

QUARTERLY FINANCIAL REPORT

March 31, 2013

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
QUARTERLY FINANCIAL REPORT - March 31, 2013**

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CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the quarter ended March 31, 2013

Results of Operations

Revenues

For the first quarter ending March 31, 2013, operating revenues were lower by \$0.6 million compared to the budgeted amounts. The overall decrease in revenues was primarily due to lower LGIP revenues as a result study completions.

Expenses

Operating expenses are \$1.8 million under budget for the first quarter of the year, largely due to timing of expenses.

Material Changes to Assets and Liabilities

Debt service payments and market collateral transactions were the primary contributors in the changes in company assets and liabilities during the first quarter of the year. Additionally, net fixed assets decreased as a result of the depreciation expenses that were recognized during the same period.

Capital Projects

Through the end of March 31, 2013, \$2.0 million in projects were approved by the Corporate Management Committee. These projects will enhance the current systems' performance and effectiveness in meeting future challenges and FERC mandates.

Collateral Held Report

As of April 3, 2013 the ISO maintained \$1.6 billion in collateral from market participants to support \$236.5 million in aggregate liabilities due in the market. Approximately \$1.2B of the collateral is from unsecured sources (i.e., unsecured credit limits and parent guarantees) with investment grade or equivalent ratings, and \$387.2 million is from secured forms (i.e., cash , letters of credit, etc.). This collateral is predominantly invested in AAA rated money market funds or backed by A rated or better financial institutions.

CALIFORNIA ISO
Statement of Operations

For the quarter ended March 31, 2013
(dollars in thousands)

	Quarter		Year to Date		Annual Budget
	Actual	Prior Year	Actual	Prior Year	
<u>Operating Revenues:</u>					
Grid Management Charge	\$ 44,941	\$ 43,765	\$ 44,941	\$ 43,765	\$ 196,028
Other Revenues	967	1,071	967	1,071	6,100
Total operating revenues	45,908	44,836	45,908	44,836	202,128
<u>Operating Expenses:</u>					
Salaries and Benefits	26,328	28,849	\$ 26,328	\$ 28,849	113,929
Building, Leases and Facility	734	2,024	734	2,024	3,390
Insurance	452	556	452	556	1,917
Third Party Vendor Contracts	3,909	3,815	3,909	3,815	15,852
Consulting and Contracting Services	3,063	2,852	3,063	2,852	16,012
Legal and Audit	1,001	913	1,001	913	5,900
Training, Travel and Professional Dues	686	771	686	771	3,996
Other	318	280	318	280	1,911
Total operating expenses	36,491	40,060	36,491	40,060	162,907
Operating Income Before Depreciation and Amortization	9,417	4,776	9,417	4,776	39,221
<u>Depreciation and amortization</u>	18,017	18,680	18,017	18,680	65,000
Net Operating Income (Loss)	(8,600)	(13,904)	(8,600)	(13,904)	(25,779)
<u>Other Income (Expenses)</u>					
Interest income & other	749	1,596	749	1,596	1,800
Interest expense	(2,928)	(3,405)	(2,928)	(3,405)	(12,045)
Total Other Income (Expenses)	(2,179)	(1,809)	(2,179)	(1,809)	(10,245)
Excess (Deficiency) of Revenues Over Expenses	\$ (10,779)	\$ (15,713)	(10,779)	(15,713)	\$ (36,024)
Number of Full-time Employees			587	577	601

CALIFORNIA ISO**Balance Sheet**

As of March 31, 2013

(dollars in thousands)

	Current Quarter 3/31/2013	Prior Year 12/31/2012
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents, including restricted amounts	\$ 331,940	\$ 376,211
Accounts Receivable	25,552	11,792
Short-term Investments, including restricted amounts	35,462	27,839
Other current assets	5,935	5,720
Total Current Assets	<u>398,889</u>	<u>421,562</u>
NONCURRENT ASSET		
Long-term investments, including restricted amounts	\$ 89,105	\$ 107,587
Fixed Assets, net	237,589	252,406
Other Assets	4,405	5,922
Total Noncurrent Assets	<u>331,099</u>	<u>365,915</u>
TOTAL ASSETS	<u><u>\$ 729,988</u></u>	<u><u>\$ 787,477</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 7,685	\$ 15,286
Accrued salaries and compensated absences	12,176	27,132
Current portion of Long-term Debt	27,145	39,580
Due to Market Participants	321,275	317,210
Generator noncompliance fines refund obligation	2,667	2,851
Total Current Liabilities	<u>370,948</u>	<u>402,059</u>
NONCURRENT LIABILITIES		
Long-term Debt, Net of Current Portion	191,241	218,550
Employee Retirement Plan obligations	20,418	21,758
Total Noncurrent Liabilities	<u>211,659</u>	<u>240,308</u>
TOTAL LIABILITIES	<u>582,607</u>	<u>642,367</u>
TOTAL NET ASSETS	<u>147,381</u>	<u>155,110</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 729,988</u></u>	<u><u>\$ 797,477</u></u>

