

# MONTHLY FINANCIAL REPORT

## February 2012

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**  
**MONTHLY FINANCIAL REPORT - February 29, 2012**

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

For the two-months ended February 29, 2012

### **OPERATIONS: (pages 1, 4, 5, and 6)**

- ◆ YTD operating revenues were \$1.0M under budget
  - This is primarily due to the timing of the actual collection of other fees compared to the budget. While GMC collections are currently close to budgeted amounts, the Company monitors these collections closely and may adjust GMC rates to mitigate any variances as described in the tariff.
- ◆ YTD operating revenues were \$1.9M lower than the previous year.
  - Previous year variances are generally a result of changes in the budgeted revenue requirement and timing of collections.
- ◆ YTD operating expenses were \$0.9M under budget.
  - This is primarily due to the timing of payments and budget discipline during the period.
- ◆ YTD operating expenses were \$0.4M lower than last year
- ◆ Currently there are 586 full-time employees compared to 601 full-time employees budgeted. There were 580 full-time employees YTD last year.

### **INTEREST COSTS and INTEREST INCOME: (page 1)**

- ◆ YTD Interest income and other was \$0.1M higher than budget due to interest earned on restricted funds. (Interest income earned on restricted funds is not budgeted, it is adjusted at the end of the year as part of the debt service costs.)
- ◆ YTD interest income and other were lower by \$0.2M compared to the previous year due to lower investment balances.
- ◆ YTD interest expenses is at budget.
- ◆ YTD interest expenses compared to last year were lower overall due to lower debt balances as a result of scheduled debt payments.
- ◆ YTD losses on investments represent the mark-to-market adjustments of the fixed income investments held.

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

- ◆ The changes in restricted cash and cash equivalents were primarily due to the increase in collateral deposits and to the payment of the principal and interest on long-term debt. Changes in the rest of the accounts were a result of normal business activity during the month.

### **CAPITAL PROJECTS: (pages 3 and 7)**

- ◆ 2012 capital projects were budgeted for the year at \$20.8M.
- ◆ YTD capital projects approved through February totaled \$5.0M, actual capital project expenditure totaled \$0.1M.
- ◆ YTD expenditures for the 2011-approved capital projects totaled \$0.7M.

# CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the two-months ended February 29, 2012

## *The ISO Markets*

### **MARKET CHARGES: (page 8 and 9 )**

- ◆ The total market charges managed by the ISO include GMC, Reliability Must Run (RMR) charges, Ancillary Services Capacity, Real Time Energy, Transmission, Congestion and Other, and InterSC Trades.
- ◆ Other market charges fluctuate with the season or as a result of certain external factors (wildfires, extreme temperatures and drought conditions).

### **OBLIGATIONS OF MARKET PARTICIPANTS: (page 10 )**

- ◆ As of March 3, the ISO maintained \$1.7B in collateral from market participants. This supported \$200.9M in aggregate liabilities due in the market.
- ◆ Approximately \$1.3B of the collateral is from unsecured sources (i.e., unsecured credit limits and parent guarantees) with investment grade or equivalent ratings.
- ◆ \$399.4M of the collateral is from secured forms (i.e., cash , letters of credit, etc.). This collateral is predominantly invested in AAA rate money market funds or backed by A rated or better financial institutions

# CALIFORNIA ISO

## Statement of Operations

For the two-months ended February 29, 2012  
(dollars in thousands)

