

QUARTERLY FINANCIAL REPORT

December 31, 2012

Preliminary and Unaudited

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
QUARTERLY FINANCIAL REPORT - December 31, 2012 (Preliminary and Unaudited)

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CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the quarter ended December 31, 2012 (Preliminary and Unaudited)

Results of Operations

Revenues

For the year ending December 31, 2012, operating revenues were higher by \$0.3 million compared to the budgeted amounts, primarily to higher GMC revenues.

Expenses

Operating expenses are \$6.8 million under budget for the year, largely due to lower actual labor costs and consulting expenses. The savings in labor costs are typically the result of employee vacancies and efficient use of overtime.

Material Changes to Assets and Liabilities

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

Capital Projects

Through the end of December 31, 2012, \$23.4 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 10, 2013 the ISO maintained \$1.7 billion in collateral from market participants to support \$205.8 million in aggregate liabilities due in the market. Approximately \$1.2B of the collateral is from unsecured sources (i.e., unsecured credit limits and parent guarantees) with investment grade or equivalent ratings, and \$507.5 million 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 quarter ended December 31, 2012 (Preliminary and Unaudited)
(dollars in thousands)

	Quarter		Year to Date		Annual Budget
	Actual	Prior Year	Actual	Prior Year	
<u>Operating Revenues:</u>					
Grid Management Charge	\$ 46,185	\$ 44,865	\$ 195,170	\$ 186,375	\$ 194,821
Other Revenues	616	563	5,478	5,365	5,500
Total operating revenues	46,801	45,428	200,648	191,740	200,321
<u>Operating Expenses:</u>					
Salaries and Benefits	24,892	25,747	107,024	\$ 107,893	113,150
Building, Leases and Facility	2,497	2,243	8,160	9,858	7,450
Insurance	56	(57)	1,758	1,778	2,006
Third Party Vendor Contracts	3,946	3,258	15,687	16,418	15,399
Consulting and Contracting Services	3,791	3,769	13,403	13,298	14,782
Legal and Audit	2,157	1,076	5,292	3,696	4,355
Training, Travel and Professional Dues	520	205	2,934	2,631	3,681
Other	765	852	1,954	2,485	2,225
Total operating expenses	38,624	37,093	156,212	158,057	163,048
OIBDA	8,177	8,335	44,436	33,683	37,273
<u>Depreciation and amortization</u>	11,578	20,188	67,252	69,360	65,000
Net Operating Income (Loss)	(3,401)	(11,853)	(22,816)	(35,677)	(27,727)
<u>Other Income (Expenses)</u>					
Interest income & other	228	497	3,172	3,050	2,900
Interest expense	(3,473)	(3,286)	(13,919)	(14,259)	(13,633)
Total Other Income (Expenses)	(3,245)	(2,789)	(10,747)	(11,209)	(10,733)
Excess (Deficiency) of Revenues Over Expenses	\$ (6,646)	\$ (14,642)	(33,563)	(46,886)	\$ (38,460)
Number of Full-time Employees			587	583	601

CALIFORNIA ISO**Balance Sheet**

As of December 31, 2012 (Preliminary and Unaudited)

(dollars in thousands)

	Current Year 12/31/2012	Prior Year 12/31/2011
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents, including restricted amounts	\$ 387,279	\$ 450,388
Accounts Receivable	25,354	21,871
Short-term Investments, including restricted amounts	35,462	22,790
Other current assets	6,242	7,113
Total Current Assets	<u>454,337</u>	<u>502,162</u>
NONCURRENT ASSET		
Long-term investments, including restricted amounts	\$ 89,105	\$ 90,073
Fixed Assets, net	258,287	303,868
Other Assets	2,974	3,781
Total Noncurrent Assets	<u>350,366</u>	<u>397,722</u>
TOTAL ASSETS	<u><u>\$ 804,703</u></u>	<u><u>\$ 899,884</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 15,152	\$ 18,541
Accrued salaries and compensated absences	25,234	25,919
Current portion of Long-term Debt	39,580	28,585
Due to Market Participants	317,241	356,538
Generator noncompliance fines refund obligation	2,851	638
Total Current Liabilities	<u>400,058</u>	<u>430,221</u>
NONCURRENT LIABILITIES		
Long-term Debt, Net of Current Portion	218,550	259,201
Employee Retirement Plan obligations	21,584	19,343
Total Noncurrent Liabilities	<u>240,134</u>	<u>278,545</u>
TOTAL LIABILITIES	<u>640,192</u>	<u>708,766</u>
TOTAL NET ASSETS	<u>164,511</u>	<u>191,118</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 804,703</u></u>	<u><u>\$ 899,884</u></u>

