



California ISO
Your Link to Power

California Independent
System Operator

MONTHLY FINANCIAL REPORT

February 2010

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
MONTHLY FINANCIAL REPORT - February 28, 2010

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CALIFORNIA ISO

SUMMARY, DISCUSSION AND COMMENTARY

For the two-months ended February 28, 2010

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

- ◆ YTD operating revenues were \$2.3M under budget:
 - This is primarily due to lower GMC revenues during the period as a result of lower than budgeted volumes in the market caused by a reduction in energy exports and the prevailing economic conditions of the state. The Company is currently reviewing the rates of some Grid Management Charge components in order to align the collection of revenues with the associated costs.
- ◆ YTD operating revenues were \$1.2M lower than the previous year:
 - This variance is consistent with 2010 YTD operating revenues being lower than projected.
- ◆ YTD O&M expenses were \$0.6M under budget:
 - This is primarily due to the timing of payments and budget discipline during the period.
- ◆ YTD O&M expenses were \$4.3M higher than last year
 - Increased expenses YTD compared to prior year is due to the timing of this year's bi-weekly payroll payment cycles (i.e. 5 pay periods compared to 4 last year).
- ◆ Currently there are 581 full-time employees compared to 615 full-time employees budgeted. There were 572 full-time employees YTD last year.
 - This difference compared to last year is largely a result of selected conversions of contractors to full-time employees to reduce costs.

INTEREST COSTS and INTEREST INCOME: (page 1)

- ◆ YTD Interest income and other were \$0.6M higher than budget due to interest income earned on restricted funds.
 - Interest income earned on restricted funds is not included in the budget because this item is an adjustment to debt service costs for the year.
- ◆ YTD interest income and other were higher by \$0.2M compared to the previous year due to higher investment balances.
- ◆ YTD gains on investments continue to increase during the period as a result of the recovery of bond prices in the financial sector.
- ◆ YTD Bond and other Interest expenses, as compared to budget, were higher due to interest expense adjustments.
- ◆ YTD 2010 Interest expenses were higher overall compared to last year due to the issuance of the 2009 bonds.

BALANCE SHEET: (page 2)

- ◆ The change in the investments account was due to the debt service (principal and interest) payments on the outstanding bonds in February. Changes to the rest of the accounts were mainly due to normal business activity during the month.

CAPITAL PROJECTS: (pages 3 and 7)

- ◆ 2010 capital projects were budgeted for the year at \$31.0M, excluding \$160.0M for the new headquarters building. 2010 capital projects approved through February totaled \$9.8M.
- ◆ Actual expenditures to date for 2010-approved capital projects and the new facility totaled \$0.02M and \$75.8M, respectively. Expenditures for 2009-approved capital projects totaled \$2.2M.

CALIFORNIA ISO
SUMMARY, DISCUSSION AND COMMENTARY

For the two-months ended February 28, 2010

The ISO Markets

OBLIGATIONS OF MARKET PARTICIPANTS: (pages 10 and 11)

- ◆ Outstanding obligations of market participants reflects the seasonality of energy usage during the year.
- ◆ The decrease in market obligations in December reflects lower collateral requirements under payment acceleration and to the conclusion of the annual congestion revenue rights auction.
- ◆ Overall, the increase in market obligations reflects the addition of the forward markets under the new Market.

CALIFORNIA ISO

Statement of Operations

For the two-months ended February 28, 2010
(dollars in thousands)