	Year to Date					2012 Budget
	Actual	Budget	Variance	Prior Year Actual	Variance	
<b>Operating Revenues:</b>						
Grid Management Charge	\$ 28,970	\$ 29,171	\$ (202)	\$ 29,689	\$ (719)	\$ 194,821
Fines, WSCC & Other Fees	133	917	(784)	1,333	(1,200)	5,500
Total operating revenues	<u>29,103</u>	<u>30,088</u>	<u>(985)</u>	<u>31,022</u>	<u>(1,919)</u>	<u>200,321</u>
<b>Operating Expenses:</b>						
Salaries and Benefits	20,799	21,097	(298)	20,595	\$ 204	113,150
Building, Leases and Facility	1,307	1,359	(53)	1,733	(426)	7,450
Insurance	292	334	(43)	367	(75)	2,006
Third Party Vendor Contracts	2,469	2,494	(25)	2,750	(281)	15,948
Consulting and Contracting Services	1,968	2,156	(188)	1,697	271	14,242
Legal and Audit	663	668	(5)	700	(37)	4,355
Training, Travel and Professional Dues	541	616	(74)	609	(68)	3,675
Other	167	373	(205)	200	(32)	2,222
Total operating expenses	<u>28,206</u>	<u>29,097</u>	<u>(890)</u>	<u>28,651</u>	<u>(445)</u>	<u>163,048</u>
Net operating income (loss)	<u>896</u>	<u>991</u>	<u>(95)</u>	<u>2,370</u>	<u>(1,474)</u>	<u>37,273</u>
<b>Interest and Other Expenses</b>						
Interest income & other	565	483	81	812	(247)	2,900
Interest expense	2,257	2,257	(0)	2,528	(271)	13,633
Gains and losses on investments (realized and unrealized)	(68)	-	(68)	(279)	211	-
Depreciation and amortization	14,000	14,000	-	11,056	2,944	65,000
Total interest and other expenses	<u>15,760</u>	<u>15,773</u>	<u>(13)</u>	<u>13,052</u>	<u>2,709</u>	<u>75,733</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ (14,864)</u>	<u>\$ (14,782)</u>	<u>\$ (82)</u>	<u>\$ (10,681)</u>	<u>\$ (4,183)</u>	<u>\$ (38,460)</u>
<b>Number of Full-time Employees</b>	<u>586</u>			<u>580</u>		<u>601</u>

**CALIFORNIA ISO****Balance Sheet**

As of February 29, 2012

*(dollars in thousands)*

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>	<u>%</u>
<b>ASSETS</b>				
NET ELECTRIC UTILITY PLANT	<u>\$ 304,715</u>	<u>\$ 304,294</u>	<u>\$ 421</u>	0%
CURRENT ASSETS				
Unrestricted Cash and Cash Equivalents	36,323	24,299	12,024	49%
Restricted Cash and Cash Equivalents	318,405	266,368	52,037	20%
Other Special Deposits	34,695	61,793	(27,098)	-44%
Accounts Receivable, net	19,473	17,698	1,775	10%
Investments	152,232	165,434	(13,202)	-8%
Accrued Interest	787	1,367	(580)	-42%
Prepayments	5,015	5,407	(393)	-7%
Total Current Assets	<u>566,929</u>	<u>542,366</u>	<u>24,562</u>	5%
NONCURRENT ASSET AND DEFERRED CHARGES				
Unamortized Debt Expenses and Other	4,120	3,297	823	25%
Total Noncurrent Asset and Deferred Charges	<u>4,120</u>	<u>3,297</u>	<u>823</u>	25%
<b>TOTAL ASSETS</b>	<u><u>\$ 875,764</u></u>	<u><u>\$ 849,958</u></u>	<u><u>\$ 25,807</u></u>	3%
CAPITALIZATION				
Stakeholders' Surplus	\$ 190,448	\$ 189,765	\$ 683	0%
Long-term Debt	230,410	259,082	(28,671)	-11%
TOTAL CAPITALIZATION	<u>420,859</u>	<u>448,847</u>	<u>(27,988)</u>	-6%
CURRENT LIABILITIES				
Long-term Debt Due Within One Year	28,585	28,585	-	0%
Accounts Payable	27,382	36,324	(8,942)	-25%
Customer Deposits & Other	396,923	334,187	62,737	19%
Fines Subject to Refund	638	638	-	0%
Total Current Liabilities	<u>453,528</u>	<u>399,734</u>	<u>53,795</u>	13%
NONCURRENT LIABILITY AND DEFERRED CREDITS				
Other	1,377	1,377	-	0%
Total Noncurrent Liability and Deferred Credits	<u>1,377</u>	<u>1,377</u>	<u>-</u>	0%
TOTAL LIABILITIES	<u>454,906</u>	<u>401,111</u>	<u>53,795</u>	13%
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<u><u>\$ 875,764</u></u>	<u><u>\$ 849,958</u></u>	<u><u>\$ 25,807</u></u>	3%

