

MONTHLY FINANCIAL REPORT

April 2006

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
MONTHLY FINANCIAL REPORT - April 2006**

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CALIFORNIA ISO

SUMMARY, DISCUSSION AND COMMENTARY

For the four-month period ended April 30, 2006

The ISO

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

- ♦ Operating Revenues for April were \$15.2M, \$1.2M higher than budget.
 - The variance was primarily due to higher GMC and to higher interest income.
- ♦ Operating Revenues for the year were \$60.5M, \$3.1M 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 April were \$14.4M, \$0.3M higher than the budget.
 - The variance was primarily due to the timing of expenses.
- ♦ O&M expenses for the year were \$46.6M, \$0.5M lower than budget.
 - The actuals were tracking well against the budget. The slight variance was primarily due to timing of expenses.
- ♦ At year end, there were 481 full-time employees compared to the 516 full-time employees budgeted.

BALANCE SHEET: (page 3)

- ♦ The changes to the accounts are due primarily to the annual debt service payments and two preliminary market closings 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 \$11.8M. Expenditures for 2005 approved capital projects totaled \$2.4M. Capital expenditures for 2005 and 2006 approved projects will be funded by the proceeds of the 2004 bonds.
- ♦ 2006 capital projects approved through April totaled \$73.8M and include \$69.9M for MRTU projects.

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

- ♦ During April, the Operating Reserve decreased by \$5.3M to \$70.0M. The decrease during the month, as compared to the projected decrease of \$4.8M, is due primarily to higher operating expenses and to higher bond interest expenses.
- ♦ The uncommitted Operating Reserve balance is \$27.2M, excluding the reserve requirement of \$20.1M (which is to equal 15% of 2006 budgeted expenses).
- ♦ The Revenue Requirement for the month was \$21.4M, \$0.9M higher than budget, primarily due to higher operating expenses and higher bond interest.

INTEREST COSTS: (page 13)

- ♦ During April, the ISO bond interest rates averaged 4.01%, 0.36% higher than the budgeted rate of 3.65%. The April rate was higher than the 2005 average rate of 3.65%.

CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the four-month period ended April 30, 2006

The ISO Markets

MARKET CHARGES: (page 6)

- ◆ Charges for the market (including GMC and FERC Fees) settled in April amounted to \$118.3M (January 2006 trade month) vs. \$179.5M settled in March (December 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), Enron (\$38M) and PSCo (\$2M) 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)

- ◆ Seventeen payments (of 227 invoices) in the January 2006 clearing were received late compared to seven late payments (of 224 invoices) in the December 2005 clearing.

California ISO

Summary of Financial Results

For the four-month period ended April 30, 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	\$ 15,522	\$ 14,340	\$ 1,182	\$ 60,548	\$ 57,432	\$ 3,116	\$ 185,698
Operating Expenses	\$ 14,440	\$ 14,167	\$ 273	\$ 46,567	\$ 47,055	\$ (488)	\$ 133,936
Capital Expenditures (Approved 2006 Projects)	\$ 4,042			\$ 11,828			\$ 81,673
Operating Reserve (Committed and Uncommitted)	\$ 70,047	\$ 68,592	\$ 1,455	\$ 70,047	\$ 68,592	\$ 1,455	\$ 64,847
Revenue Requirement	\$ 21,386	\$ 20,534	\$ 852	\$ 73,040	\$ 72,523	\$ 517	\$ 209,247

CALIFORNIA ISO

Statement of Operations

For the four-month period ended April 30, 2006
(dollars in thousands)

	Month				Year to Date				2006
	Actual	Budget	Variance	Var (%)	Actual	Budget	Variance	Var (%)	Budget
Revenues:									
Grid Management Charge	\$ 14,588	\$ 13,779	\$ 809	6%	\$ 56,694	\$ 55,189	\$ 1,505	3%	\$ 178,971
Fines, WSCC & Other Fees	443	438	5	1%	1,571	1,753	(182)	-10%	5,257
Interest income & other	491	123	368	299%	2,283	490	1,793	366%	1,470
Total revenues	15,522	14,340	1,182	8%	60,548	57,432	3,116	5%	185,698
Operating Expenses:									
Salaries and Benefits	8,550	8,784	(234)	-3%	26,587	26,575	12	0%	76,824
Building, Leases and Facility	545	707	(162)	-23%	2,409	2,830	(421)	-15%	8,491
Insurance	189	1	188	-	1,710	1,607	103	-	1,974
Third Party Vendor Contracts	2,525	3,057	(532)	-17%	9,644	9,626	18	0%	26,464
Professional and Consulting Services	1,013	484	529	109%	1,875	1,818	57	3%	5,056
Legal and Audit	881	595	286	48%	2,343	2,413	(70)	-3%	7,259
Training, Travel and Professional Dues	759	325	434	134%	1,216	1,308	(92)	-7%	4,015
Other	(22)	214	(236)	-110%	783	878	(95)	-11%	3,853
Total operating expenses	14,440	14,167	273	2%	46,567	47,055	(488)	-1%	133,936
Net operating income (loss)	1,082	173	909	525%	13,981	10,377	3,604	35%	51,762
Interest and Other Expenses									
Interest expense	1,456	713	743	104%	4,186	2,852	1,334	47%	7,464
Depreciation and amortization	1,378	1,378	-	-	5,666	5,666	-	-	25,200
Total interest and other expenses	2,834	2,091	743	36%	9,852	8,518	1,334	16%	32,664
Change in Net Assets	\$ (1,752)	\$ (1,918)	\$ 166	-9%	\$ 4,129	\$ 1,859	\$ 2,270	122%	\$ 19,098
Number of Full-time Employees	481	516	(35)	-7%					516

CALIFORNIA ISO
Balance Sheet
As of April 30, 2006
(dollars in thousands)

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>
ASSETS			
NET ELECTRIC UTILITY PLANT	<u>\$ 124,140</u>	<u>\$ 120,843</u>	<u>\$ 3,297</u>
RESTRICTED AND TRUST FUNDS	<u>\$ 507</u>	<u>\$ 313</u>	<u>\$ 194</u>
CURRENT ASSETS			
Cash and Investments			
Unrestricted	221,194	213,144	8,050
Restricted for Payment of Debt Service	<u>4,800</u>	<u>39,579</u>	<u>(34,779)</u>
Total Cash and Investments	<u>225,994</u>	<u>252,723</u>	<u>(26,729)</u>
Accounts Receivable, net	28,578	43,955	(15,377)
Prepayments and Other	<u>2,189</u>	<u>530</u>	<u>1,659</u>
Total Current Assets	<u>256,761</u>	<u>297,208</u>	<u>(40,447)</u>
NONCURRENT ASSET AND DEFERRED CHARGES			
Unamortized debt expenses and other	<u>1,018</u>	<u>1,635</u>	<u>(617)</u>
Total Noncurrent Asset and Deferred Charges	<u>1,018</u>	<u>1,635</u>	<u>(617)</u>
TOTAL ASSETS	<u><u>\$ 382,426</u></u>	<u><u>\$ 419,999</u></u>	<u><u>\$ (37,573)</u></u>
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION			
Stakeholders' Surplus	\$ 124,291	\$ 126,043	\$ (1,752)
Long-term Debt	<u>130,138</u>	<u>169,838</u>	<u>(39,700)</u>
TOTAL CAPITALIZATION	<u>254,429</u>	<u>295,881</u>	<u>(41,452)</u>
CURRENT LIABILITIES			
Long-term debt due within one year	58,700	57,100	1,600
Accounts Payable	19,638	17,565	2,073
Fines subject to refund	<u>48,812</u>	<u>48,606</u>	<u>206</u>
Total Current Liabilities	<u>127,150</u>	<u>123,271</u>	<u>3,879</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>127,997</u>	<u>124,118</u>	<u>3,879</u>
TOTAL CAPITALIZATION AND LIABILITIES	<u><u>\$ 382,426</u></u>	<u><u>\$ 419,999</u></u>	<u><u>\$ (37,573)</u></u>

