

MONTHLY FINANCIAL REPORT

July 2011

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
MONTHLY FINANCIAL REPORT - July 31, 2011**

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 Costs by Month - July 2009 through June 2011	8
CAISO Market Costs by Quarter - 3rd Quarter 2006 through 2nd Quarter 2011	9
Collateral and Estimated Aggregate Liability	10

CALIFORNIA ISO

SUMMARY, DISCUSSION AND COMMENTARY

For the seven-months ended July 31, 2011

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

- ◆ YTD operating revenues were \$0.3M over budget
 - This is primarily due to slightly higher GMC revenues during the period as a result of higher market volumes, offset by the April 2011 downward rate adjustment.
- ◆ YTD operating revenues were \$1.3M higher than the previous year:
 - This variance is primarily due to higher other revenues resulting from increased generator interconnection projects activity.
- ◆ YTD O&M expenses were \$1.4M under budget
 - This is primarily due to the timing of payments and budget discipline during the period.
- ◆ YTD O&M expenses were \$4.8M higher than last year
 - This is primarily due to the timing of expenses, higher salaries and wages and O & M costs related to the move in early 2011.
- ◆ Currently there are 587 full-time employees compared to 601 full-time employees budgeted. There were 589 full-time employees YTD last year.

INTEREST COSTS and INTEREST INCOME: (page 1)

- ◆ YTD Interest income and other was \$1.2M higher than budget due to interest earned on restricted funds. (Interest income earned on restricted funds is not budgeted, it is adjusted at the end of the year as part of the debt service costs.)
- ◆ YTD interest income and other were lower by \$1.1M compared to the previous year due to lower investment balances.
- ◆ YTD losses on investments represent the mark-to-market adjustments of the fixed income investments held.
- ◆ YTD interest expenses is at budget.
- ◆ YTD interest expenses compared to last year were lower overall due to lower debt balances as a result of scheduled debt payments.

BALANCE SHEET: (page 2)

- ◆ The changes in restricted cash and cash equivalents were primarily due to decreased security deposits from market participants. Changes in the rest of the accounts were a result of normal business activity during the month.

CAPITAL PROJECTS: (pages 3 and 7)

- ◆ 2011 capital projects were budgeted for the year at \$23.5M.
- ◆ YTD capital projects approved through July totaled \$12.7M, actual capital project expenditure totaled \$3.3M.
- ◆ YTD expenditures for the Iron Point facility and the 2010-approved capital projects totaled \$144.7M and \$6.0M, respectively.

CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the seven-months ended July 31, 2011

The ISO Markets

MARKET CHARGES: (page 8 and 9)

- ♦ The total market charges managed by the ISO include GMC, Reliability Must Run (RMR) charges, Ancillary Services Capacity, Real Time Energy, Transmission, Congestion and Other, and InterSC Trades.
- ♦ Other market charges fluctuate with the season or as a result of certain external factors (wildfires, extreme temperatures and drought conditions).

OBLIGATIONS OF MARKET PARTICIPANTS: (page 10)

- ♦ As of August 9, the ISO maintained \$1.6B in collateral from market participants. This supported \$206.8M in aggregate liabilities due in the market.
- ♦ Approximately \$1.3B of the collateral is from unsecured sources (i.e., unsecured credit limits and parent guarantees) with investment grade or equivalent ratings.
- ♦ \$279.8M of the collateral is from secured forms (i.e., cash , letters of credit, escrow accounts, etc.). This collateral is predominantly invested in AAA rated securities or backed by single A rated or better financial institutions.

CALIFORNIA ISO

Statement of Operations

For the seven-months ended July 31, 2011
(dollars in thousands)