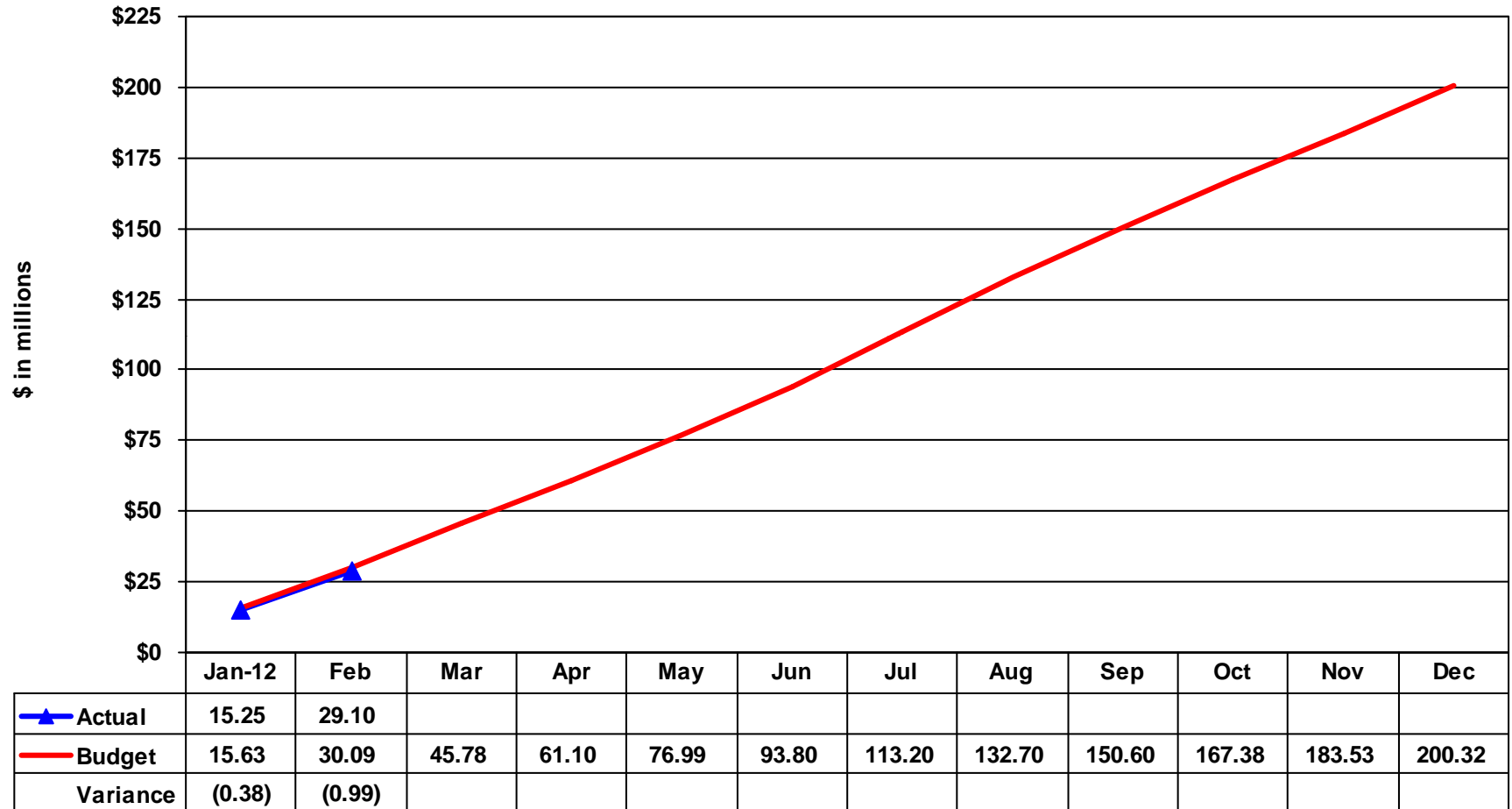
**CALIFORNIA ISO**  
**Capital Projects Report**

