



California ISO
Your Link to Power

California Independent
System Operator

MONTHLY FINANCIAL REPORT

July 2010

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
MONTHLY FINANCIAL REPORT - July 31, 2010

Table of Contents

	<i>Page Number</i>
Summary, Discussion and Commentary	<i>i, ii</i>
<i>THE ISO</i>	
Statement of Operations	1
Balance Sheet	2
Capital Projects Report	3
<i>Summary Financial Data</i>	
Cumulative Operating Revenues	4
Monthly GMC Revenues	5
Operating and Maintenance Expenses	6
Cumulative Capital Expenditures	7
CAISO Market Revenues by Month - June 2008 through May 2010	8
CAISO Market Revenues by Quarter - 2nd Quarter 2005 through 1st Quarter 2010	9
CAISO Market Revenues by Year - 1998 through 2009	10
Outstanding Obligations of Market Participants	11
Backing for Estimated Aggregate Liability (EAL) by Credit Quality	12

CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the seven-months ended July 31, 2010

OPERATIONS: (pages 1, 4, 5, and 6)

- ◆ YTD operating revenues were \$3.1M under budget.
 - This is primarily due to lower GMC revenues during the period as a result of lower than budgeted volumes in the market caused by a reduction in energy exports and the prevailing economic conditions of the state. In April and July 2010, the Company adjusted the rates of some Grid Management Charge components in order to align the collection of revenues with the associated costs.
- ◆ YTD operating revenues were \$7.4M lower than the previous year.
 - This variance is primarily due to lower GMC revenues as a result of lower budgeted volumes (explained above), partially offset by higher other revenues.
- ◆ YTD O&M expenses were \$5.4M under budget.
 - This is primarily due to lower salaries and benefits as a result of the lower than budgeted headcount. The variances in the other categories are primarily due to timing of costs.
- ◆ YTD O&M expenses were \$1.7M lower than the previous year.
 - This variance is primarily due to decreased salaries and benefits because of less overtime, and lower consulting and contracting expenses due to the implementation of the new market. This reduced expenditure is partially offset by higher legal and audit and insurance expenses related to the new building headquarters in 2010.
- ◆ Currently there are 589 full-time employees compared to 615 full-time employees budgeted. There were 575 full-time employees YTD last year.
 - Employee headcount is lower than budgeted due to the timing of hires and attrition.

INTEREST COSTS and INTEREST INCOME: (page 1)

- ◆ YTD Interest income and other were \$1.6M higher than budget.
 - Primarily due to interest earned on restricted funds which is not a budgeted item because it is an adjustment to debt service costs for the year.
- ◆ YTD Interest income and other were higher by \$1.4M compared to the previous year due to larger investment balances.
- ◆ YTD Interest expense, as compared to budget, was higher by \$1.0 million due to interest expense adjustments related to the bonds for the period.
- ◆ YTD Interest expense was higher overall compared to last year due to the generator fines interest expense reversal and to the issuance of the 2009 bonds.
- ◆ YTD Gains and losses on investments are higher as a result of recovering bond prices.
- ◆ YTD Gains and losses on investments in 2010 are lower by \$1.8M compared to 2009 because the 2009 gains were primarily due to the initial recovery after the 2008 historic lows.

BALANCE SHEET: (page 2)

- ◆ The increase of Unrestricted Cash and Cash Equivalents and Customer Deposits and Other compared to the prior month is due to the timing of uninvested GMC collections and an increase in collateral and interconnection study deposits in July.
- ◆ Changes to the other accounts were mainly due to normal business activity during the month.

**CALIFORNIA ISO
SUMMARY, DISCUSSION AND COMMENTARY**

For the seven-months ended July 31, 2010

Page i

CAPITAL PROJECTS: (pages 3 and 7)

- ♦ The 2010 capital projects budget is \$31.0M, and is separate from the Iron Point budget of \$160.0M for the new facility. YTD 2010 capital projects approved through July totaled \$16.4M.
- ♦ Actual expenditures to date for 2010-approved capital projects and the new facility totaled \$5.1M and \$112.3M, respectively.
- ♦ Expenditures for 2009-approved capital projects totaled \$11.4M.

The ISO Markets

MARKET REVENUES: (page 8, 9 and 10)

- ♦ The total costs managed by the ISO include GMC, Reliability Must Run (RMR) charges, Ancillary Services Capacity, Energy (Real-time and Day-ahead), Transmission and Other, and InterSC Trades.
- ♦ Revenues from InterSC trades is now a significant share of our market revenues as a result of the new market.
- ♦ Other market costs fluctuate with the season or as a result of certain external factors (wildfires, extreme temperatures and drought conditions).

OBLIGATIONS OF MARKET PARTICIPANTS: (pages 11 and 12)

- ♦ Outstanding obligations of market participants reflects the seasonality of energy usage during the year.
- ♦ The increase in market obligations in November 2009 reflects the collateral requirements under payment acceleration and to the requirements to participate in the annual congestion revenue rights auction in December.

