

MONTHLY FINANCIAL REPORT

November 2007

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

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CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the eleven-month period ended November 30, 2007

The ISO

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

- ◆ Operating Revenues for November were \$16.1M, \$1.0M 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 \$193.2M, \$11.7M 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 \$8.9M, offset by lower GMC revenues of \$4.1M. Lower GMC revenues are primarily due to milder weather during the first half of the year and resultant less than projected market volumes. Additionally, there was less reliance on the ISO market as more participants were self-providing for ancillary services.
- ◆ O&M expenses for November were \$11.2M, \$0.3 lower than budget.
 - The variance was primarily due to timing of payments during the month.
- ◆ O&M expenses for the year to date were \$131.5M, \$0.4 lower than budget.
 - The variance was primarily due to lower third party vendor contract costs and lower expenses in the other categories offset by higher consulting and contracting costs.
- ◆ At month end, there were 533 full-time employees compared to the 541 full-time employees budgeted.

BALANCE SHEET: (page 2)

- ◆ The changes in cash and accounts receivables are due to two preliminary cash clearings during the month rather than the usual one.

CAPITAL PROJECTS: (pages 3 and 8)

- ◆ 2007 approved capital expenditures were budgeted for the year at \$52.5M. Year to date actual expenditures for 2007 capital projects totaled \$38.6M. Expenditures for 2006 approved capital projects totaled \$5.4M. 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 November totaled \$52.7M and include \$47.9M for MRTU projects.

INTEREST COSTS: (page 9)

- ◆ During November, the ISO bond interest rates averaged 3.68%, 0.31% lower than the budgeted rate of 3.99%.

CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the eleven-month period ended November 30, 2007

The ISO Markets

MARKET CHARGES: (page 4)

- ♦ Charges for the market (including GMC and FERC Fees) that settled in November amounted to \$170.4M (August 2007 trade month) compared to \$181.9M (July 2007 trade month) that settled in October.

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)

- ♦ Fourteen payments (of 290 invoices) in the August 2007 trade month cash clearing were received late compared to seventeen payments (of 287 invoices) in the July 2007 trade month cash clearing.

CALIFORNIA ISO

Statement of Operations

For the eleven-month period ended November 30, 2007

(dollars in thousands)

	Month				Year to Date				2007
	Actual	Budget	Variance	Var (%)	Actual	Budget	Variance	Var (%)	Budget
Revenues:									
Grid Management Charge	\$ 14,200	\$ 14,335	\$ (135)	-1%	\$ 168,886	\$ 172,984	\$ (4,098)	-2%	\$ 188,313
Fines, WSCC & Other Fees	369	576	(207)	-36%	12,686	6,336	6,350	100%	6,912
Interest income & other	1,500	193	1,307	677%	11,590	2,124	9,466	446%	2,317
Total revenues	<u>16,069</u>	<u>15,104</u>	<u>965</u>	<u>6%</u>	<u>193,162</u>	<u>181,444</u>	<u>11,718</u>	<u>6%</u>	<u>197,542</u>
Operating Expenses:									
Salaries and Benefits	7,207	6,732	475	7%	82,123	80,473	1,650	2%	87,180
Building, Leases and Facility	792	780	12	2%	7,954	8,579	(625)	-7%	9,359
Insurance	7	1	6	0%	1,918	2,209	(291)	-13%	2,209
Third Party Vendor Contracts	1,049	2,416	(1,367)	-57%	12,922	20,393	(7,471)	-37%	22,915
Consulting and Contracting Services	1,679	618	1,061	172%	15,856	7,752	8,104	105%	8,396
Legal and Audit	95	454	(359)	-79%	5,340	6,171	(831)	-13%	6,900
Training, Travel and Professional Dues	349	333	16	5%	3,185	3,983	(798)	-20%	4,316
Other	13	197	(184)	-93%	2,178	2,333	(155)	-7%	2,530
Total operating expenses	<u>11,191</u>	<u>11,531</u>	<u>(340)</u>	<u>-3%</u>	<u>131,476</u>	<u>131,893</u>	<u>(417)</u>	<u>0%</u>	<u>143,805</u>
Net operating income (loss)	<u>4,878</u>	<u>3,573</u>	<u>1,305</u>	<u>37%</u>	<u>61,686</u>	<u>49,551</u>	<u>12,135</u>	<u>24%</u>	<u>53,737</u>
Interest and Other Expenses									
Interest expense	591	578	13	2%	11,667	6,335	5,332	84%	6,913
Depreciation and amortization	1,150	1,150	-	0%	13,041	13,041	-	0%	25,200
Total interest and other expenses	<u>1,741</u>	<u>1,728</u>	<u>13</u>	<u>1%</u>	<u>24,708</u>	<u>19,376</u>	<u>5,332</u>	<u>28%</u>	<u>32,113</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ 3,137</u>	<u>\$ 1,845</u>	<u>\$ 1,292</u>	<u>70%</u>	<u>\$ 36,978</u>	<u>\$ 30,175</u>	<u>\$ 6,803</u>	<u>23%</u>	<u>\$ 21,624</u>
Number of Full-time Employees	<u>533</u>	<u>541</u>	<u>(8)</u>	<u>-1%</u>					<u>541</u>

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

As of November 30, 2007

(dollars in thousands)

