



California ISO
Your Link to Power

California Independent
System Operator

MONTHLY FINANCIAL REPORT

April 2010

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
MONTHLY FINANCIAL REPORT - April 30, 2010

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CALIFORNIA ISO

SUMMARY, DISCUSSION AND COMMENTARY

For the four-months ended April 30, 2010

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

- ◆ YTD operating revenues were \$2.4M 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. In April 2010, the Company adjusted the rates of some Grid Management Charge components in order to align the collection of revenues with the associated costs.
- ◆ YTD operating revenues were \$2.1M lower than the previous year.
 - This variance is primarily due to lower GMC revenues as a result of lower budgeted volumes as explained above, and partially offset by higher other revenues.
- ◆ YTD O&M expenses were \$6.8M under budget.
 - This is primarily due to lower salaries and benefits as a result of the lower than budgeted headcount and lower training and travel costs due to the deferral of certain training to the latter part of the year. Additionally, the variances in the other categories are primarily due to timing of costs.
- ◆ YTD O&M expenses were \$4.4M lower than the previous year.
 - This variance is primarily due to decreased salaries and benefits because of less overtime and lower consulting & contracting expenses compared to 2009 due to the implementation of the new market. The lower YTD expenses are also partially offset by higher legal & audit and insurance expenses related to the new building headquarters in 2010. The variances in the other expense categories are primarily due to the timing of payments in 2010.
- ◆ Currently there are 582 full-time employees compared to 615 full-time employees budgeted. There were 581 full-time employees YTD last year.
 - Employee headcount is lower than budgeted due to timings of hires and attrition.

INTEREST COSTS and INTEREST INCOME: (page 1)

- ◆ YTD Interest income and other were \$1.2M 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 \$1.1M 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.
- ◆ YTD bond and other interest expenses, as compared to budget, were higher by \$0.5 million 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)

- ◆ Changes to 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 April totaled \$10.6M.
- ◆ Actual expenditures to date for 2010-approved capital projects and the new facility totaled \$2.1M and \$88.9M, respectively. Expenditures for 2009-approved capital projects totaled \$6.1M.

CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the four-months ended April 30, 2010

The ISO Markets

MARKET REVENUES: (page 8, 9 and 10)

- ◆ The total costs managed by the ISO include GMC, Reliability Must Run (RMR) charges, Ancillary Services Capacity, Energy (Real-time and Day-ahead), Transmission and Other, and InterSC Trades.
- ◆ Revenues from InterSC trades is now a significant share of our market revenues as a result of our new ISO Market.
- ◆ 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 11 and 12)

- ◆ Outstanding obligations of market participants reflects the seasonality of energy usage during the year.
- ◆ Outstanding obligations of market participants backed by unsecured credit limits (UCL) or guarantees (GRN) continues to decline resulting in the majority of outstanding market participant obligations being backed by posted security.
- ◆ The increase in market obligations in November 2009 reflects the collateral requirements under payment acceleration and to the requirements to participate in the annual congestion revenue rights auction in December.

CALIFORNIA ISO

Statement of Operations

For the four-months ended April 30, 2010
(dollars in thousands)

	Year to Date					2010
	Actual	Budget	Variance	PY Actual	Variance	Budget
Revenues:						
Grid Management Charge	\$ 54,876	\$ 59,094	\$ (4,218)	\$ 58,257	\$ (3,382)	\$ 195,067
Fines, WSCC & Other Fees	3,231	1,433	1,798	1,938	\$ 1,293	4,300
Total revenues	<u>58,107</u>	<u>60,527</u>	<u>(2,420)</u>	<u>60,196</u>	<u>(2,089)</u>	<u>199,367</u>
Operating Expenses:						
Salaries and Benefits	36,327	37,841	(1,513)	38,208	\$ (1,881)	110,028
Building, Leases and Facility	2,742	3,132	(390)	3,032	(290)	9,396
Insurance	614	735	(121)	211	403	2,205
Third Party Vendor Contracts	4,914	5,987	(1,073)	5,443	(529)	17,962
Consulting and Contracting Services	2,066	3,674	(1,608)	4,073	(2,007)	11,022
Legal and Audit	629	1,877	(1,247)	588	41	5,630
Training, Travel and Professional Dues	609	1,266	(656)	613	(4)	3,797
Other	659	885	(226)	758	(99)	2,656
Total operating expenses	<u>48,561</u>	<u>55,397</u>	<u>(6,836)</u>	<u>52,926</u>	<u>(4,365)</u>	<u>162,696</u>
Net operating income (loss)	<u>9,546</u>	<u>5,130</u>	<u>4,416</u>	<u>7,270</u>	<u>2,276</u>	<u>36,672</u>
Interest and Other Expenses						
Interest income & other	2,480	1,267	1,213	1,426	1,053	2,736
Interest expense	5,918	5,364	554	3,245	2,673	8,399
Gains and losses on investments (realized and unrealized)	522	-	522	(127)	649	-
Depreciation and amortization	18,184	18,184	-	4,832	13,351	62,000
Total interest and other expenses	<u>21,100</u>	<u>22,281</u>	<u>(138)</u>	<u>6,778</u>	<u>15,620</u>	<u>67,663</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ (11,554)</u>	<u>\$ (17,151)</u>	<u>\$ 4,553</u>	<u>\$ 492</u>	<u>\$ (13,344)</u>	<u>\$ (30,991)</u>
Number of Full-time Employees	<u>582</u>			<u>581</u>		<u>615</u>