For the two-months ended February 29, 2012  
*(dollars in thousands)*

	<b>Approved Projects</b>				
	Month	YTD	2012	Total Projected	Original
	<u>Actual</u>	<u>Actual</u>	<u>Approved</u>	<u>Costs for</u>	<u>2012</u>
			<u>Projects</u>	<u>Approved</u>	<u>Budget</u>
				<u>Projects</u>	
Implement Systems, Tools and Forecasting	\$ 11	\$ 16	\$ 2,674	\$ 2,674	\$ 3,800
Enhance Markets & Performance	34	38	500	500	8,400
Compliance Culture	8	8	35	35	2,900
Infrastructure Improvements	1	1	1,819	1,819	4,400
Blue Ravine Decommissioning Costs					1,300
<b>Total 2012 Capital Spending</b>	<u>53</u>	<u>63</u>	<u>5,028</u>	<u>5,028</u>	<u>20,800</u>
Prior Year Capital Projects	<u>531</u>	<u>690</u>	<u>-</u>	<u>9,879</u>	<u>9,879</u>
<b>Total Capital</b>	<u><u>\$ 584</u></u>	<u><u>\$ 753</u></u>	<u><u>\$ 5,028</u></u>	<u><u>\$ 14,907</u></u>	<u><u>\$ 30,679</u></u>

# Cumulative Operating Revenues

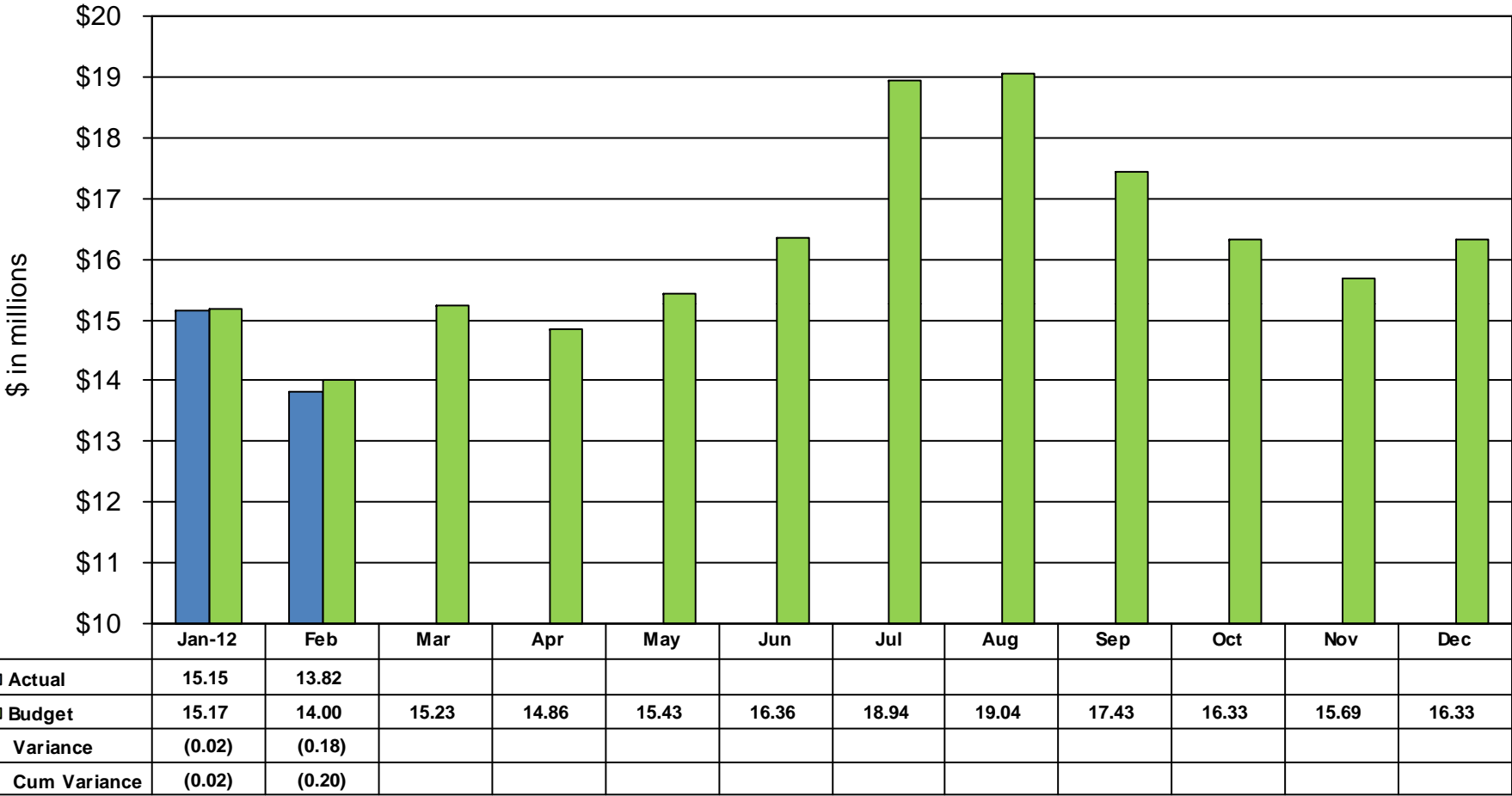
Revenues = GMC, LGIP, WSCC Security & Other Fees