	Year to Date					2010
	Actual	Budget	Variance	PY Actual	Variance	Budget
Revenues:						
Grid Management Charge	\$ 27,024	\$ 29,347	\$ (2,323)	\$ 27,564	\$ (541)	\$ 195,067
Fines, WSCC & Other Fees	696	717	(20)	1,312	\$ (616)	4,300
Total revenues	<u>27,720</u>	<u>30,064</u>	<u>(2,344)</u>	<u>28,877</u>	<u>(1,157)</u>	<u>199,367</u>
Operating Expenses:						
Salaries and Benefits	20,586	20,667	(81)	16,209	\$ 4,377	110,028
Building, Leases and Facility	1,541	1,566	(25)	1,488	53	9,396
Insurance	335	368	(32)	198	137	2,205
Third Party Vendor Contracts	2,938	2,994	(56)	2,861	77	17,962
Consulting and Contracting Services	1,821	1,837	(16)	2,092	(271)	11,022
Legal and Audit	876	938	(63)	578	298	5,630
Training, Travel and Professional Dues	509	633	(123)	508	1	3,797
Other	246	443	(196)	581	(335)	2,656
Total operating expenses	<u>28,853</u>	<u>29,445</u>	<u>(593)</u>	<u>24,515</u>	<u>4,337</u>	<u>162,696</u>
Net operating income (loss)	<u>(1,132)</u>	<u>618</u>	<u>(1,751)</u>	<u>4,362</u>	<u>(5,494)</u>	<u>36,672</u>
Interest and Other Expenses						
Interest income & other	1,272	633	639	1,073	199	2,736
Interest expense	2,769	2,656	113	1,097	1,672	8,399
Gains and losses on investments (realized and unrealized)	936	-	936	(562)	1,498	-
Depreciation and amortization	10,300	10,300	-	2,335	7,965	62,000
Total interest and other expenses	<u>10,861</u>	<u>12,323</u>	<u>411</u>	<u>2,921</u>	<u>10,936</u>	<u>67,663</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ (11,993)</u>	<u>\$ (11,704)</u>	<u>\$ (2,161)</u>	<u>\$ 1,440</u>	<u>\$ (16,430)</u>	<u>\$ (30,991)</u>
Number of Full-time Employees	<u>581</u>			<u>572</u>		<u>615</u>

CALIFORNIA ISO**Balance Sheet**

As of February 28, 2010

(dollars in thousands)

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>	<u>%</u>
ASSETS				
NET ELECTRIC UTILITY PLANT	<u>\$ 297,593</u>	<u>\$ 293,894</u>	<u>\$ 3,699</u>	1%
CURRENT ASSETS				
Unrestricted Cash and Cash Equivalents	5,197	10,926	(5,729)	-52%
Restricted Cash and Cash Equivalents	364,904	377,115	(12,211)	-3%
Other Special Deposits	78,302	77,894	408	1%
Accounts Receivable, net	22,435	20,958	1,477	7%
Investments	206,292	249,579	(43,287)	-17%
Accrued Interest	1,622	1,838	(216)	-12%
Prepayments	7,794	8,301	(507)	-6%
Total Current Assets	<u>686,546</u>	<u>746,611</u>	<u>(60,065)</u>	-8%
NONCURRENT ASSET AND DEFERRED CHARGES				
Unamortized Debt Expenses and Other	3,954	4,200	(246)	-6%
Total Noncurrent Asset and Deferred Charges	<u>3,954</u>	<u>4,200</u>	<u>(246)</u>	-6%
TOTAL ASSETS	<u>\$ 988,093</u>	<u>\$ 1,044,705</u>	<u>\$ (56,612)</u>	-5%
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
Stakeholders' Surplus	\$ 236,349	\$ 240,931	\$ (4,582)	-2%
Long-term Debt	333,278	333,453	(175)	0%
TOTAL CAPITALIZATION	<u>569,627</u>	<u>574,384</u>	<u>(4,757)</u>	-1%
CURRENT LIABILITIES				
Long-term Debt Due Within One Year	39,100	39,100	-	0%
Accounts Payable	46,243	97,222	(50,979)	-52%
Customer Deposits & Other	286,334	287,210	(876)	0%
Fines Subject to Refund	45,556	45,556	-	0%
Total Current Liabilities	<u>417,233</u>	<u>469,088</u>	<u>(51,855)</u>	-11%
NONCURRENT LIABILITY AND DEFERRED CREDITS				
Other	1,233	1,233	-	0%
Total Noncurrent Liability and Deferred Credits	<u>1,233</u>	<u>1,233</u>	<u>-</u>	0%
TOTAL LIABILITIES	<u>418,466</u>	<u>470,321</u>	<u>(51,855)</u>	-11%
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 988,093</u>	<u>\$ 1,044,705</u>	<u>\$ (56,612)</u>	-5%

CALIFORNIA ISO
Capital Projects Report

For the two-months ended February 28, 2010
(dollars in thousands)

