

# MONTHLY FINANCIAL REPORT

## September 2007

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

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# CALIFORNIA ISO

## SUMMARY, DISCUSSION AND COMMENTARY

For the nine-month period ended September 30, 2007

### *The ISO*

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

- ◆ Operating Revenues for September were \$18.3M, \$0.7M higher than budget.
  - The variance was primarily due to higher interest income partially offset by lower estimated GMC.
- ◆ Operating Revenues for the year to date were \$160.8M, \$10.6M 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 \$8.4M, offset by lower GMC revenues of \$4.7M. Lower GMC revenues are primarily due to milder weather than predicted and the resultant less than projected market volumes.
- ◆ O&M expenses for September were \$14.1M, \$0.1M lower than the budget.
  - The variance was primarily due to timing of payments during the month.
- ◆ O&M expenses for the year to date were \$110.1M, \$0.2 lower than budget.
  - The variance was primarily due to higher consulting and contracting costs, offset by lower expenses in the other categories.
- ◆ At month end, there were 528 full-time employees compared to the 541 full-time employees budgeted.

#### **BALANCE SHEET: (page 2)**

- ◆ The changes are due to normal activities during the month.

#### **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 \$31.6M. Expenditures for 2006 approved capital projects totaled \$5.1M. 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 September totaled \$52.4M and include \$47.7M for MRTU projects.

#### **INTEREST COSTS: (page 9)**

- ◆ During September, the ISO bond interest rates averaged 3.77%, 0.22% lower than the budgeted rate of 3.99%.

# **CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY**

For the nine-month period ended September 30, 2007

## ***The ISO Markets***

### **MARKET CHARGES: (page 4 )**

- ♦ Charges for the market (including GMC and FERC Fees) that settled in September amounted to \$142.9M (June 2007 trade month) compared to \$146.7M (May 2007 trade month) that settled in August.

### **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 )**

- ♦ PG&E, SCE and SDG&E have unsecured credit limits. Proportion of obligations backed by UCL and obligations backed by posted security have remained steady.

### **TIMELINESS OF MARKET COLLECTIONS: (page 14)**

- ♦ Sixteen payments (of 318 invoices) in the June 2007 trade month cash clearing were received late compared to nine payments (of 292 invoices) in the May 2007 trade month cash clearing.

# CALIFORNIA ISO

## Statement of Operations

For the nine-month period ended September 30, 2007

(dollars in thousands)

	Month				Year to Date				2007
	Actual	Budget	Variance	Var (%)	Actual	Budget	Variance	Var (%)	Budget
<b>Revenues:</b>									
Grid Management Charge	\$ 16,600	\$ 16,819	\$ (219)	-1%	\$ 138,650	\$ 143,313	\$ (4,663)	-3%	\$ 188,313
Fines, WSCC & Other Fees	693	576	117	20%	11,706	5,185	6,521	126%	6,912
Interest income & other	1,000	193	807	418%	10,524	1,738	8,786	506%	2,317
Total revenues	<u>18,293</u>	<u>17,588</u>	<u>705</u>	<u>4%</u>	<u>160,880</u>	<u>150,236</u>	<u>10,644</u>	<u>7%</u>	<u>197,542</u>
<b>Operating Expenses:</b>									
Salaries and Benefits	10,406	10,001	405	4%	67,776	67,143	633	1%	87,180
Building, Leases and Facility	707	780	(73)	-9%	6,297	7,019	(722)	-10%	9,359
Insurance	-	1	(1)	0%	1,910	2,207	(297)	-13%	2,209
Third Party Vendor Contracts	1,443	1,309	134	10%	12,319	16,887	(4,568)	-27%	22,915
Consulting and Contracting Services	826	736	90	12%	12,758	6,505	6,253	96%	8,396
Legal and Audit	610	763	(153)	-20%	4,834	5,262	(428)	-8%	6,900
Training, Travel and Professional Dues	135	350	(215)	-61%	2,408	3,312	(904)	-27%	4,316
Other	(73)	196	(269)	-137%	1,740	1,923	(183)	-10%	2,530
Total operating expenses	<u>14,054</u>	<u>14,136</u>	<u>(82)</u>	<u>-1%</u>	<u>110,042</u>	<u>110,258</u>	<u>(216)</u>	<u>0%</u>	<u>143,805</u>
Net operating income (loss)	<u>4,239</u>	<u>3,452</u>	<u>787</u>	<u>23%</u>	<u>50,838</u>	<u>39,978</u>	<u>10,860</u>	<u>27%</u>	<u>53,737</u>
<b>Interest and Other Expenses</b>									
Interest expense	2,165	578	1,587	275%	9,524	5,180	4,344	84%	6,913
Depreciation and amortization	1,150	1,150	-	0%	10,741	10,741	-	0%	25,200
Total interest and other expenses	<u>3,315</u>	<u>1,728</u>	<u>1,587</u>	<u>92%</u>	<u>20,265</u>	<u>15,921</u>	<u>4,344</u>	<u>27%</u>	<u>32,113</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ 924</u>	<u>\$ 1,724</u>	<u>\$ (800)</u>	<u>-46%</u>	<u>\$ 30,573</u>	<u>\$ 24,057</u>	<u>\$ 6,516</u>	<u>27%</u>	<u>\$ 21,624</u>
<b>Number of Full-time Employees</b>	<u>528</u>	<u>541</u>	<u>(13)</u>	<u>-2%</u>					<u>541</u>