Page ii

CALIFORNIA ISO

Statement of Operations

For the seven-months ended July 31, 2010
(dollars in thousands)

	Year to Date			PY Actual	Variance	2010 Budget
	Actual	Budget	Variance			
Revenues:						
Grid Management Charge	\$ 107,278	\$ 112,241	\$ (4,962)	\$ 115,587	\$ (8,309)	\$ 195,067
Fines, WSCC & Other Fees	4,393	2,508	1,885	3,492	\$ 901	4,300
Total revenues	<u>111,672</u>	<u>114,749</u>	<u>(3,077)</u>	<u>119,080</u>	<u>(7,408)</u>	<u>199,367</u>
Operating Expenses:						
Salaries and Benefits	61,215	63,495	(2,280)	62,120	\$ (904)	110,028
Building, Leases and Facility	5,377	5,481	(104)	5,022	355	9,396
Insurance	926	1,286	(361)	362	563	2,205
Third Party Vendor Contracts	8,946	10,478	(1,531)	9,936	(989)	17,962
Consulting and Contracting Services	5,504	6,361	(857)	8,270	(2,766)	11,022
Legal and Audit	2,804	3,284	(480)	1,982	822	5,630
Training, Travel and Professional Dues	2,419	2,187	232	1,247	1,172	3,797
Other	1,446	1,501	(55)	1,442	4	2,656
Total operating expenses	<u>88,638</u>	<u>94,073</u>	<u>(5,435)</u>	<u>90,381</u>	<u>(1,743)</u>	<u>162,696</u>
Net operating income (loss)	<u>23,034</u>	<u>20,676</u>	<u>2,358</u>	<u>28,699</u>	<u>(5,665)</u>	<u>36,672</u>
Interest and Other Expenses						
Interest income & other	3,828	2,217	1,611	2,347	1,480	2,736
Interest expense	10,385	9,426	959	(7,306)	17,692	8,399
Gains and losses on investments (realized and unrealized)	587	-	587	2,355	(1,768)	-
Depreciation and amortization	33,413	33,413	-	19,059	9,055	62,000
Total interest and other expenses	<u>39,384</u>	<u>40,623</u>	<u>(65)</u>	<u>7,050</u>	<u>23,498</u>	<u>67,663</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ (16,350)</u>	<u>\$ (19,947)</u>	<u>\$ 2,423</u>	<u>\$ 21,649</u>	<u>\$ (29,163)</u>	<u>\$ (30,991)</u>
Number of Full-time Employees	<u>589</u>			<u>575</u>		<u>615</u>

CALIFORNIA ISO
Balance Sheet
As of July 31, 2010
(dollars in thousands)

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>	<u>%</u>
ASSETS				
NET ELECTRIC UTILITY PLANT	<u>\$ 330,800</u>	<u>\$ 323,169</u>	<u>\$ 7,631</u>	2%
CURRENT ASSETS				
Unrestricted Cash and Cash Equivalents	14,793	2,206	12,587	571%
Restricted Cash and Cash Equivalents	334,478	331,004	3,474	1%
Other Special Deposits	37,867	35,222	2,645	8%
Accounts Receivable, net	33,508	29,215	4,293	15%
Investments	202,419	202,415	4	0%
Accrued Interest	1,614	1,576	38	2%
Prepayments	6,812	7,235	(423)	-6%
Total Current Assets	<u>631,491</u>	<u>608,873</u>	<u>22,618</u>	4%
NONCURRENT ASSET AND DEFERRED CHARGES				
Unamortized Debt Expenses and Other	4,738	5,079	(341)	-7%
Total Noncurrent Asset and Deferred Charges	<u>4,738</u>	<u>5,079</u>	<u>(341)</u>	-7%
TOTAL ASSETS	<u>\$ 967,029</u>	<u>\$ 937,121</u>	<u>\$ 29,908</u>	3%
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
Stakeholders' Surplus	\$ 235,872	\$ 227,634	\$ 8,238	4%
Long-term Debt	290,153	290,328	(175)	0%
TOTAL CAPITALIZATION	<u>526,025</u>	<u>517,962</u>	<u>8,063</u>	2%
CURRENT LIABILITIES				
Long-term Debt Due Within One Year	42,250	42,250	-	0%
Accounts Payable	39,847	39,903	(56)	0%
Customer Deposits & Other	310,921	289,020	21,901	8%
Fines Subject to Refund	46,753	46,753	-	0%
Total Current Liabilities	<u>439,771</u>	<u>417,926</u>	<u>21,845</u>	5%
NONCURRENT LIABILITY AND DEFERRED CREDITS				
Other	1,233	1,233	-	0%
Total Noncurrent Liability and Deferred Credits	<u>1,233</u>	<u>1,233</u>	<u>-</u>	0%
TOTAL LIABILITIES	<u>441,004</u>	<u>419,159</u>	<u>21,845</u>	5%
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 967,029</u>	<u>\$ 937,121</u>	<u>\$ 29,908</u>	3%

**CALIFORNIA ISO
Capital Projects Report**

For the seven-months ended July 31, 2010
(dollars in thousands)

	Approved Projects				
	Month <u>Actual</u>	YTD <u>Actual</u>	2010 Approved <u>Projects</u>	Total Projected Costs for Approved <u>Projects</u>	Original 2010 <u>Budget</u>
Customer Focus	\$ 106	\$ 157	\$ 145	\$ 145	\$ 821
Operational Excellence	223	458	4,466	4,466	13,620
Continuous Transformation	686	1,427	6,635	6,635	10,415
Reasonable Costs & Essential Projects	439	3,076	5,177	5,140	6,144
Total 2010 Capital Spending	<u>1,454</u>	<u>5,118</u>	<u>16,423</u>	<u>16,386</u>	<u>31,000</u>
Iron Point Building	5,228	112,285	-	160,000	160,000
2009 Capital Projects	<u>1,512</u>	<u>11,352</u>	<u>-</u>	<u>20,023</u>	<u>20,023</u>
Total Capital	<u>\$ 8,195</u>	<u>\$ 128,755</u>	<u>\$ 16,423</u>	<u>\$ 196,409</u>	<u>\$ 211,023</u>

Notes:

2009 capital projects are funded by prior year rate collections.

