

# MONTHLY FINANCIAL REPORT

## July 2009

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
MONTHLY FINANCIAL REPORT - July 2009**

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# CALIFORNIA ISO

## SUMMARY, DISCUSSION AND COMMENTARY

For the seven-months ended July 31, 2009

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

- ◆ Operating Revenues for July were \$22.1M, \$2.6M higher than budget.
  - The variance was primarily due to a higher estimated Grid Management Charge (GMC) for the month.
- ◆ Operating Revenues for the year to date were \$117.9M, \$4.0M higher than budget.
  - The variance is primarily due to higher GMC revenues during the second quarter of the year as a result of higher market usage forward energy volumes due to higher participation in the day ahead market. Effective April 2009, the GMC is calculated under the new California ISO (ISO) Market.
- ◆ Operation and maintenance (O&M) expenses for July were \$11.9M, \$0.1M higher than budget.
  - The variance was primarily due to timing of payments during the month.
- ◆ O&M expenses for the year to date were \$90.4M, \$0.3M higher than budget.
  - The variance was primarily due to higher expenses as a result of higher overtime costs and to the severance cost of organizational realignment that occurred in June 2009. The Company is actively monitoring the impact of these costs on the budget for the remainder of the year.
- ◆ There were 575 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 and other interest expenses, as compared to budget, were much lower due to the recognition of interest expense on certain amounts due from market participants as a result of a Federal Energy Regulatory Commission (FERC) ruling that was issued in May 2009. The Company recognized \$12.7 million as a reduction of interest expense with a corresponding adjustment to the estimated generator noncompliance fines refund liability.
- ◆ Interest income for the year to date is \$2.3M, \$0.8M 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.
- ◆ Gains on investments increased during the period as a result of the recovery of bond prices in the financial sector. The Company typically holds investments to maturity and reflects realized gains and losses for GMC rate purposes.

### BALANCE SHEET: (page 2)

- ◆ The changes in the accounts are mainly due to issuance of the \$200M 2009 Series A bonds in July to primarily finance the construction of the new headquarters building.

### CAPITAL PROJECTS: (pages 3 and 7)

- ◆ 2009 capital projects were budgeted for the year at \$198.5M and include \$160M for the new headquarters building and \$9.4M for enhancements to the new ISO Market system. 2009 capital projects approved through July totaled \$173.5M, including funding for the new facility.
- ◆ Actual expenditures to date for 2009-approved capital projects and the new facility totaled \$8.6M and 27.1M, respectively. Expenditures for 2008-approved capital projects totaled \$16.8M.

**CALIFORNIA ISO  
SUMMARY, DISCUSSION AND COMMENTARY**

For the seven-months ended July 31, 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 during the second quarter reflects the addition of the forward markets under the new ISO Market.

# CALIFORNIA ISO

## Statement of Operations

For the seven-months ended July 31, 2009

(dollars in thousands)

	Month				Year to Date				2009
	Actual	Budget	Variance	Var (%)	Actual	Budget	Variance	Var (%)	Budget
<b>Revenues:</b>									
Grid Management Charge	\$ 21,836	\$ 19,203	\$ 2,633	14%	\$ 115,676	\$ 111,857	\$ 3,819	3%	\$ 192,944
Fines, WSCC & Other Fees	226	284	(58)	-20%	2,185	1,986	199	10%	3,404
Total revenues	<u>22,062</u>	<u>19,487</u>	<u>2,575</u>	13%	<u>117,861</u>	<u>113,843</u>	<u>4,018</u>	4%	<u>196,348</u>
<b>Operating Expenses:</b>									
Salaries and Benefits	7,626	7,748	(122)	-2%	62,018	58,278	3,740	6%	101,039
Building, Leases and Facility	619	757	(138)	-18%	5,022	5,766	(744)	-13%	9,551
Insurance	194	1	193	0%	362	188	174	*	2,014
Third Party Vendor Contracts	1,465	1,119	346	31%	9,936	7,832	2,104	27%	13,427
Consulting and Contracting Services	1,051	1,387	(336)	-24%	8,270	10,089	(1,819)	-18%	17,062
Legal and Audit	645	501	144	29%	2,087	3,509	(1,422)	-41%	6,421
Training, Travel and Professional Dues	129	375	(246)	-66%	1,247	2,864	(1,617)	-56%	4,685
Other	219	197	22	11%	1,442	1,538	(96)	-6%	2,546
Total operating expenses	<u>11,948</u>	<u>12,085</u>	<u>(137)</u>	-1%	<u>90,384</u>	<u>90,064</u>	<u>320</u>	0%	<u>156,745</u>
Net operating income (loss)	<u>10,114</u>	<u>7,402</u>	<u>2,712</u>	37%	<u>27,477</u>	<u>23,779</u>	<u>3,698</u>	16%	<u>39,603</u>
<b>Interest and Other Expenses</b>									
Interest income & other	255	228	27	12%	2,347	1,596	751	47%	2,736
Interest expense	500	700	(200)	-29%	(7,306)	4,899	(12,205)	-249%	8,399
Gains and losses on investments (realized and unrealized)	178	-	178	*	2,355	-	2,355	*	-
Depreciation and amortization	1,092	1,092	-	0%	5,673	5,673	-	0%	13,800
Total interest and other expenses	<u>1,515</u>	<u>1,564</u>	<u>(49)</u>	-3%	<u>(1,625)</u>	<u>8,976</u>	<u>(10,601)</u>	-118%	<u>19,463</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ 8,599</u>	<u>\$ 5,838</u>	<u>\$ 2,761</u>	47%	<u>\$ 29,102</u>	<u>\$ 14,803</u>	<u>\$ 14,299</u>	97%	<u>\$ 20,140</u>
<b>Number of Full-time Employees</b>	<u>575</u>	<u>575</u>	<u>-</u>	0%					<u>575</u>