	Year to Date					2011
	Actual	Budget	Variance	Prior Year Actual	Variance	Budget
Operating Revenues:						
Grid Management Charge	\$ 107,757	\$ 109,028	\$ (1,271)	\$ 107,470	\$ 287	\$ 189,788
Fines, WSCC & Other Fees	3,598	2,008	1,590	2,609	989	3,300
Total operating revenues	<u>111,355</u>	<u>111,036</u>	<u>319</u>	<u>110,079</u>	<u>1,276</u>	<u>193,088</u>
Operating Expenses:						
Salaries and Benefits	65,197	67,317	(2,119)	61,524	\$ 3,673	110,026
Building, Leases and Facility	5,745	6,087	(342)	5,377	367	10,435
Insurance	1,095	1,288	(193)	926	169	2,208
Third Party Vendor Contracts	10,626	9,675	952	9,123	1,503	16,585
Consulting and Contracting Services	7,161	5,939	1,222	6,707	454	10,053
Legal and Audit	2,029	2,539	(510)	2,804	(775)	6,992
Training, Travel and Professional Dues	1,864	2,237	(373)	2,419	(556)	3,797
Other	1,373	1,434	(62)	1,461	(46)	2,452
Total operating expenses	<u>95,090</u>	<u>96,516</u>	<u>(1,426)</u>	<u>90,343</u>	<u>4,790</u>	<u>162,548</u>
Net operating income (loss)	<u>16,264</u>	<u>14,520</u>	<u>1,745</u>	<u>19,736</u>	<u>(3,514)</u>	<u>30,540</u>
Interest and Other Expenses						
Interest income & other	2,709	1,517	1,192	3,828	(1,119)	2,736
Interest expense	8,524	8,521	4	10,335	(1,811)	8,399
Gains and losses on investments (realized and unrealized)	(450)	-	(450)	592	(1,042)	-
Depreciation and amortization	33,134	33,134	-	34,311	(1,177)	62,000
Total interest and other expenses	<u>39,399</u>	<u>40,137</u>	<u>(739)</u>	<u>40,226</u>	<u>(827)</u>	<u>67,663</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ (23,135)</u>	<u>\$ (25,618)</u>	<u>\$ 2,483</u>	<u>\$ (20,491)</u>	<u>\$ (2,687)</u>	<u>\$ (37,123)</u>
Number of Full-time Employees	<u>587</u>			<u>589</u>		<u>601</u>

CALIFORNIA ISO
Balance Sheet
As of July 31, 2011
(dollars in thousands)

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>	<u>%</u>
ASSETS				
NET ELECTRIC UTILITY PLANT	<u>\$ 327,730</u>	<u>\$ 332,862</u>	<u>\$ (5,132)</u>	-2%
CURRENT ASSETS				
Unrestricted Cash and Cash Equivalents	14,523	11,761	2,762	23%
Restricted Cash and Cash Equivalents	284,895	294,708	(9,813)	-3%
Other Special Deposits	35,037	34,989	48	0%
Accounts Receivable, net	27,619	25,570	2,048	8%
Investments	189,319	189,851	(532)	0%
Accrued Interest	1,108	871	237	27%
Prepayments	<u>6,143</u>	<u>6,061</u>	<u>82</u>	1%
Total Current Assets	<u>558,643</u>	<u>563,811</u>	<u>(5,168)</u>	-1%
NONCURRENT ASSET AND DEFERRED CHARGES				
Unamortized Debt Expenses and Other	<u>5,632</u>	<u>5,520</u>	<u>112</u>	2%
Total Noncurrent Asset and Deferred Charges	<u>5,632</u>	<u>5,520</u>	<u>112</u>	2%
TOTAL ASSETS	<u><u>\$ 892,005</u></u>	<u><u>\$ 902,193</u></u>	<u><u>\$ (10,187)</u></u>	-1%
CAPITALIZATION				
Stakeholders' Surplus	<u>\$ 214,792</u>	<u>\$ 218,214</u>	<u>\$ (3,422)</u>	-2%
Long-term Debt	<u>259,919</u>	<u>260,039</u>	<u>(120)</u>	0%
TOTAL CAPITALIZATION	<u>474,711</u>	<u>478,253</u>	<u>(3,542)</u>	-1%
CURRENT LIABILITIES				
Long-term Debt Due Within One Year	28,585	28,585	-	0%
Accounts Payable	30,363	27,472	2,892	11%
Customer Deposits & Other	356,166	365,722	(9,556)	-3%
Fines Subject to Refund	<u>724</u>	<u>705</u>	<u>19</u>	3%
Total Current Liabilities	<u>415,839</u>	<u>422,484</u>	<u>(6,646)</u>	-2%
NONCURRENT LIABILITY AND DEFERRED CREDITS				
Other	<u>1,455</u>	<u>1,455</u>	<u>-</u>	0%
Total Noncurrent Liability and Deferred Credits	<u>1,455</u>	<u>1,455</u>	<u>-</u>	0%
TOTAL LIABILITIES	<u>417,294</u>	<u>423,940</u>	<u>(6,646)</u>	-2%
TOTAL CAPITALIZATION AND LIABILITIES	<u><u>\$ 892,005</u></u>	<u><u>\$ 902,193</u></u>	<u><u>\$ (10,187)</u></u>	-1%