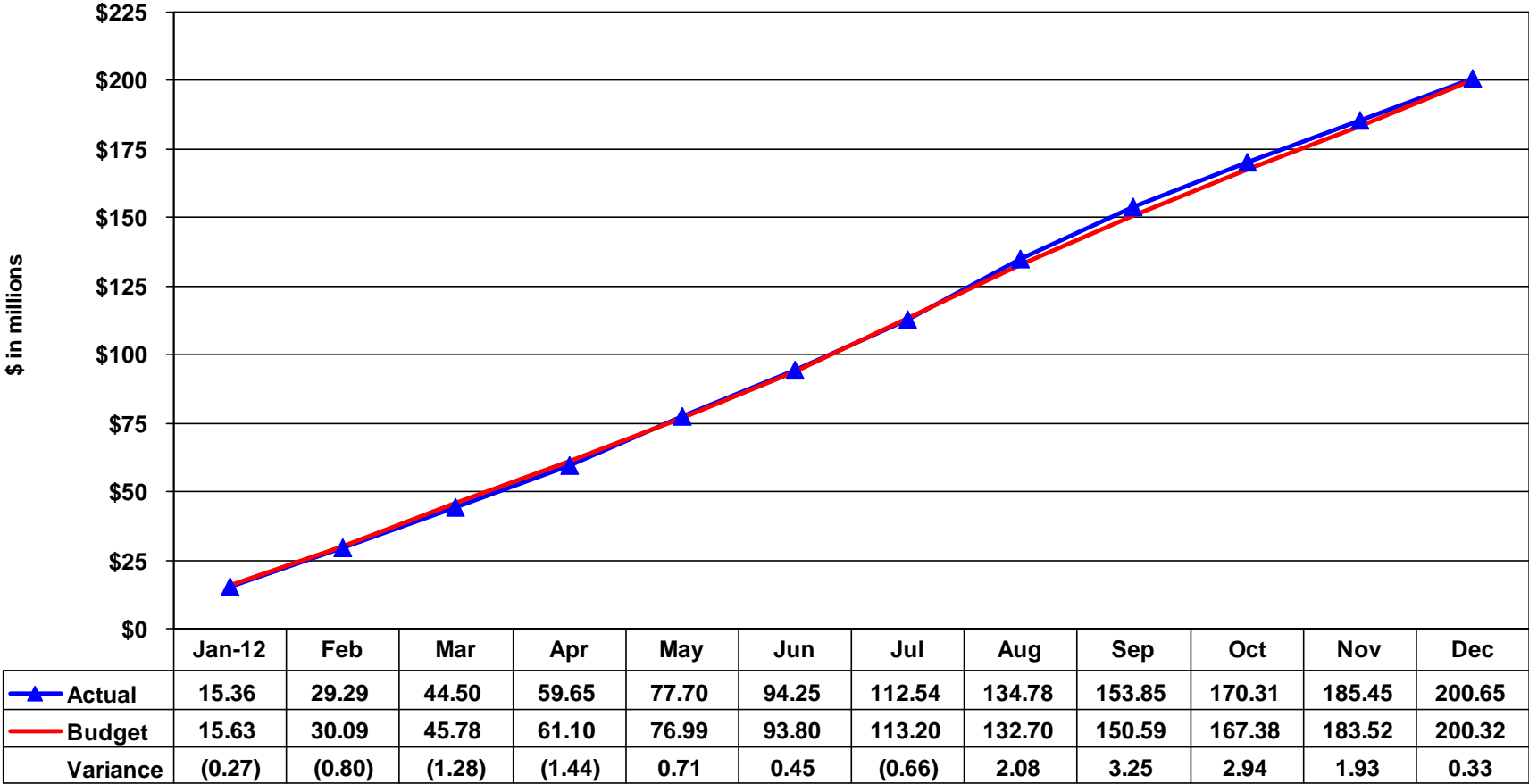
CALIFORNIA ISO
Capital Projects Report

For the quarter ended December 31, 2012 (Preliminary and Unaudited)
(dollars in thousands)