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>
ASSETS			
NET ELECTRIC UTILITY PLANT	<u>\$ 196,743</u>	<u>\$ 194,083</u>	<u>\$ 2,660</u>
CURRENT ASSETS			
Unrestricted Cash and Cash Equivalents	58,686	41,960	16,726
Restricted Cash and Cash Equivalents	37,482	37,482	-
Other Special Deposits	58,195	53,970	4,225
Accounts Receivable, net	30,941	52,853	(21,912)
Investments	93,422	93,422	-
Accrued Interest	1,565	65	1,500
Prepayments	<u>3,537</u>	<u>3,521</u>	<u>16</u>
Total Current Assets	<u>283,828</u>	<u>283,273</u>	<u>555</u>
NONCURRENT ASSET AND DEFERRED CHARGES			
Unamortized debt expenses and other	<u>(488)</u>	<u>79</u>	<u>(567)</u>
Total Noncurrent Asset and Deferred Charges	<u>(488)</u>	<u>79</u>	<u>(567)</u>
TOTAL ASSETS	<u><u>\$ 480,083</u></u>	<u><u>\$ 477,435</u></u>	<u><u>\$ 2,648</u></u>
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION			
Stakeholders' Surplus	\$ 198,460	\$ 195,322	\$ 3,138
Long-term Debt	<u>138,628</u>	<u>138,628</u>	<u>-</u>
TOTAL CAPITALIZATION	<u>337,088</u>	<u>333,950</u>	<u>3,138</u>
CURRENT LIABILITIES			
Long-term debt due within one year	50,700	50,700	-
Accounts Payable	23,133	25,060	(1,927)
Fines subject to refund	68,049	66,612	1,437
Total Current Liabilities	<u>141,882</u>	<u>142,372</u>	<u>(490)</u>
NONCURRENT LIABILITY AND DEFERRED CREDITS			
Other	<u>1,113</u>	<u>1,113</u>	<u>-</u>
Total Noncurrent Liability and Deferred Credits	<u>1,113</u>	<u>1,113</u>	<u>-</u>
TOTAL LIABILITIES	<u>142,995</u>	<u>143,485</u>	<u>(490)</u>
TOTAL CAPITALIZATION AND LIABILITIES	<u><u>\$ 480,083</u></u>	<u><u>\$ 477,435</u></u>	<u><u>\$ 2,648</u></u>

CALIFORNIA ISO
Capital Projects Report

For the eleven-month period ended November 30, 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	\$ 522	\$ 1,005	\$ 1,700	\$ 1,700	\$ 2,000	\$ -
Market Redesign	1,214	16,723	22,991	22,991	22,991	
Technology Upgrade	1,303	17,343	21,983	21,983	21,983	
Main Operating Systems - All	172	968	2,598	2,358	2,275	
Other Systems - Corporate Support	140	2,552	3,156	3,151	3,225	
Market Systems Business Requirements	10	31	292	292	-	
Total 2007 Capital Spending	3,361	38,622	52,720	52,475	52,475	-
2006 Capital Projects	91	5,421	6,233	5,883		
Total Capital	\$ 3,451	\$ 44,043	\$ 58,953	\$ 58,357	\$ 52,475	\$ -

CALIFORNIA ISO

Monthly Market Summary By Charge Type

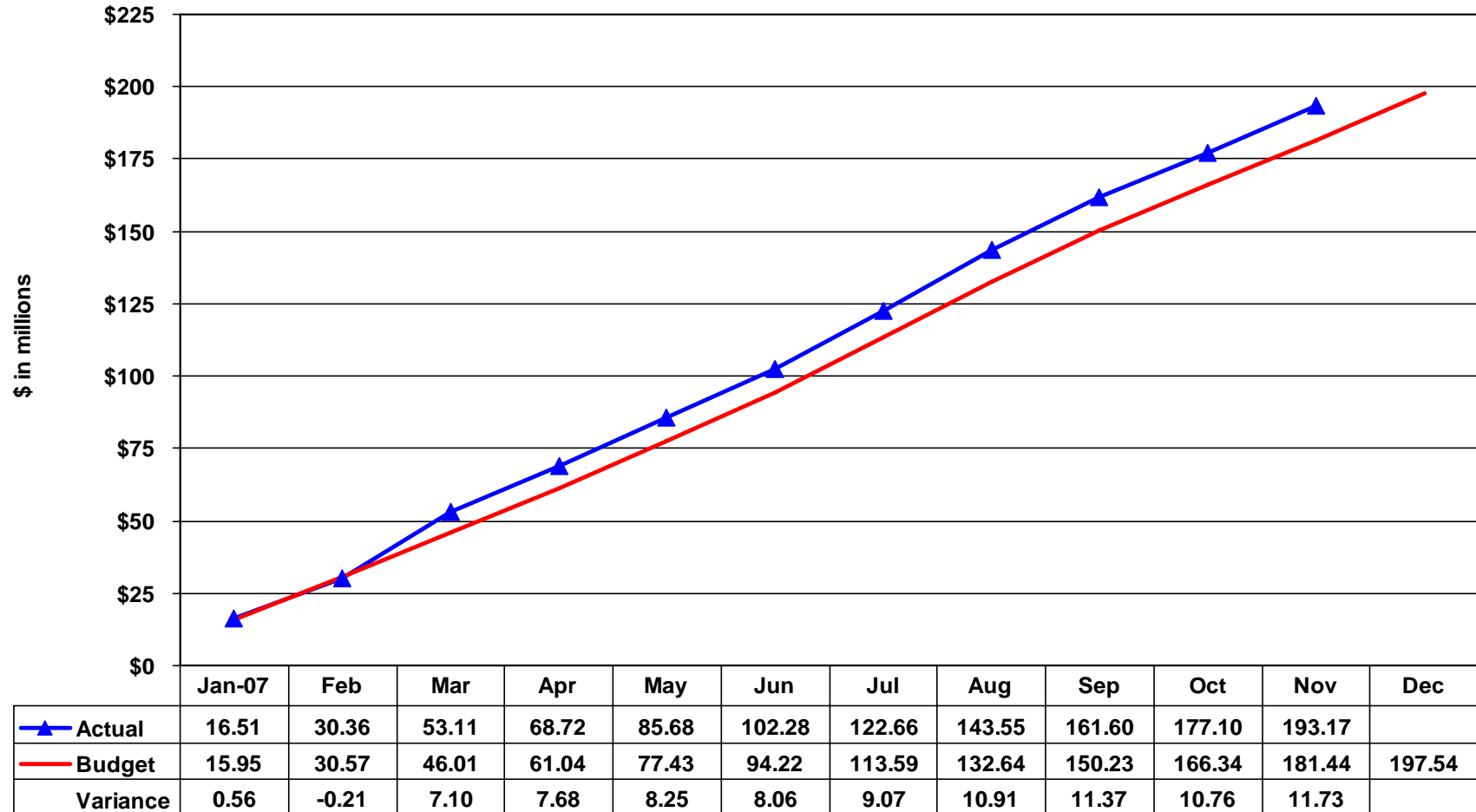
For the trade month August 2007 settled in November 2007