**CALIFORNIA ISO****Balance Sheet**

As of July 31, 2009

*(dollars in thousands)*

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>
<b>ASSETS</b>			
NET ELECTRIC UTILITY PLANT	<u>\$ 272,893</u>	<u>\$ 271,176</u>	<u>\$ 1,717</u>
CURRENT ASSETS			
Unrestricted Cash and Cash Equivalents	25,147	9,458	15,689
Restricted Cash and Cash Equivalents	391,618	231,237	160,381
Other Special Deposits	35,247	20,479	14,768
Accounts Receivable, net	57,027	58,572	(1,545)
Investments	156,123	144,594	11,529
Accrued Interest	814	1,032	(218)
Prepayments	8,663	9,505	(842)
Total Current Assets	<u>674,639</u>	<u>474,877</u>	<u>199,762</u>
NONCURRENT ASSET AND DEFERRED CHARGES			
Unamortized Debt Expenses and Other	6,026	3,850	2,176
Total Noncurrent Asset and Deferred Charges	<u>6,026</u>	<u>3,850</u>	<u>2,176</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 953,558</u></u>	<u><u>\$ 749,903</u></u>	<u><u>\$ 203,655</u></u>
<b>CAPITALIZATION AND LIABILITIES</b>			
CAPITALIZATION			
Stakeholders' Surplus	\$ 258,854	\$ 256,093	\$ 2,761
Long-term Debt	334,811	133,031	201,780
TOTAL CAPITALIZATION	<u>593,665</u>	<u>389,124</u>	<u>204,541</u>
CURRENT LIABILITIES			
Long-term Debt Due Within One Year	39,100	39,100	-
Accounts Payable	42,391	26,979	15,412
Customer Deposits & Other	163,106	181,301	(18,195)
Fines Subject to Refund	114,280	111,383	2,897
Total Current Liabilities	<u>358,877</u>	<u>358,763</u>	<u>114</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>359,893</u>	<u>359,779</u>	<u>114</u>
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<u><u>\$ 953,558</u></u>	<u><u>\$ 748,903</u></u>	<u><u>\$ 204,655</u></u>

**CALIFORNIA ISO**  
**Capital Projects Report**

For the seven-months ended July 31, 2009  
*(dollars in thousands)*

	<b>Approved Projects</b>				
	Month	YTD	2009	Projected	Original
	<u>Actual</u>	<u>Actual</u>	<u>Approved</u>	<u>Costs for</u>	<u>2009</u>
			<u>Projects</u>	<u>Approved</u>	<u>Budget</u>
				<u>Projects</u>	
Compliance/Regulatory	\$ 147	\$ 170	\$ 1,420	\$ 1,420	\$ 11,437
Essential / Corporate Infrastructure	1,985	4,655	9,043	9,043	10,134
Strategic Initiatives	38	125	1,091	1,091	6,846
Future Market Enhancements	11	53	6,046	6,046	6,584
Market Redesign		2,840	2,847	2,847	2,847
Technology Upgrade	-	731	657	657	657
<b>Total 2009 Capital Spending</b>	<u>2,181</u>	<u>8,574</u>	<u>21,104</u>	<u>21,104</u>	<u>38,504</u>
Iron Point Building	6,365	27,050		160,000	160,000
2008 Capital Projects	<u>461</u>	<u>5,543</u>		<u>11,036</u>	<u>11,036</u>
<b>Total Capital</b>	<u>\$ 9,008</u>	<u>\$ 41,167</u>	<u>\$ 21,104</u>	<u>\$ 192,140</u>	<u>\$ 209,540</u>