**CALIFORNIA ISO****Balance Sheet (Preliminary and Unaudited)**

As of September 30, 2007

*(dollars in thousands)*

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>
<b>ASSETS</b>			
NET ELECTRIC UTILITY PLANT	<u>\$ 192,306</u>	<u>\$ 186,811</u>	<u>\$ 5,495</u>
CURRENT ASSETS			
Unrestricted Cash and Cash Equivalents	24,210	44,929	(20,719)
Restricted Cash and Cash Equivalents	55,068	55,068	-
Other Special Deposits	49,745	45,520	4,225
Accounts Receivable, net	54,897	37,763	17,134
Investments	91,372	88,556	2,816
Accrued Interest	1,677	1,677	-
Prepayments	2,990	2,668	322
Total Current Assets	<u>279,959</u>	<u>276,181</u>	<u>3,778</u>
NONCURRENT ASSET AND DEFERRED CHARGES			
Unamortized debt expenses and other	153	1,435	(1,282)
Total Noncurrent Asset and Deferred Charges	<u>153</u>	<u>1,435</u>	<u>(1,282)</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 472,418</u></u>	<u><u>\$ 464,427</u></u>	<u><u>\$ 7,991</u></u>
<b>CAPITALIZATION AND LIABILITIES</b>			
CAPITALIZATION			
Stakeholders' Surplus	\$ 191,506	\$ 190,582	\$ 924
Long-term Debt	138,628	138,628	-
TOTAL CAPITALIZATION	<u>330,134</u>	<u>329,210</u>	<u>924</u>
CURRENT LIABILITIES			
Long-term debt due within one year	50,700	50,700	-
Accounts Payable	24,562	19,525	5,037
Fines subject to refund	65,909	63,916	1,993
Total Current Liabilities	<u>141,171</u>	<u>134,141</u>	<u>7,030</u>
NONCURRENT LIABILITY AND DEFERRED CREDITS			
Other	1,113	1,076	37
Total Noncurrent Liability and Deferred Credits	<u>1,113</u>	<u>1,076</u>	<u>37</u>
TOTAL LIABILITIES	<u>142,284</u>	<u>135,217</u>	<u>7,067</u>
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<u><u>\$ 472,418</u></u>	<u><u>\$ 464,427</u></u>	<u><u>\$ 7,991</u></u>

**CALIFORNIA ISO**  
**Capital Projects Report**

For the nine-month period ended September 30, 2007  
*(dollars in thousands)*

**Capital Spending**

	<b>Approved Projects</b>					
	<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&amp;M</u>
Facilities	\$ 37	\$ 259	\$ 1,700	\$ 1,700	\$ 2,000	\$ -
Market Redesign	2,845	14,234	22,991	22,991	22,991	
Technology Upgrade	1,841	14,662	21,983	21,983	21,983	
Main Operating Systems - All	278	398	2,453	2,213	2,275	
Other Systems - Corporate Support	194	2,058	3,011	3,012	3,225	
Market Systems Business Requirements	13	13	292	292	-	
<b>Total 2007 Capital Spending</b>	<b>\$ 5,208</b>	<b>\$ 31,624</b>	<b>\$ 52,430</b>	<b>\$ 52,191</b>	<b>\$ 52,475</b>	<b>\$ -</b>
2006 Capital Projects	\$ 298	\$ 5,078	\$ 6,233	\$ 5,883	\$ -	\$ -
<b>Total Capital</b>	<b>\$ 5,506</b>	<b>\$ 36,702</b>	<b>\$ 58,663</b>	<b>\$ 58,074</b>	<b>\$ 52,475</b>	<b>\$ -</b>

# CALIFORNIA ISO

## Monthly Market Summary By Charge Type

For the trade month June 2007 settled in September 2007

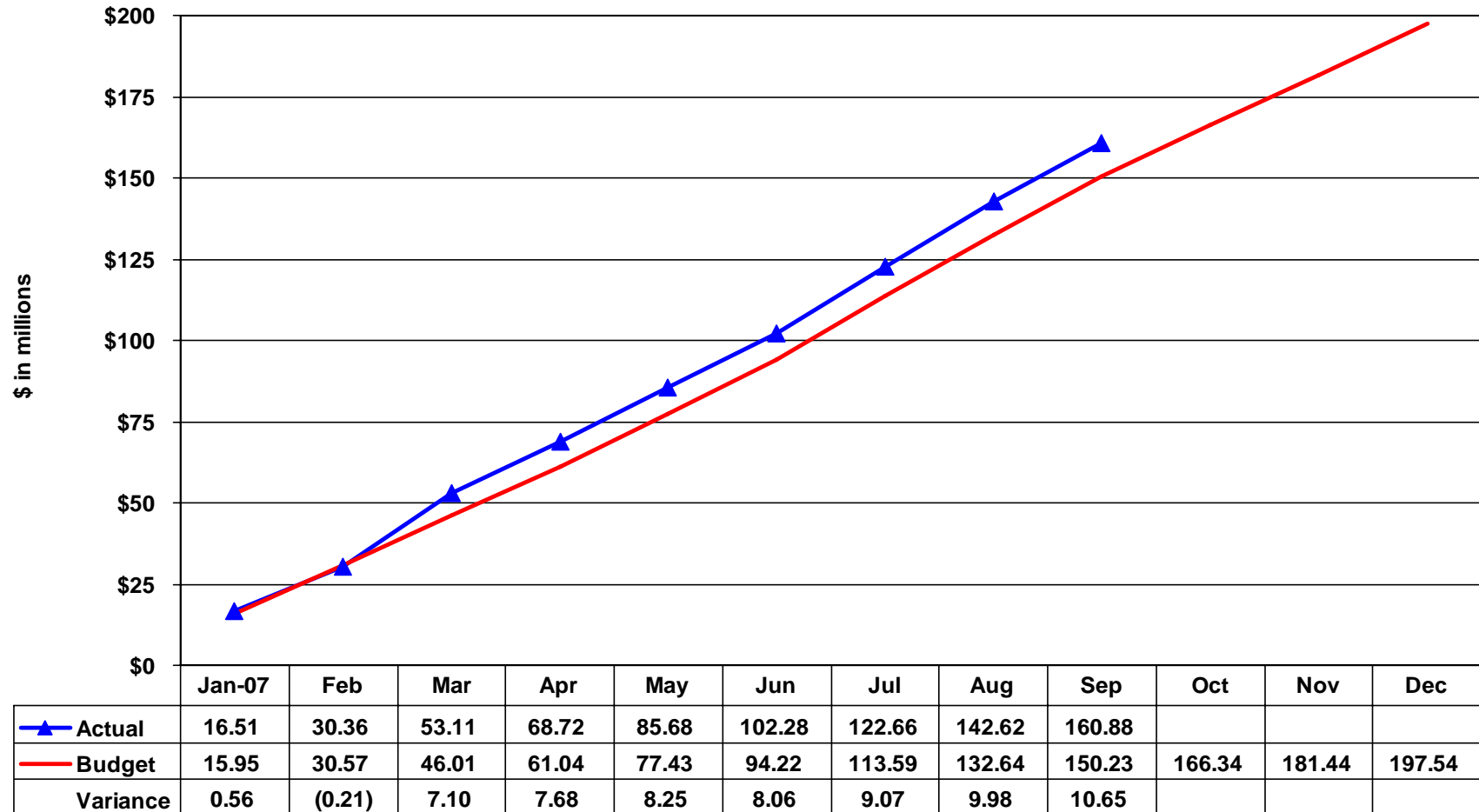
Charge Type	Type	Unit		Settlements Amount	
		Due SC	Due ISO	Due SC	Due ISO
Spin Reserve	MW	281,331	270,766	\$ 1,514,334	\$ 1,680,347
Non-Spin Reserve	MW	142,169	171,565	532,980	622,332
AGC/Regulation	MW	208,241	197,931	3,197,730	2,756,746
Replacement Reserve	MW	-	-	-	-
No-Pay Provision		19,766,286	37,573	241,717	241,781
Rational Buyer Adjustment		4,598	5,149,318	16	185,635
<b>Total Ancillary Services</b>		<b>20,402,626</b>	<b>5,827,153</b>	<b>\$ 5,486,778</b>	<b>\$ 5,486,840</b>
Energy (Note1)	MWh	957,048	17,285,630	\$ 35,068,711	\$ 35,504,360
Neutrality		21,740,048	1,694	429,951	57,723
Minimum Load Cost Compensation		2,865,318	46,300,706	9,055,971	9,035,533
Start-Up Cost Compensation		21,233,195	21,233,195	723,526	723,526
Emissions Cost Compensation		-	-	-	-
Voltage Support		-	8,178,734	75,899	75,900
Intermittent Resource Deviation		767,629	261,463	807,784	807,784
<b>Total Energy</b>		<b>47,563,238</b>	<b>93,261,421</b>	<b>\$ 46,161,842</b>	<b>\$ 46,204,826</b>
Inter-Zonal Congestion	MWh	1,449,738	8,945,636	\$ 7,083,381	\$ 7,040,075
Wheeling & High Voltage Access Charge	MWh	22,051,176	21,148,903	68,381,717	68,381,747
Others		28,490	284,892	28,689	28,689
FERC Fee		21,363,244	-	379,647	64
Penalty and Interest Charge		-	-	-	-
<b>Total Transmission and Other</b>		<b>44,892,648</b>	<b>30,379,431</b>	<b>\$ 75,873,435</b>	<b>\$ 75,450,575</b>
<b>Total Market Billed by Charge Type</b>		<b>112,858,511</b>	<b>129,468,004</b>	<b>\$ 127,522,055</b>	<b>\$ 127,142,242</b>
<b>Other Billings</b>					
<b>Grid Management Charge</b>				<b>\$ 1,791</b>	<b>\$ 15,751,639</b>