CALIFORNIA ISO
Capital Projects Report

For the four-month period ended April 30, 2006
(dollars in thousands)

Capital Spending

	Approved Projects					
	<u>Month Actual</u>	<u>YTD Actual</u>	<u>2006 Approved Projects</u>	<u>Projected Costs for Approved Projects</u>	<u>Original 2006 Budget</u>	<u>Future O&M</u>
Facilities	\$ -	\$ -	\$ 95	\$ 95	\$ 2,444	\$ -
Market Redesign	914	2,002	25,857	25,857	29,629	-
Technology Upgrade	2,887	9,495	43,998	43,998	39,376	-
Main Operating Systems - All	56	133	1,636	1,636	3,845	-
Other Systems - Corporate Support	185	198	2,174	2,174	6,379	112
Total 2006 Capital Spending	<u>4,042</u>	<u>11,828</u>	<u>73,759</u>	<u>73,759</u>	<u>81,673</u>	<u>112</u>
2005 Capital Projects	<u>712</u>	<u>2,427</u>	<u>5,867</u>	<u>5,867</u>		
Total Capital	<u>\$ 4,754</u>	<u>\$ 14,255</u>	<u>\$ 79,626</u>	<u>\$ 79,626</u>	<u>\$ 81,673</u>	<u>\$ 112</u>

CALIFORNIA ISO

Operating Reserve and Gross Revenue Requirement

For the four-month period ended April 30, 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)	\$ 14,737	\$14,360	\$ 377	3%	\$ 66,391	\$ 64,419	\$ 1,972	3%	\$ 186,343
Other gross revenue	934	560	374	40%	3,856	2,242	1,614	42%	6,727
Less: Restricted interest income	(210)	-	(210)		(1,284)	-			-
Total Revenues	15,461	14,920	541	3%	68,963	66,661	3,586	5%	193,070
Operating Expenses									
	14,440	14,167	273	2%	46,568	47,055	(487)	-1%	133,935
Net Before Debt Service and Capital	1,021	753	268	26%	22,395	19,606	4,073	18%	59,135
Debt Service and Other Interest									
Bond principal payments	4,847	4,847	-	-	19,389	19,389	-	-	58,167
Bond interest payments	1,456	713	743	51%	3,160	2,852	308	10%	7,464
Other interest expense	-	-	-	*%	1,026	-	1,026	*%	-
Total Debt Service and Other Interest	6,303	5,560	743	12%	23,575	22,241	1,334	6%	65,631
Increase (Decrease)	(5,282)	(4,807)	(475)	*%	(1,180)	(2,635)	2,739	*%	(6,496)
Operating Reserve Fund (Committed and Uncommitted)									
Beginning Balance	75,329	73,399	1,930	3%	71,227	71,227	-	0%	71,343
Ending Balance	\$ 70,047	\$68,592	\$ 1,455	2%	\$ 70,047	\$ 68,592	\$ 2,739	4%	\$ 64,847
Gross Revenue Requirement									
Net Operating Costs									
Operating Expenses	\$ 14,440	\$14,167	\$ 273	2%	\$ 46,568	\$ 47,055	\$ (487)	-1%	\$ 133,935
Less Interest & Other Revenue	(724)	(560)	(164)	23%	(2,572)	(2,242)	(330)	13%	(6,727)
Net Operating Costs	13,716	13,607	109	1%	43,996	44,813	(817)	-2%	127,208
Debt Service and Other Interest									
Principal and interest payments	6,303	5,560	743	12%	22,549	22,241	308	1%	65,631
25% Debt Service Reserve	1,367	1,367	-	0%	5,469	5,469	-	0%	16,408
Other Interest	-	-	-	*%	1,026	-	1,026	*%	-
Total Debt Service and Other Interest	7,670	6,927	743	10%	29,044	27,710	1,334	5%	82,039
Revenue Requirement	\$ 21,386	\$20,534	\$ 852	4%	\$ 73,040	\$ 72,523	\$ 517	1%	\$ 209,247

CALIFORNIA ISO

Monthly Market Summary By Charge Type

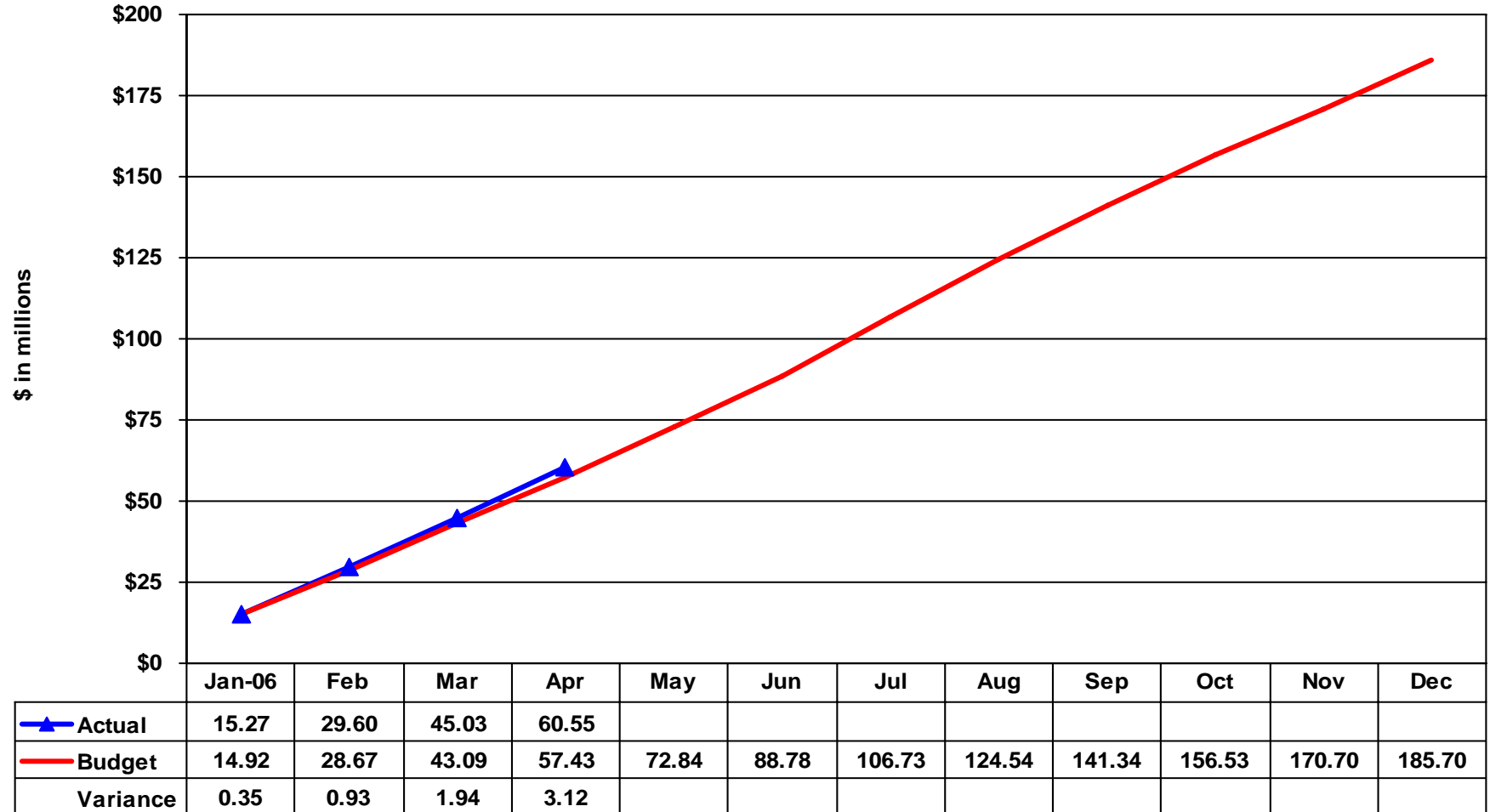
For the trade month January 2006 settled in April 2006