*February revenues are estimates.*

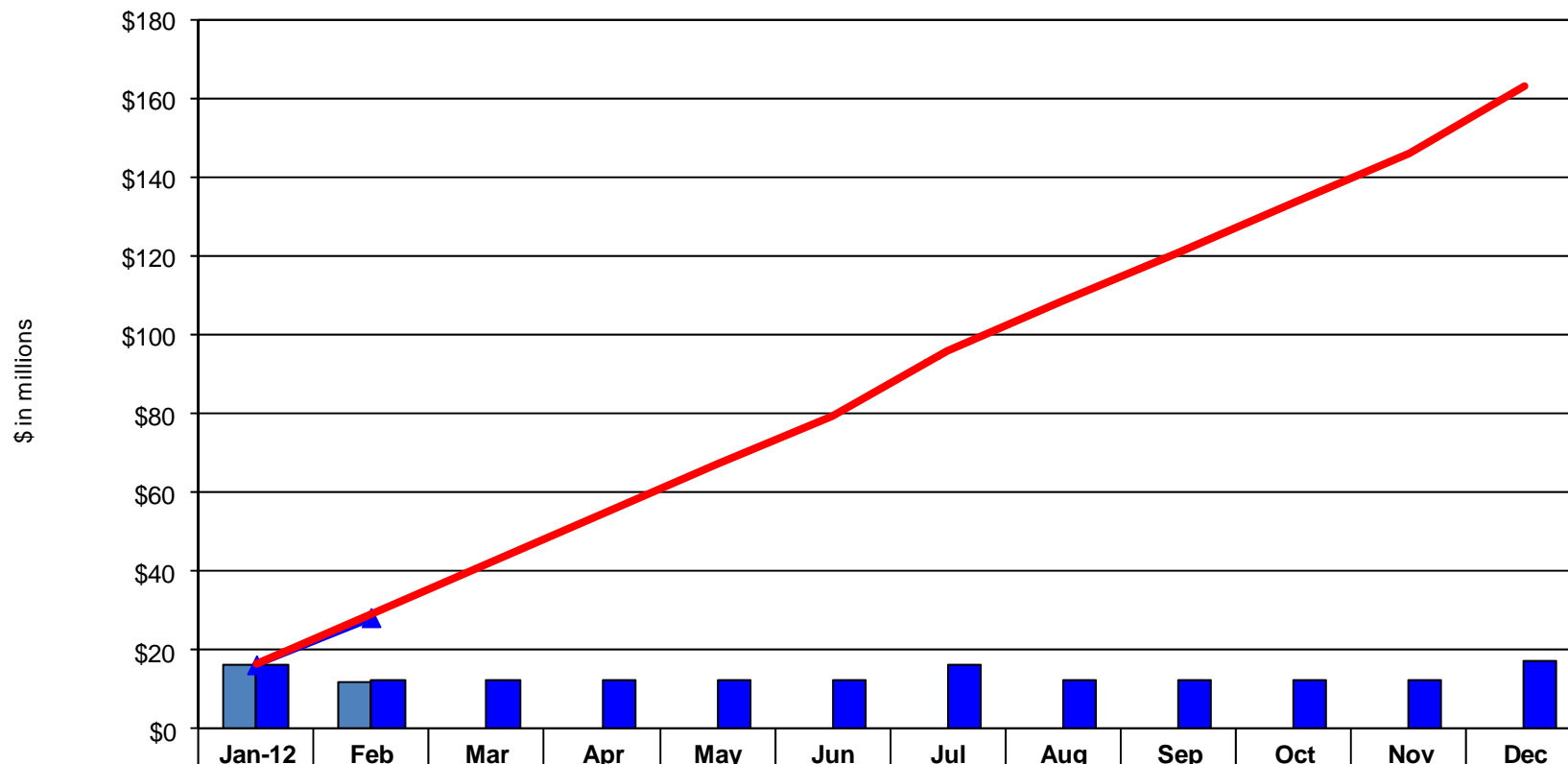


# Monthly GMC Revenues



February revenues are estimates.