CALIFORNIA ISO
Capital Projects Report

For the seven-months ended July 31, 2011
(dollars in thousands)

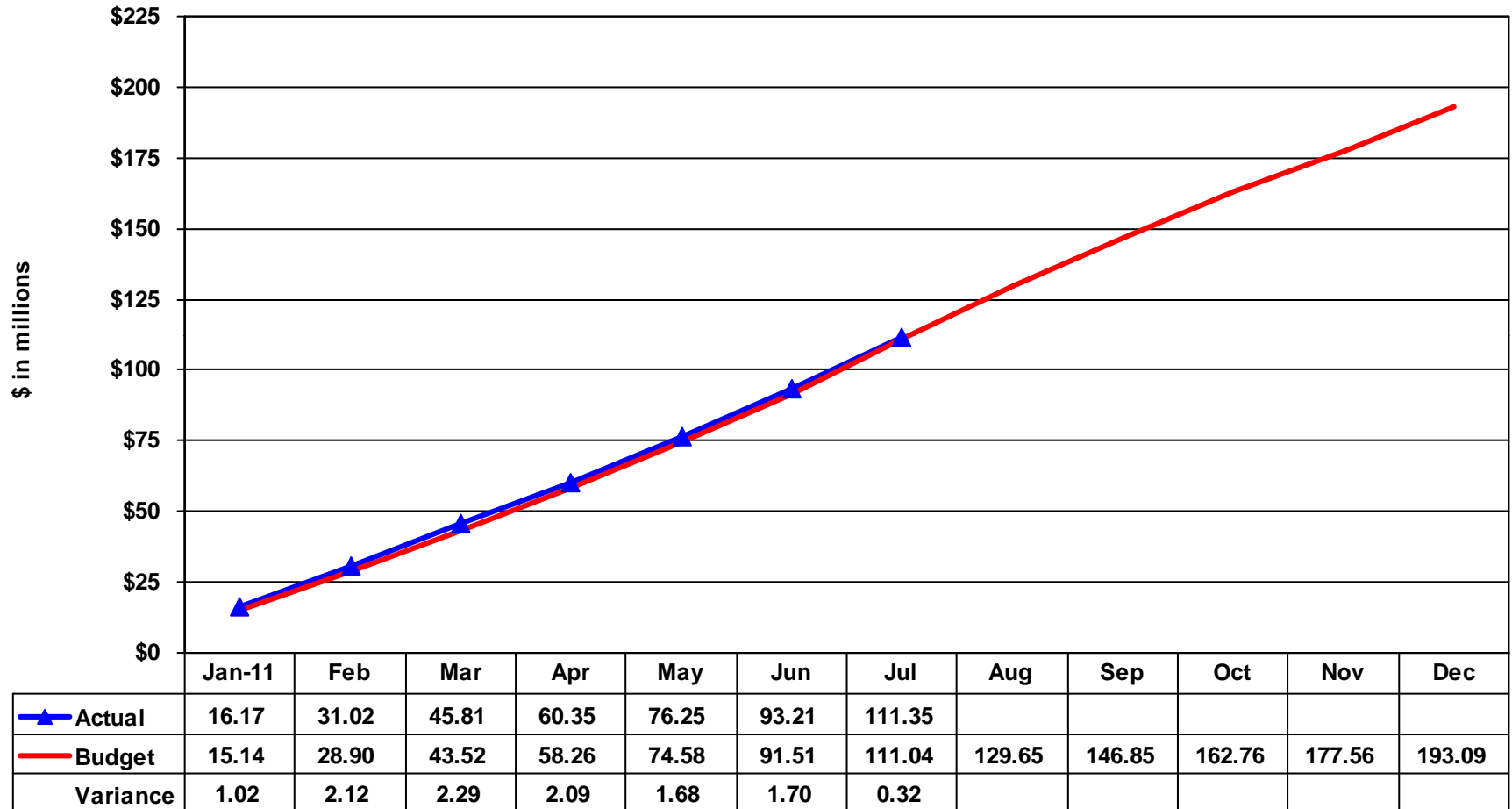
	Approved Projects				
	<u>Month</u> <u>Actual</u>	<u>YTD</u> <u>Actual</u>	<u>2011</u> <u>Approved</u> <u>Projects</u>	<u>Total Projected</u> <u>Costs for</u> <u>Approved</u> <u>Projects</u>	<u>Original</u> <u>2011</u> <u>Budget</u>
Customer Focus	\$ 43	\$ 392	\$ 970	\$ 970	
Operational Excellence	33	531	2,058	2,058	
Continuous Transformation	232	1,170	6,572	6,571	
Reasonable Costs & Essential Projects	291	1,252	3,117	3,117	
Total 2011 Capital Spending	<u>599</u>	<u>3,345</u>	<u>12,717</u>	<u>12,716</u>	<u>23,500</u>
Iron Point Building	214	144,700	-	160,000	160,000
2010 Capital Projects	<u>431</u>	<u>6,039</u>	<u>-</u>	<u>13,512</u>	<u>13,512</u>
Total Capital	<u>\$ 1,244</u>	<u>\$ 154,084</u>	<u>\$ 12,717</u>	<u>\$ 186,228</u>	<u>\$ 197,012</u>