	Approved Projects				
	Q4 Actual	YTD Actual	2012 Approved Projects	Projected Costs for Approved Projects	Original/ Current Budget
Implement Systems, Tools and Forecasting	\$ 8	\$ 2,334	\$ 5,762	\$ 5,762	\$ 3,800
Enhance Markets & Performance	1,755	3,702	9,740	9,740	8,400
Compliance Culture	6	58	739	739	2,900
Infrastructure Improvements	204	6,268	7,159	7,156	7,000
Blue Ravine Decommissioning Costs	-	-	-	-	1,300
Total 2012 Capital Spending	<u>1,973</u>	<u>12,362</u>	<u>23,400</u>	<u>23,397</u>	<u>23,400</u>
Prior Year Capital Projects	<u>534</u>	<u>7,292</u>	<u>-</u>	<u>9,879</u>	<u>9,879</u>
Total Capital	<u><u>\$ 2,506</u></u>	<u><u>\$ 19,654</u></u>	<u><u>\$ 23,400</u></u>	<u><u>\$ 33,276</u></u>	<u><u>\$ 33,279</u></u>

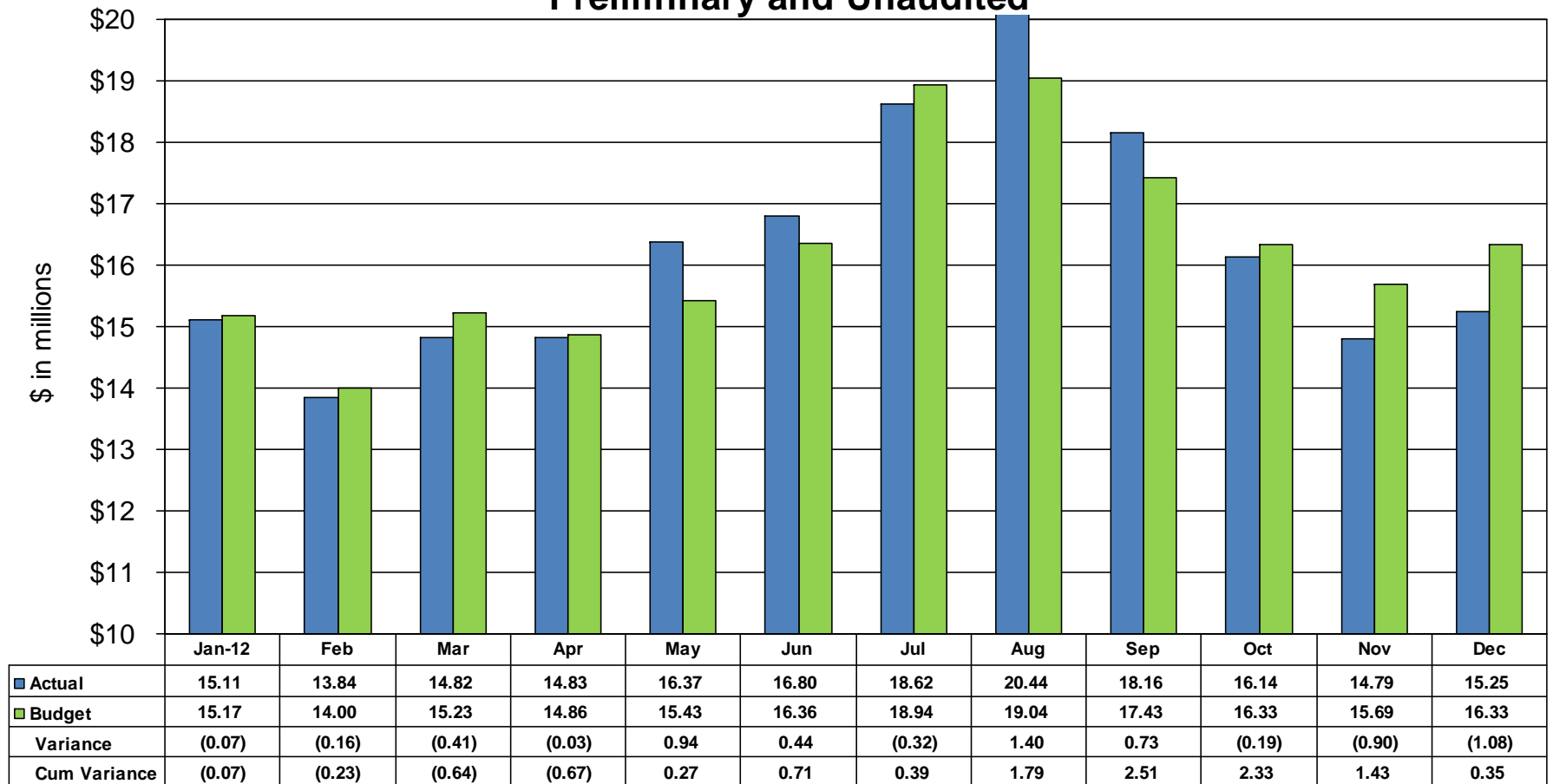
Cumulative Operating Revenues

Preliminary and Unaudited
Revenues = GMC & Other Revenues



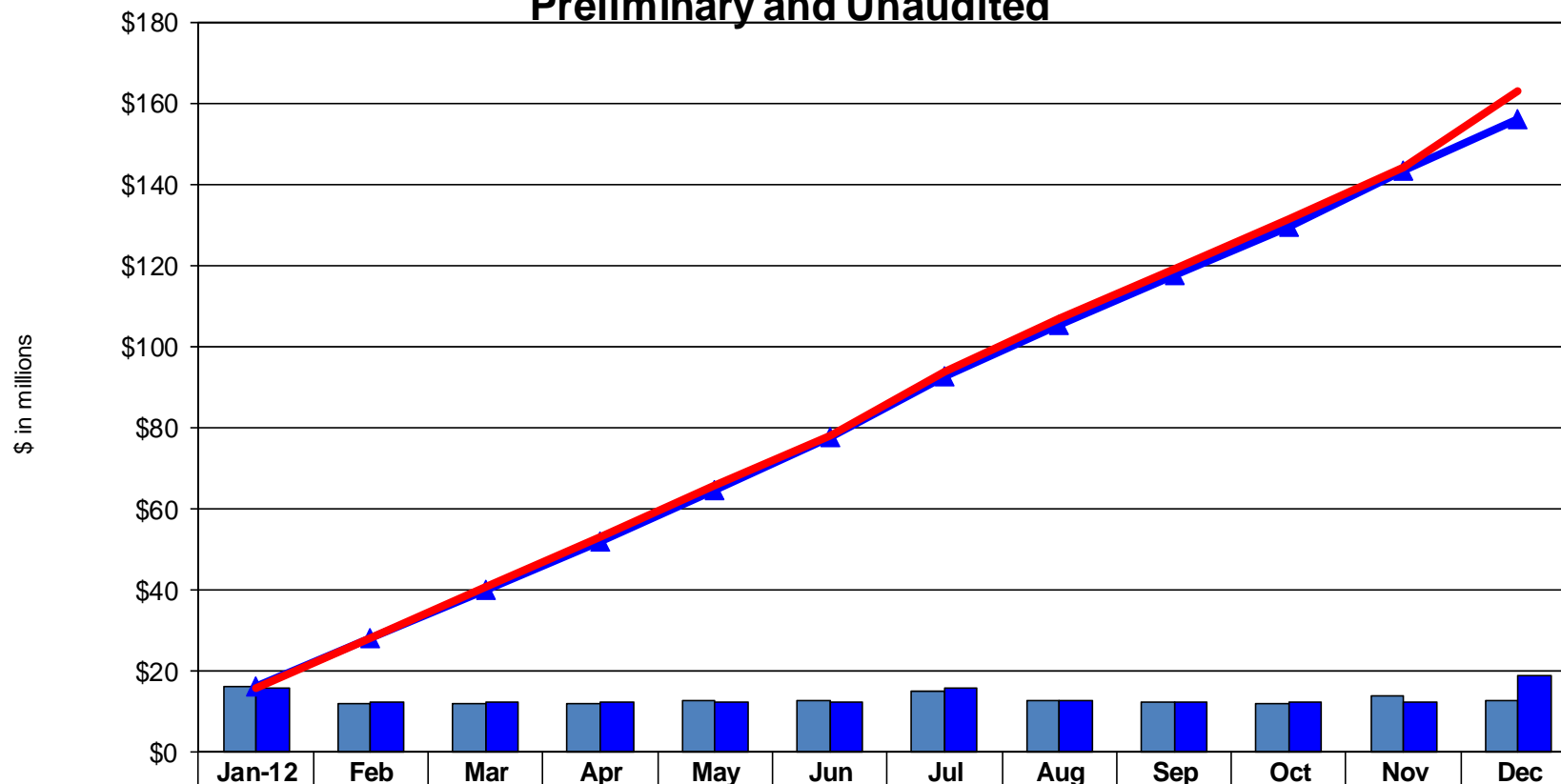
Monthly GMC Revenues

Preliminary and Unaudited



Operating and Maintenance Expenses (O&M)