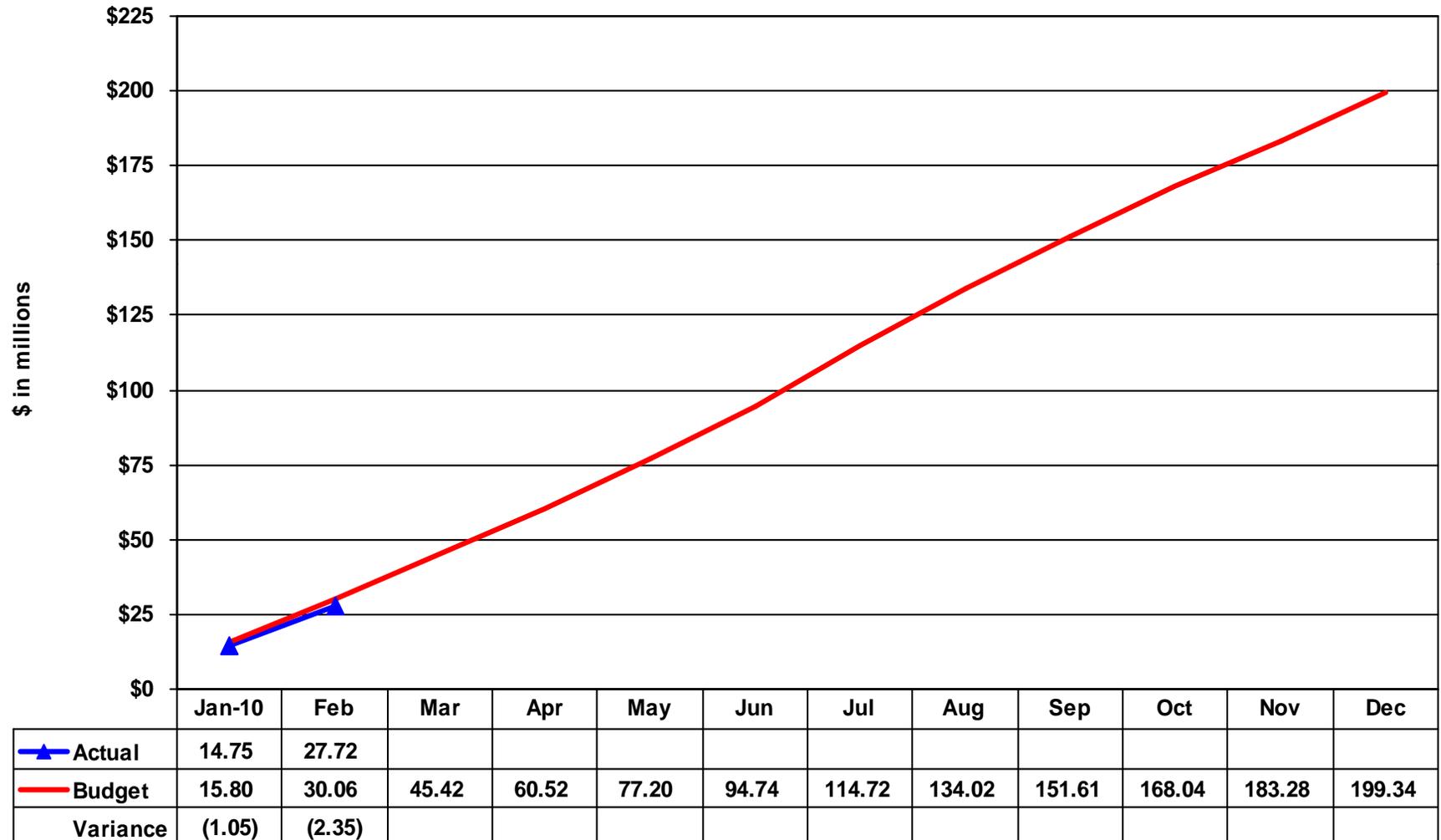
	Approved Projects				
	Month <u>Actual</u>	YTD <u>Actual</u>	2010 Approved <u>Projects</u>	Total Projected Costs for Approved <u>Projects</u>	Original 2010 <u>Budget</u>
Customer Focus	\$ -	\$ -	\$ 145	\$ 145	\$ 821
Operational Excellence	-	-	279	279	13,620
Continuous Transformation	7	7	4,749	4,749	10,415
Reasonable Costs & Essential Projects	2	8	4,607	4,607	6,144
Total 2009 Capital Spending	<u>9</u>	<u>15</u>	<u>9,780</u>	<u>9,780</u>	<u>31,000</u>
Iron Point Building	7,010	75,823	-	160,000	160,000
2009 Capital Projects	<u>1,846</u>	<u>2,166</u>	<u>-</u>	<u>20,023</u>	<u>20,023</u>
Total Capital	<u>\$ 8,866</u>	<u>\$ 78,004</u>	<u>\$ 9,780</u>	<u>\$ 189,802</u>	<u>\$ 211,023</u>

