

MONTHLY FINANCIAL REPORT

May 2007

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

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CALIFORNIA ISO

SUMMARY, DISCUSSION AND COMMENTARY

For the five-month period ended May 31, 2007

The ISO

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

- ♦ Operating Revenues for May were \$17.0M, \$0.5M higher than budget.
 - The variance was primarily due to higher interest income offset by lower estimated GMC.
- ♦ Operating Revenues for the year were \$85.5M, \$8.0M higher than budget.
 - The variance was primarily due to higher interest income and to the SDG&E GMC net refund of \$6.5M.
- ♦ O&M expenses for May were \$12.0M, \$0.1M lower than the budget.
- ♦ O&M expenses for the year were \$63.1M, \$0.1 lower than budget.
- ♦ At month end, there were 517 full-time employees compared to the 541 full-time employees budgeted.

BALANCE SHEET: (page 2)

- ♦ The principal change relates to additions to capital assets and increase in shareholder surplus which reflect May operating results.

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 \$3.5M. 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 May totaled \$50.8M and include \$45.0M for MRTU projects.

INTEREST COSTS: (page 9)

- ♦ During May, the ISO bond interest rates averaged 3.85%, 0.14% lower than the budgeted rate of 3.99%.

CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the five-month period ended May 31, 2007

The ISO Markets

MARKET CHARGES: (page 4)

- ◆ Charges for the market (including GMC and FERC Fees) settled in May amounted to \$108.3M (February 2007 trade month) compared to \$132.3M (January 2007 trade month) that settled in April.

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.
- ◆ The new credit policy took effect on May 12, 2006 and the report reflects the new standards, estimates, and credit limits.

TIMELINESS OF MARKET COLLECTIONS: (page 14)

- ◆ Twenty three payments (of 282 invoices) in the February 2007 cash clearing were received late compared to twenty-six payments (of 290 invoices) in the January 2007 cash clearing.

CALIFORNIA ISO

Statement of Operations

For the five-month period ended May 31, 2007
(dollars in thousands)

	Month				Year to Date				2007
	Actual	Budget	Variance	Var (%)	Actual	Budget	Variance	Var (%)	Budget
Revenues:									
Grid Management Charge	\$ 14,600	\$ 15,618	\$ (1,018)	-7%	\$ 77,859	\$ 73,590	\$ 4,269	6%	\$ 188,313
Fines, WSCC & Other Fees	541	576	(35)	-6%	1,059	2,880	(1,821)	-63%	6,912
Interest income & other	1,820	193	1,627	843%	6,533	965	5,568	577%	2,317
Total revenues	16,961	16,387	574	4%	85,451	77,435	8,016	10%	197,542
Operating Expenses:									
Salaries and Benefits	6,802	6,721	81	1%	36,967	36,884	83	0%	87,180
Building, Leases and Facility	217	780	(563)	-72%	3,326	3,899	(573)	-15%	9,359
Insurance	88	356	(268)	-75%	1,918	2,205	(287)	-13%	2,209
Third Party Vendor Contracts	2,664	2,591	73	3%	8,290	10,456	(2,166)	-21%	22,915
Consulting and Contracting Services	1,841	657	1,184	180%	7,263	3,769	3,494	93%	8,396
Legal and Audit	296	465	(169)	-36%	2,833	3,041	(208)	-7%	6,900
Training, Travel and Professional Dues	(213)	340	(553)	-163%	1,253	1,818	(565)	-31%	4,316
Other	345	206	139	67%	1,241	1,121	120	11%	2,530
Total operating expenses	12,038	12,116	(78)	-1%	63,091	63,193	(102)	0%	143,805
Net operating income (loss)	4,924	4,271	653	15%	22,360	14,242	8,118	57%	53,737
Interest and Other Expenses									
Interest expense	266	578	(312)	-54%	4,629	2,870	1,759	61%	6,913
Depreciation and amortization	1,207	1,207	-	0%	6,154	6,154	-	0%	25,200
Total interest and other expenses	1,473	1,785	(312)	-17%	10,783	9,024	1,759	19%	32,113
Excess (Deficiency) of Revenues Over Expenses	\$ 3,450	\$ 2,486	\$ 964	39%	\$ 11,577	\$ 5,218	\$ 6,359	122%	\$ 21,624
Number of Full-time Employees	517	541	(24)	-4%					541

CALIFORNIA ISO
Balance Sheet (Preliminary and Unaudited)

As of May 31, 2007

(dollars in thousands)

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>
ASSETS			
NET ELECTRIC UTILITY PLANT	<u>\$ 178,400</u>	<u>\$ 174,355</u>	<u>\$ 4,045</u>
CURRENT ASSETS			
Unrestricted Cash and Cash Equivalents	42,912	47,391	(4,479)
Restricted Cash and Cash Equivalents	133,577	129,624	3,953
Accounts Receivable, net	29,341	28,977	364
Investments	95,780	95,825	(45)
Accrued Interest	1,788	1,370	418
Prepayments	<u>1,697</u>	<u>1,334</u>	<u>363</u>
Total Current Assets	<u>305,095</u>	<u>304,521</u>	<u>574</u>
NONCURRENT ASSET AND DEFERRED CHARGES			
Unamortized debt expenses and other	<u>2,403</u>	<u>2,141</u>	<u>262</u>
Total Noncurrent Asset and Deferred Charges	<u>2,403</u>	<u>2,141</u>	<u>262</u>
TOTAL ASSETS	<u>\$485,898</u>	<u>\$481,017</u>	<u>\$ 4,881</u>
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION			
Stakeholders' Surplus	\$ 173,815	\$ 170,365	\$ 3,450
Long-term Debt	<u>178,328</u>	<u>178,328</u>	<u>-</u>
TOTAL CAPITALIZATION	<u>352,143</u>	<u>348,693</u>	<u>3,450</u>
CURRENT LIABILITIES			
Long-term debt due within one year	50,700	50,700	-
Accounts Payable	22,123	21,292	831
Fines subject to refund	<u>59,917</u>	<u>59,317</u>	<u>600</u>
Total Current Liabilities	<u>132,740</u>	<u>131,309</u>	<u>1,431</u>
NONCURRENT LIABILITY AND DEFERRED CREDITS			
Other	<u>1,015</u>	<u>1,015</u>	<u>-</u>
Total Noncurrent Liability and Deferred Credits	<u>1,015</u>	<u>1,015</u>	<u>-</u>
TOTAL LIABILITIES	<u>133,755</u>	<u>132,324</u>	<u>1,431</u>
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$485,898</u>	<u>\$481,017</u>	<u>\$ 4,881</u>

