

MONTHLY FINANCIAL REPORT

April 2009

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
MONTHLY FINANCIAL REPORT - April 2009

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 Quarter - 1st Quarter 2003 through 4th Quarter 2008	8
CAISO Market Costs by Month - January 2007 through December 2008	9
Outstanding Obligations of Market Participants	10
Backing for Estimated Aggregate Liability (EAL) by Credit Quality	11

CALIFORNIA ISO

SUMMARY, DISCUSSION AND COMMENTARY

For the four-months ended April 30, 2009

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

- ◆ Operating Revenues for April were \$17.0M, \$1.8M higher than budget.
 - The variance was primarily due to a higher estimated Grid Management Charge (GMC) for the month as a result of higher market usage forward energy volumes due to higher participation in the day ahead market, and to higher than forecasted load and exports due to warmer weather during the month. Effective April 2009, the GMC is calculated under the new California ISO (ISO) Market tariff.
- ◆ Operating Revenues for the year to date were \$60.3M, \$0.8M lower than budget.
 - The variance is primarily due to lower GMC revenues during the first quarter of the year due to lower than forecasted load and exports brought about by the relatively mild weather, partially offset by higher than forecasted congestion management and market usage volumes.
- ◆ Operation and maintenance (O&M) expenses for April were \$10.9M, \$1.4M lower than budget.
 - The variance was primarily due to timing of payments during the month.
- ◆ O&M expenses for the year to date were \$53.0M, \$0.3M lower than budget.
 - The variance was primarily due to timing of payments during the period, partially offset by higher salaries and benefits expenses. The increase in salaries and benefits was primarily due to higher overtime expenses.
- ◆ There were 574 full-time employees compared to the 575 full-time employees budgeted (excluding the vacancy factor of 4%).

INTEREST COSTS and INTEREST INCOME: (page 1)

- ◆ Bond interest expenses, as compared to budget, were lower due to the amortization of bond premium.
- ◆ Interest income for the year to date is \$2.1M, \$1.2M higher than budget. Interest income includes earnings on restricted funds not included in the budget. The excluded funds are capital project and debt service funds and generator fines due to be refunded for which the interest approximated \$1.0M.
- ◆ Financial uncertainty has continued to drive down bond prices in the financial sector. Our holdings in that group made up almost 85% of the unrealized mark to market losses of \$1.5M through April 30, 2009. The Company typically holds investments to maturity and reflects realized losses for GMC rate purposes. In March 2009 bonds for which the issuers financial position appeared to be permanently impaired were sold resulting in a realized loss of \$1.6M.

BALANCE SHEET: (page 2)

- ◆ The changes in the accounts are mainly due to normal business activity during the month.

CAPITAL PROJECTS: (pages 3 and 7)

- ◆ 2009 capital projects were budgeted for the year at \$38.5M and include \$9.4M for enhancements to the new ISO Market system. 2009 capital projects approved through April totaled \$13.5M.
- ◆ Actual expenditures to date for 2009-approved capital projects totaled \$3.9M. Expenditures for 2008-approved capital projects totaled \$6.7M.

**CALIFORNIA ISO
SUMMARY, DISCUSSION AND COMMENTARY**

For the four-months ended April 30, 2009

The ISO Markets

MARKET CHARGES: (page 8 and 9)

- ◆ The total costs managed by the ISO include GMC, Reliability Must Run charges, Ancillary Services Capacity, Real Time Energy and Transmission.

OBLIGATIONS OF MARKET PARTICIPANTS: (pages 10 and 11)

- ◆ Outstanding obligations of market participants decreased during the winter months, reflecting the seasonal low energy usage during the period. While credit monitoring required increased vigilance for the past several months as a consequence of the ongoing financial crisis, no market losses are anticipated related to such periods.
- ◆ The increase in market obligations in April reflects the addition of the forward markets under the new ISO Market.

CALIFORNIA ISO

Statement of Operations

For the four-months ended April 30, 2009

(dollars in thousands)

