

MONTHLY FINANCIAL REPORT

July 2007

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
MONTHLY FINANCIAL REPORT - July 2007**

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CALIFORNIA ISO

SUMMARY, DISCUSSION AND COMMENTARY

For the seven-month period ended July 31, 2007

The ISO

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

- ◆ Operating Revenues for July were \$18.9M, \$0.4M lower than budget.
 - The variance was primarily due to lower estimated GMC partially offset by higher interest income.
- ◆ Operating Revenues for the year to date were \$121.2M, \$7.6M 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 \$6.8M, offset by lower GMC revenues of \$6.0M. Lower GMC revenues are primarily due to milder weather than predicted and the resultant less than projected market volumes.
- ◆ O&M expenses for July were \$11.2M, \$0.7M higher than the budget.
 - The variance was primarily due to timing of payments of certain consulting and temporary staff invoices during the month.
- ◆ O&M expenses for the year to date were \$85.0M, \$0.2 lower than budget.
- ◆ At month end, there were 530 full-time employees compared to the 541 full-time employees budgeted.

BALANCE SHEET: (page 2)

- ◆ The principal change relates to one market close in July as compared to two market closes in June, 2007.

CAPITAL PROJECTS: (pages 3 and 8)

- ◆ 2007 approved capital expenditures were budgeted for the year at \$52.5M. Period to date actual expenditures for 2007 capital projects totaled \$15.8M. Expenditures for 2006 approved capital projects totaled \$4.4M. Capital expenditures for 2006 and 2007 approved projects will be funded by the proceeds of the 2004 and 2007 bonds.
- ◆ 2007 capital projects approved through July totaled \$51.4M and include \$45.0M for MRTU projects.

INTEREST COSTS: (page 9)

- ◆ During July, the ISO bond interest rates averaged 3.78%, 0.21% lower than the budgeted rate of 3.99%.

CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the seven-month period ended July 31, 2007

The ISO Markets

MARKET CHARGES: (page 4)

- ♦ Charges for the market (including GMC and FERC Fees) that settled in July amounted to \$133.92M (April 2007 trade month) compared to \$129.8M (March 2007 trade month) that settled in June.

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)

- ♦ Both PG&E and SCE are now only required to collateralize their GMC obligations.

TIMELINESS OF MARKET COLLECTIONS: (page 14)

- ♦ Nine payments (of 306 invoices) in the April 2007 cash clearing were received late compared to seventeen payments (of 276 invoices) in the March 2007 cash clearing.

CALIFORNIA ISO

Statement of Operations

For the seven-month period ended July 31, 2007
(dollars in thousands)

	Month				Year to Date				2007
	Actual	Budget	Variance	Var (%)	Actual	Budget	Variance	Var (%)	Budget
Revenues:									
Grid Management Charge	\$ 17,435	\$ 18,577	\$ (1,142)	-6%	\$ 102,260	\$ 108,210	\$ (5,950)	-5%	\$ 188,313
Fines, WSCC & Other Fees	464	576	(112)	-19%	10,457	4,033	6,424	159%	6,912
Interest income & other	1,000	193	807	418%	8,463	1,352	7,111	526%	2,317
Total revenues	<u>18,899</u>	<u>19,346</u>	<u>(447)</u>	<u>-2%</u>	<u>121,180</u>	<u>113,595</u>	<u>7,585</u>	<u>7%</u>	<u>197,542</u>
Operating Expenses:									
Salaries and Benefits	6,577	6,721	(144)	-2%	50,516	50,421	95	0%	87,180
Building, Leases and Facility	702	780	(78)	-10%	4,851	5,459	(608)	-11%	9,359
Insurance	(8)	-	(8)	0%	1,910	2,206	(296)	-13%	2,209
Third Party Vendor Contracts	1,239	1,216	23	2%	10,170	13,817	(3,647)	-26%	22,915
Consulting and Contracting Services	1,652	675	977	145%	10,160	5,098	5,062	99%	8,396
Legal and Audit	408	454	(46)	-10%	3,544	4,019	(475)	-12%	6,900
Training, Travel and Professional Dues	424	439	(15)	-3%	1,953	2,604	(651)	-25%	4,316
Other	201	201	-	0%	1,889	1,523	366	24%	2,530
Total operating expenses	<u>11,195</u>	<u>10,486</u>	<u>709</u>	<u>7%</u>	<u>84,993</u>	<u>85,147</u>	<u>(154)</u>	<u>0%</u>	<u>143,805</u>
Net operating income (loss)	<u>7,704</u>	<u>8,860</u>	<u>(1,156)</u>	<u>-13%</u>	<u>36,187</u>	<u>28,448</u>	<u>7,739</u>	<u>27%</u>	<u>53,737</u>
Interest and Other Expenses									
Interest expense	736	578	158	27%	8,002	4,025	3,977	99%	6,913
Depreciation and amortization	1,150	1,150	-	0%	8,441	8,441	-	0%	25,200
Total interest and other expenses	<u>1,886</u>	<u>1,728</u>	<u>158</u>	<u>9%</u>	<u>16,443</u>	<u>12,466</u>	<u>3,977</u>	<u>32%</u>	<u>32,113</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ 5,818</u>	<u>\$ 7,132</u>	<u>\$ (1,314)</u>	<u>-18%</u>	<u>\$ 19,744</u>	<u>\$ 15,982</u>	<u>\$ 3,762</u>	<u>24%</u>	<u>\$ 21,624</u>
Number of Full-time Employees	<u>530</u>	<u>541</u>	<u>(11)</u>	<u>-2%</u>					<u>541</u>

CALIFORNIA ISO
Balance Sheet (Preliminary and Unaudited)
As of July 31, 2007
(dollars in thousands)

