

MONTHLY FINANCIAL REPORT

March 2006

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
MONTHLY FINANCIAL REPORT - March 2006

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CALIFORNIA ISO

SUMMARY, DISCUSSION AND COMMENTARY

For the three-month period ended March 31, 2006

The ISO

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

- ♦ Operating Revenues for March were \$15.5M, \$1.0M higher than budget.
 - The variance was primarily due to higher GMC and to higher interest income.
- ♦ Operating Revenues for the year were \$46.3M, \$3.2M higher than budget.
 - The variance was primarily due to higher GMC and to higher interest income generated by the invested balance of the capital bond fund.
- ♦ O&M expenses for March were \$10.9M, \$1.6M lower than the budget.
 - The variance was primarily due to the timing of expenses and to reversals of prior period accruals.
- ♦ O&M expenses for the year were \$32.4M, \$0.5M lower than budget.
 - The variance was primarily due to timing of expenses, partially offset by slightly higher salaries and benefits.
- ♦ At year end, there were 488 full-time employees compared to the 516 full-time employees budgeted.

BALANCE SHEET: (page 3)

- ♦ The changes to the accounts are due to the incentive compensation pay-outs and 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 \$6.0M. Expenditures for 2005 approved capital projects totaled \$1.7M. Capital expenditures for 2005 and 2006 approved projects will be funded by the proceeds of the 2004 bonds.
- ♦ 2006 capital projects approved through March totaled \$72.6M and include \$69.9M for MRTU projects.

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

- ♦ During March, the Operating Reserve decreased by \$0.2M to \$75.0M. The decrease during the month, as compared to the projected decrease of \$0.8M, is due primarily to lower operating expenses, partially offset by the interest on the generator fines liability.
- ♦ The uncommitted Operating Reserve balance is \$25.1M, excluding the reserve requirement of \$20.1M (which is to equal 15% of 2006 budgeted expenses).
- ♦ The Revenue Requirement for the month was \$18.6M, \$0.3M lower than budget, primarily due to lower operating expenses, partially offset by the interest on the generator fines liability.

INTEREST COSTS: (page 13)

- ♦ During March, the ISO bond interest rates averaged 3.88%, 0.23% higher than the budgeted rate of 3.65%. The March rate was higher than the 2005 average rate of 3.65%.

CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the three-month period ended March 31, 2006

The ISO Markets

MARKET CHARGES: (page 6)

- ◆ Charges for the market (including GMC and FERC Fees) settled in March amounted to \$179.5M (December 2005 trade month) vs. \$140.2M settled in February (November 2005 trade month).

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 December 2005 trade month were \$1.27B, which represents amounts due from Cal PX.

TIMELINESS OF MARKET COLLECTIONS: (page 18)

- ◆ Seven payments (of 224 invoices) in the December 2005 clearing were received late compared to seventeen late payments (of 249 invoices) in the November 2005 clearing.

California ISO

Summary of Financial Results

For the three-month period ended March 31, 2006

(dollars in thousands)

<u>Category</u>	<u>Current Month</u>			<u>Year to Date</u>			<u>Annual 2006</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Budget</u>
Operating Revenues	\$ 15,469	\$ 14,424	\$ 1,045	\$ 46,287	\$ 43,090	\$ 3,197	\$ 185,698
Operating Expenses	\$ 10,921	\$ 12,564	\$ (1,643)	\$ 32,382	\$ 32,889	\$ (507)	\$ 133,936
Capital Expenditures (Approved 2006 Projects)	\$ 6,013			\$ 7,786			\$ 81,673
Operating Reserve (Committed and Uncommitted)	\$ 74,981	\$ 73,771	\$ 1,210	\$ 74,981	\$ 73,771	\$ 1,210	\$ 64,847
Revenue Requirement	\$ 18,588	\$ 18,931	\$ (343)	\$ 52,374	\$ 51,989	\$ 385	\$ 209,247

CALIFORNIA ISO

Statement of Operations

For the three-month period ended March 31, 2006
(dollars in thousands)

	Month				Year to Date				2006
	Actual	Budget	Variance	Var (%)	Actual	Budget	Variance	Var (%)	Budget
Revenues:									
Grid Management Charge	\$ 14,808	\$ 13,864	\$ 944	7%	\$ 43,314	\$ 41,409	\$ 1,905	5%	\$ 178,971
Fines, WSCC & Other Fees	211	437	(226)	-52%	1,129	1,313	(184)	-14%	5,257
Interest income & other	450	123	327	266%	1,844	368	1,476	401%	1,470
Total revenues	15,469	14,424	1,045	7%	46,287	43,090	3,197	7%	185,698
Operating Expenses:									
Salaries and Benefits	5,965	5,923	42	1%	18,282	17,791	491	3%	76,824
Building, Leases and Facility	881	708	173	24%	1,865	2,123	(258)	-12%	8,491
Insurance	1,506	1,606	(100)	-	1,521	1,607	(86)	-	1,974
Third Party Vendor Contracts	2,480	2,682	(202)	-8%	7,121	6,568	553	8%	26,464
Professional and Consulting Services	(5)	453	(458)	-101%	861	1,335	(474)	-36%	5,056
Legal and Audit	801	628	173	28%	1,462	1,818	(356)	-20%	7,259
Training, Travel and Professional Dues	179	332	(153)	-46%	460	983	(523)	-53%	4,015
Other	(886)	232	(1,118)	-482%	810	664	146	22%	3,853
Total operating expenses	10,921	12,564	(1,643)	-13%	32,382	32,889	(507)	-2%	133,936
Net operating income (loss)	4,548	1,860	2,688	145%	13,905	10,201	3,704	36%	51,762
Interest and Other Expenses									
Interest expense	1,754	713	1,041	146%	1,662	2,139	(477)	-22%	7,464
Depreciation and amortization	1,437	1,437	-	-	1,437	1,437	-	-	25,200
Total interest and other expenses	3,191	2,150	1,041	48%	3,099	3,576	(477)	-13%	32,664
Excess (Deficiency) of Revenues Over Expenses	\$ 1,357	\$ (290)	\$ 1,647	-568%	\$ 10,806	\$ 6,625	\$ 4,181	63%	\$ 19,098
Number of Full-time Employees	488	516	(28)	-5%					516

CALIFORNIA ISO**Balance Sheet**

As of March 31, 2006

(dollars in thousands)

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>
ASSETS			
NET ELECTRIC UTILITY PLANT	<u>\$ 120,583</u>	<u>\$ 115,320</u>	<u>\$ 5,263</u>
RESTRICTED AND TRUST FUNDS	<u>\$ 10,527</u>	<u>\$ 21,359</u>	<u>\$ (10,832)</u>
CURRENT ASSETS			
Cash and Investments			
Unrestricted	203,015	203,657	(642)
Restricted for Payment of Debt Service	<u>39,547</u>	<u>36,274</u>	<u>3,273</u>
Total Cash and Investments	<u>242,562</u>	<u>239,931</u>	<u>2,631</u>
Accounts Receivable, net	45,162	46,117	(955)
Prepayments and Other	<u>530</u>	<u>728</u>	<u>(198)</u>
Total Current Assets	<u>288,254</u>	<u>286,776</u>	<u>1,478</u>
NONCURRENT ASSET AND DEFERRED CHARGES			
Unamortized debt expenses and other	<u>1,637</u>	<u>1,599</u>	<u>38</u>
Total Noncurrent Asset and Deferred Charges	<u>1,637</u>	<u>1,599</u>	<u>38</u>
TOTAL ASSETS	<u><u>\$ 421,001</u></u>	<u><u>\$ 425,054</u></u>	<u><u>\$ (4,053)</u></u>
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION			
Stakeholders' Surplus	\$ 126,495	\$ 125,138	\$ 1,357
Long-term Debt	<u>169,839</u>	<u>169,838</u>	<u>1</u>
TOTAL CAPITALIZATION	<u>296,334</u>	<u>294,976</u>	<u>1,358</u>
CURRENT LIABILITIES			
Long-term debt due within one year	57,100	57,100	-
Accounts Payable	18,140	24,759	(6,619)
Fines subject to refund	<u>48,580</u>	<u>47,372</u>	<u>1,208</u>
Total Current Liabilities	<u>123,820</u>	<u>129,231</u>	<u>(5,411)</u>
NONCURRENT LIABILITY AND DEFERRED CREDITS			
Other	<u>847</u>	<u>847</u>	<u>-</u>
Total Noncurrent Liability and Deferred Credits	<u>847</u>	<u>847</u>	<u>-</u>
TOTAL LIABILITIES	<u>124,667</u>	<u>130,078</u>	<u>(5,411)</u>
TOTAL CAPITALIZATION AND LIABILITIES	<u><u>\$ 421,001</u></u>	<u><u>\$ 425,054</u></u>	<u><u>\$ (4,053)</u></u>