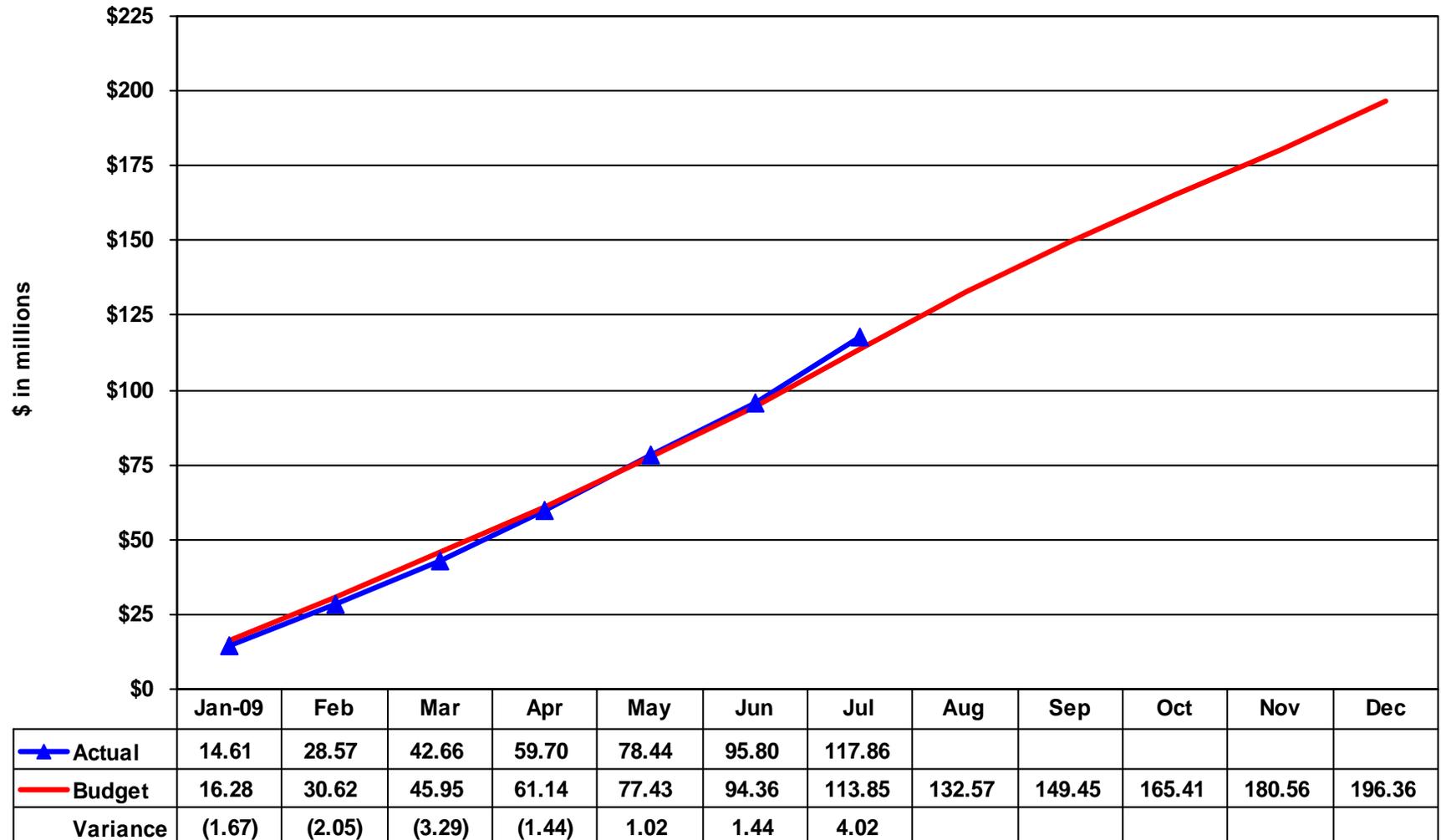
*Notes:*

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

*The Iron Point Project Phase 2 is to be funded from 2008 and 2009 bond proceeds.*