Charge Type	Type	Unit		Settlements Amount	
		Due SC	Due ISO	Due SC	Due ISO
Spin Reserve	MW	9,431,025	292,186	\$ 2,379,952	\$ 2,354,362
Non-Spin Reserve	MW	1,945,149	224,807	599,377	593,627
AGC/Regulation	MW	296,540	285,543	5,806,071	5,850,889
Replacement Reserve	MW	-	-	-	-
No-Pay Provision		19,467,251	49,980	506,363	506,399
Rational Buyer Adjustment		8,862,737	14,973	13,487	18
Total Ancillary Services		40,002,702	867,490	\$ 9,305,251	\$ 9,305,295
Energy (Note1)	MWh	965,623	16,513,943	\$ 27,522,109	\$ 29,739,588
Neutrality		19,466,760	2,467	2,157,074	85,240
Minimum Load Cost Compensation		88,282	11,080,191	11,396,574	11,329,532
Start-Up Cost Compensation		18,692,174	18,692,174	657,104	657,104
Emissions Cost Compensation		-	-	-	-
Voltage Support		-	7,515,122	148,417	148,417
Intermittent Resource Deviation		180,678	285,746	211,962	211,962
Total Energy		39,393,516	54,089,643	\$ 42,093,239	\$ 42,171,843
Inter-Zonal Congestion	MWh	306,332	8,209,754	\$ 5,587,784	\$ 5,508,873
Wheeling & High Voltage Access Charge	MWh	18,803,173	17,619,465	45,577,753	45,577,765
Others		6,631	66,313	6,645	6,643
FERC Fee		-	-	-	985,698
Penalty and Interest Charge		-	-	-	-
Total Transmission and Other		19,116,136	25,895,532	\$ 51,172,182	\$ 52,078,978
Total Market Billed by Charge Type		98,512,353	80,852,664	\$ 102,570,672	\$ 103,556,116
Other Billings					
Grid Management Charge			37,194,280	\$ 377	\$ 14,736,886