Notes:

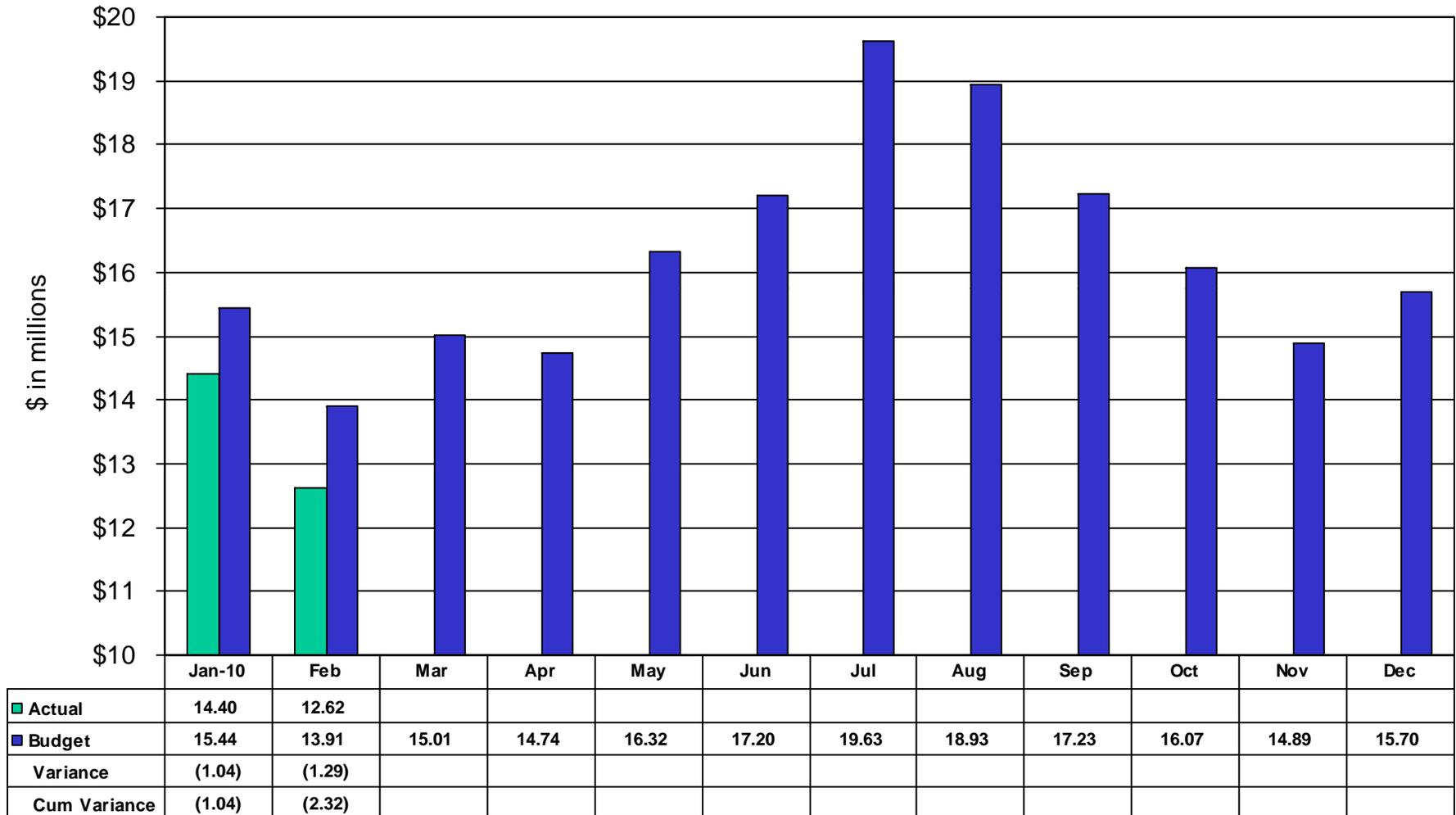
*Prior year capital projects are funded by prior year rate collections.
The Iron Point Project Phase 2 is to be funded from 2009 bond proceeds.*