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



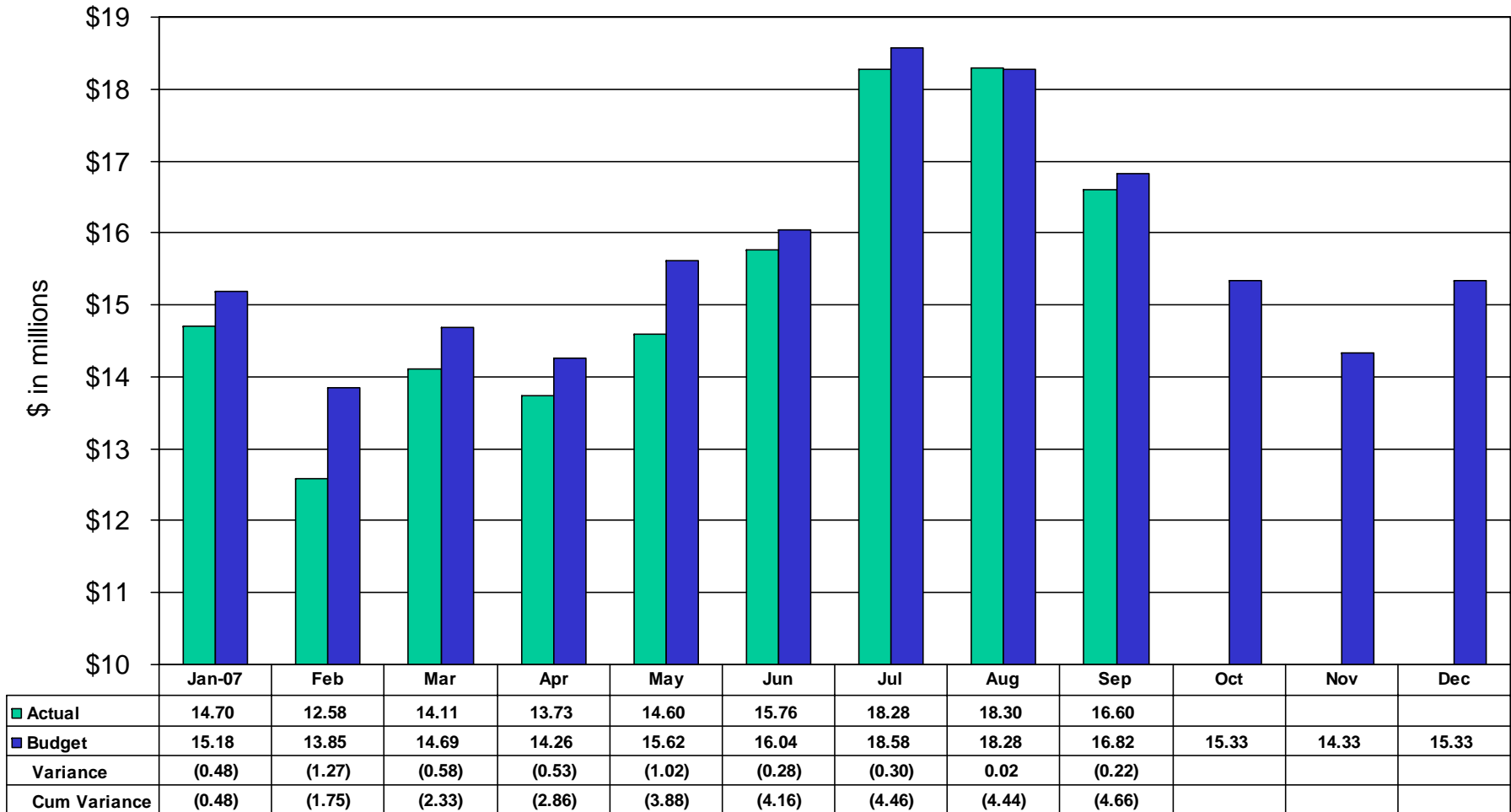
## Cumulative Operating Revenues

Revenues = GMC, Interest, WSCC Security & Other Fees