The Iron Point Project (Phase 2) is funded from the 2009 bond proceeds.



California ISO
Your Link to Power

California Independent
System Operator Corporation

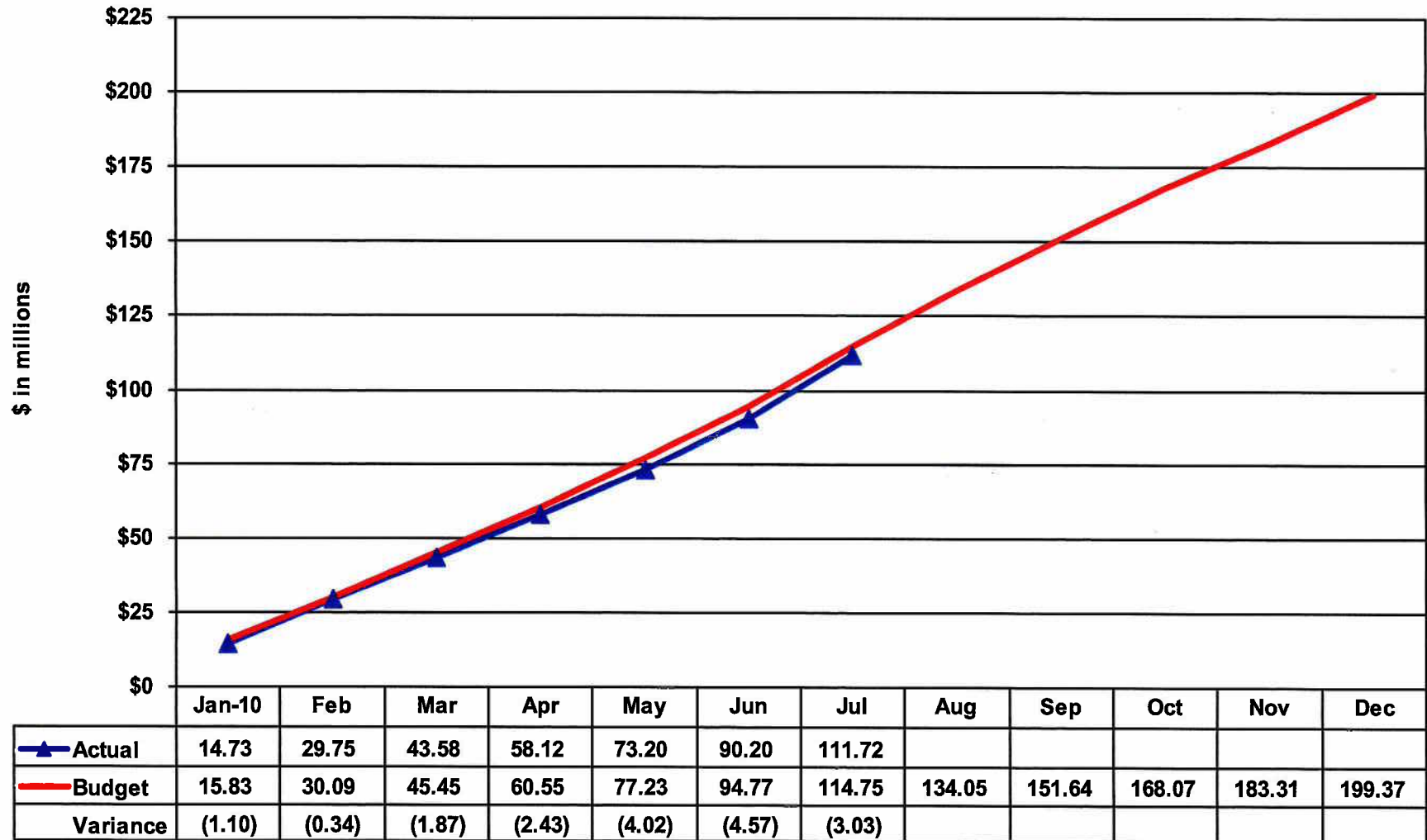
Summary Financial Data July 2010

**Denise Walsh
Controller**



Cumulative Operating Revenues

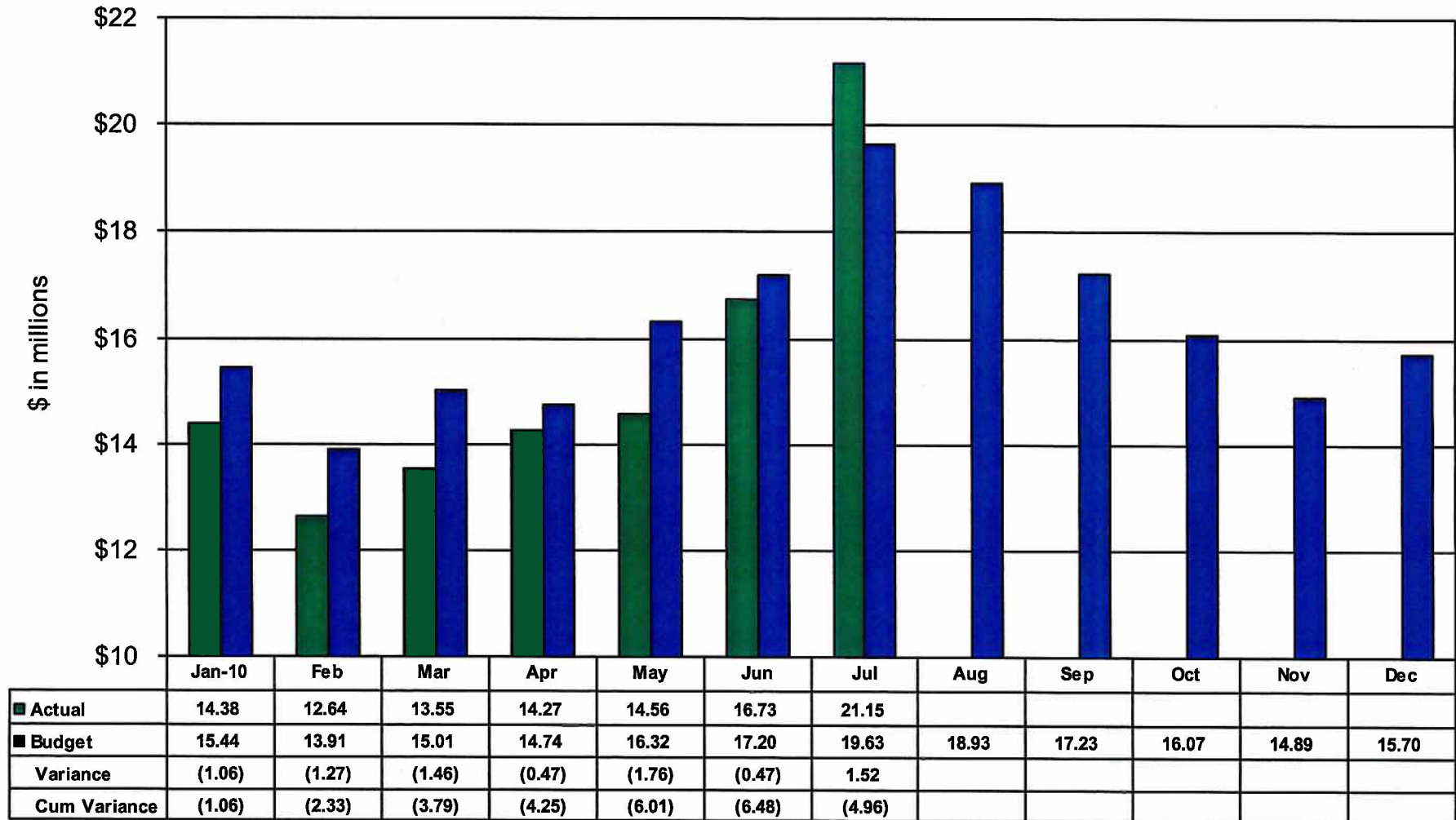
Revenues = GMC, LGIP, WSCC Security & Other Fees



July revenues are estimates.