CALIFORNIA ISO
Capital Projects Report

For the five-month period ended May 31, 2007
(dollars in thousands)

Capital Spending

	Approved Projects					
	<u>Month</u> <u>Actual</u>	<u>YTD</u> <u>Actual</u>	<u>2007</u> <u>Approved</u> <u>Projects</u>	<u>Projected</u> <u>Costs for</u> <u>Approved</u> <u>Projects</u>	<u>Original</u> <u>2007</u> <u>Budget</u>	<u>Future</u> <u>O&M</u>
Facilities	\$ 14	\$ 18	\$ 1,600	\$ 1,600	\$ 2,000	\$ -
Market Redesign	1,866	6,140	22,991	22,991	22,991	
Technology Upgrade	2,085	8,679	21,983	21,983	21,983	
Main Operating Systems - All	-	-	1,750	1,750	2,275	
Other Systems - Corporate Support	277	989	2,508	2,508	3,225	
Total 2007 Capital Spending	<u>4,242</u>	<u>15,826</u>	<u>50,833</u>	<u>50,833</u>	<u>52,475</u>	<u>-</u>
2006 Capital Projects	<u>1,188</u>	<u>3,467</u>	<u>6,233</u>	<u>6,670</u>		
Total Capital	<u>\$ 5,430</u>	<u>\$ 19,293</u>	<u>\$ 57,065</u>	<u>\$ 57,503</u>	<u>\$ 52,475</u>	<u>\$ -</u>

CALIFORNIA ISO

Monthly Market Summary By Charge Type

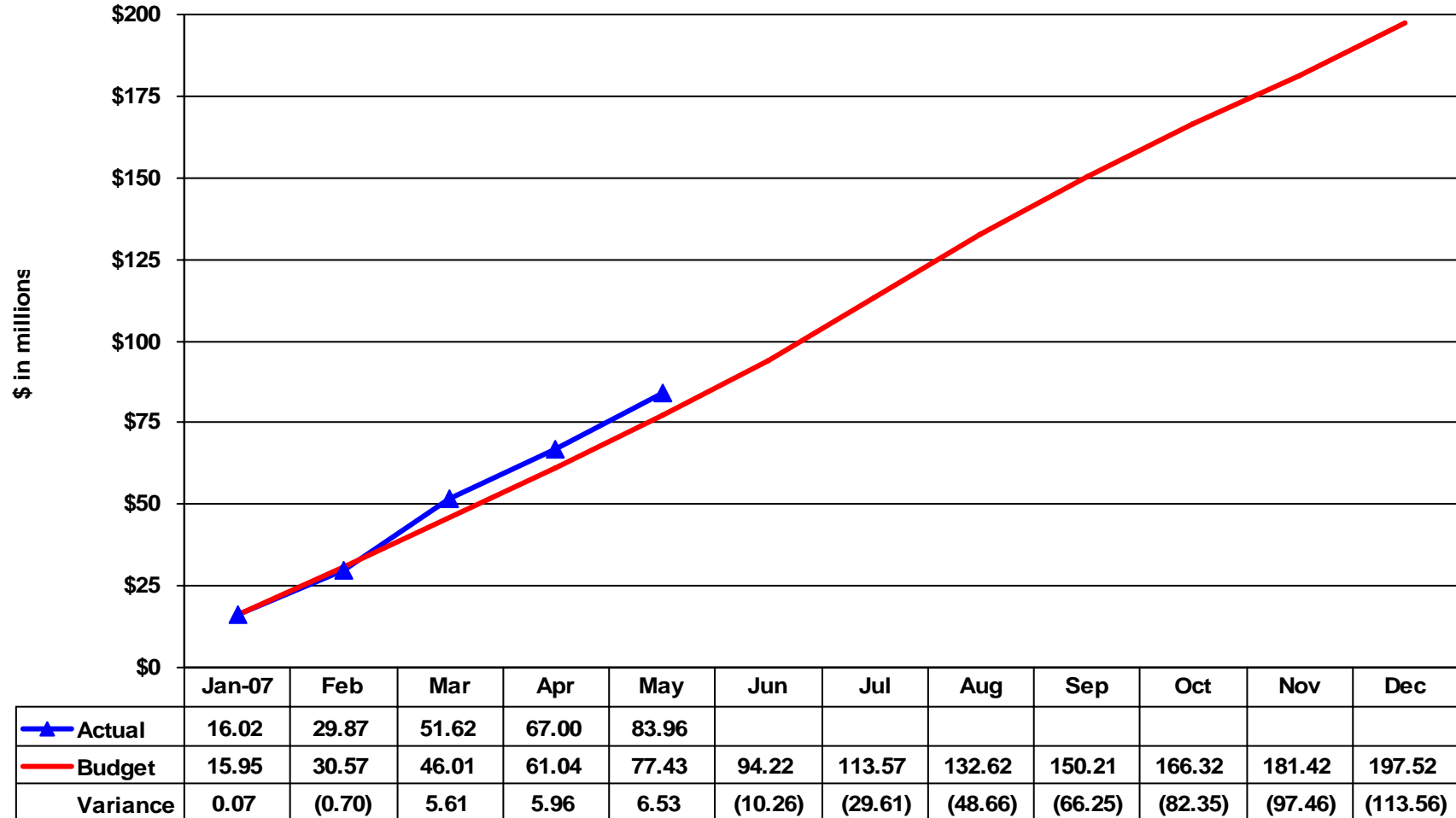
For the trade month February 2007 settled in May 2007