	Month				Year to Date				2009
	Actual	Budget	Variance	Var (%)	Actual	Budget	Variance	Var (%)	Budget
Revenues:									
Grid Management Charge	\$ 16,850	\$ 14,909	\$ 1,941	13%	\$ 59,459	\$ 59,985	\$ (526)	-1%	\$ 192,944
Fines, WSCC & Other Fees	150	284	(134)	-47%	861	1,135	(274)	-24%	3,404
Total revenues	<u>17,000</u>	<u>15,193</u>	<u>1,807</u>	12%	<u>60,320</u>	<u>61,120</u>	<u>(800)</u>	-1%	<u>196,348</u>
Operating Expenses:									
Salaries and Benefits	8,674	7,748	926	12%	38,175	35,033	3,142	9%	101,039
Building, Leases and Facility	1,014	835	179	21%	3,032	3,340	(308)	-9%	9,551
Insurance	(301)	1	(302)	0%	210	178	32	*	2,014
Third Party Vendor Contracts	585	1,119	(534)	-48%	5,446	4,476	970	22%	13,427
Consulting and Contracting Services	448	1,430	(982)	-69%	4,073	5,835	(1,762)	-30%	17,062
Legal and Audit	458	551	(93)	-17%	693	1,945	(1,252)	-64%	6,421
Training, Travel and Professional Dues	157	367	(210)	-57%	626	1,510	(884)	-59%	4,685
Other	(135)	199	(334)	-168%	738	927	(189)	-20%	2,546
Total operating expenses	<u>10,900</u>	<u>12,250</u>	<u>(1,350)</u>	-11%	<u>52,993</u>	<u>53,244</u>	<u>(251)</u>	0%	<u>156,745</u>
Net operating income (loss)	<u>6,100</u>	<u>2,943</u>	<u>3,157</u>	107%	<u>7,327</u>	<u>7,876</u>	<u>(549)</u>	-7%	<u>39,603</u>
Interest and Other Expenses									
Interest income & other	934	228	706	310%	2,135	912	1,223	134%	2,736
Interest expense	570	700	(130)	-19%	2,238	2,800	(562)	-20%	8,399
Gains and losses on investments (realized and unrealized)	-	-	-	*	1,549	-	1,549	*	-
Depreciation and amortization	1,092	1,092	-	0%	4,473	4,473	-	0%	13,800
Total interest and other expenses	<u>728</u>	<u>1,564</u>	<u>(836)</u>	-53%	<u>6,125</u>	<u>6,361</u>	<u>(236)</u>	-4%	<u>19,463</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ 5,372</u>	<u>\$ 1,379</u>	<u>\$ 3,993</u>	290%	<u>\$ 1,202</u>	<u>\$ 1,515</u>	<u>\$ (313)</u>	-21%	<u>\$ 20,140</u>
Number of Full-time Employees (Note 1)	<u>574</u>	<u>575</u>	<u>(1)</u>	0%					<u>575</u>

CALIFORNIA ISO**Balance Sheet**

As of April 30, 2009

(dollars in thousands)

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>
ASSETS			
NET ELECTRIC UTILITY PLANT	<u>\$ 263,701</u>	<u>\$ 258,182</u>	<u>\$ 5,519</u>
CURRENT ASSETS			
Unrestricted Cash and Cash Equivalents	3,482	6,823	(3,341)
Restricted Cash and Cash Equivalents	59,516	59,516	-
Other Special Deposits	20,478	20,478	-
Accounts Receivable, net	51,274	49,023	2,251
Investments	152,943	152,943	-
Accrued Interest	1,881	945	936
Prepayments	8,955	7,245	1,710
Total Current Assets	<u>298,529</u>	<u>296,973</u>	<u>1,556</u>
NONCURRENT ASSET AND DEFERRED CHARGES			
Unamortized Debt Expenses and Other	4,617	3,988	629
Total Noncurrent Asset and Deferred Charges	<u>4,617</u>	<u>3,988</u>	<u>629</u>
TOTAL ASSETS	<u><u>\$ 566,847</u></u>	<u><u>\$ 559,143</u></u>	<u><u>\$ 7,704</u></u>
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION			
Stakeholders' Surplus	\$ 243,945	\$ 238,573	\$ 5,372
Long-term Debt	133,325	133,519	(194)
TOTAL CAPITALIZATION	<u>377,270</u>	<u>372,092</u>	<u>5,178</u>
CURRENT LIABILITIES			
Long-term Debt Due Within One Year	39,100	39,100	-
Accounts Payable	22,900	20,915	1,985
Customer Deposits & Other	69,876	69,335	541
Fines Subject to Refund	56,685	56,685	-
Total Current Liabilities	<u>188,561</u>	<u>186,035</u>	<u>2,526</u>
NONCURRENT LIABILITY AND DEFERRED CREDITS			
Other	1,016	1,016	-
Total Noncurrent Liability and Deferred Credits	<u>1,016</u>	<u>1,016</u>	<u>-</u>
TOTAL LIABILITIES	<u>189,577</u>	<u>187,051</u>	<u>2,526</u>
TOTAL CAPITALIZATION AND LIABILITIES	<u><u>\$ 566,847</u></u>	<u><u>\$ 559,143</u></u>	<u><u>\$ 7,704</u></u>

CALIFORNIA ISO
Capital Projects Report

For the four-months ended April 30, 2009
(dollars in thousands)