CALIFORNIA ISO
Balance Sheet
As of April 30, 2010
(dollars in thousands)

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>	<u>%</u>
ASSETS				
NET ELECTRIC UTILITY PLANT	<u>\$ 308,405</u>	<u>\$ 303,002</u>	<u>\$ 5,403</u>	2%
CURRENT ASSETS				
Unrestricted Cash and Cash Equivalents	4,930	5,471	(541)	-10%
Restricted Cash and Cash Equivalents	327,784	335,596	(7,812)	-2%
Other Special Deposits	35,099	35,059	40	0%
Accounts Receivable, net	26,681	25,764	917	4%
Investments	195,414	198,741	(3,327)	-2%
Accrued Interest	1,365	1,561	(196)	-13%
Prepayments	8,031	8,277	(246)	-3%
Total Current Assets	<u>599,304</u>	<u>610,469</u>	<u>(11,165)</u>	-2%
NONCURRENT ASSET AND DEFERRED CHARGES				
Unamortized Debt Expenses and Other	4,654	4,198	456	11%
Total Noncurrent Asset and Deferred Charges	<u>4,654</u>	<u>4,198</u>	<u>456</u>	11%
TOTAL ASSETS	<u>\$ 912,363</u>	<u>\$ 917,669</u>	<u>\$ (5,306)</u>	-1%
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
Stakeholders' Surplus	\$ 234,696	\$ 238,121	\$ (3,425)	-1%
Long-term Debt	290,678	290,853	(175)	0%
TOTAL CAPITALIZATION	<u>525,374</u>	<u>528,974</u>	<u>(3,600)</u>	-1%
CURRENT LIABILITIES				
Long-term Debt Due Within One Year	42,250	42,250	-	0%
Accounts Payable	27,242	27,962	(720)	-3%
Customer Deposits & Other	270,708	271,694	(986)	0%
Fines Subject to Refund	45,556	45,556	-	0%
Total Current Liabilities	<u>385,756</u>	<u>387,462</u>	<u>(1,706)</u>	0%
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>386,989</u>	<u>388,695</u>	<u>(1,706)</u>	0%
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 912,363</u>	<u>\$ 917,669</u>	<u>\$ (5,306)</u>	-1%

CALIFORNIA ISO
Capital Projects Report

For the four-months ended April 30, 2010
(dollars in thousands)

	Approved Projects				
	<u>Month</u> <u>Actual</u>	<u>YTD</u> <u>Actual</u>	<u>2010</u> <u>Approved</u> <u>Projects</u>	<u>Total Projected</u> <u>Costs for</u> <u>Approved</u> <u>Projects</u>	<u>Original</u> <u>2010</u> <u>Budget</u>
Customer Focus	\$ 4	\$ 9	\$ 145	\$ 145	\$ 821
Operational Excellence	34	57	577	577	13,620
Continuous Transformation	54	93	5,050	5,050	10,415
Reasonable Costs & Essential Projects	1,727	1,901	4,779	4,779	6,144
Total 2010 Capital Spending	<u>1,819</u>	<u>2,060</u>	<u>10,551</u>	<u>10,551</u>	<u>31,000</u>
Iron Point Building	6,350	88,903	-	160,000	160,000
2009 Capital Projects	<u>1,752</u>	<u>6,148</u>	<u>-</u>	<u>20,023</u>	<u>20,023</u>
Total Capital	<u>\$ 9,921</u>	<u>\$ 97,111</u>	<u>\$ 10,551</u>	<u>\$ 190,574</u>	<u>\$ 211,023</u>