Notes:

The Iron Point Building is funded from 2009 bond proceeds.

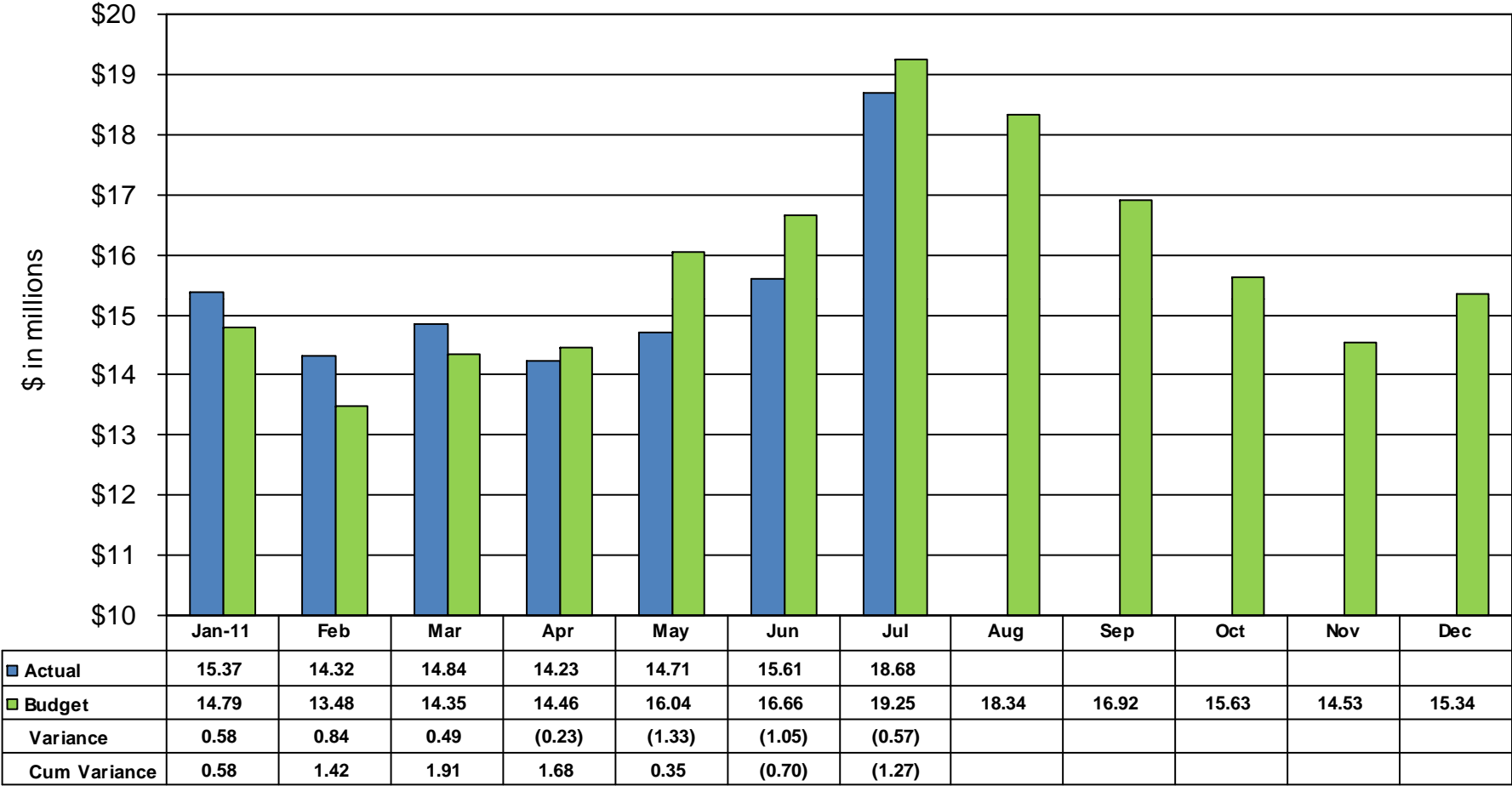
Cumulative Operating Revenues