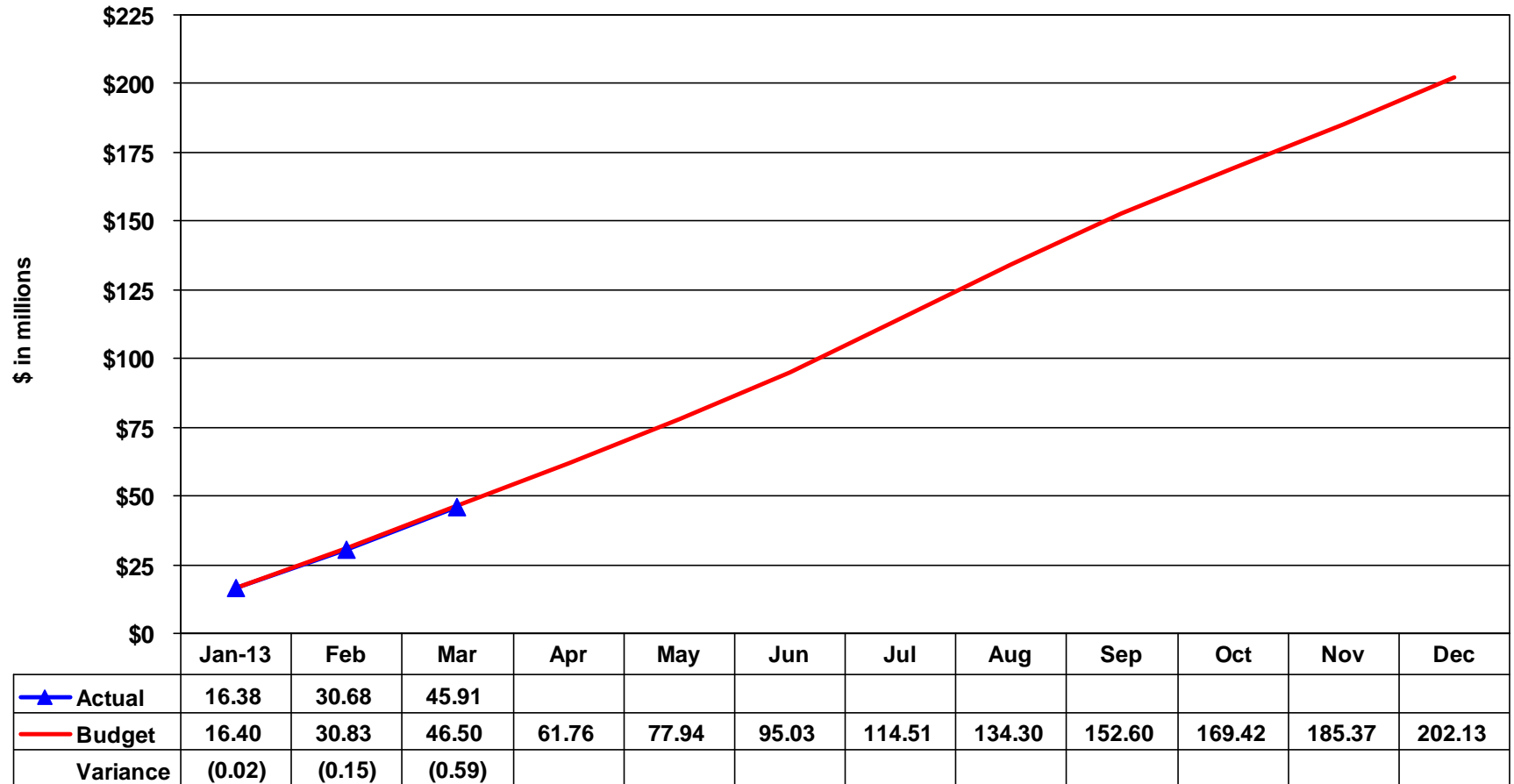
CALIFORNIA ISO
Capital Projects Report

For the quarter ended March 31, 2013
(dollars in thousands)

