

# MONTHLY FINANCIAL REPORT

## December 2007

Preliminary and Unaudited

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**  
**MONTHLY FINANCIAL REPORT - December 2007 (Preliminary and Unaudited)**

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# CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the twelve-month period ended December 31, 2007

## *The ISO*

### **OPERATIONS: (pages 1, 5, 6, and 7)**

- ◆ Operating Revenues for December were \$16.1M, which matches the budget.
- ◆ Operating Revenues for the year were \$211.2M, \$13.6M higher than budget.
  - The variance was primarily due to a one time refund of the SDGE GMC of \$6.9M and higher interest and other income of \$10.2M, offset by lower GMC revenues of \$3.5M. Lower GMC revenues are primarily due to milder weather during the first half of the year and resultant less than projected market volumes. Additionally, there was less reliance on the ISO market as more participants were self-providing for ancillary services.
- ◆ O&M expenses for December were \$14.0M, \$2.1M higher than budget.
  - The variance was primarily due to timing of payments during the month.
- ◆ O&M expenses for the year were \$143.1M, \$0.7M lower than budget.
  - The variance was primarily due to lower third party vendor contract costs, lower legal costs and lower expenses in the other categories offset by higher consulting and contracting costs and higher salaries and benefits.
- ◆ At year end, there were 534 full-time employees compared to the 549 full-time employees budgeted.

### **BALANCE SHEET: (page 2)**

- ◆ The changes in cash and accounts receivables are primarily the result of normal preliminary cash clearing not occurring during the month. There were two preliminary cash clearings in November and the next preliminary cash clearing will occur in January.

### **CAPITAL PROJECTS: (pages 3 and 8)**

- ◆ 2007 approved capital expenditures were budgeted for the year at \$52.5M. Actual expenditures for 2007 capital projects totaled \$42.4M. Expenditures for 2006 approved capital projects totaled \$5.9M.
- ◆ 2007 capital projects approved through December totaled \$52.8M and include \$45.0M for MRTU projects.

### **INTEREST COSTS: (page 9)**

- ◆ During December, the ISO bond interest rates averaged 3.48%, 0.51% lower than the budgeted rate of 3.99%.

# **CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY**

For the twelve-month period ended December 31, 2007

## ***The ISO Markets***

### **MARKET CHARGES: (page 4 )**

- ◆ Charges for the market (including GMC and FERC Fees) that settled in December amounted to \$140.4M (September 2007 trade month) compared to \$170.4M (August 2007 trade month) that settled in November.

### **ISO MARKET COSTS: (page 10 and 11)**

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

### **OBLIGATIONS OF MARKET PARTICIPANTS: (pages 12 and 13 )**

- ◆ PG&E, SCE and SDG&E have unsecured credit limits. Proportion of obligations backed by UCL and obligations backed by posted security have remained steady.

### **TIMELINESS OF MARKET COLLECTIONS: (page 14)**

- ◆ Ten payments (of 270 invoices) in the September 2007 trade month cash clearing were received late compared to fourteen payments (of 290 invoices) in the August 2007 trade month cash clearing.

# CALIFORNIA ISO

## Statement of Operations (Preliminary and Unaudited)

For the twelve-month period ended December 31, 2007

(dollars in thousands)

|   | Month             |                 |                   |         | Year to Date     |                  |                 |         | 2007             |
|---|-------------------|-----------------|-------------------|---------|------------------|------------------|-----------------|---------|------------------|
|   | Actual            | Budget          | Variance          | Var (%) | Actual           | Budget           | Variance        | Var (%) | Budget           |
| <b>Revenues:</b>                              |                   |                 |                   |         |                  |                  |                 |         |                  |
| Grid Management Charge                        | \$ 14,700         | \$ 15,328       | \$ (628)          | -4%     | \$ 184,847       | \$ 188,313       | \$ (3,466)      | -2%     | \$ 188,313       |
| Fines, WSCC & Other Fees                      | 495               | 576             | (81)              | -14%    | 13,236           | 6,912            | 6,324           | 91%     | 6,912            |
| Interest income & other                       | 878               | 193             | 685               | 355%    | 13,084           | 2,317            | 10,767          | 465%    | 2,317            |
| Total revenues                                | <u>16,073</u>     | <u>16,097</u>   | <u>(24)</u>       | 0%      | <u>211,167</u>   | <u>197,542</u>   | <u>13,625</u>   | 7%      | <u>197,542</u>   |
| <b>Operating Expenses:</b>                    |                   |                 |                   |         |                  |                  |                 |         |                  |
| Salaries and Benefits                         | 7,026             | 6,740           | 286               | 4%      | 89,149           | 87,209           | 1,940           | 2%      | 87,180           |
| Building, Leases and Facility                 | 1,089             | 780             | 309               | 40%     | 8,593            | 9,359            | (766)           | -8%     | 9,359            |
| Insurance                                     | 16                | 1               | 15                | 0%      | 1,936            | 2,209            | (273)           | -12%    | 2,209            |
| Third Party Vendor Contracts                  | 1,787             | 2,521           | (734)             | -29%    | 14,709           | 22,916           | (8,207)         | -36%    | 22,915           |
| Consulting and Contracting Services           | 2,043             | 645             | 1,398             | 217%    | 17,899           | 8,398            | 9,501           | 113%    | 8,396            |
| Legal and Audit                               | 1,541             | 730             | 811               | 111%    | 4,981            | 6,901            | (1,920)         | -28%    | 6,900            |
| Training, Travel and Professional Dues        | 312               | 332             | (20)              | -6%     | 3,498            | 4,319            | (821)           | -19%    | 4,316            |
| Other   | 200               | 196             | 4                 | 2%      | 2,378            | 2,534            | (156)           | -6%     | 2,530            |
| Total operating expenses                      | <u>14,014</u>     | <u>11,945</u>   | <u>2,069</u>      | 17%     | <u>143,143</u>   | <u>143,845</u>   | <u>(702)</u>    | 0%      | <u>143,805</u>   |
| Net operating income (loss)                   | <u>2,059</u>      | <u>4,152</u>    | <u>(2,093)</u>    | -50%    | <u>68,024</u>    | <u>53,697</u>    | <u>14,327</u>   | 27%     | <u>53,737</u>    |
| <b>Interest and Other Expenses</b>            |                   |                 |                   |         |                  |                  |                 |         |                  |
| Interest expense                              | 2,050             | 578             | 1,472             | 255%    | 14,127           | 6,913            | 7,214           | 104%    | 6,913            |
| Depreciation and amortization                 | 1,150             | 1,150           | -                 | 0%      | 13,014           | 13,014           | -               | 0%      | 25,200           |
| Total interest and other expenses             | <u>3,200</u>      | <u>1,728</u>    | <u>1,472</u>      | 85%     | <u>27,141</u>    | <u>19,927</u>    | <u>7,214</u>    | 36%     | <u>32,113</u>    |
| Excess (Deficiency) of Revenues Over Expenses | <u>\$ (1,141)</u> | <u>\$ 2,424</u> | <u>\$ (3,565)</u> | -147%   | <u>\$ 40,883</u> | <u>\$ 33,770</u> | <u>\$ 7,113</u> | 21%     | <u>\$ 21,624</u> |
| <b>Number of Full-time Employees</b>          | <u>534</u>        | <u>549</u>      | <u>(15)</u>       | -3%     |                  |                  |                 |         | <u>549</u>       |