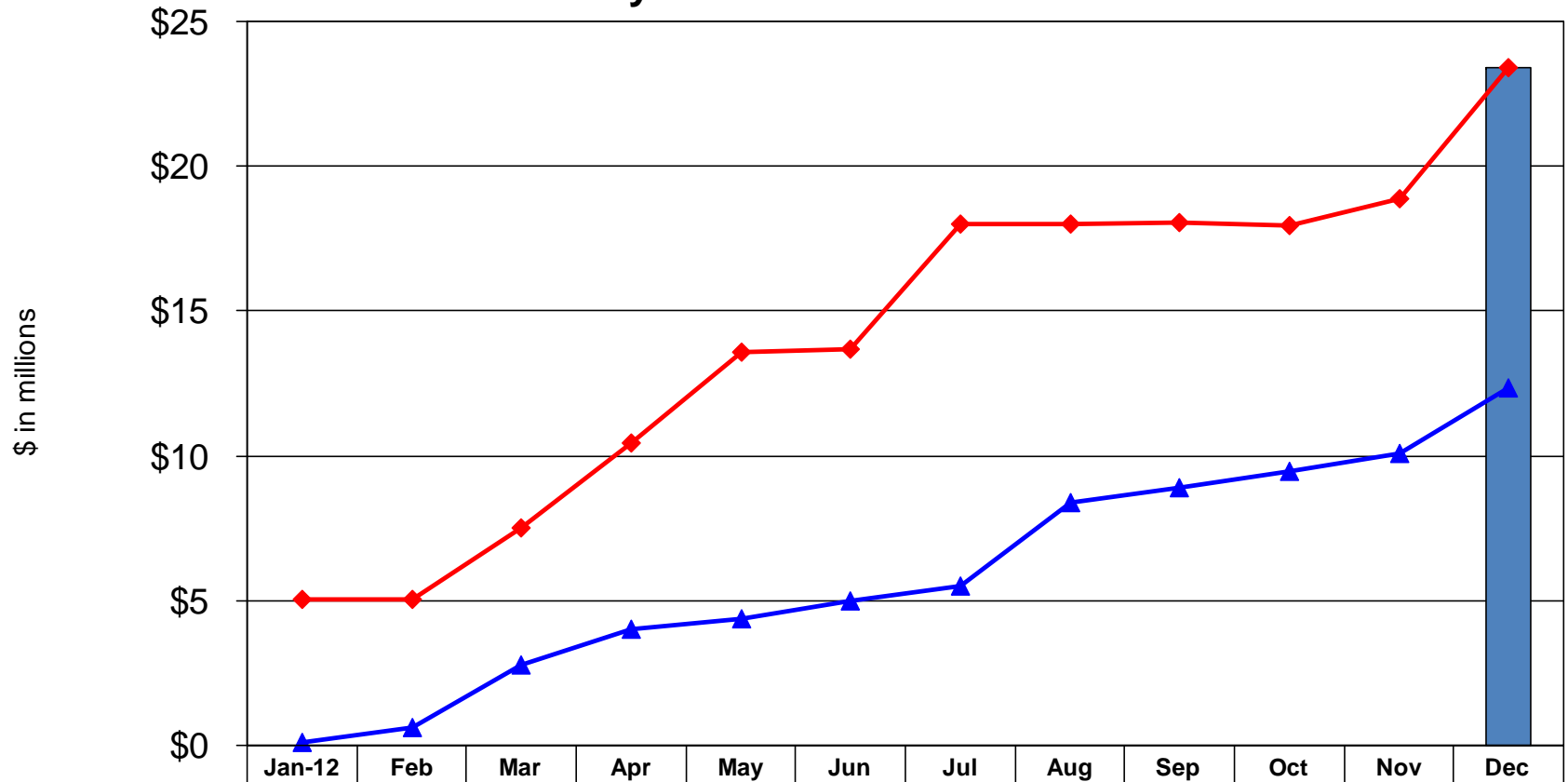
Preliminary and Unaudited



	Jan-12	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	16.27	11.89	11.89	12.08	12.67	12.77	15.13	12.64	12.25	11.96	13.85	12.82
Monthly Budget	15.86	12.43	12.39	12.43	12.58	12.55	15.74	12.88	12.41	12.42	12.43	18.93
Cum Actual	16.27	28.16	40.06	52.14	64.81	77.58	92.71	105.34	117.59	129.54	143.39	156.21
Cum Budget	15.86	28.29	40.68	53.11	65.69	78.24	93.98	106.86	119.27	131.69	144.12	163.05
Cum Variance	(0.41)	0.13	0.62	0.97	0.88	0.66	1.27	1.52	1.68	2.15	0.73	6.84