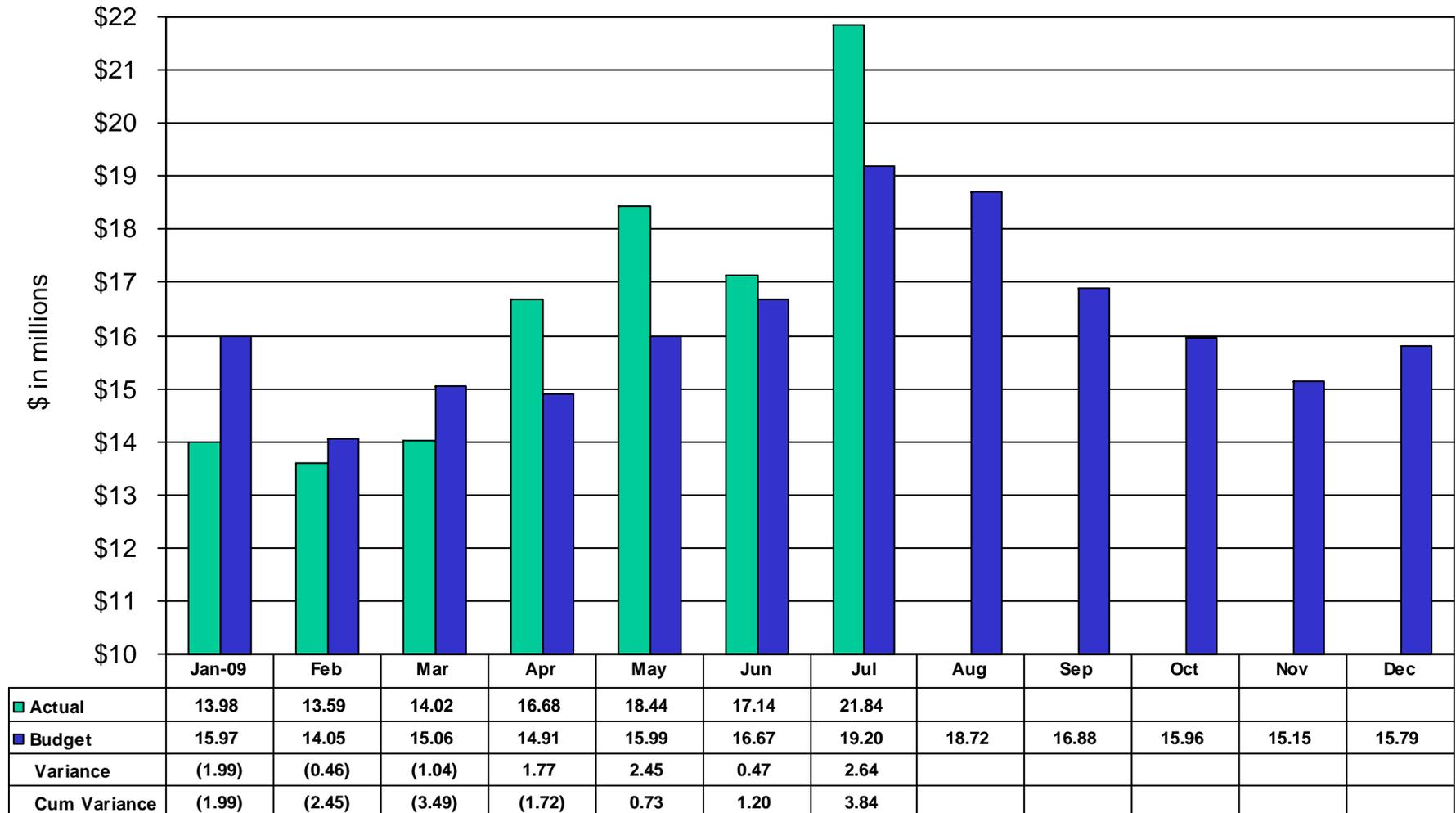
# Cumulative Operating Revenues

Revenues = GMC, LGIP, WSCC Security & Other Fees



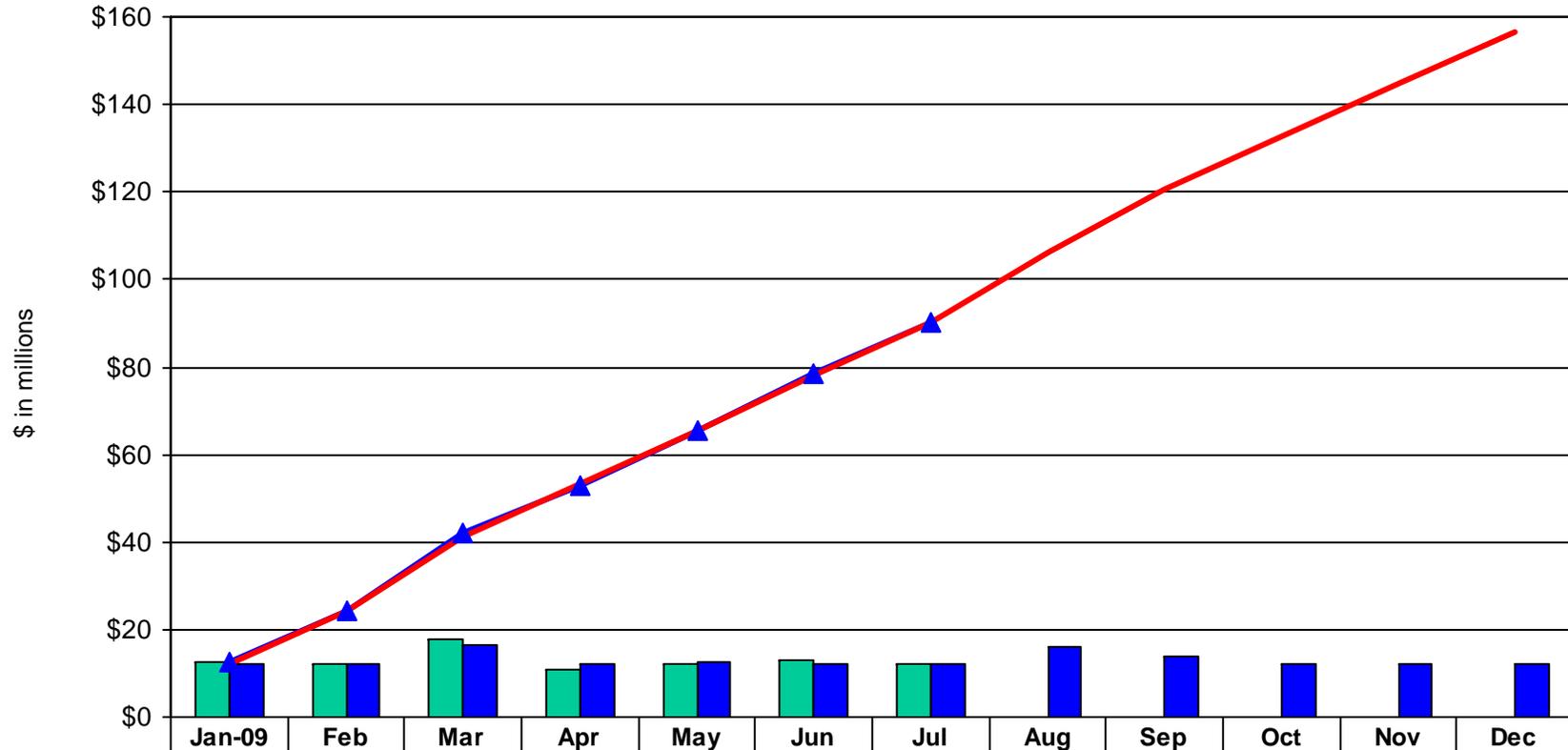