	Approved Projects				
	<u>Month</u> <u>Actual</u>	<u>YTD</u> <u>Actual</u>	2009 Approved <u>Projects</u>	Projected Costs for Approved <u>Projects</u>	Original 2009 <u>Budget</u>
Compliance/Regulatory		\$ -	\$ 261	\$ 261	\$ 11,437
Essential / Corporate Infrastructure	357	488	8,793	8,793	10,134
Strategic Initiatives	24	24	375	375	6,846
Future Market Enhancements	17	42	615	615	6,584
Market Redesign	2,062	2,840	2,847	2,847	2,847
Technology Upgrade	338	484	657	657	657
Total 2009 Capital Spending	<u>2,798</u>	<u>3,878</u>	<u>13,548</u>	<u>13,548</u>	<u>38,504</u>
2008 Capital Projects	<u>4,524</u>	<u>6,700</u>	<u>17,198</u>		
Total Capital	<u>\$ 7,322</u>	<u>\$ 10,578</u>	<u>\$ 30,746</u>	<u>\$ 13,548</u>	<u>\$ 38,504</u>

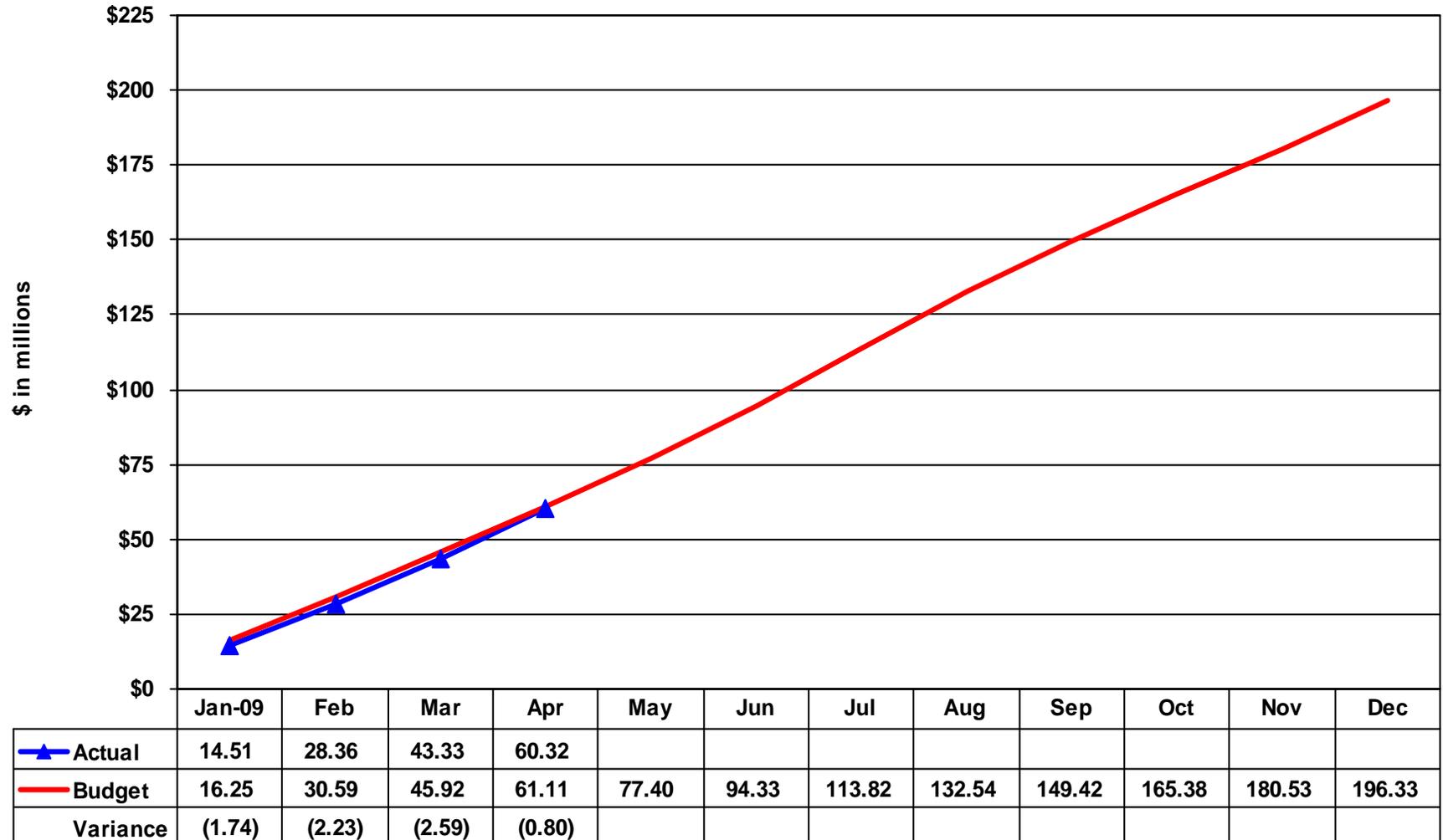
Notes:

Prior year capital projects are funded by prior year rate collections.

The Iron Point Project Phase 2 is to be funded from 2008 bond proceeds until permanent facility financing is obtained, which is planned for 2009.