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

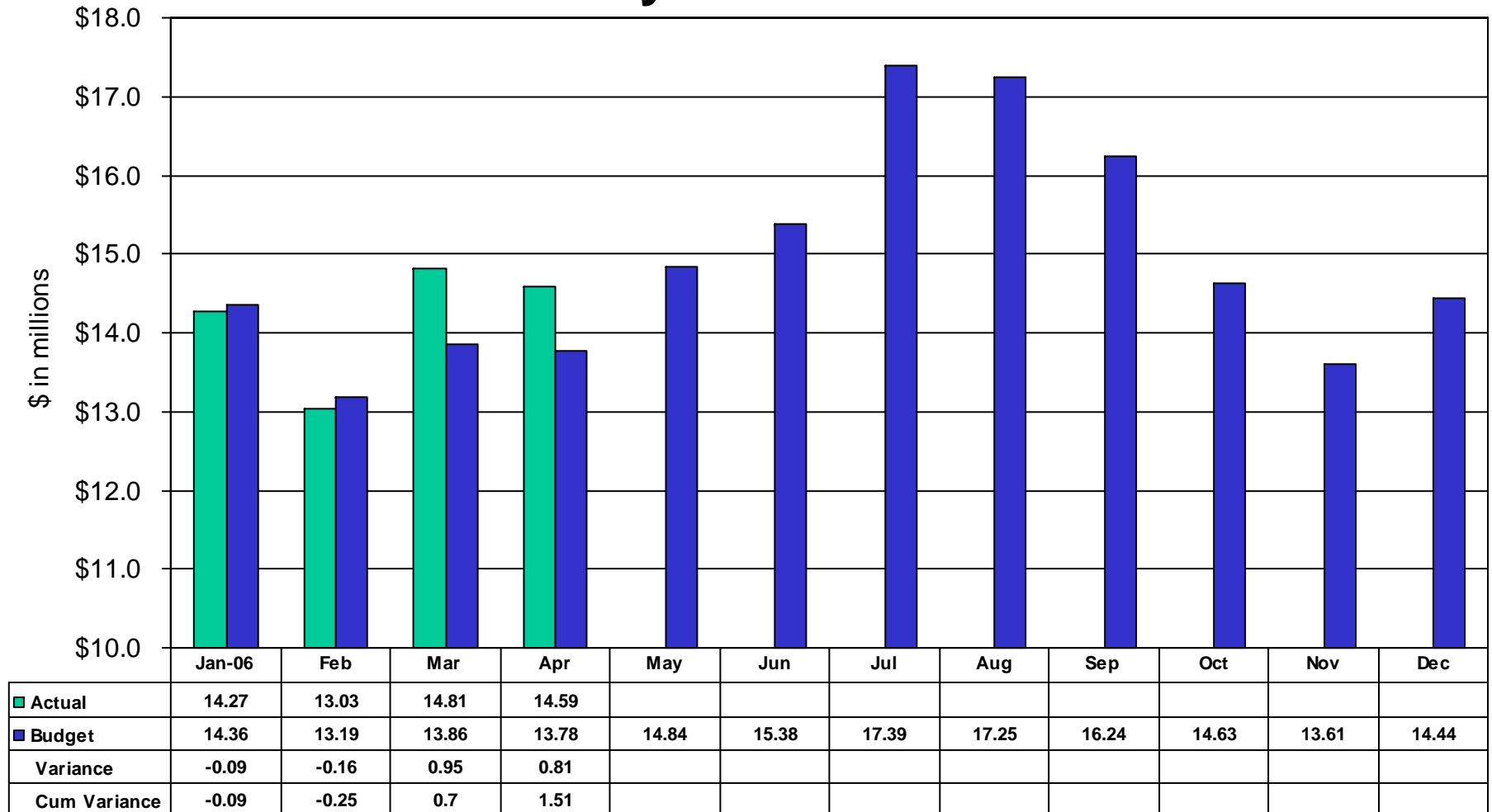
Cumulative Operating Revenues

Revenues = GMC, Interest, WSCC Security & Other Fees



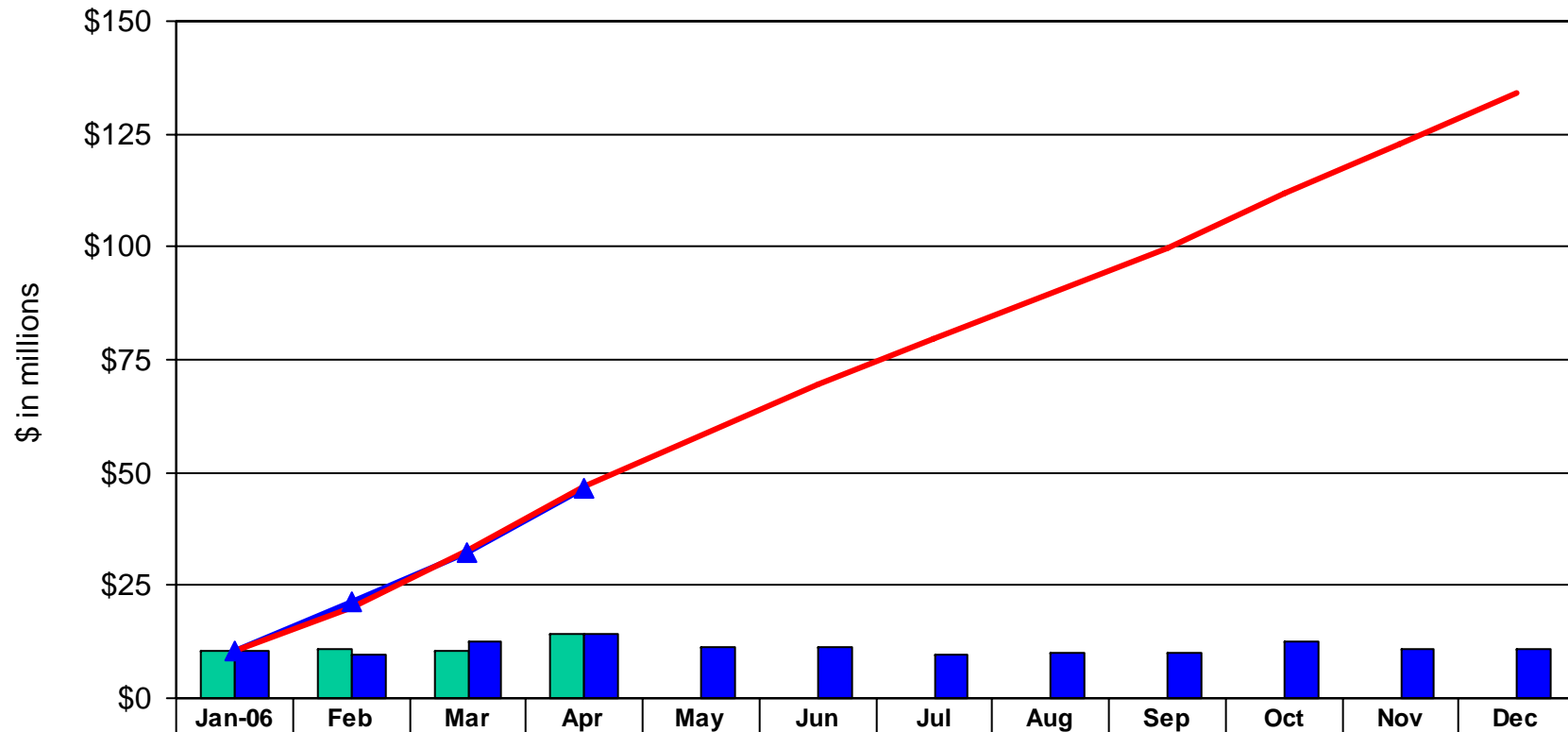
February, March and April revenues are estimates.





Monthly GMC Revenues



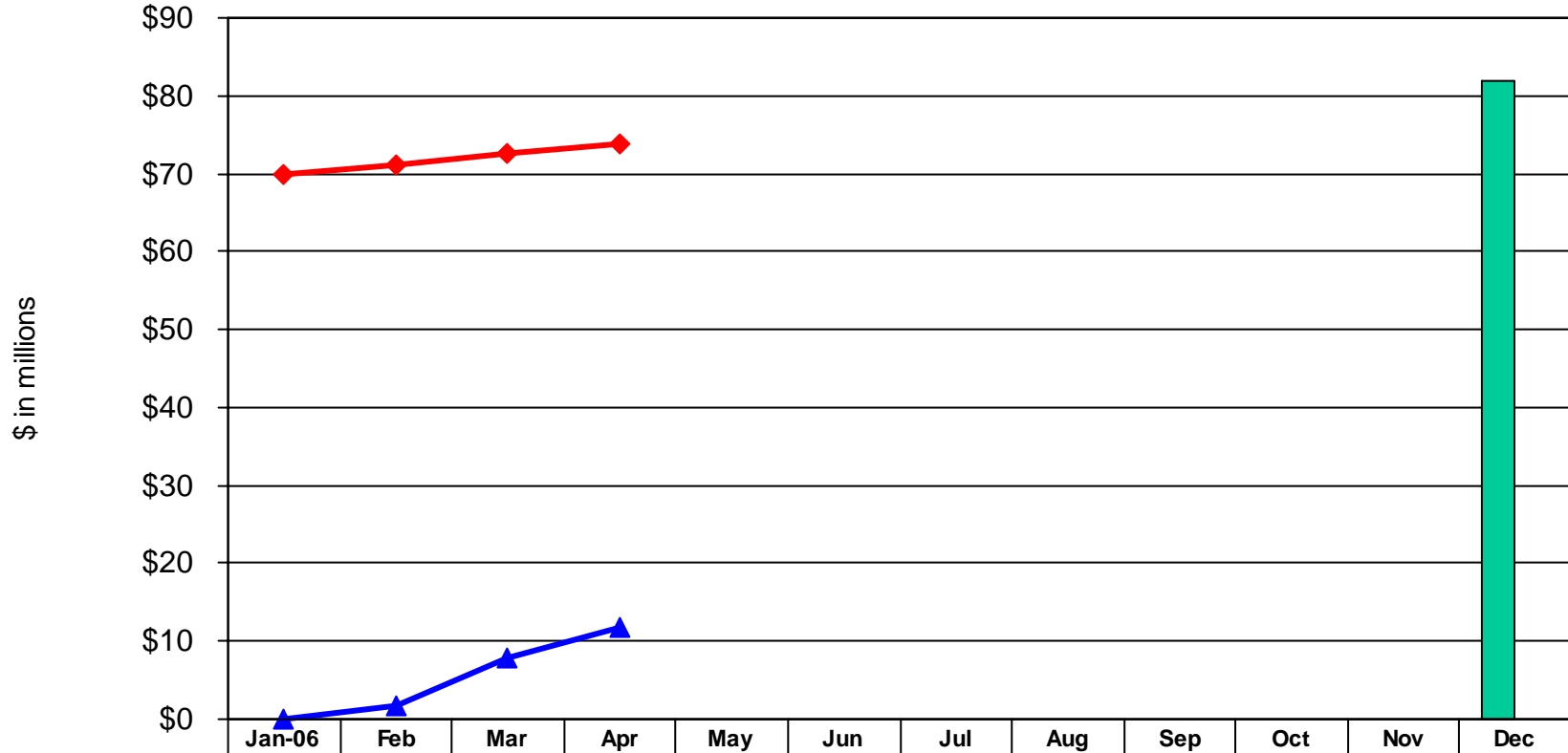
February, March and April revenues are estimates. Amounts do not include prior-period adjustments.





Operating and Maintenance Expenses (O&M)



	Jan-06	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
 Monthly Actual	10.45	11.02	10.66	14.44								
 Monthly Budget	10.61	9.71	12.56	14.17	11.38	11.22	9.83	10.15	10.01	12.41	10.80	11.08
 Cum Actual	10.45	21.47	32.13	46.57								
 Cum Budget	10.61	20.32	32.88	47.05	58.43	69.65	79.48	89.63	99.64	112.05	122.85	133.93
Cum Variance	0.16	-1.15	0.75	0.48								