CALIFORNIA ISO
Capital Projects Report

For the three-month period ended March 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	\$ -	\$ -	\$ 60	\$ 60	\$ 2,444	\$ -
Market Redesign	418	1,088	25,857	25,857	29,629	-
Technology Upgrade	5,518	6,608	43,998	43,998	39,376	-
Main Operating Systems - All	63	77	1,171	1,171	3,845	-
Other Systems - Corporate Support	13	13	1,483	1,483	6,379	112
Total 2006 Capital Spending	<u>6,013</u>	<u>7,786</u>	<u>72,568</u>	<u>72,568</u>	<u>81,673</u>	<u>112</u>
2005 Capital Projects	<u>721</u>	<u>1,715</u>	<u>5,867</u>	<u>5,867</u>		
Total Capital	<u>\$ 6,734</u>	<u>\$ 9,501</u>	<u>\$ 78,435</u>	<u>\$ 78,435</u>	<u>\$ 81,673</u>	<u>\$ 112</u>

CALIFORNIA ISO

Operating Reserve and Gross Revenue Requirement

For the three-month period ended March 31, 2006

	Month				Year to Date				Budget 2006
	Actual	Projected	Variance	Var (%)	Actual	Projected	Variance	Var (%)	
Revenues									
GMC revenue collected (75 day lag from month scheduled)	\$ 16,994	\$16,779	\$ 215	1%	\$ 51,654	\$ 50,059	\$ 1,595	3%	\$ 186,343
Other gross revenue	662	561	101	15%	3,050	1,682	1,368	45%	6,727
Less: Restricted interest income	(359)	-	(359)		(1,110)	-			-
Total Revenues	17,297	17,340	(43)	0%	53,594	51,741	2,963	6%	193,070
Operating Expenses	10,922	12,564	(1,642)	-15%	32,381	32,888	(507)	-2%	133,935
Net Before Debt Service and Capital	6,375	4,776	1,599	25%	21,213	18,853	3,470	16%	59,135
Debt Service and Other Interest									
Bond principal payments	4,847	4,847	-	-	14,542	14,542	-	-	58,167
Bond interest payments	754	713	41	5%	2,289	2,139	150	7%	7,464
Other interest expense	1,000	-	1,000	*%	1,000	-	1,000	*%	-
Total Debt Service and Other Interest	6,601	5,560	1,041	16%	17,831	16,681	1,150	6%	65,631
Increase (Decrease)	(226)	(784)	558	*%	3,382	2,172	2,320	*%	(6,496)
Operating Reserve Fund (Committed and Uncommitted)									
Beginning Balance	75,207	74,555	652	1%	71,599	71,599	-	0%	71,343
Ending Balance	\$ 74,981	\$73,771	\$ 1,210	2%	\$ 74,981	\$ 73,771	\$ 2,320	3%	\$ 64,847
Gross Revenue Requirement									
Net Operating Costs									
Operating Expenses	\$ 10,922	\$12,564	\$ (1,642)	-15%	\$ 32,381	\$ 32,888	\$ (507)	-2%	\$ 133,935
Less Interest & Other Revenue	(303)	(561)	258	-85%	(1,940)	(1,682)	(258)	13%	(6,727)
Net Operating Costs	10,619	12,003	(1,384)	-13%	30,441	31,206	(765)	-3%	127,208
Debt Service and Other Interest									
Principal and interest payments	5,601	5,560	41	1%	16,831	16,681	150	1%	65,631
25% Debt Service Reserve	1,368	1,368	-	0%	4,102	4,102	-	0%	16,408
Other Interest	1,000	-	1,000	*%	1,000	-	1,000	*%	-
Total Debt Service and Other Interest	7,969	6,928	1,041	13%	21,933	20,783	1,150	5%	82,039
Revenue Requirement	\$ 18,588	\$18,931	\$ (343)	-2%	\$ 52,374	\$ 51,989	\$ 385	1%	\$ 209,247

CALIFORNIA ISO

Monthly Market Summary By Charge Type

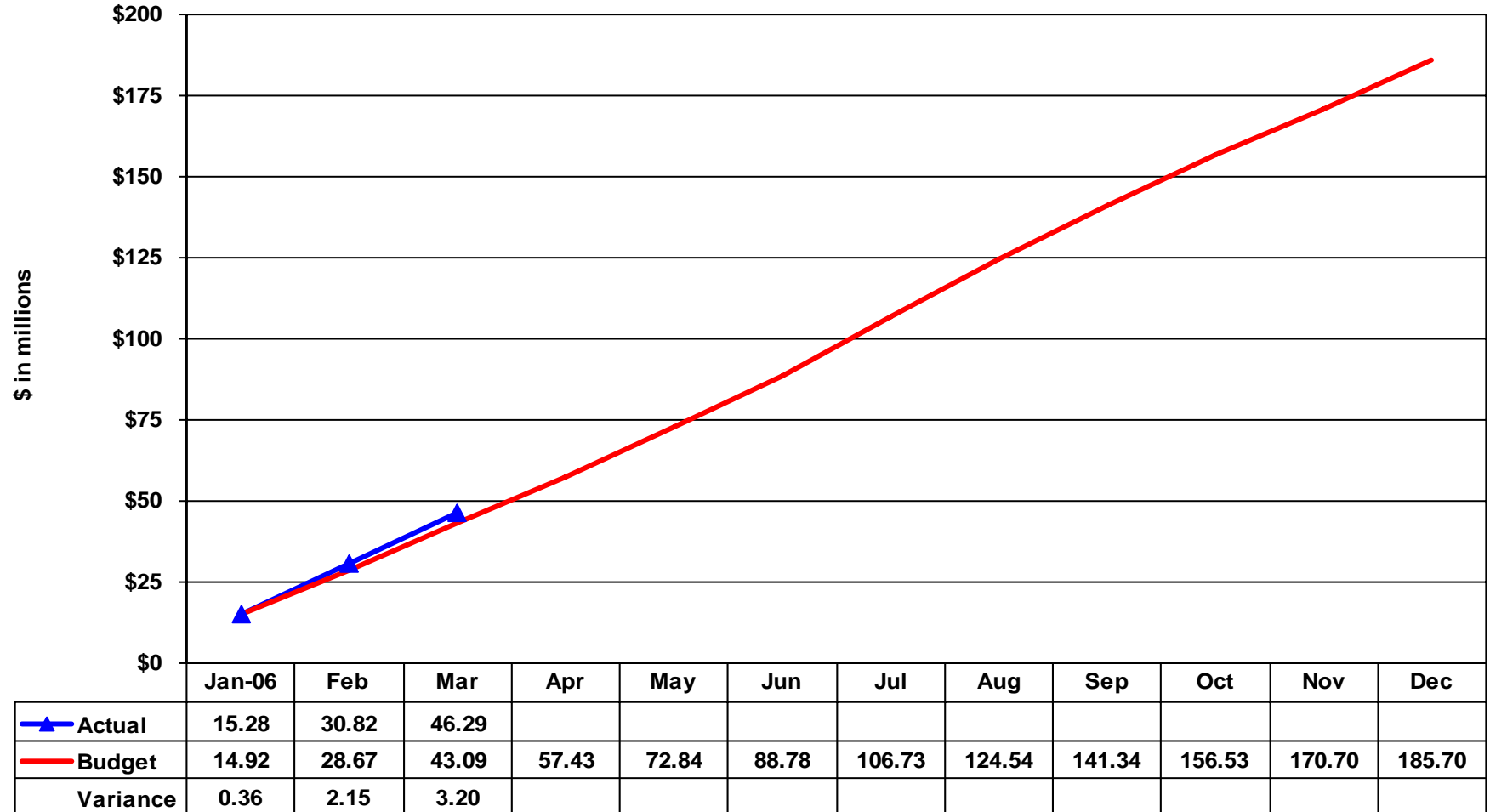
For the Prelim trade month December 2005 settled in March 2006

