



California ISO
Your Link to Power

California Independent
System Operator

MONTHLY FINANCIAL REPORT

October 2010

Denise Walsh

Controller

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
MONTHLY FINANCIAL REPORT - October 31, 2010

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CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the ten-months ended October 31, 2010

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

- ◆ YTD operating revenues were \$1.4K over budget.
 - This is primarily due to higher GMC revenues during the period as a result of higher volumes in the market and the impact of the adjustment of some GMC component rates earlier in the year. In April and July 2010, the Company adjusted the rates of some GMC components in order to align the collection of revenues with associated costs.
- ◆ YTD operating revenues were \$6.3M lower than the previous year.
 - This variance is primarily due to lower GMC revenues compared to last year due to a reduction in energy exports and the prevailing economic conditions of the state.
- ◆ YTD O&M expenses were \$2.9M under budget.
 - This is primarily due to lower than expected year to date headcount reflected in salaries and benefits, and lower third party vendor contracts.
- ◆ YTD O&M expenses were \$1.6M lower than the previous year.
 - This variance is primarily due to lower consulting and contracting expenses and third party vendor contracts in 2010 compared to 2009 when these costs were higher because of the implementation of the new market in 2009. The 2010 reduced expenditure is partially offset by higher legal and audit expenses related to the new building headquarters in 2010.
- ◆ Currently there are 595 full-time employees compared to 615 full-time employees budgeted. There were 576 full-time employees YTD last year.
 - Employee headcount is lower than budgeted due to the timing of hires and attrition.

INTEREST COSTS and INTEREST INCOME: (page 1)

- ◆ YTD Interest income and other were \$2.2M higher than budget.
 - Primarily due to interest earned on restricted funds which is a non-budgeted item that is treated as an adjustment to debt service costs for the year.
- ◆ YTD Interest income and other were higher by \$1.8M compared to the previous year due to larger investment balances.
- ◆ YTD Interest expense, as compared to budget, was higher by \$1.3 million due to interest expense adjustments related to the bonds for the period.
- ◆ YTD Interest expense was higher overall compared to last year due to the generator fines interest expense reversal and to the issuance of the 2009 bonds.
- ◆ YTD Gains and losses on investments reflect a net gain based on market activity for this portion of the year.
- ◆ YTD Gains and losses on investments in 2010 are lower by \$2.8M compared to 2009 because the 2009 gains were primarily due to the initial recovery after the 2008 historic lows.

BALANCE SHEET: (page 2)

- ◆ The decrease in restricted cash and cash equivalents compared to the prior month is due collateral returns and market clearing activities.
- ◆ Changes to the other accounts were mainly due to normal business activity during the month.

CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the ten-months ended October 31, 2010

Page ii

CAPITAL PROJECTS: (pages 3 and 7)

- ◆ The 2010 capital projects budget is \$31.0M, and is separate from the Iron Point budget of \$160.0M for the new facility. YTD 2010 capital projects approved through October totaled \$22.8M.
- ◆ Actual expenditures to date for 2010-approved capital projects and the new facility totaled \$7.7M and \$128.8M, respectively.
- ◆ Expenditures for 2009-approved capital projects totaled \$15.8M.

The ISO Markets

MARKET REVENUES: (page 8, 9 and 10)

- ◆ The total costs managed by the ISO include GMC, Reliability Must Run (RMR) charges, Ancillary Services Capacity, Energy (Real-time and Day-ahead), Transmission and Other, and InterSC Trades.
- ◆ Revenues from InterSC trades is now a significant share of our market revenues as a result of the new market.
- ◆ Other market costs fluctuate with the season or as a result of certain external factors (wildfires, extreme temperatures and drought conditions).

OBLIGATIONS OF MARKET PARTICIPANTS: (pages 11 and 12)

- ◆ Outstanding obligations of market participants reflects the seasonality of energy usage during the year.
- ◆ The increase in market obligations in November 2009 reflects the collateral requirements under payment acceleration and the requirements to participate in the annual congestion revenue rights auction in December.

CALIFORNIA ISO

Statement of Operations

For the ten-months ended October 31, 2010
(dollars in thousands)

	Year to Date					2010
	Actual	Budget	Variance	PY Actual	Variance	Budget
Revenues:						
Grid Management Charge	\$ 165,937	\$ 164,479	\$ 1,457	\$ 171,410	\$ (5,474)	\$ 195,067
Fines, WSCC & Other Fees	3,502	3,583	(82)	4,373	(871)	4,300
Total revenues	<u>169,438</u>	<u>168,063</u>	<u>1,376</u>	<u>175,783</u>	<u>(6,345)</u>	<u>199,367</u>
Operating Expenses:						
Salaries and Benefits	90,636	92,905	(2,269)	90,135	\$ 501	110,028
Building, Leases and Facility	7,287	7,830	(543)	7,262	25	9,396
Insurance	1,823	1,838	(15)	1,652	171	2,205
Third Party Vendor Contracts	12,743	14,968	(2,225)	13,887	(1,144)	17,962
Consulting and Contracting Services	12,134	9,036	3,098	14,623	(2,489)	11,022
Legal and Audit	3,985	4,692	(706)	2,689	1,296	5,630
Training, Travel and Professional Dues	3,118	3,142	(24)	3,009	109	3,797
Other	2,020	2,193	(174)	2,069	(49)	2,656
Total operating expenses	<u>133,746</u>	<u>136,604</u>	<u>(2,857)</u>	<u>135,326</u>	<u>(1,579)</u>	<u>162,696</u>
Net operating income (loss)	<u>35,692</u>	<u>31,459</u>	<u>4,233</u>	<u>40,458</u>	<u>(4,766)</u>	<u>36,672</u>
Interest and Other Expenses						
Interest income & other	5,407	3,167	2,240	3,584	1,823	2,736
Interest expense	14,786	13,488	1,297	(2,346)	17,131	8,399
Gains and losses on investments (realized and unrealized)	419	-	419	3,203	(2,784)	-
Depreciation and amortization	49,547	49,547	-	32,789	16,758	62,000
Total interest and other expenses	<u>58,507</u>	<u>59,869</u>	<u>(524)</u>	<u>23,657</u>	<u>29,282</u>	<u>67,663</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ (22,815)</u>	<u>\$ (28,410)</u>	<u>\$ 4,757</u>	<u>\$ 16,801</u>	<u>\$ (34,048)</u>	<u>\$ (30,991)</u>
Number of Full-time Employees	<u>595</u>			<u>576</u>		<u>615</u>