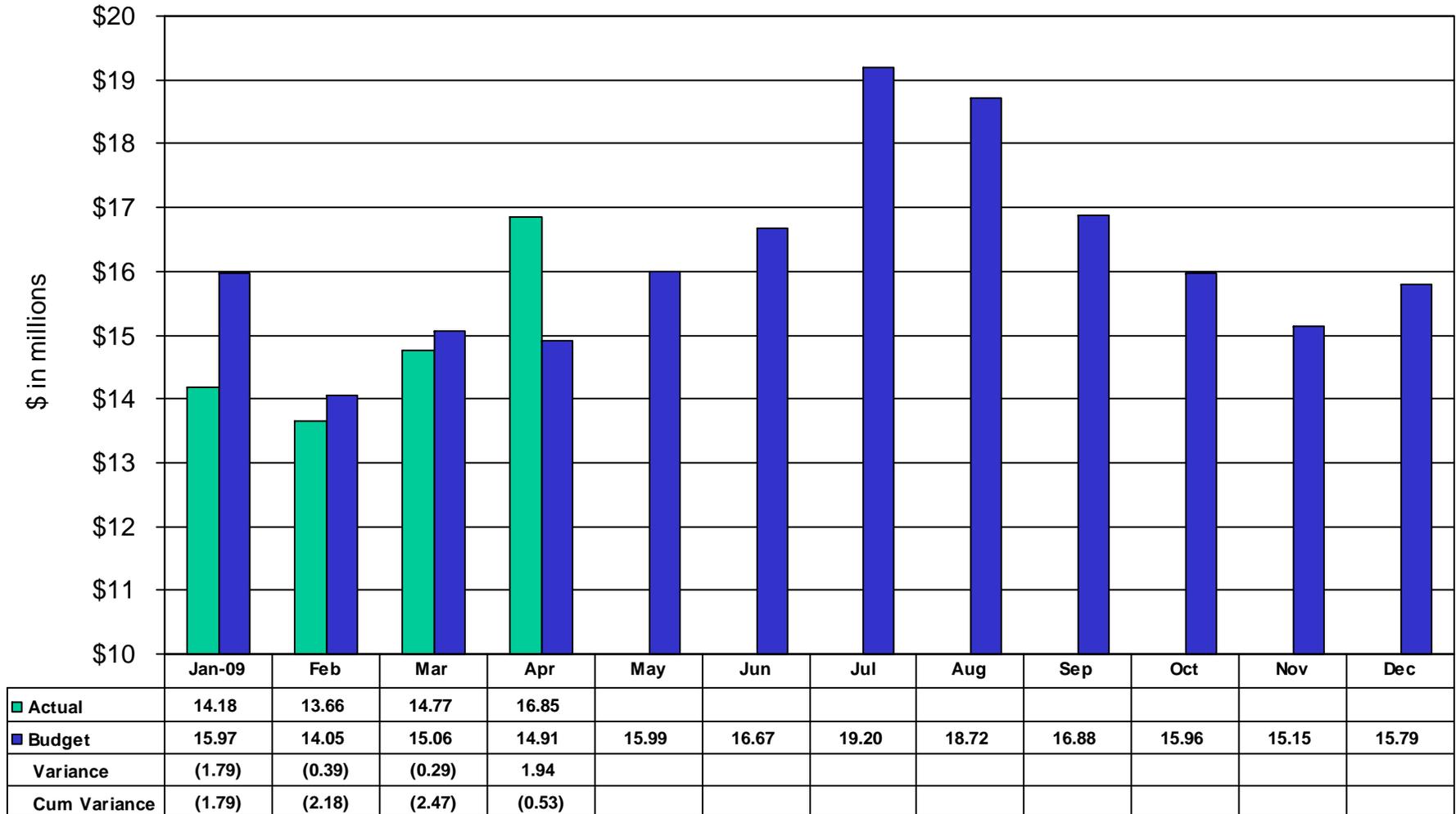
Cumulative Operating Revenues

Revenues = GMC, LGIP, WSCC Security & Other Fees



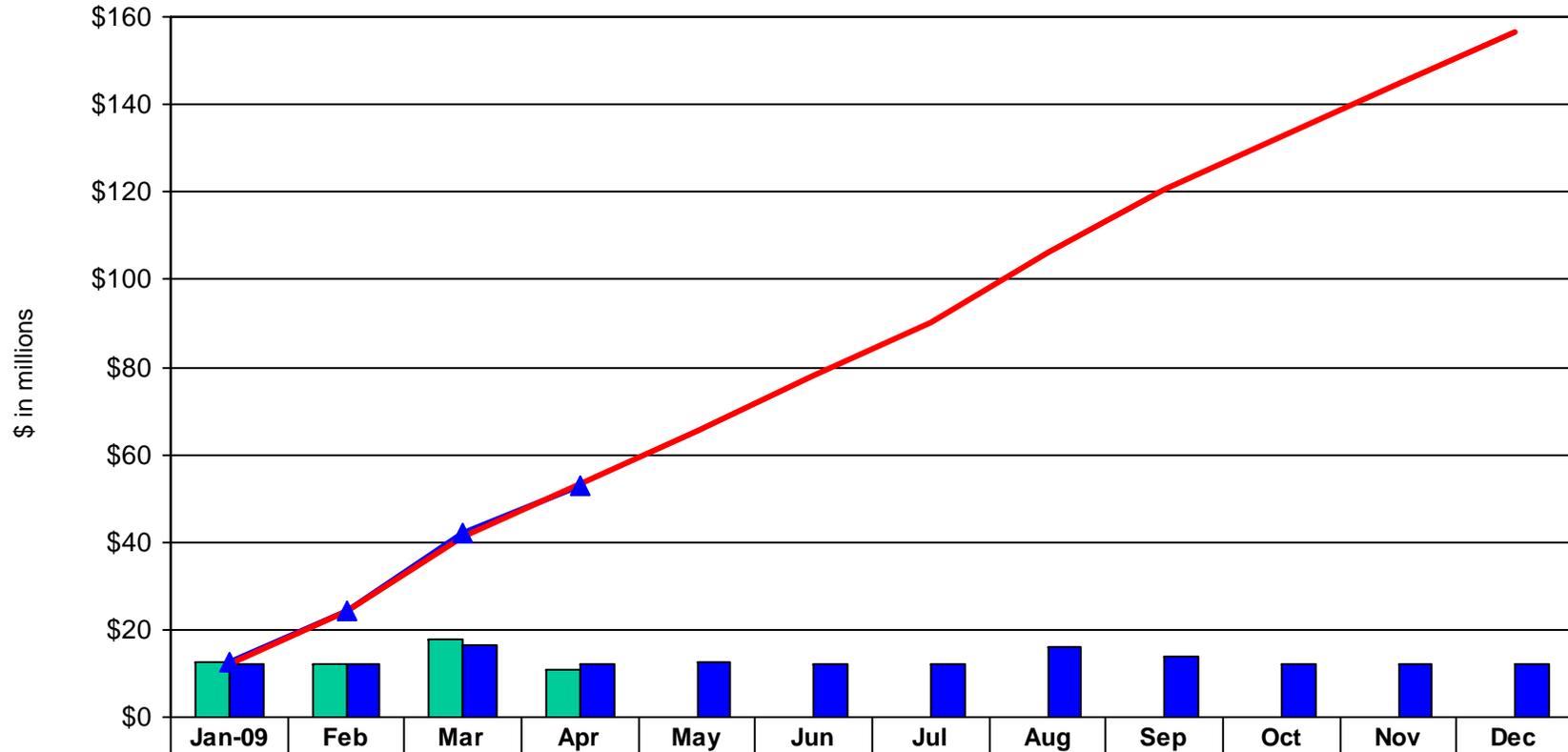