Charge Type	Type	Unit		Settlements Amount	
		Due SC	Due ISO	Due SC	Due ISO
Spin Reserve	MW	4,975,832	300,129	\$ 2,697,399	\$ 2,824,202
Non-Spin Reserve	MW	1,361,050	191,207	722,543	757,403
AGC/Regulation	MW	626,693	242,365	5,771,909	5,267,378
Replacement Reserve	MW	-	-	-	-
No-Pay Provision		20,426,284	48,942	375,993	376,027
Rational Buyer Adjustment		-	8,889,206	-	342,872
Total Ancillary Services		27,389,859	9,671,849	\$ 9,567,843	\$ 9,567,881
Energy (Note1)	MWh	934,481	20,402,985	\$ 66,084,479	\$ 71,324,329
Neutrality		20,487,987	261	14,404,069	9,388,151
Minimum Load Cost Compensation		49,664	11,204,915	11,605,677	11,461,566
Start-Up Cost Compensation		19,089,083	19,089,083	673,140	673,140
Emissions Cost Compensation		-	-	-	-
Voltage Support		-	8,285,933	159,189	159,188
Intermittent Resource Deviation		209,092	222,369	217,562	217,562
Total Energy		40,770,308	59,205,546	\$ 93,144,116	\$ 93,223,936
Inter-Zonal Congestion	MWh	823,665	7,370,150	\$ 12,911,414	\$ 12,830,880
Wheeling & High Voltage Access Charge	MWh	19,778,754	18,284,732	45,446,743	45,446,743
Others		5,026	50,258	5,026	5,062
FERC Fee		-	-	-	909,606
Penalty and Interest Charge		-	-	-	-
Total Transmission and Other		20,607,445	25,705,140	\$ 58,363,182	\$ 59,192,291
Total Market Billed by Charge Type		88,767,611	94,582,534	\$ 161,075,141	\$ 161,984,108
Other Billings					
Grid Management Charge		-	38,927,424	\$ 27,258	\$ 17,499,827