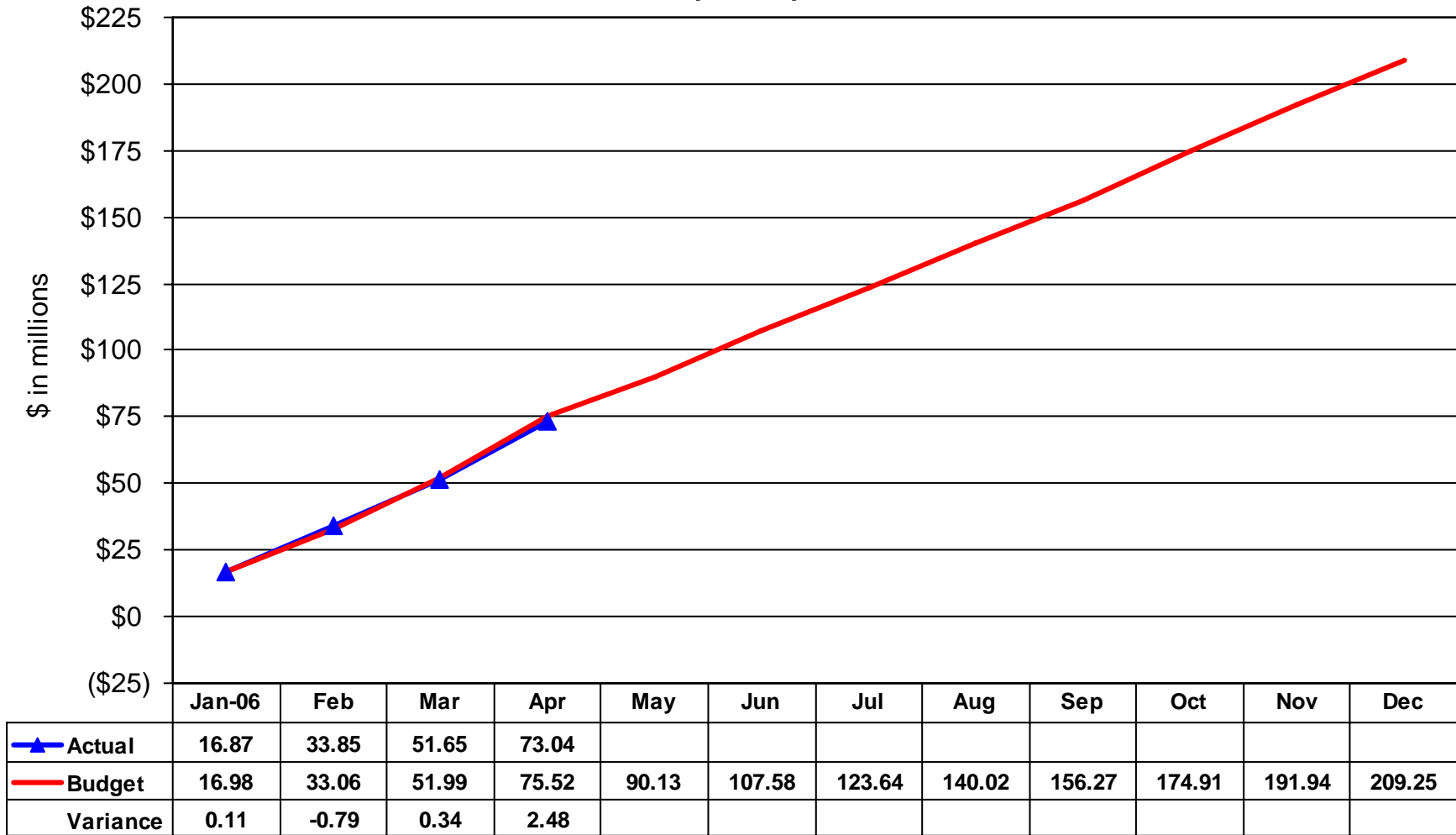
Cumulative Capital Expenditures



	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	0.11								
 Cumulative Expenditures	0.00	1.77	7.79	11.83								
 Approved projects	69.90	71.19	72.57	73.76								

