
QUARTERLY FINANCIAL REPORT

December 31, 2013

Preliminary and Unaudited

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
QUARTERLY FINANCIAL REPORT - December 31, 2013 (Preliminary and Unaudited)

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CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY (Preliminary and Unaudited)

For the quarter ended December 31, 2013

Results of Operations

Revenues

Through the fourth quarter ending December 31, 2013, operating revenues were lower by \$2.0 million compared to the budgeted amounts. The overall decrease in revenues was primarily due to lower LGIP revenues, lower SC application fees and slightly lower GMC. The Company adjusted certain GMC rates in August 2013, to align actual GMC revenues closer to budget, as required by the Tariff.

Expenses

Operating expenses are \$2.2 million under budget through the fourth quarter of the year, largely due to lower salaries and wages and lower legal expenses, partially offset by higher consulting and contracting costs.

Material Changes to Assets and Liabilities

Debt service and market collateral transactions were the primary contributors in the changes in company assets and liabilities during the the year. Additionally, net fixed assets decreased as a result of the depreciation expenses that were recognized during the period.

Capital Projects

Through the end of December 31, 2013, \$18.3 million in projects were approved by the Corporate Management Committee. These projects will enhance the current systems' performance and effectiveness in meeting future challenges and FERC mandates.

Collateral Held Report

As of January 7, 2014 the ISO maintained \$1.8 billion in collateral from market participants to support \$284.4 million in aggregate liabilities due in the market. Approximately \$1.3 billion of the collateral is from unsecured sources (i.e., unsecured credit limits and parent guarantees) with investment grade or equivalent ratings, and \$492.1 million is from secured forms (i.e., cash , letters of credit, etc.). This collateral is predominantly invested in AAA rated money market funds or backed by A rated or better financial institutions.

CALIFORNIA ISO

Statement of Operations (Preliminary and Unaudited)

For the quarter ended December 31, 2013

(dollars in thousands)

	Quarter		Year to Date		Annual Budget
	Actual	Prior Year	Actual	Prior Year	
Operating Revenues:					
Grid Management Charge	\$ 45,389	\$ 46,185	\$ 195,321	\$ 195,170	\$ 196,028
Other Revenues	270	(272)	4,839	4,601	6,100
Total operating revenues	45,659	45,913	200,160	199,771	202,128
Operating Expenses:					
Salaries and Benefits	29,446	26,314	111,465	108,446	113,643
Building, Leases and Facility	701	2,543	3,193	8,207	3,390
Insurance	196	56	1,786	1,758	1,917
Third Party Vendor Contracts	3,789	2,549	15,394	14,290	15,457
Consulting and Contracting Services	4,919	4,029	18,031	13,641	16,600
Legal and Audit	1,461	2,812	4,897	5,947	5,969
Training, Travel and Professional Dues	946	306	3,134	2,720	3,855
Other	1,004	732	2,801	1,921	2,076
Total operating expenses	42,462	39,341	160,701	156,930	162,907
Operating Income Before Depreciation and Amortization	3,197	6,572	39,459	42,841	39,221
<u>Depreciation and amortization</u>	8,986	17,888	48,196	73,563	48,196
Net Operating Income (Loss)	(5,789)	(11,316)	(8,737)	(30,722)	(8,975)
Other Income (Expenses)					
Interest income & other	2,039	216	3,406	3,160	1,800
Interest expense	(2,684)	(5,062)	(11,659)	(15,508)	(12,045)
Total Other Income (Expenses)	(645)	(4,846)	(8,253)	(12,348)	(10,245)
Excess (Deficiency) of Revenues Over Expenses	\$ (6,434)	\$ (16,162)	\$ (16,990)	\$ (43,070)	\$ (19,220)
Number of Full-time Employees			581	580	601

CALIFORNIA ISO
Balance Sheet (Preliminary and Unaudited)
As of December 31, 2013
(dollars in thousands)