Revenues = GMC, LGIP, WSCC Security & Other Fees



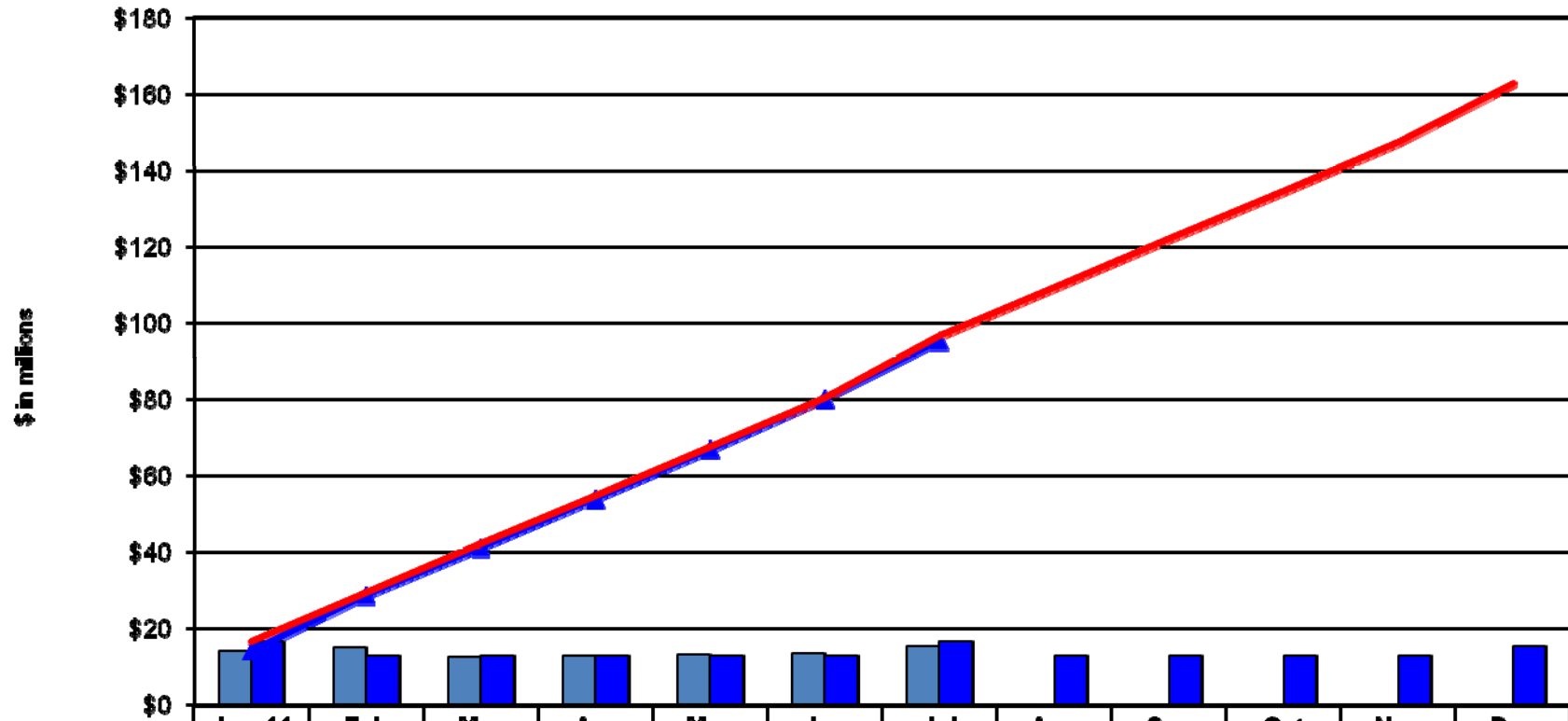
July revenues are estimates.