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

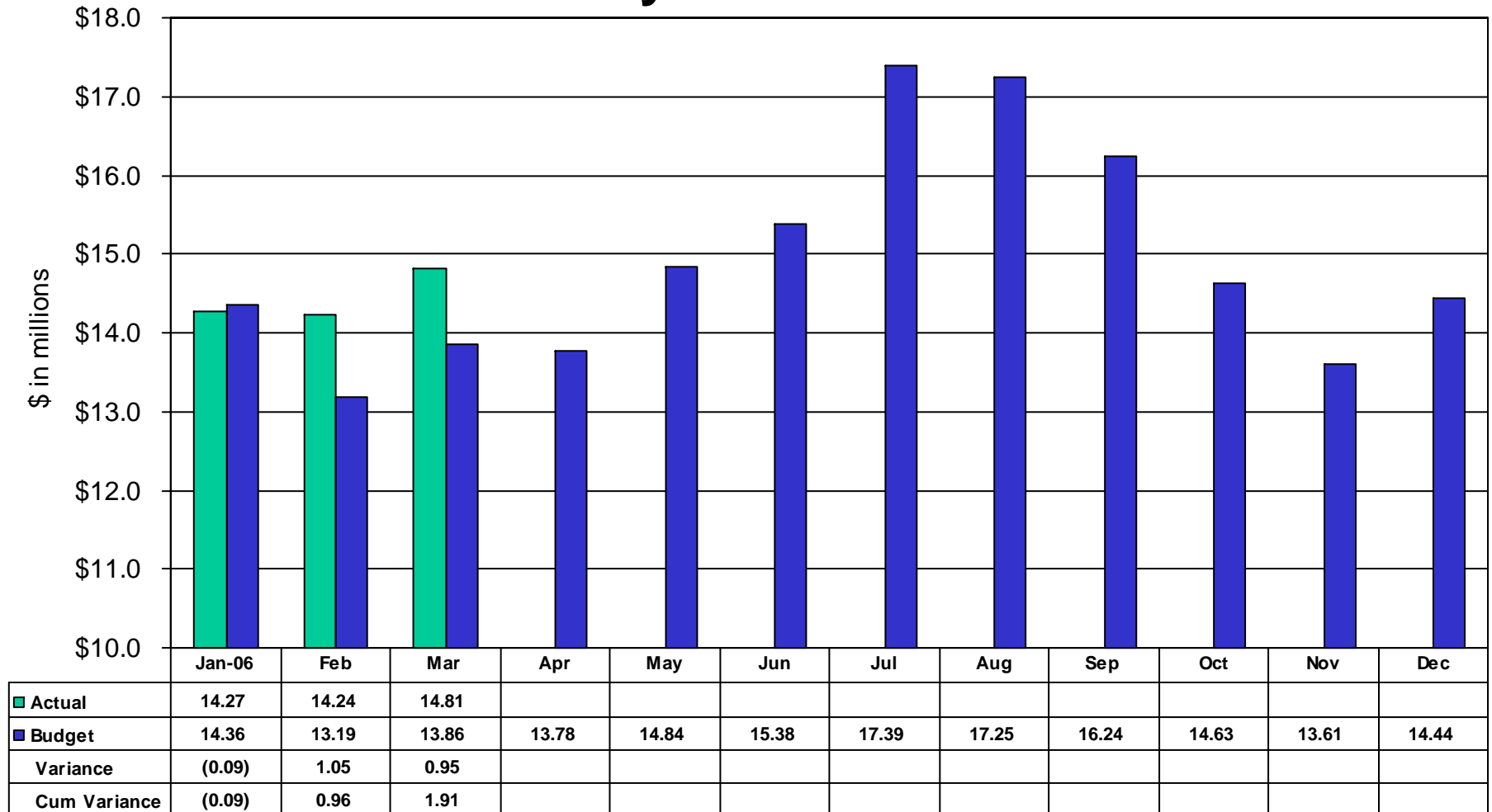
Cumulative Operating Revenues

Revenues = GMC, Interest, WSCC Security & Other Fees



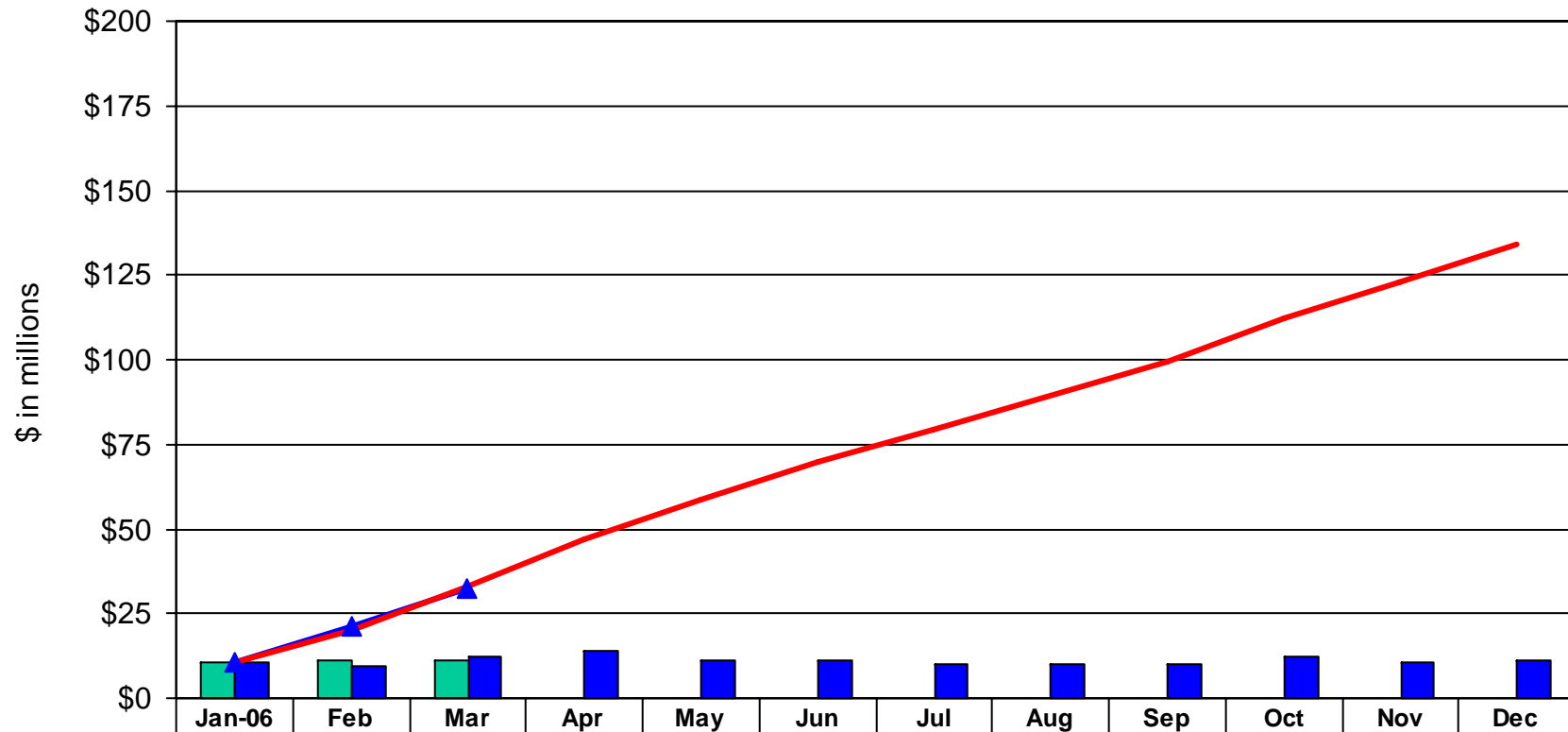
January, February and March revenues are estimates.

Monthly GMC Revenues

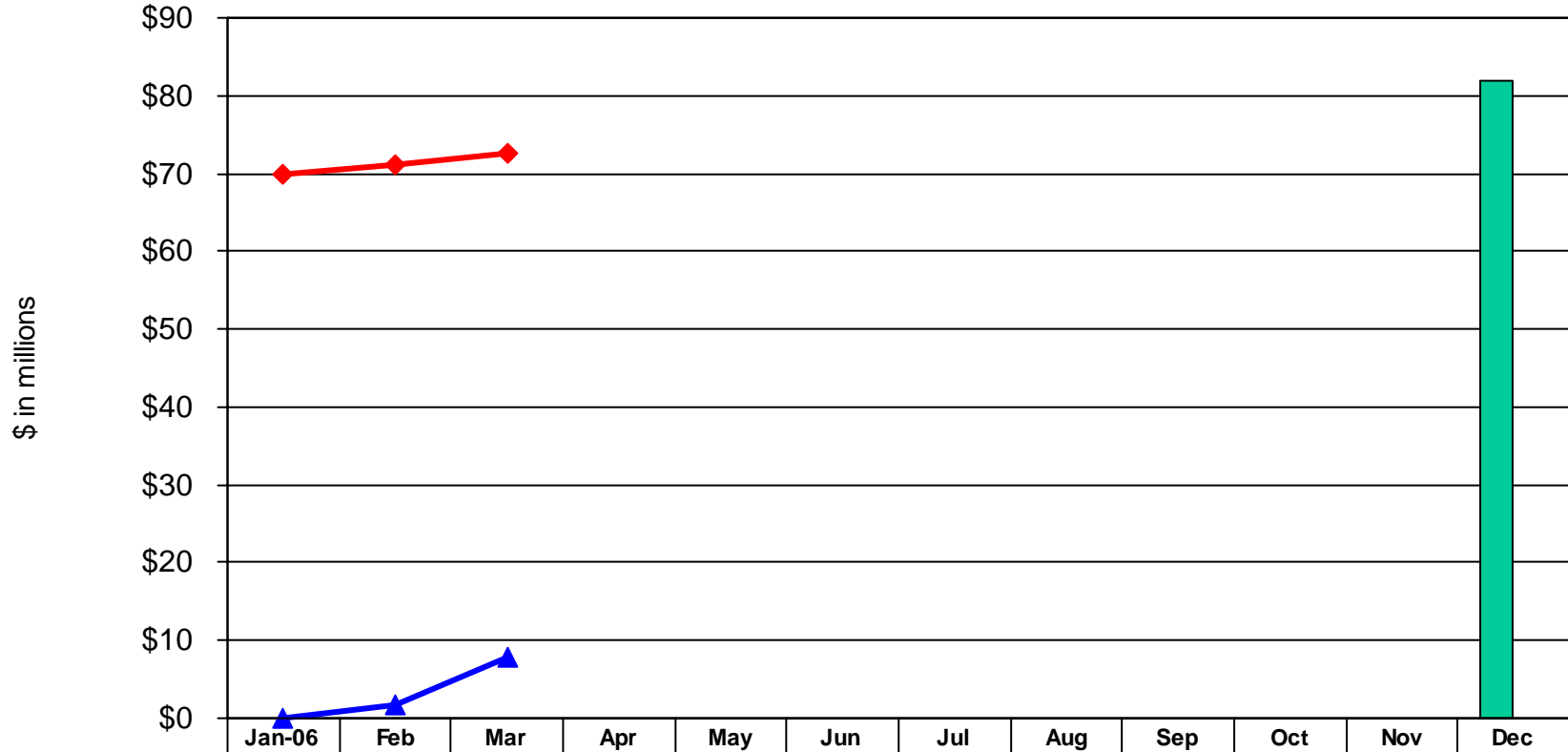






January, February and March revenues are estimates. Amounts do not include prior-period adjustments.