	Current Year 12/31/2013	Prior Year 12/31/2012
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents, including restricted amounts	\$ 416,985	\$ 376,420
Accounts Receivable	40,791	22,351
Short-term Investments, including restricted amounts	62,367	27,839
Other current assets	5,513	7,206
Total Current Assets	<u>525,656</u>	<u>433,816</u>
NONCURRENT ASSET		
Long-term investments, including restricted amounts	105,650	107,587
Fixed Assets, net	222,441	252,406
Other Assets	23,096	3,711
Total Noncurrent Assets	<u>351,187</u>	<u>363,704</u>
TOTAL ASSETS	<u><u>\$ 876,843</u></u>	<u><u>\$ 797,520</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 8,939	\$ 15,287
Accrued salaries and compensated absences	28,198	27,132
Current portion of Long-term Debt	27,145	39,580
Due to Market Participants	444,994	317,253
Generator noncompliance fines refund obligation	2,658	2,851
Total Current Liabilities	<u>511,934</u>	<u>402,102</u>
NONCURRENT LIABILITIES		
Long-term Debt, Net of Current Portion	198,729	218,550
Employee Retirement Plan obligations	22,211	21,758
Total Noncurrent Liabilities	<u>220,940</u>	<u>240,309</u>
TOTAL LIABILITIES	<u>732,874</u>	<u>642,411</u>
TOTAL NET ASSETS	<u>143,969</u>	<u>155,109</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 876,843</u></u>	<u><u>\$ 797,520</u></u>

CALIFORNIA ISO
Capital Projects Report (Preliminary and Unaudited)

For the quarter ended December 31, 2013

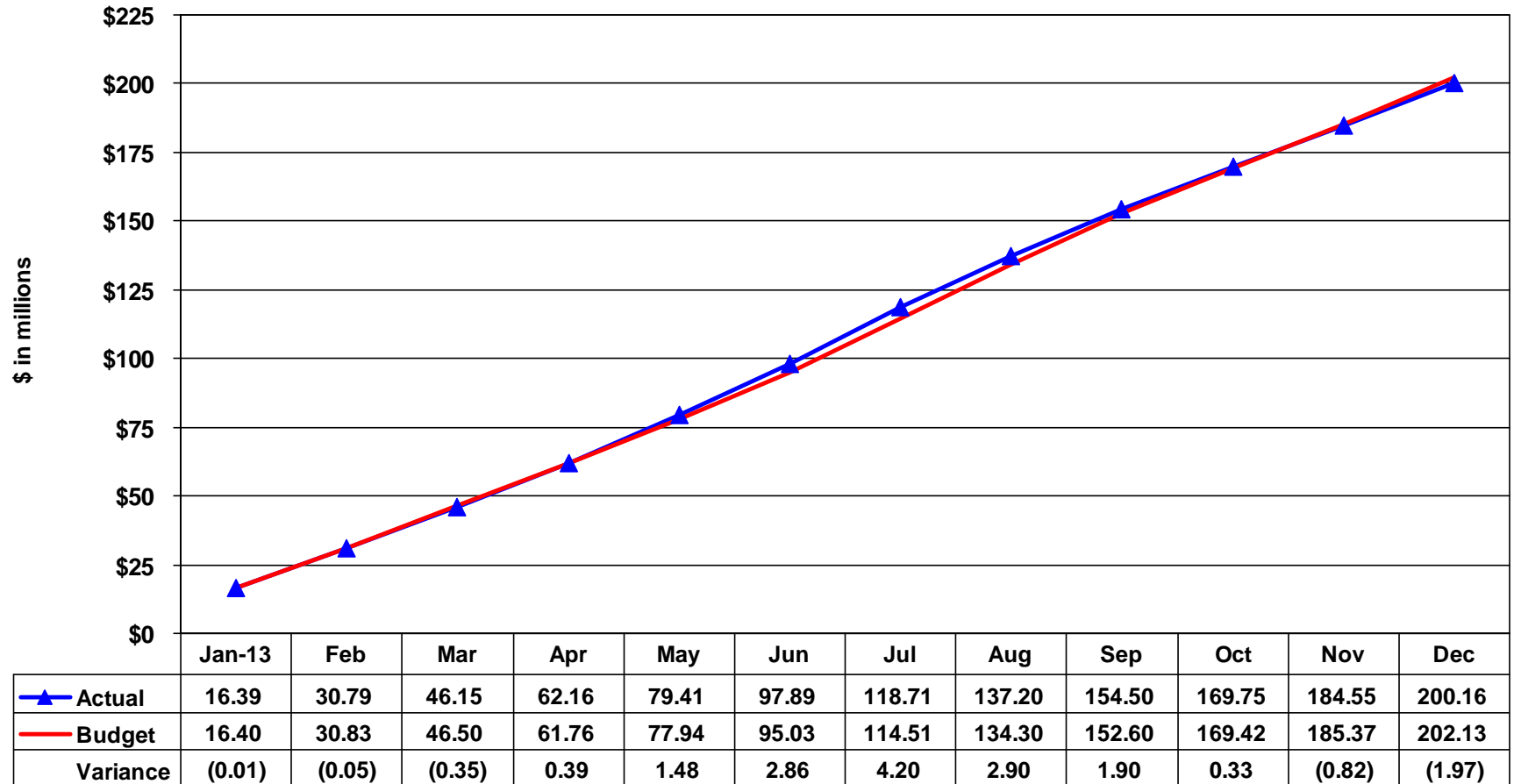
(dollars in thousands)