Charge Type	Type	Unit		Settlements Amount	
		Due SC	Due ISO	Due SC	Due ISO
Spin Reserve	MW	599,608	360,143	\$ 3,160,793	\$ 3,616,940
Non-Spin Reserve	MW	1,155,019	252,706	3,805,760	4,691,277
AGC/Regulation	MW	1,128,983	237,067	2,696,384	1,953,805
Replacement Reserve	MW	-	-	-	-
No-Pay Provision		25,597,828	80,216	1,269,445	1,269,492
Rational Buyer Adjustment		10,376,965	2,078	599,101	13
Total Ancillary Services		38,858,404	932,210	\$ 11,531,483	\$ 11,531,526
Energy (Note1)	MWh	714,448	21,967,433	\$ 44,661,974	\$ 48,893,733
Neutrality		25,672,204	442	4,187,341	8,772
Minimum Load Cost Compensation		2,273,083	30,841,613	6,542,193	6,527,194
Start-Up Cost Compensation		24,958,875	24,958,875	852,546	852,546
Emissions Cost Compensation		-	-	-	-
Voltage Support		-	9,266,391	137,366	137,366
Intermittent Resource Deviation		578,685	390,669	603,252	603,252
Total Energy		54,197,295	87,425,423	\$ 56,984,671	\$ 57,022,862
Inter-Zonal Congestion	MWh	1,276,543	10,909,778	\$ 5,572,120	\$ 5,533,617
Wheeling & High Voltage Access Charge	MWh	25,832,435	24,809,664	75,894,006	75,894,006
Others		24,457	244,559	24,668	24,661
FERC Fee		-	25,165,979	-	1,132,544
Penalty and Interest Charge		-	-	-	-
Total Transmission and Other		27,133,435	61,129,979	\$ 81,490,795	\$ 82,584,829
Total Market Billed by Charge Type		120,189,134	149,487,613	\$ 150,006,949	\$ 151,139,218
Other Billings					
Grid Management Charge				\$ 40,454	\$ 19,271,812