Charge Type	Type	Unit		Settlements Amount	
		Due SC	Due ISO	Due SC	Due ISO
Spin Reserve	MW	214,409	213,832	\$ 638,749	\$ 648,106
Non-Spin Reserve	MW	1,073,874	138,010	147,510	146,894
AGC/Regulation	MW	131,540	126,342	1,966,469	1,888,830
Replacement Reserve	MW	-	71	-	75
No-Pay Provision		17,736,419	84,902	148,565	148,499
Rational Buyer Adjustment		5,440	2,688,345	294	69,116
Total Ancillary Services		19,161,682	3,251,503	\$ 2,901,586	\$ 2,901,520
Energy (Note1)	MWh	792,037	8,247,299	\$ 31,949,646	\$ 34,792,494
Neutrality		17,821,541	58	2,927,053	94,781
Minimum Load Cost Compensation		39,724	19,980,628	2,708,939	2,703,390
Start-Up Cost Compensation		17,626,910	17,626,910	603,184	603,184
Emissions Cost Compensation		-	-	-	-
Voltage Support		-	6,873,111	121,629	121,629
Intermittent Resource Deviation		407,089	192,056	407,089	407,089
Total Energy		36,687,302	52,920,063	\$ 38,717,541	\$ 38,722,568
Inter-Zonal Congestion	MWh	628,468	3,474,934	\$ 3,560,996	\$ 3,553,586
Wheeling & High Voltage Access Charge	MWh	18,219,474	17,399,053	49,745,437	49,745,437
Others		12,177	121,758	12,399	12,385
FERC Fee		-	17,621,054	303	793,250
Penalty and Interest Charge		-	-	-	-
Total Transmission and Other		18,860,118	38,616,798	\$ 53,319,135	\$ 54,104,659
Total Market Billed by Charge Type		74,709,102	94,788,364	\$ 94,938,262	\$ 95,728,747
Other Billings					
Grid Management Charge				\$ 22,073	\$ 12,596,633