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>
ASSETS			
NET ELECTRIC UTILITY PLANT	<u>\$ 187,009</u>	<u>\$ 184,708</u>	<u>\$ 2,301</u>
CURRENT ASSETS			
Unrestricted Cash and Cash Equivalents	23,581	40,904	(17,323)
Restricted Cash and Cash Equivalents	95,821	91,374	4,447
Accounts Receivable, net	48,858	31,077	17,781
Investments	96,168	95,798	370
Accrued Interest	2,360	2,213	147
Prepayments	<u>2,250</u>	<u>2,250</u>	<u>-</u>
Total Current Assets	<u>269,038</u>	<u>263,616</u>	<u>5,422</u>
NONCURRENT ASSET AND DEFERRED CHARGES			
Unamortized debt expenses and other	<u>1,717</u>	<u>1,980</u>	<u>(263)</u>
Total Noncurrent Asset and Deferred Charges	<u>1,717</u>	<u>1,980</u>	<u>(263)</u>
TOTAL ASSETS	<u><u>\$ 457,764</u></u>	<u><u>\$ 450,304</u></u>	<u><u>\$ 7,460</u></u>
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION			
Stakeholders' Surplus	<u>\$ 184,665</u>	<u>\$ 178,847</u>	<u>\$ 5,818</u>
Long-term Debt	<u>138,628</u>	<u>138,628</u>	<u>-</u>
TOTAL CAPITALIZATION	<u>323,293</u>	<u>317,475</u>	<u>5,818</u>
CURRENT LIABILITIES			
Long-term debt due within one year	50,700	50,700	-
Accounts Payable	19,613	18,792	821
Fines subject to refund	<u>63,082</u>	<u>62,261</u>	<u>821</u>
Total Current Liabilities	<u>133,395</u>	<u>131,753</u>	<u>1,642</u>
NONCURRENT LIABILITY AND DEFERRED CREDITS			
Other	<u>1,076</u>	<u>1,076</u>	<u>-</u>
Total Noncurrent Liability and Deferred Credits	<u>1,076</u>	<u>1,076</u>	<u>-</u>
TOTAL LIABILITIES	<u>134,471</u>	<u>132,829</u>	<u>1,642</u>
TOTAL CAPITALIZATION AND LIABILITIES	<u><u>\$ 457,764</u></u>	<u><u>\$ 450,304</u></u>	<u><u>\$ 7,460</u></u>

CALIFORNIA ISO
Capital Projects Report

For the seven-month period ended July 31, 2007
(dollars in thousands)

Capital Spending

	Approved Projects					
	<u>Month Actual</u>	<u>YTD Actual</u>	<u>2007 Approved Projects</u>	<u>Projected Costs for Approved Projects</u>	<u>Original 2007 Budget</u>	<u>Future O&M</u>
Facilities	\$ 53	\$ 72	\$ 1,600	\$ 1,600	\$ 2,000	\$ -
Market Redesign	1,569	9,506	22,991	22,991	22,991	
Technology Upgrade	1,068	11,465	21,983	21,983	21,983	
Main Operating Systems - All	20	20	1,960	1,960	2,275	
Other Systems - Corporate Support	232	1,522	2,890	2,890	3,225	
Total 2007 Capital Spending	<u>2,941</u>	<u>22,585</u>	<u>51,425</u>	<u>51,425</u>	<u>52,475</u>	<u>-</u>
2006 Capital Projects	<u>475</u>	<u>4,393</u>	<u>6,233</u>	<u>5,883</u>	<u>-</u>	<u>-</u>
Total Capital	<u><u>\$ 3,417</u></u>	<u><u>\$ 26,978</u></u>	<u><u>\$ 57,657</u></u>	<u><u>\$ 57,308</u></u>	<u><u>\$ 52,475</u></u>	<u><u>\$ -</u></u>

CALIFORNIA ISO

Monthly Market Summary By Charge Type

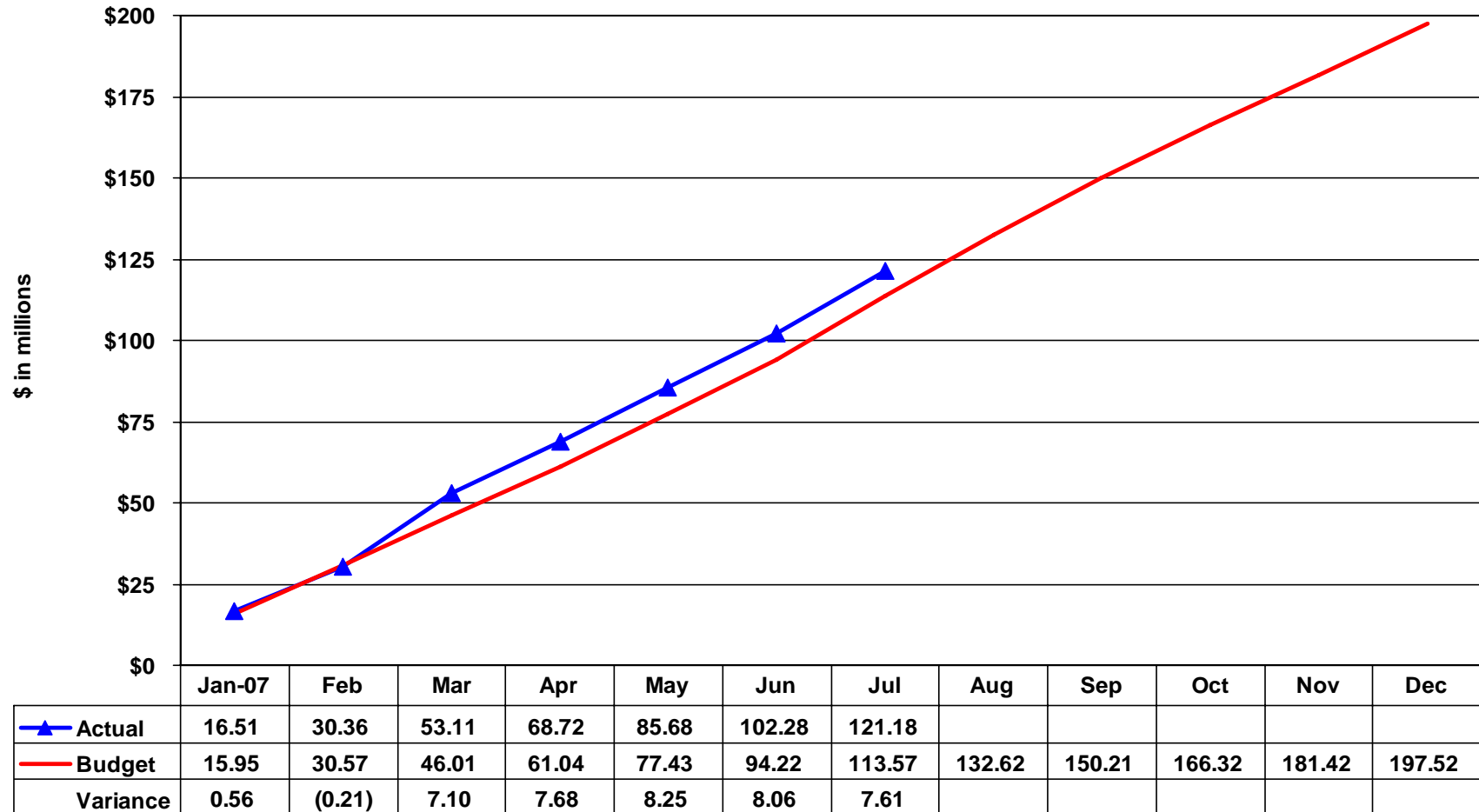
For the trade month April 2007 settled in July 2007