Operating and Maintenance Expenses (O&M)



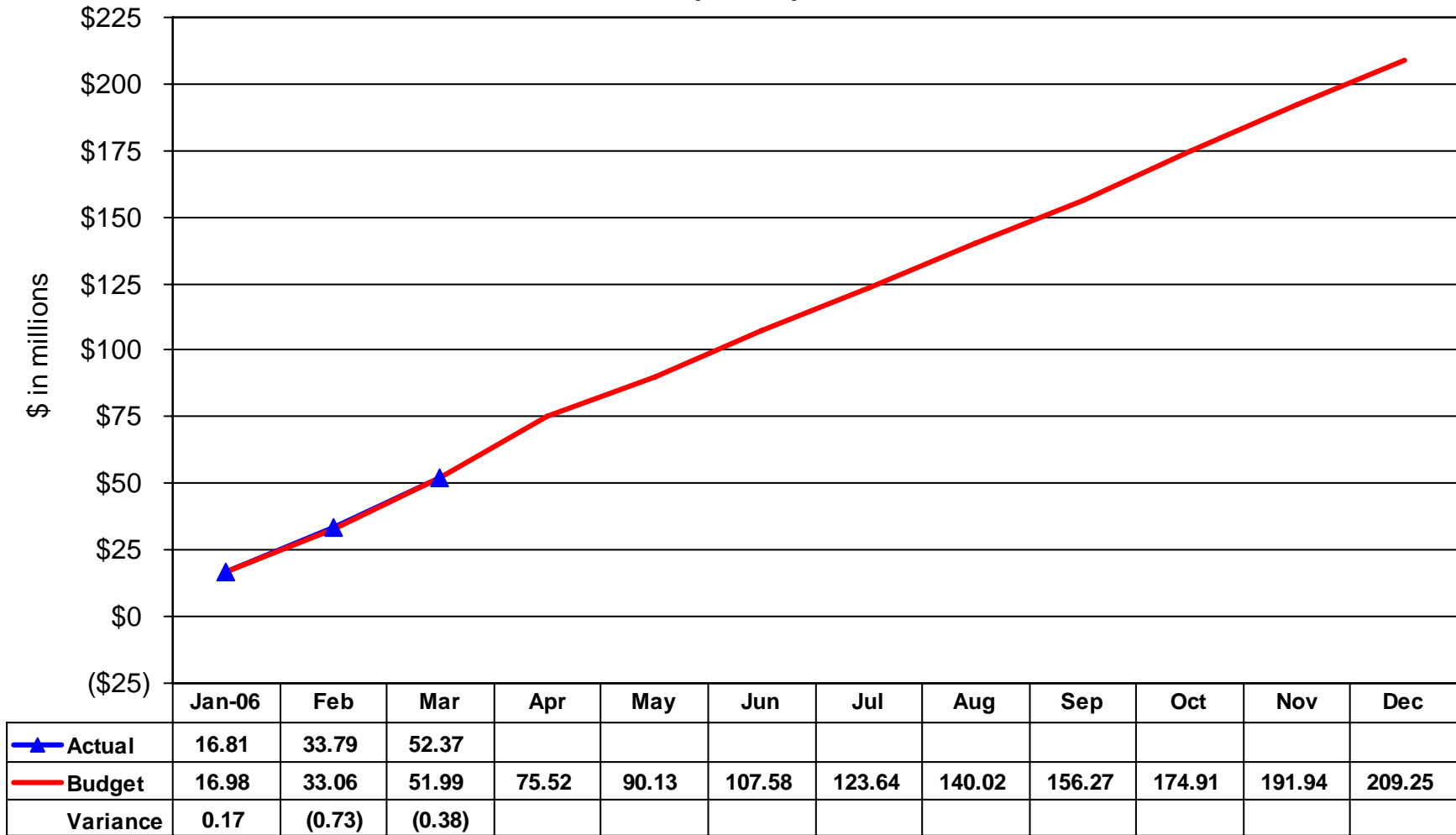
Cumulative Capital Expenditures



	Jan-06	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
 Budgeted capital												82.00
 2006 O&M Impact	-	0.03	0.11									
 Cumulative Expenditures	0.00	1.77	7.79									
 Approved projects	69.90	71.19	72.57									