**June and July revenues are estimates.**

## Monthly GMC Revenues



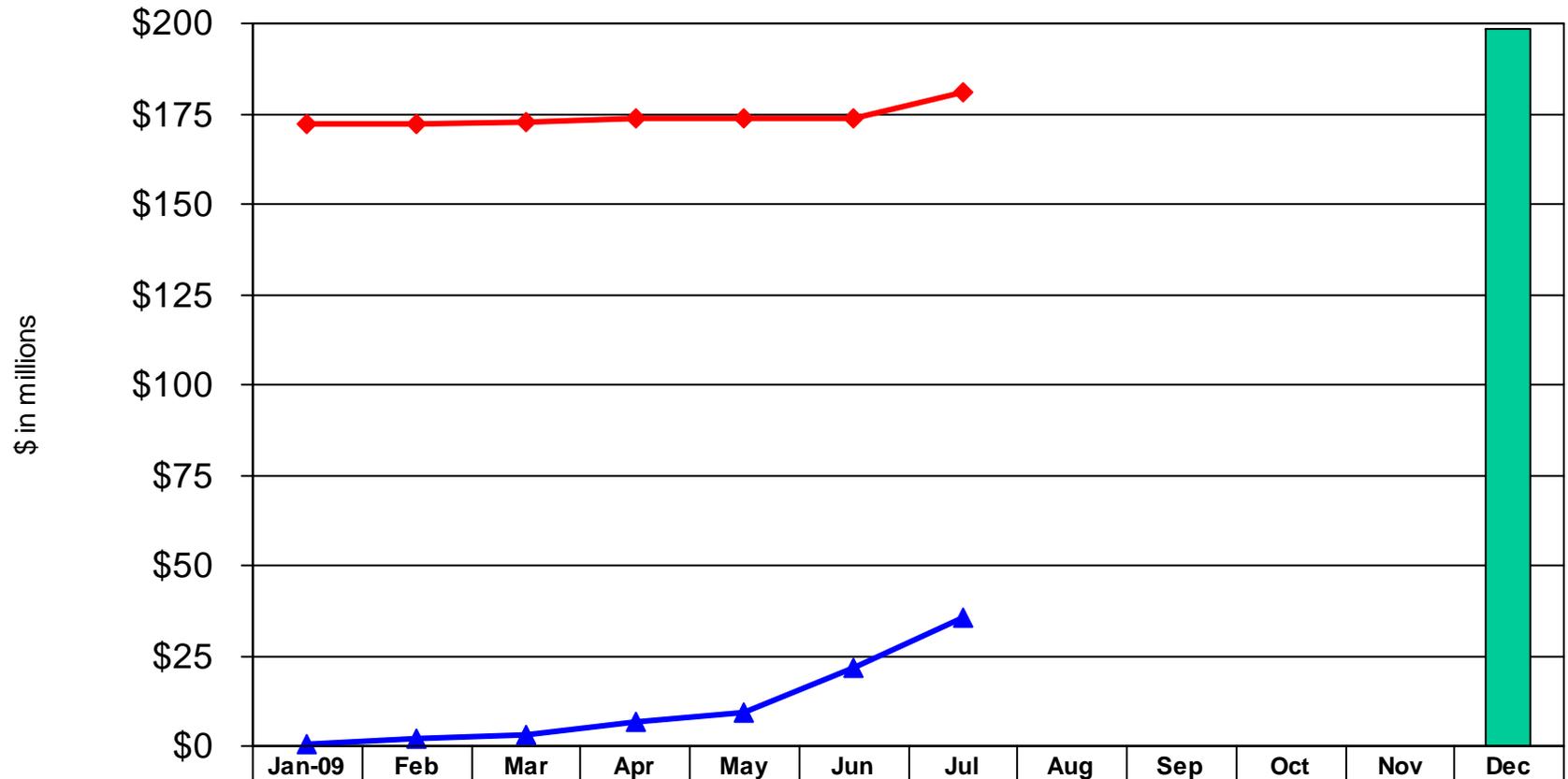
***June and July revenues are estimates.***