**CALIFORNIA ISO****Balance Sheet (Preliminary and Unaudited)**

As of December 31, 2007

*(dollars in thousands)*

|   | <u>Current<br/>Month</u> | <u>Prior<br/>Month</u>   | <u>Change</u>           |
|---|--------------------------|--------------------------|-------------------------|
| <b>ASSETS</b>                                   |                          |                          |                         |
| NET ELECTRIC UTILITY PLANT                      | <u>\$ 204,168</u>        | <u>\$ 199,070</u>        | <u>\$ 5,098</u>         |
| CURRENT ASSETS                                  |                          |                          |                         |
| Unrestricted Cash and Cash Equivalents          | 63,751                   | 67,037                   | (3,286)                 |
| Restricted Cash and Cash Equivalents            | 37,393                   | 37,301                   | 92                      |
| Other Special Deposits                          | 62,027                   | 58,454                   | 3,573                   |
| Accounts Receivable, net                        | 47,224                   | 32,740                   | 14,484                  |
| Investments                                     | 74,739                   | 83,828                   | (9,089)                 |
| Accrued Interest                                | 1,431                    | 1,345                    | 86                      |
| Prepayments                                     | 3,979                    | 3,537                    | 442                     |
| Total Current Assets                            | <u>290,544</u>           | <u>284,242</u>           | <u>6,302</u>            |
| NONCURRENT ASSET AND DEFERRED CHARGES           |                          |                          |                         |
| Unamortized debt expenses and other             | <u>(858)</u>             | <u>(543)</u>             | <u>(315)</u>            |
| Total Noncurrent Asset and Deferred Charges     | <u>(858)</u>             | <u>(543)</u>             | <u>(315)</u>            |
| <b>TOTAL ASSETS</b>                             | <u><u>\$ 493,854</u></u> | <u><u>\$ 482,769</u></u> | <u><u>\$ 11,085</u></u> |
| <b>CAPITALIZATION AND LIABILITIES</b>           |                          |                          |                         |
| CAPITALIZATION                                  |                          |                          |                         |
| Stakeholders' Surplus                           | \$ 204,789               | \$ 205,930               | \$ (1,141)              |
| Long-term Debt                                  | <u>138,628</u>           | <u>138,628</u>           | <u>-</u>                |
| TOTAL CAPITALIZATION                            | <u>343,417</u>           | <u>344,558</u>           | <u>(1,141)</u>          |
| CURRENT LIABILITIES                             |                          |                          |                         |
| Long-term debt due within one year              | 50,700                   | 50,700                   | -                       |
| Accounts Payable                                | 27,946                   | 18,291                   | 9,655                   |
| Fines subject to refund                         | 70,678                   | 68,107                   | 2,571                   |
| Total Current Liabilities                       | <u>149,324</u>           | <u>137,098</u>           | <u>12,226</u>           |
| NONCURRENT LIABILITY AND DEFERRED CREDITS       |                          |                          |                         |
| Other   | <u>1,113</u>             | <u>1,113</u>             | <u>-</u>                |
| Total Noncurrent Liability and Deferred Credits | <u>1,113</u>             | <u>1,113</u>             | <u>-</u>                |
| TOTAL LIABILITIES                               | <u>150,437</u>           | <u>138,211</u>           | <u>12,226</u>           |
| <b>TOTAL CAPITALIZATION AND LIABILITIES</b>     | <u><u>\$ 493,854</u></u> | <u><u>\$ 482,769</u></u> | <u><u>\$ 11,085</u></u> |

**CALIFORNIA ISO**  
**Capital Projects Report (Preliminary and Unaudited)**

For the twelve-month period ended December 31, 2007

(dollars in thousands)

**Capital Spending**

|                                      | <b>Approved Projects</b> |                       |                                       |  |                                     |                           |
|--------------------------------------|--------------------------|-----------------------|---------------------------------------|--|-------------------------------------|---------------------------|
|                                      | <u>Month<br/>Actual</u>  | <u>YTD<br/>Actual</u> | <u>2007<br/>Approved<br/>Projects</u> | <u>Projected<br/>Costs for<br/>Approved<br/>Projects</u> | <u>Original<br/>2007<br/>Budget</u> | <u>Future<br/>O&amp;M</u> |
| Facilities                           | \$ 188                   | \$ 1,193              | \$ 1,700                              | \$ 1,701   | \$ 2,000                            | \$ -                      |
| Market Redesign                      | 1,211                    | 17,934                | 22,991                                | 22,991   | 22,991                              |                           |
| Technology Upgrade                   | 1,696                    | 19,039                | 21,983                                | 21,983   | 21,983                              |                           |
| Main Operating Systems - All         | 222                      | 1,190                 | 2,598                                 | 2,357  | 2,275                               |                           |
| Other Systems - Corporate Support    | 463                      | 3,015                 | 3,225                                 | 3,149  | 3,225                               |                           |
| Market Systems Business Requirements | 18                       | 49                    | 292                                   | 292  | -                                   |                           |
| <b>Total 2007 Capital Spending</b>   | <b>3,798</b>             | <b>42,420</b>         | <b>52,789</b>                         | <b>52,473</b>  | <b>52,475</b>                       | <b>-</b>                  |
| 2006 Capital Projects                | 482                      | 5,902                 | 6,233                                 | 5,883  |                                     |                           |
| <b>Total Capital</b>                 | <b>\$ 4,279</b>          | <b>\$ 48,322</b>      | <b>\$ 59,022</b>                      | <b>\$ 58,356</b>   | <b>\$ 52,475</b>                    | <b>\$ -</b>               |

# CALIFORNIA ISO

## Monthly Market Summary By Charge Type

For the trade month September 2007 settled in December 2007

| Charge Type                               | Type | Unit              |                    | Settlements Amount    |                       |
|---|------|-------------------|--------------------|-----------------------|-----------------------|
|   |      | Due SC            | Due ISO            | Due SC                | Due ISO               |
| Spin Reserve                              | MW   | 1,380,467         | 288,739            | \$ 1,524,894          | \$ 1,637,677          |
| Non-Spin Reserve                          | MW   | 615,530           | 197,251            | 722,553               | 782,926               |
| AGC/Regulation                            | MW   | 447,852           | 236,662            | 2,885,278             | 2,922,276             |
| Replacement Reserve                       | MW   | -                 | -                  | -                     | -                     |
| No-Pay Provision                          |      | 21,919,059        | 55,815             | 317,006               | 317,064               |
| Rational Buyer Adjustment                 |      | 5,081,139         | 4,419              | 210,198               | 41                    |
| <b>Total Ancillary Services</b>           |      | <b>29,444,048</b> | <b>782,885</b>     | <b>\$ 5,659,930</b>   | <b>\$ 5,659,984</b>   |
| Energy (Note1)                            | MWh  | 887,789           | 16,885,218         | \$ 36,043,448         | \$ 39,270,920         |
| Neutrality                                |      | 21,971,968        | 438                | 3,185,760             | 5,719                 |
| Minimum Load Cost Compensation            |      | 1,882,217         | 13,848,212         | 5,661,187             | 5,647,628             |
| Start-Up Cost Compensation                |      | 21,612,854        | 21,612,854         | 740,197               | 740,197               |
| Emissions Cost Compensation               |      | -                 | -                  | -                     | -                     |
| Voltage Support                           |      | -                 | 8,129,987          | 130,828               | 130,828               |
| Intermittent Resource Deviation           |      | 385,461           | 281,086            | 487,032               | 487,032               |
| <b>Total Energy</b>                       |      | <b>46,740,289</b> | <b>60,757,794</b>  | <b>\$ 46,248,451</b>  | <b>\$ 46,282,324</b>  |
| Inter-Zonal Congestion                    | MWh  | 1,290,340         | 9,783,306          | \$ 5,496,388          | \$ 5,462,051          |
| Wheeling & High Voltage Access Charge     | MWh  | 22,157,431        | 21,274,172         | 65,062,655            | 65,062,655            |
| Others                                    |      | 19,719            | 197,178            | 19,937                | 19,945                |
| FERC Fee                                  |      | -                 | 21,631,696         | -                     | 973,535               |
| Penalty and Interest Charge               |      | -                 | -                  | -                     | -                     |
| <b>Total Transmission and Other</b>       |      | <b>23,467,490</b> | <b>52,886,352</b>  | <b>\$ 70,578,980</b>  | <b>\$ 71,518,186</b>  |
| <b>Total Market Billed by Charge Type</b> |      | <b>99,651,827</b> | <b>114,427,031</b> | <b>\$ 122,487,361</b> | <b>\$ 123,460,494</b> |
| <b>Other Billings</b>                     |      |                   |                    |                       |                       |
| <b>Grid Management Charge</b>             |      |                   |                    | <b>\$ 7,278</b>       | <b>\$ 16,977,636</b>  |