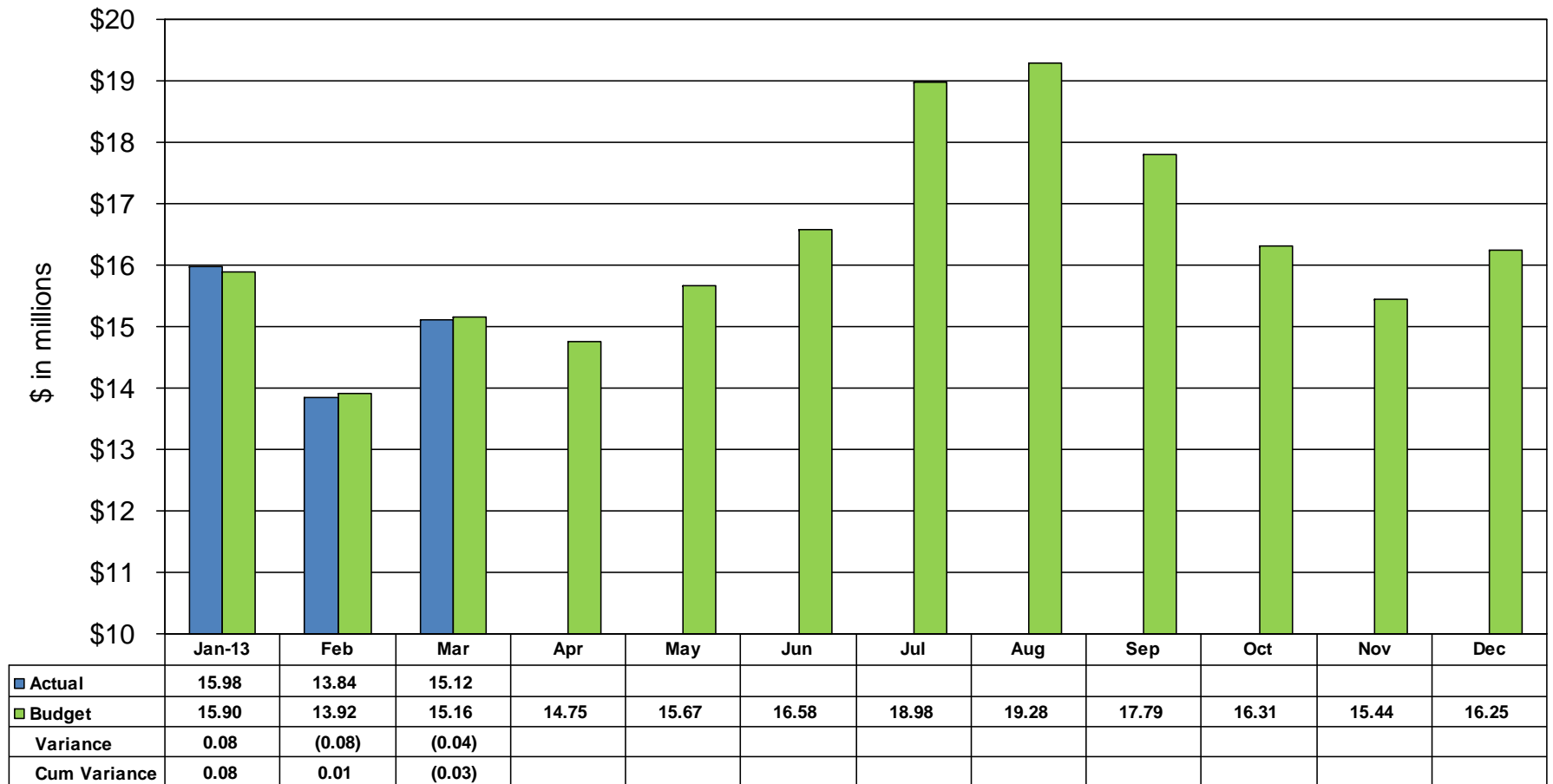
	Approved Projects				
	Q1 Actual	YTD Actual	2013 Approved Projects	Projected Costs for Approved Projects	Original/ Current Budget
Implement Systems, Tools and Forecasting	\$ 57	\$ 57	\$ 86	\$ 86	\$ 9,070
Enhance Markets & Performance	20	20	48	48	6,200
Compliance Culture	26	26	36	36	430
Infrastructure Improvements	127	127	1,780	1,780	3,800
Total 2013 Capital Spending	<u>230</u>	<u>230</u>	<u>1,950</u>	<u>1,950</u>	<u>19,500</u>
Prior Year Capital Projects	<u>2,476</u>	<u>2,476</u>	<u>-</u>	<u>11,766</u>	<u>11,766</u>
Total Capital	<u><u>\$ 2,706</u></u>	<u><u>\$ 2,706</u></u>	<u><u>\$ 1,950</u></u>	<u><u>\$ 13,716</u></u>	<u><u>\$ 31,266</u></u>

