

MONTHLY FINANCIAL REPORT

April 2008

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
MONTHLY FINANCIAL REPORT - April 2008

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CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the four-month period ended April 30, 2008

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

- ♦ Operating Revenues for April were \$15.3M, \$0.2M higher than budget.
 - The variance was primarily due to a higher estimated GMC for the month.
- ♦ Operating Revenues for the year to date were \$61.4M, \$0.5m higher than budget.
 - The variance was primarily due to higher estimated GMC for the period which resulted from higher scheduled inter-zonal flows and higher use of markets.
- ♦ O&M expenses for April were \$12.4M, \$0.2M higher than budget.
 - The variance was primarily due to timing of payments during the month.
- ♦ O&M expenses for the year to date were \$52.9M, \$0.5M lower than budget.
 - The variance was primarily due to timing of payments during the period.
- ♦ At year end, there were 538 full-time employees compared to the 545 full-time employees budgeted.

BALANCE SHEET: (page 2)

- ♦ The changes in receivables and investments are primarily due to two preliminary market closes in April (as compared to only one preliminary close in March) and to normal business activities.

CAPITAL PROJECTS: (pages 3 and 7)

- ♦ 2008 approved capital expenditures were budgeted for the year at \$43.0M. Actual expenditures for 2008 capital projects totaled \$10.1M. Expenditures for 2007 approved capital projects totaled \$1.6M.
- ♦ 2008 capital projects approved through April totaled \$33.2M and include \$13.0M for MRTU projects.

INTEREST COSTS and INTEREST INCOME: (page 8)

- ♦ During April, the ISO average bond interest rates jumped to 4.62%, 1.04% higher than the budgeted rate of 3.58%. The increase is attributable to investor concerns about the financial health of the bond insurers that support CAISOs outstanding bonds. Interest rates on CAISO's variable rate demand bonds are set on a weekly basis, and increased substantially on January 24, 2008. CAISO's interest rate swaps have not been effective in this environment. CAISO is proceeding with the plan approved by the Board on 3/26/2008 to refinance existing debt by July 1, 2008.
- ♦ Interest income for the year to date is \$3.0M, \$2.3M higher than budget. The variance is primary attributable to interest earnings on the generator fines account, which are excluded in the budget.

The ISO Markets

ISO MARKET COSTS: (page 9 and 10)

- ♦ The total costs managed by the ISO include GMC, RMR, A/S Capacity, Real Time Energy and Transmission.

OBLIGATIONS OF MARKET PARTICIPANTS: (pages 11 and 12)

- ♦ 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.

CALIFORNIA ISO

Statement of Operations

For the four-month period ended April 30, 2008

(dollars in thousands)

	Month				Year to Date				2008
	Actual	Budget	Variance	Var (%)	Actual	Budget	Variance	Var (%)	Budget
Revenues:									
Grid Management Charge	\$ 14,804	\$ 14,615	\$ 189	1%	\$ 59,687	\$ 59,054	\$ 633	1%	\$ 191,635
Fines, WSCC & Other Fees	517	467	50	11%	1,761	1,870	(109)	-6%	5,609
Total revenues	15,321	15,082	239	2%	61,448	60,924	524	1%	197,244
Operating Expenses:									
Salaries and Benefits	7,939	7,113	826	12%	33,017	31,863	1,154	4%	92,182
Building, Leases and Facility	883	808	75	9%	3,270	3,232	38	1%	9,704
Insurance	8	8	-	0%	1,593	1,678	(85)	*	2,012
Third Party Vendor Contracts	1,301	1,673	(372)	-22%	5,941	6,877	(936)	-14%	20,858
Consulting and Contracting Services	1,240	1,205	35	3%	4,899	4,571	328	7%	13,294
Legal and Audit	464	744	(280)	-38%	2,280	2,595	(315)	-12%	7,031
Training, Travel and Professional Dues	226	414	(188)	-45%	1,211	1,610	(399)	-25%	4,680
Other	294	240	54	23%	724	1,046	(322)	-31%	2,893
Total operating expenses	12,355	12,205	150	1%	52,935	53,472	(537)	-1%	152,654
Net operating income (loss)	2,966	2,877	89	3%	8,513	7,452	1,061	14%	44,590
Interest and Other Expenses									
Interest income & other	717	184	533	290%	2,999	735	2,264	308%	2,205
Interest expense	1,080	413	667	162%	3,981	2,140	1,841	86%	5,441
Depreciation and amortization	1,050	1,050	-	0%	4,195	4,195	-	0%	13,800
Total interest and other expenses	1,413	1,279	134	10%	5,177	5,600	(423)	-8%	17,036
Excess (Deficiency) of Revenues Over Expenses	\$ 1,553	\$ 1,598	\$ (45)	-3%	\$ 3,336	\$ 1,852	\$ 1,484	80%	\$ 27,554
Number of Full-time Employees	538	545	(7)	-1%					545

CALIFORNIA ISO**Balance Sheet**

As of April 30, 2008

(dollars in thousands)