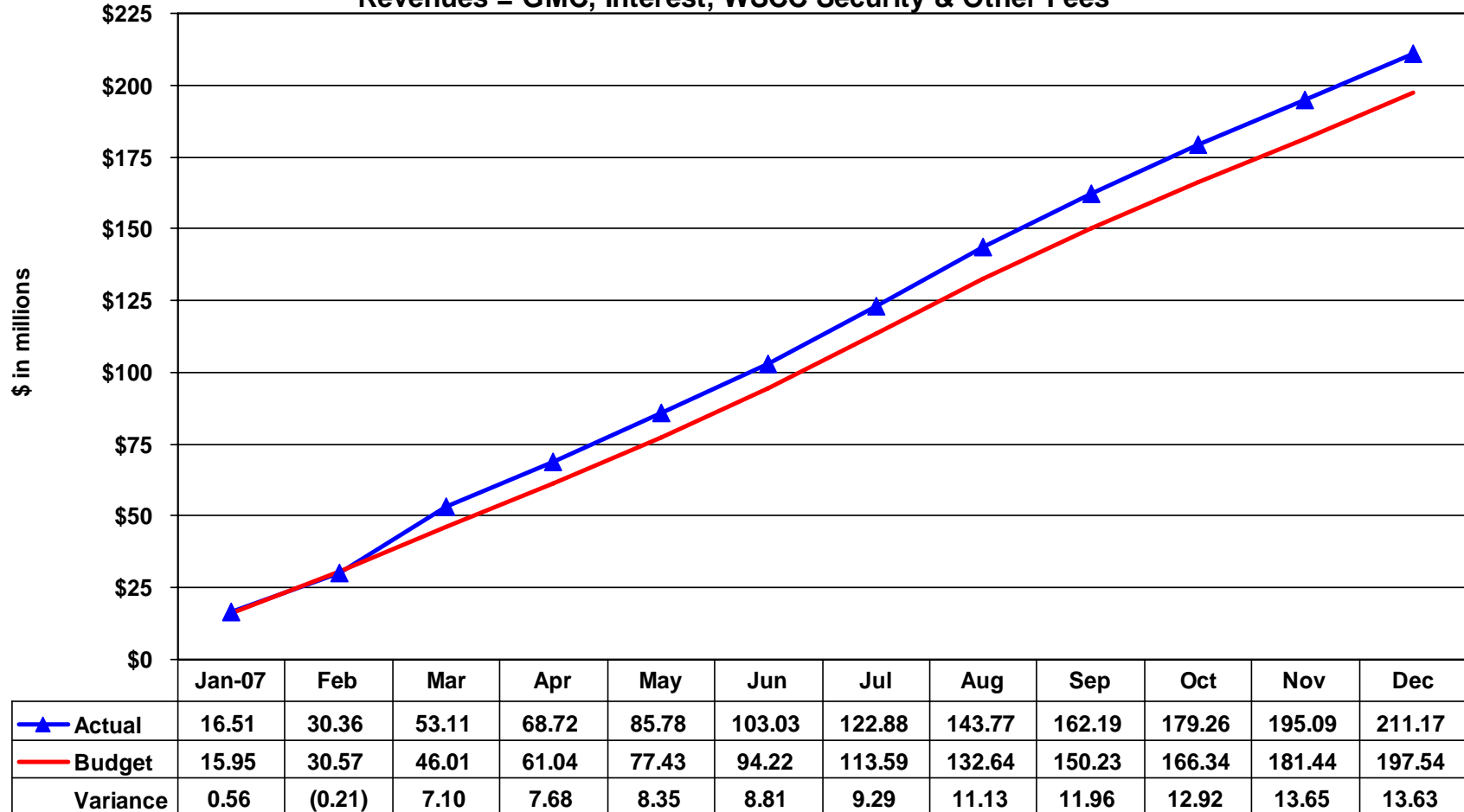
Note 1 - Energy includes Supplemental Energy, Imbalance Energy and Unaccounted-For-Energy



# Cumulative Operating Revenues

## Preliminary and Unaudited

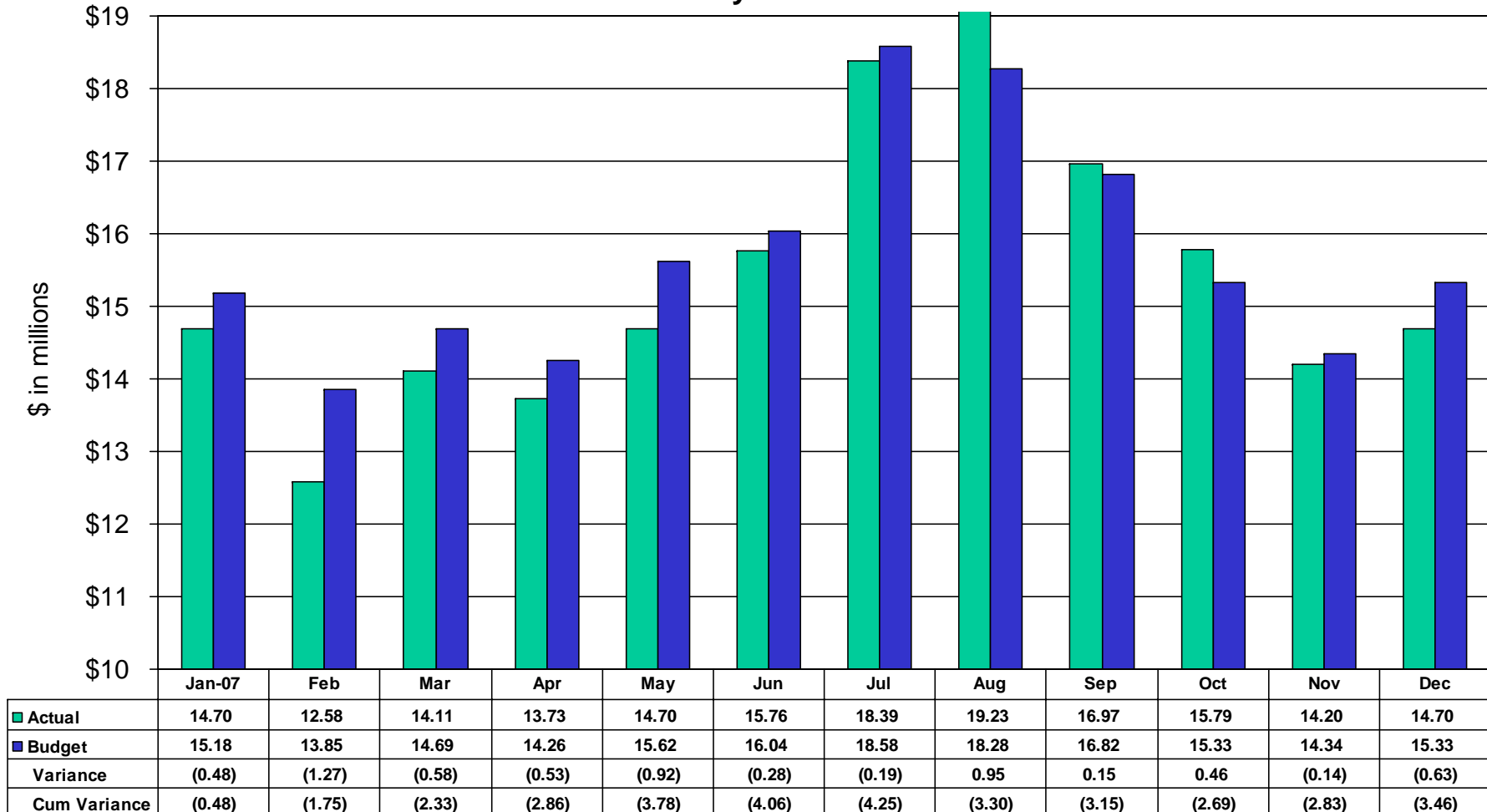
Revenues = GMC, Interest, WSCC Security & Other Fees