March and April revenues are estimates.

Monthly GMC Revenues



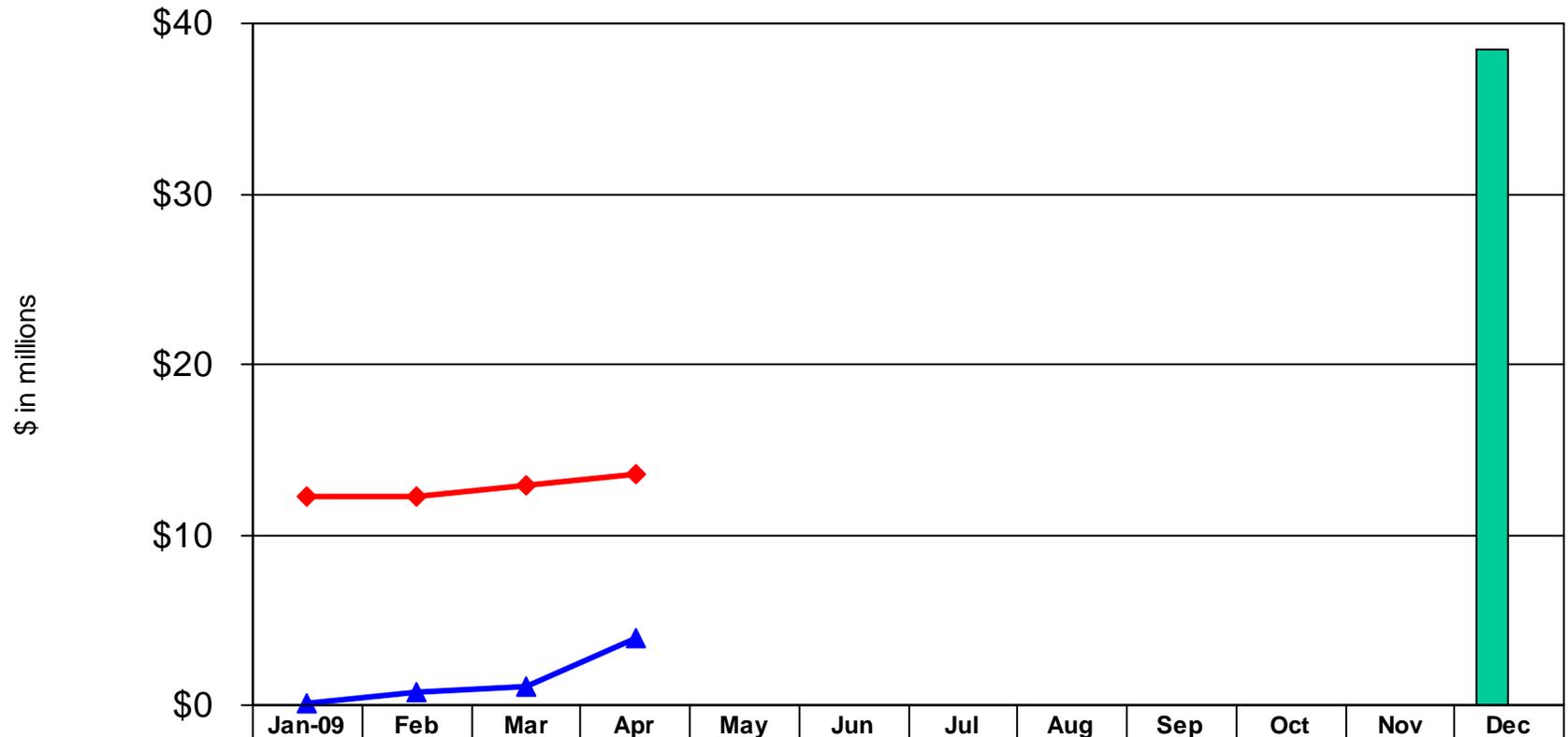
March and April revenues are estimates.