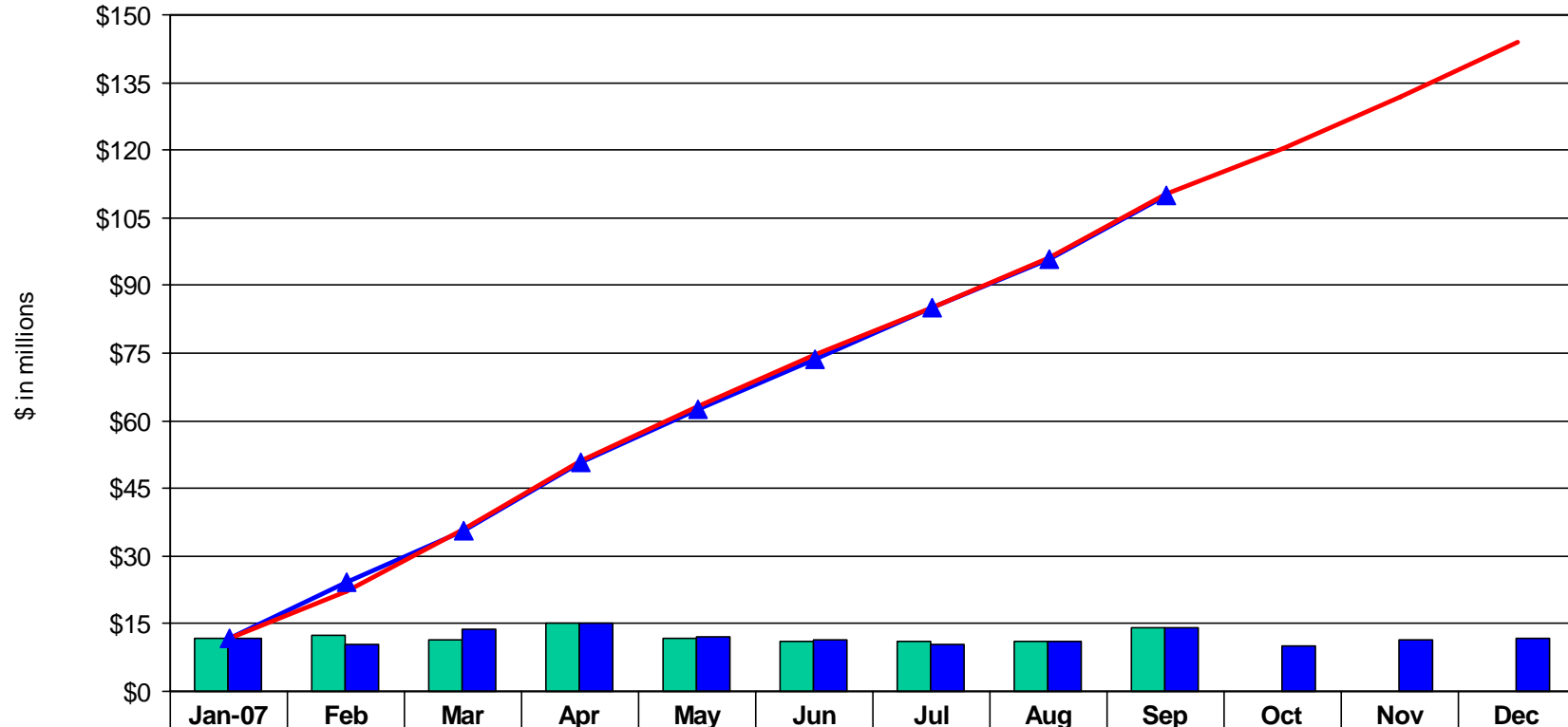
**July, August and September revenues are estimates.**





## Monthly GMC Revenues



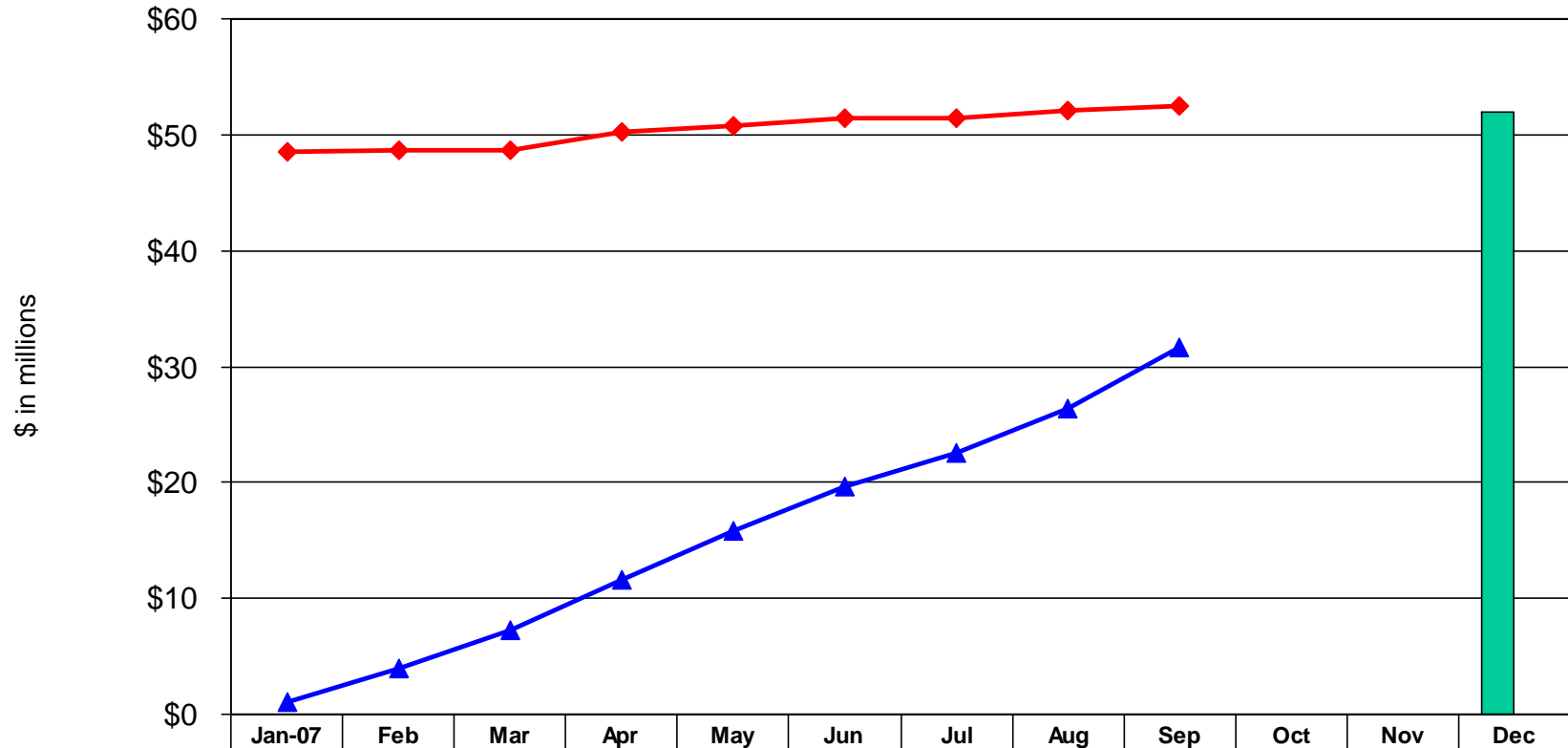
***July, August and September revenues are estimates.***