**October, November and December revenues are estimates.**

## Monthly GMC Revenues

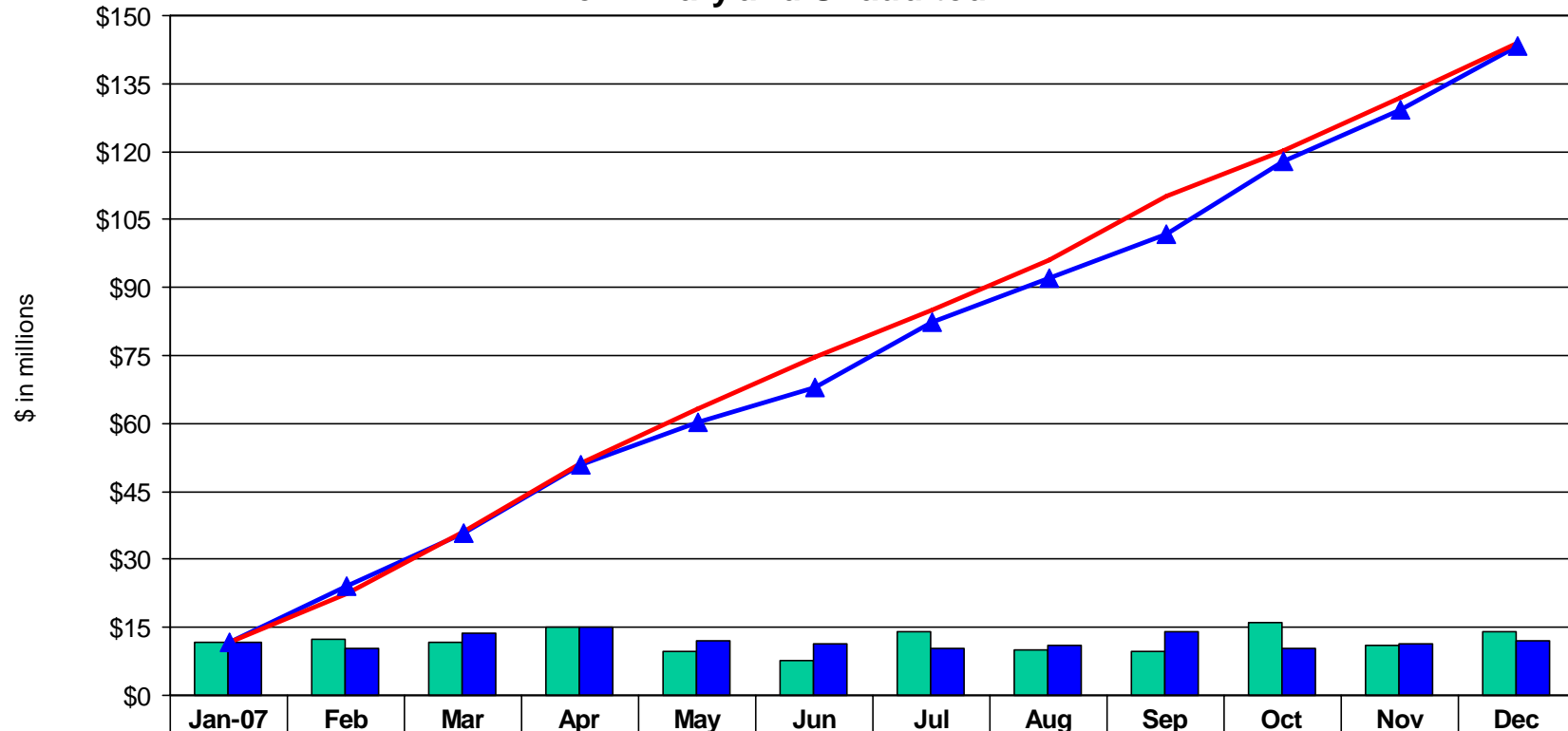
Preliminary and Unaudited







**October, November, and December revenues are estimates.**

## Operating and Maintenance Expenses (O&M)

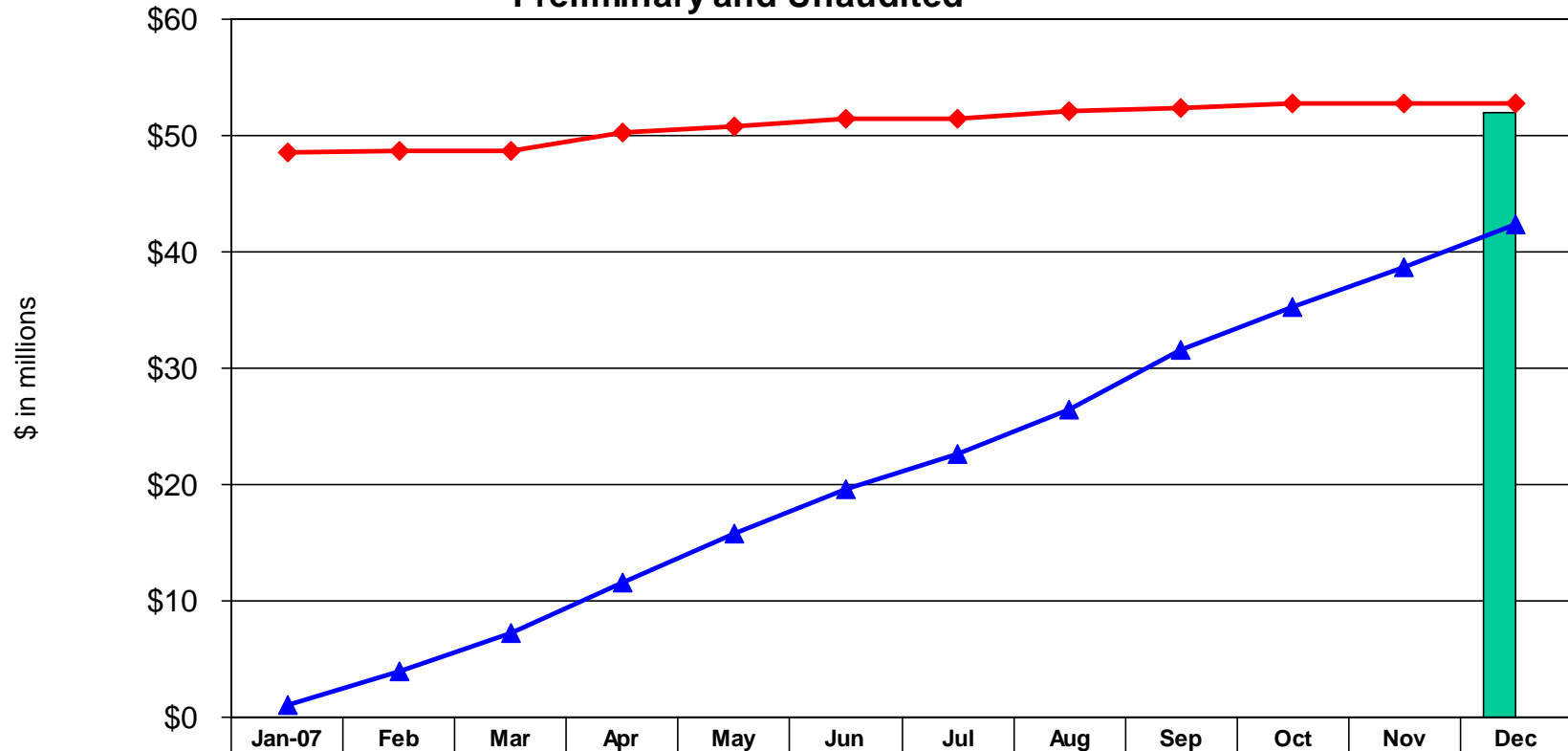
Preliminary and Unaudited







|  | Jan-07      | Feb           | Mar         | Apr         | May         | Jun         | Jul         | Aug         | Sep         | Oct         | Nov         | Dec         |
|--|-------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  Monthly Actual | 11.65       | 12.55         | 11.57       | 15.03       | 9.63        | 7.61        | 14.16       | 10.00       | 9.71        | 16.03       | 11.19       | 14.01       |
|  Monthly Budget | 11.88       | 10.40         | 13.81       | 15.00       | 12.12       | 11.37       | 10.47       | 10.96       | 14.12       | 10.24       | 11.53       | 11.95       |
|  Cum Actual     | 11.65       | 24.20         | 35.77       | 50.80       | 60.43       | 68.04       | 82.20       | 92.20       | 101.91      | 117.94      | 129.13      | 143.14      |