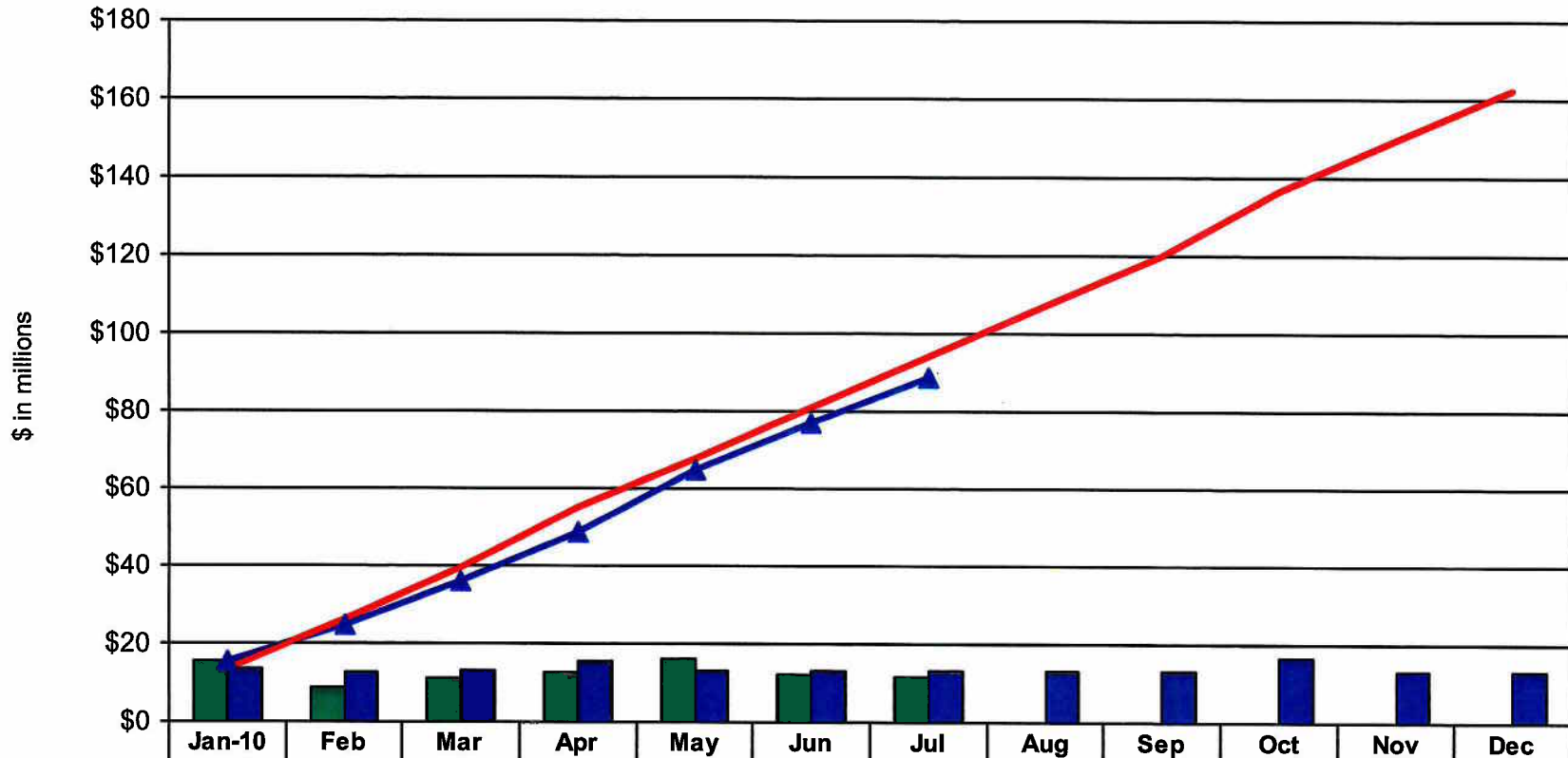
Monthly GMC Revenues



July revenues are estimates.



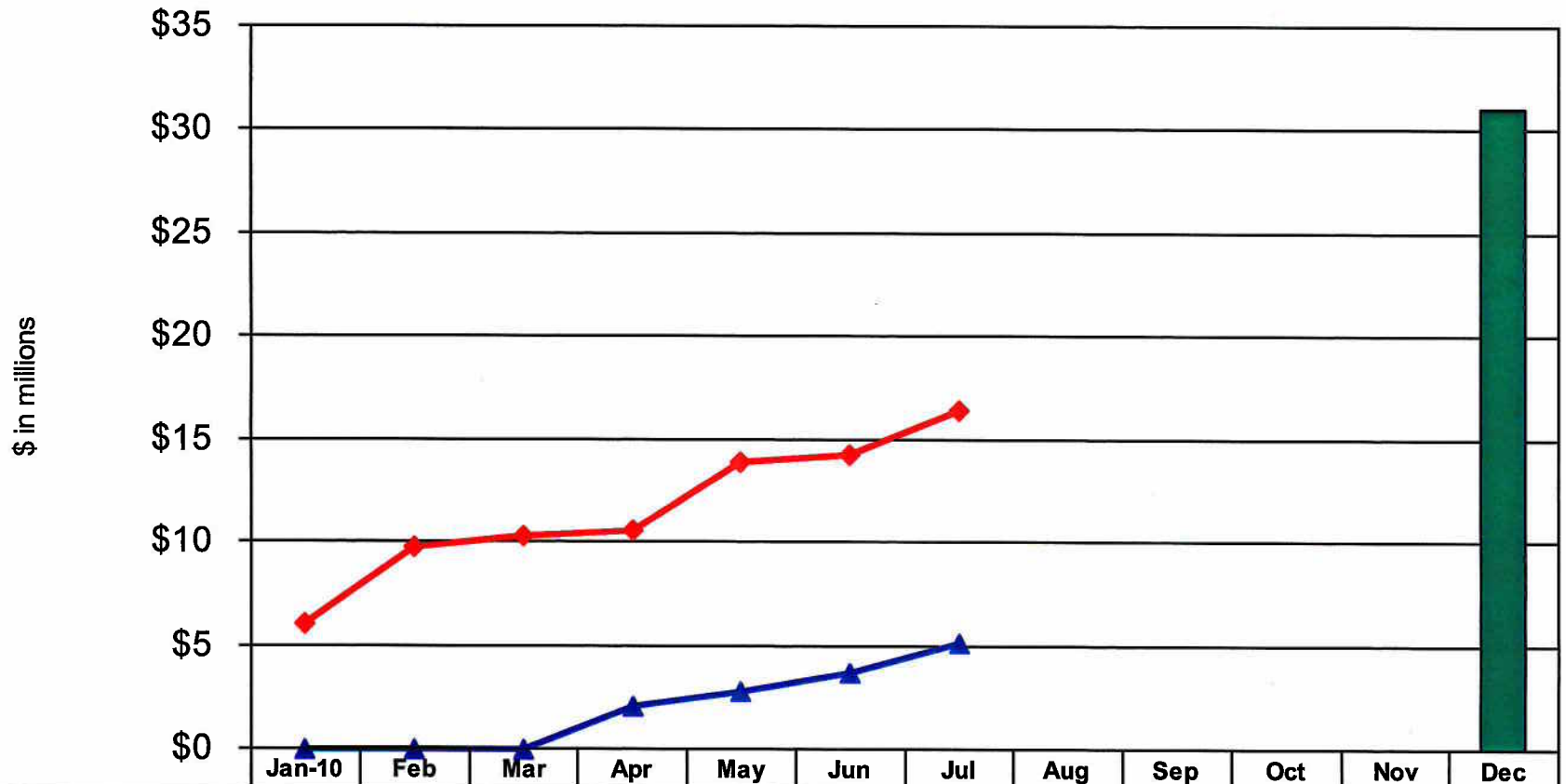
Operating and Maintenance Expenses (O&M)



	Jan-10	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	15.82	8.86	11.23	12.63	16.15	12.25	11.70					
Monthly Budget	13.54	12.91	12.94	15.61	13.04	13.02	13.02	13.02	13.02	16.53	13.02	13.02
Cum Actual	15.82	24.68	35.91	48.54	64.69	76.94	88.64					
Cum Budget	13.54	26.45	39.39	55.00	68.04	81.06	94.07	107.09	120.11	136.64	149.66	162.68
Cum Variance	(2.28)	1.77	3.48	6.46	3.35	4.12	5.43					