## Operating and Maintenance Expenses (O&M)



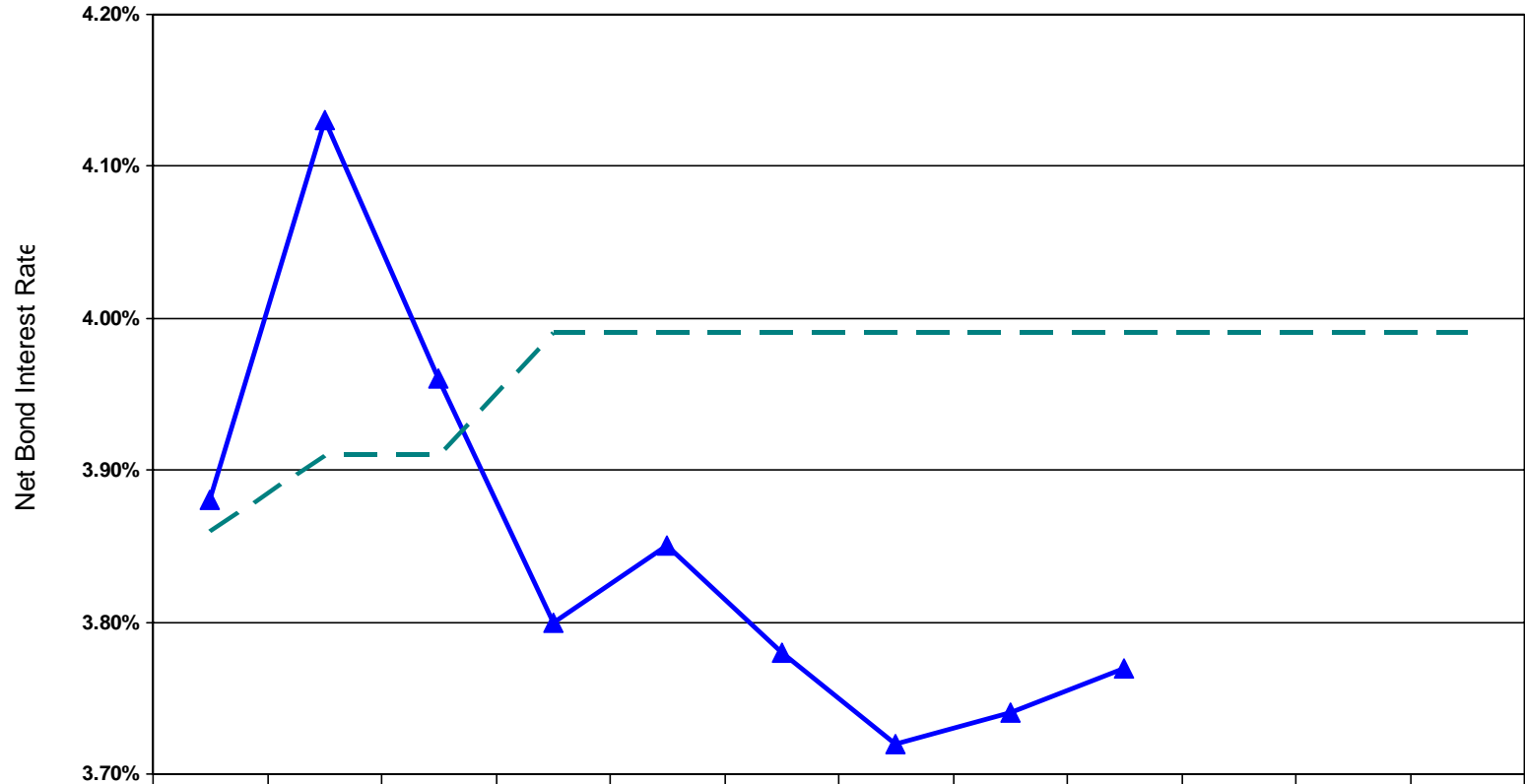
	Jan-07	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
 <b>Monthly Actual</b>	11.65	12.55	11.57	15.03	11.83	11.18	11.19	10.99	14.05			
 <b>Monthly Budget</b>	11.90	10.42	13.82	15.02	12.13	11.39	10.49	10.98	14.14	10.23	11.52	11.93
 <b>Cum Actual</b>	11.65	24.20	35.77	50.80	62.63	73.81	85.00	95.99	110.04			
 <b>Cum Budget</b>	11.90	22.31	36.13	51.14	63.27	74.66	85.14	96.11	110.25	120.47	131.99	143.92
<b>Cum Variance</b>	0.24	(1.89)	0.36	0.34	0.64	0.85	0.14	0.12	0.21			

## Cumulative Capital Expenditures



	Jan-07	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Budgeted capital</b>												<b>52.00</b>
<b>2007 O&amp;M Impact</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>			
<b>Cumulative Expenditures</b>	<b>1.00</b>	<b>3.96</b>	<b>7.30</b>	<b>11.58</b>	<b>15.80</b>	<b>19.64</b>	<b>22.59</b>	<b>26.42</b>	<b>31.62</b>			
<b>Approved projects</b>	<b>48.59</b>	<b>48.68</b>	<b>48.68</b>	<b>50.20</b>	<b>50.80</b>	<b>51.43</b>	<b>51.43</b>	<b>52.14</b>	<b>52.43</b>			