|  Cum Budget     | 11.88       | 22.28         | 36.09       | 51.09       | 63.21       | 74.58       | 85.04       | 96.00       | 110.12      | 120.36      | 131.89      | 143.84      |
| <b>Cum Variance</b>  | <b>0.23</b> | <b>(1.92)</b> | <b>0.32</b> | <b>0.29</b> | <b>2.78</b> | <b>6.54</b> | <b>2.84</b> | <b>3.80</b> | <b>8.21</b> | <b>2.42</b> | <b>2.76</b> | <b>0.70</b> |

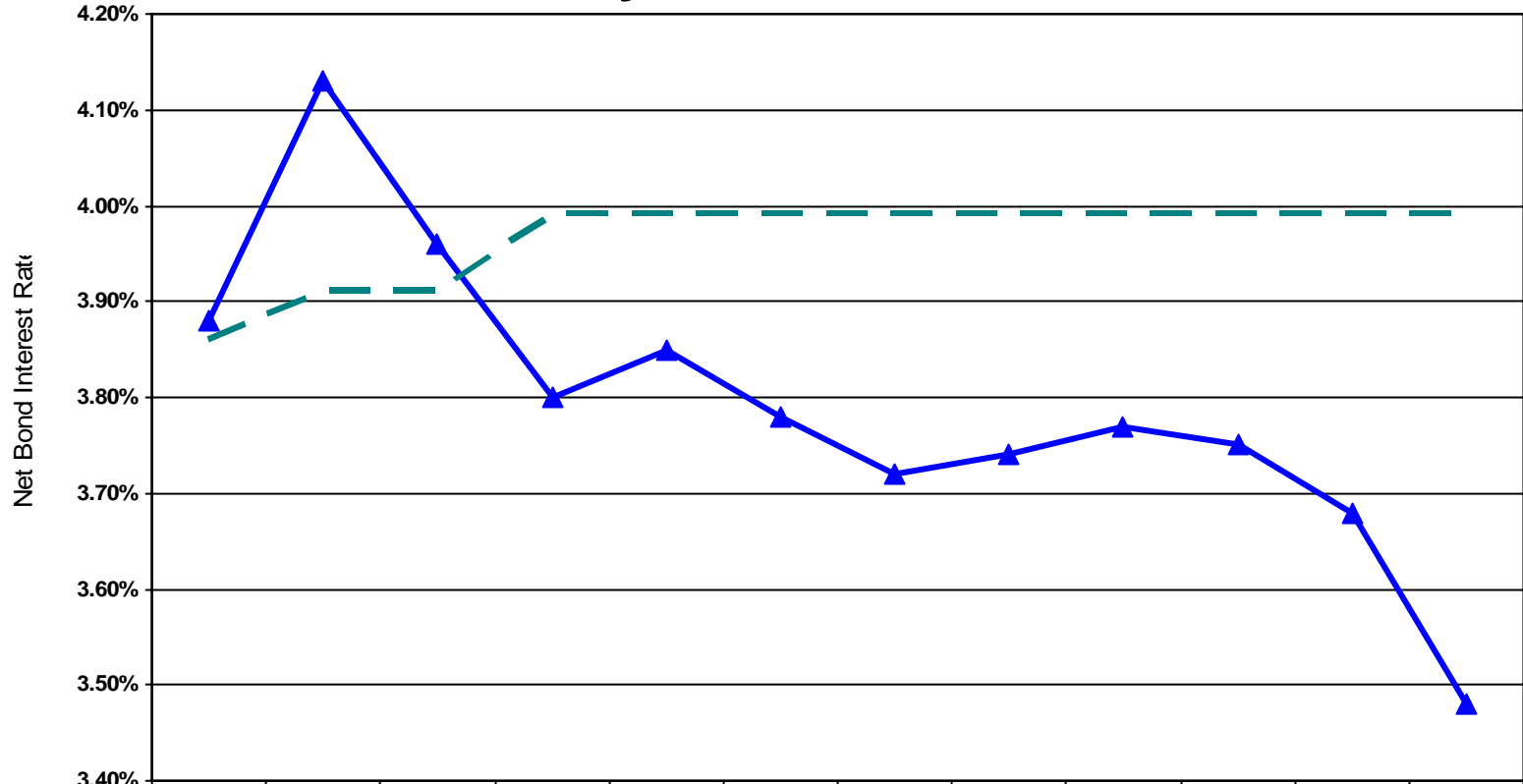
## Cumulative Capital Expenditures

### Preliminary and Unaudited



|   | Jan-07 | Feb   | Mar   | Apr   | May   | Jun   | Jul   | Aug   | Sep   | Oct   | Nov   | Dec   |
|---|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|  Budgeted capital        |        |       |       |       |       |       |       |       |       |       |       | 52.00 |
|  2007 O&M Impact         | 0.00   | 0.00  | 0.00  | 0.00  | 0.00  | 0.00  | 0.00  | 0.00  | 0.00  | 0.00  | 0.00  | 0.00  |
|  Cumulative Expenditures | 1.00   | 3.96  | 7.30  | 11.58 | 15.80 | 19.64 | 22.59 | 26.42 | 31.62 | 35.26 | 38.62 | 42.42 |
|  Approved projects       | 48.59  | 48.68 | 48.68 | 50.20 | 50.80 | 51.43 | 51.43 | 52.14 | 52.43 | 52.72 | 52.72 | 52.79 |