Cumulative Operating Revenues

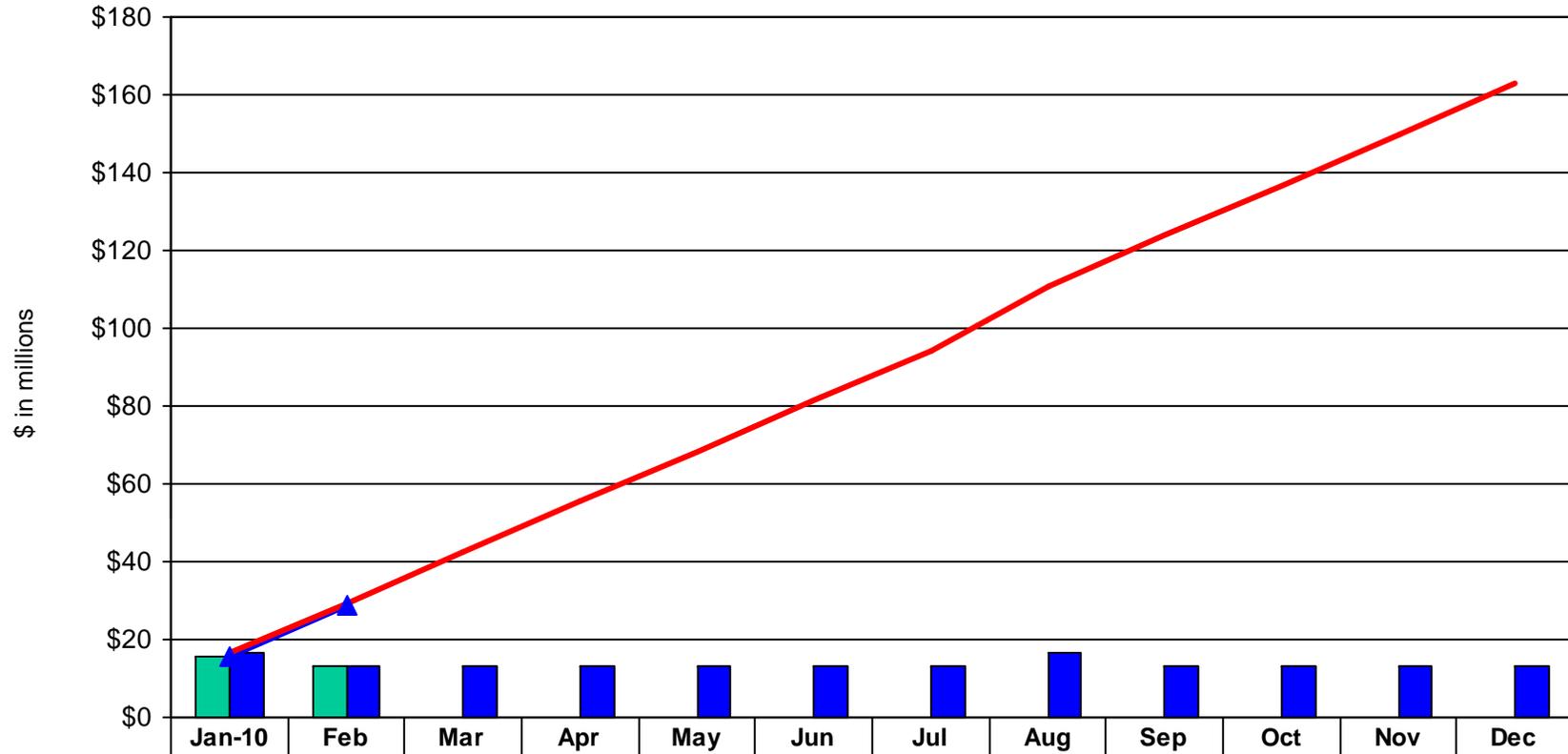
Revenues = GMC, LGIP, WSCC Security & Other Fees