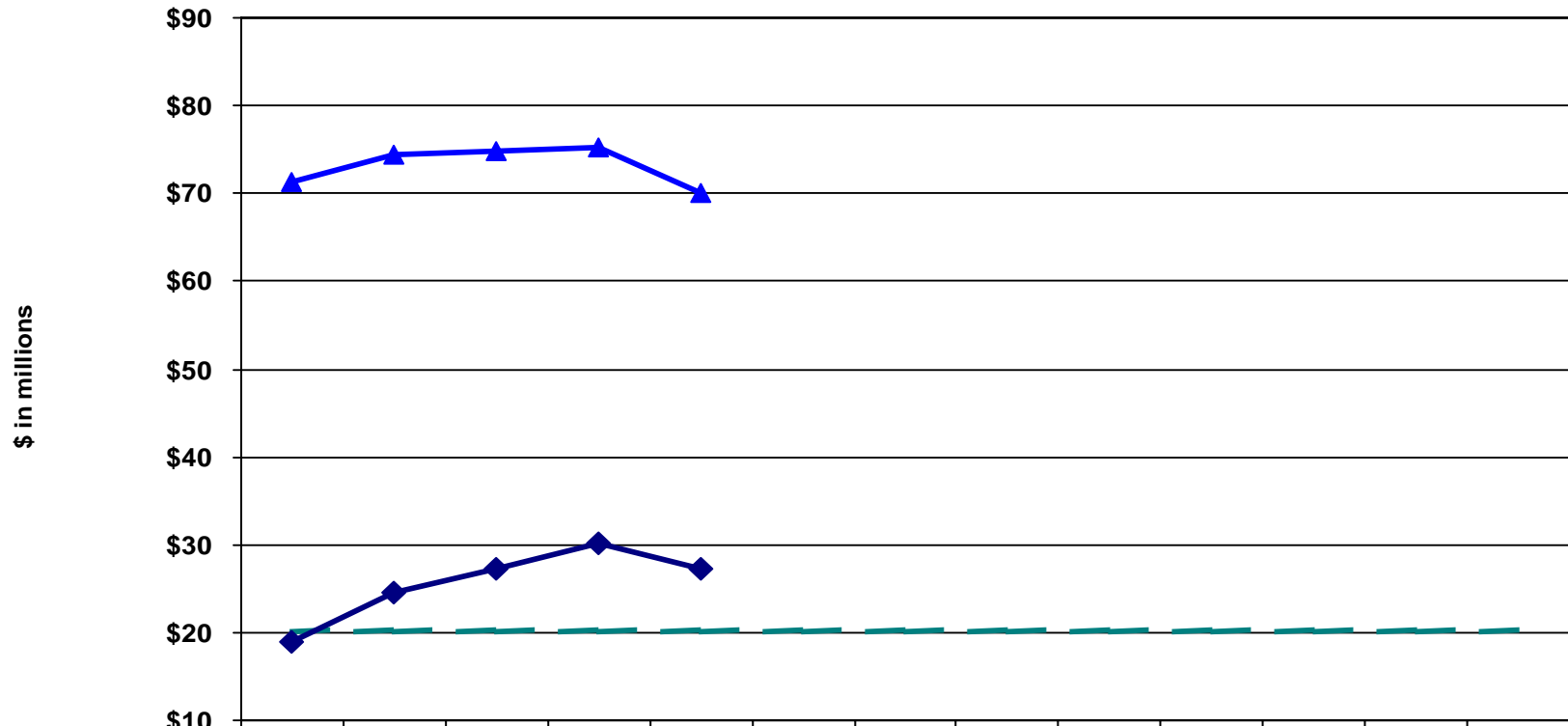
Cumulative Revenue Requirement

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



Monthly Operating Reserve

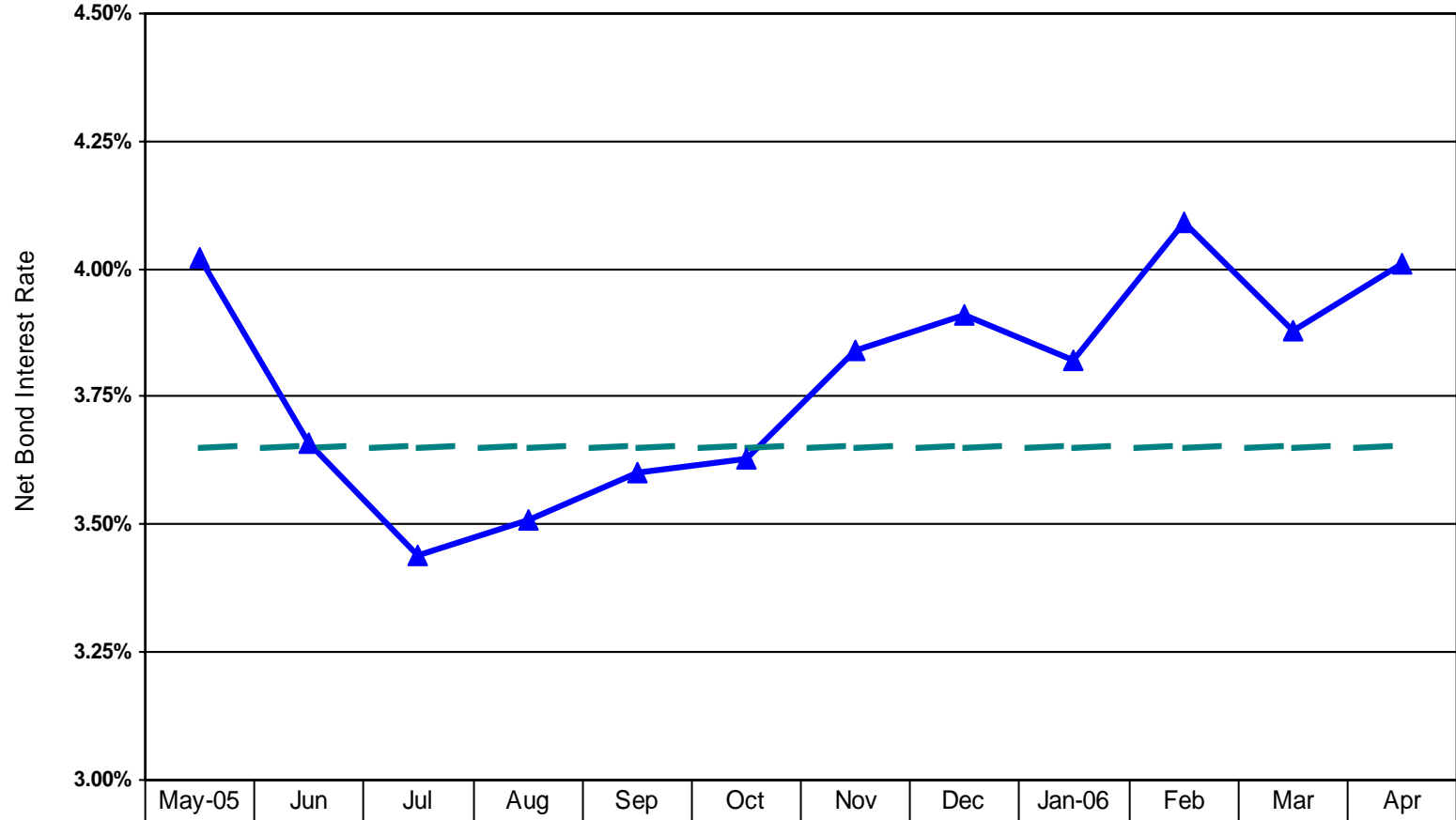
Op Res = Unrestricted Cash - Accrued Expenses & Payables



	Jan-06 (Beg)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
▲ Actual - Gross	71.22	74.40	74.78	75.33	70.05								
- 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	19.03	24.64	27.25	30.15	27.20								

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

ISO Monthly Debt Rates

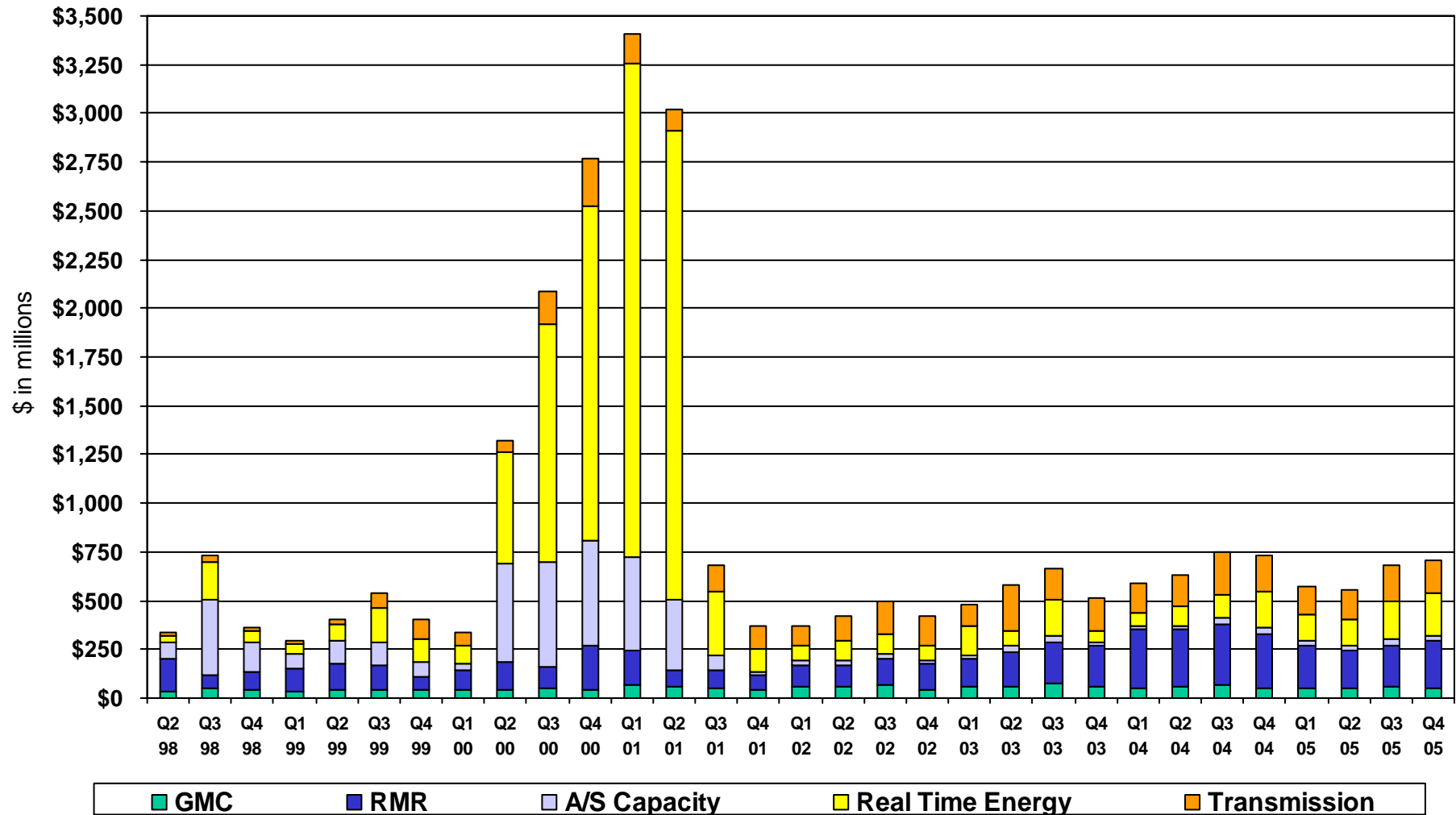


	May-05	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-06	Feb	Mar	Apr
Net Int. Rate (All Bonds)	4.02%	3.66%	3.44%	3.51%	3.60%	3.63%	3.84%	3.91%	3.82%	4.09%	3.88%	4.01%
Budgeted Net Int. Rate	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%