	Approved Projects				
	Q4 Actual	YTD Actual	2013 Approved Projects	Projected Costs for Approved Projects	Original/ Current Budget
Implement Systems, Tools and Forecasting	\$ 932	\$ 1,748	\$ 5,308	\$ 5,308	\$ 9,070
Enhance Markets & Performance	1,074	3,294	7,787	7,553	6,200
Compliance Culture	32	156	548	548	430
Infrastructure Improvements	463	2,604	4,609	4,612	3,800
Total 2013 Capital Spending	2,501	7,802	18,251	18,020	19,500
Prior Year Capital Projects	1,136	7,727	-	11,766	11,766
Total Capital	\$ 3,637	\$ 15,529	\$ 18,251	\$ 29,786	\$ 31,266

Cumulative Operating Revenues

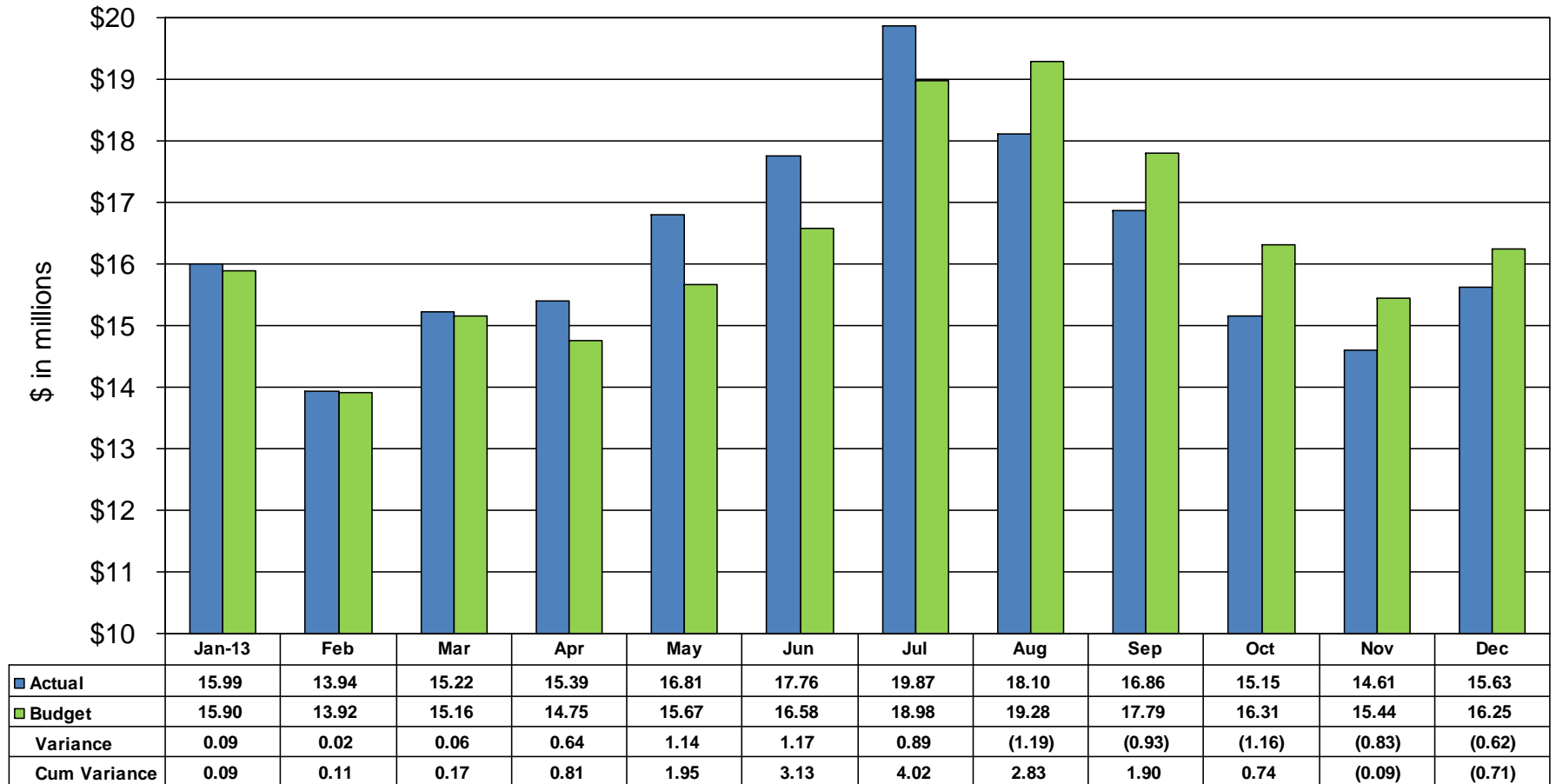
Revenues = GMC & Other Revenues

PRELIMINARY AND UNAUDITED



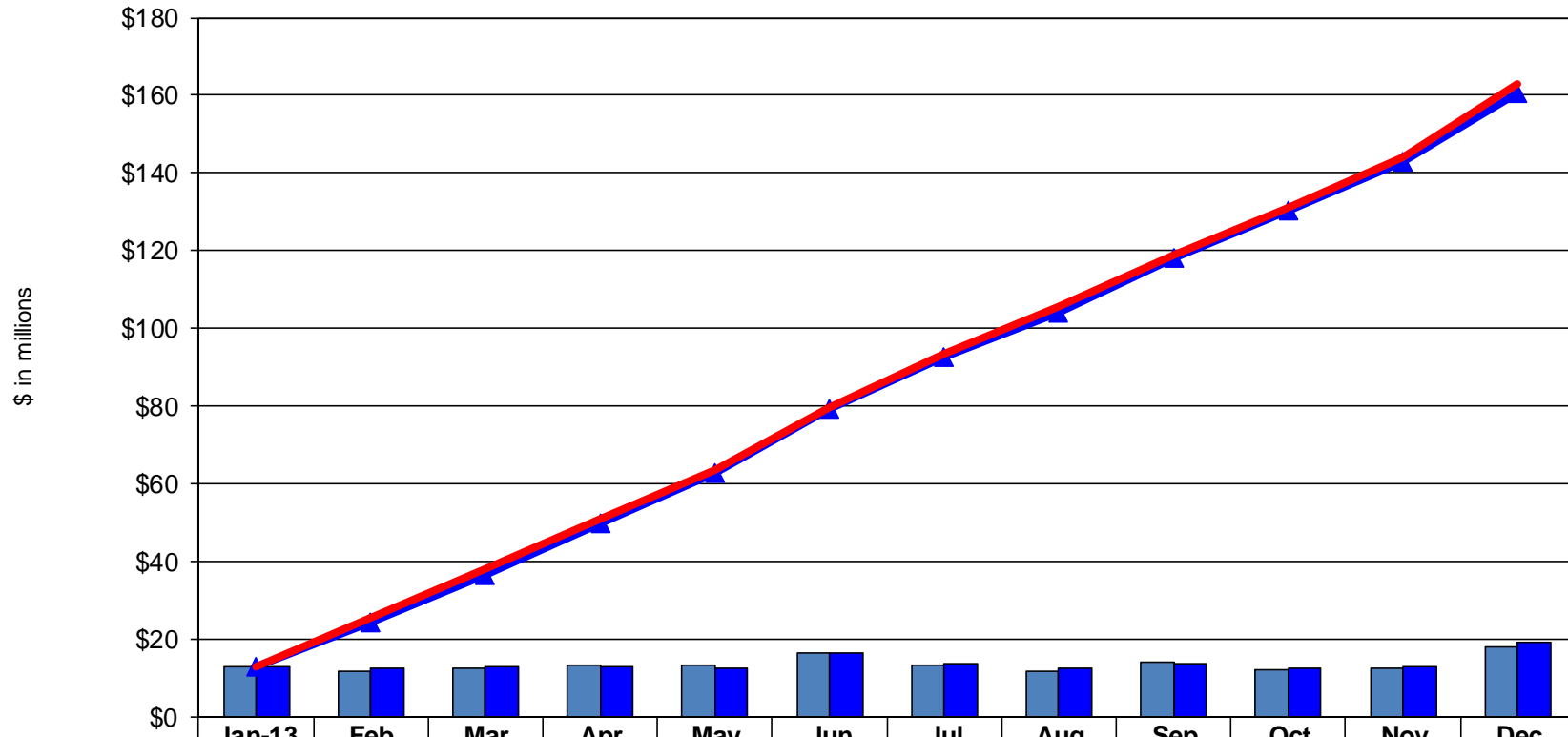
Monthly GMC Revenues

PRELIMINARY AND UNAUDITED



Operating and Maintenance Expenses (O&M)