Monthly GMC Revenues

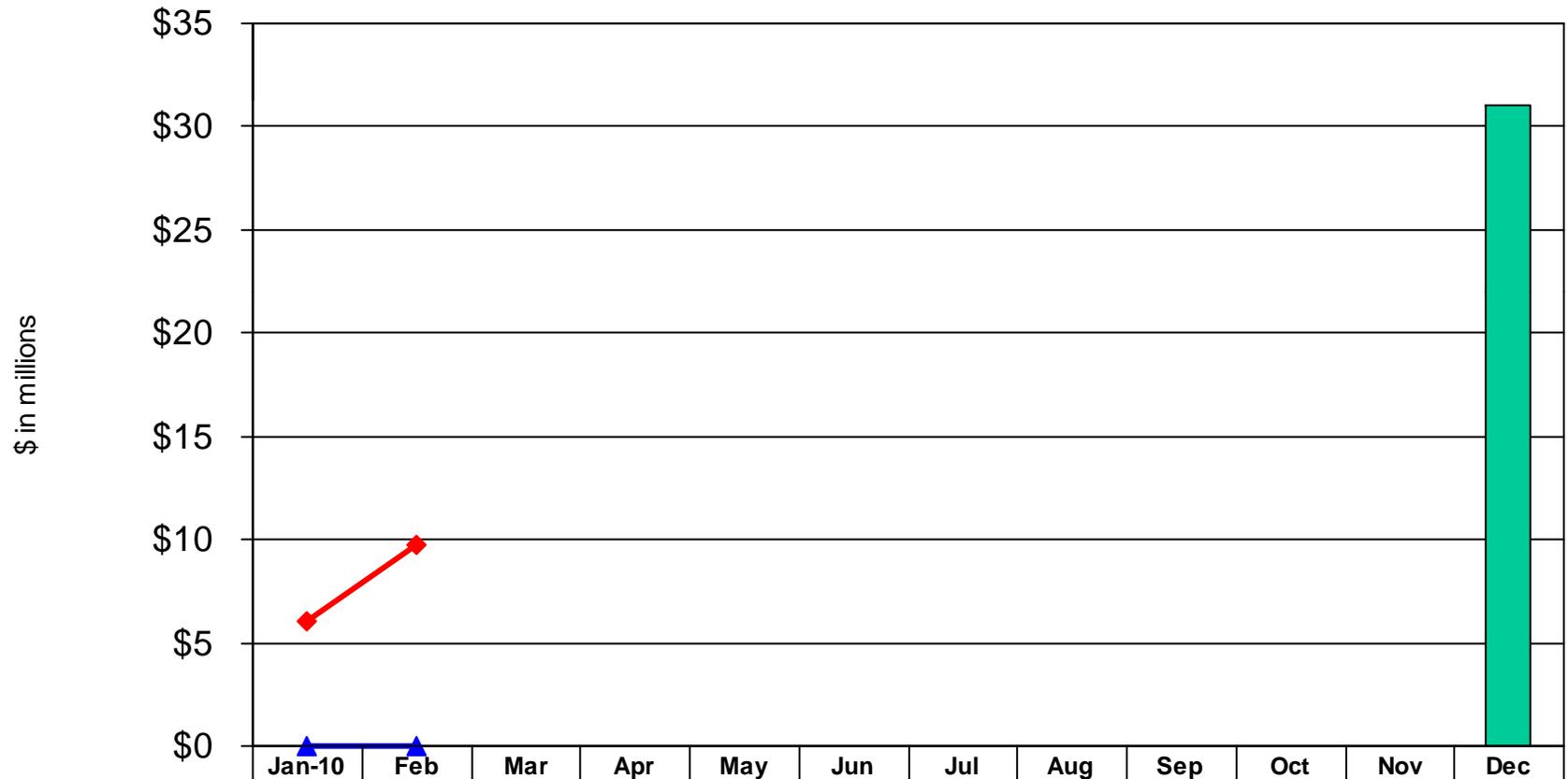


Operating and Maintenance Expenses (O&M)