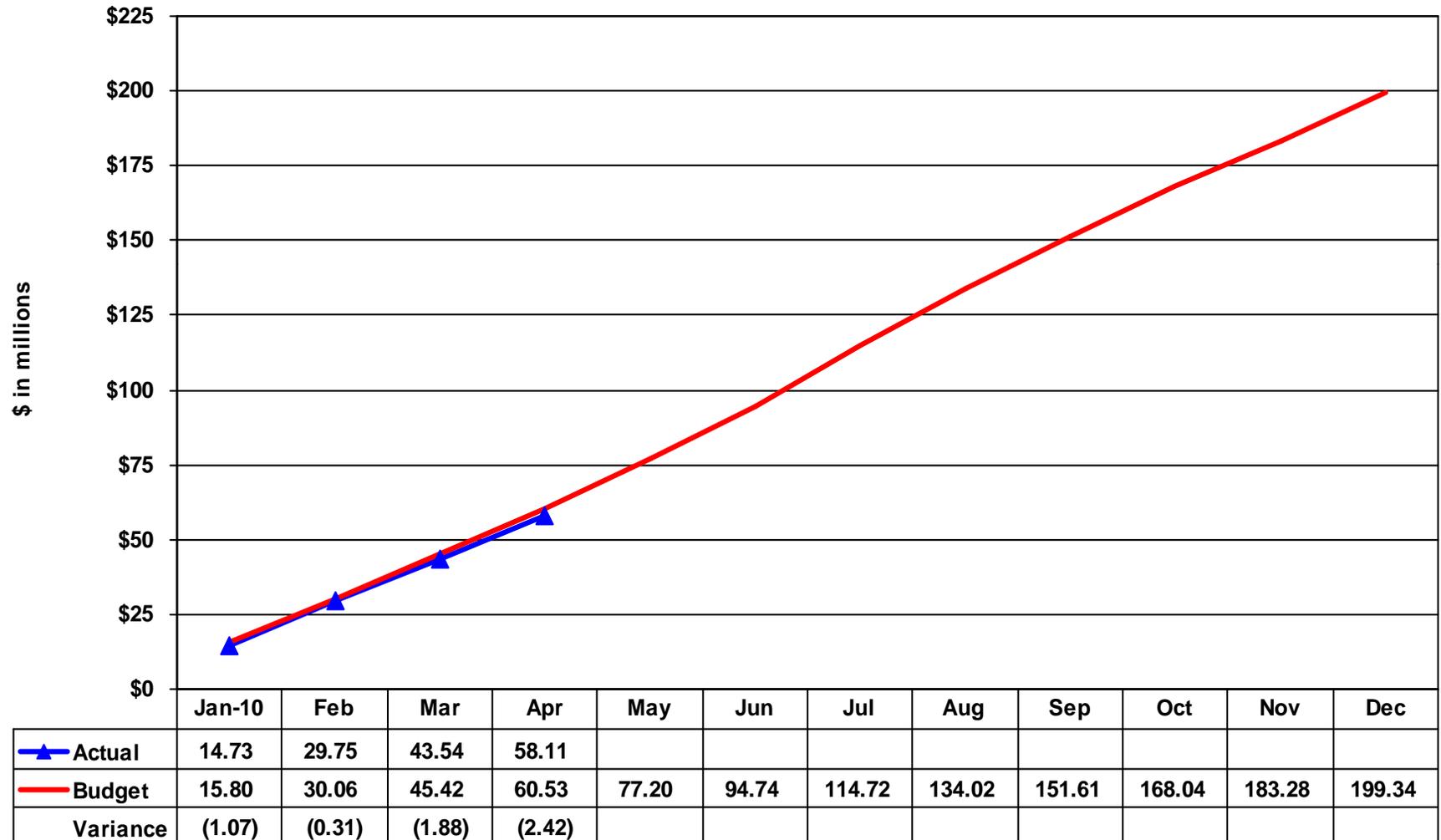
Notes:

2009 capital projects are funded by prior year rate collections.

