



California ISO
Your Link to Power

California Independent
System Operator

MONTHLY FINANCIAL REPORT

November 2009

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
MONTHLY FINANCIAL REPORT - November 30, 2009

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CALIFORNIA ISO

SUMMARY, DISCUSSION AND COMMENTARY

For the eleven-months ended November 30, 2009

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

- ♦ Operating Revenues for November were \$15.4M, \$0.2M higher than budget.
 - The variance was primarily due to higher Grid Management Charge (GMC) revenue a result of higher volumes in the market.
- ♦ Operating Revenues for the year to date were \$191.0M, \$10.4M higher than budget.
 - The variance is primarily due to higher GMC revenues during the second and third quarters of the year as a result of higher volumes in the new day ahead market and to the greater than expected number of high-temperature days in September. Effective October 1, 2009, the rates of several Grid Management Charge components were adjusted to better align the collection of revenues with the associated costs.
- ♦ Operation and maintenance (O&M) expenses for November were \$11.0M, \$1.1M lower than budget.
 - The variance was primarily due to the impact of previously implemented cost cuts and timing of payments during the month.
- ♦ O&M expenses for the year to date were \$143.8M, \$0.8M lower than budget.
 - The variance was primarily due to lower consulting and legal costs, and lower travel and training expenses, partially offset by higher overtime and contractor costs associated with the new ISO Market cutover and to the severance cost resulting from the organizational realignment that occurred in June 2009.
 - The Company is actively working to mitigate costs over the remainder of the year and is forecasting 2009 O&M costs to be \$0.5M under the approved budget.
- ♦ There were 584 full-time employees compared to the 575 full-time employees budgeted (excluding the vacancy factor of 4%). The increase is due to contractor conversions to full-time employees.

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 \$4.5M, \$2.0M 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 continue to increase 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.
- ♦ In March 2009, the ISO sold its bond investment in an AIG subsidiary at a loss of \$1.5M, which was largely offset by gains on other investments.

BALANCE SHEET: (page 2)

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

CALIFORNIA ISO

SUMMARY, DISCUSSION AND COMMENTARY

For the eleven-months ended November 30, 2009

CAPITAL PROJECTS: (pages 3 and 7)

- ♦ 2009 capital projects were budgeted for the year at \$198.5M and include \$160.0M for the new headquarters building and \$9.4M for enhancements to the new ISO Market system. 2009 capital projects approved through November totaled \$193.8M, including funding for the new facility.
- ♦ Actual expenditures to date for 2009-approved capital projects and the new facility totaled \$12.1M and \$52.1M, respectively. Expenditures for 2008-approved capital projects totaled \$7.4M.
- ♦ The 2009 Series A bonds in the principal amount of \$200M were issued in July, 2009 to fund the construction of the new headquarters building, the acquisition or development of computer hardware and software systems and the acquisition of office equipment.

The ISO Markets

MARKET CHARGES: (page 8 and 9)

- ♦ The total costs managed by the ISO include GMC, Reliability Must Run (RMR) charges, Ancillary Services Capacity, Real Time Energy and Transmission.
- ♦ RMR charges have decreased considerably as a result of the resource adequacy program that the ISO implemented in 2007, which gave the ISO dispatch rights to certain generator units and effectively reducing this component of market cost.
- ♦ Other market costs fluctuate with the season or as a result of certain external factors (wildfires, extreme temperatures and drought conditions).

OBLIGATIONS OF MARKET PARTICIPANTS: (pages 10 and 11)

- ♦ Outstanding obligations of market participants increased during the summer months, reflecting the seasonal high energy usage during the period, especially during the month of September. 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 November reflects the substantial collateral required for participants in the 2010 congestion revenue rights auction.
- ♦ The increase in market obligations during the second and third quarters reflects the addition of the forward markets under the new ISO Market.

CALIFORNIA ISO

Statement of Operations

For the eleven-months ended November 30, 2009
(dollars in thousands)