Charge Type	Type	Unit		Settlements Amount	
		Due SC	Due ISO	Due SC	Due ISO
Spin Reserve	MW	217,932	218,827	\$ 599,821	\$ 565,633
Non-Spin Reserve	MW	1,542,172	106,033	116,887	106,620
AGC/Regulation	MW	1,222,945	132,449	1,804,114	1,807,144
Replacement Reserve	MW	-	-	-	-
No-Pay Provision		18,766,371	43,983	179,319	179,386
Rational Buyer Adjustment		-	2,416,041	-	70,337
Total Ancillary Services		21,749,420	2,917,334	\$ 2,700,141	\$ 2,729,120
Energy (Note1)	MWh	1,149,075	11,574,195	\$ 32,547,409	\$ 30,698,722
Neutrality		-	19,227,936	-	2,314,909
Minimum Load Cost Compensation		608,183	40,818,495	17,779,140	17,647,483
Start-Up Cost Compensation		19,058,568	19,058,568	642,339	642,339
Emissions Cost Compensation		-	-	-	-
Voltage Support		-	7,300,324	47,065	47,065
Intermittent Resource Deviation		1,061,420	256,933	2,108,446	2,108,446
Total Energy		21,877,246	98,236,450	\$ 53,124,399	\$ 53,458,965
Inter-Zonal Congestion	MWh	1,490,754	7,461,171	\$ 7,435,626	\$ 7,100,645
Wheeling & High Voltage Access Charge	MWh	19,475,994	18,686,691	56,021,184	56,021,228
Others		22,429	224,278	22,645	22,795
FERC Fee		-	18,893,843	72	850,222
Penalty and Interest Charge		-	-	-	-
Total Transmission and Other		20,989,176	45,265,982	\$ 63,479,527	\$ 63,994,889
Total Market Billed by Charge Type		64,615,842	146,419,766	\$ 119,304,067	\$ 120,182,974
Other Billings					
Grid Management Charge				\$ 6,408	\$ 13,733,326