CALIFORNIA ISO**Balance Sheet**

As of October 31, 2010

(dollars in thousands)

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>	<u>%</u>
ASSETS				
NET ELECTRIC UTILITY PLANT	\$ 334,802	\$ 331,509	\$ 3,293	1%
CURRENT ASSETS				
Unrestricted Cash and Cash Equivalents	898	1,873	(975)	-52%
Restricted Cash and Cash Equivalents	309,833	340,106	(30,273)	-9%
Other Special Deposits	35,010	34,935	75	0%
Accounts Receivable, net	28,951	30,065	(1,113)	-4%
Investments	249,636	241,706	7,929	3%
Accrued Interest	1,024	1,017	7	1%
Prepayments	7,512	7,765	(252)	-3%
Total Current Assets	<u>632,865</u>	<u>657,467</u>	<u>(24,602)</u>	-4%
NONCURRENT ASSET AND DEFERRED CHARGES				
Unamortized Debt Expenses and Other	3,704	4,068	(364)	-9%
Total Noncurrent Asset and Deferred Charges	<u>3,704</u>	<u>4,068</u>	<u>(364)</u>	-9%
TOTAL ASSETS	<u>\$ 971,371</u>	<u>\$ 993,044</u>	<u>\$ (21,673)</u>	-2%
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
Stakeholders' Surplus	\$ 227,965	\$ 229,230	\$ (1,265)	-1%
Long-term Debt	289,628	289,803	(175)	0%
TOTAL CAPITALIZATION	<u>517,592</u>	<u>519,032</u>	<u>(1,440)</u>	0%
CURRENT LIABILITIES				
Long-term Debt Due Within One Year	42,250	42,250	-	0%
Accounts Payable	43,533	40,048	3,485	9%
Customer Deposits & Other	319,344	343,062	(23,718)	-7%
Fines Subject to Refund	47,141	47,141	-	0%
Total Current Liabilities	<u>452,269</u>	<u>472,502</u>	<u>(20,233)</u>	-4%
NONCURRENT LIABILITY AND DEFERRED CREDITS				
Other	1,510	1,510	-	0%
<i>Page ii</i>	<u>1,510</u>	<u>1,510</u>	<u>-</u>	0%
TOTAL LIABILITIES	<u>453,779</u>	<u>474,012</u>	<u>(20,233)</u>	-4%
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 971,371</u>	<u>\$ 993,044</u>	<u>\$ (21,673)</u>	-2%

**CALIFORNIA ISO
Capital Projects Report**

For the ten-months ended October 31, 2010
(dollars in thousands)

	Approved Projects				
	Month <u>Actual</u>	YTD <u>Actual</u>	2010 Approved <u>Projects</u>	Total Projected Costs for Approved <u>Projects</u>	Original 2010 <u>Budget</u>
Customer Focus	\$ 6	\$ 171	\$ 1,907	\$ 1,907	\$ 821
Operational Excellence	106	756	6,398	6,395	13,620
Continuous Transformation	160	3,133	7,740	7,740	10,415
Reasonable Costs & Essential Projects	330	3,674	6,776	6,577	6,144
Total 2010 Capital Spending	<u>602</u>	<u>7,734</u>	<u>22,820</u>	<u>22,619</u>	<u>31,000</u>
Iron Point Building	6,390	128,799	-	160,000	160,000
2009 Capital Projects	<u>1,599</u>	<u>15,812</u>	<u>-</u>	<u>20,023</u>	<u>20,023</u>
Total Capital	<u>\$ 8,591</u>	<u>\$ 152,345</u>	<u>\$ 22,820</u>	<u>\$ 202,641</u>	<u>\$ 211,023</u>