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

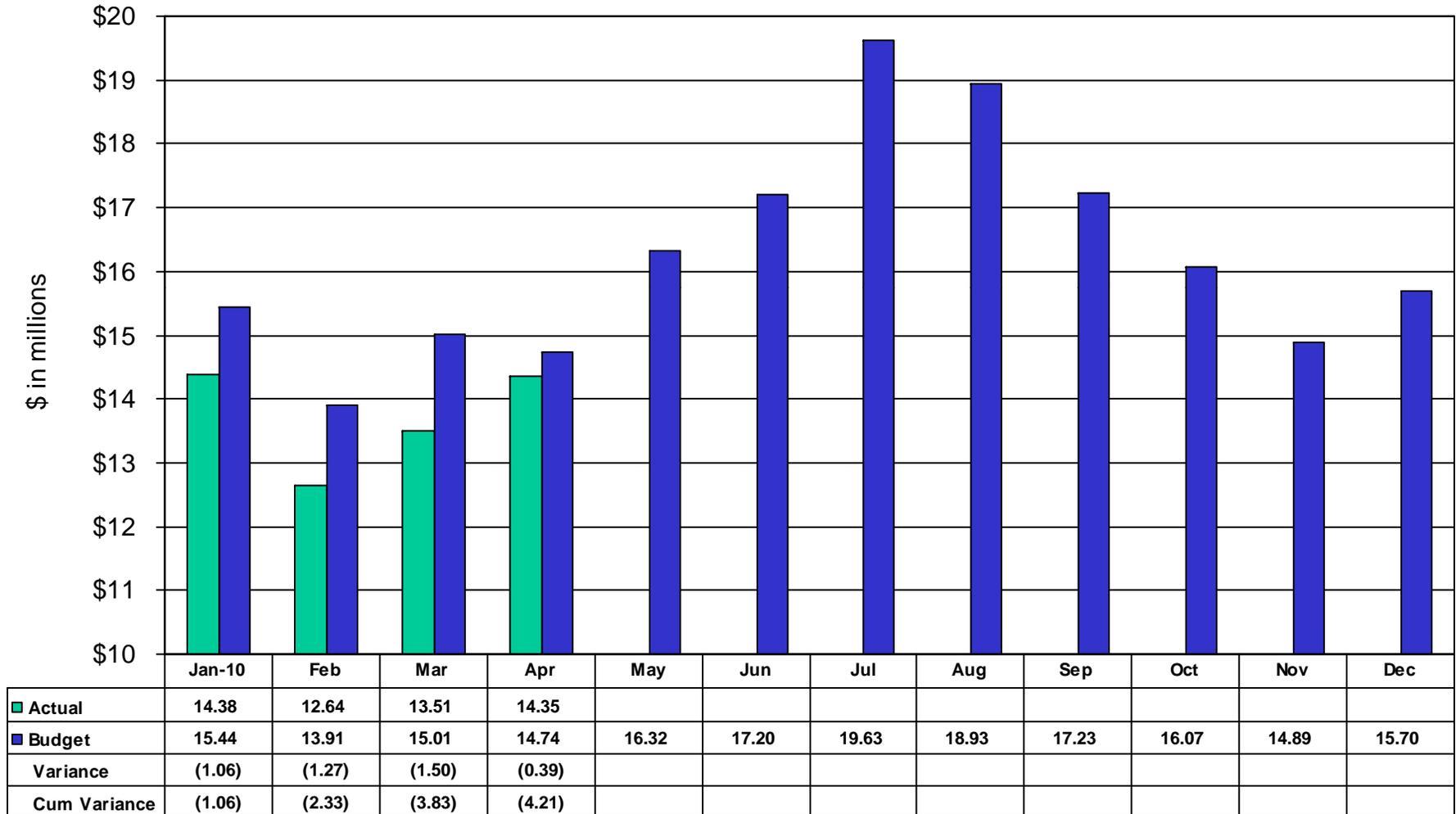
Cumulative Operating Revenues

Revenues = GMC, LGIP, WSCC Security & Other Fees