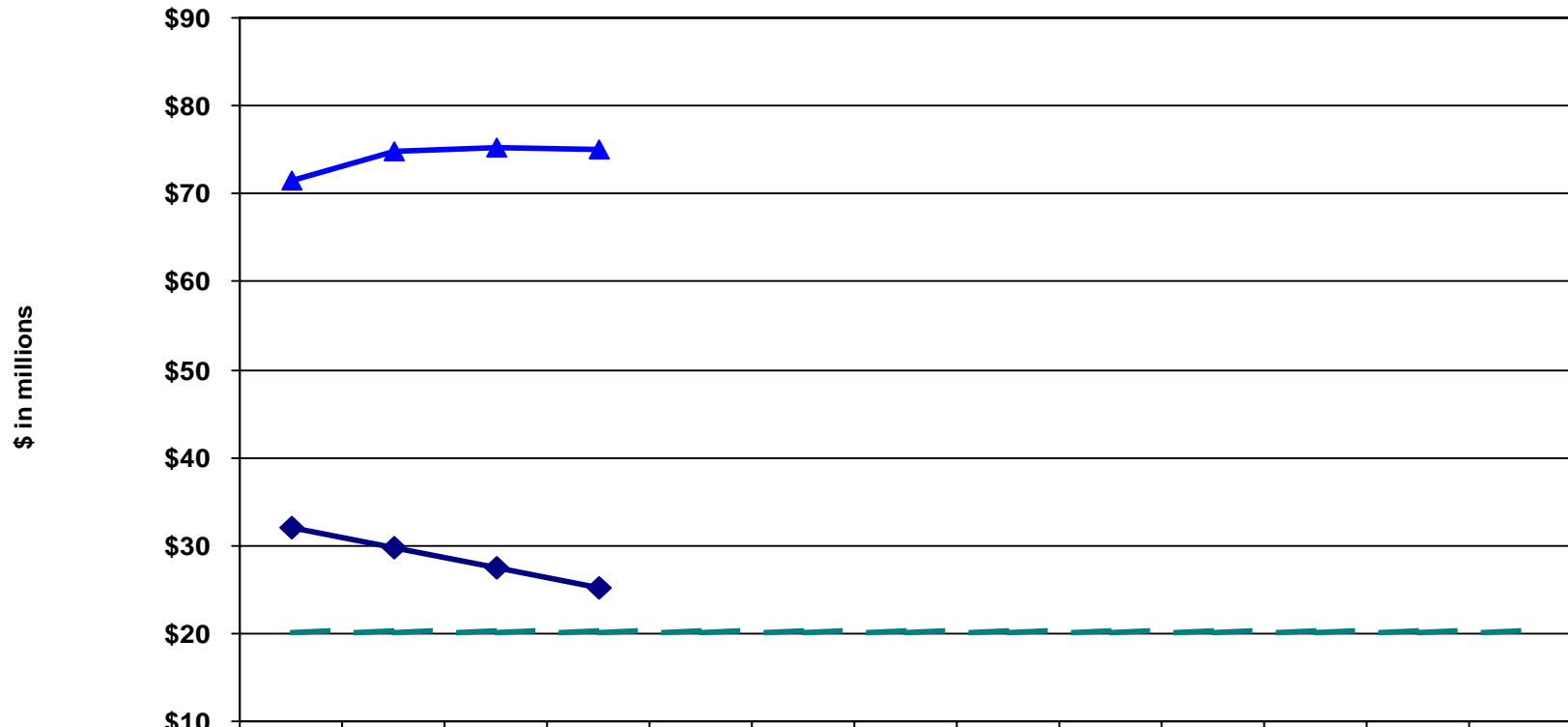
Cumulative Revenue Requirement

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



Monthly Operating Reserve

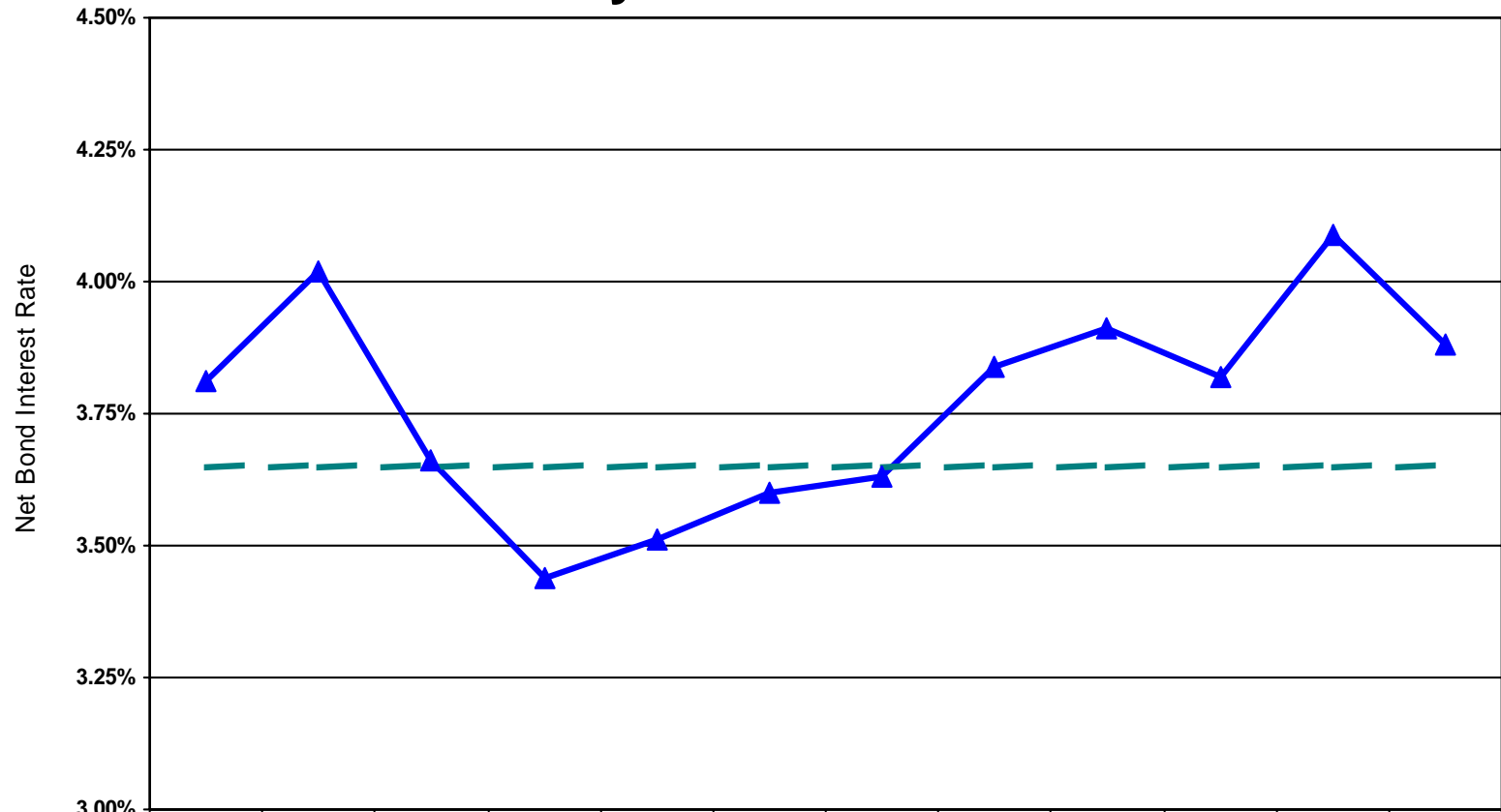
Op Res = Unrestricted Cash - Accrued Expenses & Payables



	Jan-06 (Beg)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
▲ Actual - Gross	71.60	74.83	75.21	74.98									
- Res Requirement	20.09	20.09	20.09	20.09	20.09	20.09	20.09	20.09	20.09	20.09	20.09	20.09	20.09
◆ Actual - Uncommitted	32.10	29.67	27.44	25.09									

Reserve requirement set at 15% of 2006 budgeted O&M expenses, which is included in the actual-uncommitted balance.

ISO Monthly Debt Rates

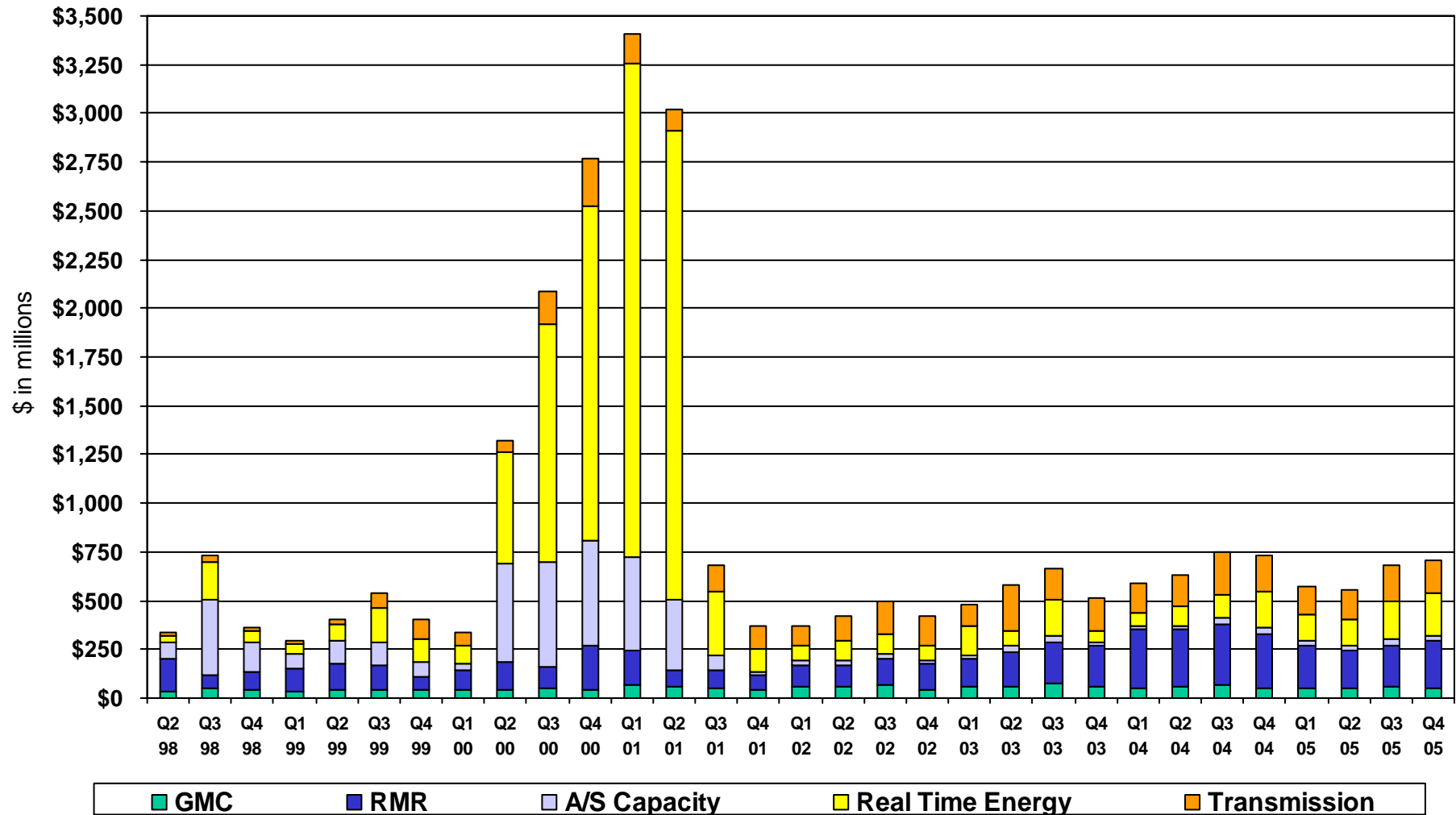


	Apr-05	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-06	Feb	Mar
Net Int. Rate (All Bonds)	3.81%	4.02%	3.66%	3.44%	3.51%	3.60%	3.63%	3.84%	3.91%	3.82%	4.09%	3.88%
Budgeted Net Int. Rate	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%