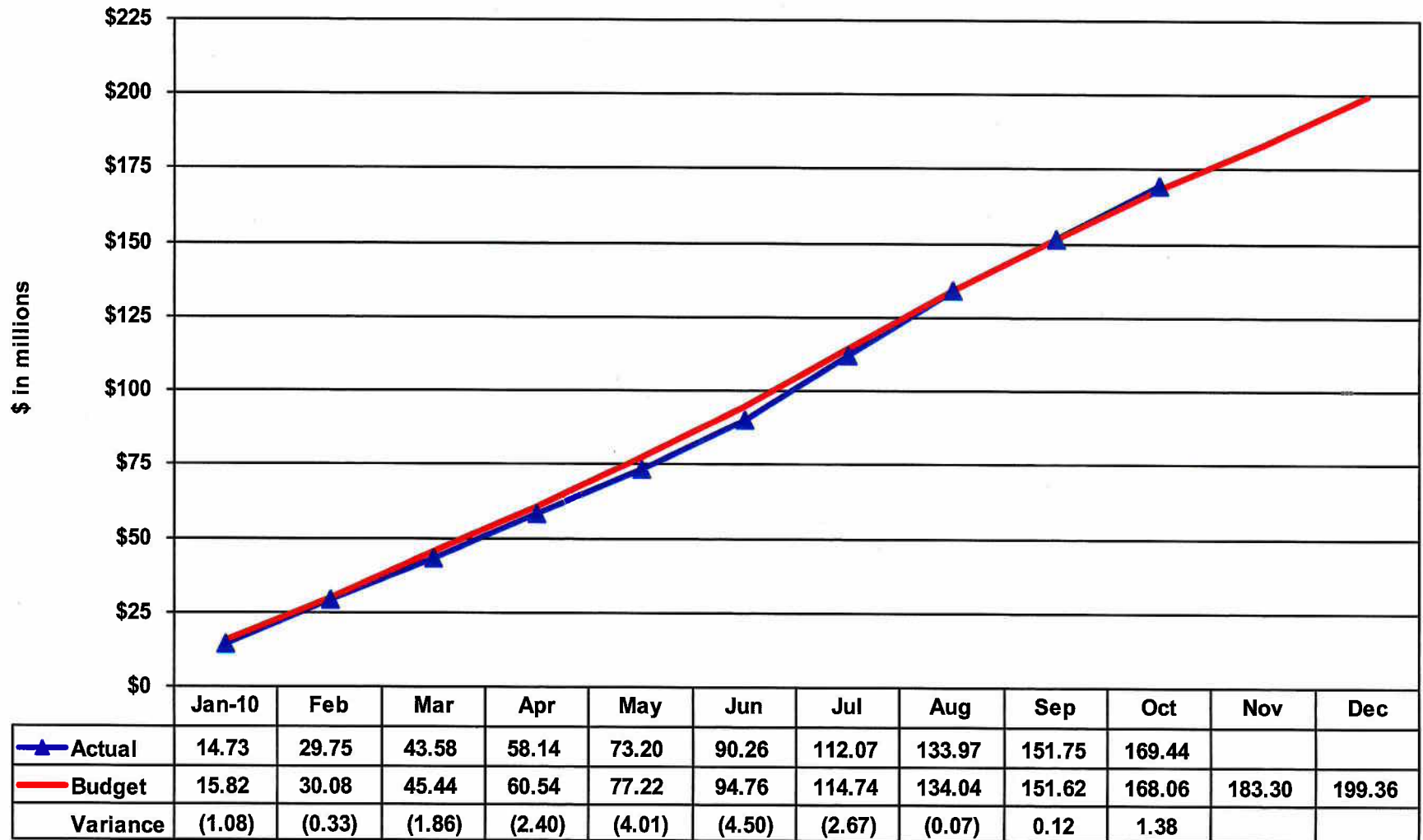
Notes:

2009 capital projects are funded by prior year rate collections.
The Iron Point Project (Phase 2) is funded from the 2009 bond proceeds.



Cumulative Operating Revenues

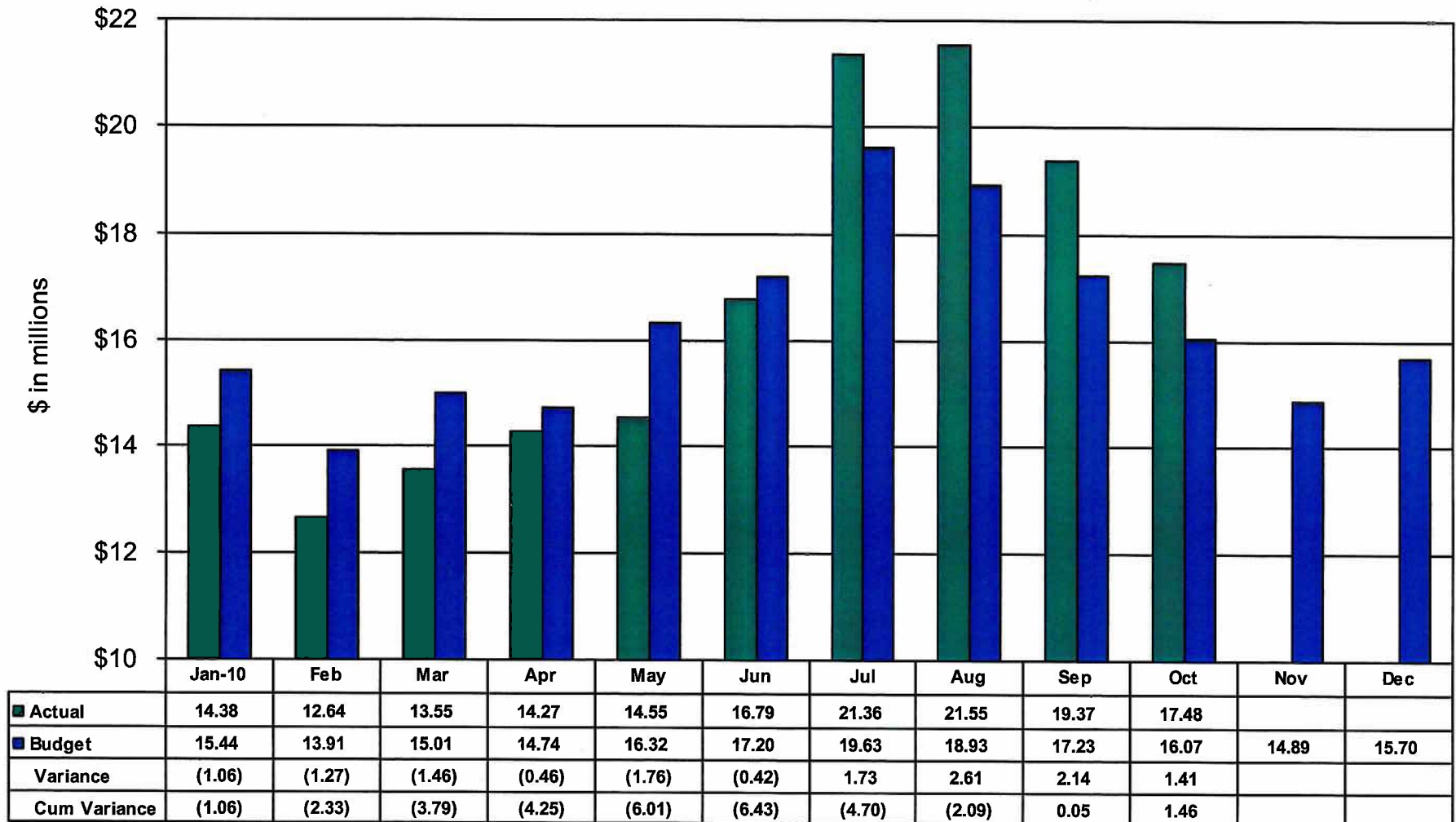
Revenues = GMC, LGIP, WSCC Security & Other Fees