## Operating and Maintenance Expenses (O&M)



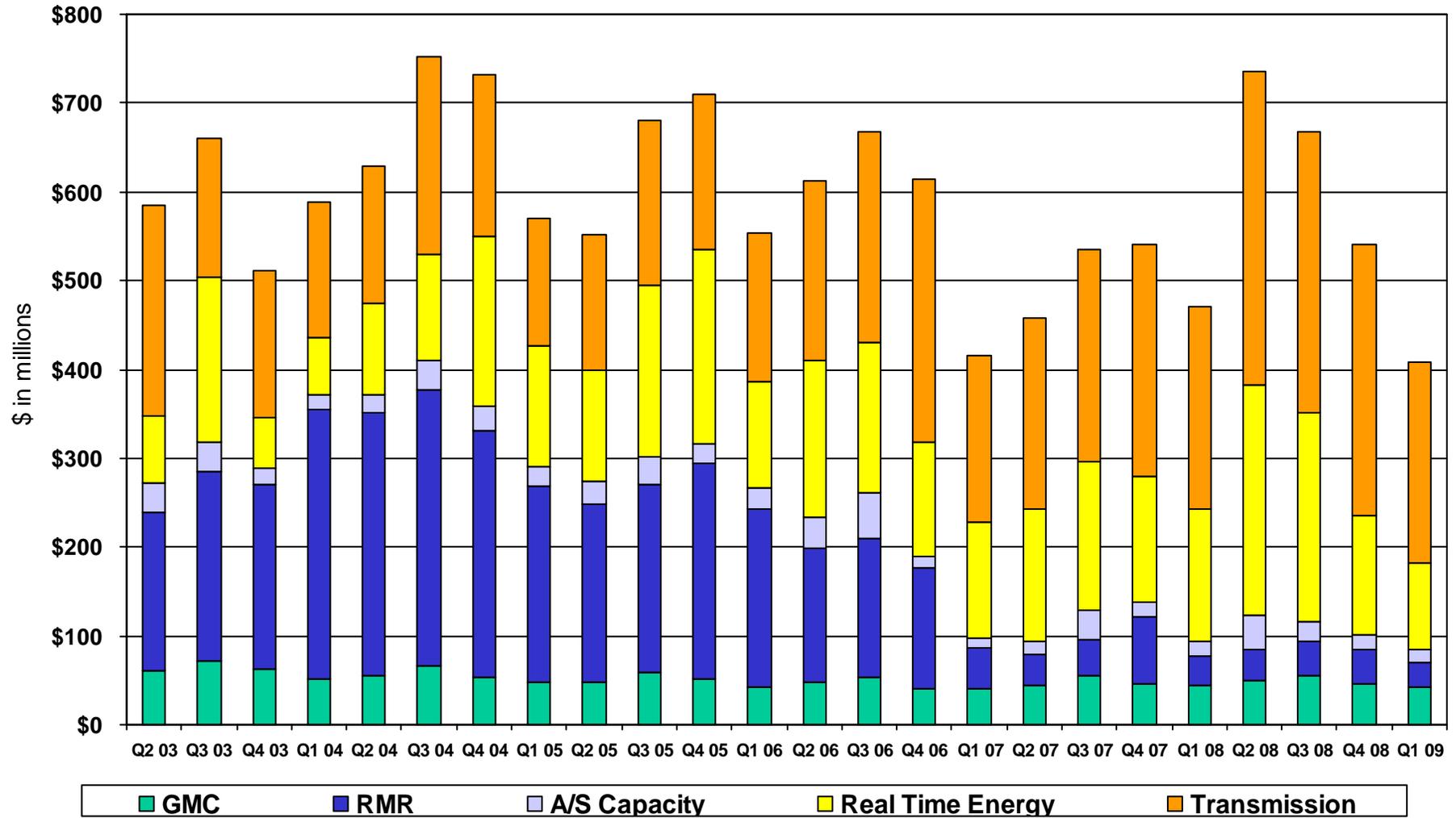
	Jan-09	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
 Monthly Actual	12.47	11.94	17.79	10.89	12.27	13.07	11.95					
 Monthly Budget	12.30	12.17	16.53	12.25	12.39	12.34	12.09	16.21	14.09	12.16	12.10	12.12
 Cum Actual	12.47	24.41	42.20	53.09	65.36	78.43	90.38					
 Cum Budget	12.30	24.47	41.00	53.25	65.64	77.98	90.06	106.27	120.36	132.52	144.62	156.74
Cum Variance	(0.17)	0.06	(1.20)	0.16	0.28	(0.45)	(0.32)					