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>
ASSETS			
NET ELECTRIC UTILITY PLANT	<u>\$ 218,781</u>	<u>\$ 214,532</u>	<u>\$ 4,249</u>
CURRENT ASSETS			
Unrestricted Cash and Cash Equivalents	89,786	44,206	45,580
Restricted Cash and Cash Equivalents	21,679	21,782	(103)
Other Special Deposits	71,285	70,477	808
Accounts Receivable, net	33,571	48,676	(15,105)
Investments	46,496	80,625	(34,129)
Accrued Interest	1,728	1,223	505
Prepayments	3,632	3,879	(247)
Total Current Assets	<u>268,177</u>	<u>270,868</u>	<u>(2,691)</u>
NONCURRENT ASSET AND DEFERRED CHARGES			
Unamortized debt expenses and other	2,493	2,341	152
Total Noncurrent Asset and Deferred Charges	<u>2,493</u>	<u>2,341</u>	<u>152</u>
TOTAL ASSETS	<u><u>\$ 489,451</u></u>	<u><u>\$ 487,741</u></u>	<u><u>\$ 1,710</u></u>
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION			
Stakeholders' Surplus	\$ 208,935	\$ 207,382	\$ 1,553
Long-term Debt	111,478	111,478	-
TOTAL CAPITALIZATION	<u>320,413</u>	<u>318,860</u>	<u>1,553</u>
CURRENT LIABILITIES			
Long-term debt due within one year	70,300	70,300	-
Accounts Payable	17,982	18,928	(946)
Fines subject to refund	79,613	78,510	1,103
Total Current Liabilities	<u>167,895</u>	<u>167,738</u>	<u>157</u>
NONCURRENT LIABILITY AND DEFERRED CREDITS			
Other	1,143	1,143	-
Total Noncurrent Liability and Deferred Credits	<u>1,143</u>	<u>1,143</u>	<u>-</u>
TOTAL LIABILITIES	<u>169,038</u>	<u>168,881</u>	<u>157</u>
TOTAL CAPITALIZATION AND LIABILITIES	<u><u>\$ 489,451</u></u>	<u><u>\$ 487,741</u></u>	<u><u>\$ 1,710</u></u>

CALIFORNIA ISO
Capital Projects Report

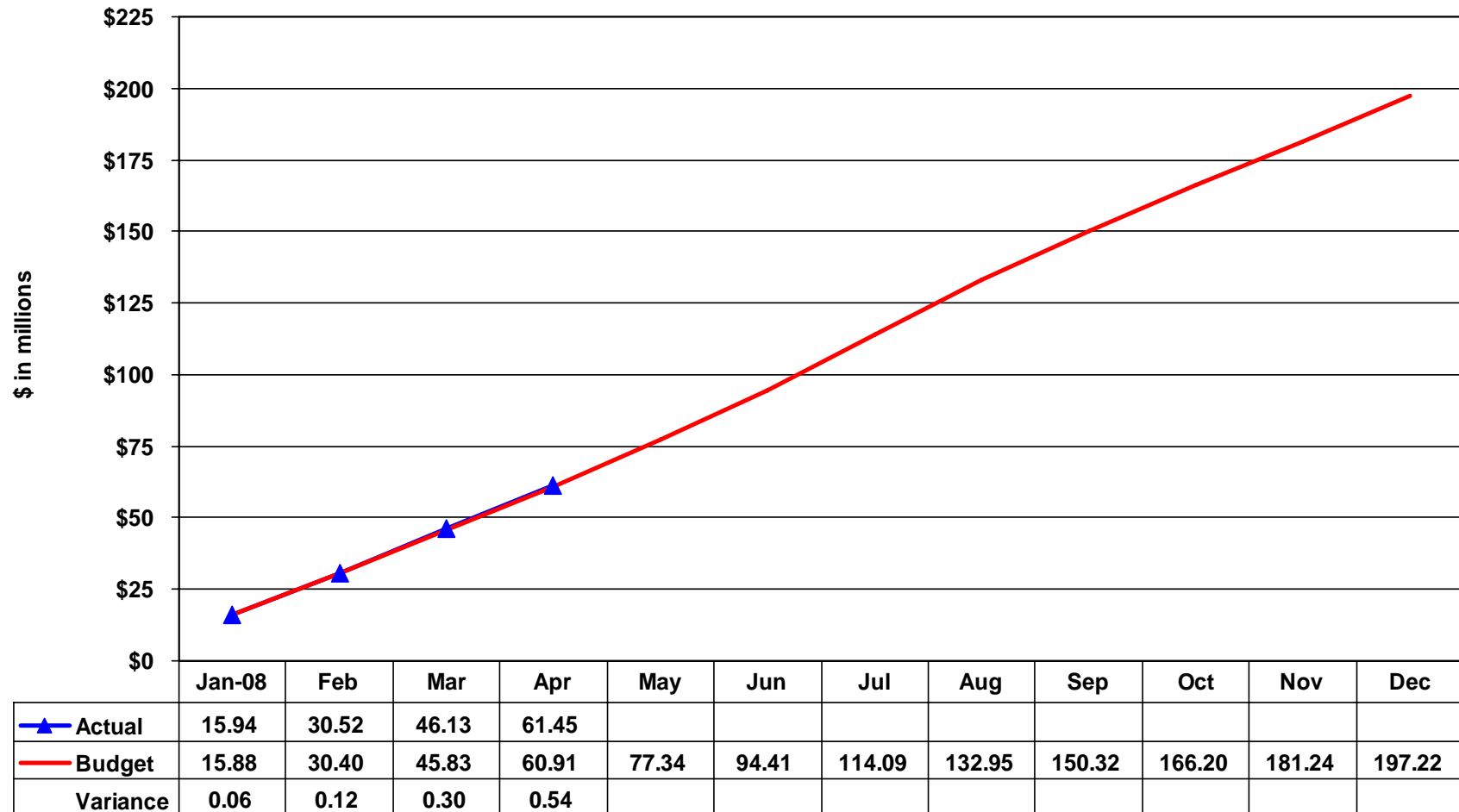
For the four-month period ended April 30, 2008
(dollars in thousands)