## ISO Monthly Debt Rates

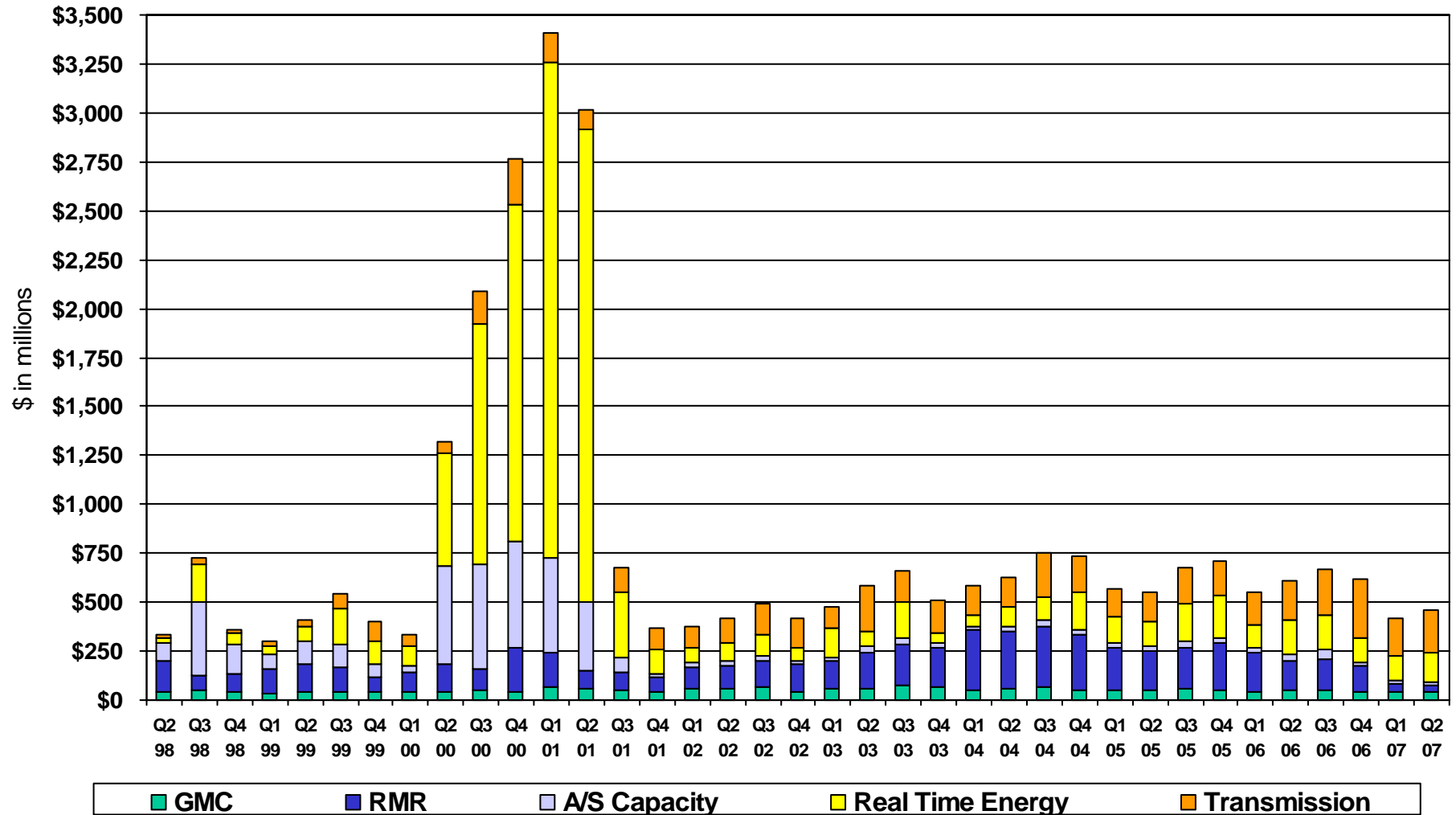


	Jan-06	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Net Int. Rate (All Bonds)	3.88%	4.13%	3.96%	3.80%	3.85%	3.78%	3.72%	3.74%	3.77%			
Budgeted Net Int. Rate	3.86%	3.91%	3.91%	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%