Operating and Maintenance Expenses (O&M)



	Jan-09	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
 Monthly Actual	12.47	11.93	17.69	10.90								
 Monthly Budget	12.29	12.17	16.53	12.25	12.39	12.34	12.09	16.21	14.09	12.16	12.10	12.12
 Cum Actual	12.47	24.40	42.09	52.99								
 Cum Budget	12.29	24.46	40.99	53.24	65.63	77.97	90.05	106.26	120.35	132.51	144.61	156.73
Cum Variance	(0.18)	0.06	(1.10)	0.25								

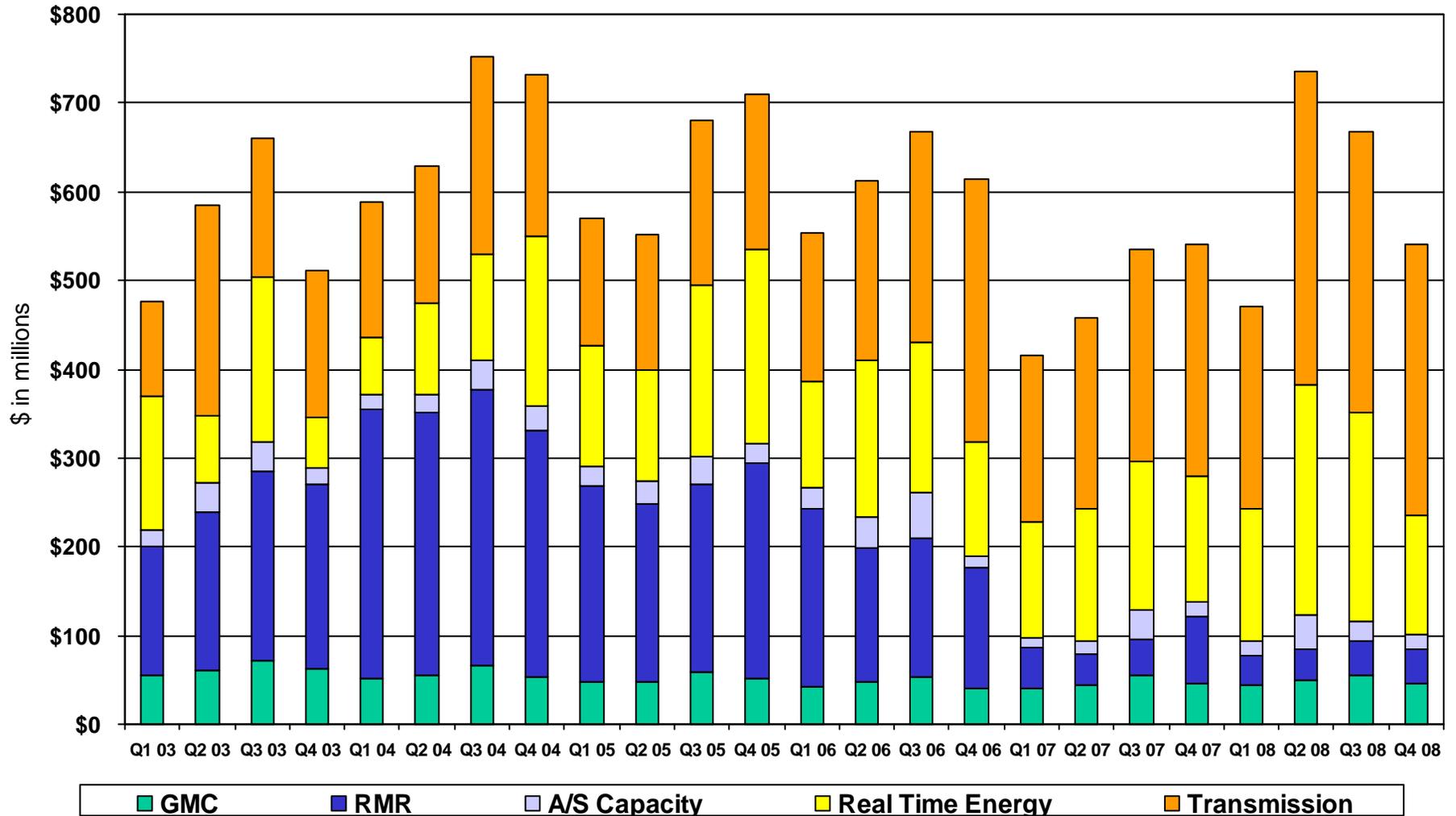
Cumulative Capital Expenditures



	Jan-09	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
 Budgeted capital												38.50
 2009 O&M Impact	0.00	0.00	0.00	0.00								
 Cumulative Expenditures	0.09	0.80	1.08	3.88								
 Approved projects	12.21	12.21	12.85	13.55								