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

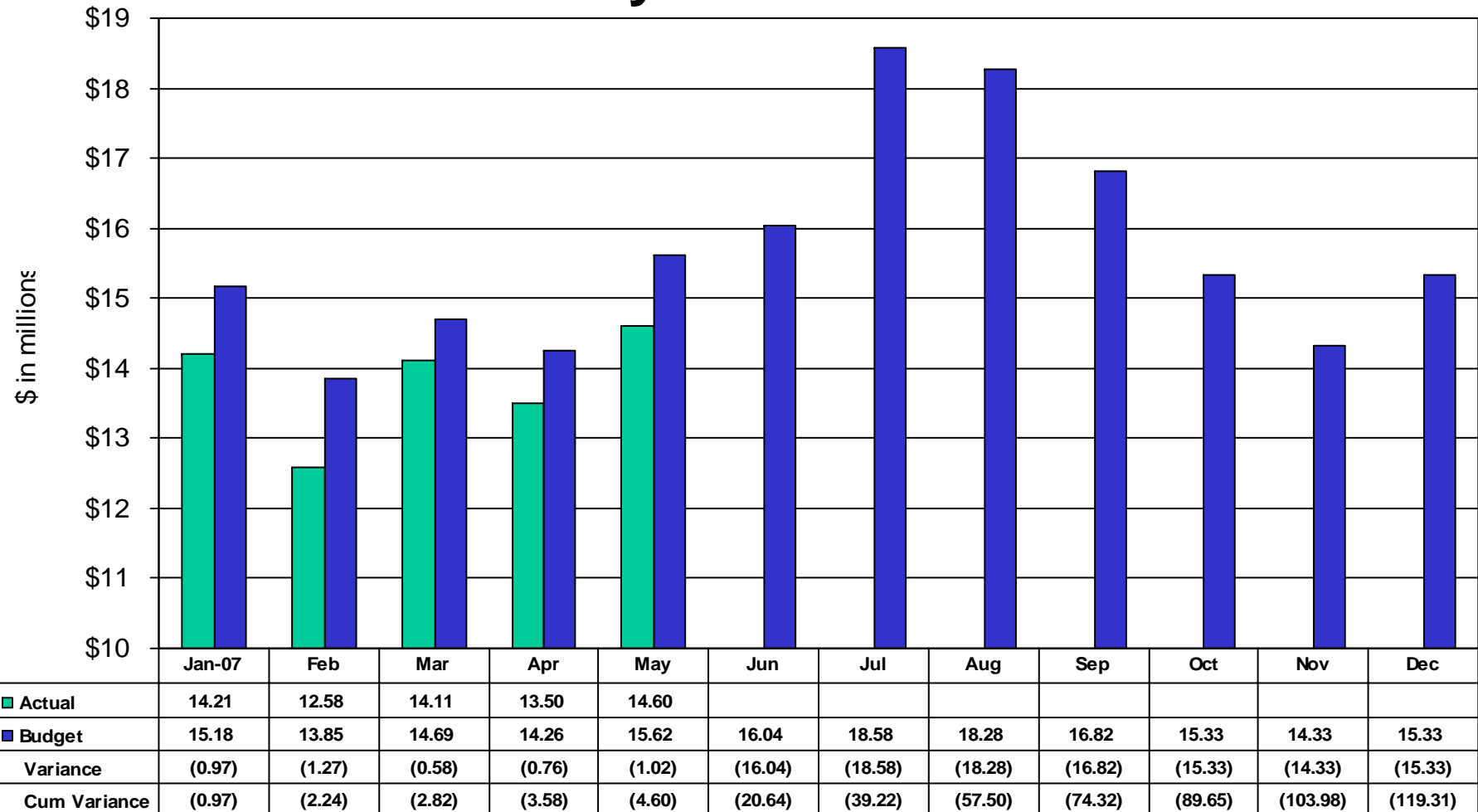
Cumulative Operating Revenues

Revenues = GMC, Interest, WSCC Security & Other Fees



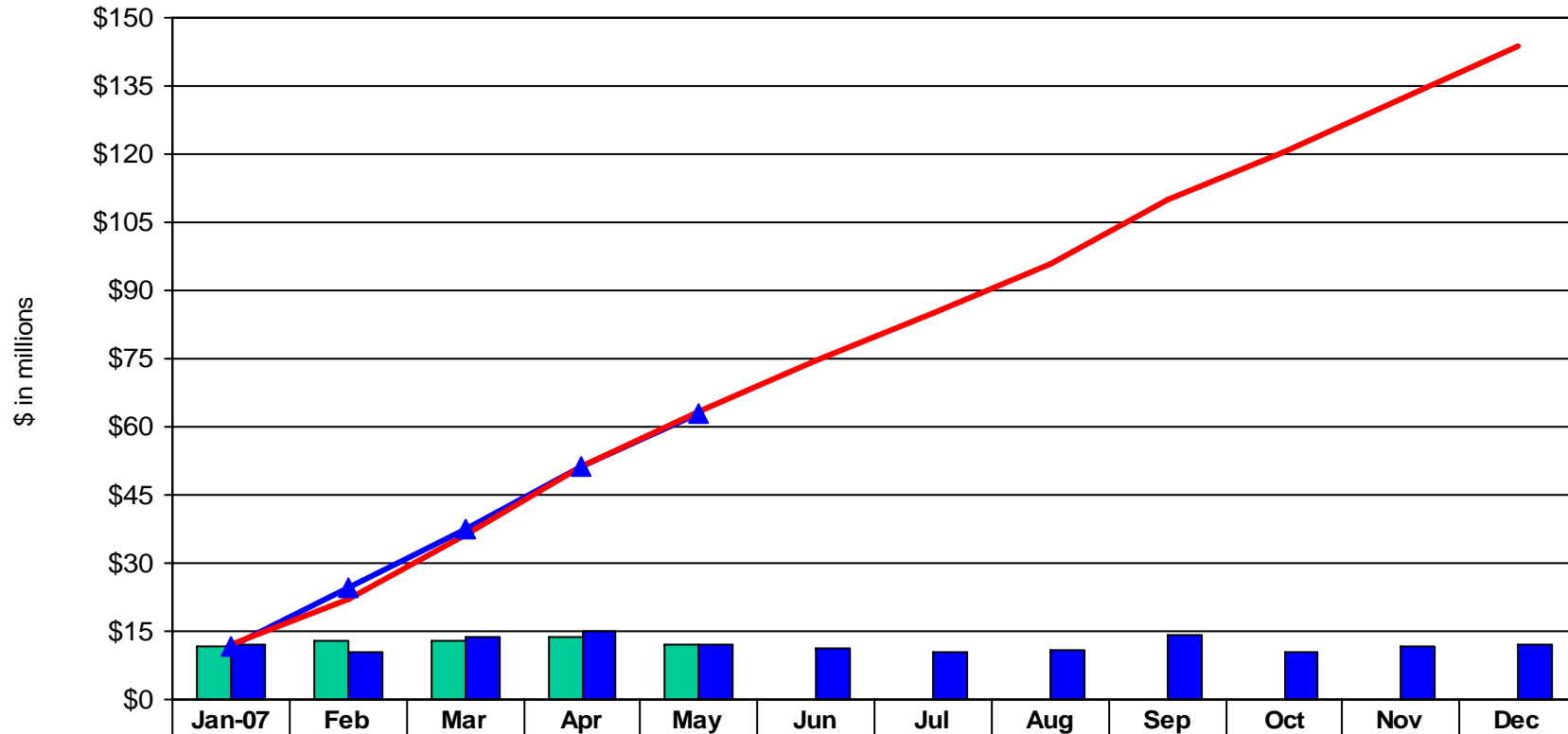
March and April revenues are estimates.

Monthly GMC Revenues



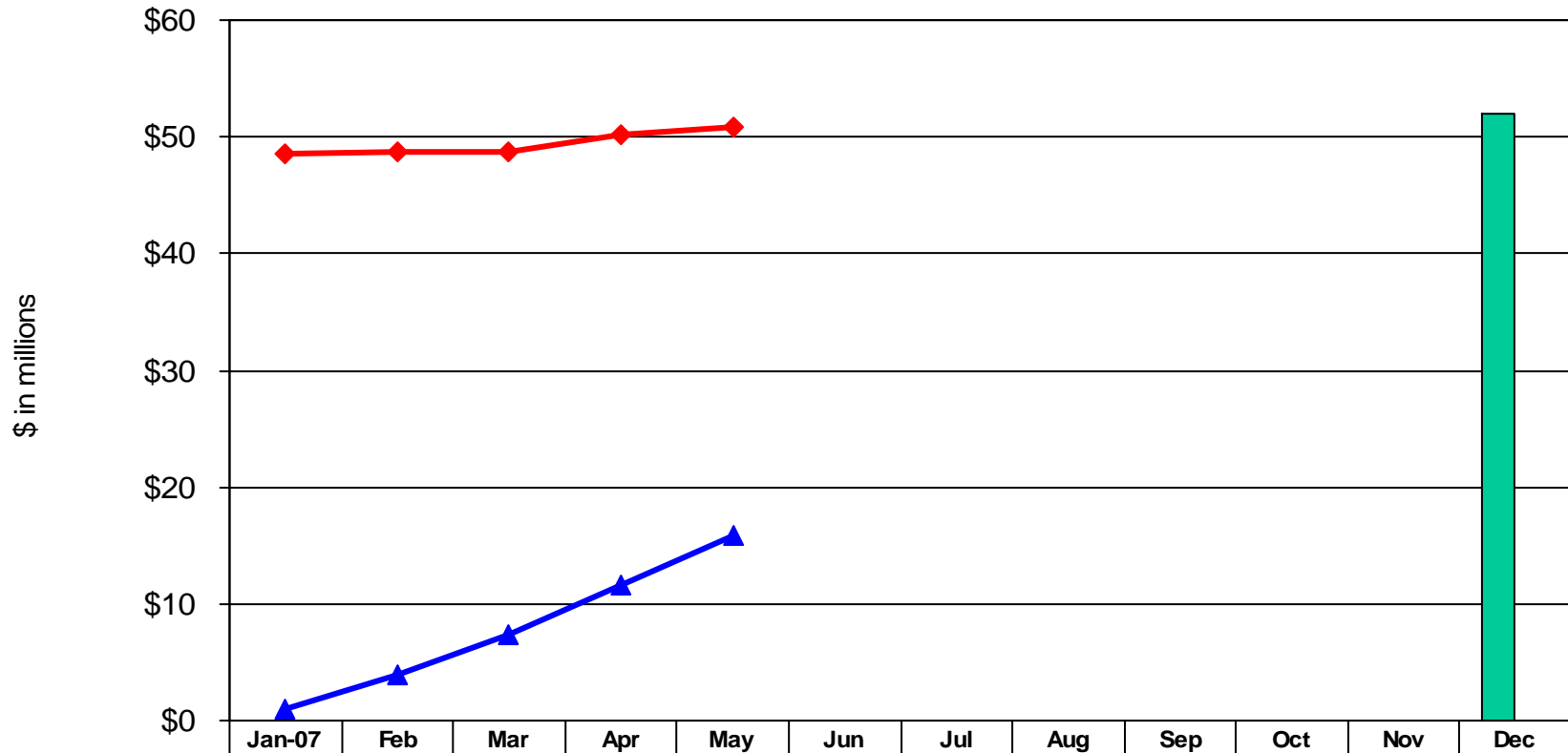
April and May revenues are estimates.