Cumulative Operating Revenues

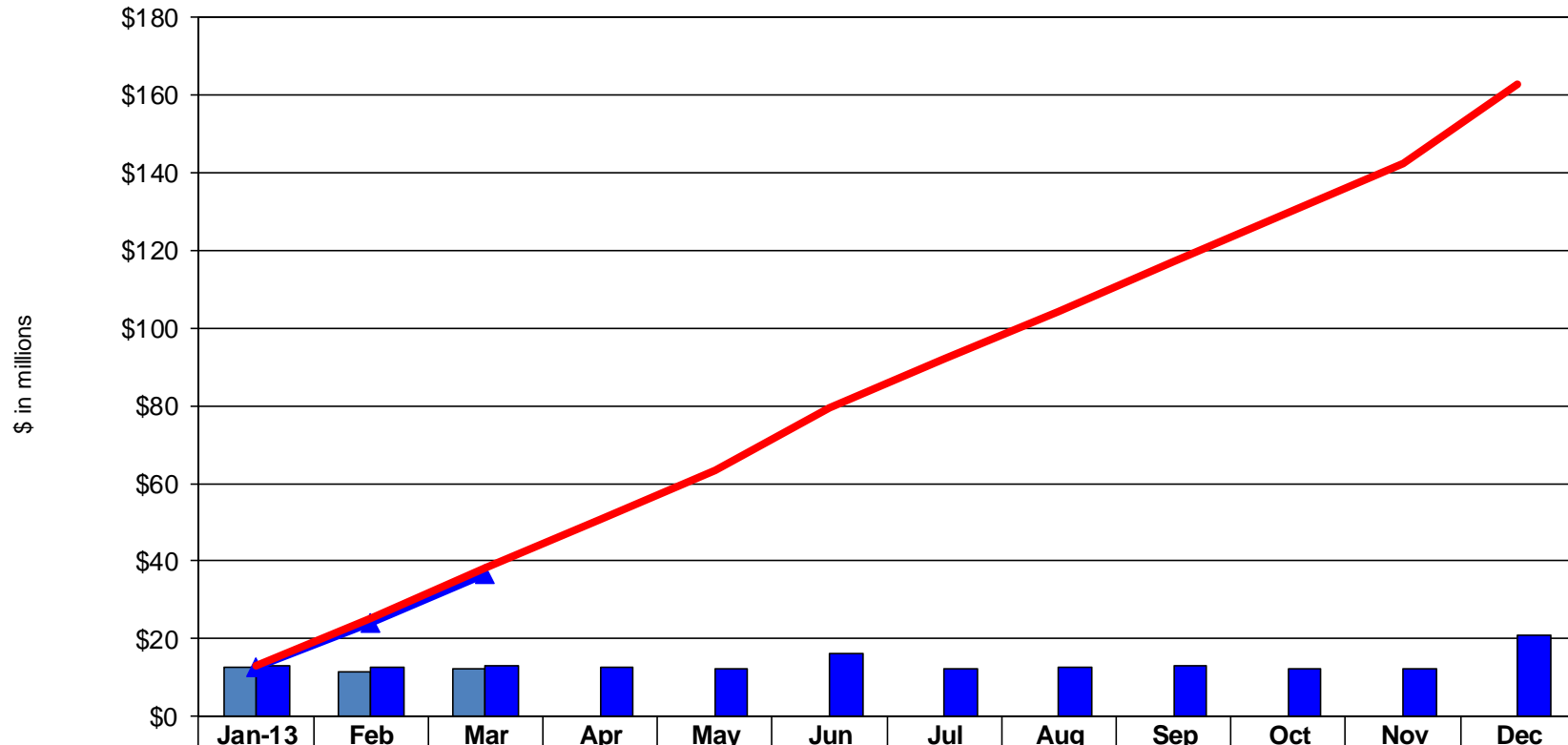
Revenues = GMC & Other Revenues