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

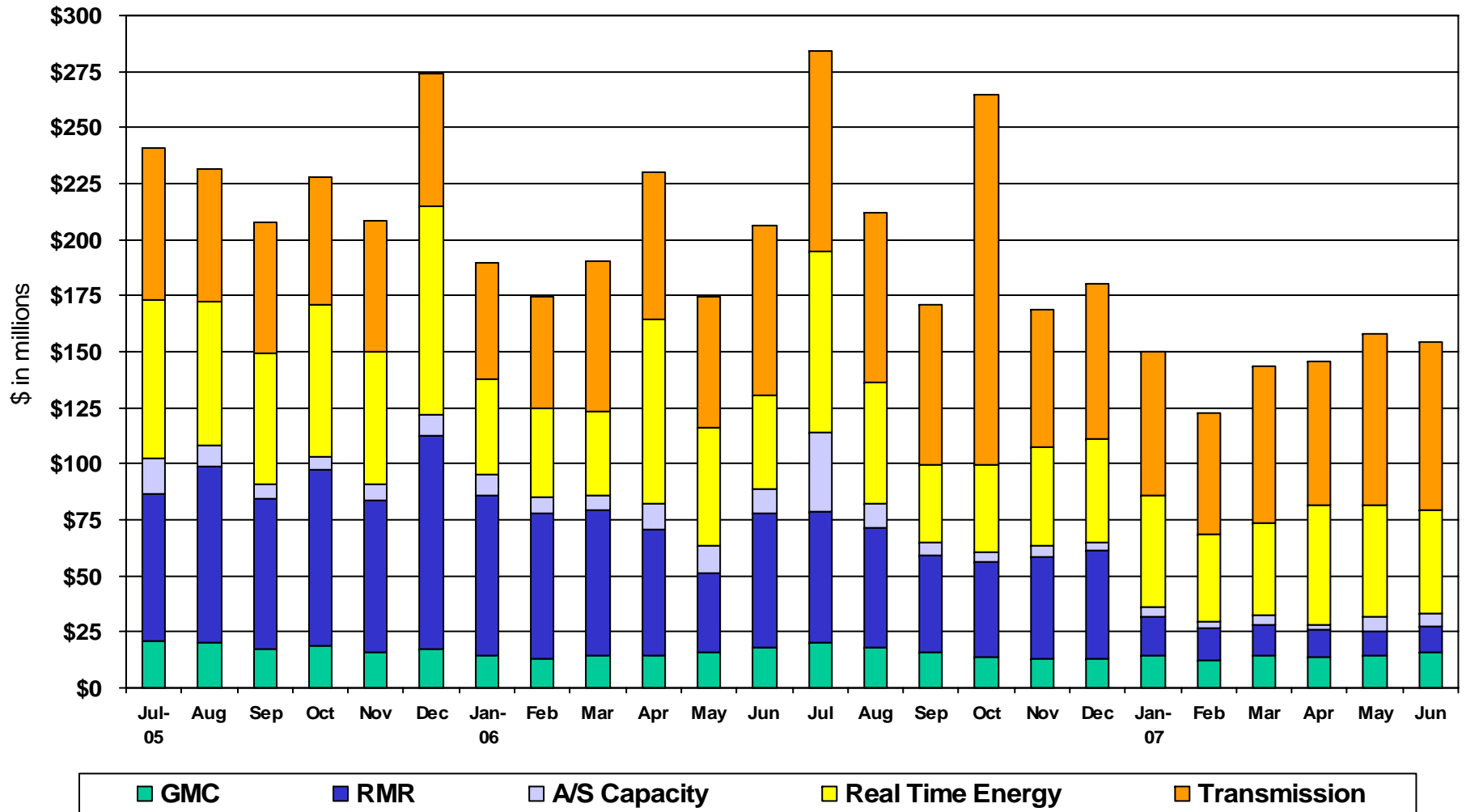
## CAISO Market Costs By Quarter

### 2nd Quarter 1998 (Inception) through 2nd Quarter 2007

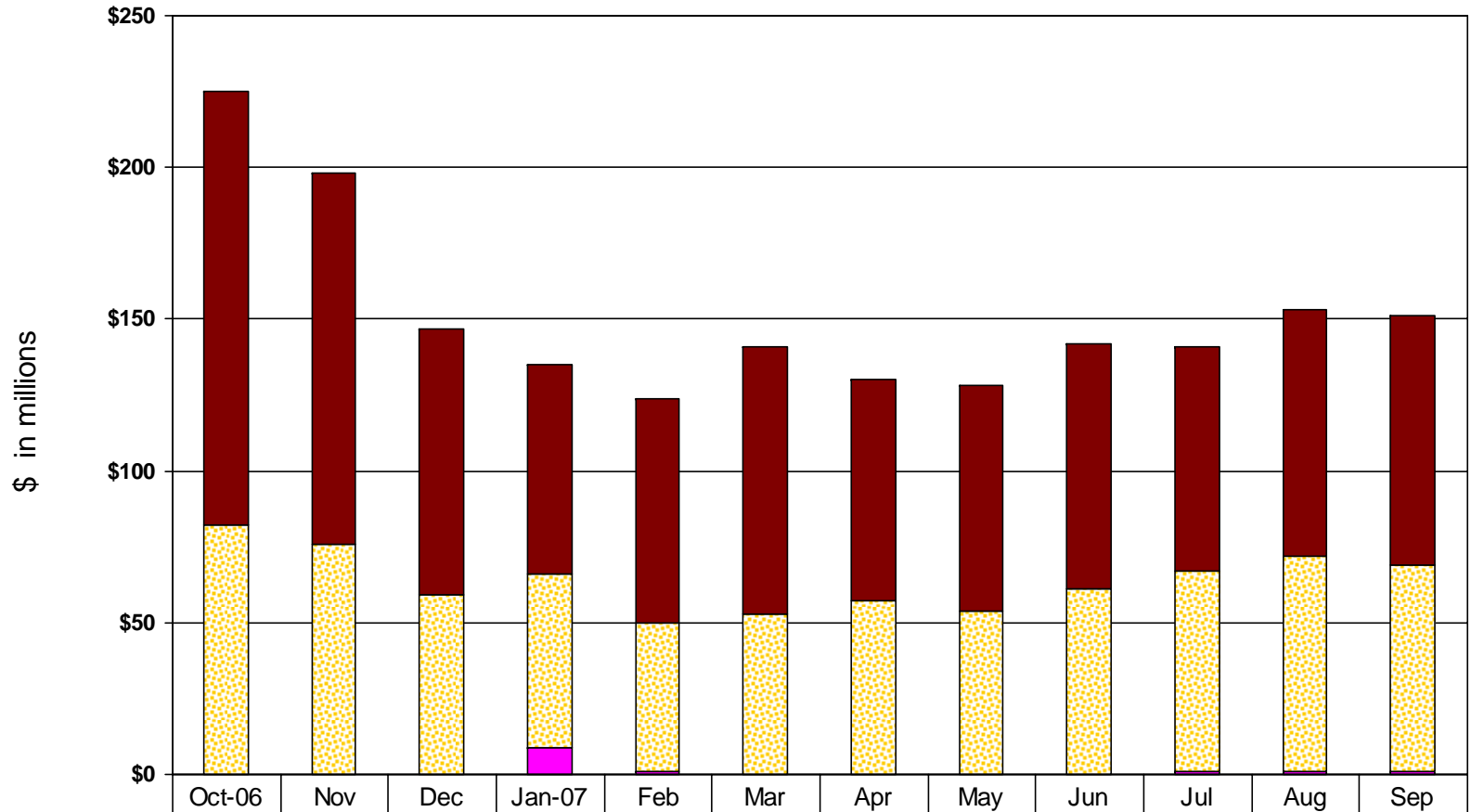




## CAISO Market Costs By Month July 2005 through June 2007



## Outstanding Obligations of Market Participants

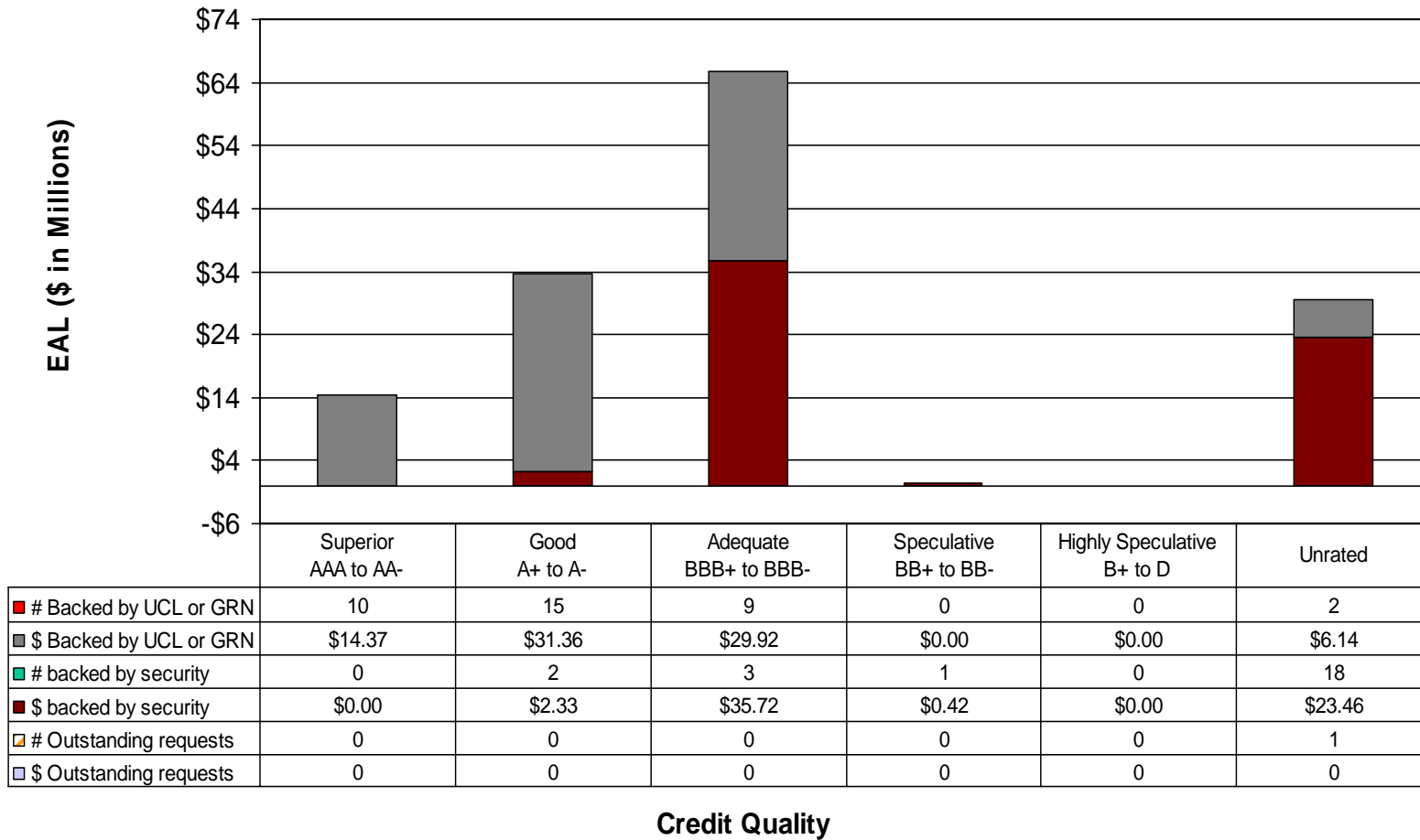


	Oct-06	Nov	Dec	Jan-07	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
■ Backed by UCL or GRN	143	122	88	69	74	88	73	74	81	74	81	82