Monthly GMC Revenues



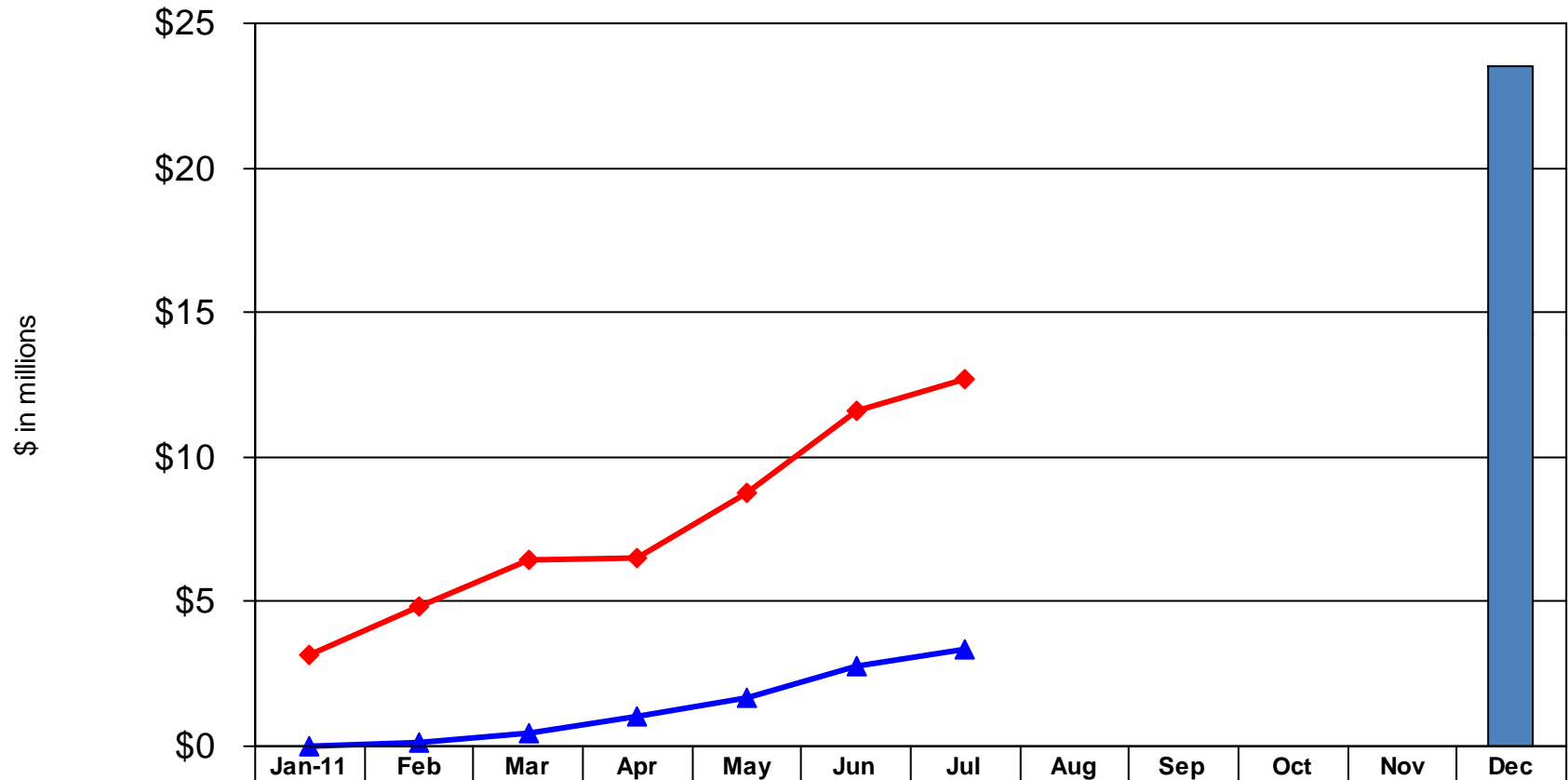
July revenues are estimates.