Capital Spending

	Approved Projects				
	<u>Month</u> <u>Actual</u>	<u>YTD</u> <u>Actual</u>	<u>2008</u> <u>Approved</u> <u>Projects</u>	<u>Projected</u> <u>Costs for</u> <u>Approved</u> <u>Projects</u>	<u>Original</u> <u>2008</u> <u>Budget</u>
Compliance/Regulatory	\$ -	\$ 100	\$ 1,598	\$ 1,598	\$ 10,500
Essential / Corporate Infrastructure	469	913	5,164	5,169	7,900
Strategic Initiatives	-	107	1,750	1,750	10,100
Future Market Enhancements	82	147	1,682	1,682	1,500
Market Redesign	2,849	4,903	7,518	7,518	7,518
Technology Upgrade	1,291	3,743	5,459	5,459	5,459
Iron Point Project Phase 2	147	147	10,000	10,000	-
Total 2008 Capital Spending	<u>4,838</u>	<u>10,060</u>	<u>33,171</u>	<u>33,176</u>	<u>42,977</u>
2007 Capital Projects	<u>475</u>	<u>1,637</u>	<u>3,417</u>	<u>3,417</u>	<u>-</u>
Total Capital	<u>\$ 5,313</u>	<u>\$ 11,697</u>	<u>\$ 36,588</u>	<u>\$ 36,593</u>	<u>\$ 42,977</u>