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

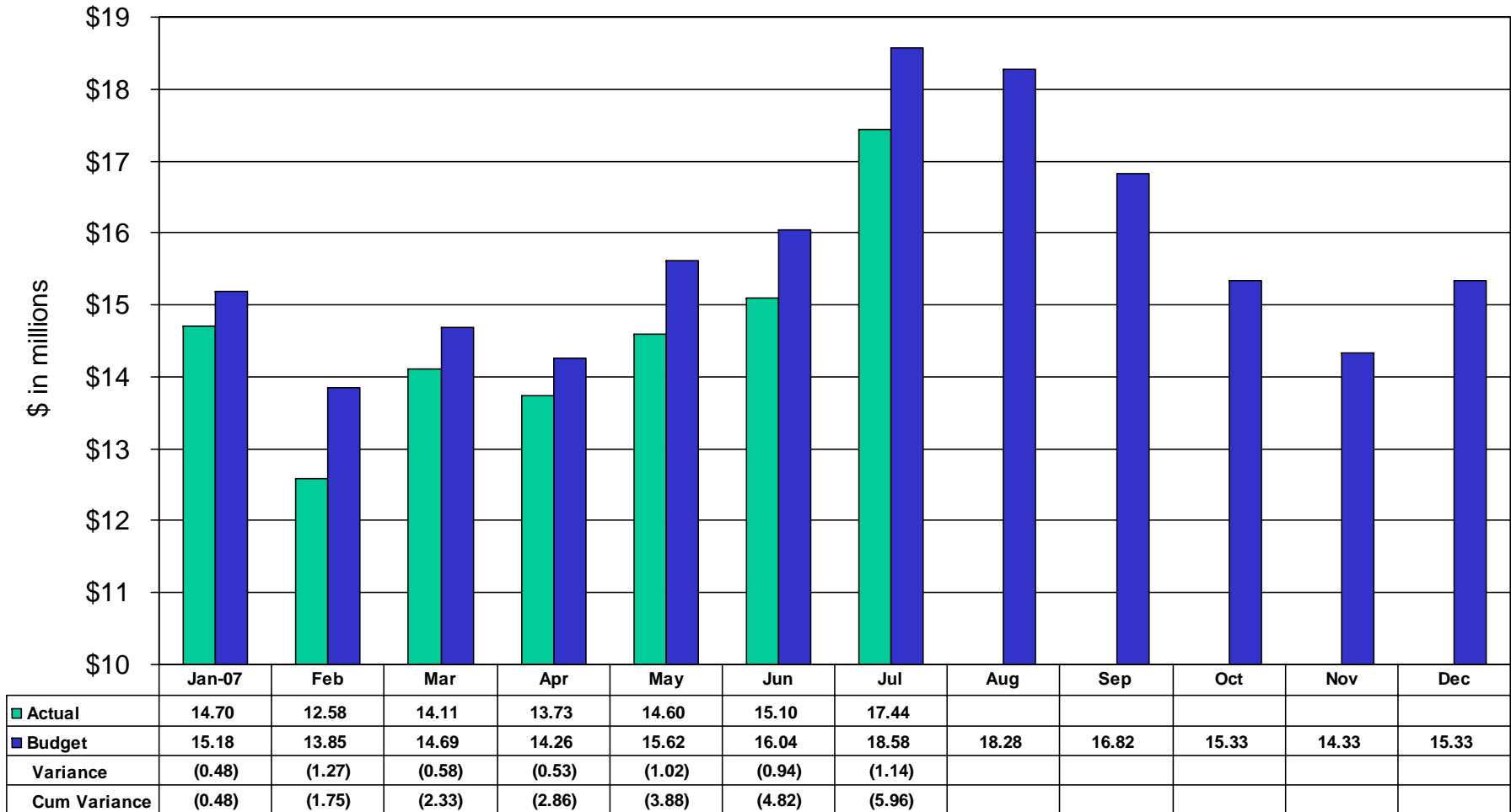
Cumulative Operating Revenues

Revenues = GMC, Interest, WSCC Security & Other Fees



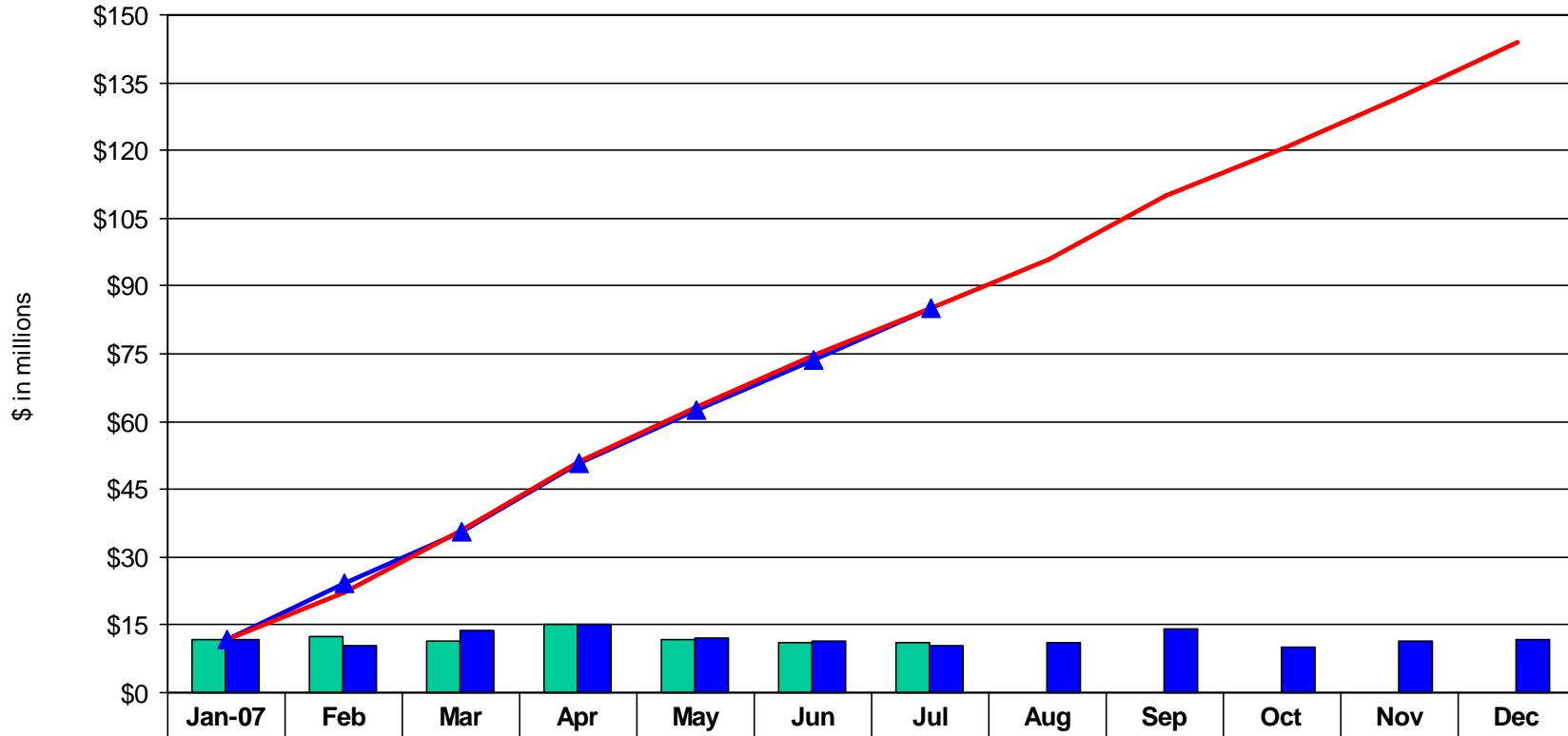
May, June and July revenues are estimates.

Monthly GMC Revenues



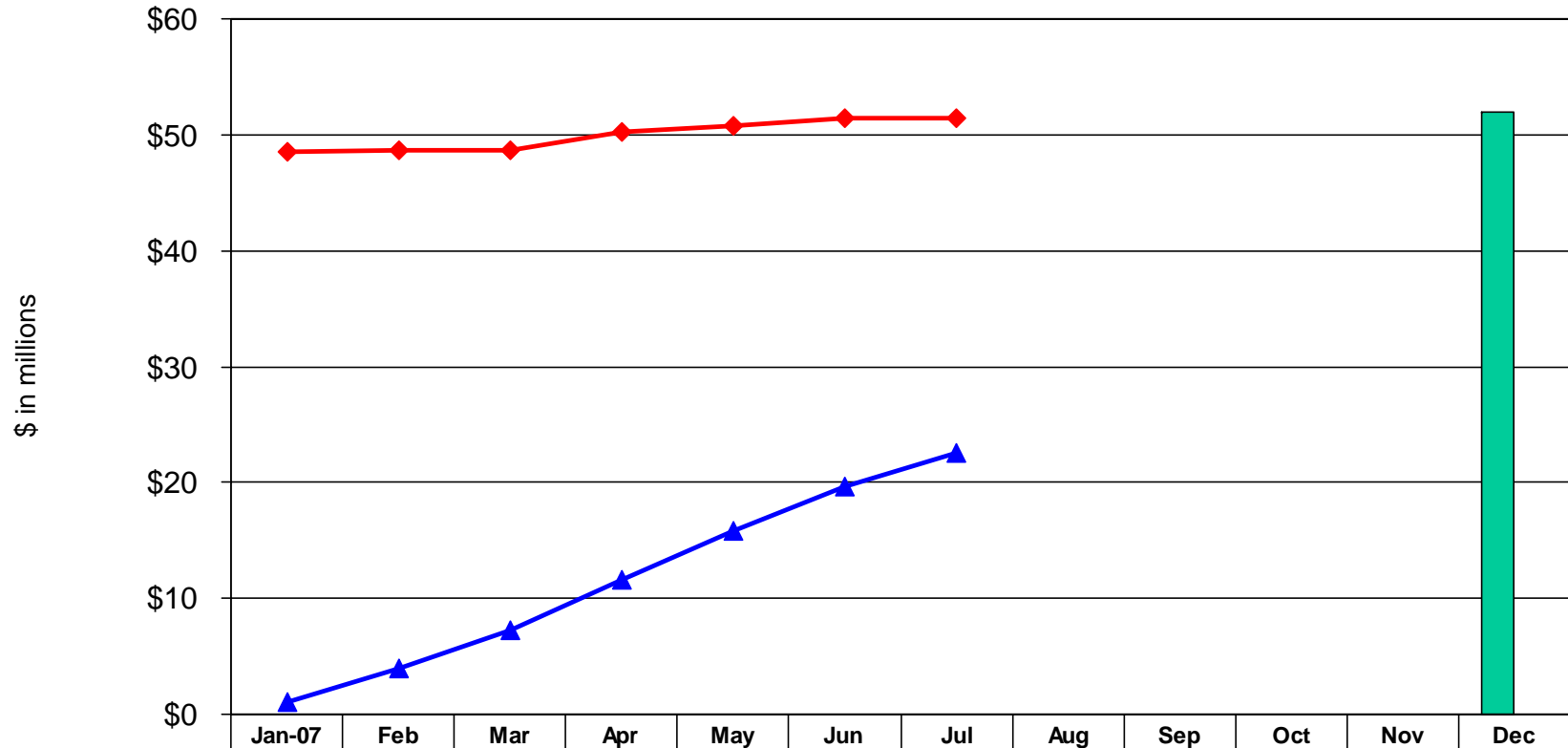
May, June and July revenues are estimates.