## Cumulative Capital Expenditures



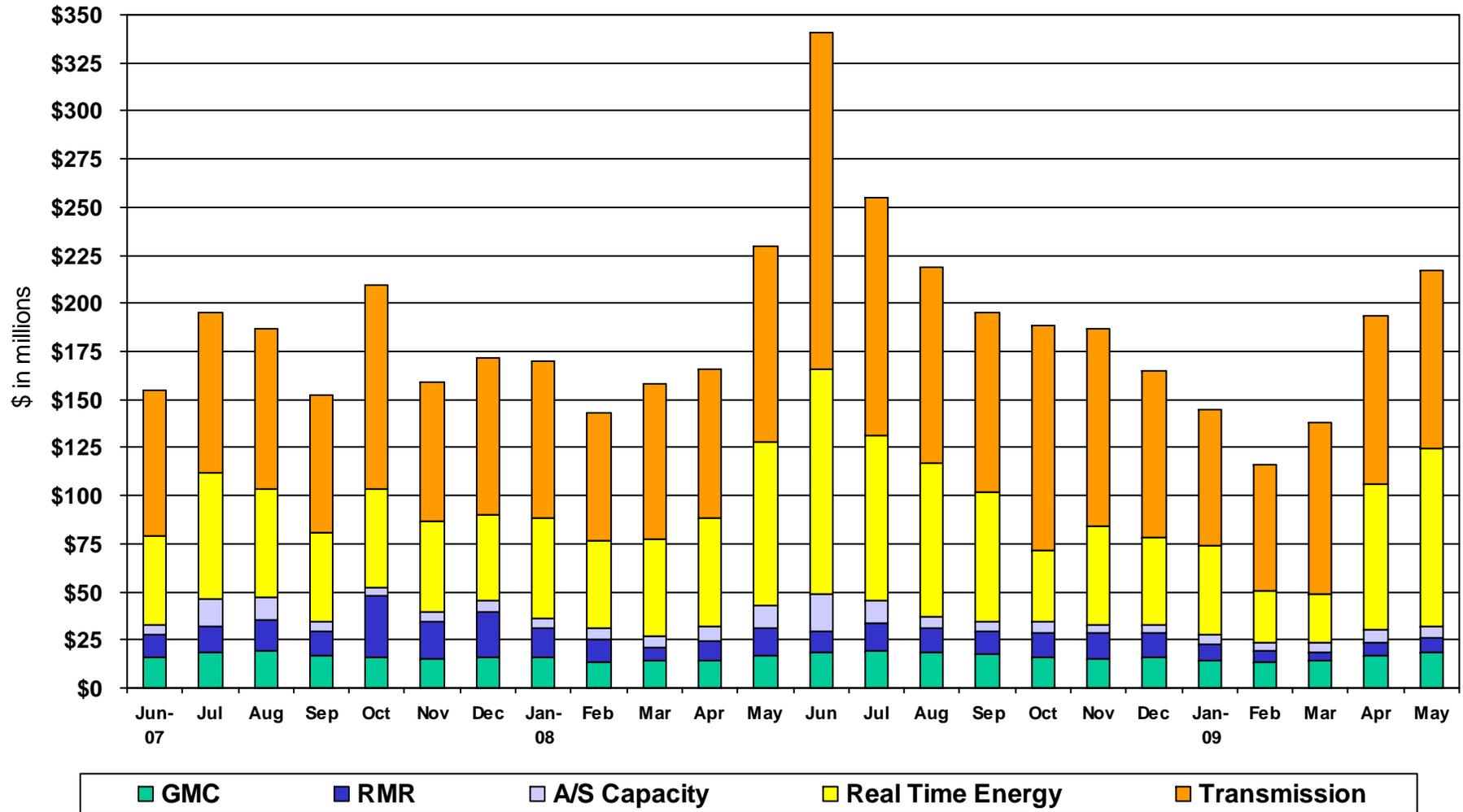
 Budgeted capital												198.50
 Cumulative Expenditures	0.50	2.20	3.26	6.55	9.38	21.55	35.62					
 Approved projects	172.21	172.21	172.85	173.55	173.55	173.55	181.10					