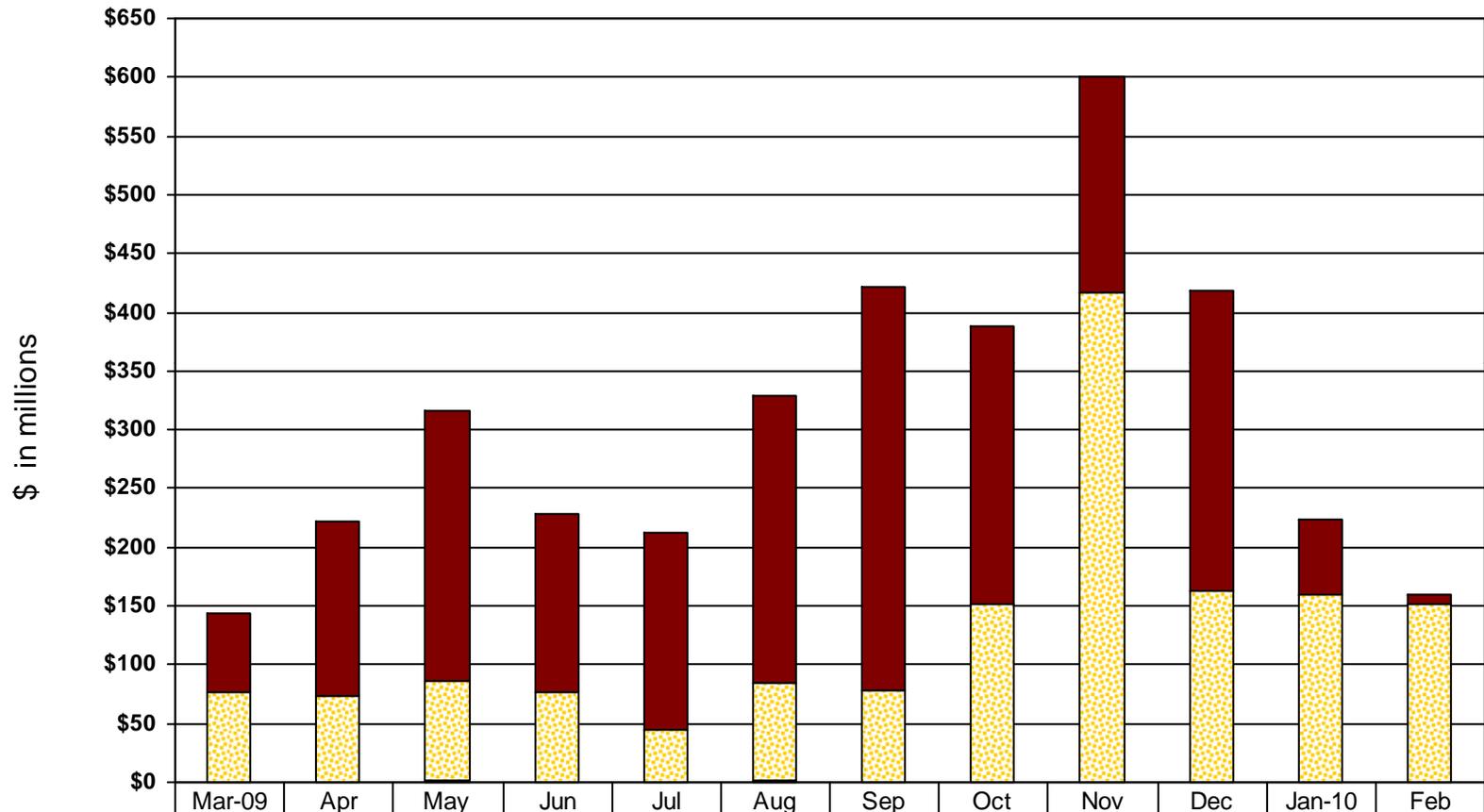
	Jan-10	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
 Monthly Actual	15.85	13.00										
 Monthly Budget	16.47	12.98	12.98	12.98	12.98	12.98	12.98	16.47	12.98	12.98	12.98	12.98
 Cum Actual	15.85	28.85										
 Cum Budget	16.47	29.45	42.42	55.40	68.37	81.35	94.32	110.79	123.76	136.74	149.71	162.69
Cum Variance	0.62	0.60										

Cumulative Capital Expenditures



	Jan-10	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
 Budgeted capital												31.00
 Cumulative Expenditures	0.01	0.02										
 Approved projects	6.06	9.78										

Outstanding Obligations of Market Participants



■ Backed by UCL or GRN	67	148	229	151	169	245	343	237	184	255	65	9
■ Backed by posted security	76	74	86	77	44	83	78	151	417	163	159	151
■ Outstanding security requests	0	0	1	0	0	1	0	0	0	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