Operating and Maintenance Expenses (O&M)



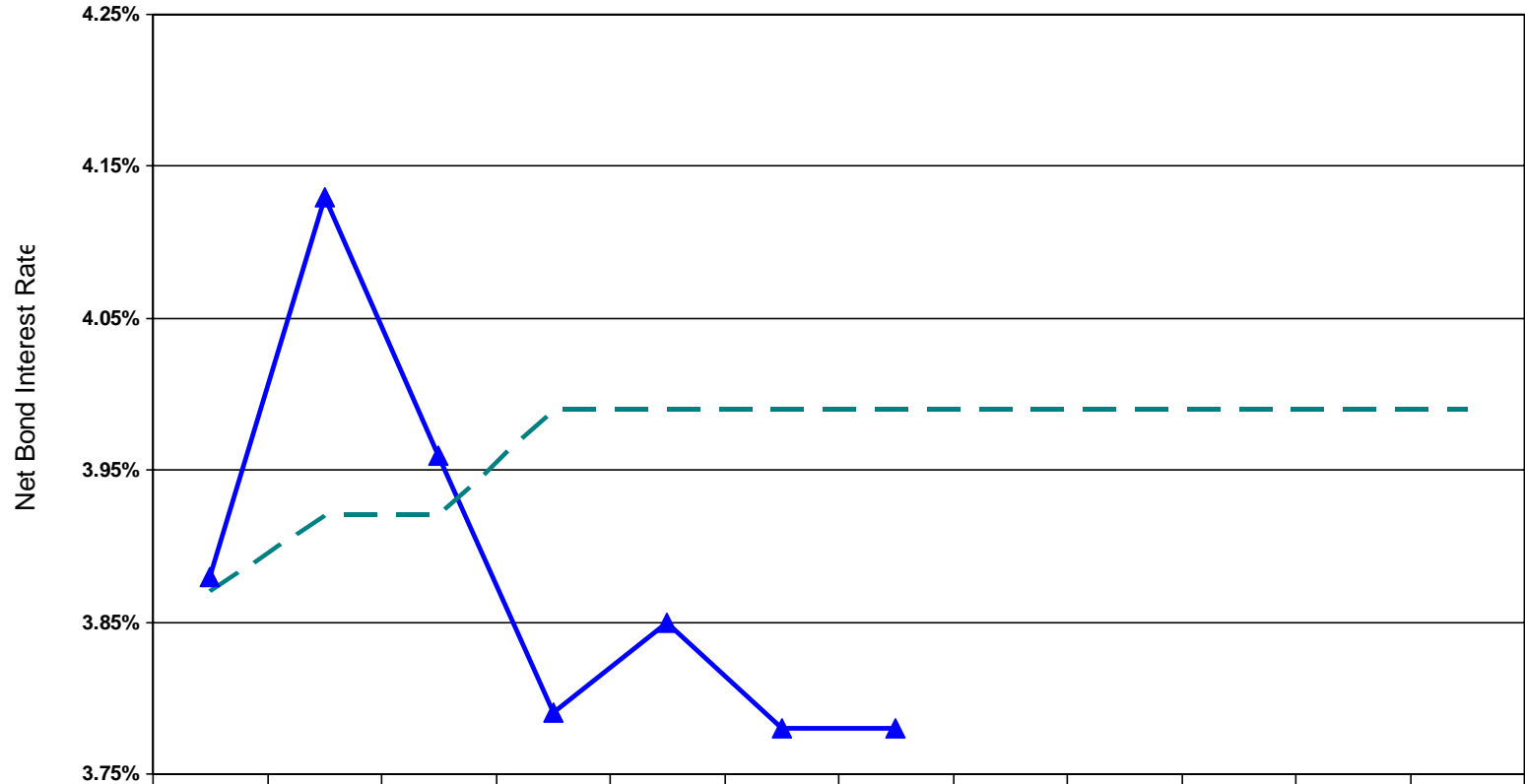
	Jan-07	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	11.65	12.55	11.57	15.03	11.83	11.18	11.19					
Monthly Budget	11.89	10.40	13.80	14.98	12.11	11.37	10.48	10.97	14.13	10.22	11.52	11.92
Cum Actual	11.65	24.20	35.77	50.80	62.63	73.81	85.00					
Cum Budget	11.89	22.29	36.09	51.07	63.18	74.55	85.02	96.00	110.13	120.35	131.87	143.80
Cum Variance	0.24	(1.91)	0.32	0.27	0.55	0.74	0.02					

Cumulative Capital Expenditures



	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					
 Cumulative Expenditures	1.00	3.96	7.30	11.58	15.80	19.64	22.59					
 Approved projects	48.59	48.68	48.68	50.20	50.80	51.43	51.43					