Operating and Maintenance Expenses (O&M)



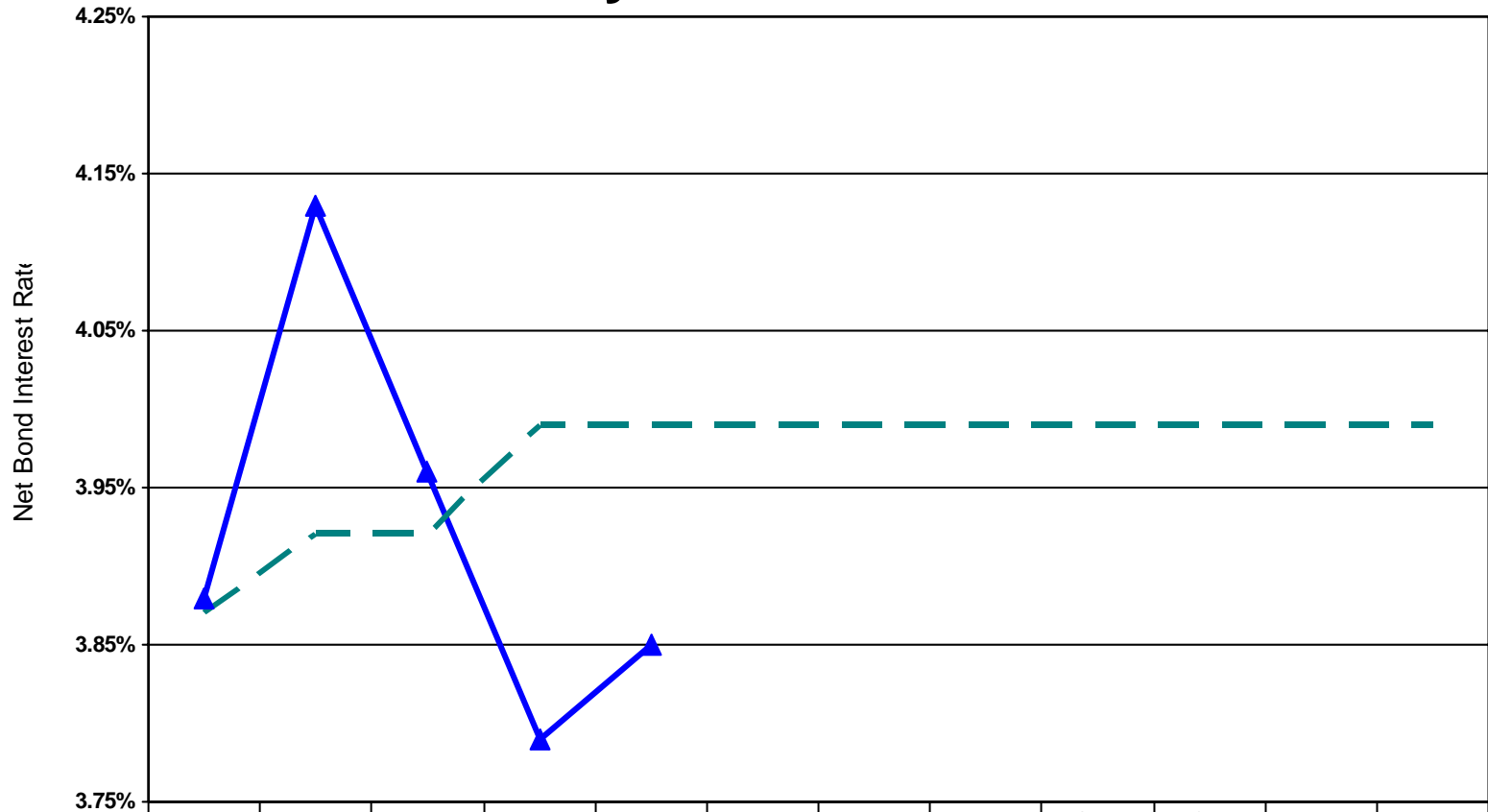
	Jan-07	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	11.66	12.82	12.96	13.62	12.04							
Monthly Budget	11.89	10.40	13.80	14.98	12.11	11.37	10.48	10.97	14.13	10.22	11.52	11.92
Cum Actual	11.66	24.48	37.44	51.05	63.09							
Cum Budget	11.89	22.29	36.09	51.07	63.18	74.55	85.03	96.01	110.14	120.36	131.88	143.81
Cum Variance	0.23	(2.18)	(1.34)	0.02	0.09	11.46	21.94	32.92	47.05	57.27	68.79	80.71

Cumulative Capital Expenditures



 Budgeted capital													52.00
 2007 O&M Impact	0.00	0.00	0.00	0.00	0.00								
 Cumulative Expenditures	1.00	3.96	7.30	11.58	15.80								
 Approved projects	48.59	48.68	48.68	50.20	50.80								