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

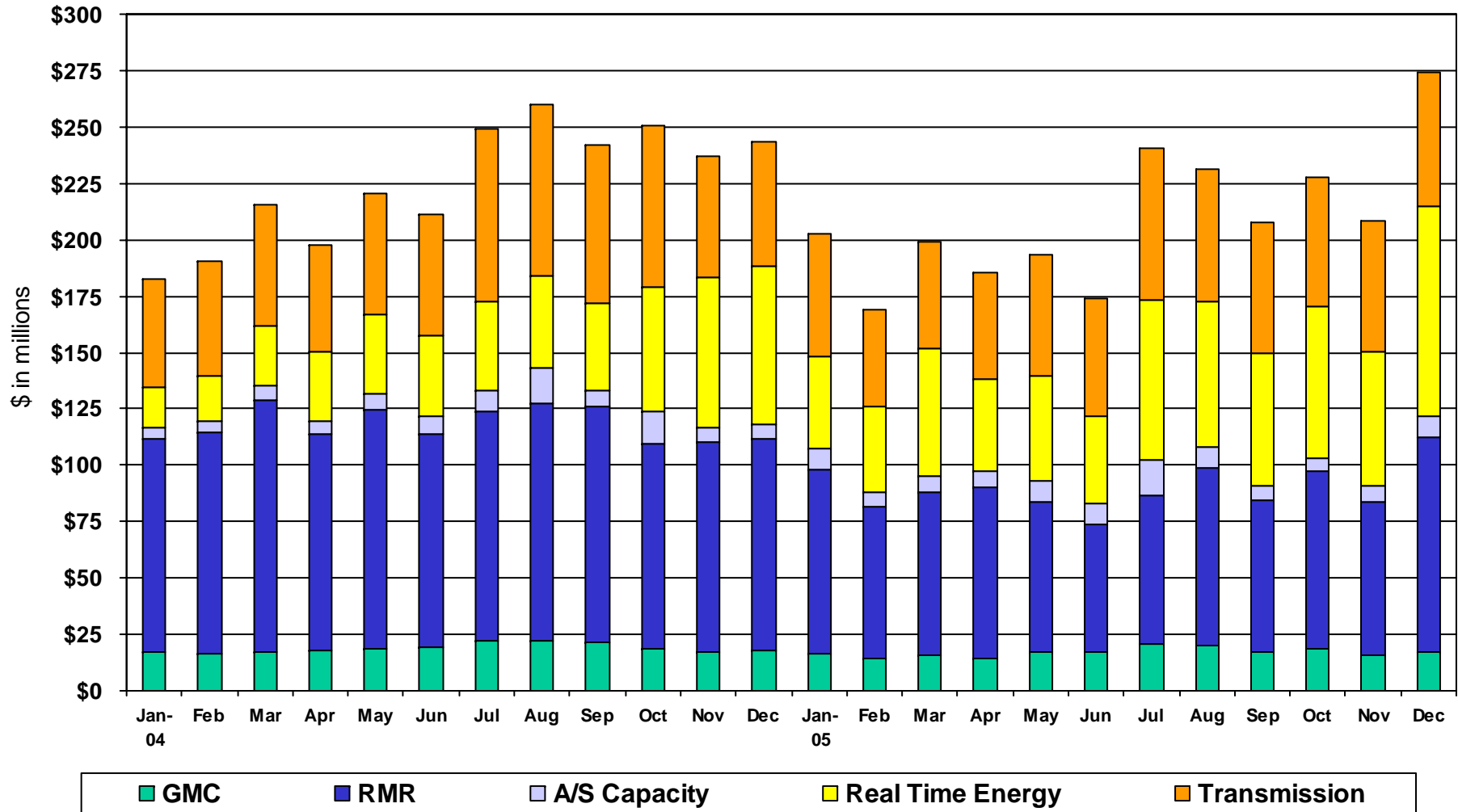
CAISO Market Costs By Quarter

2nd Quarter 1998 (Inception) through 4th Quarter 2005





CAISO Market Costs By Month January 2004 through December 2005



Outstanding Obligations of Market Participants

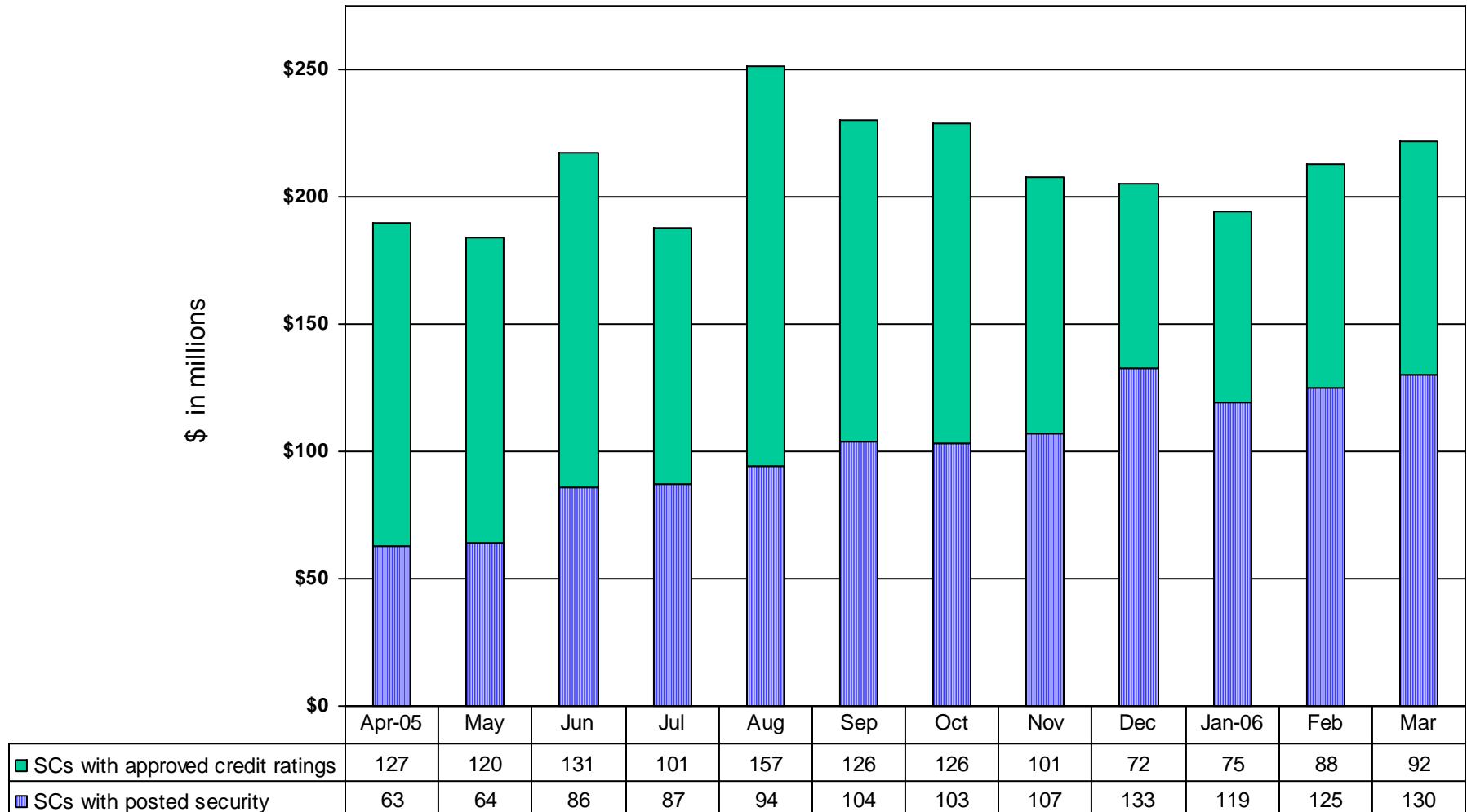
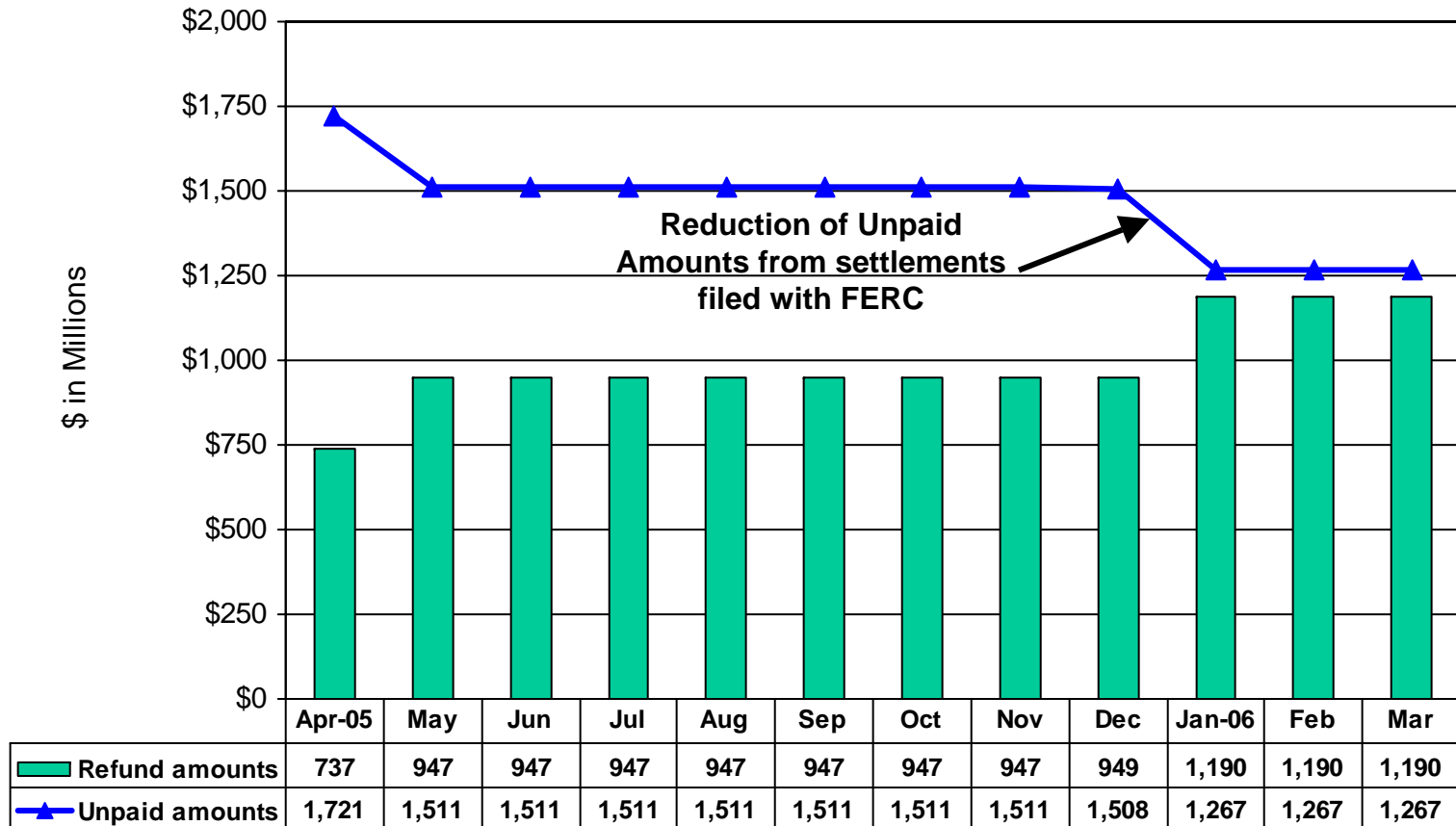