October revenues are estimates.



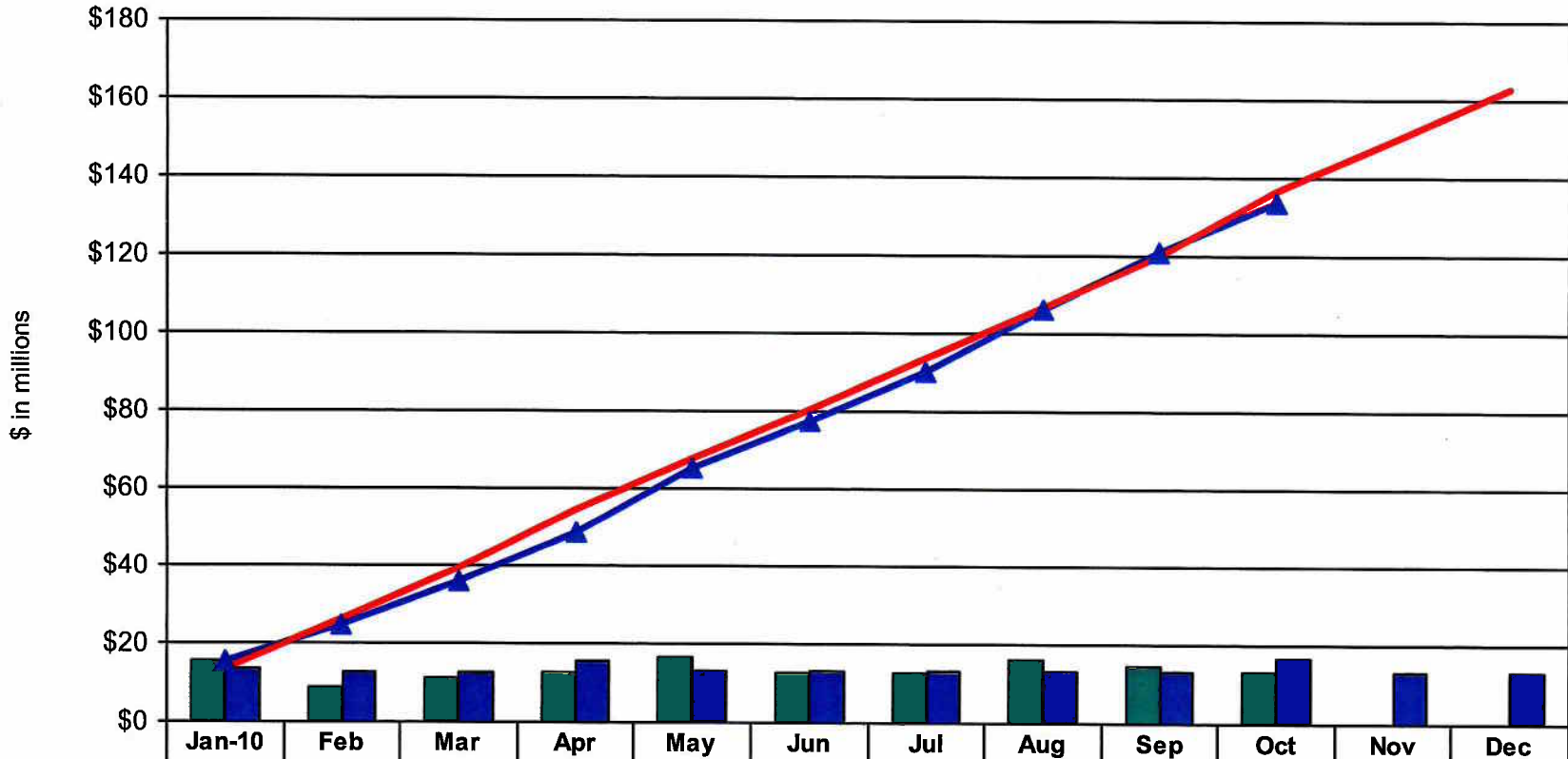
Monthly GMC Revenues



October revenues are estimates.