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

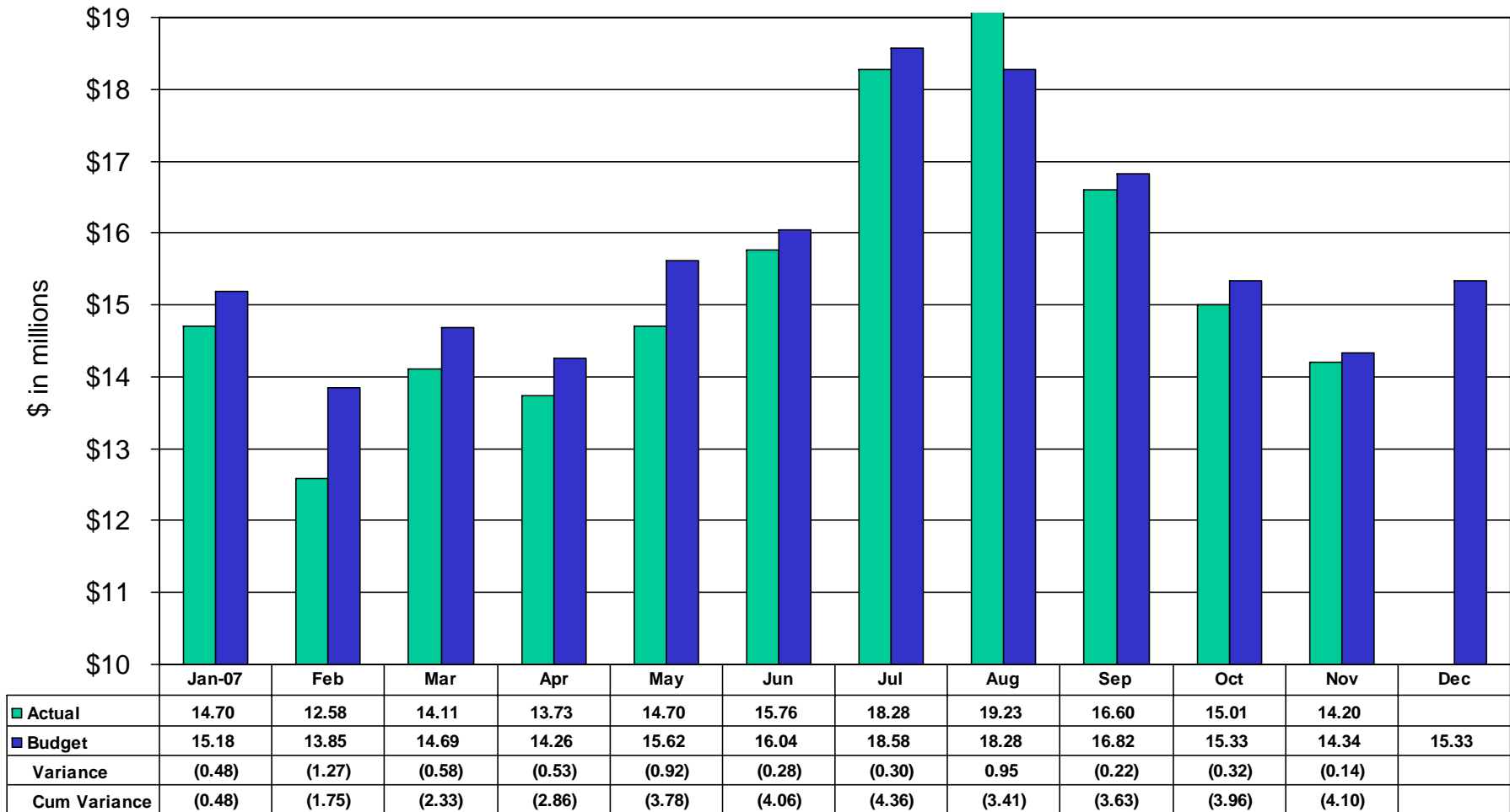
Cumulative Operating Revenues

Revenues = GMC, Interest, WSCC Security & Other Fees



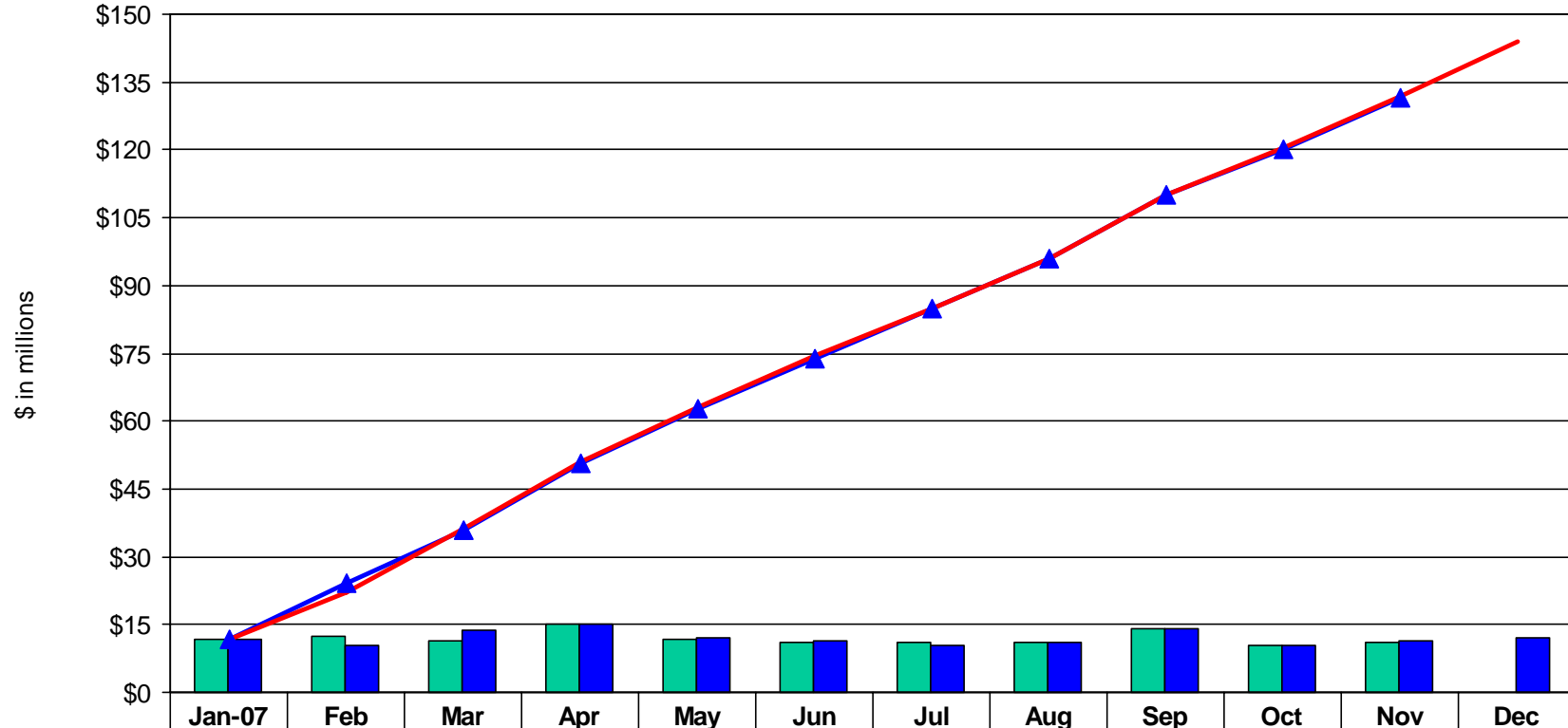
September, October, and November revenues are estimates.

Monthly GMC Revenues



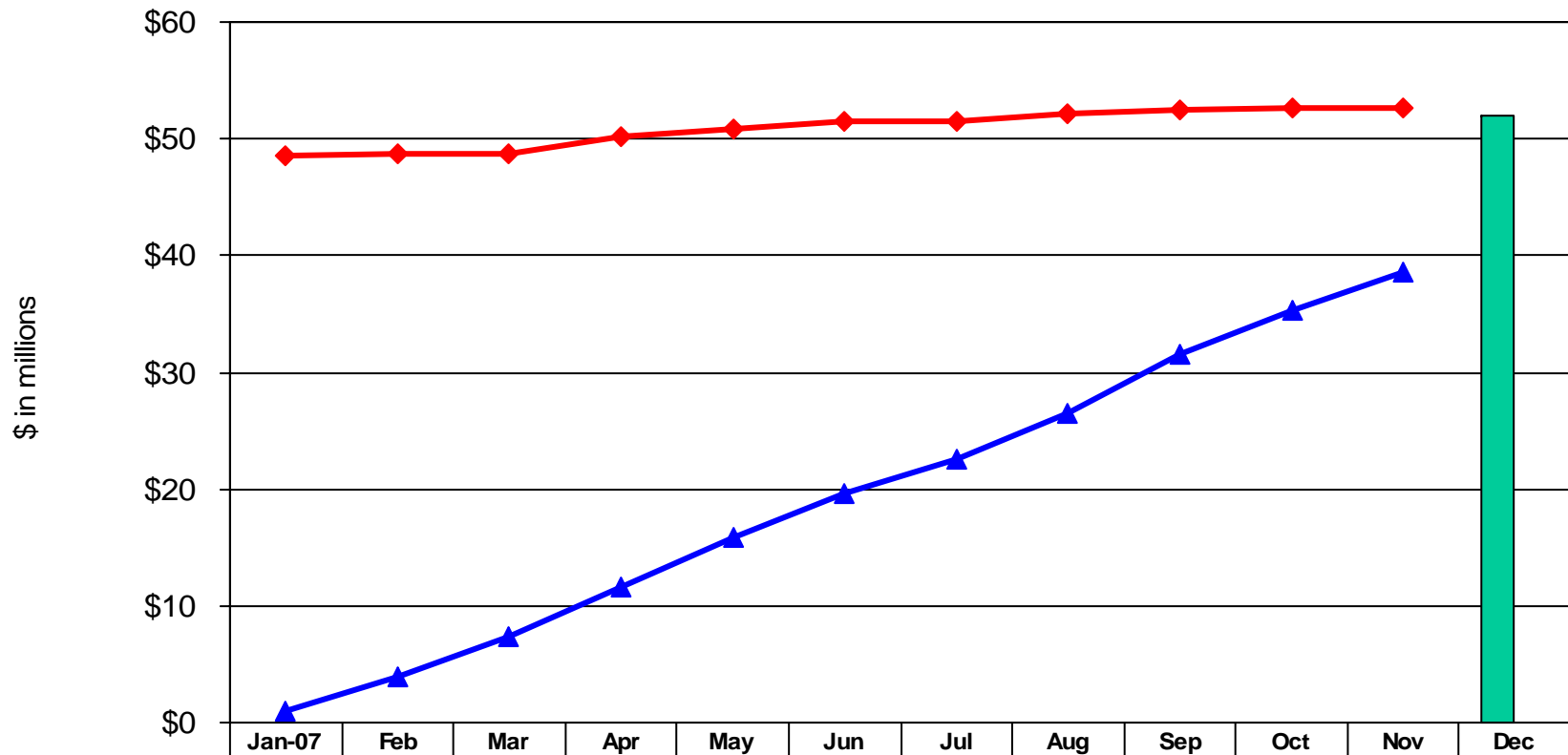
September, October and November revenues are estimates.