ISO Monthly Debt Rates

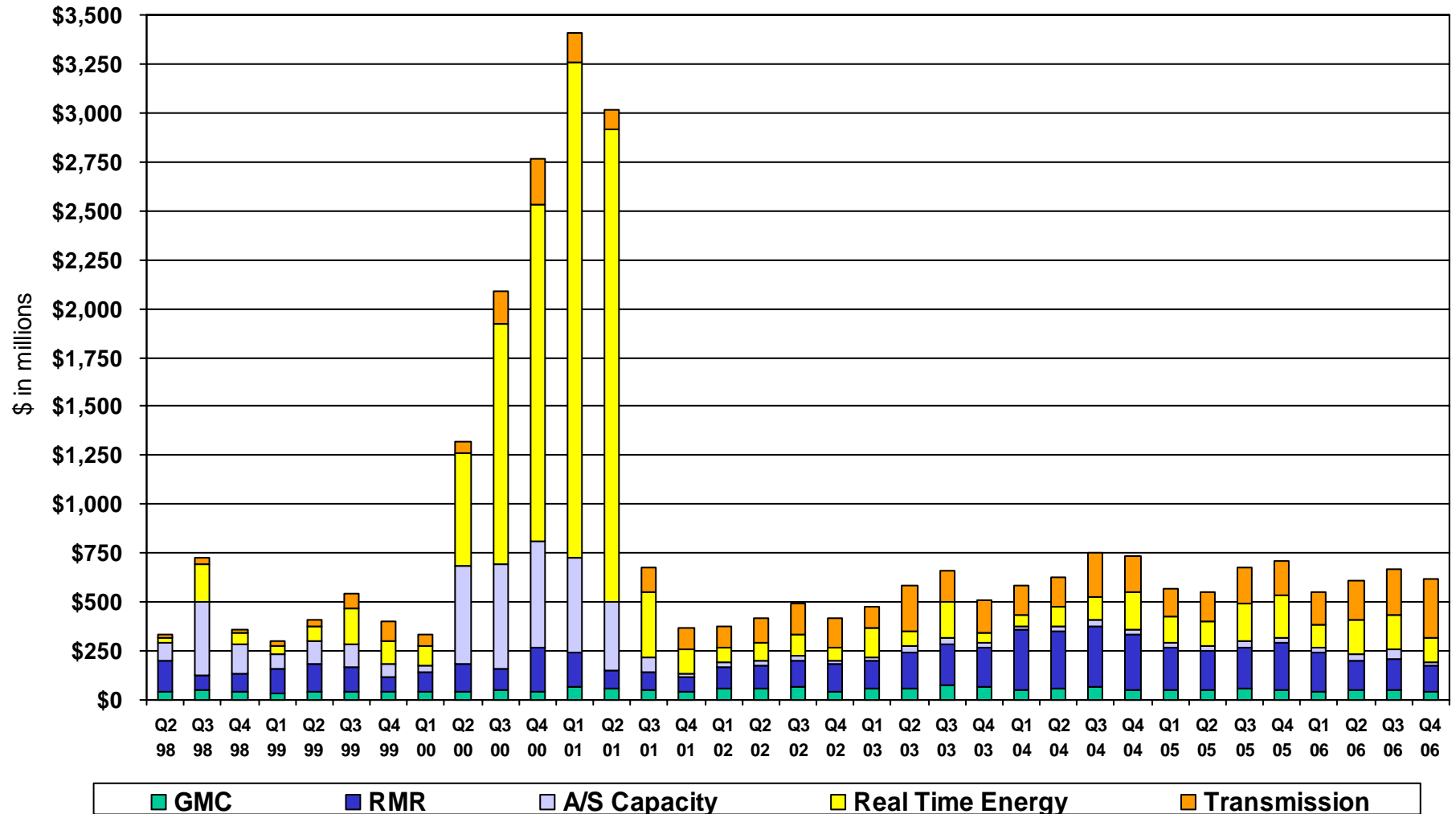


	Jan-06	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Net Int. Rate (All Bonds)	3.88%	4.13%	3.96%	3.79%	3.85%							
Budgeted Net Int. Rate	3.87%	3.92%	3.92%	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%