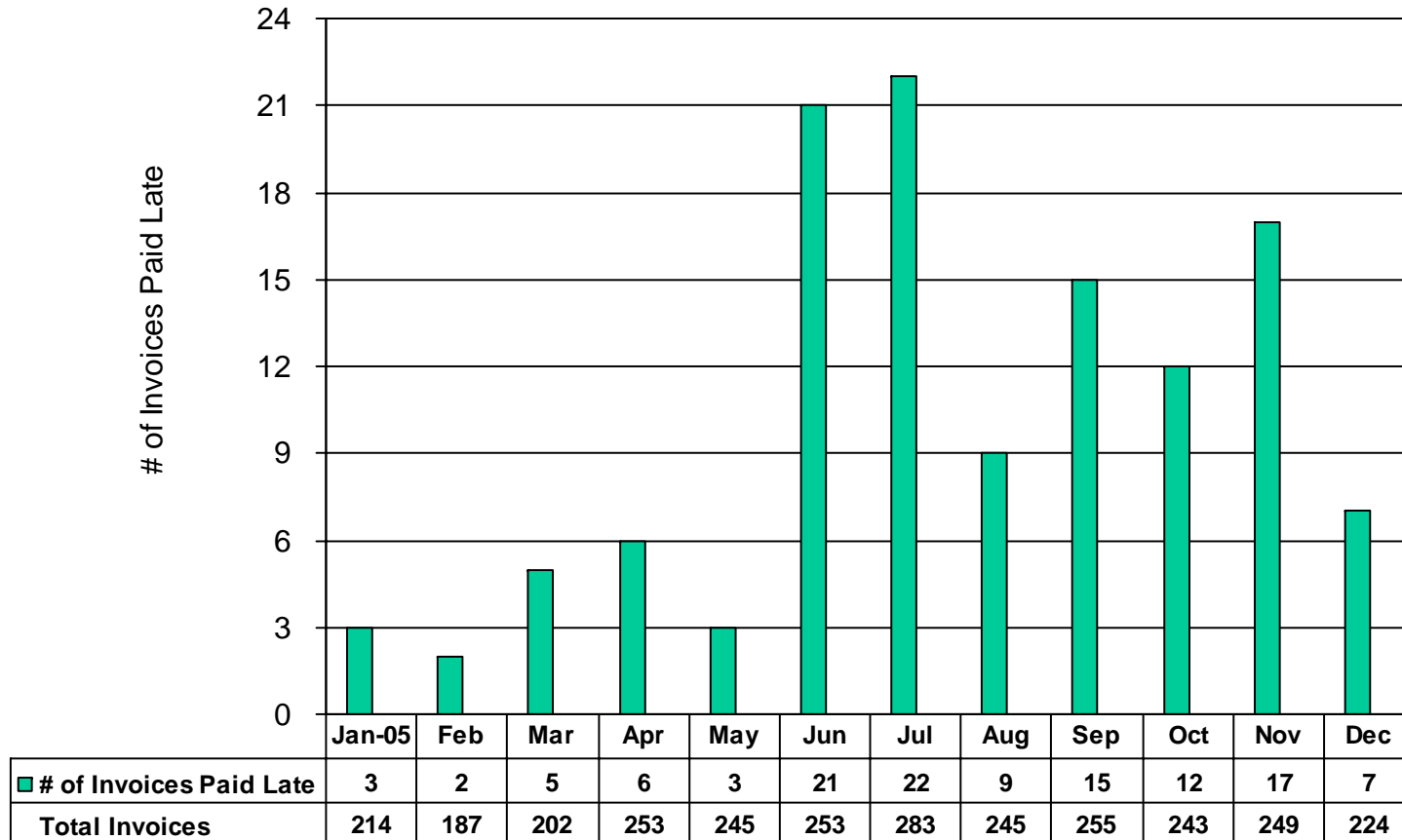
Chart displays outstanding obligations of SCs to the ISO market. Obligations are estimated using settlements and other operational data, upon which SC collateral requests are based.

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 (Jan 05 - May 05) and by late if not paid by 10AM for Jun 05 – Dec 05