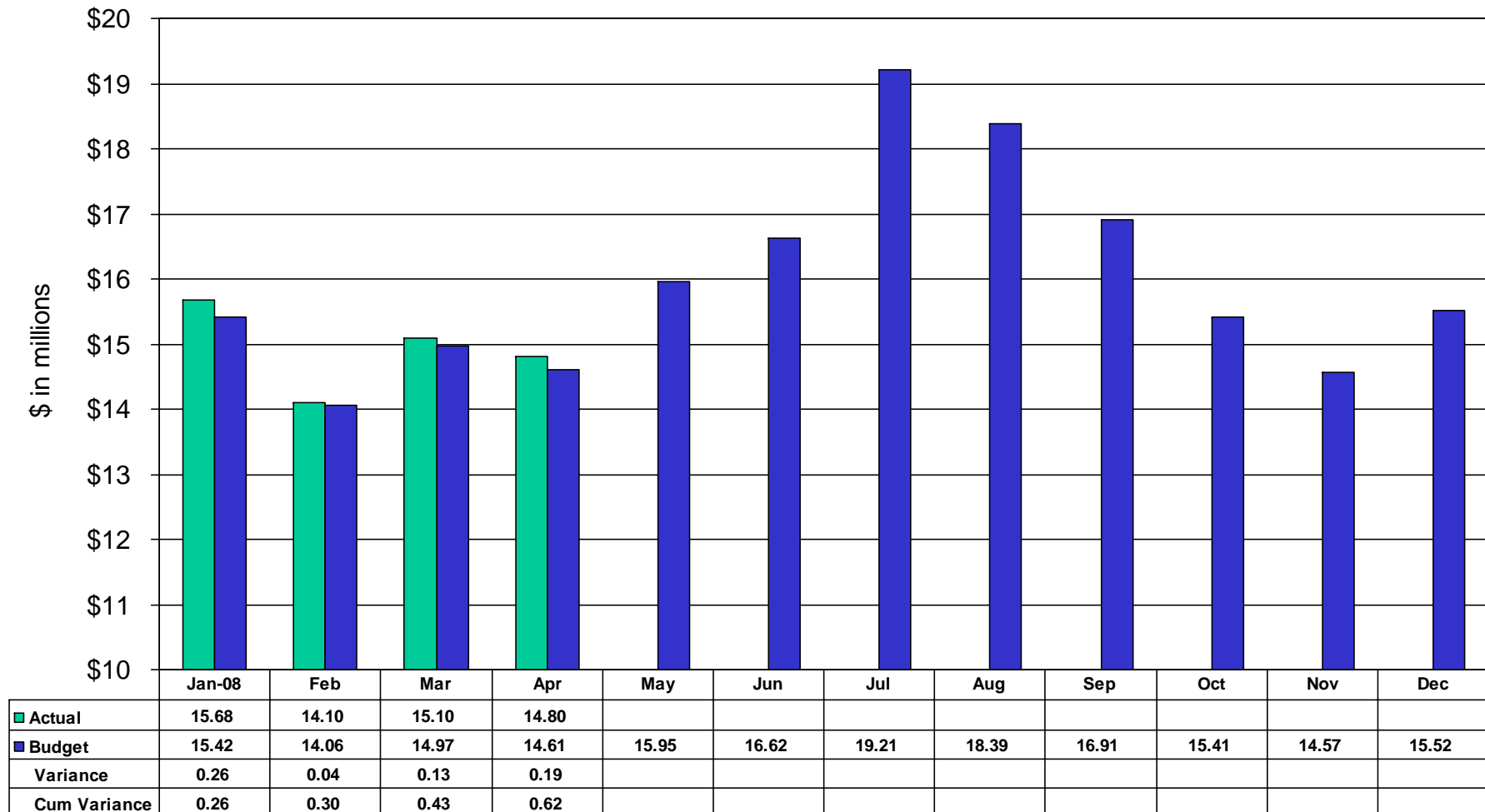
Cumulative Operating Revenues

Revenues = GMC, LGIP, WSCC Security & Other Fees



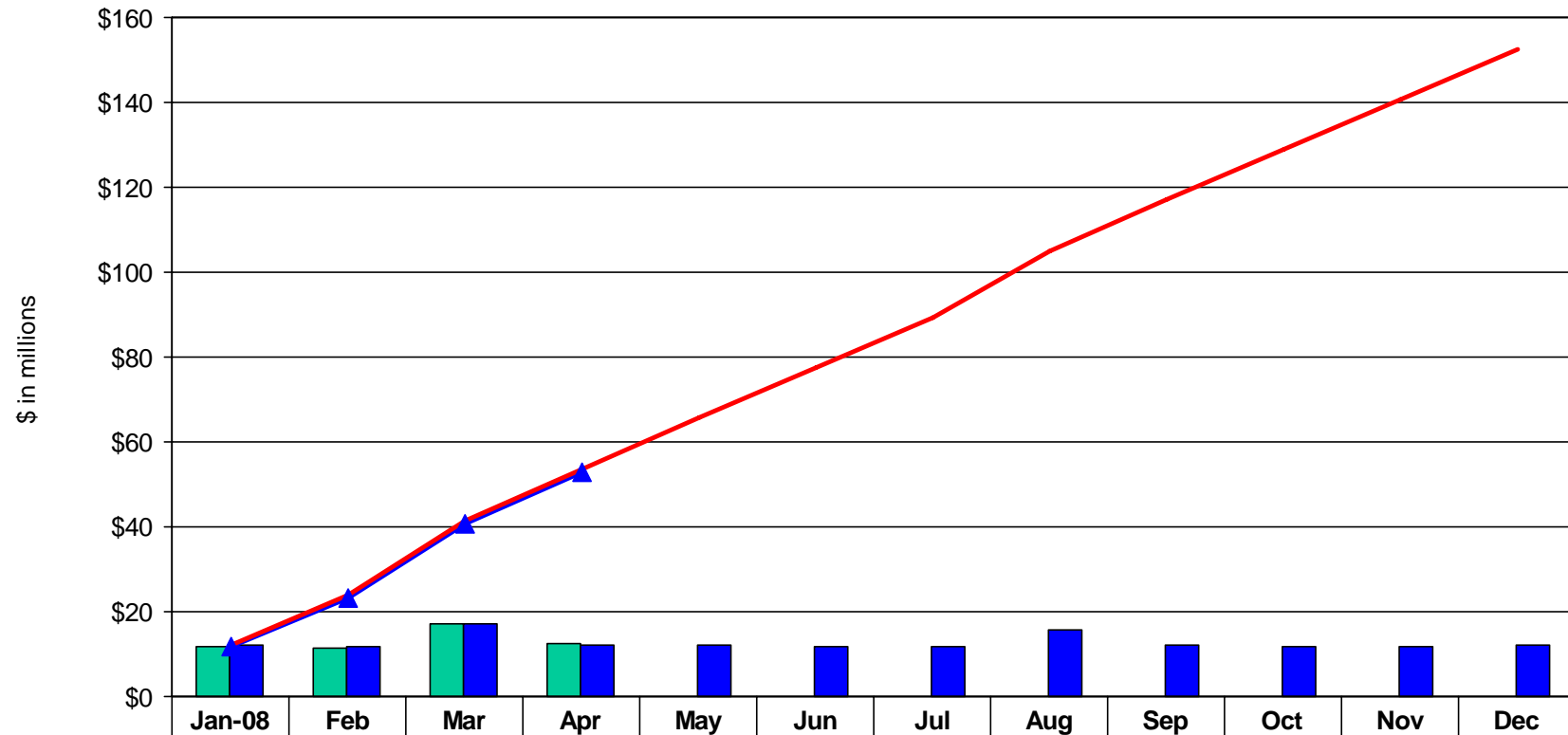
February, March and April revenues are estimates.