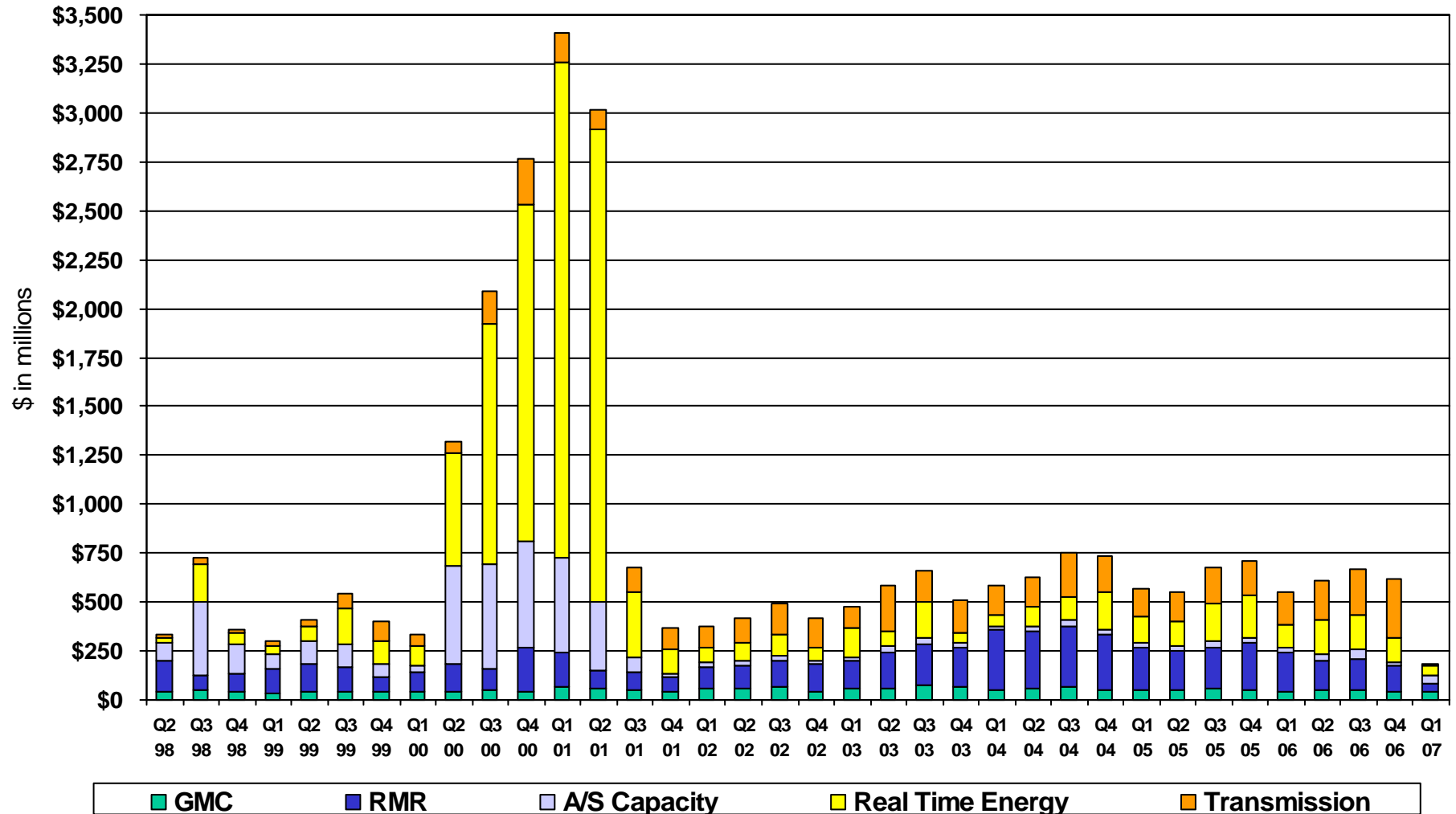
ISO Monthly Debt Rates



—▲— Net Int. Rate (All Bonds)	3.88%	4.13%	3.96%	3.79%	3.85%	3.78%	3.78%					
— Budgeted Net Int. Rate	3.87%	3.92%	3.92%	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%

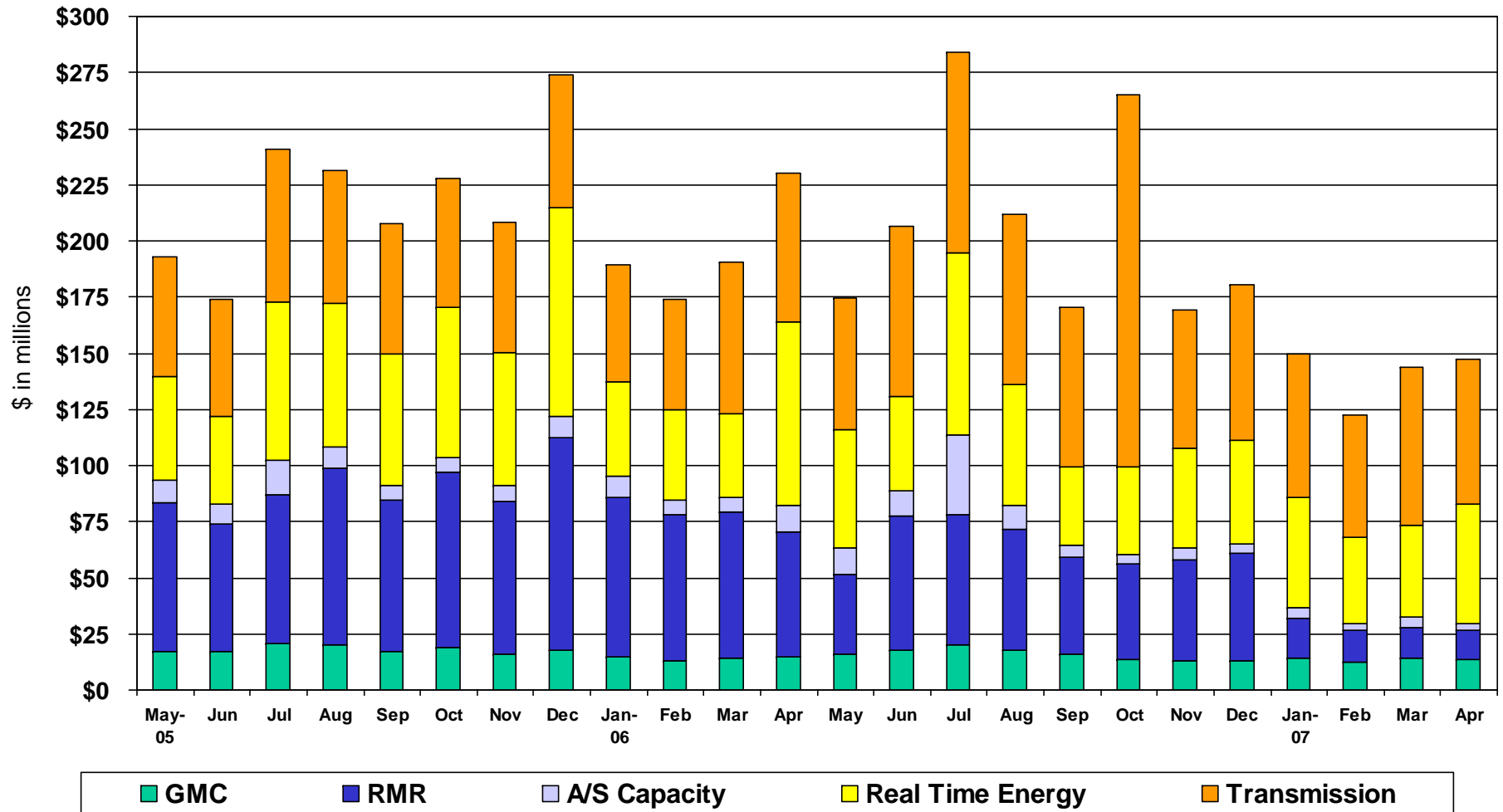
These rates do not include adjustments for amortization of bond issuance costs and remarketing fees.