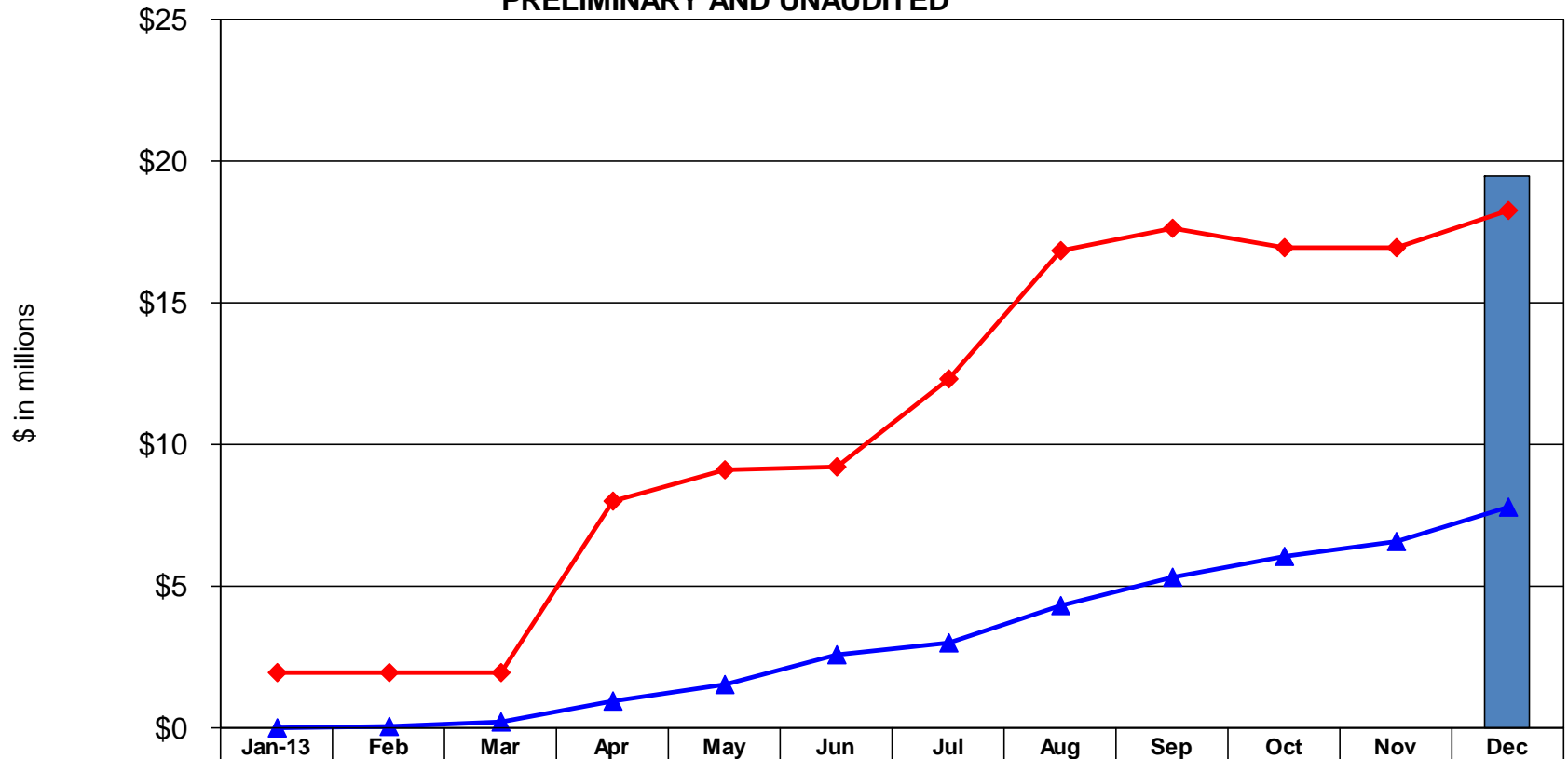
PRELIMINARY AND UNAUDITED



	Jan-13	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	12.61	11.54	12.39	13.23	13.12	16.36	13.37	11.55	14.09	12.05	12.56	17.85
Monthly Budget	12.70	12.47	12.89	12.93	12.38	16.21	13.62	12.48	13.38	12.20	12.59	19.05
Cum Actual	12.61	24.14	36.53	49.76	62.88	79.23	92.60	104.15	118.24	130.29	142.85	160.70
Cum Budget	12.70	25.17	38.06	50.99	63.36	79.58	93.20	105.68	119.06	131.26	143.85	162.91
Cum Variance	0.10	1.03	1.53	1.23	0.49	0.34	0.60	1.53	0.83	0.98	1.00	2.21