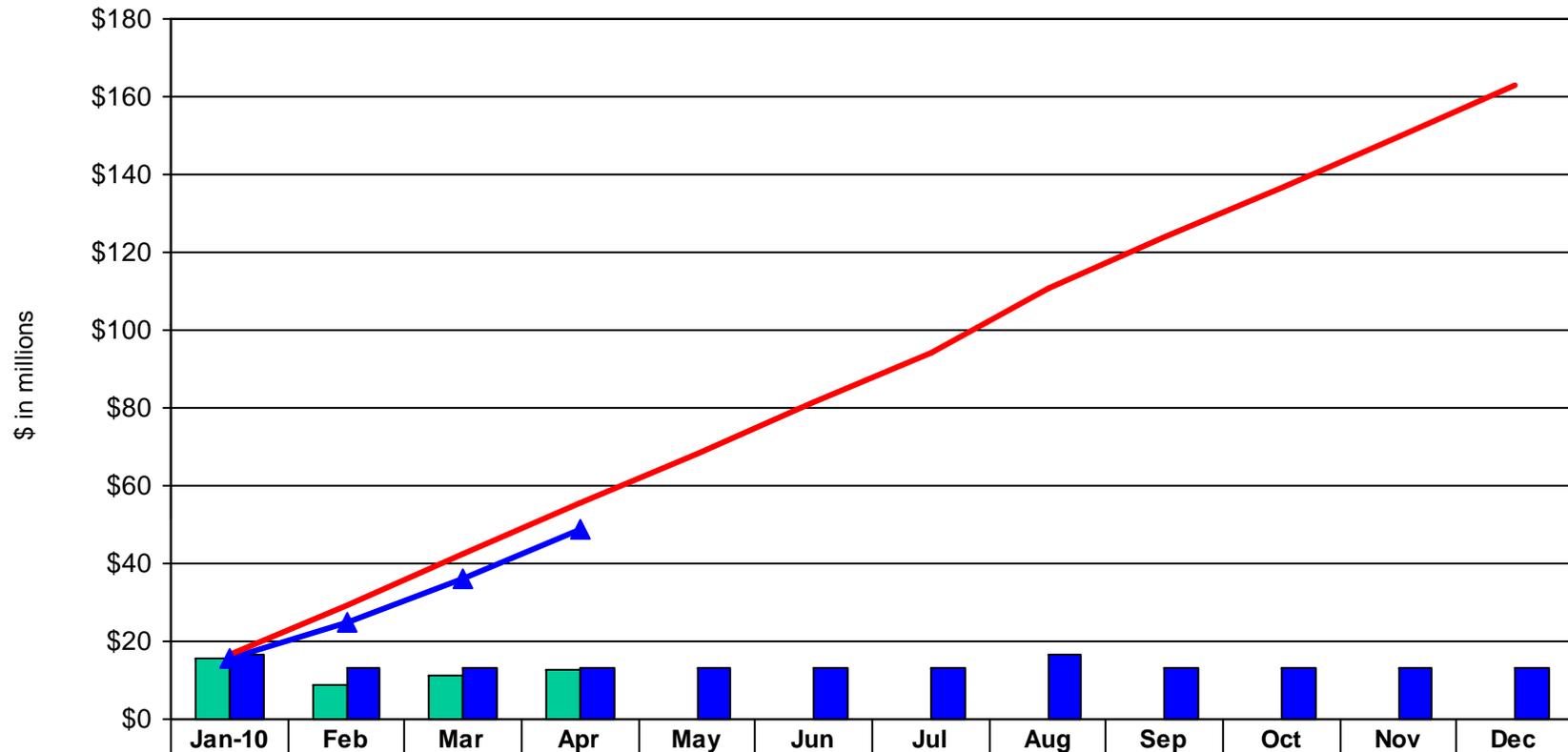
April revenues are estimates.

Monthly GMC Revenues



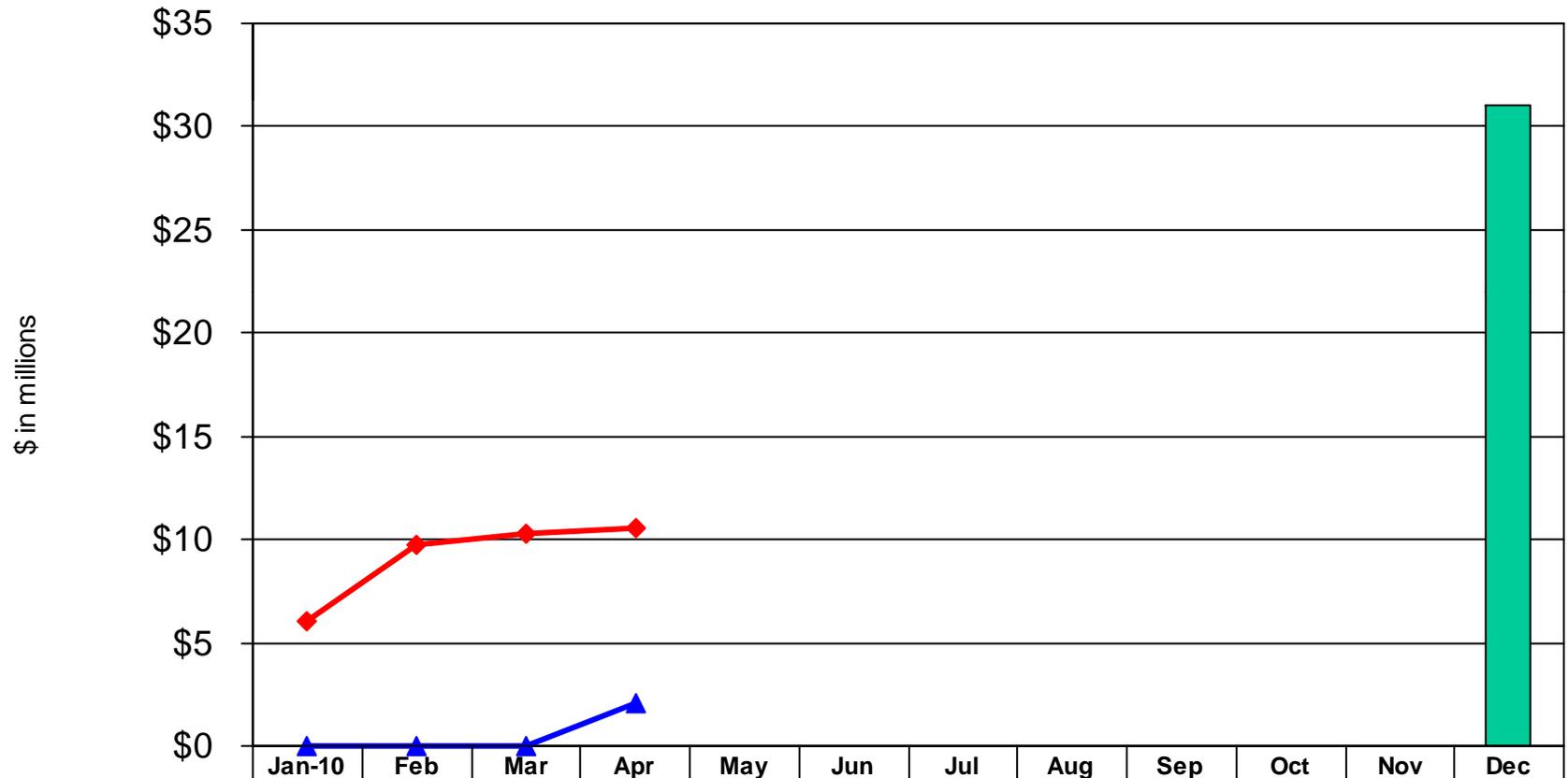
April revenues are estimates.