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

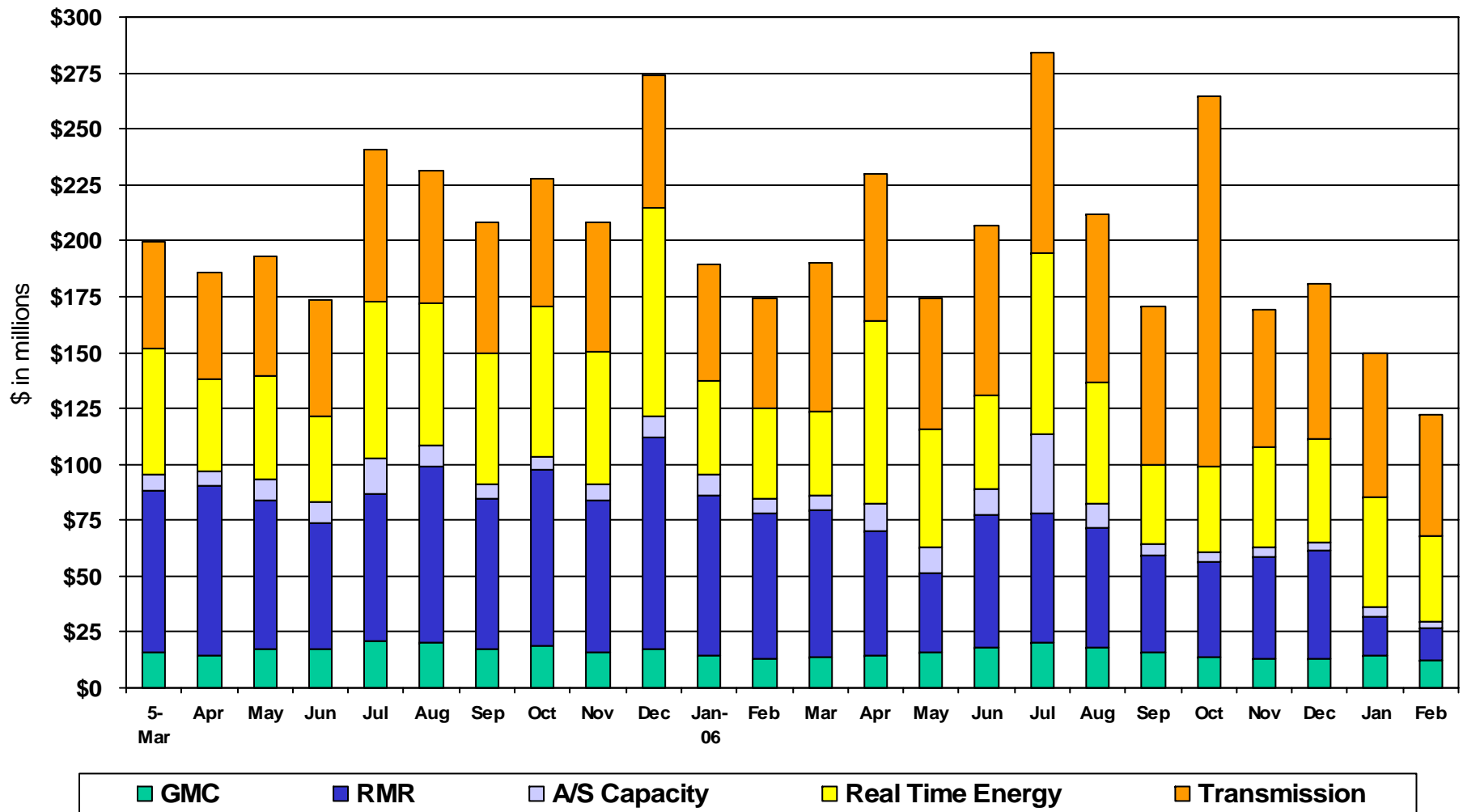
CAISO Market Costs By Quarter

2nd Quarter 1998 (Inception) through 4th Quarter 2006

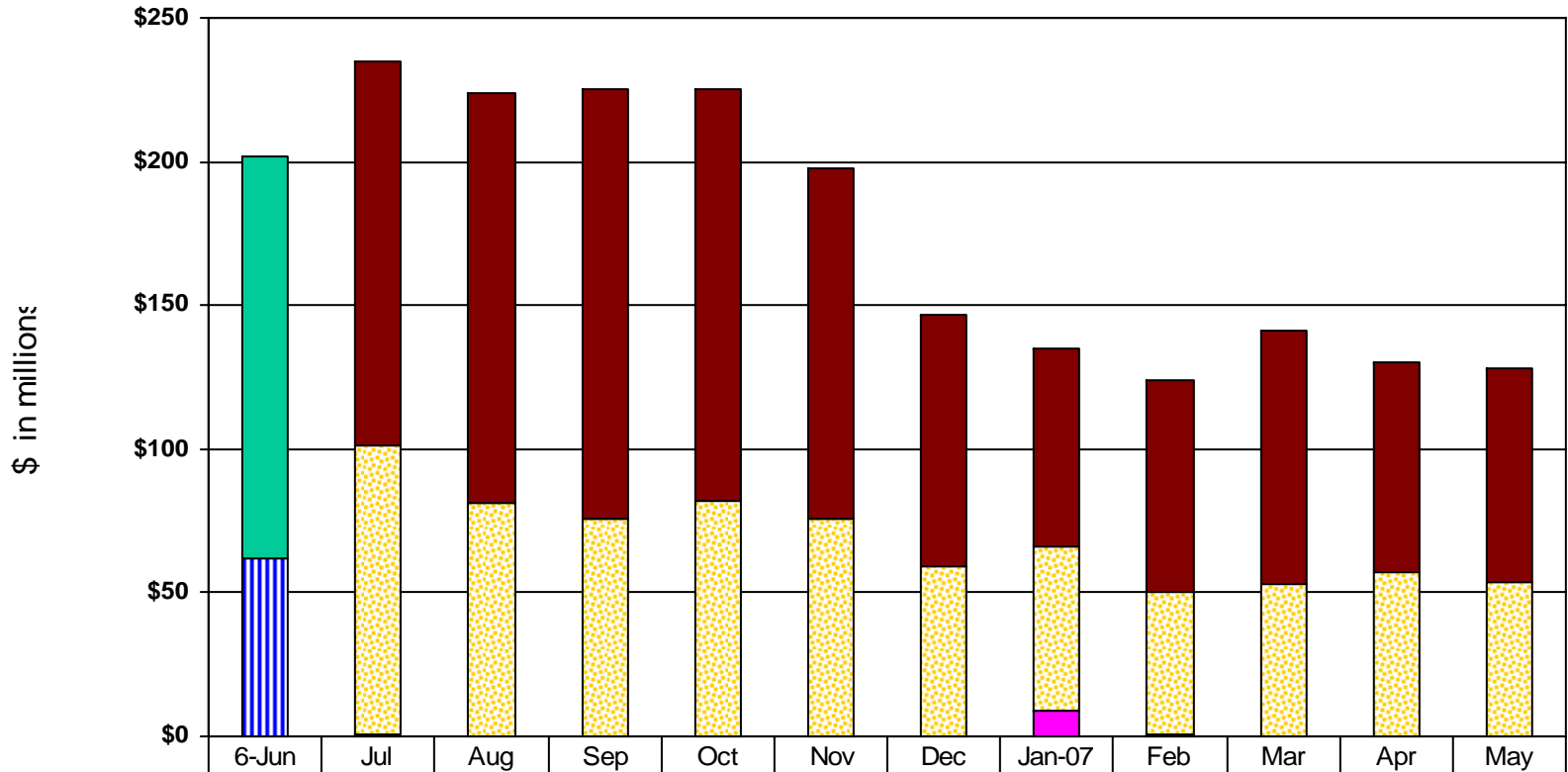




CAISO Market Costs By Month March 2005 through February 2007



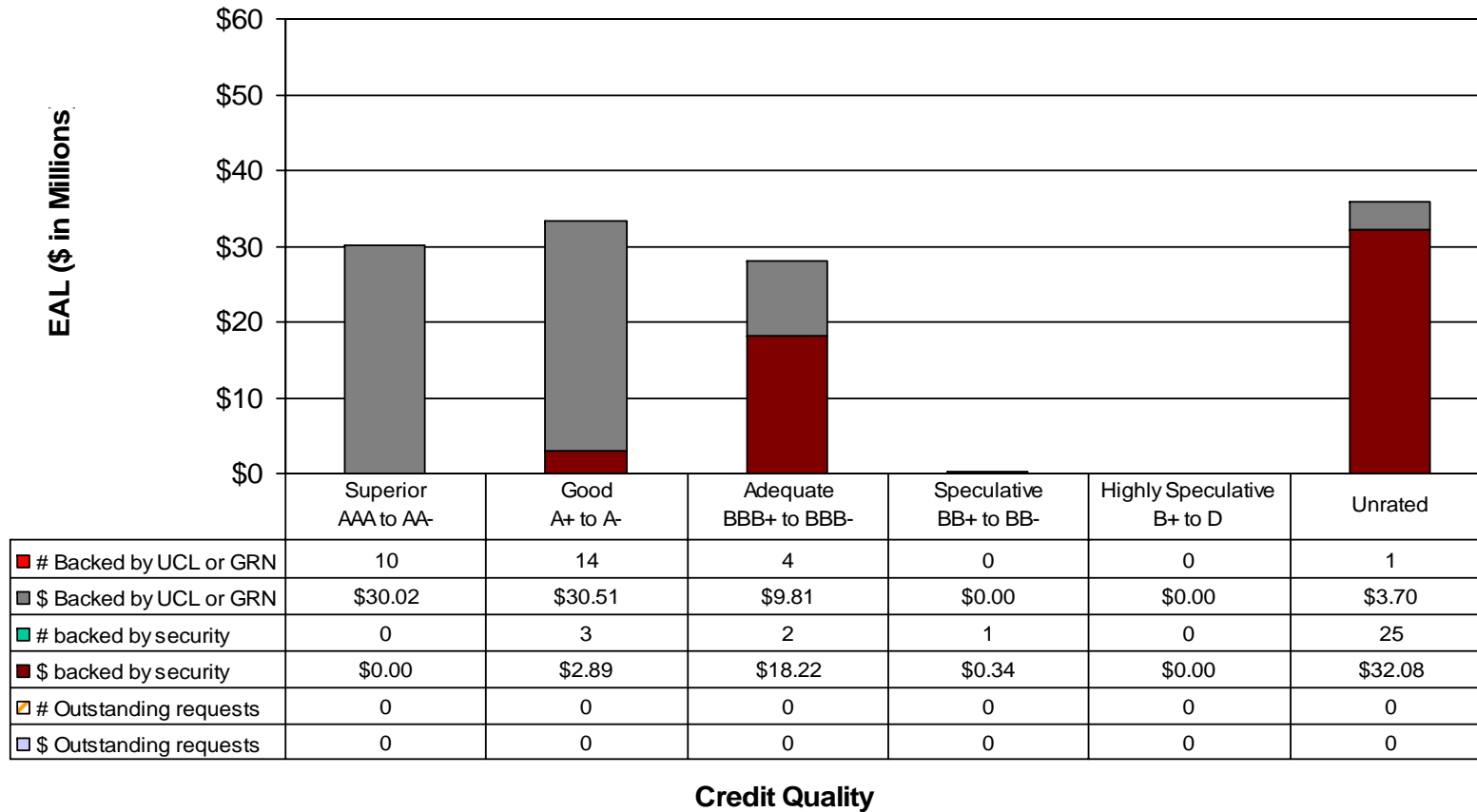
Outstanding Obligations of Market Participants