Cumulative Capital Expenditures

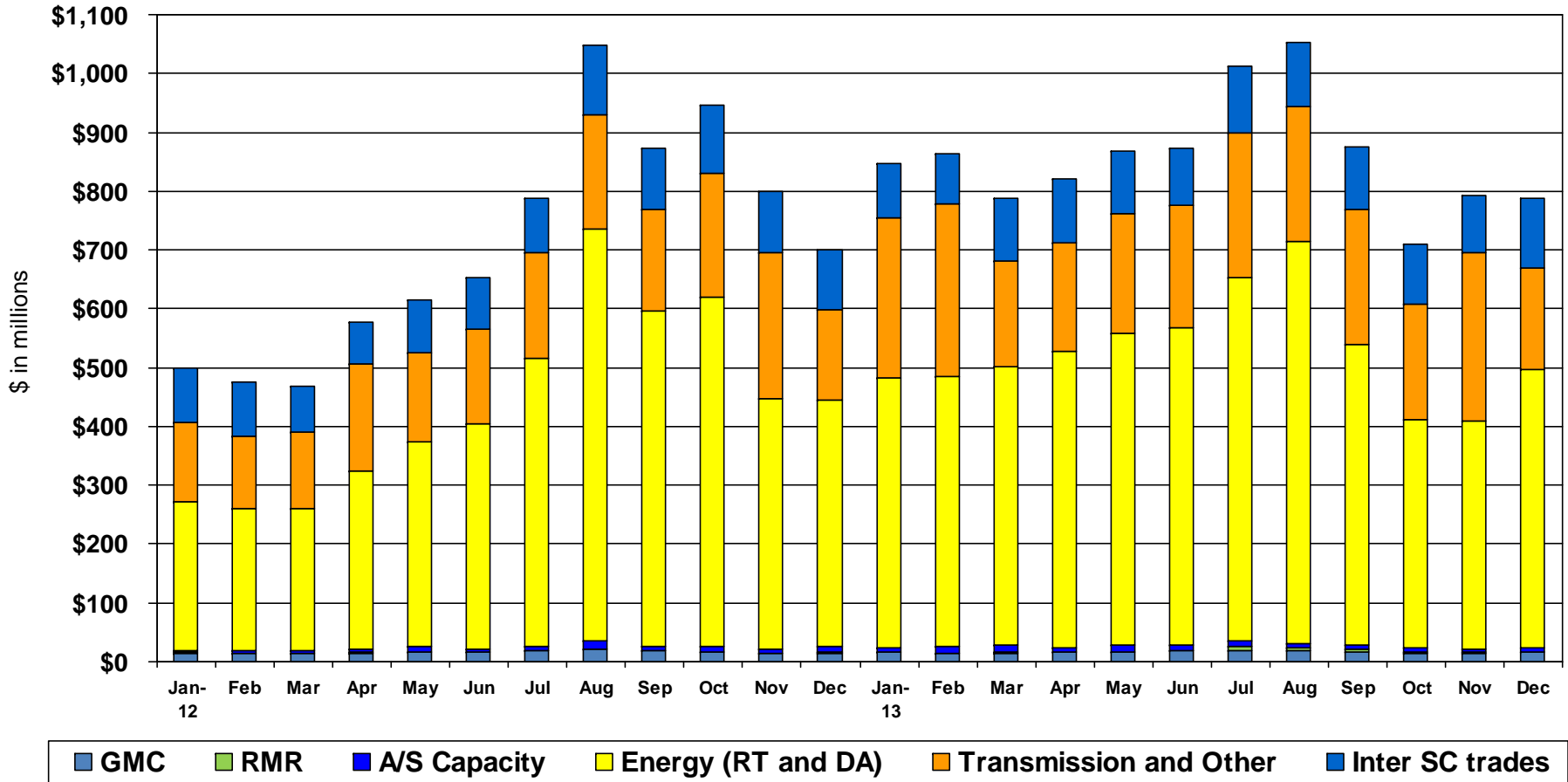
PRELIMINARY AND UNAUDITED



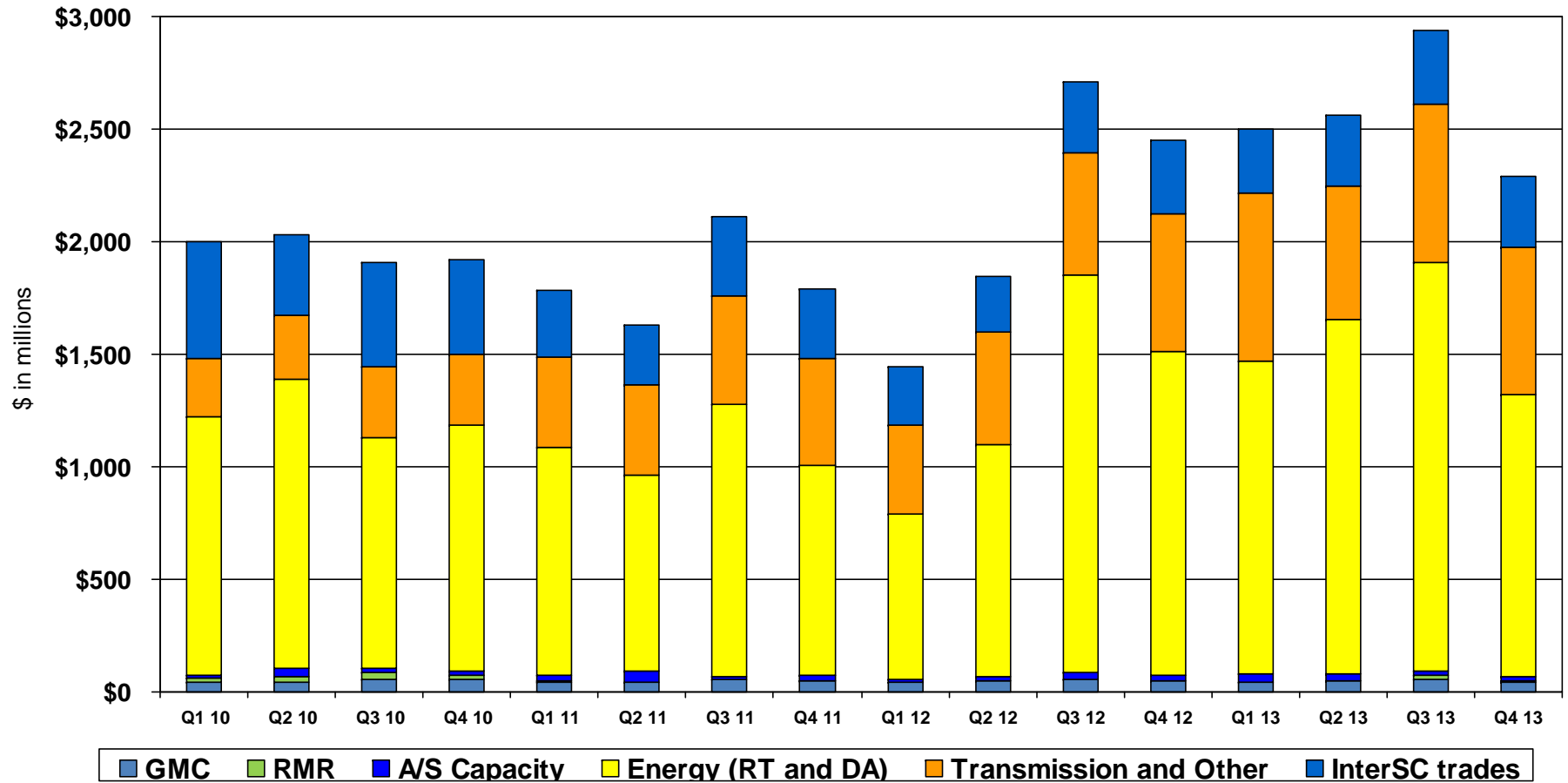
Budgeted capital												19.50
Cumulative Expenditures	0.02	0.05	0.23	0.94	1.51	2.57	3.00	4.33	5.30	6.06	6.56	7.80
Approved projects	1.95	1.95	1.95	7.98	9.13	9.19	12.31	16.82	17.64	16.94	16.94	18.25