Monthly GMC Revenues



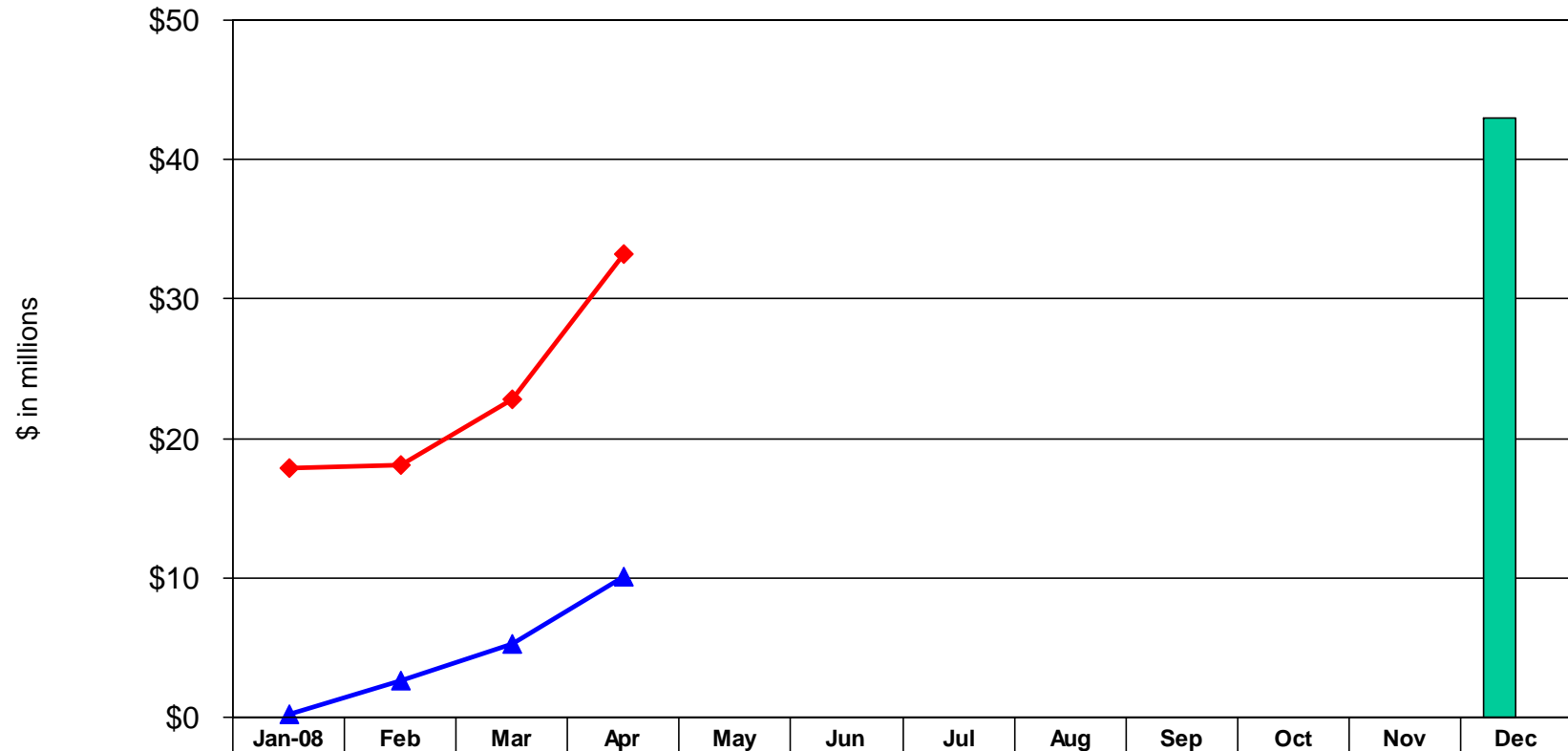
February, March and April revenues are estimates.

Operating and Maintenance Expenses (O&M)