Monthly GMC Revenues

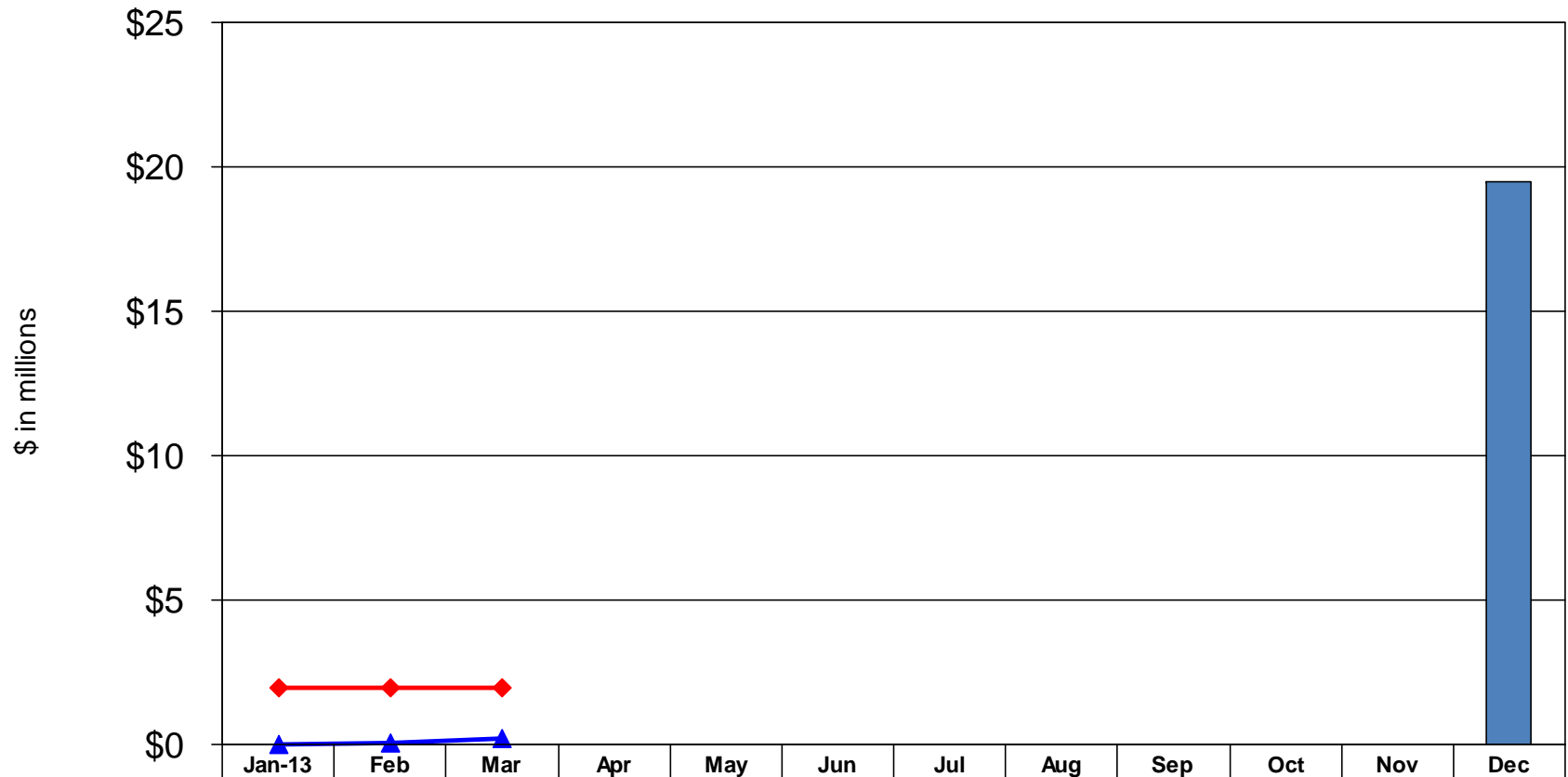


Operating and Maintenance Expenses (O&M)