Operating and Maintenance Expenses (O&M)



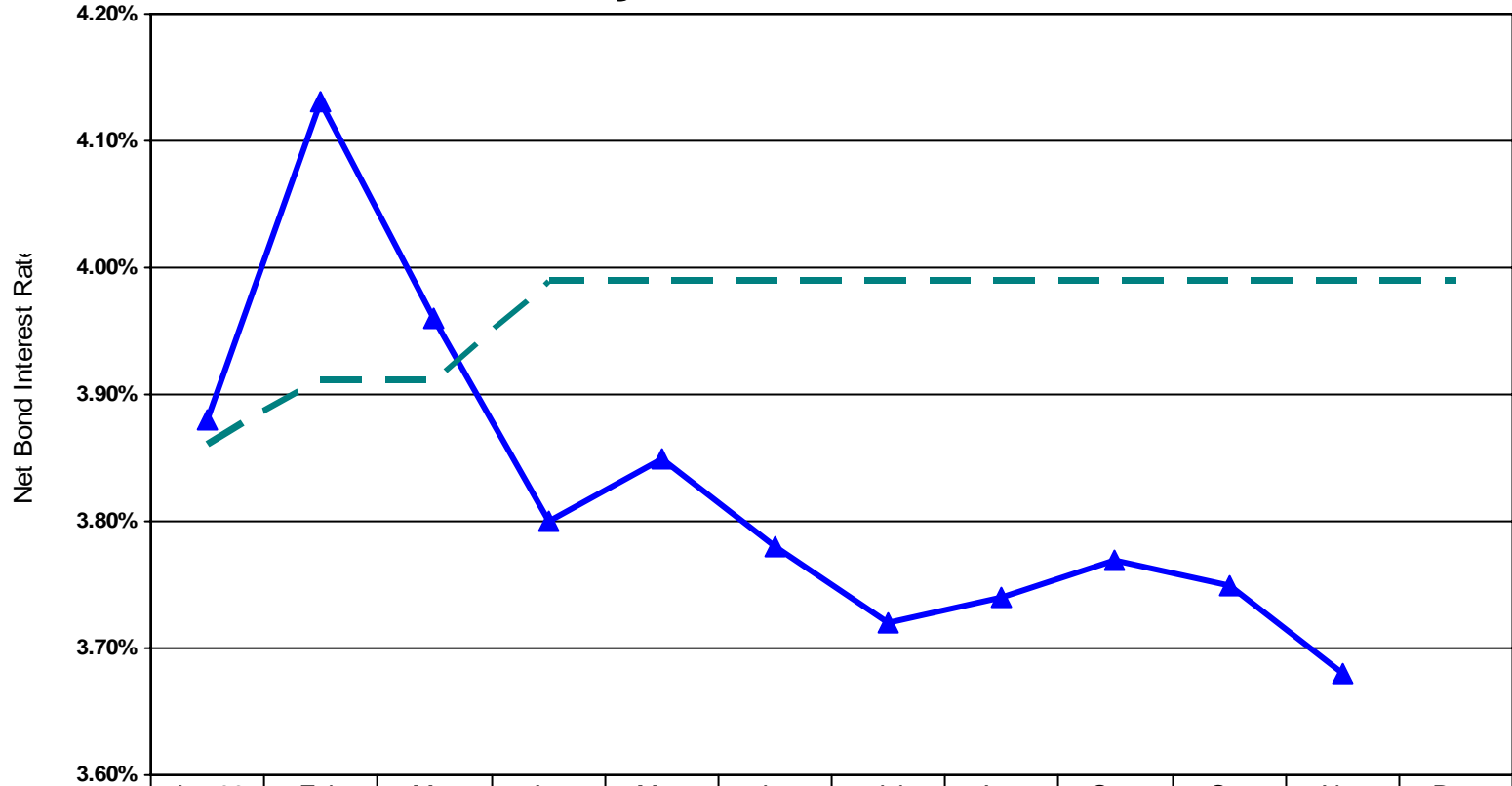
	Jan-07	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	11.65	12.55	11.57	15.03	11.83	11.18	11.19	10.99	14.05	10.25	11.19	
Monthly Budget	11.88	10.40	13.81	15.00	12.12	11.37	10.47	10.96	14.12	10.24	11.53	11.95
Cum Actual	11.65	24.20	35.77	50.80	62.63	73.81	85.00	95.99	110.04	120.29	131.48	
Cum Budget	11.88	22.28	36.09	51.09	63.21	74.58	85.04	96.00	110.12	120.36	131.89	143.84
Cum Variance	0.23	(1.92)	0.32	0.29	0.58	0.77	0.04	0.01	0.08	0.07	0.41	

Cumulative Capital Expenditures



	Jan-07	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
 Budgeted capital												52.00
 2007 O&M Impact	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
 Cumulative Expenditures	1.00	3.96	7.30	11.58	15.80	19.64	22.59	26.42	31.62	35.26	38.62	
 Approved projects	48.59	48.68	48.68	50.20	50.80	51.43	51.43	52.14	52.43	52.72	52.72	