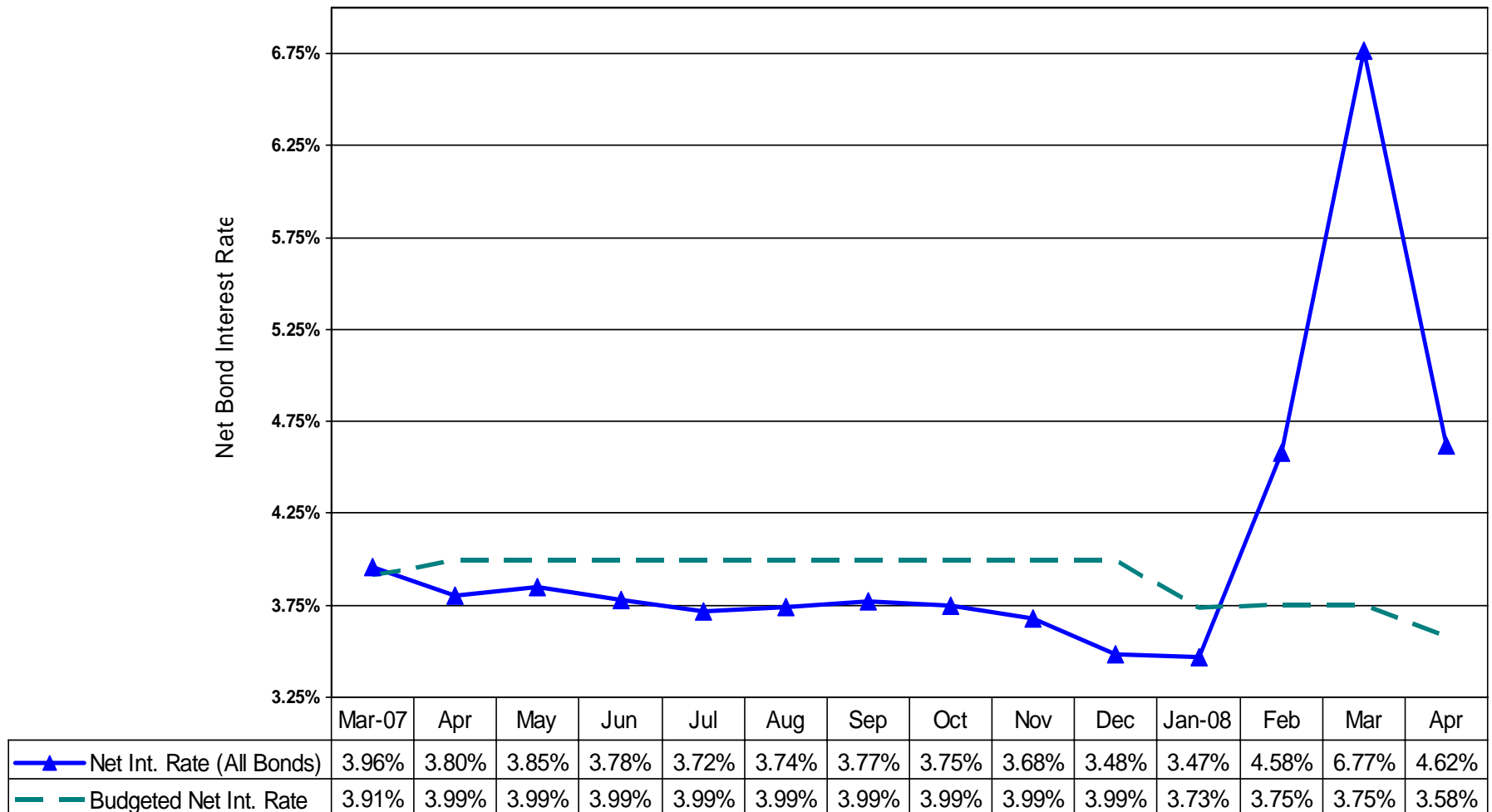


	Jan-08	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	11.82	11.46	17.31	12.36								
Monthly Budget	12.25	11.82	17.20	12.21	12.12	11.84	11.80	15.86	12.08	11.72	11.72	12.05
Cum Actual	11.82	23.28	40.59	52.95								
Cum Budget	12.25	24.07	41.27	53.48	65.60	77.44	89.23	105.09	117.17	128.89	140.61	152.66
Cum Variance	0.43	0.79	0.68	0.53								