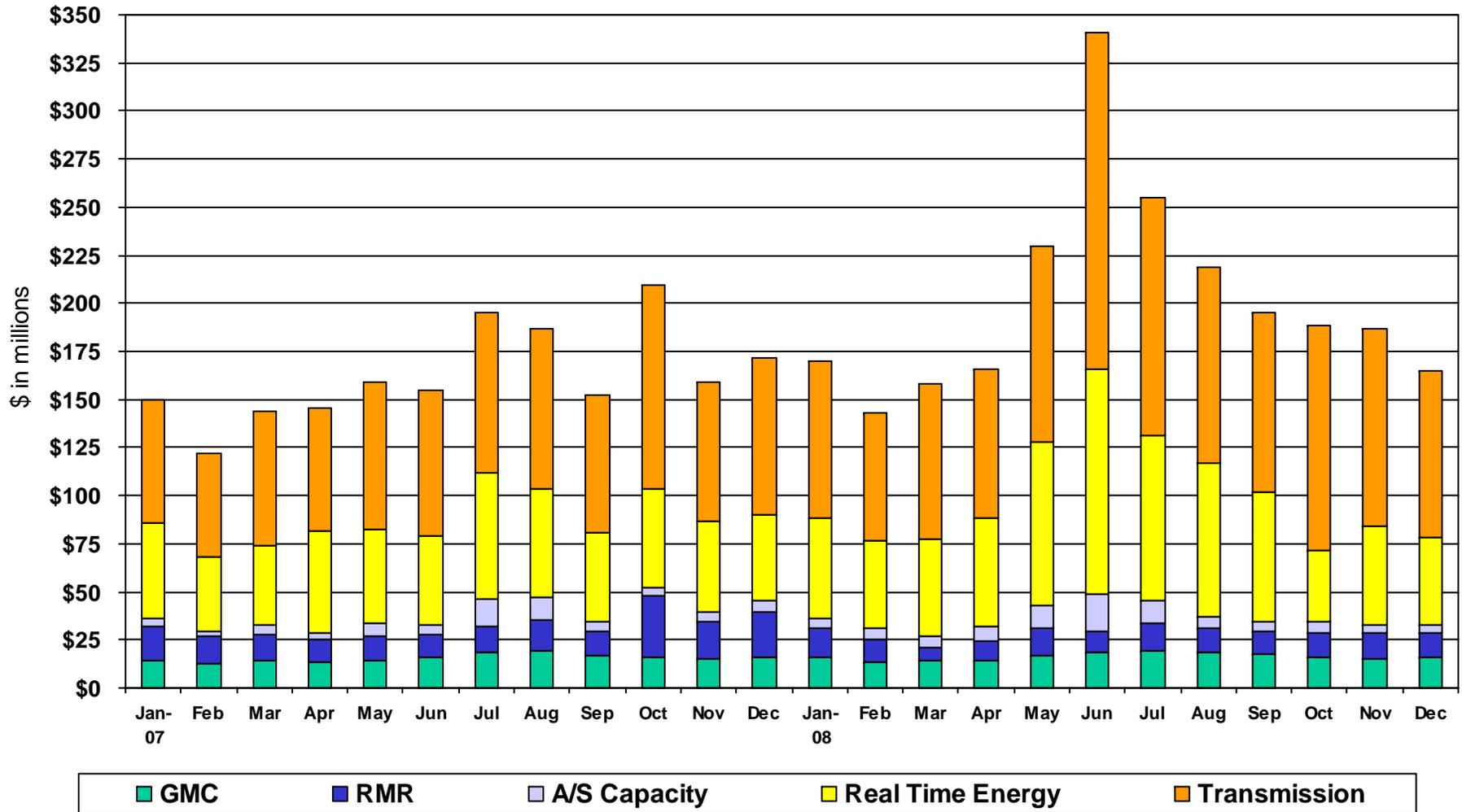


CAISO Market Costs By Quarter 1st Quarter 2003 through 4th Quarter 2008

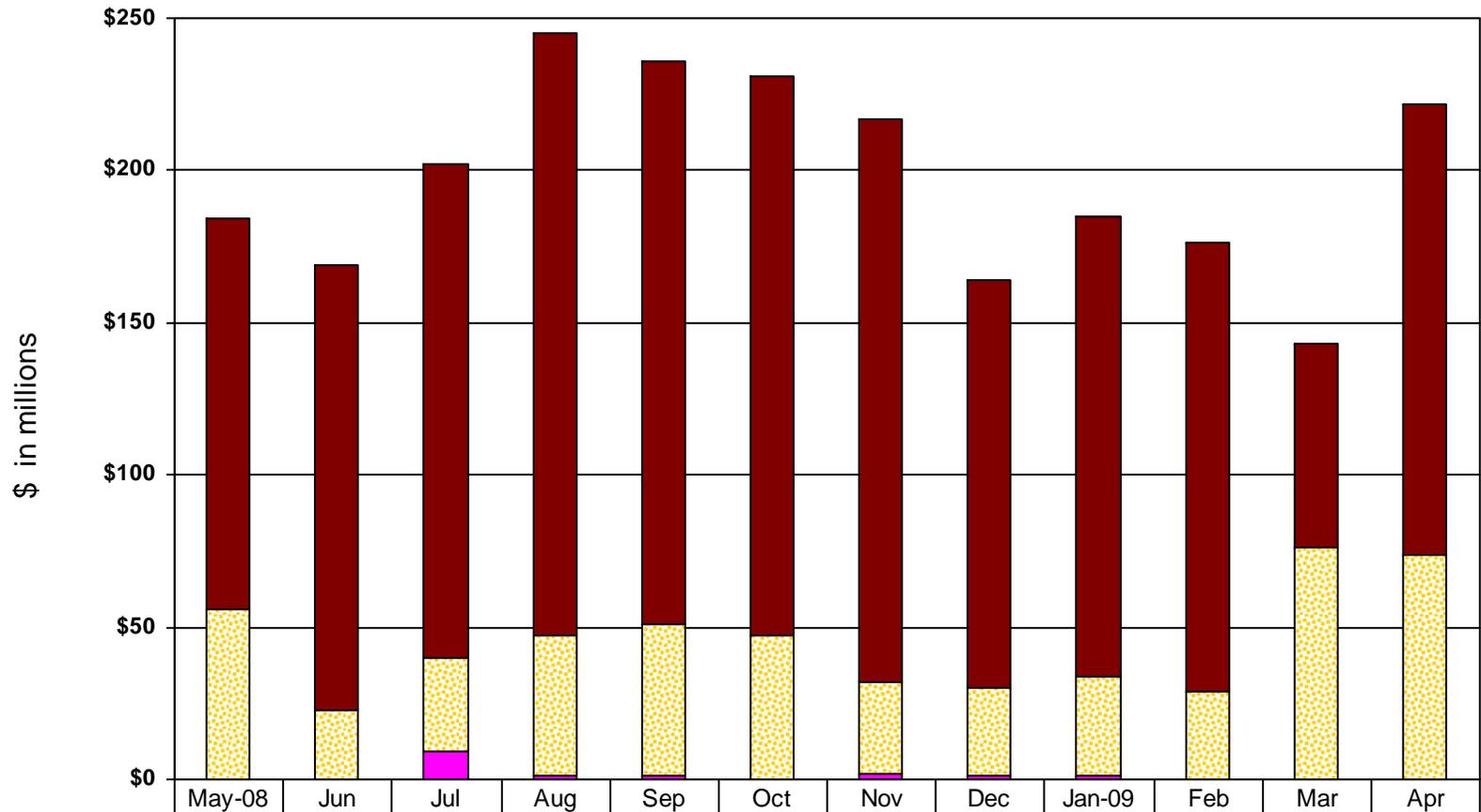




CAISO Market Costs By Month January 2007 through December 2008



Outstanding Obligations of Market Participants



■ Backed by UCL or GRN	128	146	162	198	185	184	185	134	151	147	67	148
■ Backed by posted security	56	23	31	46	50	47	30	29	33	29	76	74
■ Outstanding security requests	0	0	9	1	1	0	2	1	1	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