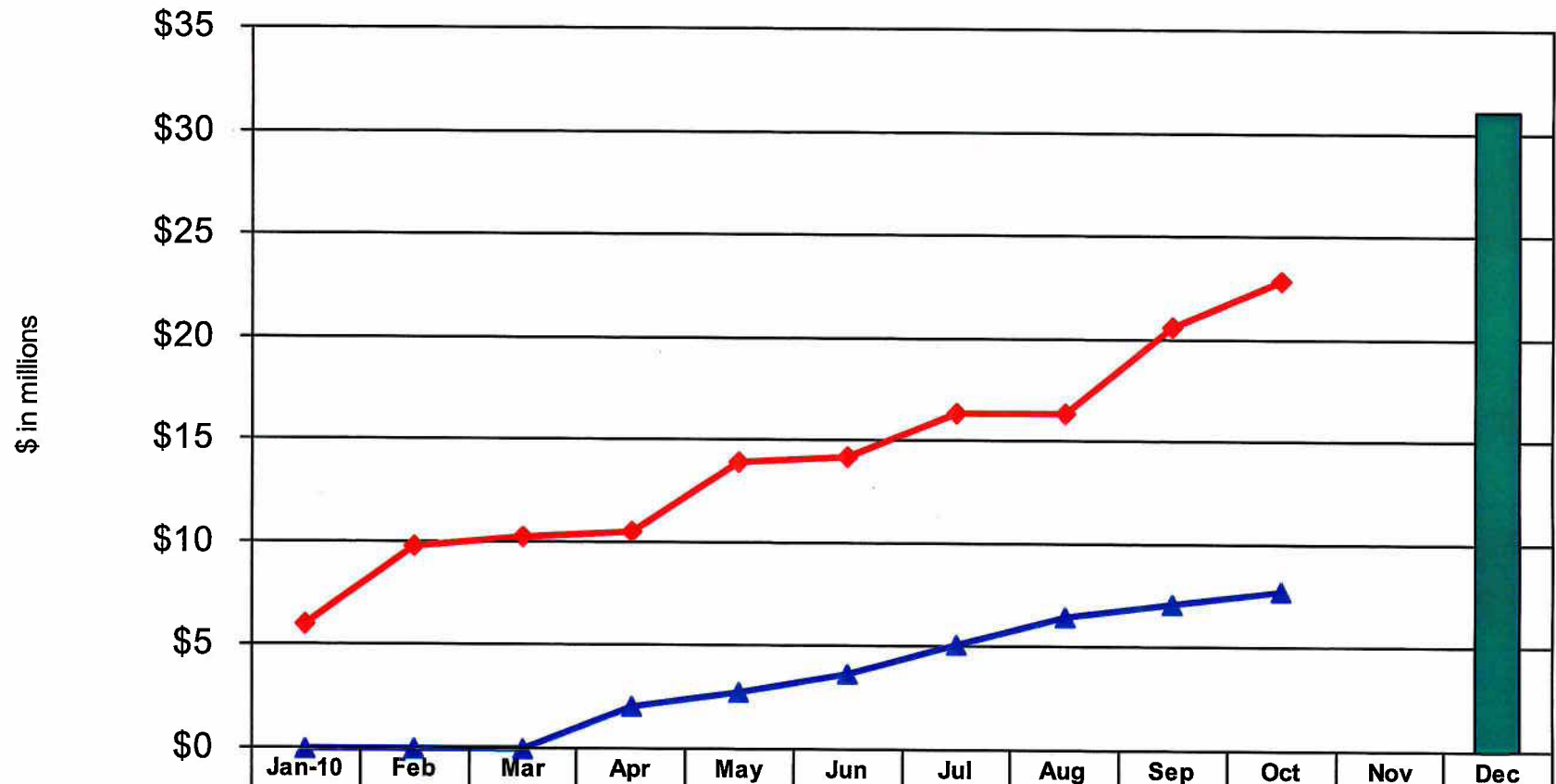
Operating and Maintenance Expenses (O&M)



	Jan-10	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	15.84	8.97	11.43	12.60	16.43	12.52	12.51	15.95	14.52	12.96		
Monthly Budget	13.60	12.86	12.87	15.39	13.02	12.97	13.09	13.13	13.11	16.55	13.05	13.05
Cum Actual	15.84	24.81	36.25	48.85	65.28	77.80	90.31	106.26	120.79	133.75		
Cum Budget	13.60	26.47	39.34	54.73	67.75	80.72	93.80	106.93	120.04	136.59	149.64	162.69
Cum Variance	(2.23)	1.65	3.09	5.87	2.46	2.92	3.49	0.67	(0.74)	2.85		