Cumulative Capital Expenditures



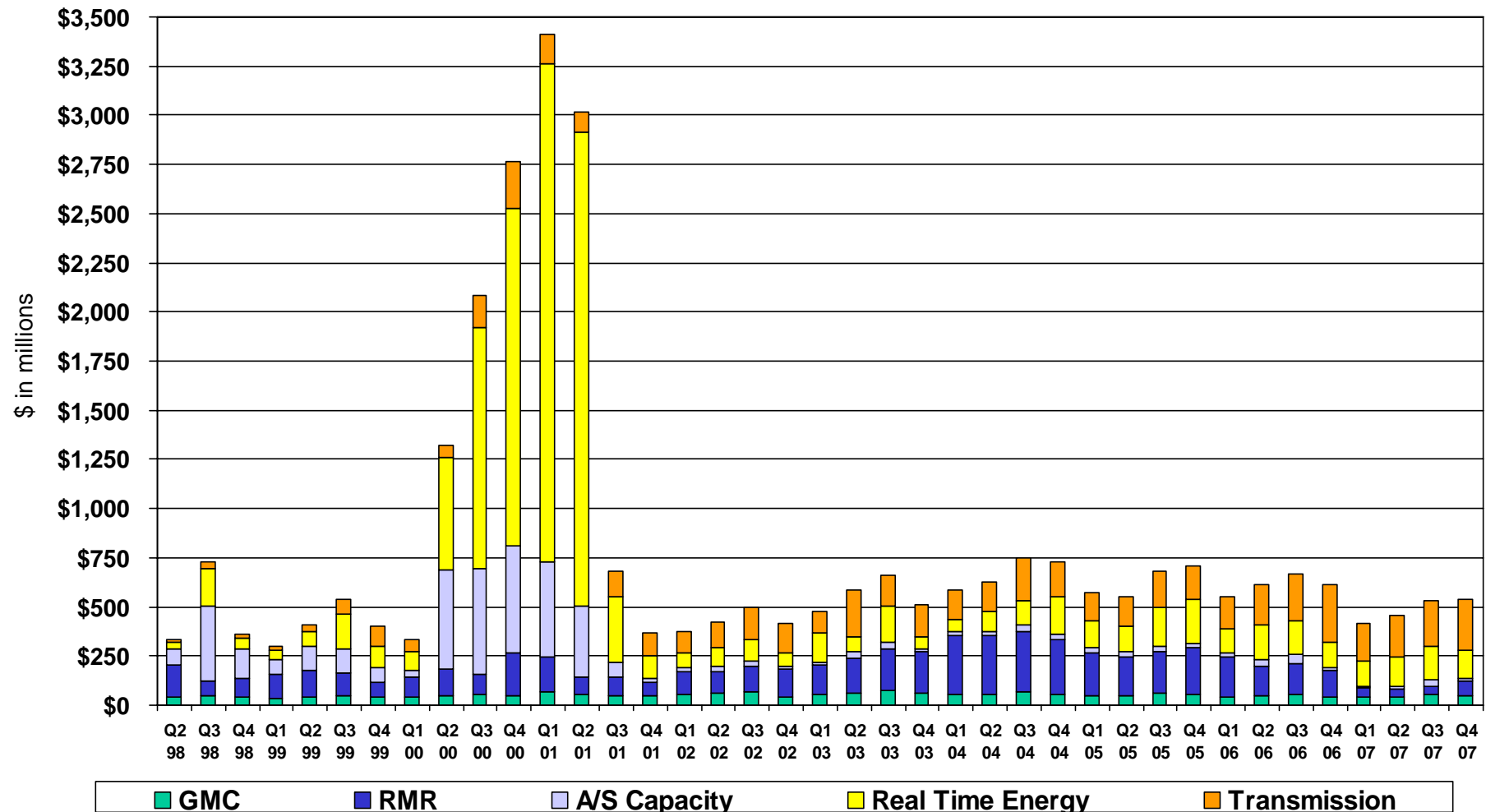
ISO Monthly Debt Rates



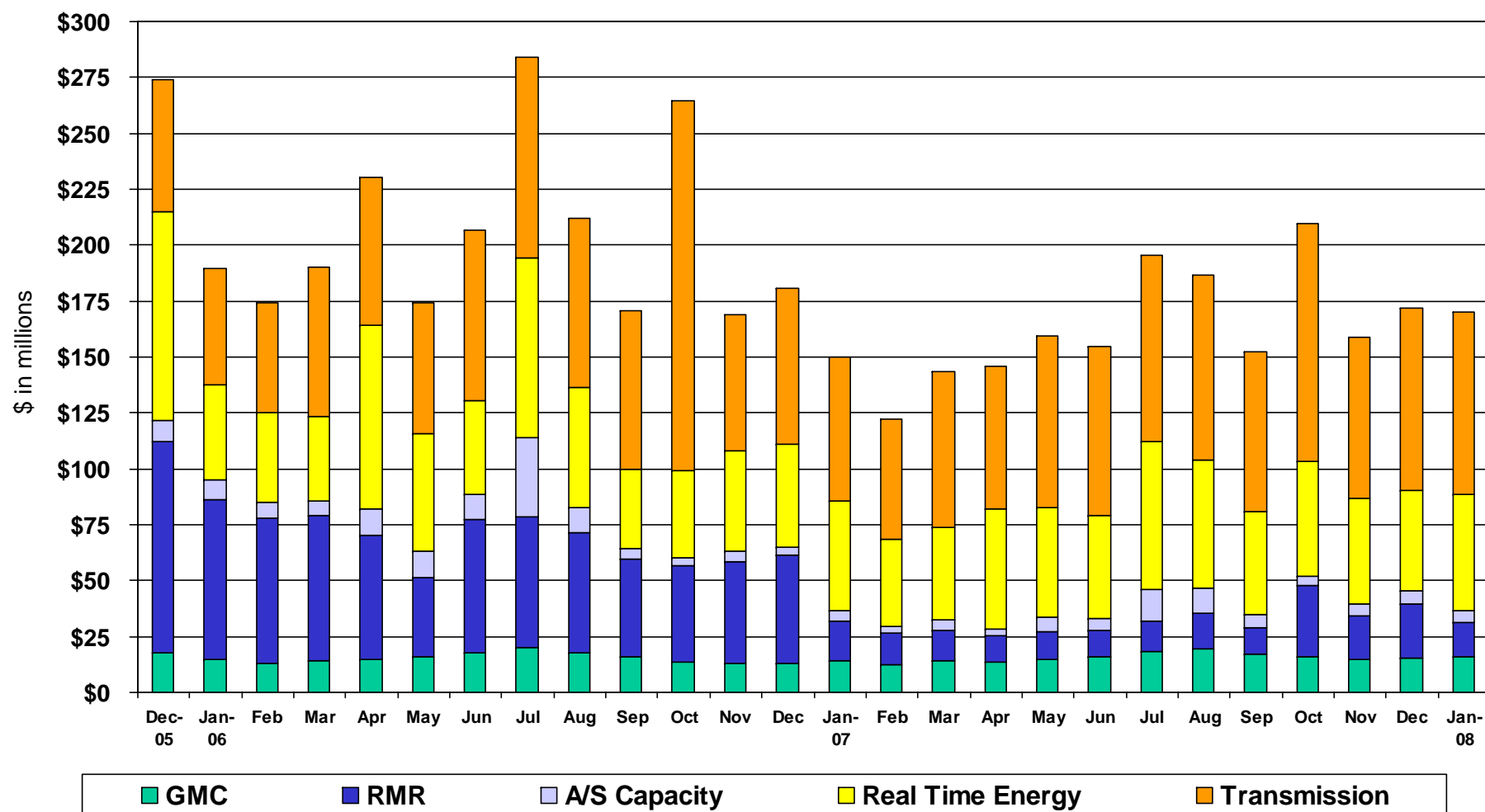
These rates do not include adjustments for amortization of bond issuance costs and remarketing fees.