# Operating and Maintenance Expenses (O&M)

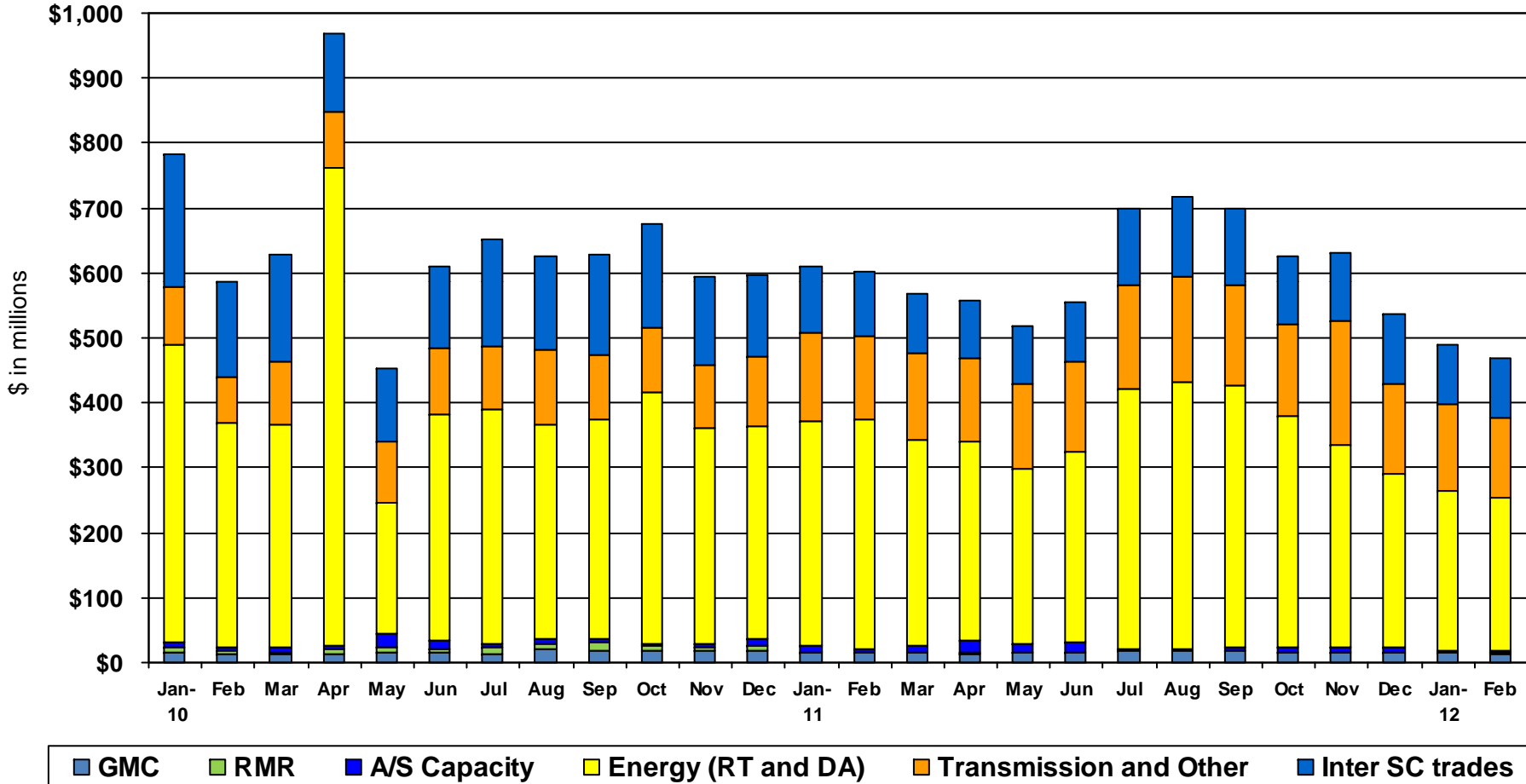


	Jan-12	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	16.32	11.89										
Monthly Budget	16.48	12.62	12.62	12.62	12.61	12.52	16.33	12.52	12.52	12.52	12.52	17.17
Cum Actual	16.32	28.21										
Cum Budget	16.48	29.10	41.72	54.34	66.95	79.47	95.80	108.32	120.83	133.35	145.87	163.05
Cum Variance	0.16	0.89										