ISO Monthly Debt Rates

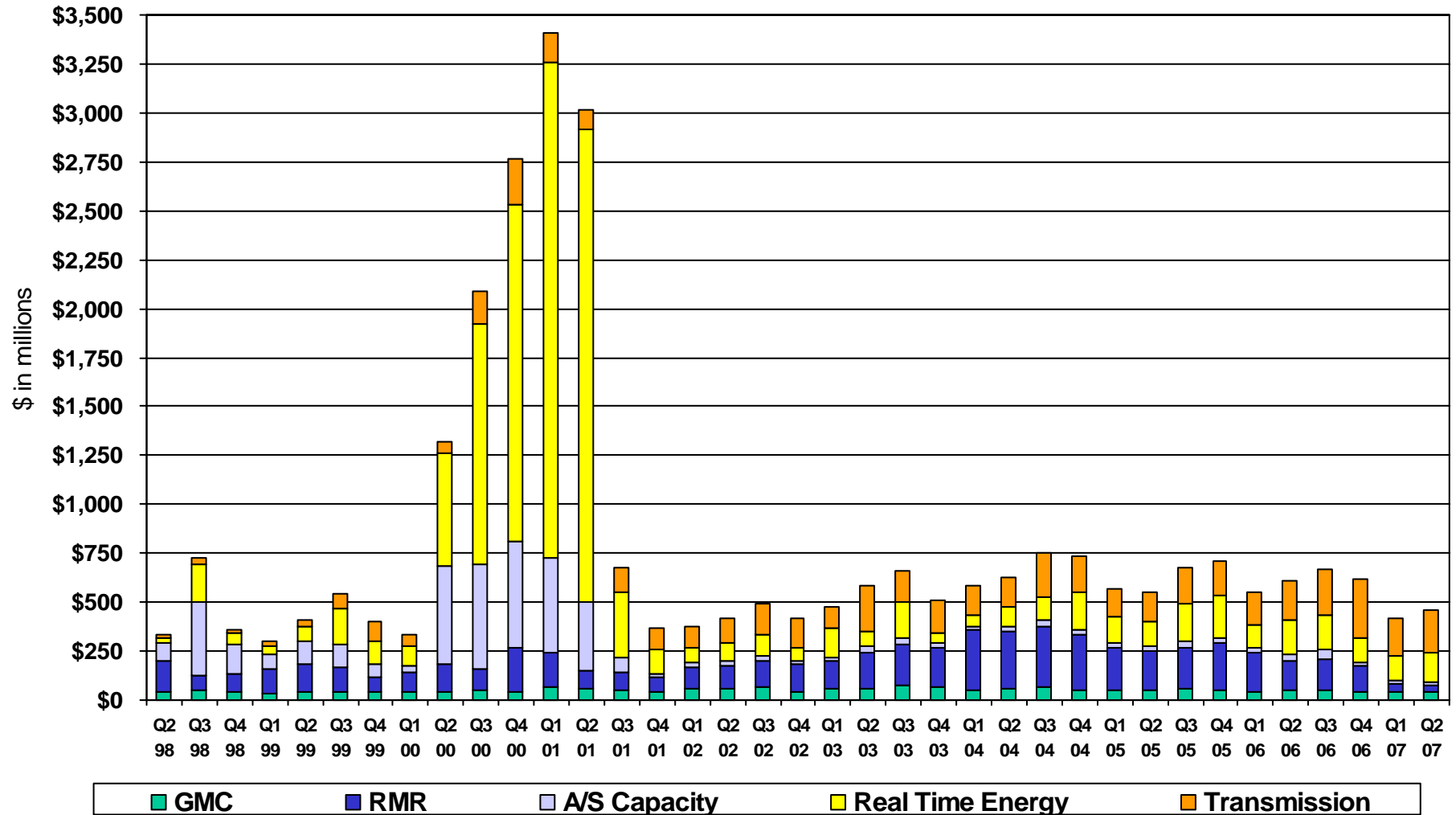


	Jan-06	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Net Int. Rate (All Bonds)	3.88%	4.13%	3.96%	3.80%	3.85%	3.78%	3.72%	3.74%	3.77%	3.75%	3.68%	
Budgeted Net Int. Rate	3.86%	3.91%	3.91%	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%	3.99%