	Jan-13	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	12.61	11.52	12.37									
Monthly Budget	12.88	12.51	12.90	12.49	12.41	16.26	12.45	12.46	12.94	12.45	12.41	20.75
Cum Actual	12.61	24.12	36.49									
Cum Budget	12.88	25.39	38.29	50.78	63.19	79.45	91.90	104.36	117.30	129.75	142.16	162.91
Cum Variance	0.28	1.27	1.79									

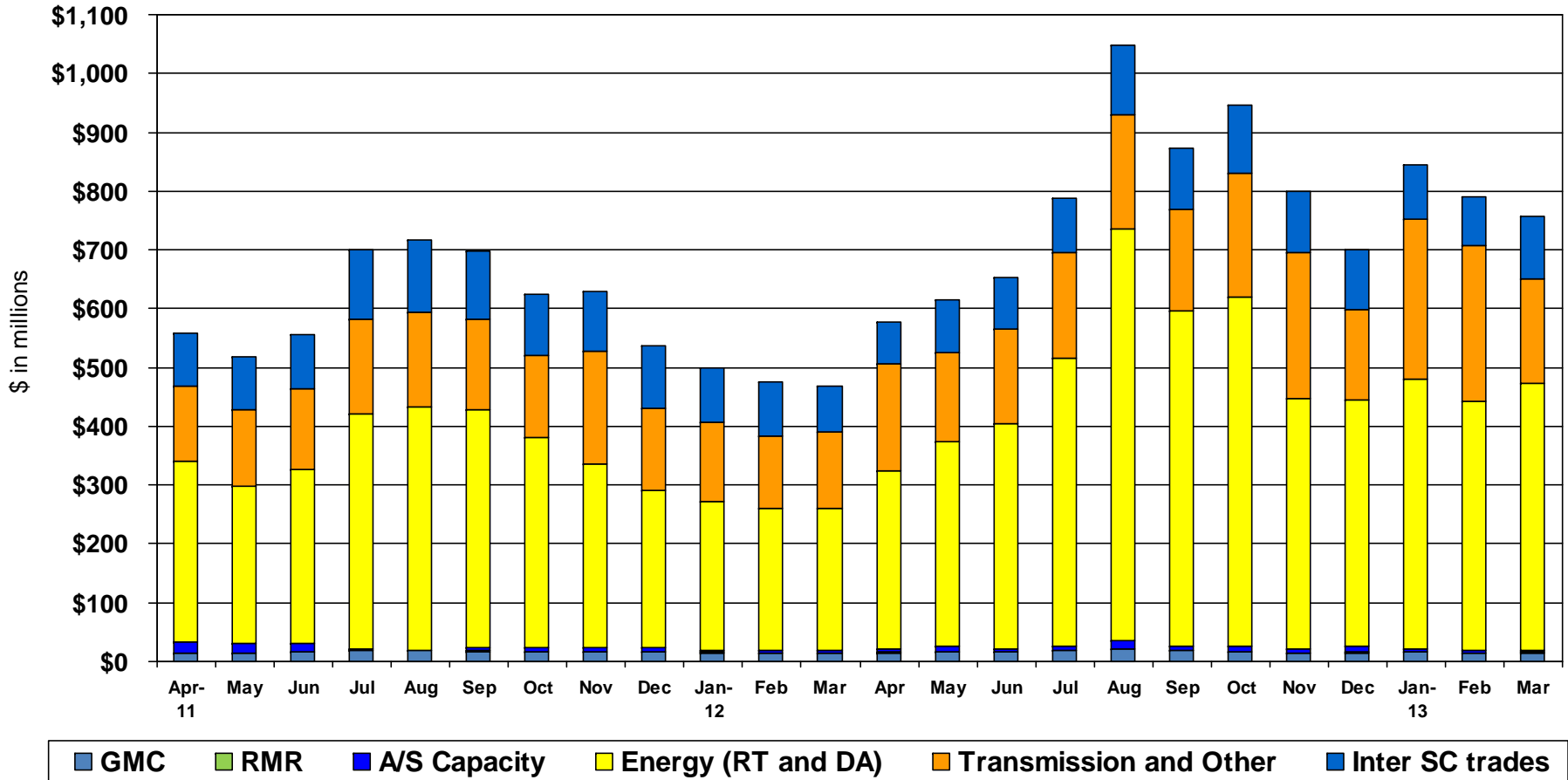
Cumulative Capital Expenditures



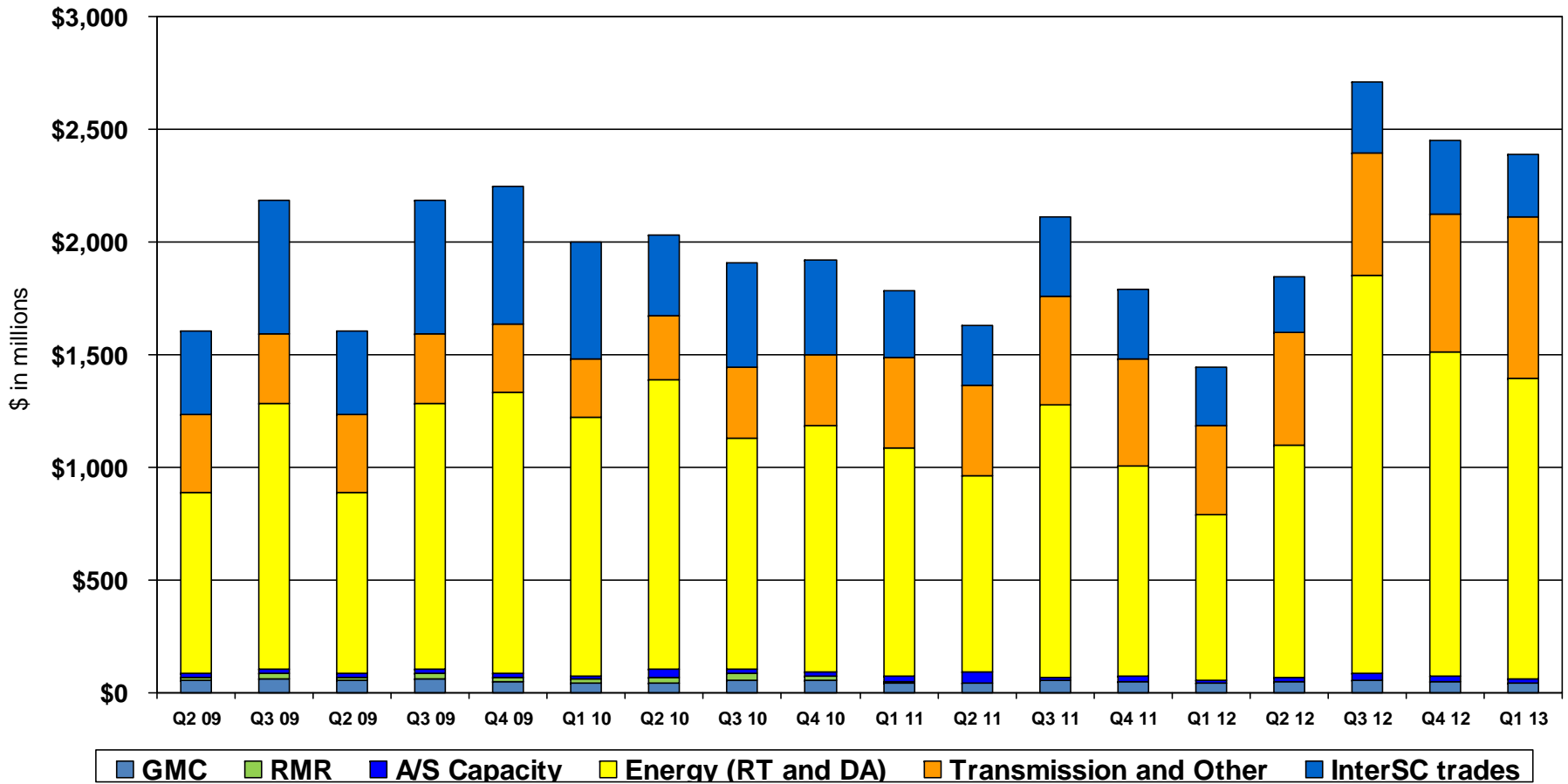
	Jan-13	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Budgeted capital												19.50
Cumulative Expenditures	0.02	0.05	0.23									
Approved projects	1.95	1.95	1.95									