ISO Market Revenues By Month

Jan 2012 through Dec 2013



ISO Market Revenues By Quarter 1st Quarter 2010 through 4th Quarter 2013



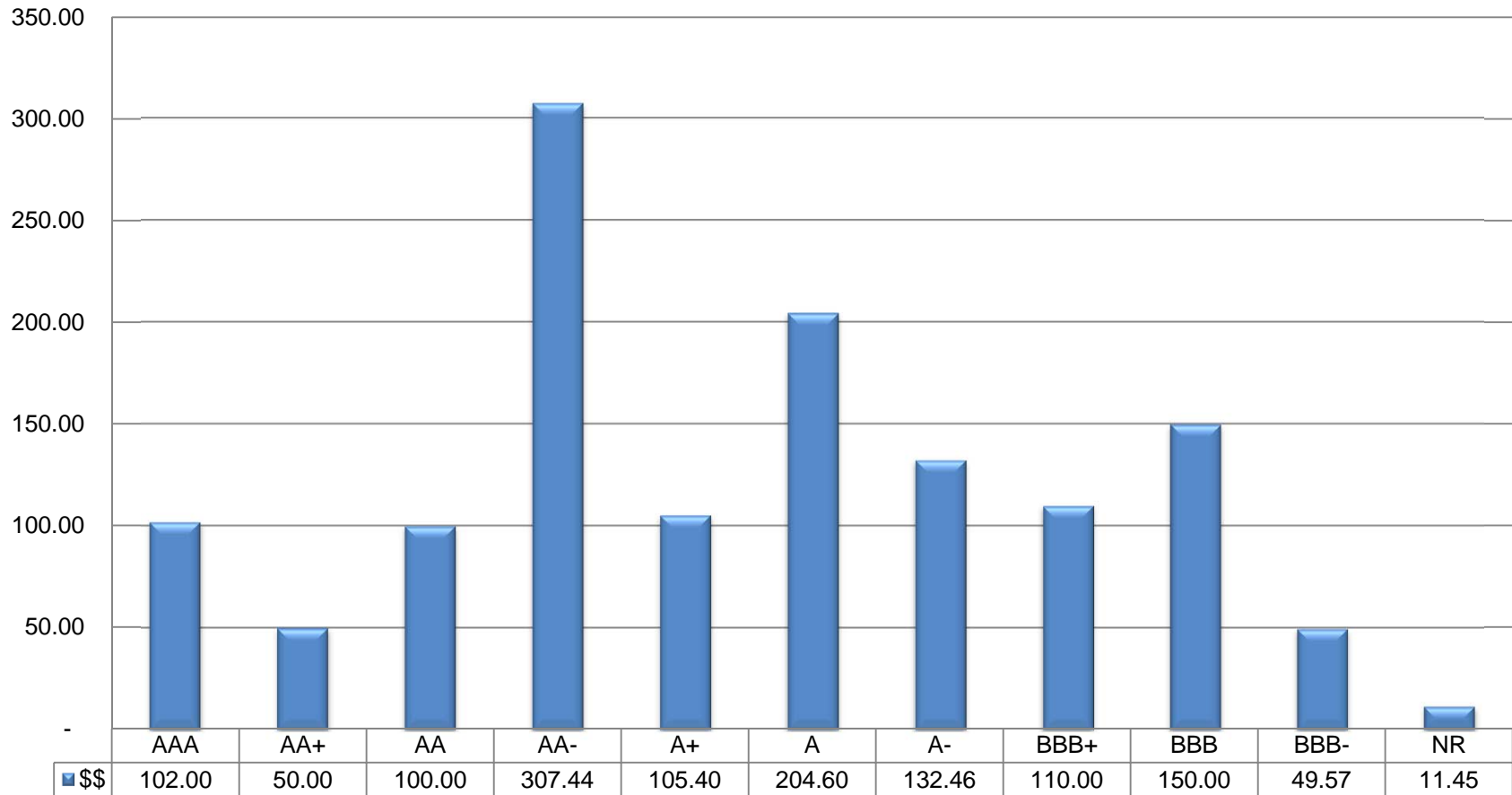
Collateral & Estimated Aggregate Liability (as of 01/07/14)

Collateral Types	Amount
Unsecured	\$1,322,915,282
Secured	\$492,072,087
Total	\$1,814,987,369

Estimate Aggregate Liability	Amount
Positive EAL	\$284,406,215

Unsecured Collateral (as of 01/07/14)

(in millions)



Secured Collateral (as of 01/07/14)

(in millions)

