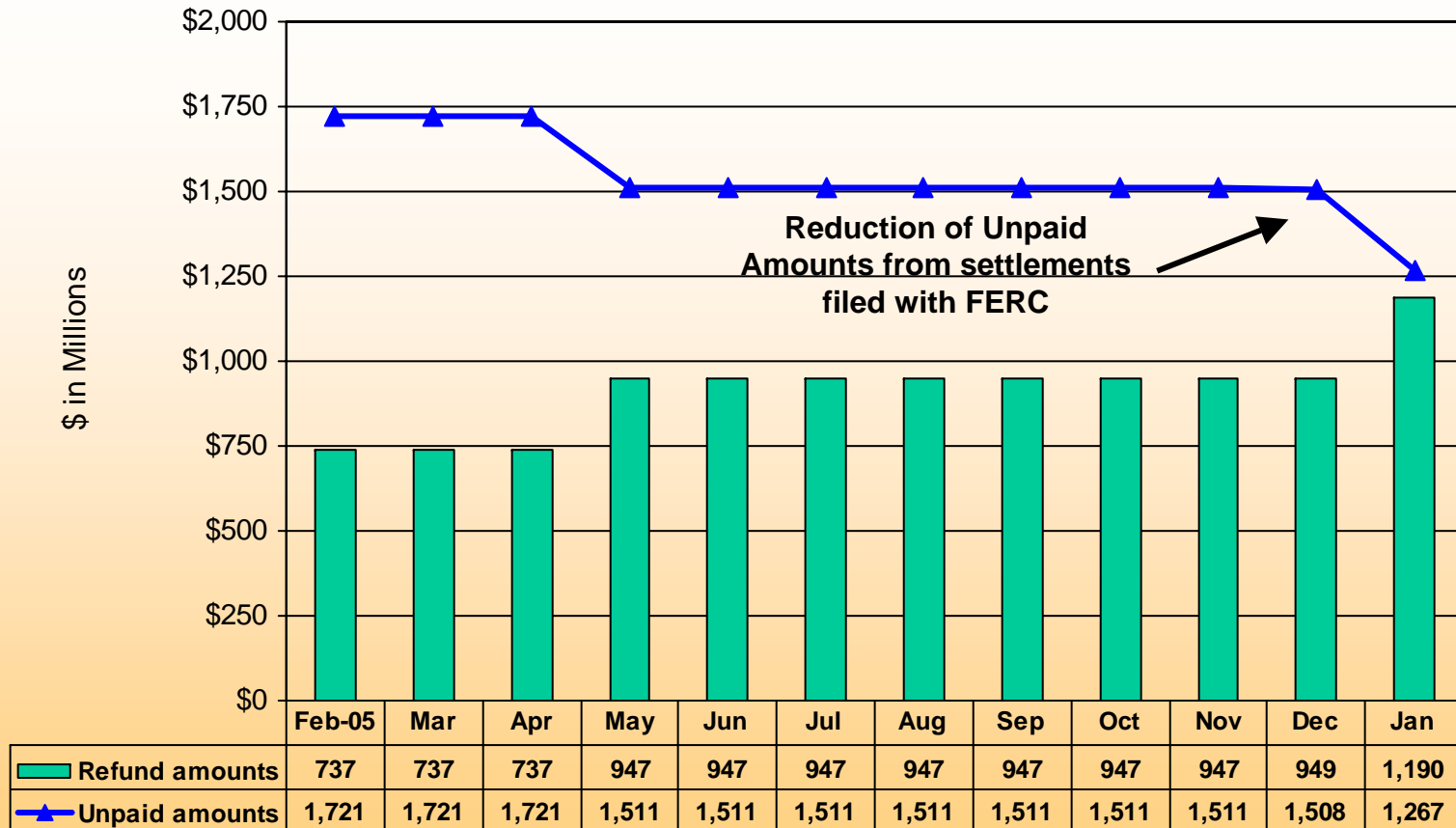
Chart displays outstanding obligations of SCs to the ISO market. Obligations are estimated using settlements and other operational data, upon which SC collateral requests are based.