Operating and Maintenance Expenses (O&M)



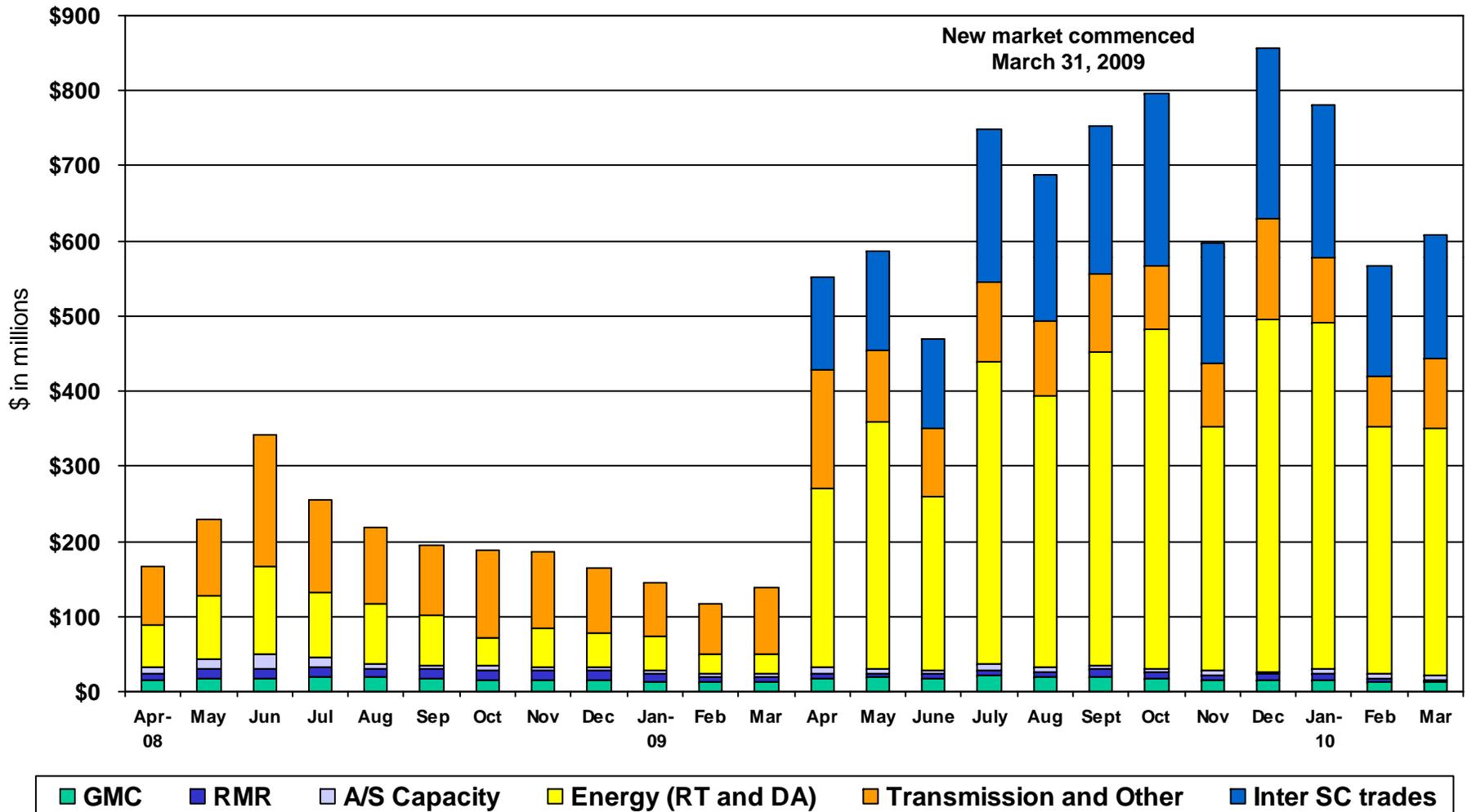
	Jan-10	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
 Monthly Actual	15.84	8.86	11.23	12.64								
 Monthly Budget	16.47	12.98	12.98	12.98	12.98	12.98	12.98	16.47	12.98	12.98	12.98	12.98
 Cum Actual	15.84	24.7	35.93	48.57								
 Cum Budget	16.47	29.45	42.42	55.4	68.37	81.35	94.32	110.79	123.76	136.74	149.71	162.69
Cum Variance	0.63	4.75	6.49	6.83								