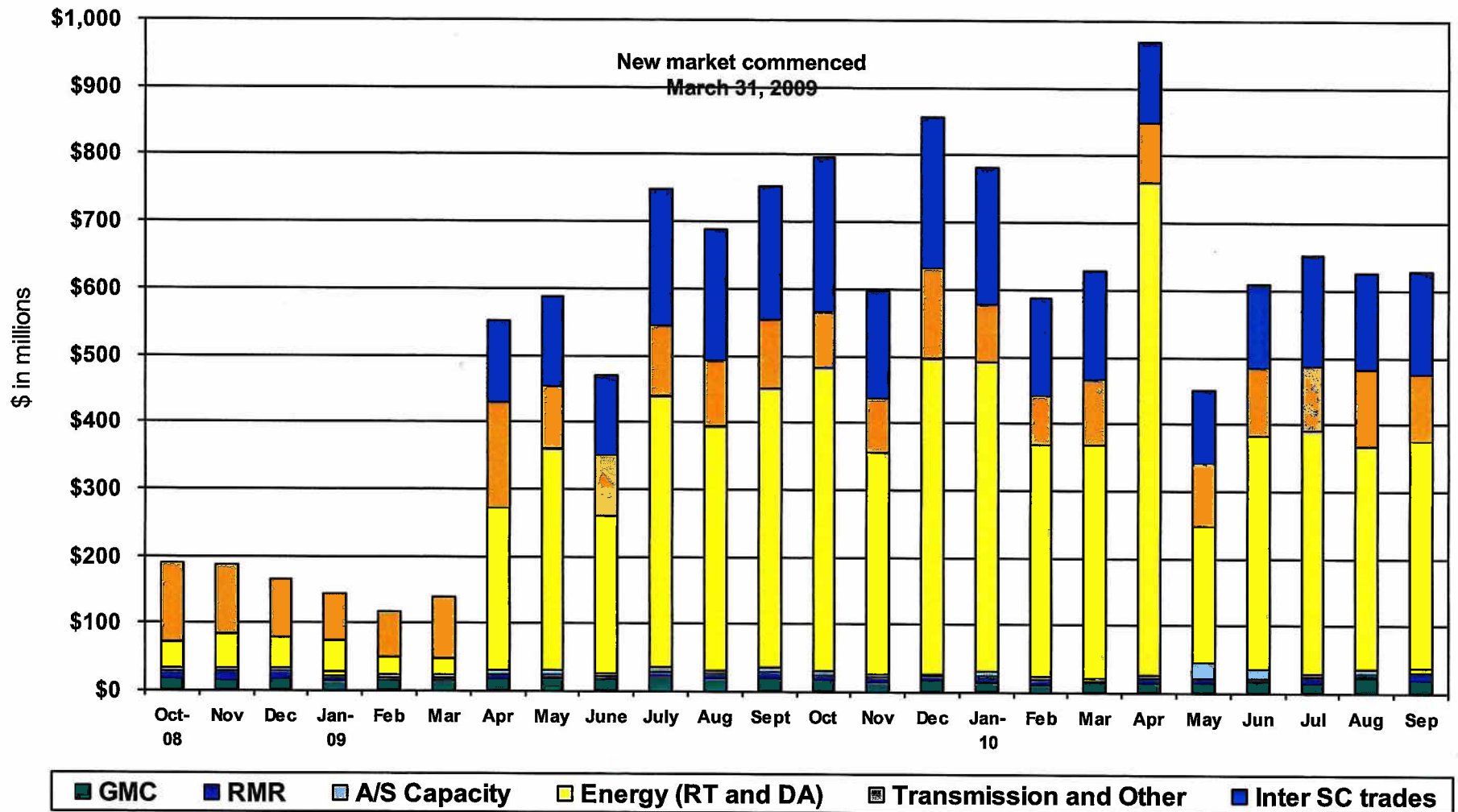
Cumulative Capital Expenditures



	Jan-10	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Budgeted capital												31.00
Cumulative Expenditures	0.01	0.02	0.02	2.10	2.76	3.66	5.12	6.46	7.11	7.73		
Approved projects	6.06	9.78	10.26	10.55	13.93	14.26	16.42	16.42	20.57	22.82		