## ISO Monthly Debt Rates

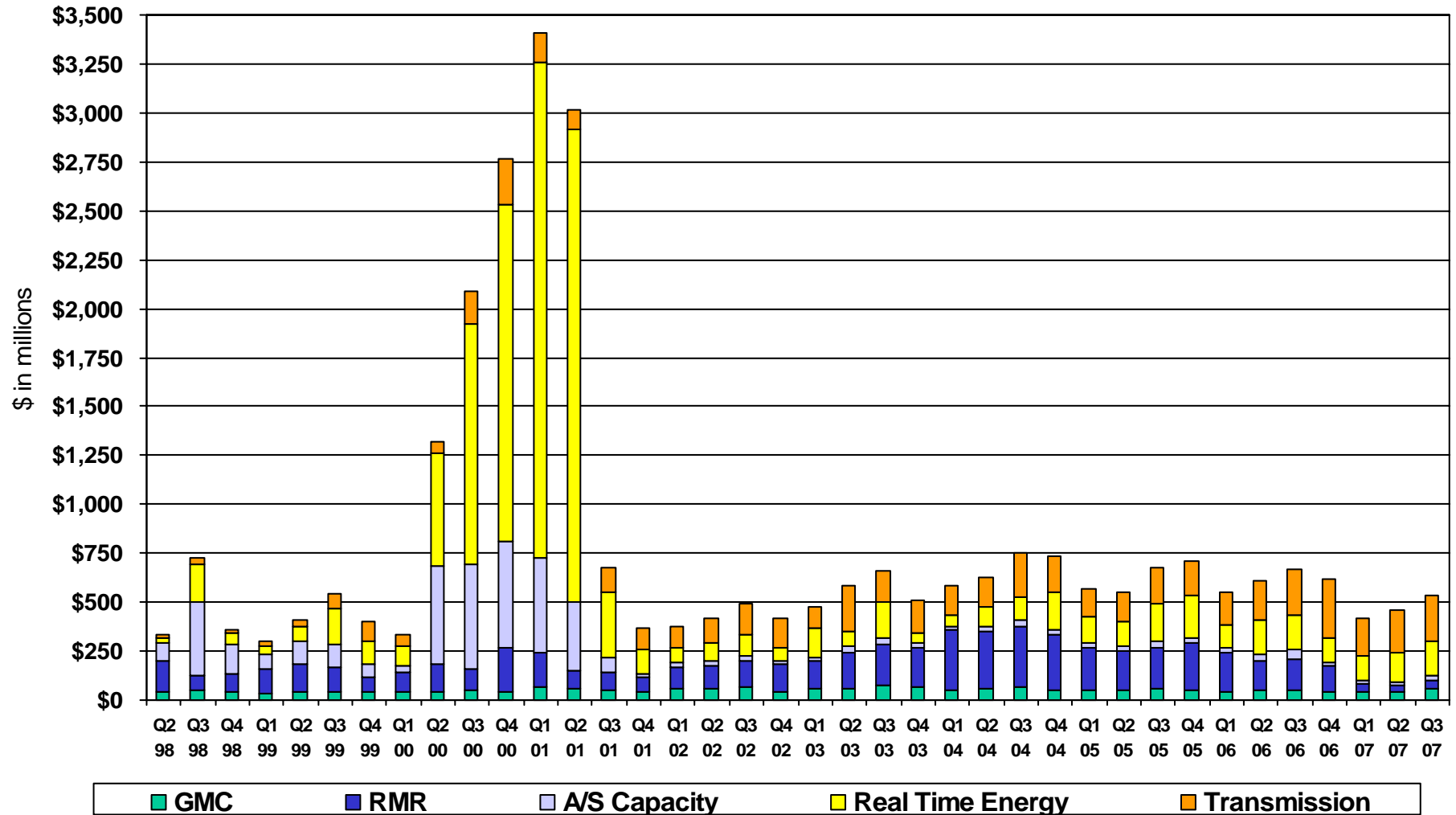


|                           | Jan-06 | Feb   | Mar   | Apr   | May   | Jun   | Jul   | Aug   | Sep   | Oct   | Nov   | Dec   |
|---------------------------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Net Int. Rate (All Bonds) | 3.88%  | 4.13% | 3.96% | 3.80% | 3.85% | 3.78% | 3.72% | 3.74% | 3.77% | 3.75% | 3.68% | 3.48% |
| Budgeted Net Int. Rate    | 3.86%  | 3.91% | 3.91% | 3.99% | 3.99% | 3.99% | 3.99% | 3.99% | 3.99% | 3.99% | 3.99% | 3.99% |

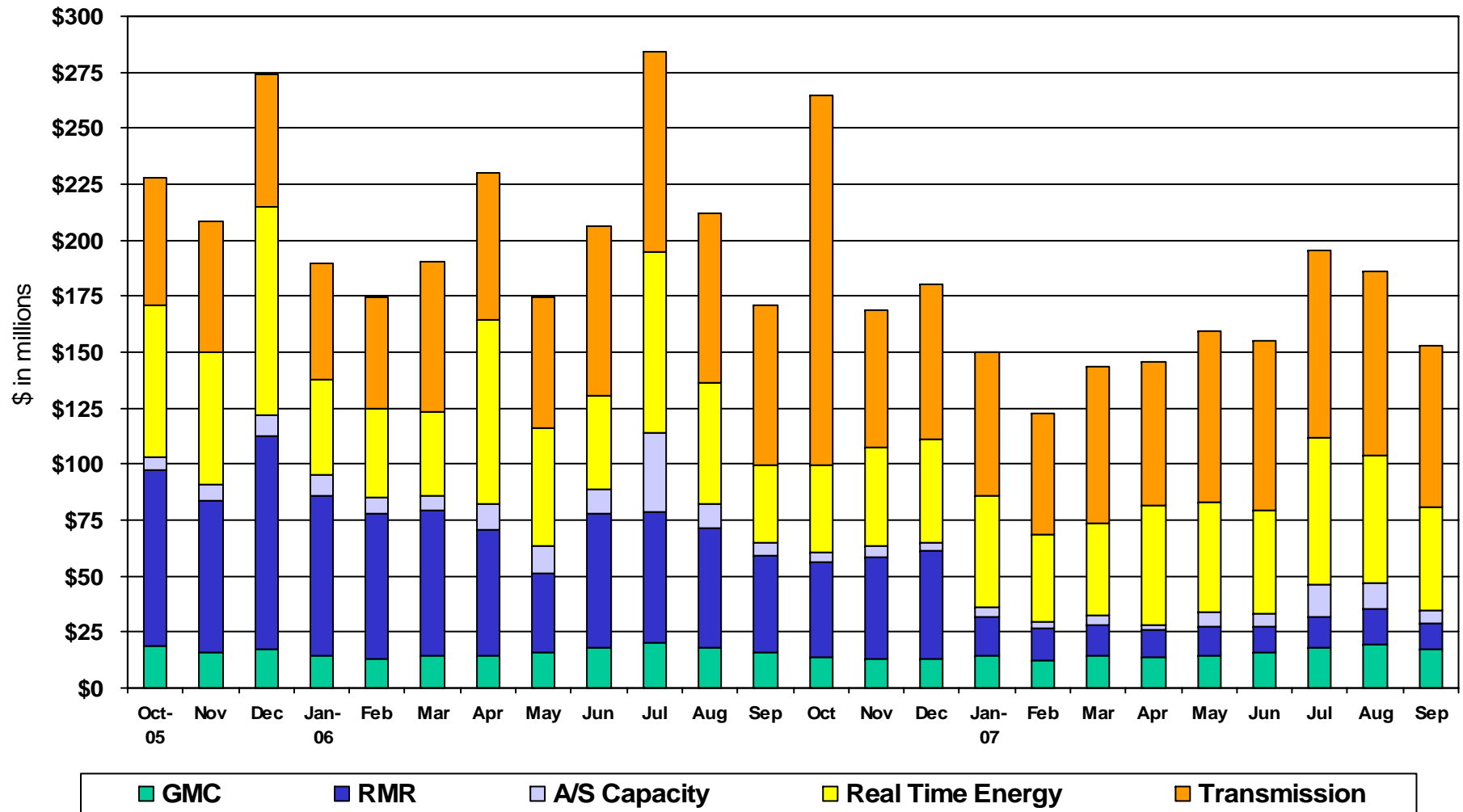
*These rates do not include adjustments for amortization of bond issuance costs and remarketing fees.*