CAISO Market Costs By Quarter 2nd Quarter 1998 (Inception) through 1st Quarter 2007

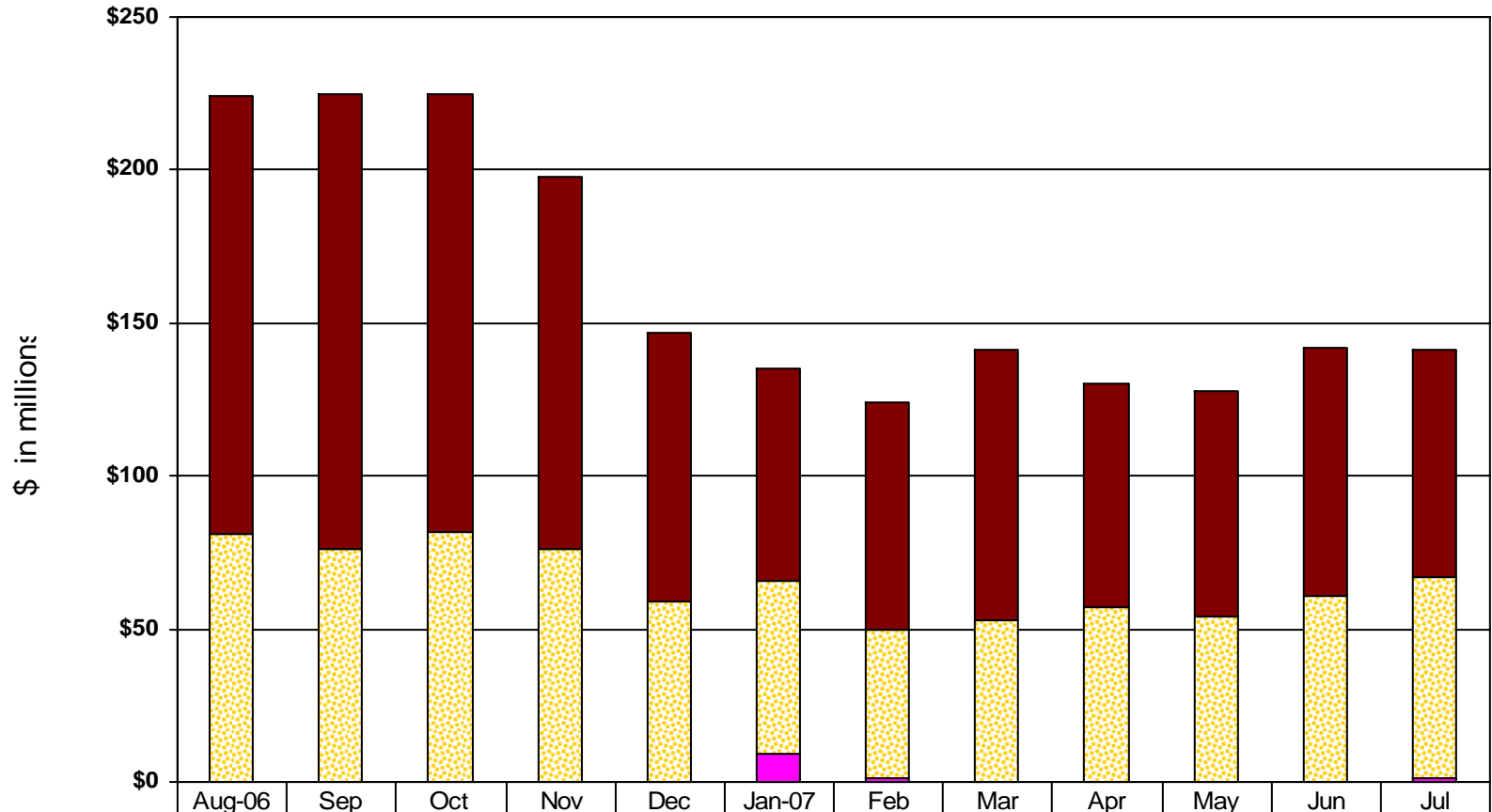




CAISO Market Costs By Month May 2005 through April 2007



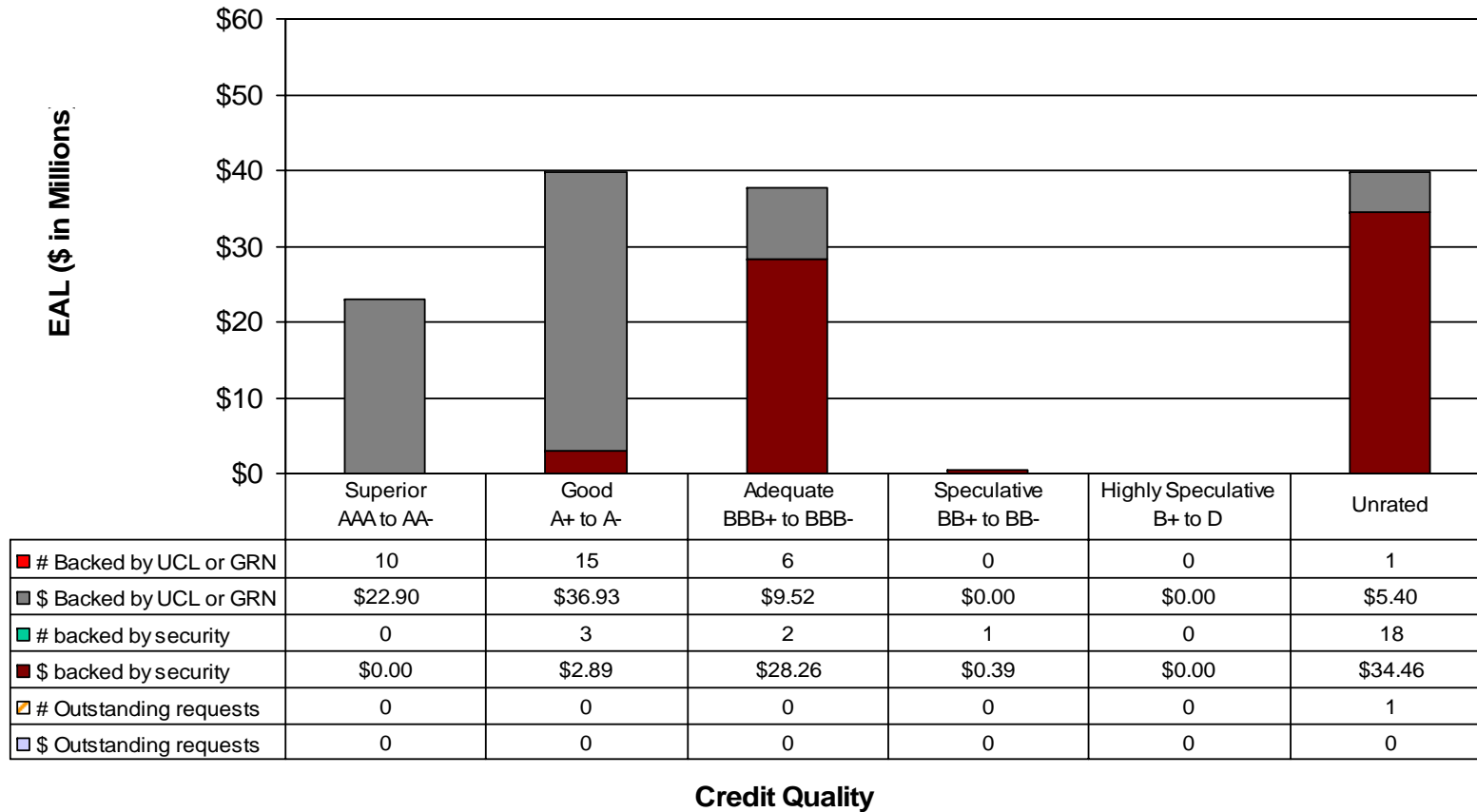
Outstanding Obligations of Market Participants



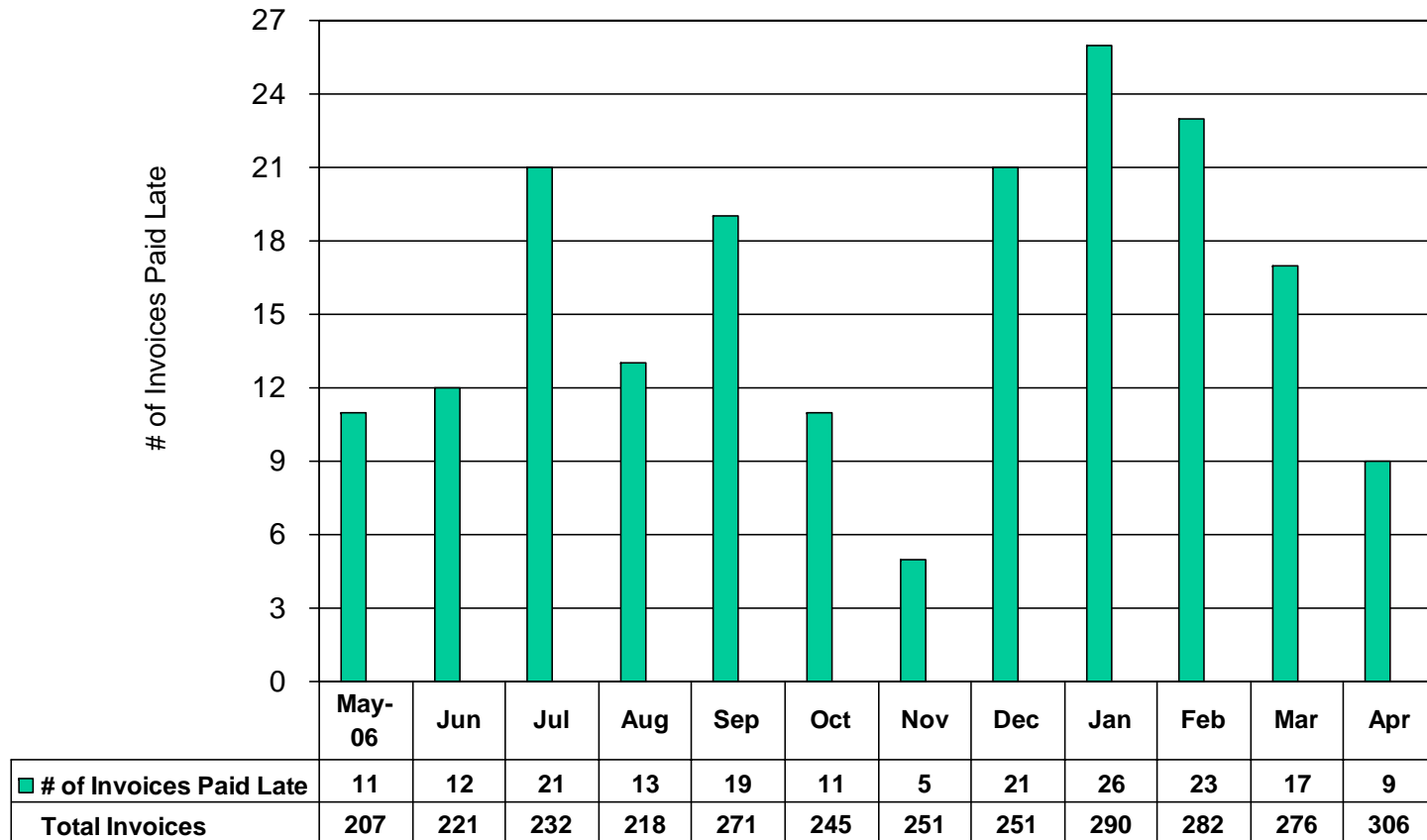
	Aug-06	Sep	Oct	Nov	Dec	Jan-07	Feb	Mar	Apr	May	Jun	Jul
■ Backed by UCL or GRN	143	149	143	122	88	69	74	88	73	74	81	74
■ Backed by posted security	81	76	82	76	59	57	49	53	57	54	61	66
■ Outstanding security requests	0	0	0	0	0	9	1	0	0	0	0	1

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.