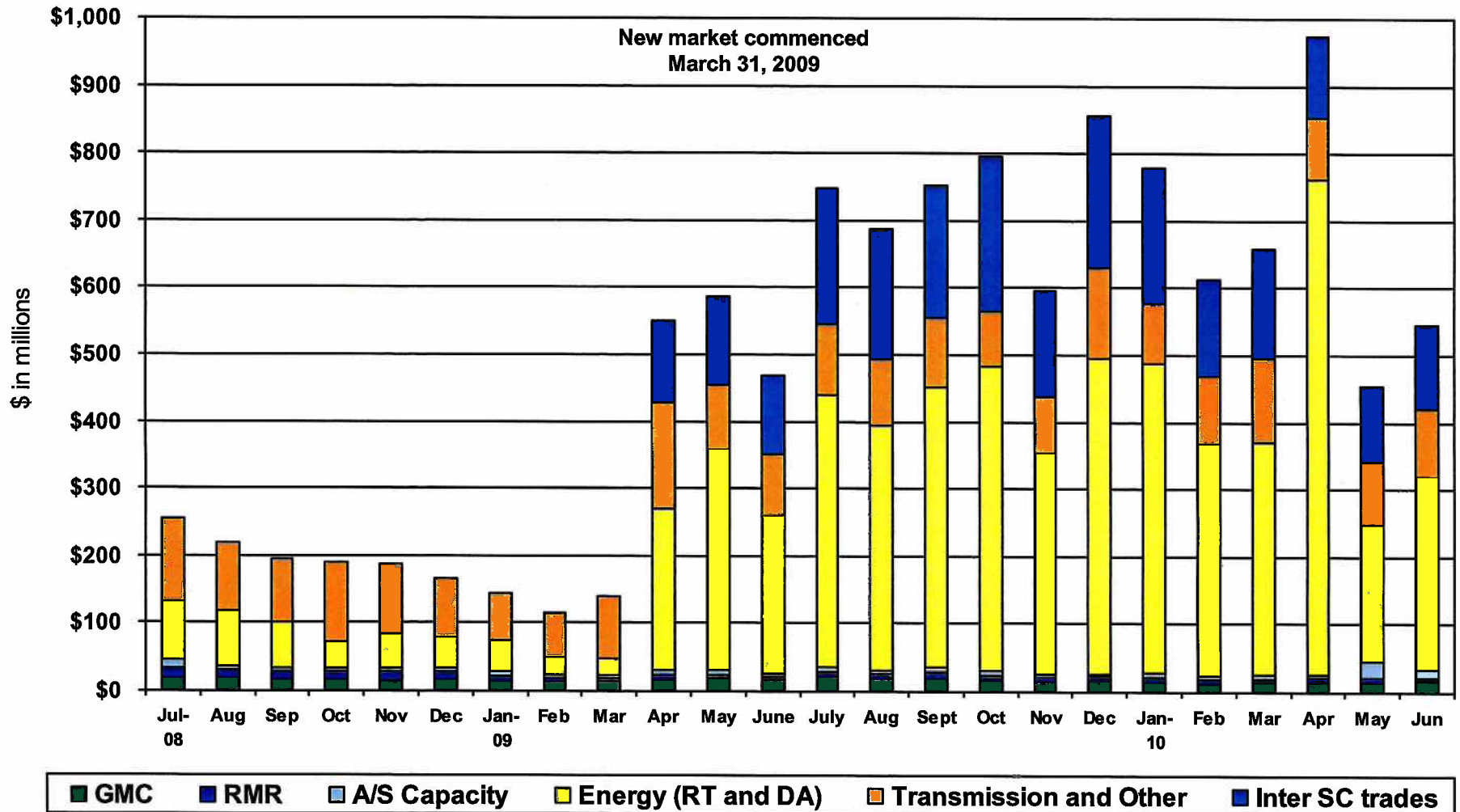
Cumulative Capital Expenditures



	Jan-10	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Budgeted capital												31.00
Cumulative Expenditures	0.01	0.02	0.02	2.10	2.76	3.66	5.12					
Approved projects	6.06	9.78	10.26	10.55	13.93	14.26	16.42					