	Month				Year to Date				2009
	Actual	Budget	Variance	Var (%)	Actual	Budget	Variance	Var (%)	Budget
Revenues:									
Grid Management Charge	\$ 15,223	\$ 14,866	\$ 357	2%	\$ 186,494	\$ 177,433	\$ 9,061	5%	\$ 192,944
Fines, WSCC & Other Fees	132	284	(152)	-54%	4,504	3,121	1,383	44%	3,404
Total revenues	<u>15,355</u>	<u>15,150</u>	<u>205</u>	<u>1%</u>	<u>190,998</u>	<u>180,554</u>	<u>10,444</u>	<u>6%</u>	<u>196,348</u>
Operating Expenses:									
Salaries and Benefits	7,855	7,748	107	1%	97,991	93,290	4,701	5%	101,039
Building, Leases and Facility	563	757	(194)	-26%	7,824	8,794	(970)	-11%	9,551
Insurance	101	1	100	0%	1,752	1,996	(244)	-12%	2,014
Third Party Vendor Contracts	751	1,119	(368)	-33%	13,897	12,308	1,589	13%	13,427
Consulting and Contracting Services	617	1,380	(763)	-55%	14,408	15,680	(1,272)	-8%	17,062
Legal and Audit	533	536	(3)	-1%	3,222	5,890	(2,668)	-45%	6,421
Training, Travel and Professional Dues	310	363	(53)	-15%	2,353	4,321	(1,968)	-46%	4,685
Other	285	197	88	45%	2,352	2,342	10	0%	2,546
Total operating expenses	<u>11,015</u>	<u>12,101</u>	<u>(1,086)</u>	<u>-9%</u>	<u>143,799</u>	<u>144,621</u>	<u>(822)</u>	<u>-1%</u>	<u>156,745</u>
Net operating income (loss)	<u>4,340</u>	<u>3,049</u>	<u>1,291</u>	<u>42%</u>	<u>47,199</u>	<u>35,933</u>	<u>11,266</u>	<u>31%</u>	<u>39,603</u>
Interest and Other Expenses									
Interest income & other	922	228	694	304%	4,505	2,508	1,997	80%	2,736
Interest expense	1,465	700	765	109%	(881)	7,699	(8,580)	-111%	8,399
Gains and losses on investments (realized and unrealized)	502	-	502	*	3,705	-	3,705	*	-
Depreciation and amortization	4,550	4,550	-	0%	37,339	37,339	-	0%	13,800
Total interest and other expenses	<u>4,591</u>	<u>5,022</u>	<u>573</u>	<u>11%</u>	<u>28,248</u>	<u>42,530</u>	<u>(6,872)</u>	<u>-16%</u>	<u>19,463</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ (251)</u>	<u>\$ (1,973)</u>	<u>\$ 718</u>	<u>-36%</u>	<u>\$ 18,951</u>	<u>\$ (6,597)</u>	<u>\$ 18,138</u>	<u>-275%</u>	<u>\$ 20,140</u>
Number of Full-time Employees	<u>584</u>	<u>575</u>	<u>9</u>	<u>2%</u>					<u>575</u>

CALIFORNIA ISO**Balance Sheet**

As of November 30, 2009

(dollars in thousands)

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>
ASSETS			
NET ELECTRIC UTILITY PLANT	<u>\$ 275,044</u>	<u>\$ 277,235</u>	<u>\$ (2,191)</u>
CURRENT ASSETS			
Unrestricted Cash and Cash Equivalents	(728)	17,926	(18,654)
Restricted Cash and Cash Equivalents	371,666	378,252	(6,586)
Other Special Deposits	34,913	34,914	(1)
Accounts Receivable, net	57,707	42,515	15,192
Investments	206,472	195,047	11,425
Accrued Interest	1,522	1,160	362
Prepayments	8,514	8,313	201
Total Current Assets	<u>680,066</u>	<u>678,127</u>	<u>1,939</u>
NONCURRENT ASSET AND DEFERRED CHARGES			
Unamortized Debt Expenses and Other	4,479	4,910	(431)
Total Noncurrent Asset and Deferred Charges	<u>4,479</u>	<u>4,910</u>	<u>(431)</u>
TOTAL ASSETS	<u>\$ 959,589</u>	<u>\$ 960,272</u>	<u>\$ (683)</u>
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION			
Stakeholders' Surplus	\$ 257,933	\$ 258,183	\$ (250)
Long-term Debt	333,906	334,135	(229)
TOTAL CAPITALIZATION	<u>591,839</u>	<u>592,318</u>	<u>(479)</u>
CURRENT LIABILITIES			
Long-term Debt Due Within One Year	39,100	39,100	-
Accounts Payable	32,076	32,735	(659)
Customer Deposits & Other	250,045	249,589	456
Fines Subject to Refund	45,513	45,514	(1)
Total Current Liabilities	<u>366,734</u>	<u>366,938</u>	<u>(204)</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>367,750</u>	<u>367,954</u>	<u>(204)</u>
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 959,589</u>	<u>\$ 960,272</u>	<u>\$ (683)</u>

CALIFORNIA ISO
Capital Projects Report

For the eleven-months ended November 30, 2009

(dollars in thousands)

	Approved Projects				
	Month <u>Actual</u>	YTD <u>Actual</u>	2009 Approved <u>Projects</u>	Projected Costs for Approved <u>Projects</u>	Original 2009 <u>Budget</u>
Compliance/Regulatory	\$ 143	\$ 784	\$ 10,611	\$ 10,581	\$ 11,437
Essential / Corporate Infrastructure	919	5,926	9,847	9,847	10,134
Strategic Initiatives	7	302	1,090	1,090	6,846
Future Market Enhancements	728	1,469	8,749	8,734	6,584
Market Redesign	-	2,840	2,847	2,847	2,847
Technology Upgrade	-	731	657	657	657
Total 2009 Capital Spending	<u>1,797</u>	<u>12,052</u>	<u>33,801</u>	<u>33,756</u>	<u>38,504</u>
Iron Point Building	8,068	52,059	160,000	160,000	160,000
2008 Capital Projects	<u>285</u>	<u>7,381</u>	<u>-</u>	<u>11,036</u>	<u>11,036</u>
Total Capital	<u>\$ 10,150</u>	<u>\$ 71,492</u>	<u>\$ 193,801</u>	<u>\$ 204,792</u>	<u>\$ 209,540</u>