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

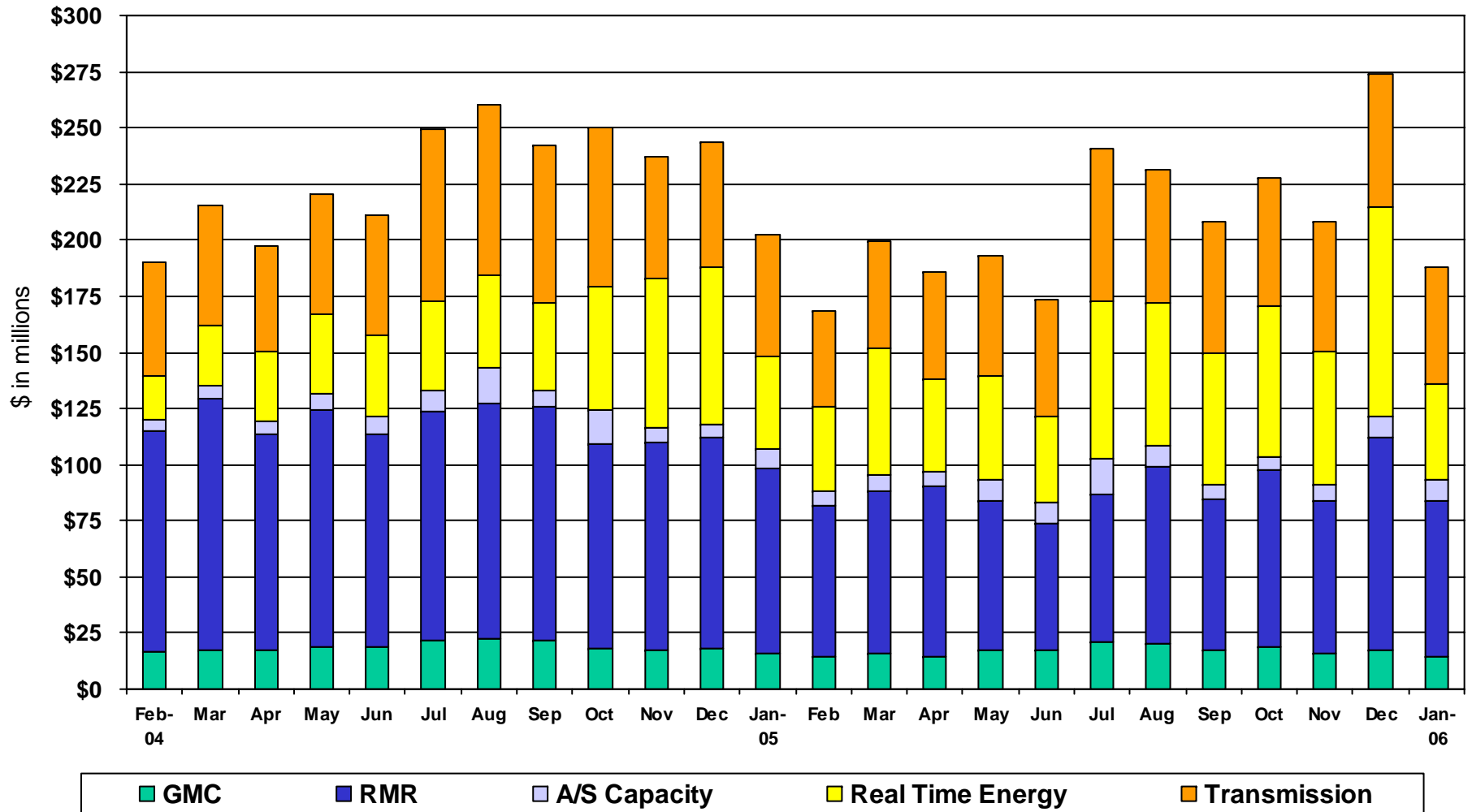
CAISO Market Costs By Quarter

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





CAISO Market Costs By Month February 2004 through January 2006



Outstanding Obligations of Market Participants

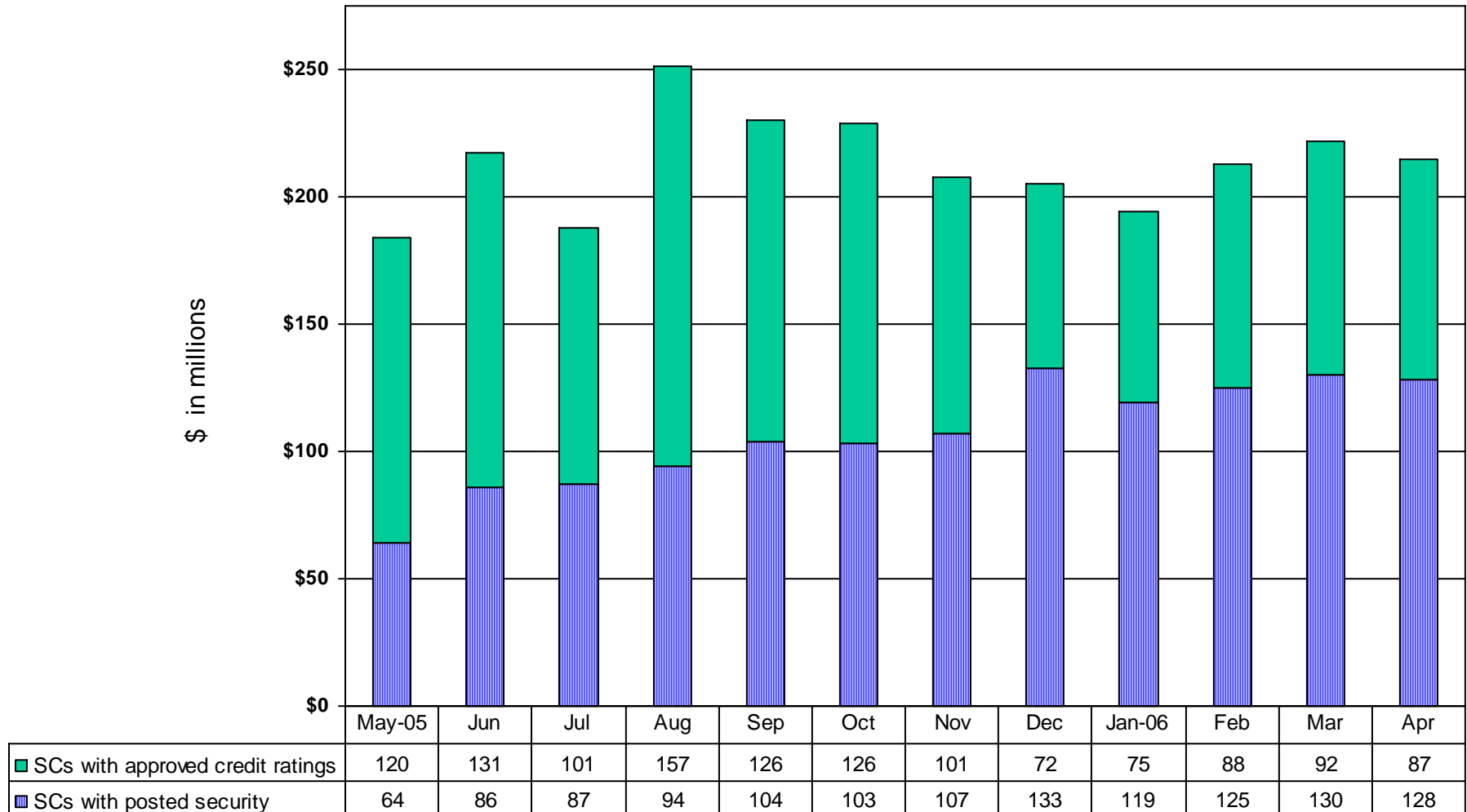
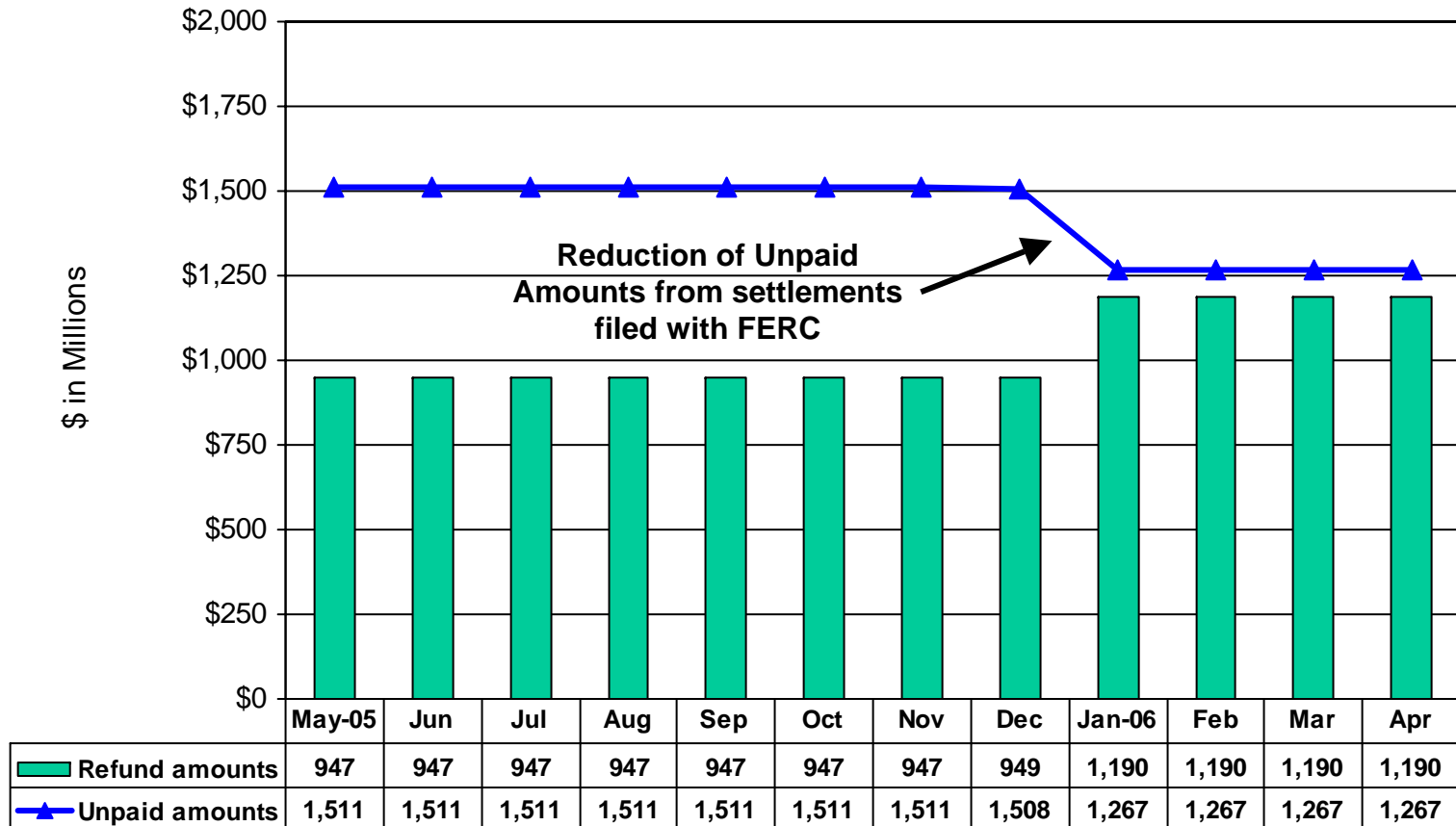