## CAISO Market Costs By Quarter

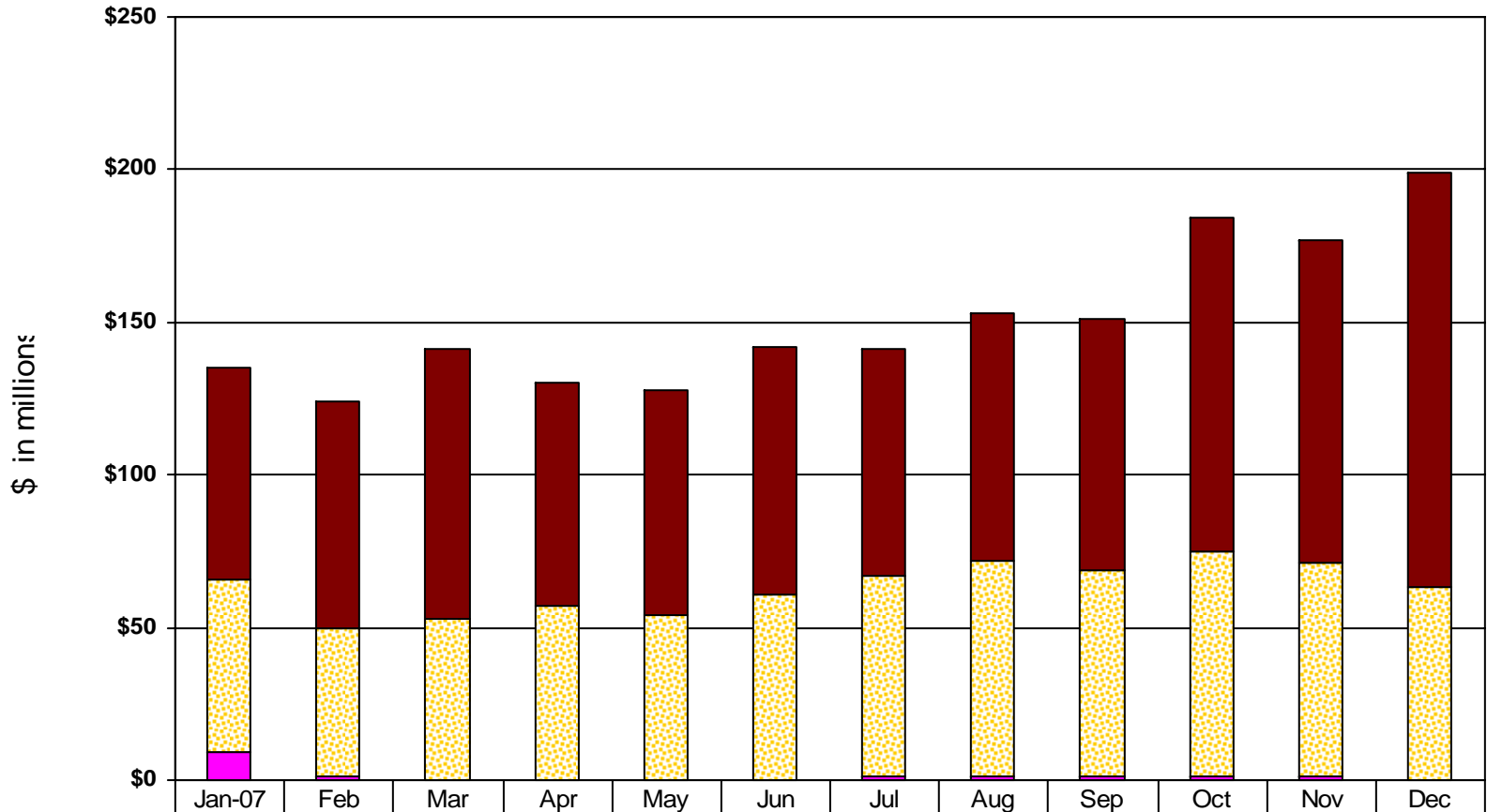
### 2nd Quarter 1998 (Inception) through 3rd Quarter 2007