Cumulative Capital Expenditures

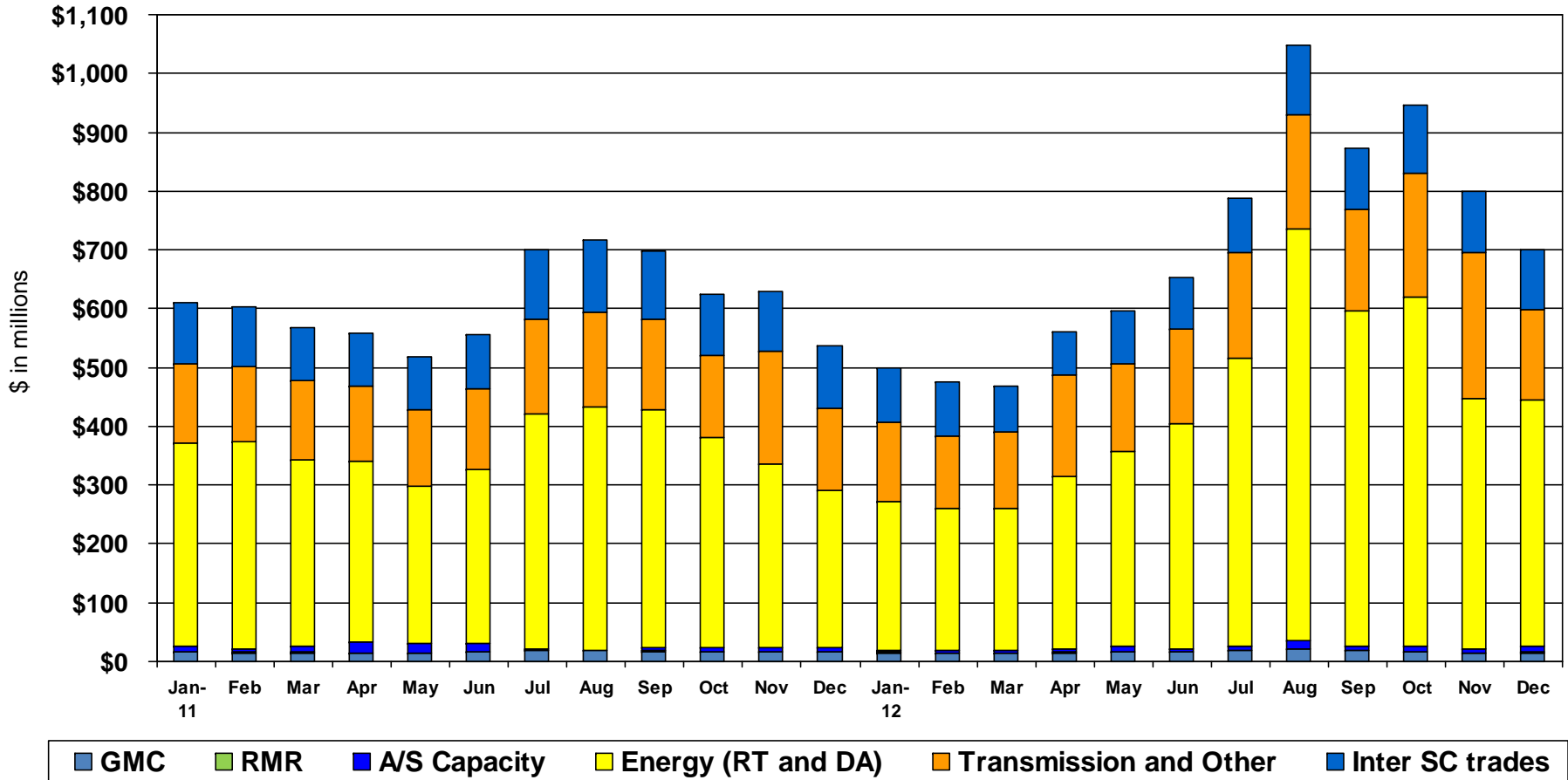
Preliminary and Unaudited



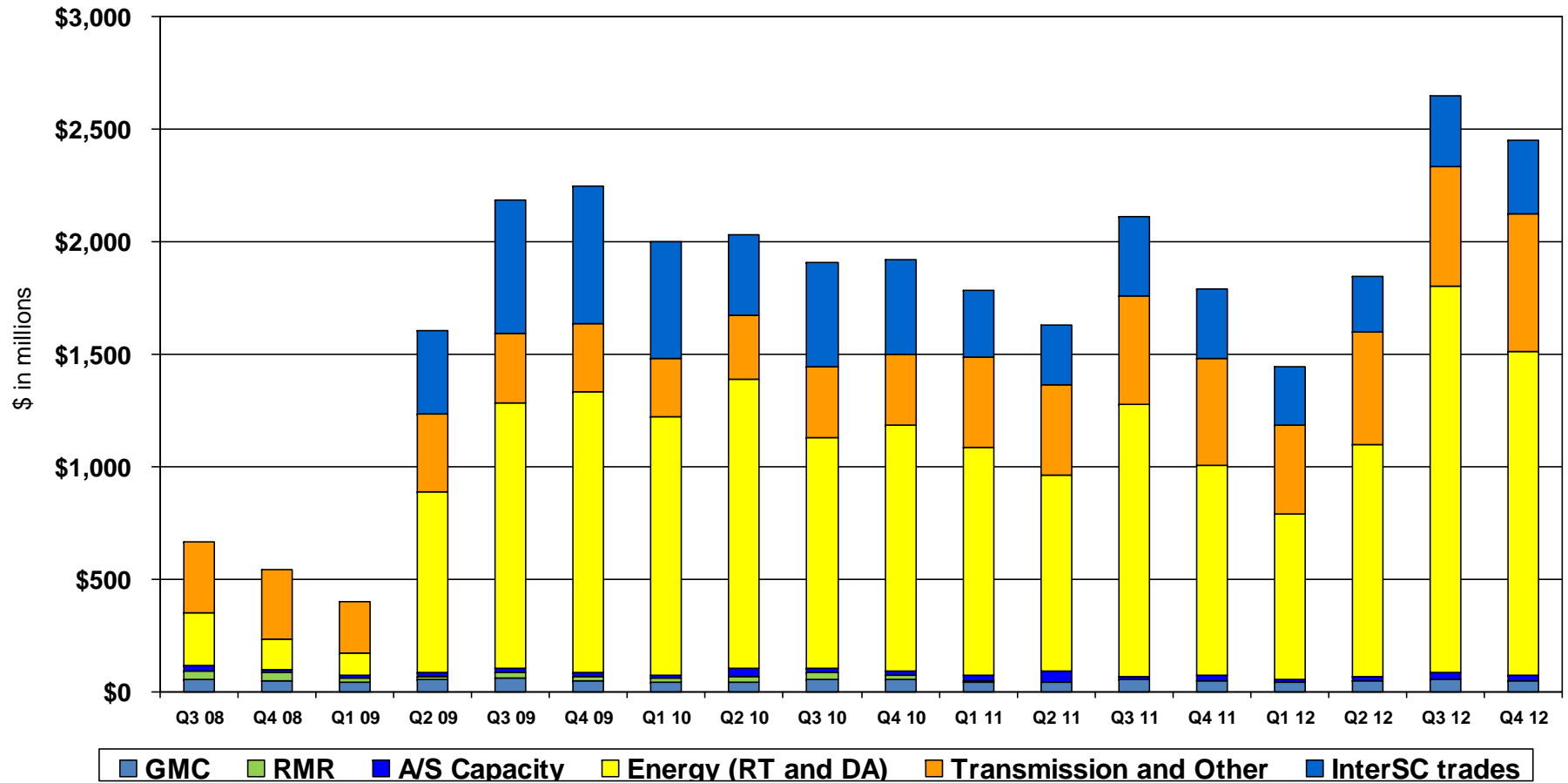
	Jan-12	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Budgeted capital												23.40
Cumulative Expenditures	0.10	0.63	2.80	3.99	4.37	4.98	5.51	8.41	8.91	9.45	10.10	12.36
Approved projects	5.03	5.03	7.50	10.45	13.56	13.69	17.99	17.99	18.03	17.95	18.90	23.40