Operating and Maintenance Expenses (O&M)



	Jan-11	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	13.92	14.73	12.48	12.70	13.03	13.18	15.04					
Monthly Budget	16.46	12.69	12.75	12.76	12.69	12.70	16.46	12.70	12.69	12.69	12.69	15.25
Cum Actual	13.92	28.65	41.13	53.83	66.86	80.05	95.09					
Cum Budget	16.46	29.15	41.90	54.66	67.36	80.05	96.52	109.21	121.91	134.60	147.29	162.55
Cum Variance	2.54	0.50	0.76	0.83	0.49	0.01	1.43					

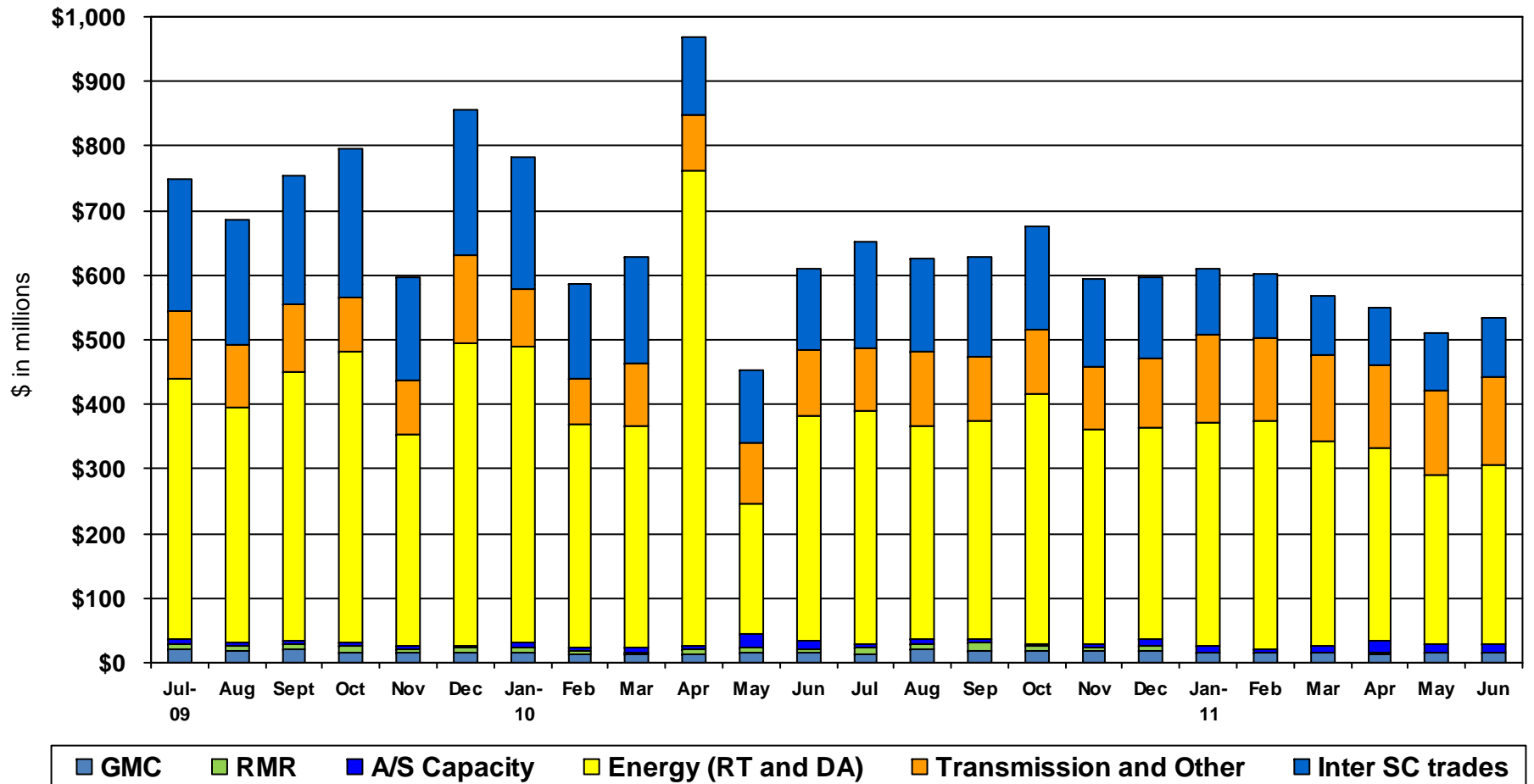
Cumulative Capital Expenditures



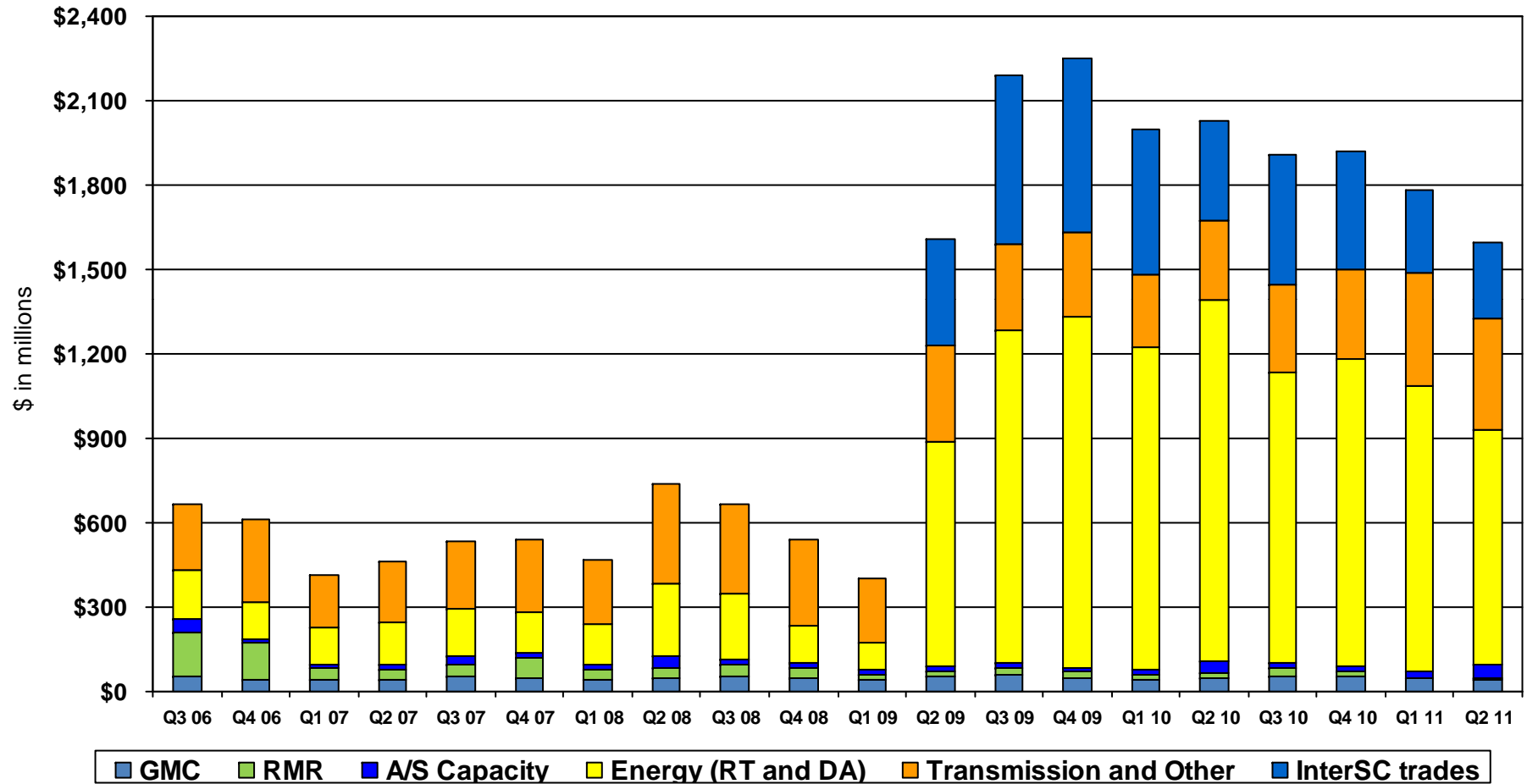
Budgeted capital												23.50
Cumulative Expenditures	0.02	0.14	0.43	1.04	1.69	2.75	3.35					
Approved projects	3.16	4.84	6.46	6.51	8.78	11.57	12.72					

CAISO Market Revenues By Month

July 2009 through June 2011



CAISO Market Revenues By Quarter 3rd Quarter 2006 through 2nd Quarter 2011



Collateral & Estimated Aggregate Liability (as of August 9th)

Collateral Types	Amount
Unsecured	\$1,285,350,370
Secured	\$279,785,420
Total	\$1,565,135,790

Estimate Aggregate Liability	Amount
Positive EAL	\$206,763,397