## CAISO Market Costs By Quarter 2nd Quarter 2003 through 1st Quarter 2009

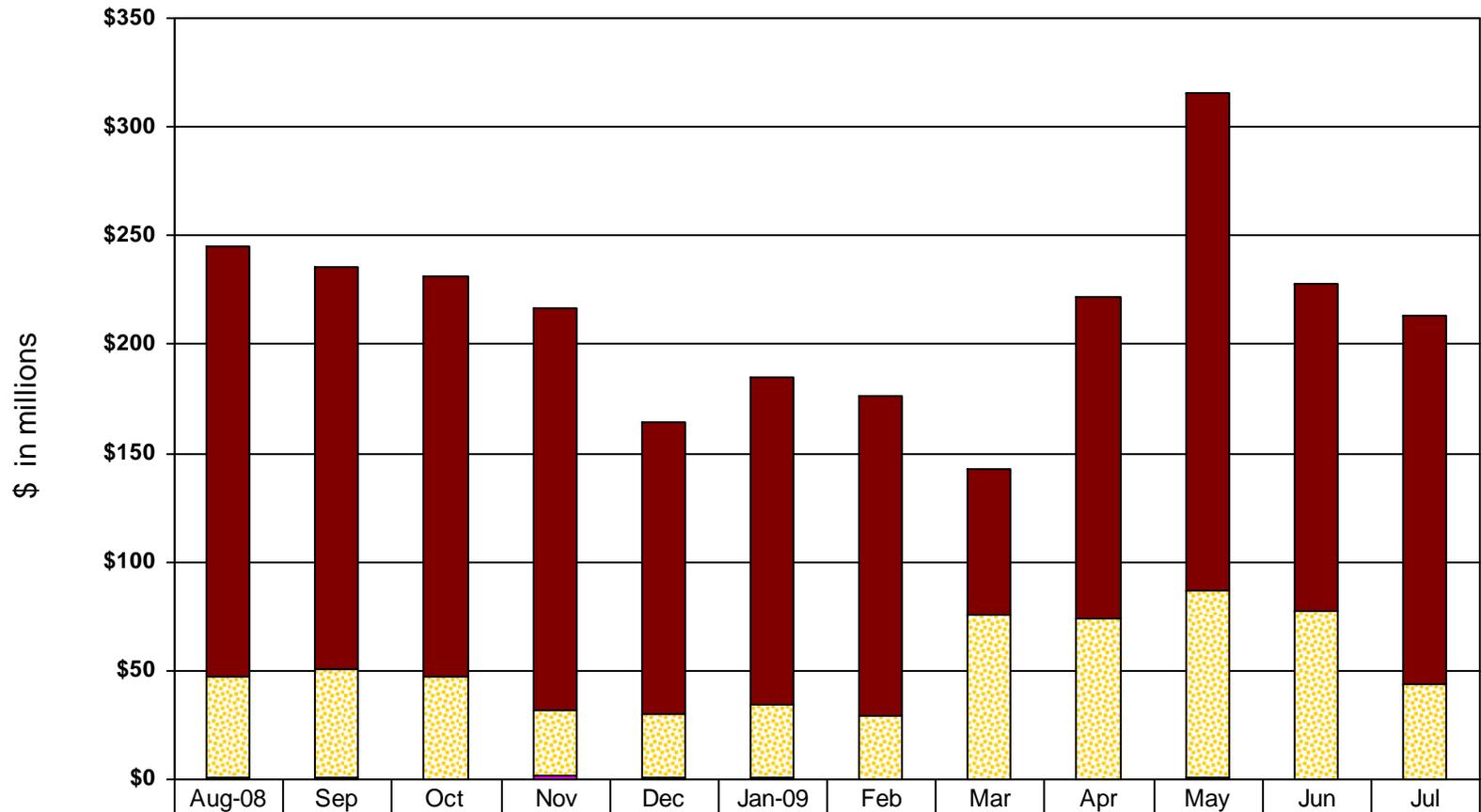




## CAISO Market Costs By Month June 2007 through May 2009



## Outstanding Obligations of Market Participants



	Aug-08	Sep	Oct	Nov	Dec	Jan-09	Feb	Mar	Apr	May	Jun	Jul
■ Backed by UCL or GRN	198	185	184	185	134	151	147	67	148	229	151	169
■ Backed by posted security	46	50	47	30	29	33	29	76	74	86	77	44
■ Outstanding security requests	1	1	0	2	1	1	0	0	0	1	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