ISO Market Revenues By Month

January 2011 through December 2012



ISO Market Revenues By Quarter 3rd Quarter 2008 through 4th Quarter 2012



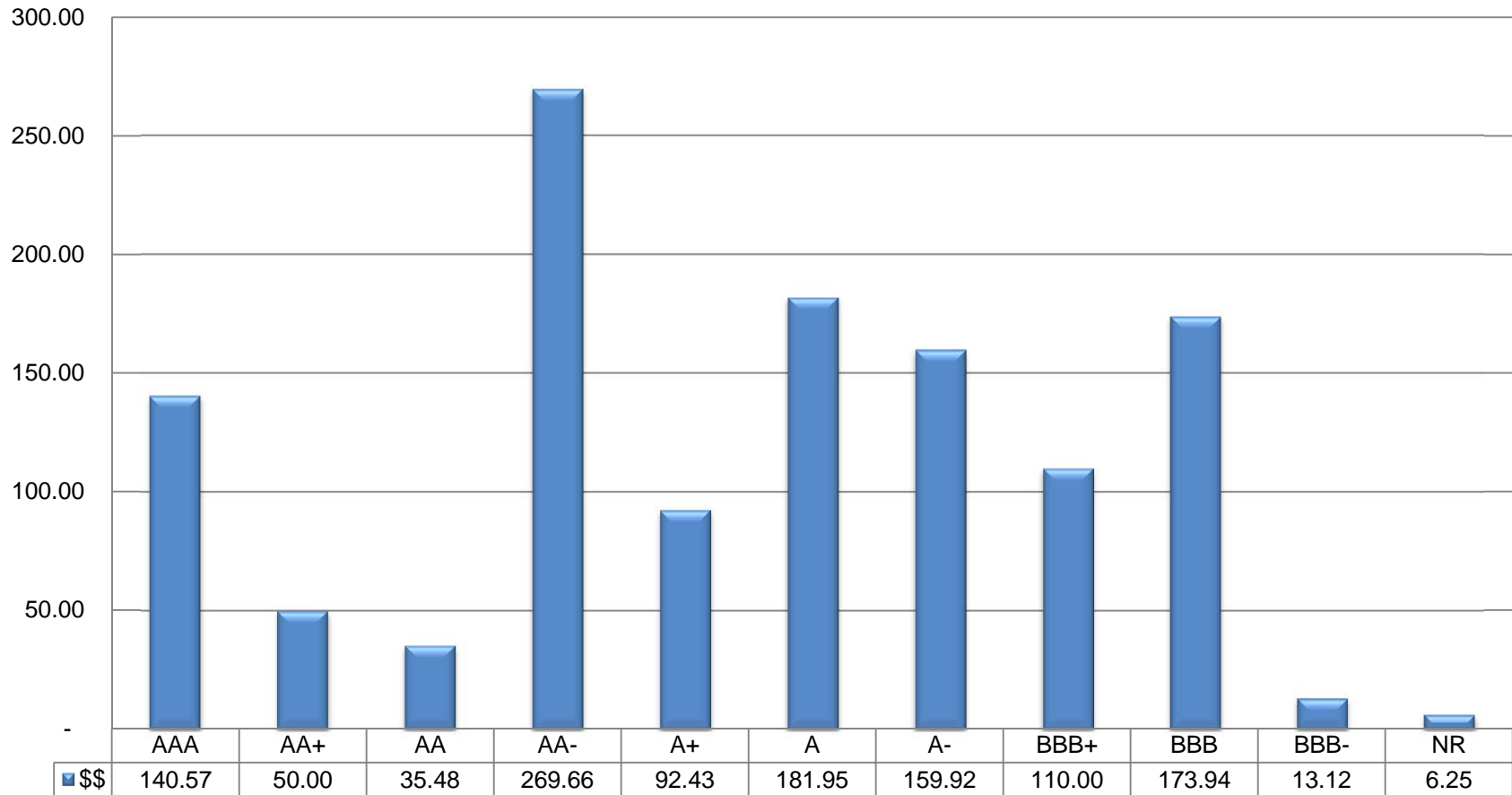
Collateral & Estimated Aggregate Liability (as of 01/10/13)

Collateral Types	Amount
Unsecured	\$1,233,321,760
Secured	\$507,515,770
Total	\$1,740,837,530

Estimate Aggregate Liability	Amount
Positive EAL	\$205,847,599

Unsecured Collateral (as of 01/10/13)

(in millions)



Secured Collateral (as of 01/10/13)

(in millions)