CAISO Market Costs By Quarter

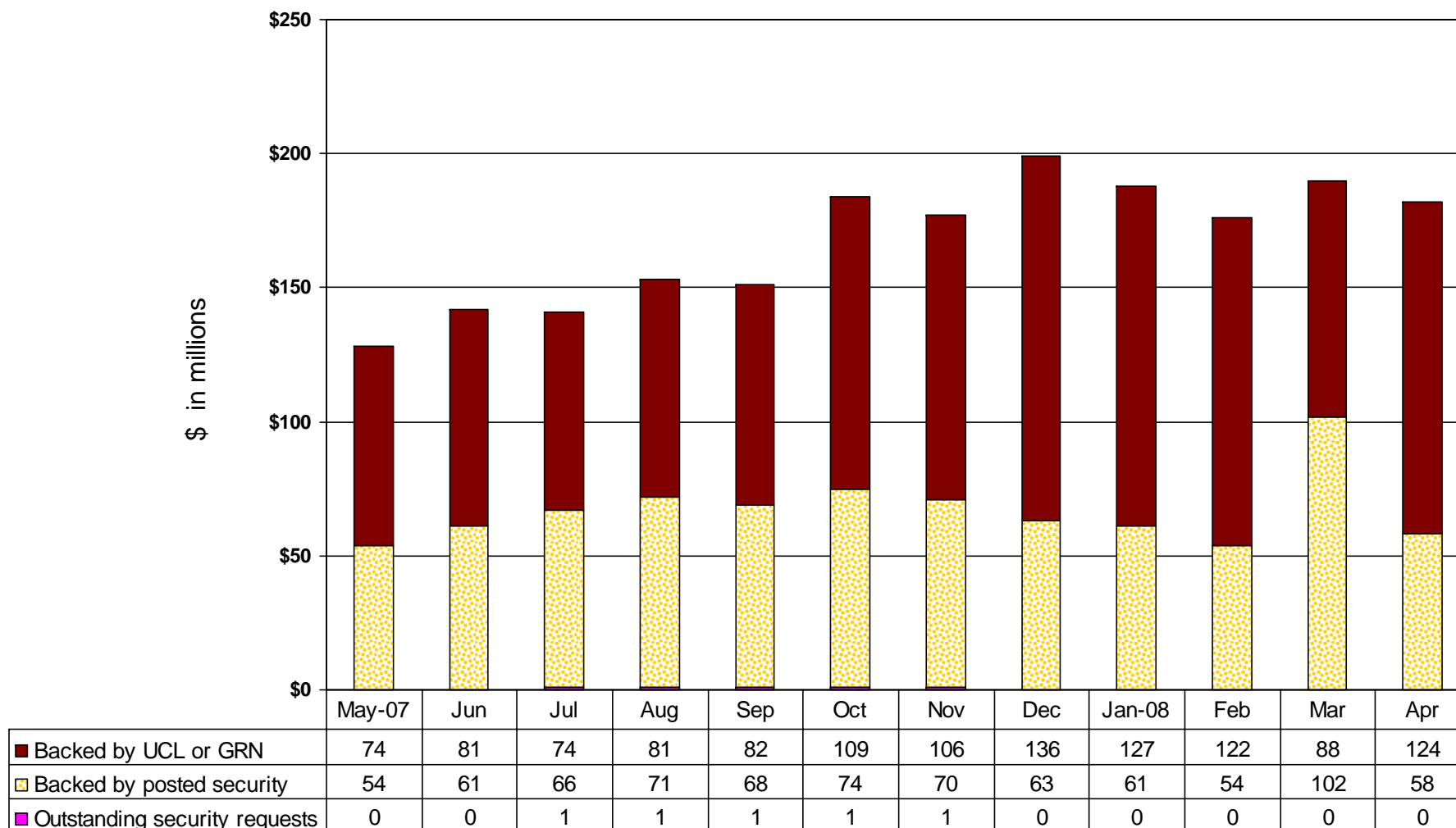
2nd Quarter 1998 (Inception) through 4th Quarter 2007



CAISO Market Costs By Month December 2005 through January 2008



Outstanding Obligations of Market Participants



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