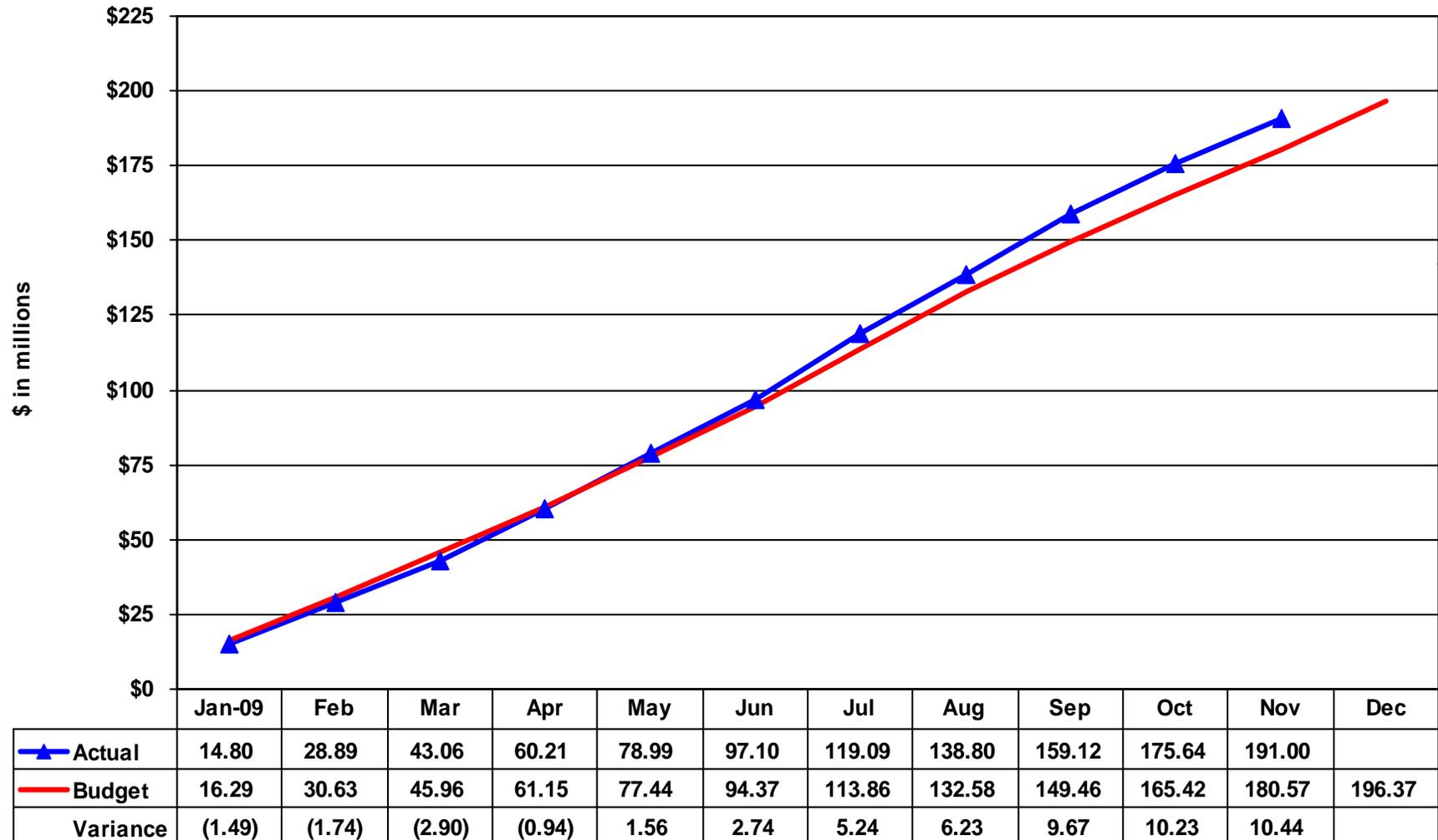
Notes:

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

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

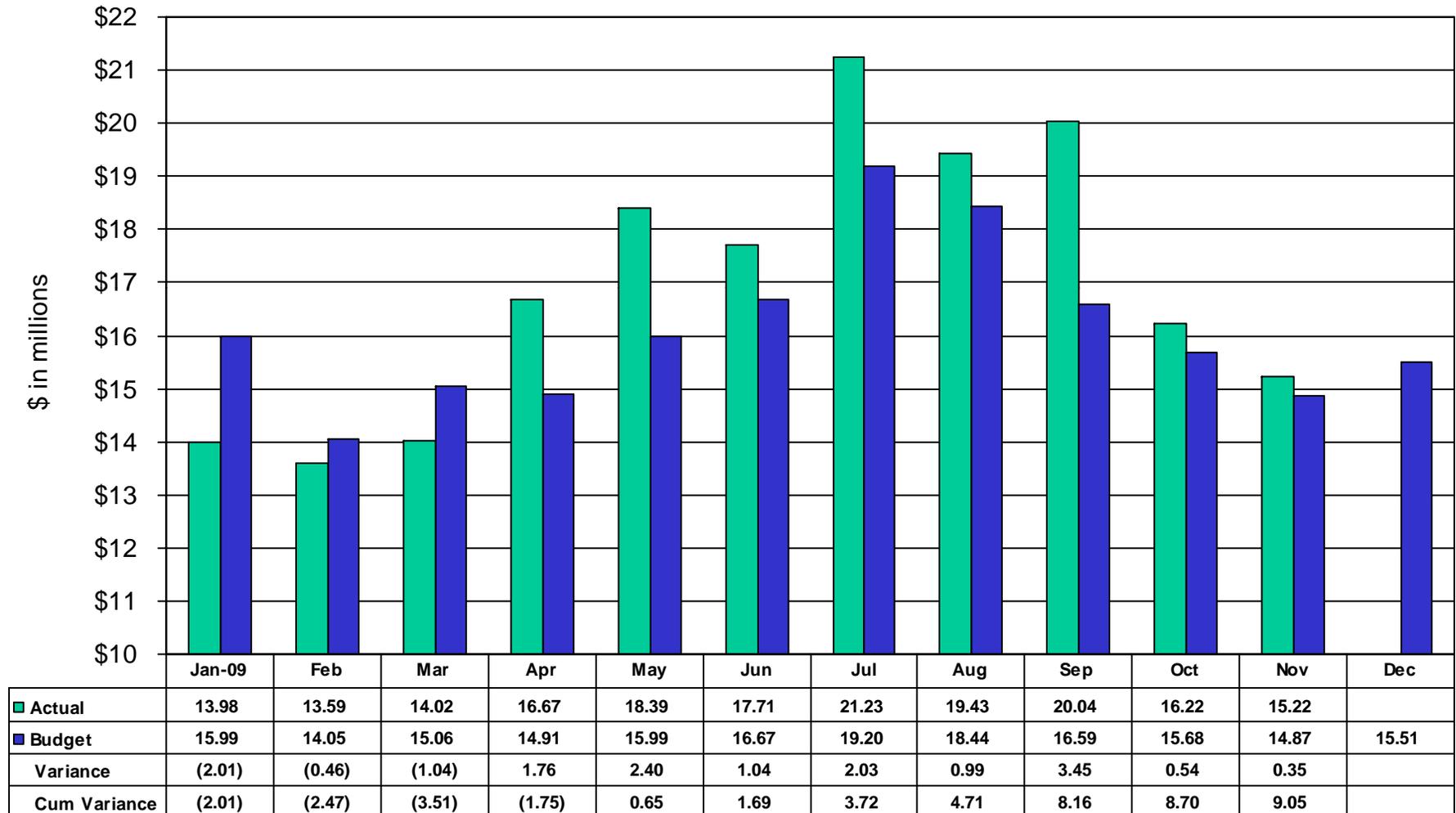
Cumulative Operating Revenues

Revenues = GMC, LGIP, WSCC Security & Other Fees