Cumulative Capital Expenditures



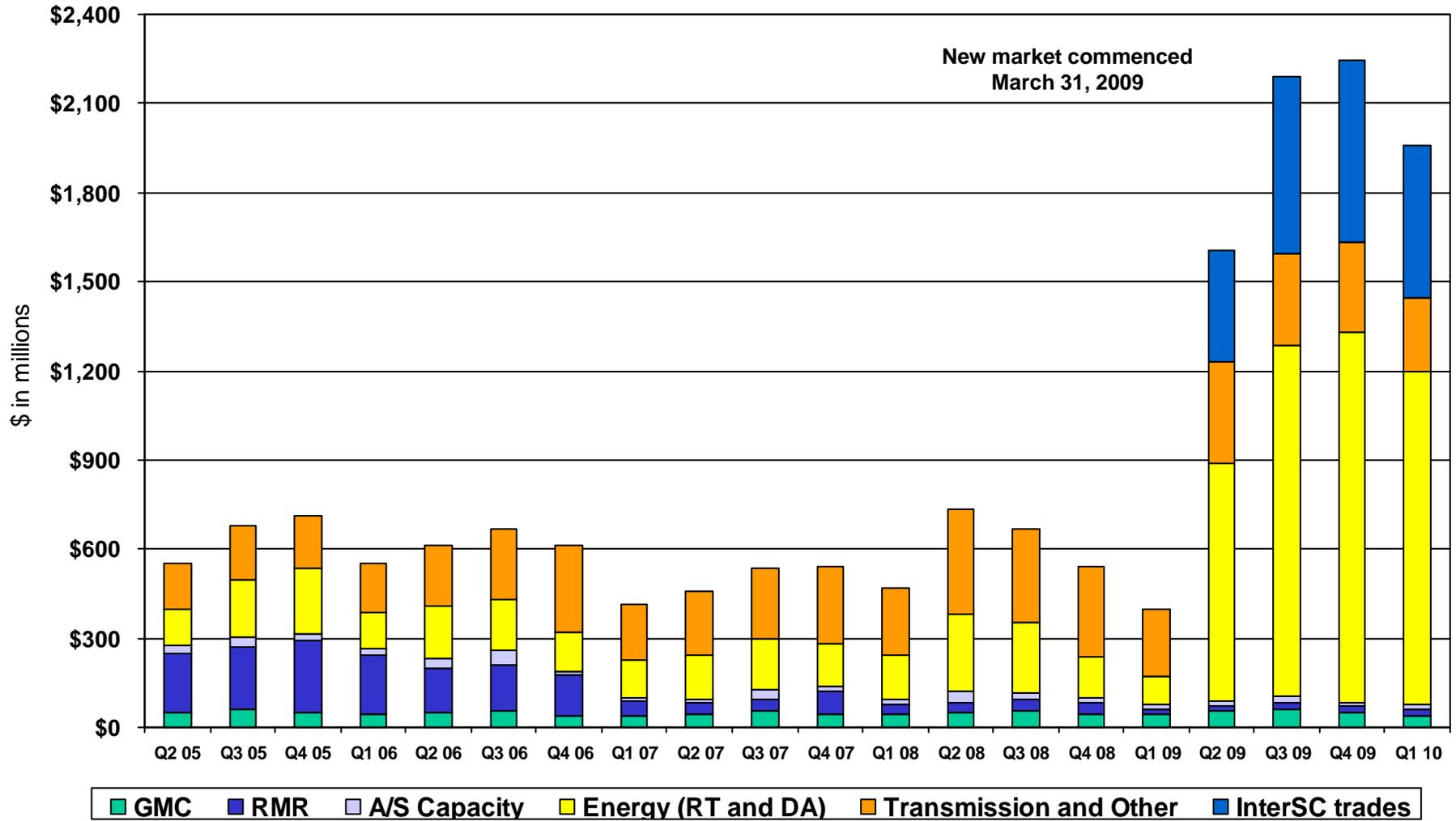
 Budgeted capital												31.00
 Cumulative Expenditures	0.01	0.02	0.02	2.10								
 Approved projects	6.06	9.78	10.26	10.55								