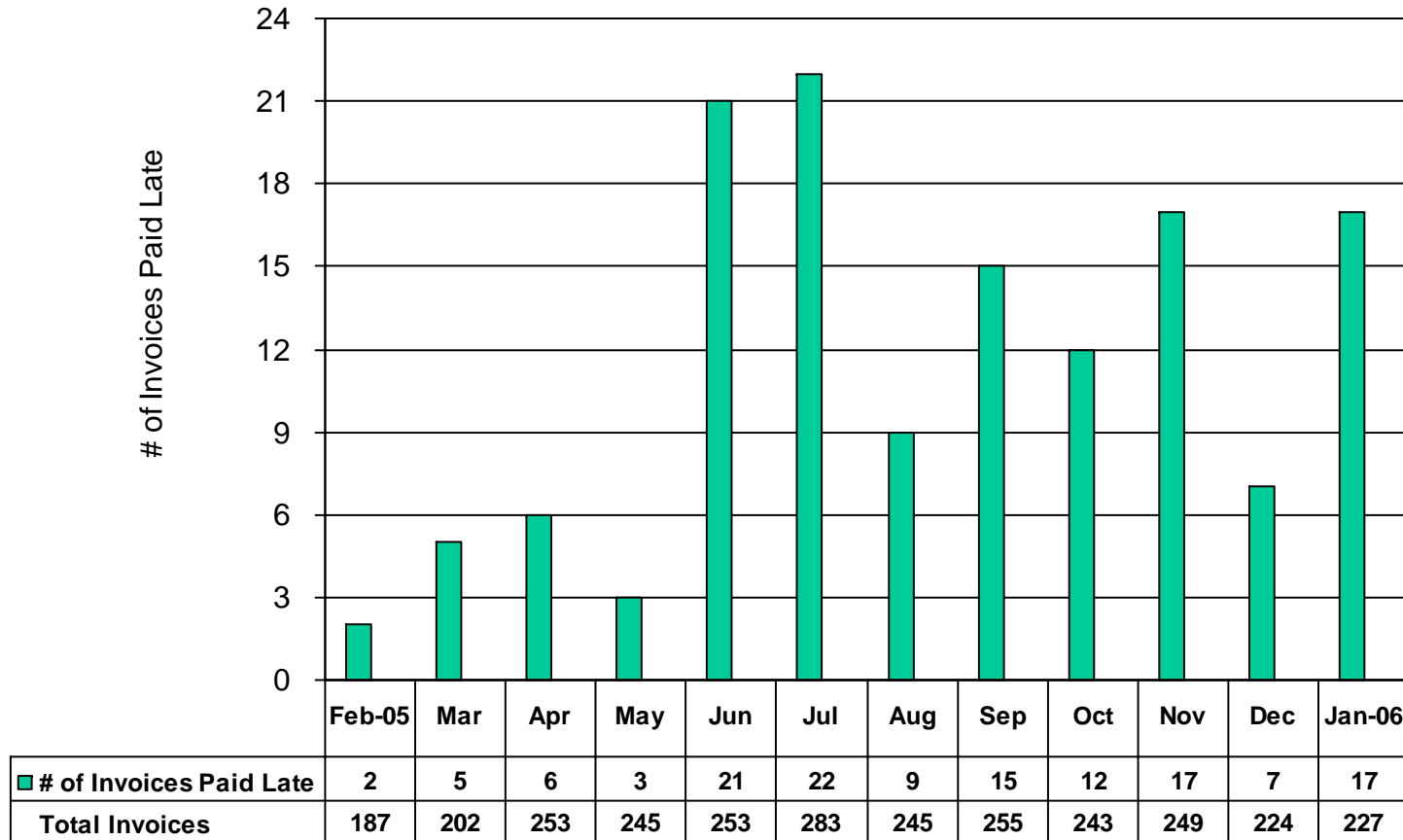
Chart displays outstanding obligations of SCs to the ISO market. Obligations are estimated using settlements and other operational data, upon which SC collateral requests are based.

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 (Feb 05 - May 05) and by late if not paid by 10AM for Jun 05 forward.