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

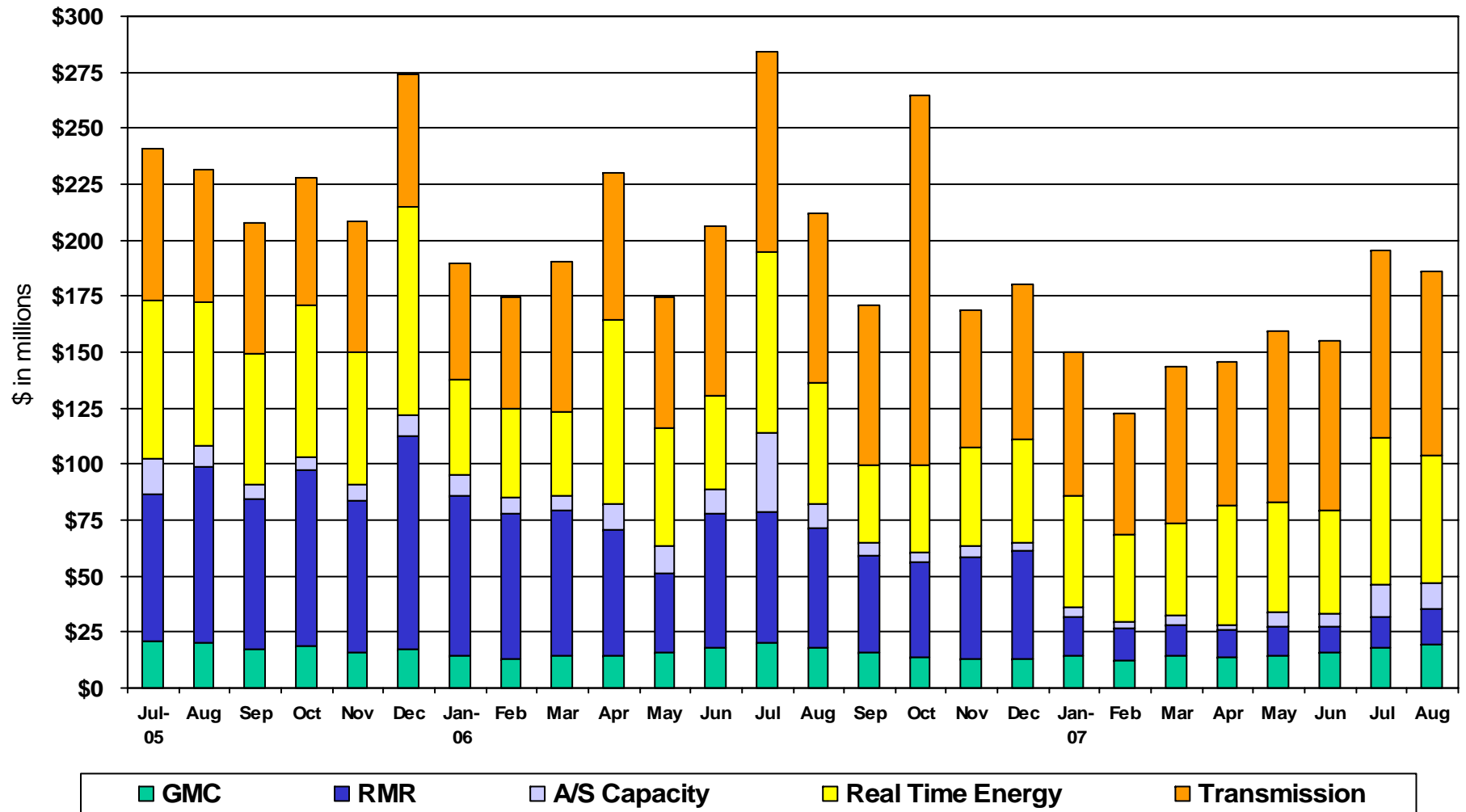
CAISO Market Costs By Quarter

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

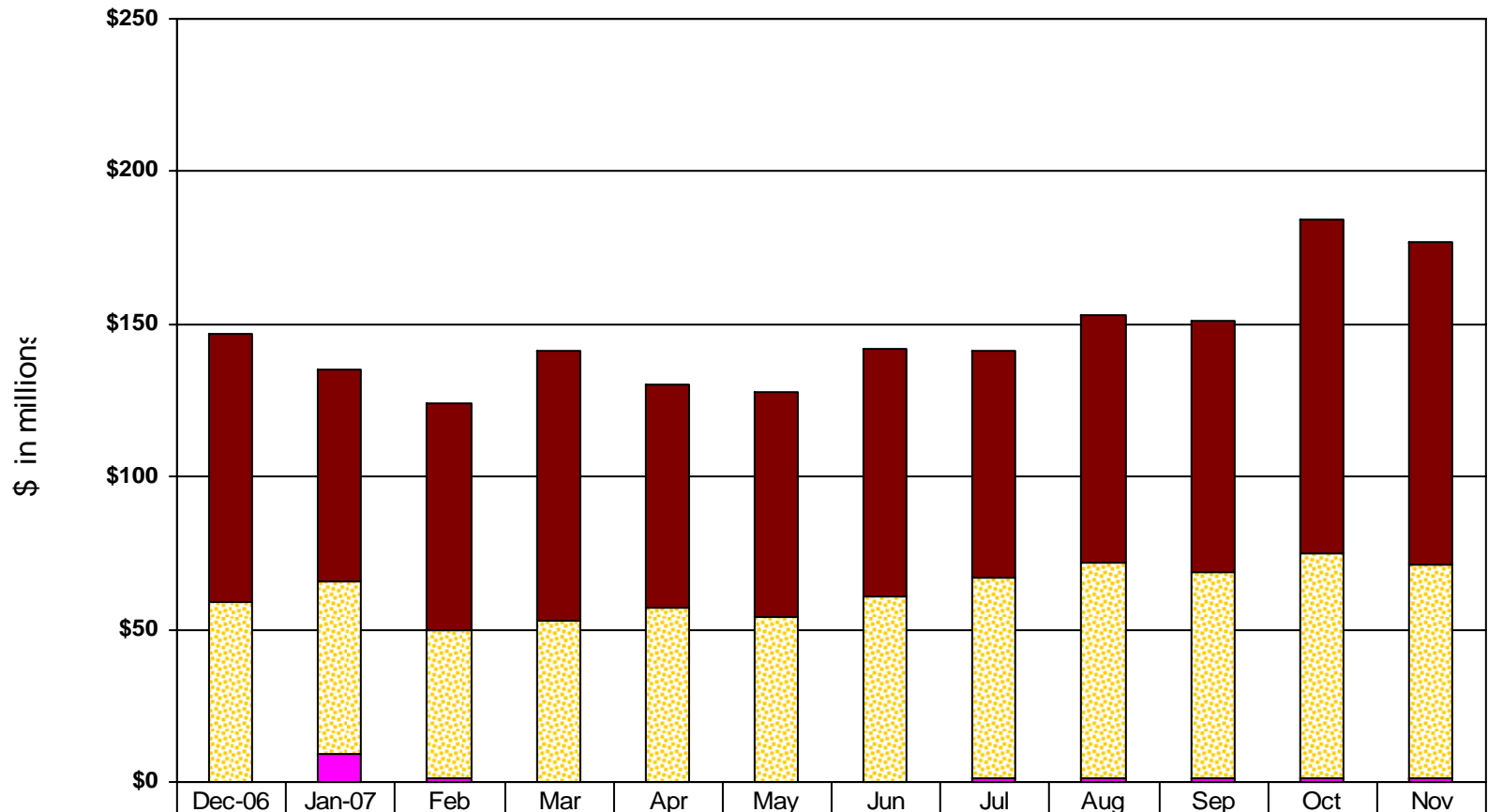




CAISO Market Costs By Month September 2005 through August 2007



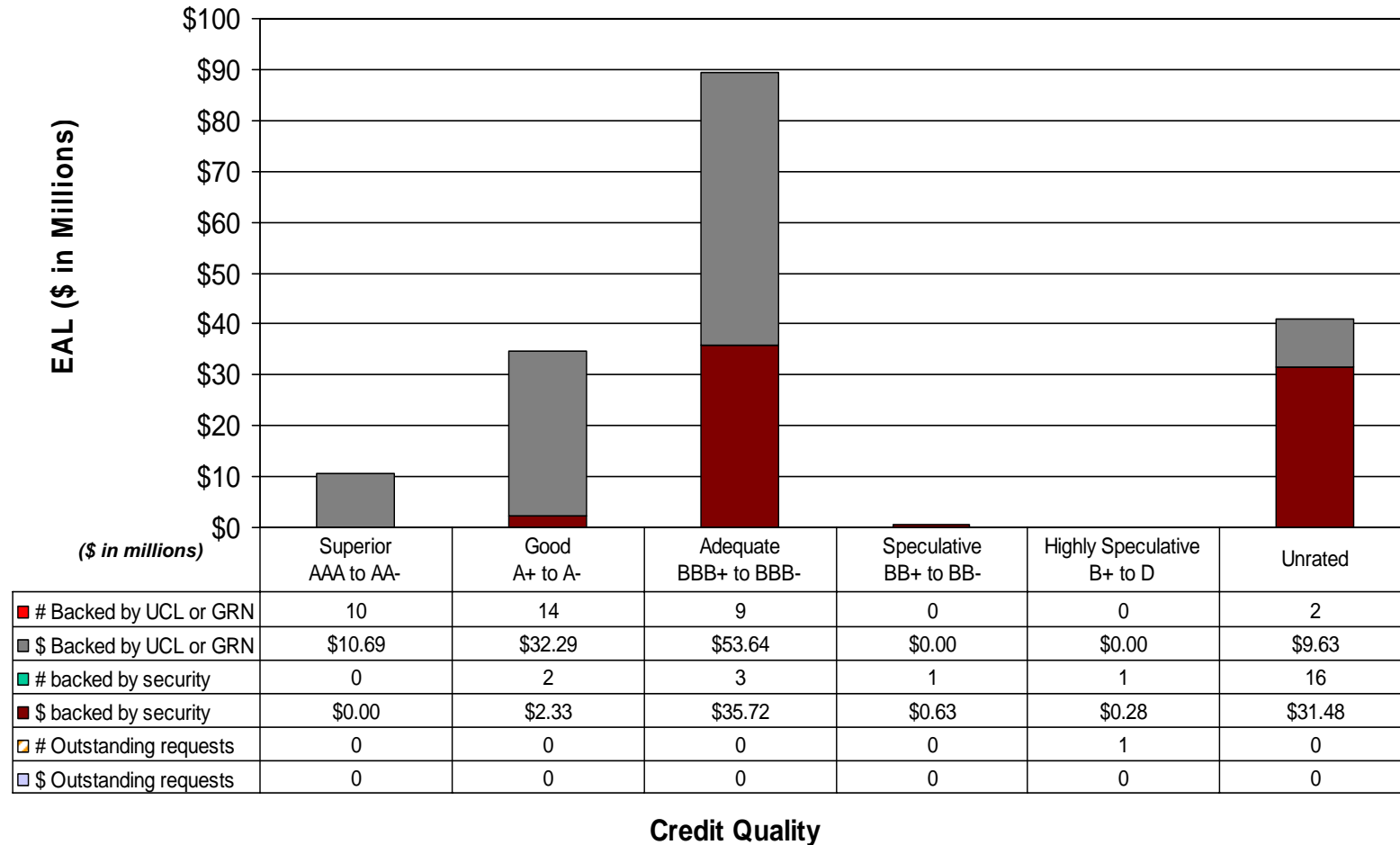