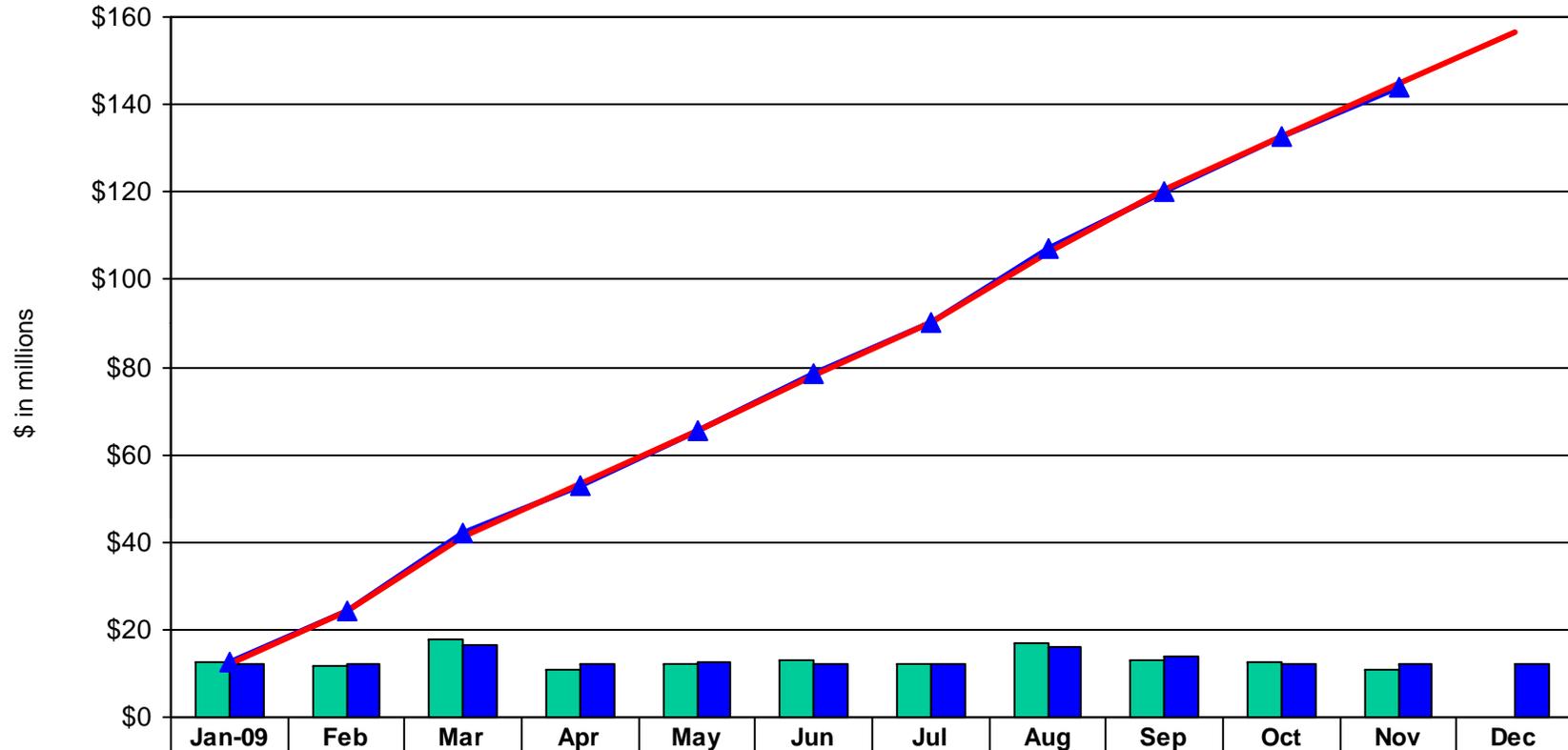
September and October revenues are estimates.

Monthly GMC Revenues



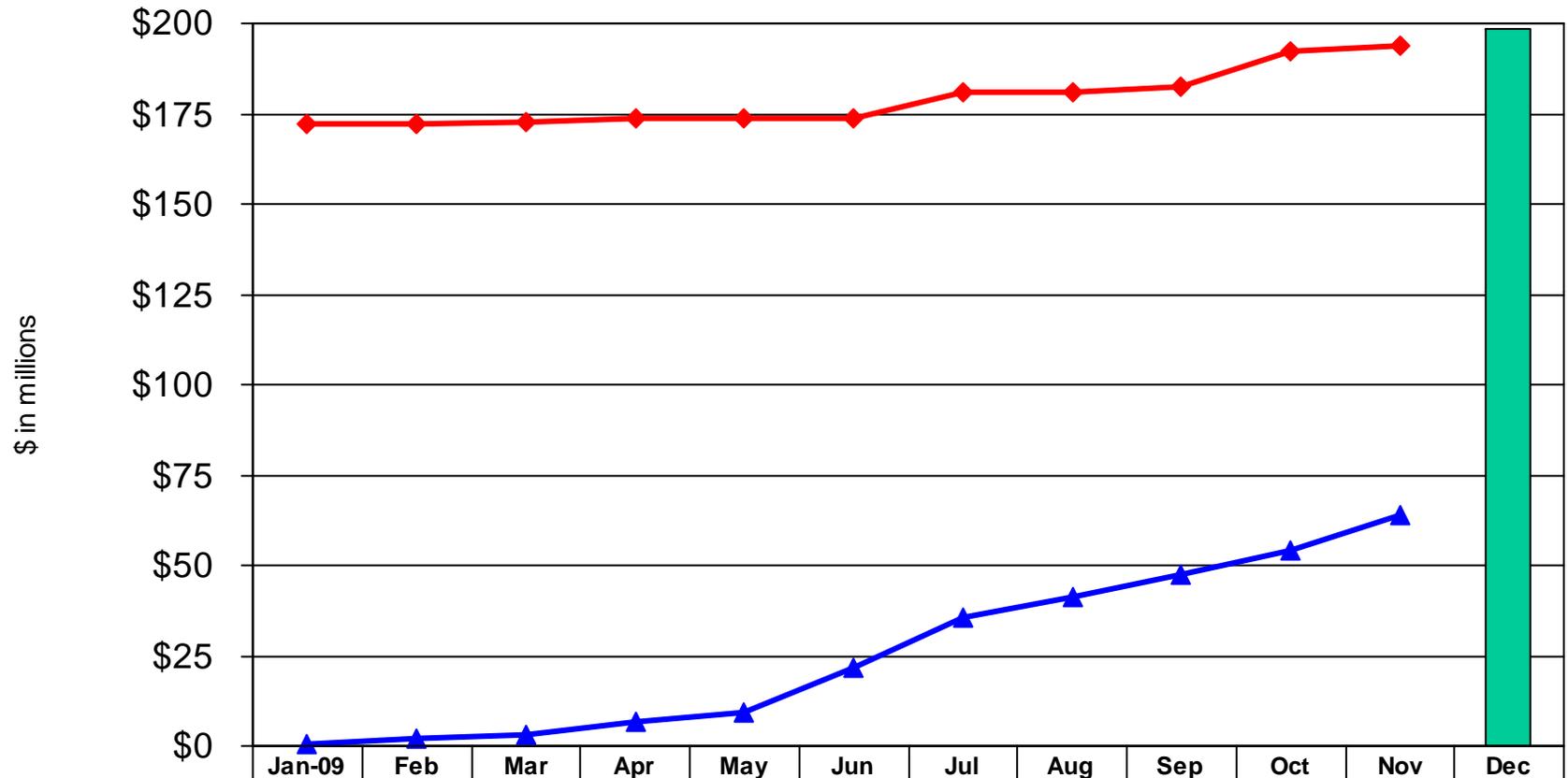
September and October revenues are estimates.