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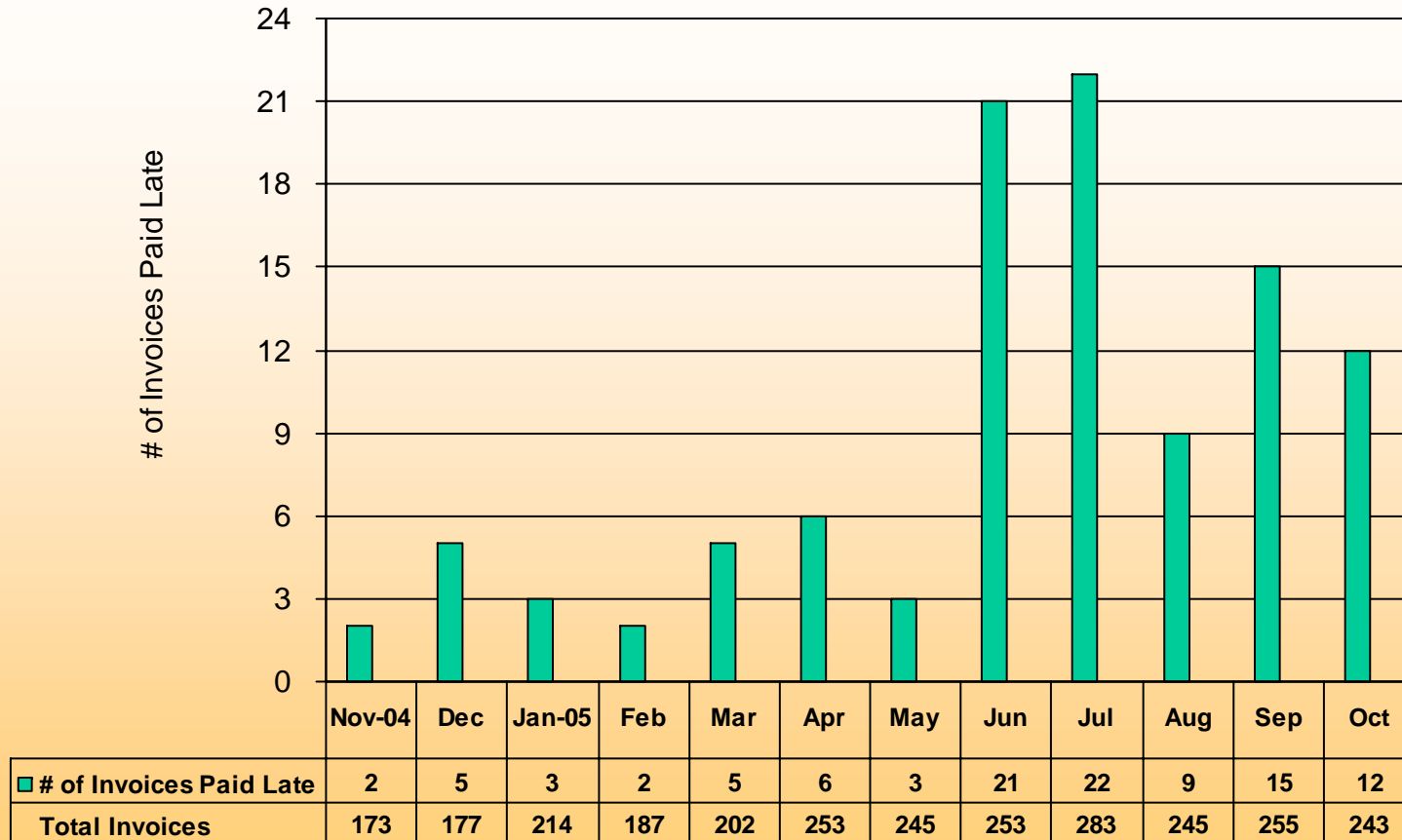
Impact of Bilateral Settlements on ISO Market



***Unpaid amounts represent receivable from Cal PX and amounts due creditors.
Refund amounts represents settlements with generators that have been filed with FERC and funded by Cal PX.***



Timeliness of Market Collections



Payment shown late if not paid by close of business on payment due date (Jul 04 - May 05) and by late if not paid by 10AM for Jun 2005