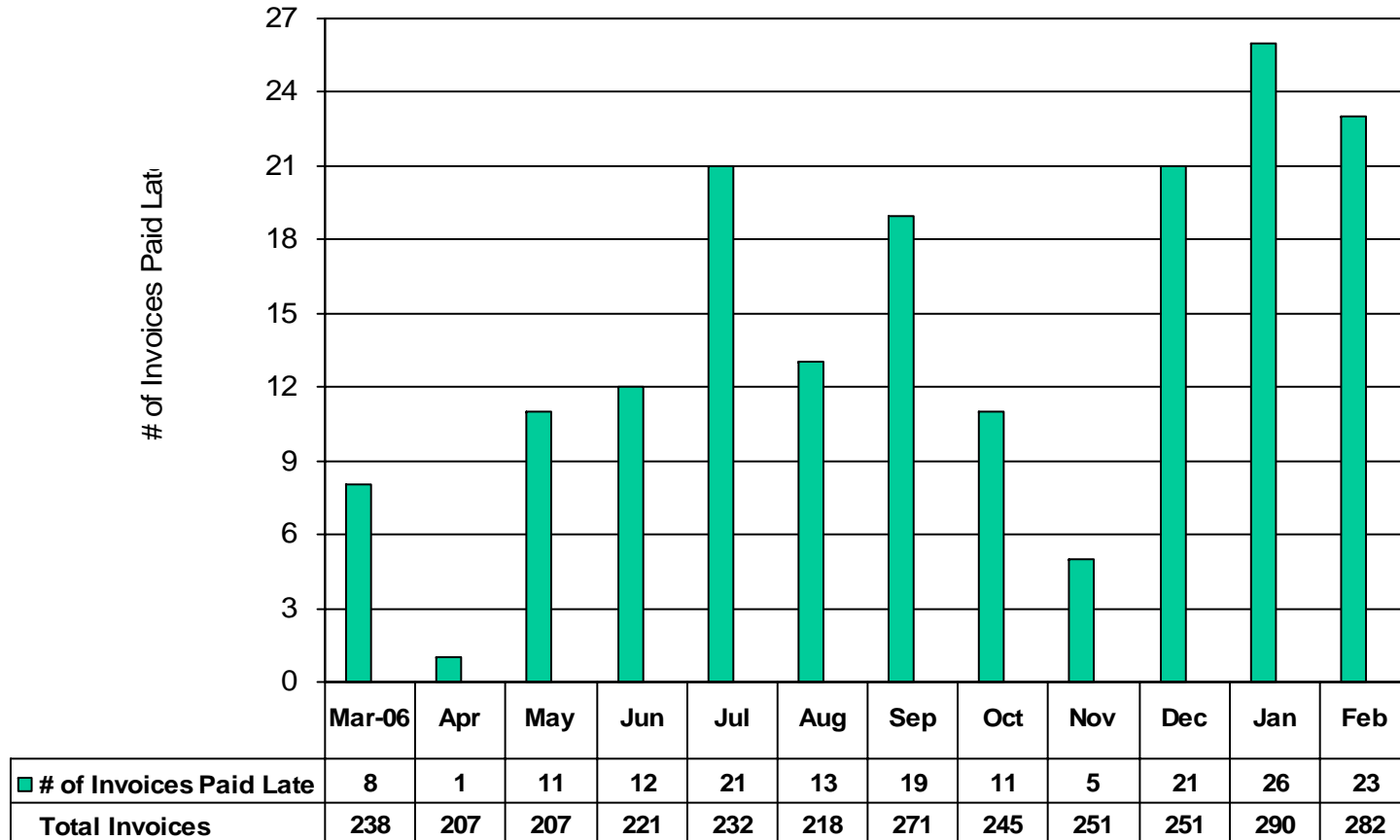
■ Backed by UCL or GRN		134	143	149	143	122	88	69	74	88	73	74
■ Backed by posted security		100	81	76	82	76	59	57	49	53	57	54
■ Outstanding security requests		1	0	0	0	0	0	9	1	0	0	0
■ SCs with approved credit ratings	140											
■ SCs with posted security	62											

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 close of business on payment due date.