■ Backed by posted security	82	76	59	57	49	53	57	54	61	66	71	68
■ Outstanding security requests	0	0	0	9	1	0	0	0	0	1	1	1

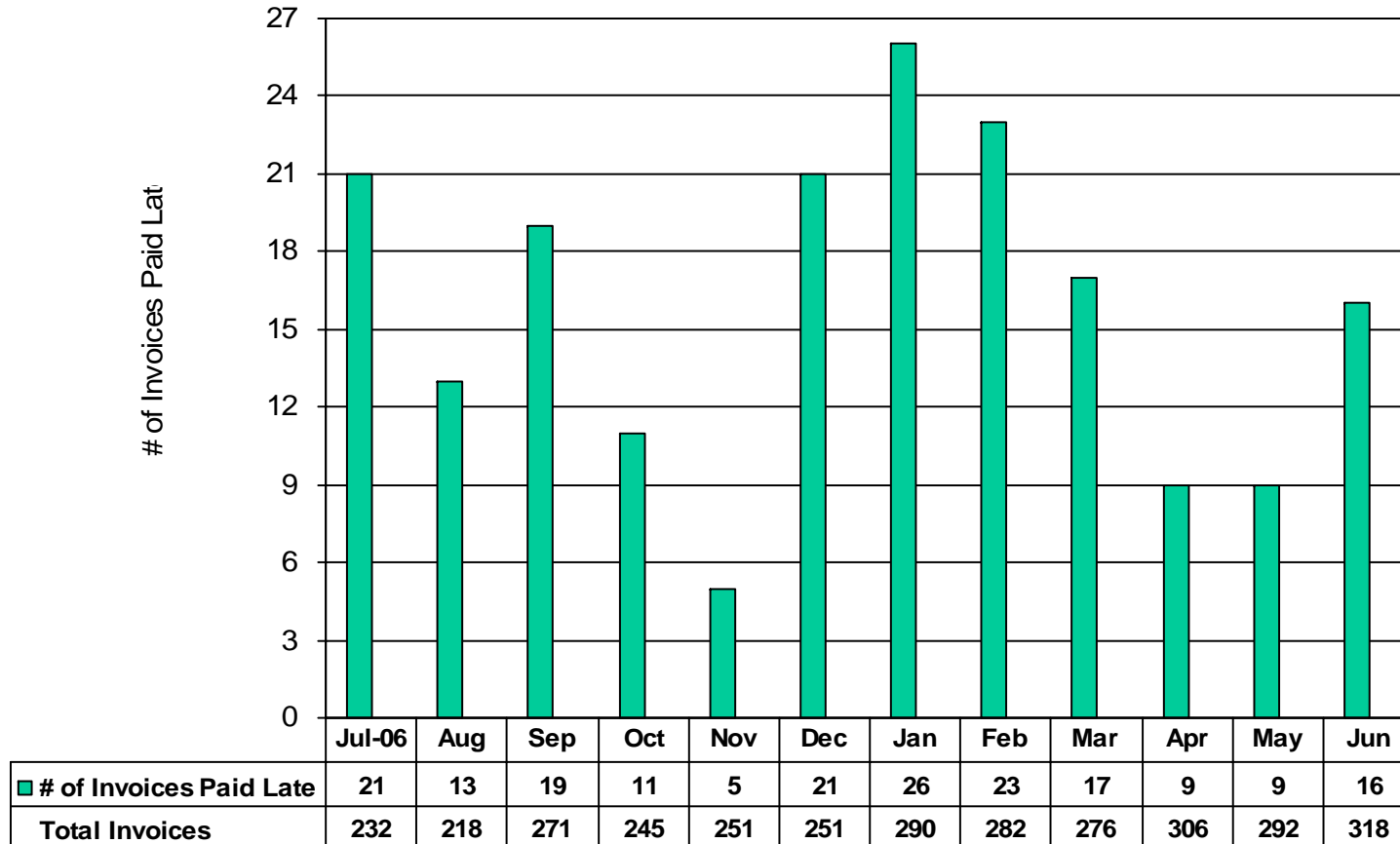
*As of June 19, 2006 the CAISO completed its transition to a new approach for assigning unsecured credit limits (UCL). Effective May 2006, outstanding obligations are estimated using available historical settlements data in contrast with the use of SCALE application data (SCALE is currently inoperative) 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.*