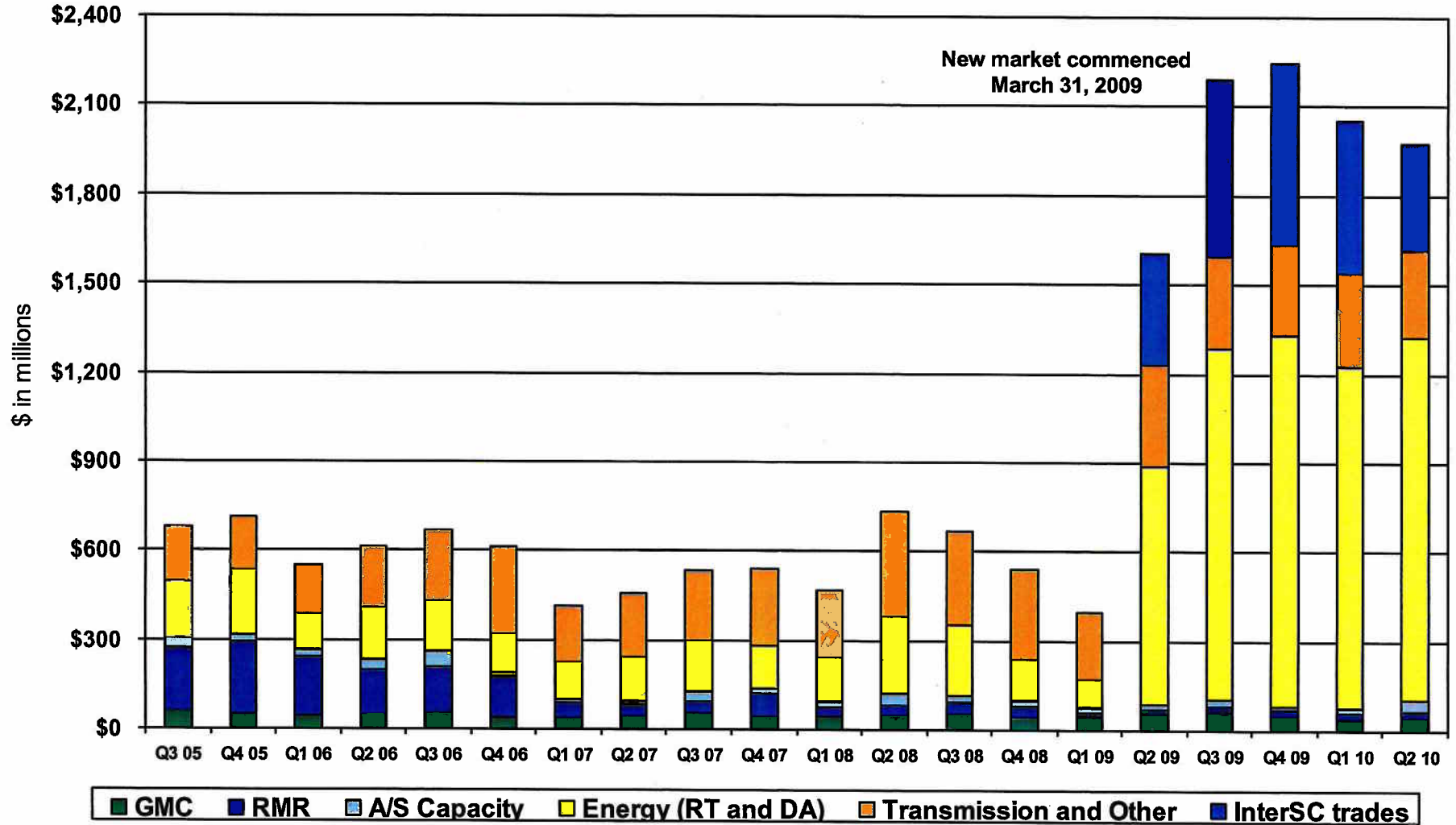


CAISO Market Revenues By Month July 2008 through June 2010



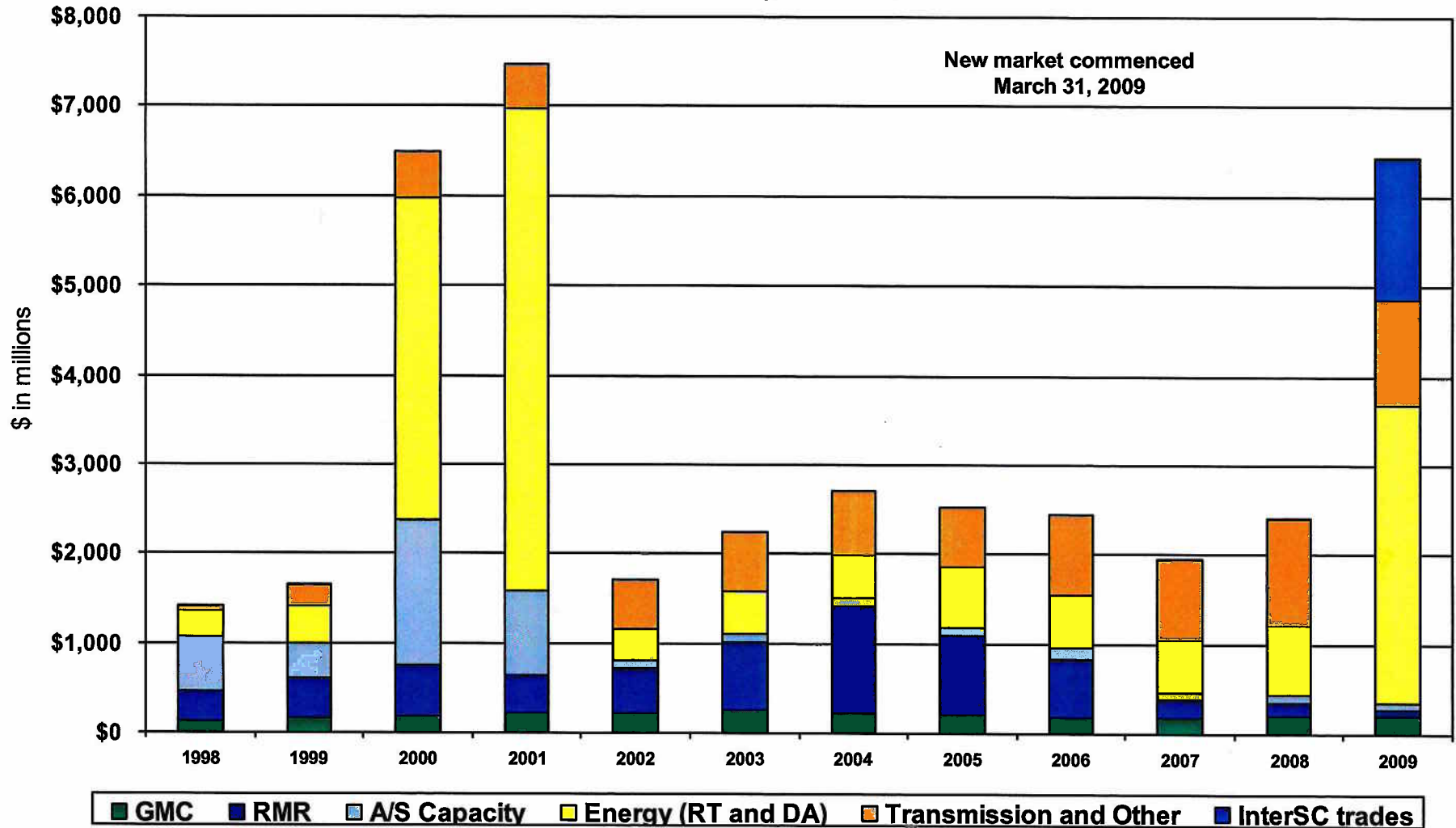


CAISO Market Revenues By Quarter 2nd Quarter 2005 through 2nd Quarter 2010



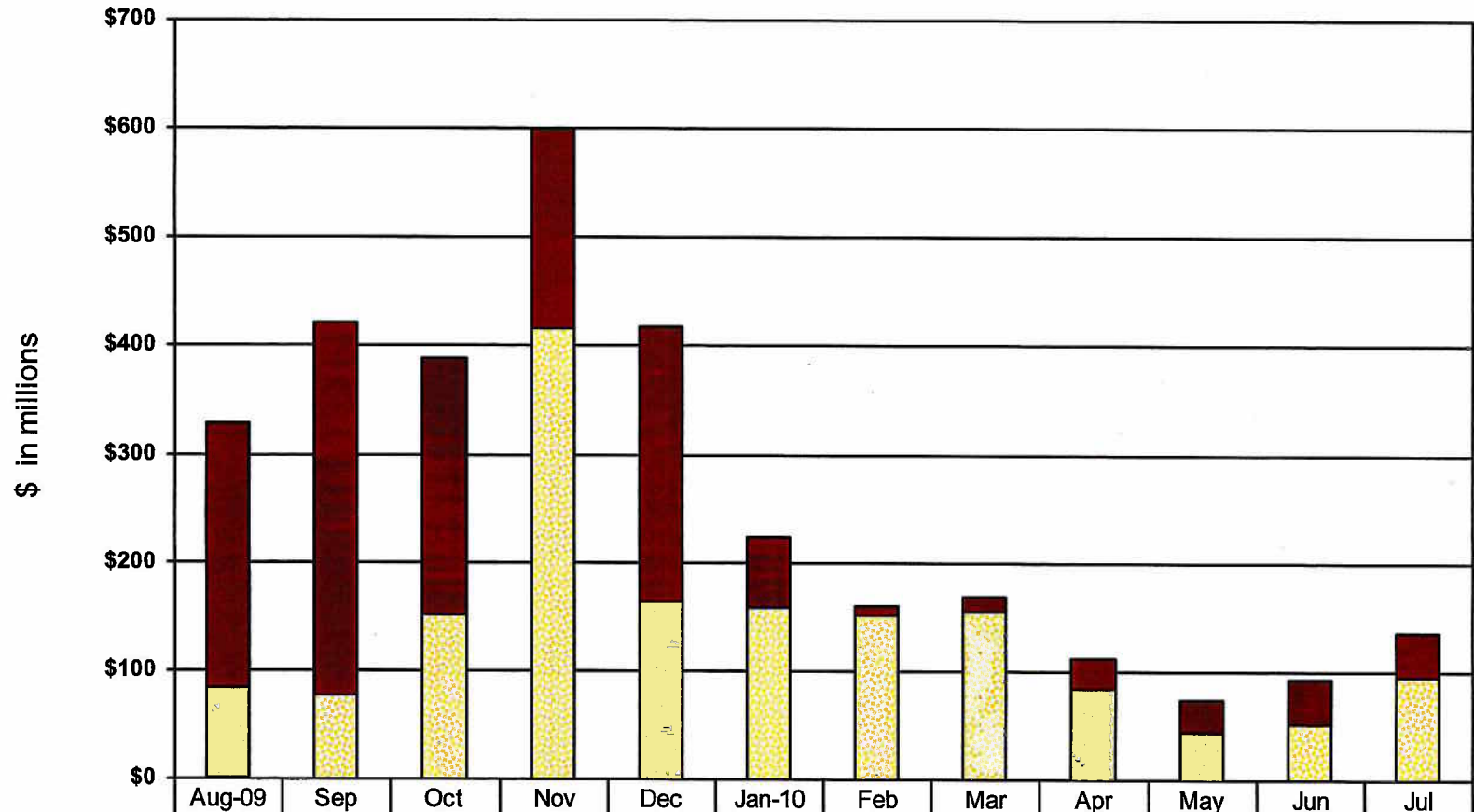


CAISO Market Revenues By Year 1998 through 2009





Outstanding Obligations of Market Participants



	Aug-09	Sep	Oct	Nov	Dec	Jan-10	Feb	Mar	Apr	May	Jun	Jul
■ Backed by UCL or GRN	245	343	237	184	255	65	9	15	27	30	42	41
▨ Backed by posted security	83	78	151	417	163	159	151	154	85	44	51	95
□ Outstanding security requests	1	0	0	0	0	0	0	0	0	0	0	0

Outstanding obligations are estimated using available historical settlements data. The "Backed by UCL or GRN" category includes Unsecured Credit Limits (UCL) and Guarantees (GRN). Posted security includes letters of credit, surety bonds, cash deposits held in escrow, certificates of deposit, payment bonds, and prepayments to the CAISO.



Backing for Estimated Aggregate Liability (EAL) by Credit Quality