Operating and Maintenance Expenses (O&M)



	Jan-09	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	12.46	11.84	17.83	10.89	12.27	13.08	12.00	16.76	13.01	12.64	11.02	
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	12.46	24.30	42.13	53.02	65.29	78.37	90.37	107.13	120.14	132.78	143.80	
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	(0.16)	0.17	(1.13)	0.23	0.35	(0.39)	(0.31)	(0.86)	0.22	(0.26)	0.82	

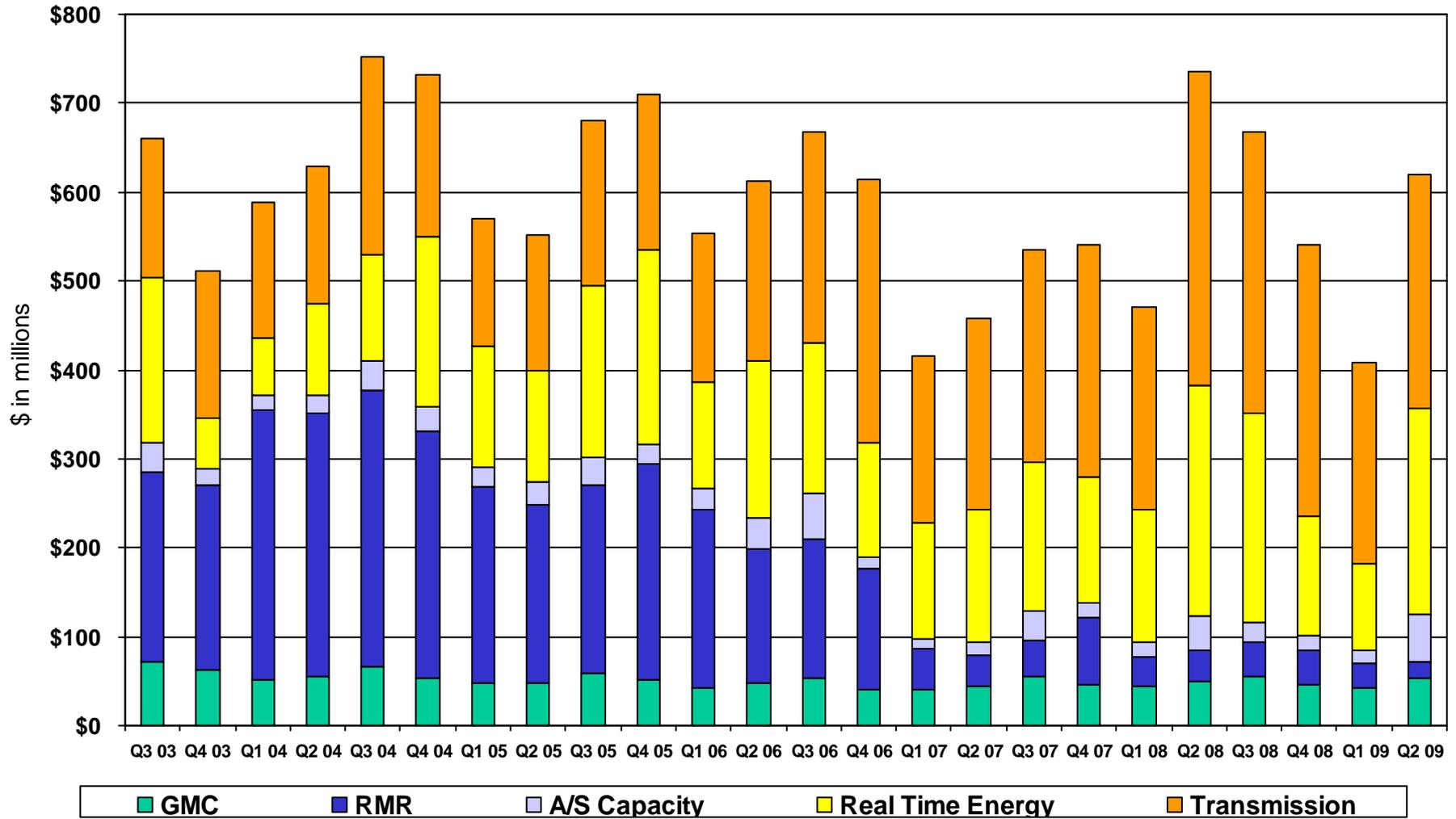
Cumulative Capital Expenditures



 Budgeted capital												198.50
 Cumulative Expenditures	0.50	2.20	3.26	6.55	9.38	21.55	35.62	41.22	47.54	54.25	64.11	
 Approved projects	172.21	172.21	172.85	173.55	173.55	173.55	181.10	181.10	182.30	192.15	193.80	