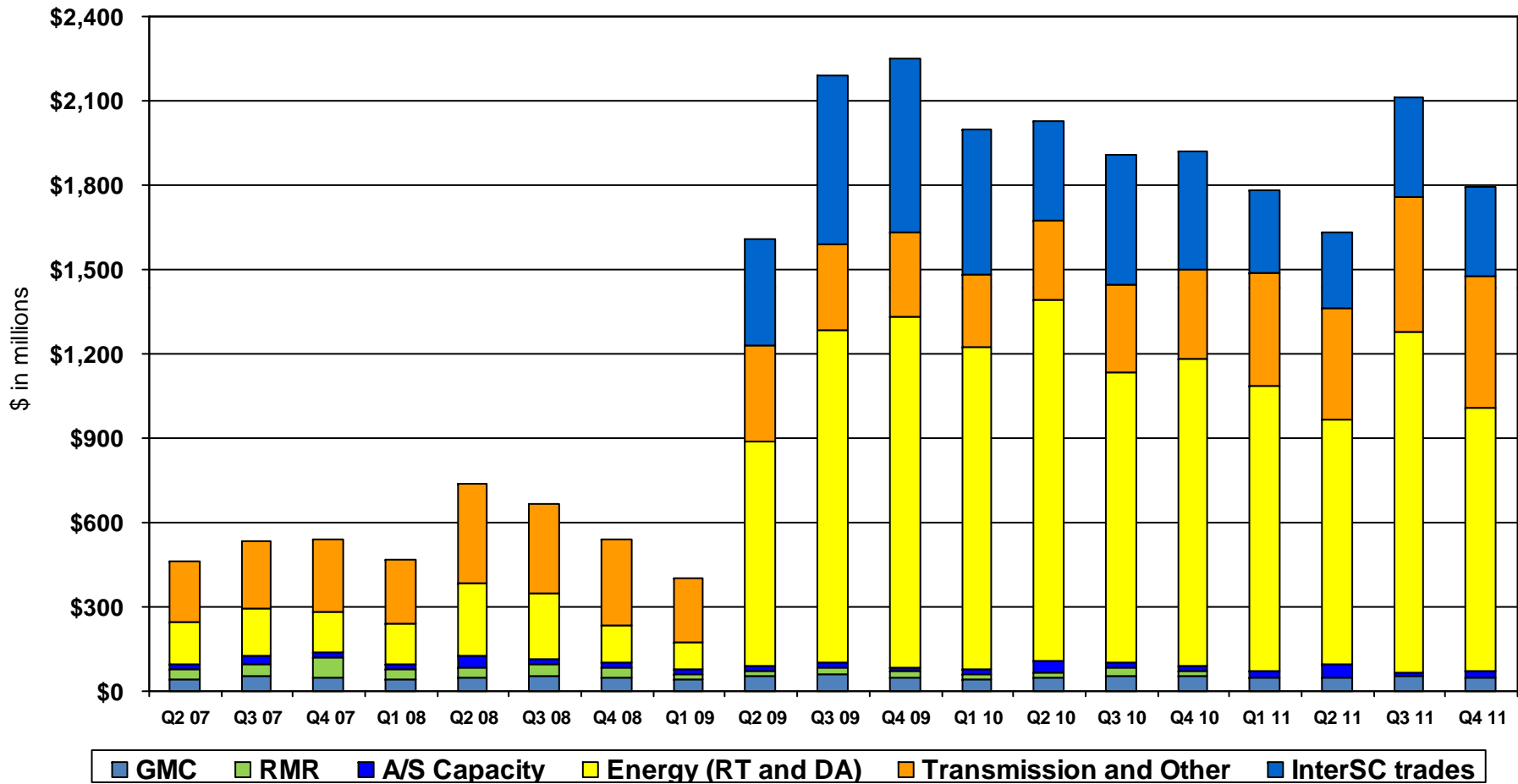


# ISO Market Revenues By Month

## January 2010 through February 2012



## ISO Market Revenues By Quarter 2nd Quarter 2007 through 4th Quarter 2011

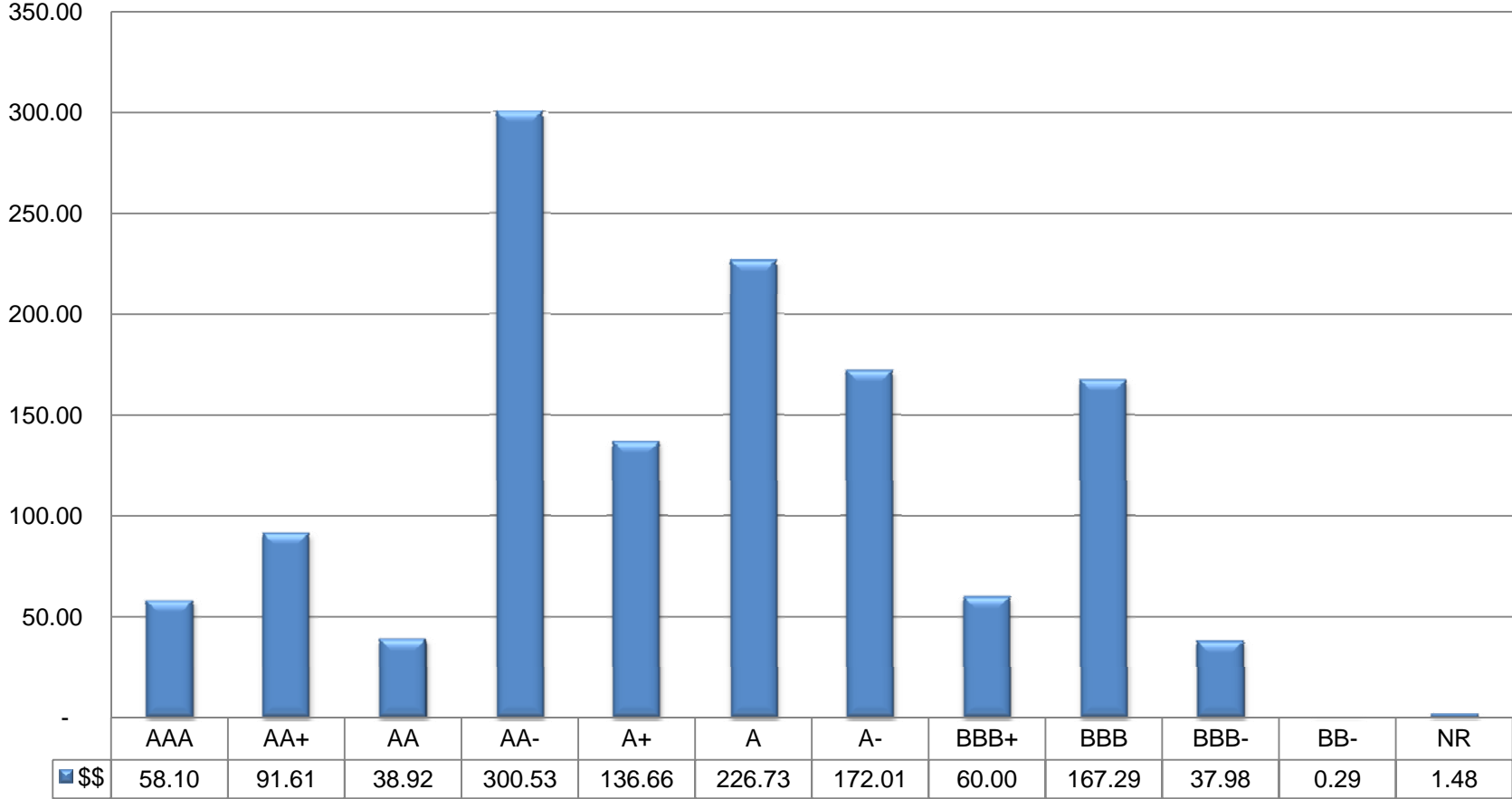


# Collateral & Estimated Aggregate Liability (as of March 3, 2012)

<b>Collateral Types</b>	<b>Amount</b>
<b>Unsecured</b>	<b>\$1,291,611,142</b>
<b>Secured</b>	<b>\$399,357,086</b>
<b>Total</b>	<b>\$1,690,968,228</b>

<b>Estimate Aggregate Liability</b>	<b>Amount</b>
<b>Positive EAL</b>	<b>\$200,890,295</b>

# Unsecured Collateral (in millions)



# Secured Collateral (in millions)