Outstanding Obligations of Market Participants



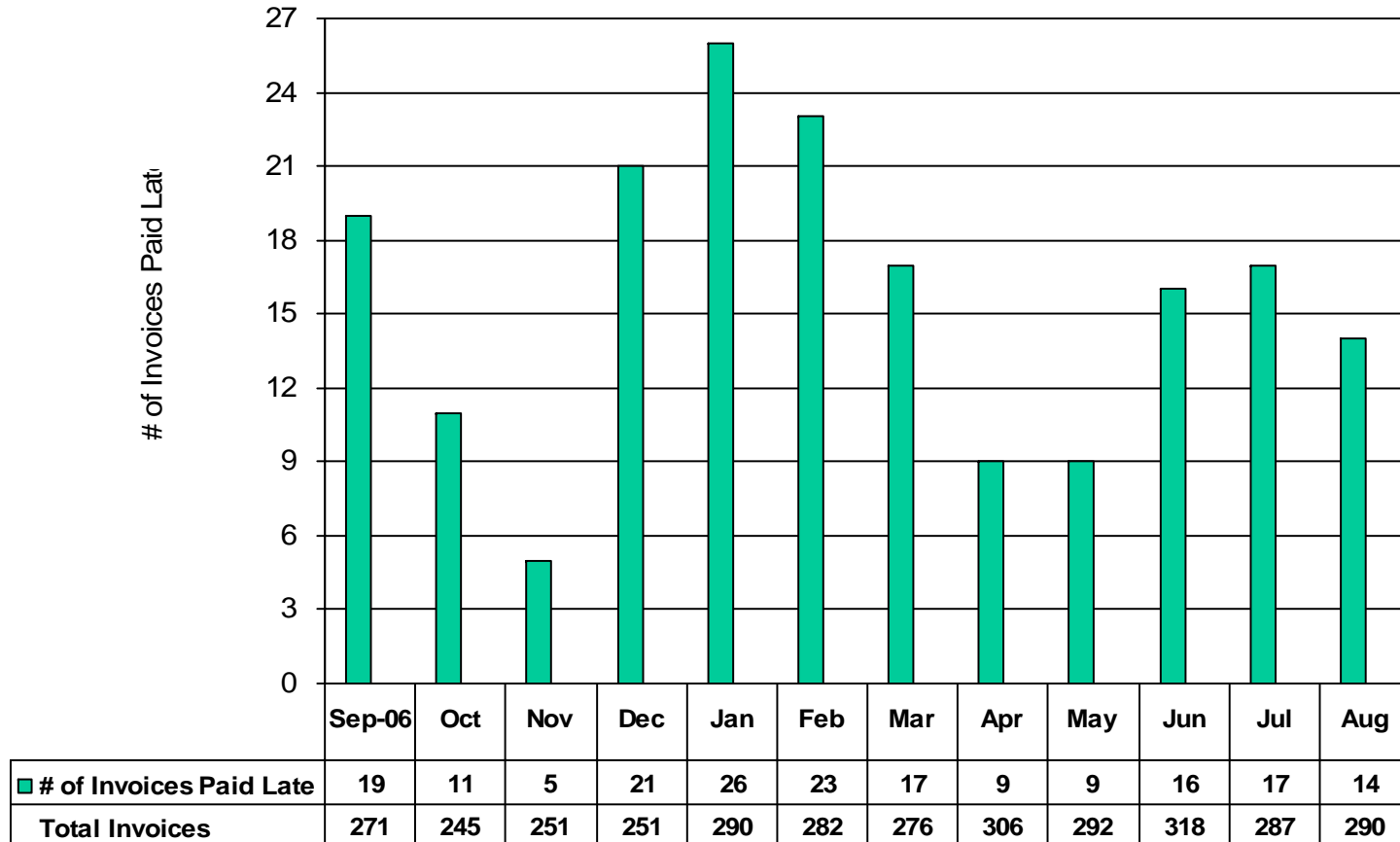
■ Backed by UCL or GRN	88	69	74	88	73	74	81	74	81	82	109	106
■ Backed by posted security	59	57	49	53	57	54	61	66	71	68	74	70
■ Outstanding security requests	0	9	1	0	0	0	0	1	1	1	1	1

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.