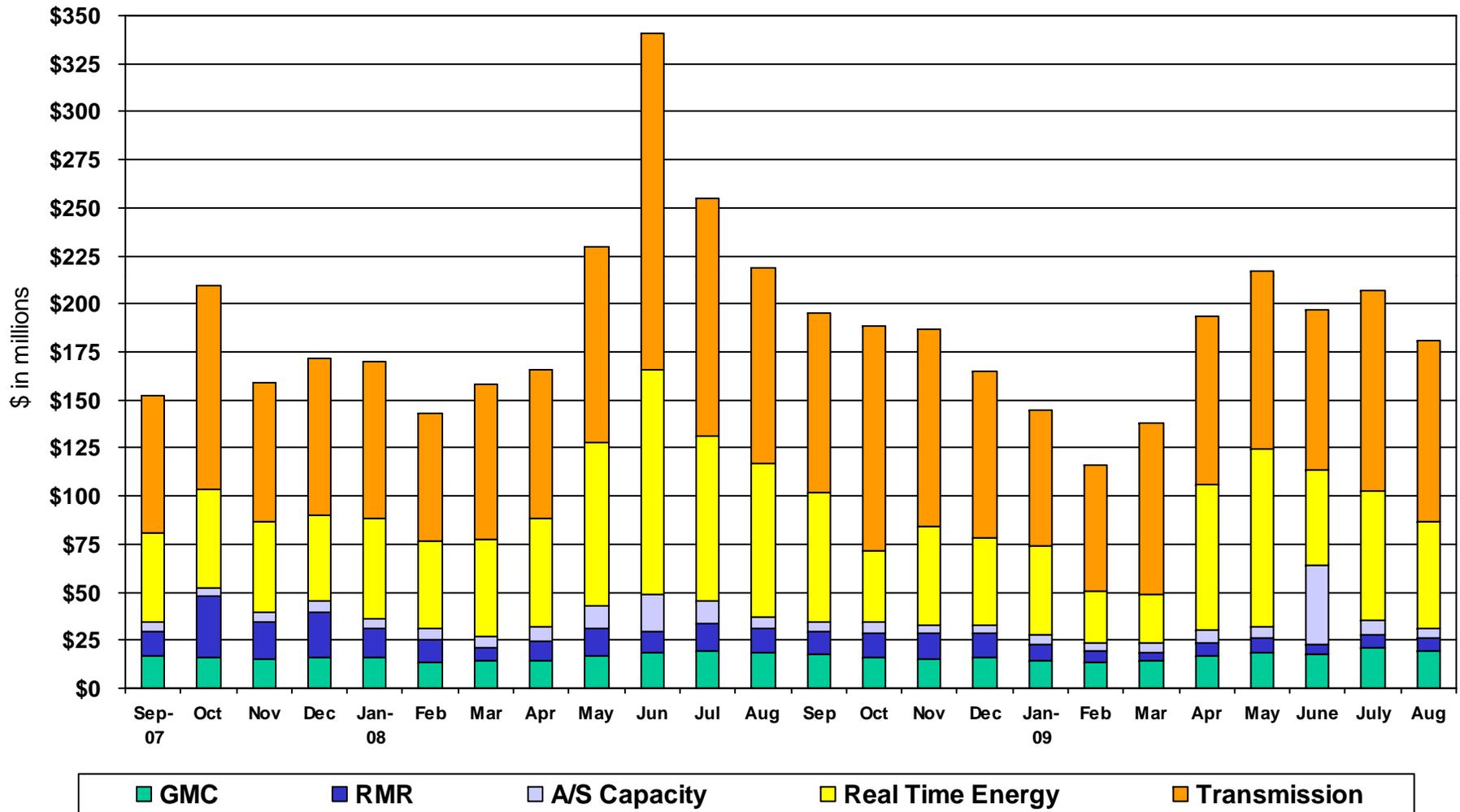


CAISO Market Costs By Quarter 2nd Quarter 2003 through 2nd Quarter 2009

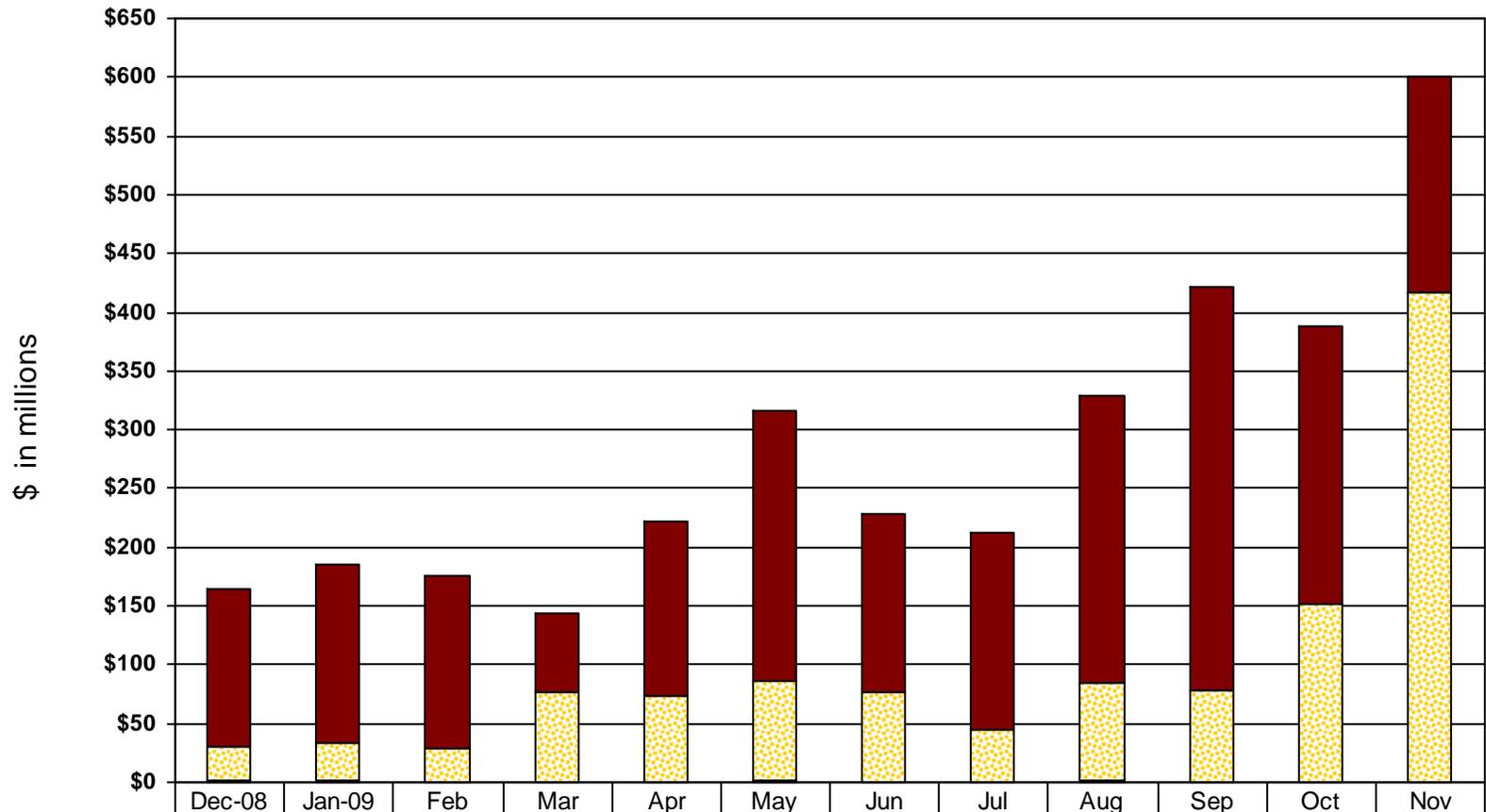




CAISO Market Costs By Month September 2007 through August 2009



Outstanding Obligations of Market Participants



	Dec-08	Jan-09	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
■ Backed by UCL or GRN	134	151	147	67	148	229	151	169	245	343	237	184
■ Backed by posted security	29	33	29	76	74	86	77	44	83	78	151	417
■ Outstanding security requests	1	1	0	0	0	1	0	0	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