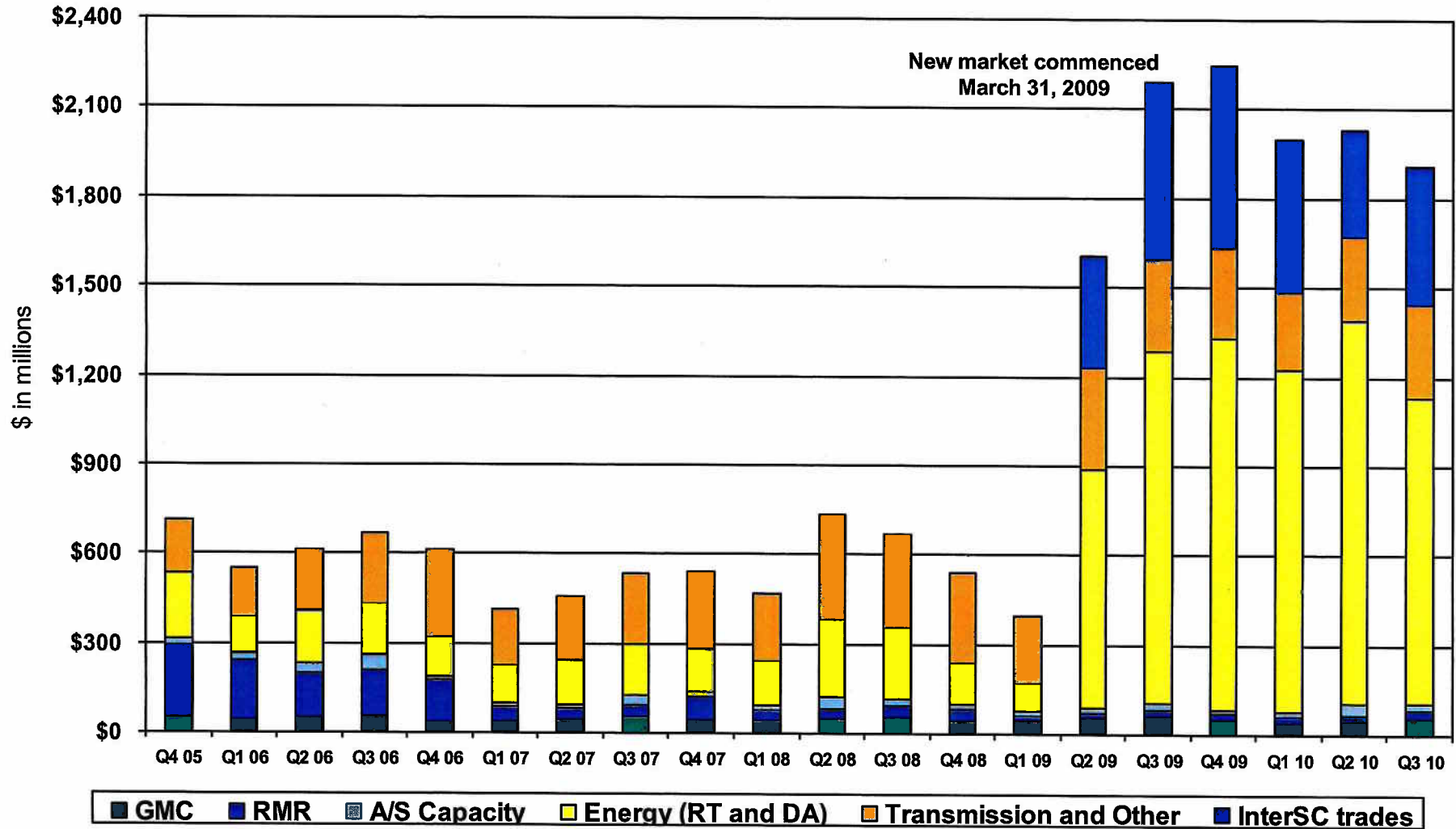


CAISO Market Revenues By Month October 2008 through September 2010



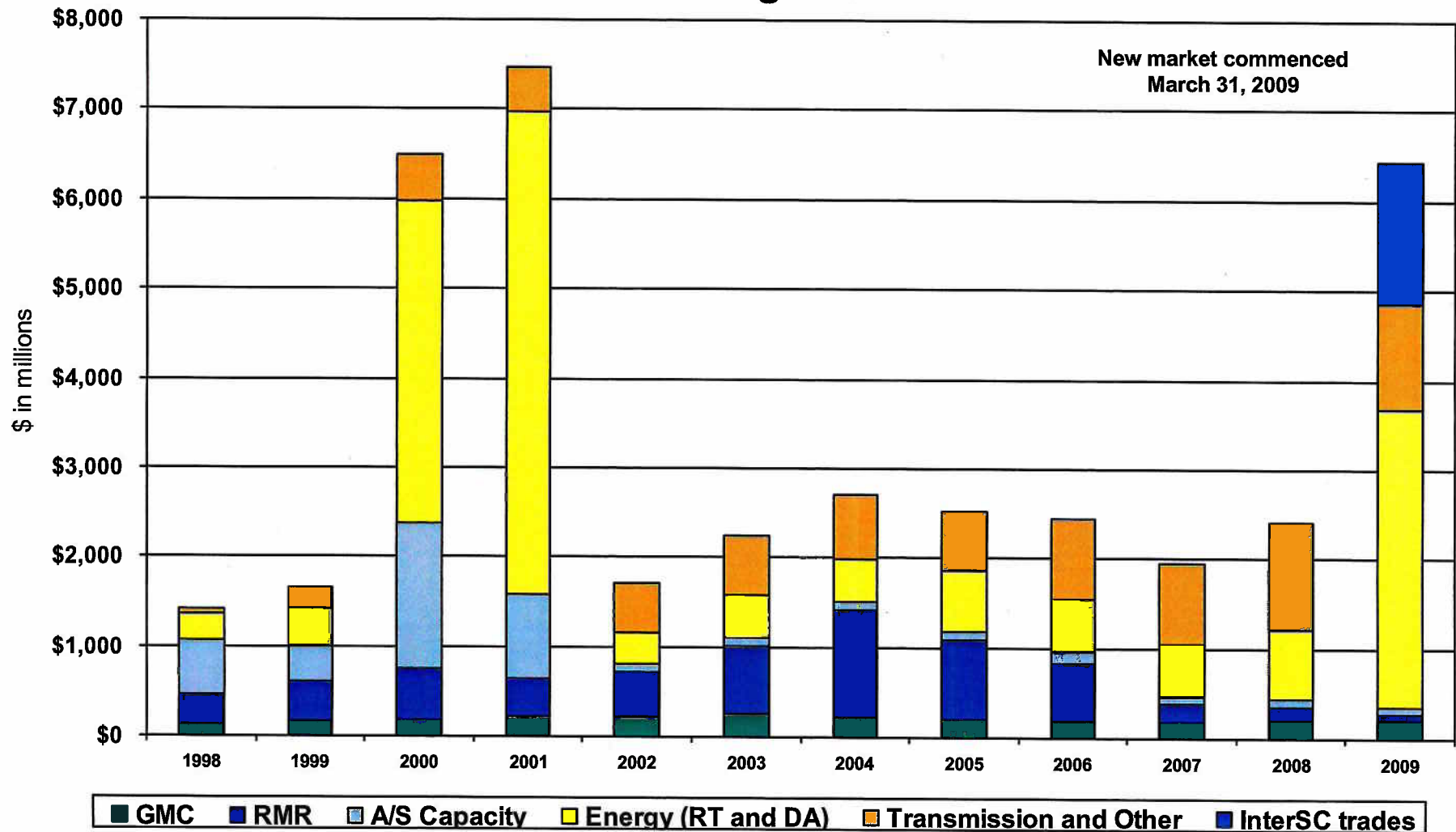


CAISO Market Revenues By Quarter 4th Quarter 2005 through 3rd Quarter 2010



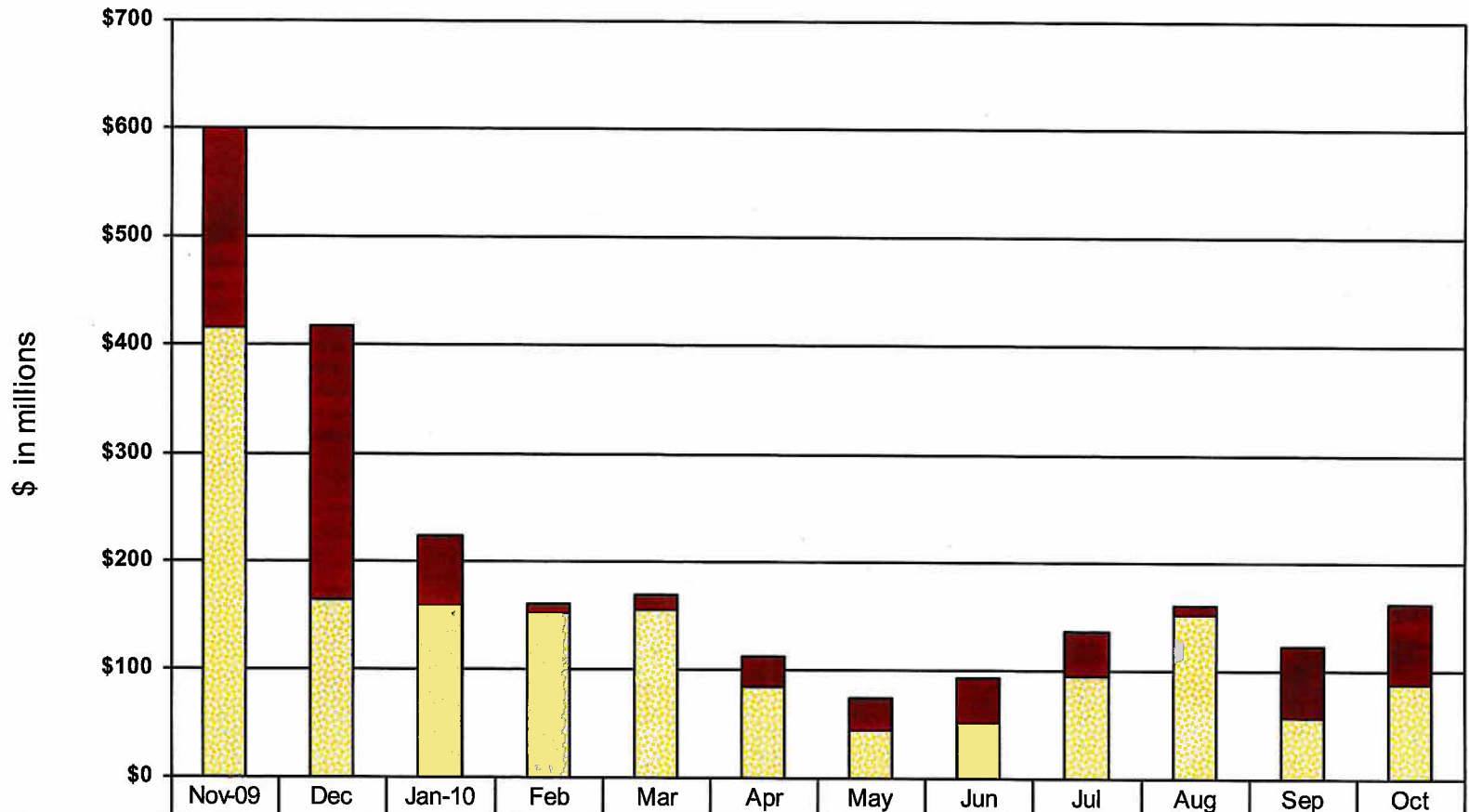


CAISO Market Revenues By Year 1998 through 2009





Outstanding Obligations of Market Participants



	Nov-09	Dec	Jan-10	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
■ Backed by UCL or GRN	184	255	65	9	15	27	30	42	41	9	66	74
□ Backed by posted security	417	163	159	151	154	85	44	51	95	151	56	87
■ Outstanding security requests	0	0	0	0	0	0	0	0	0	0	0	0

Outstanding obligations are estimated using available historical settlements data. The "Backed by UCL or GRN" category includes Unsecured Credit Limits (UCL) and Guarantees (GRN). Posted security includes letters of credit, surety bonds, cash deposits held in escrow, certificates of deposit, payment bonds, and prepayments to the CAISO.



Backing for Estimated Aggregate Liability (EAL) by Credit Quality