ISO Market Revenues By Month

April 2011 through March 2013



ISO Market Revenues By Quarter 2nd Quarter 2009 through 1st Quarter 2013



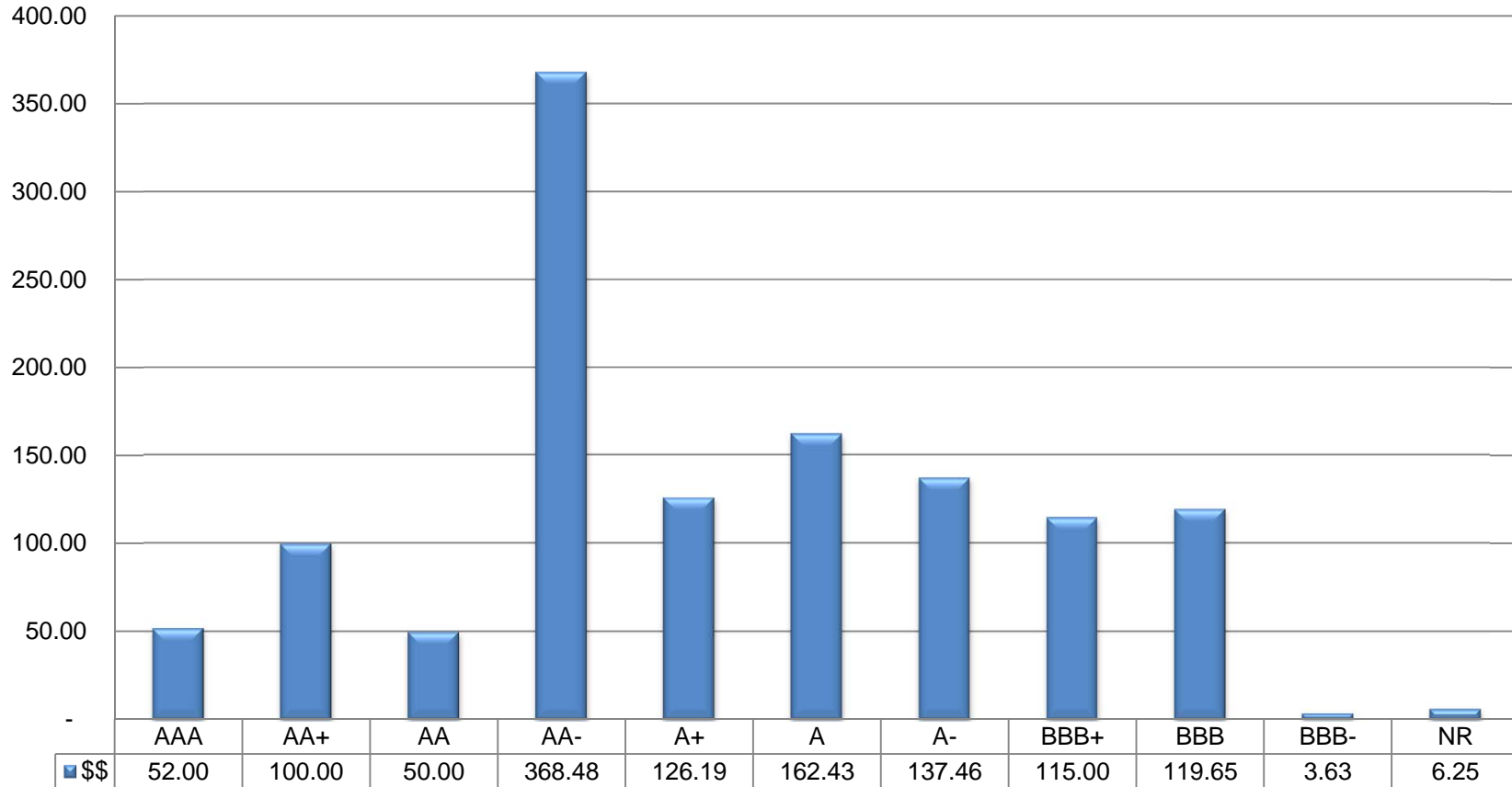
Collateral & Estimated Aggregate Liability (as of 04/03/13)

Collateral Types	Amount
Unsecured	\$1,241,094,253
Secured	\$387,227,990
Total	\$1,628,322,243

Estimate Aggregate Liability	Amount
Positive EAL	\$236,533,069

Unsecured Collateral (as of 04/03/13)

(in millions)



Secured Collateral (as of 04/03/12)

(in millions)