## CAISO Market Costs By Month October 2005 through September 2007



## Outstanding Obligations of Market Participants

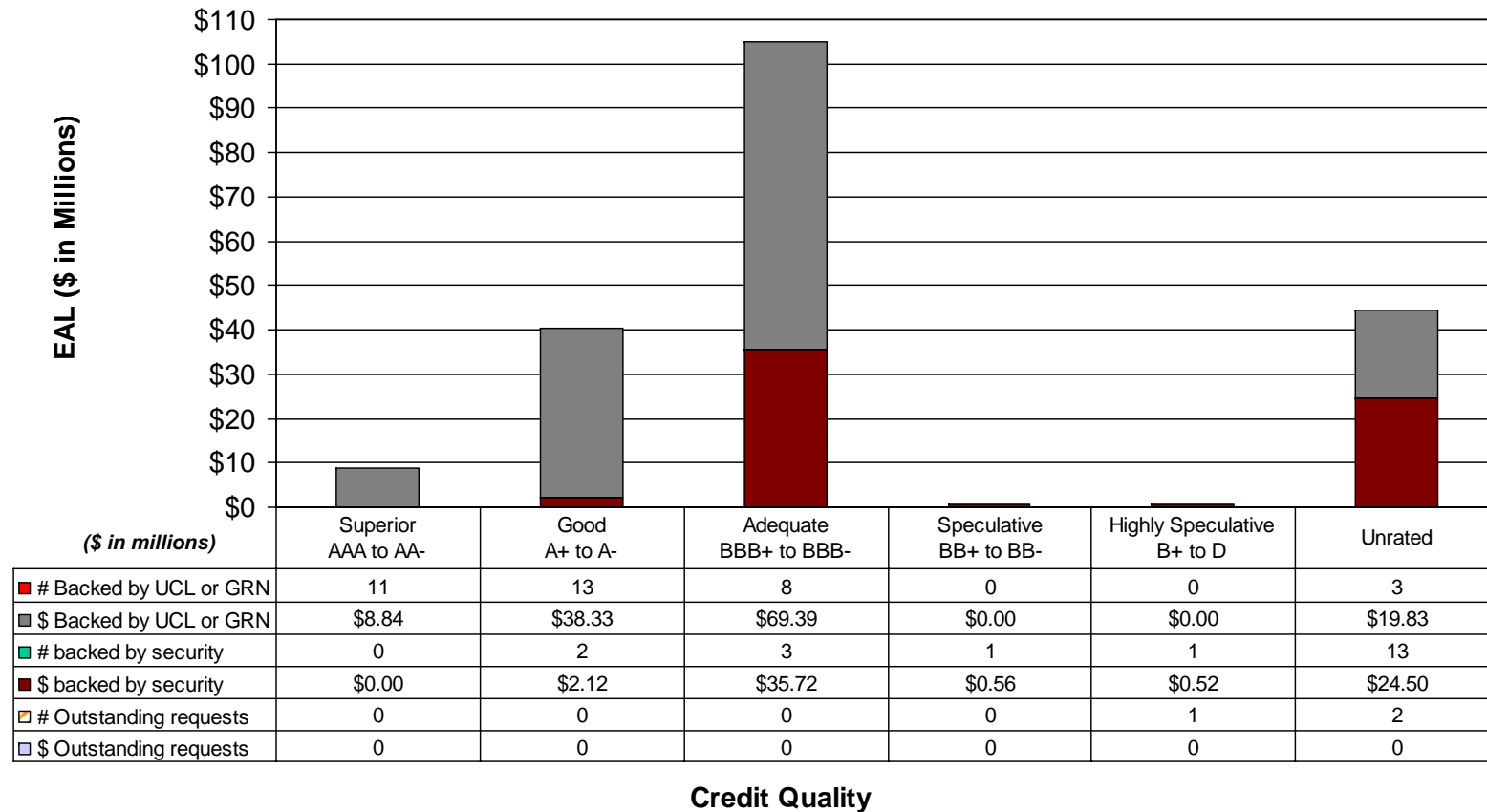


|                                 | Jan-07 | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---------------------------------|--------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| ■ Backed by UCL or GRN          | 69     | 74  | 88  | 73  | 74  | 81  | 74  | 81  | 82  | 109 | 106 | 136 |
| ■ Backed by posted security     | 57     | 49  | 53  | 57  | 54  | 61  | 66  | 71  | 68  | 74  | 70  | 63  |
| ■ Outstanding security requests | 9      | 1   | 0   | 0   | 0   | 0   | 1   | 1   | 1   | 1   | 1   | 0   |

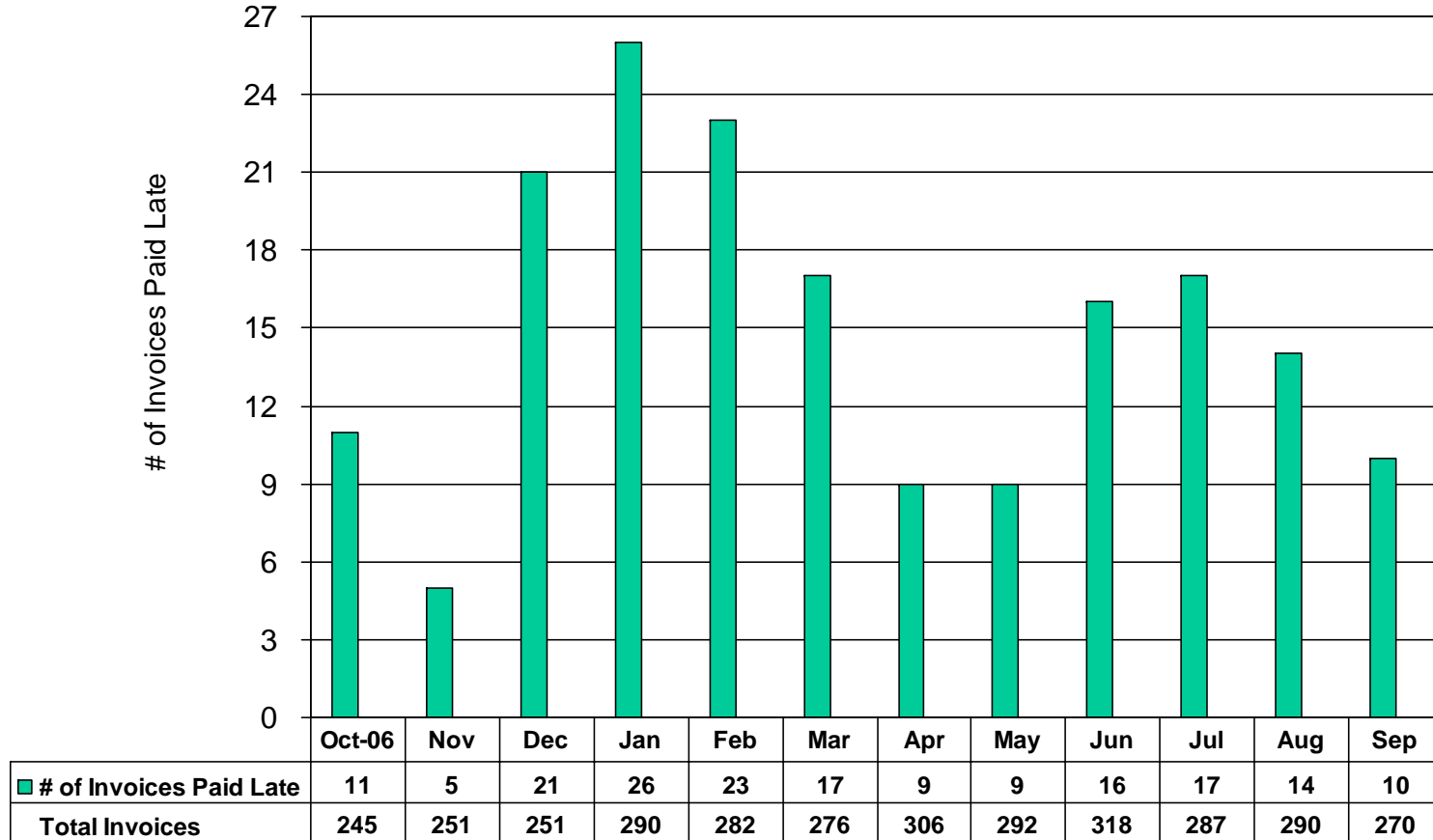
*As of June 19, 2006 the CAISO completed its transition to a new approach for assigning unsecured credit limits (UCL). Effective May 2006, outstanding obligations are estimated using available historical settlements data in contrast with the use of SCALE application data (SCALE is currently inoperative) in previous months. Posted security includes letters of credit, surety bonds, cash deposits held in escrow, certificates of deposit, payment bonds, and prepayments to the CAISO. The "Backed by UCL or GRN" category includes Unsecured Credit Limits (UCL) and Guarantees (GRN).*



## Backing for Estimated Aggregate Liability (EAL) by Credit Quality



## Timeliness of Market Collections



*Payment shown late if not paid by 10:00 AM on payment due date.*