CAISO Market Revenues By Month April 2008 through March 2010

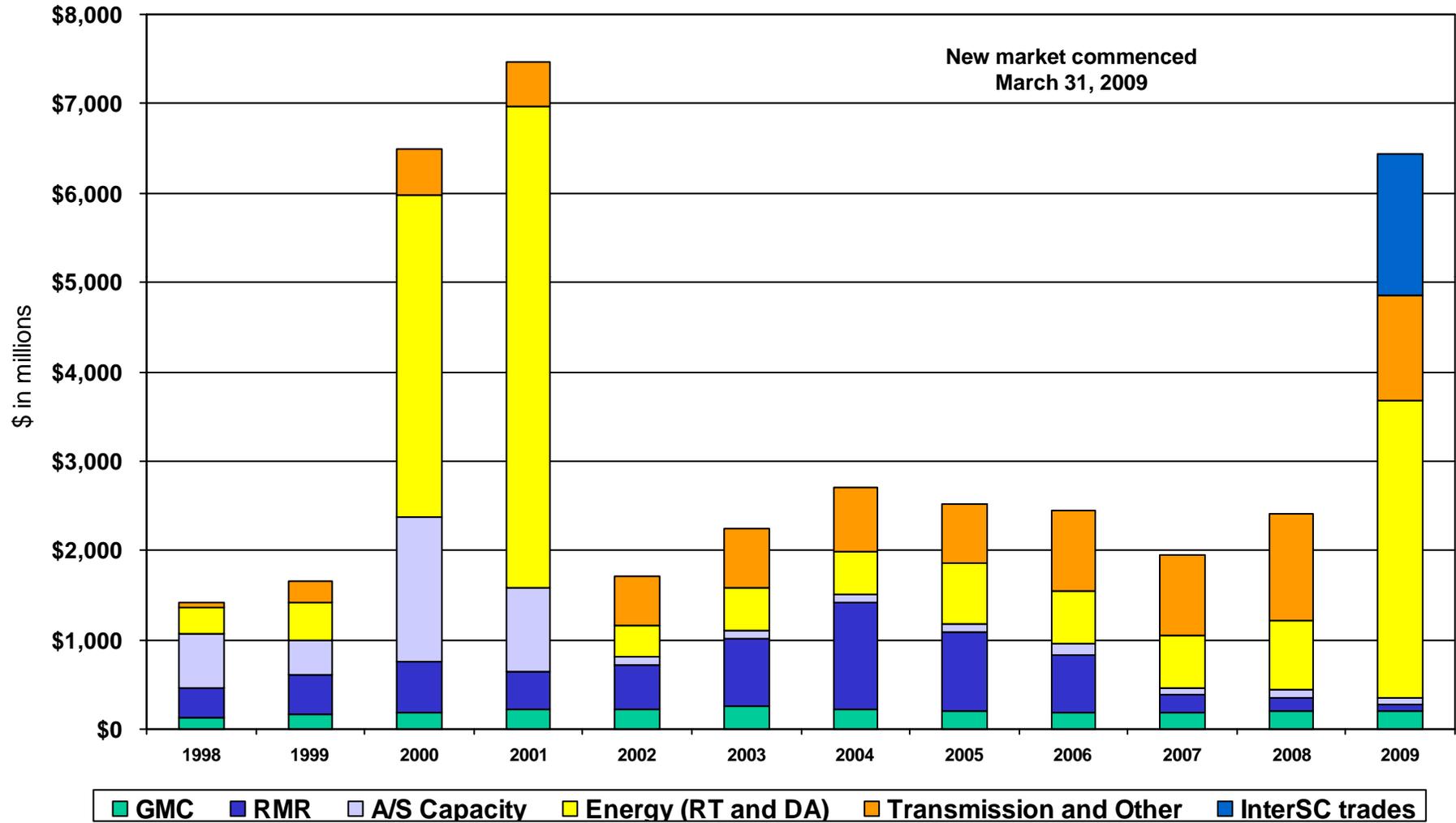




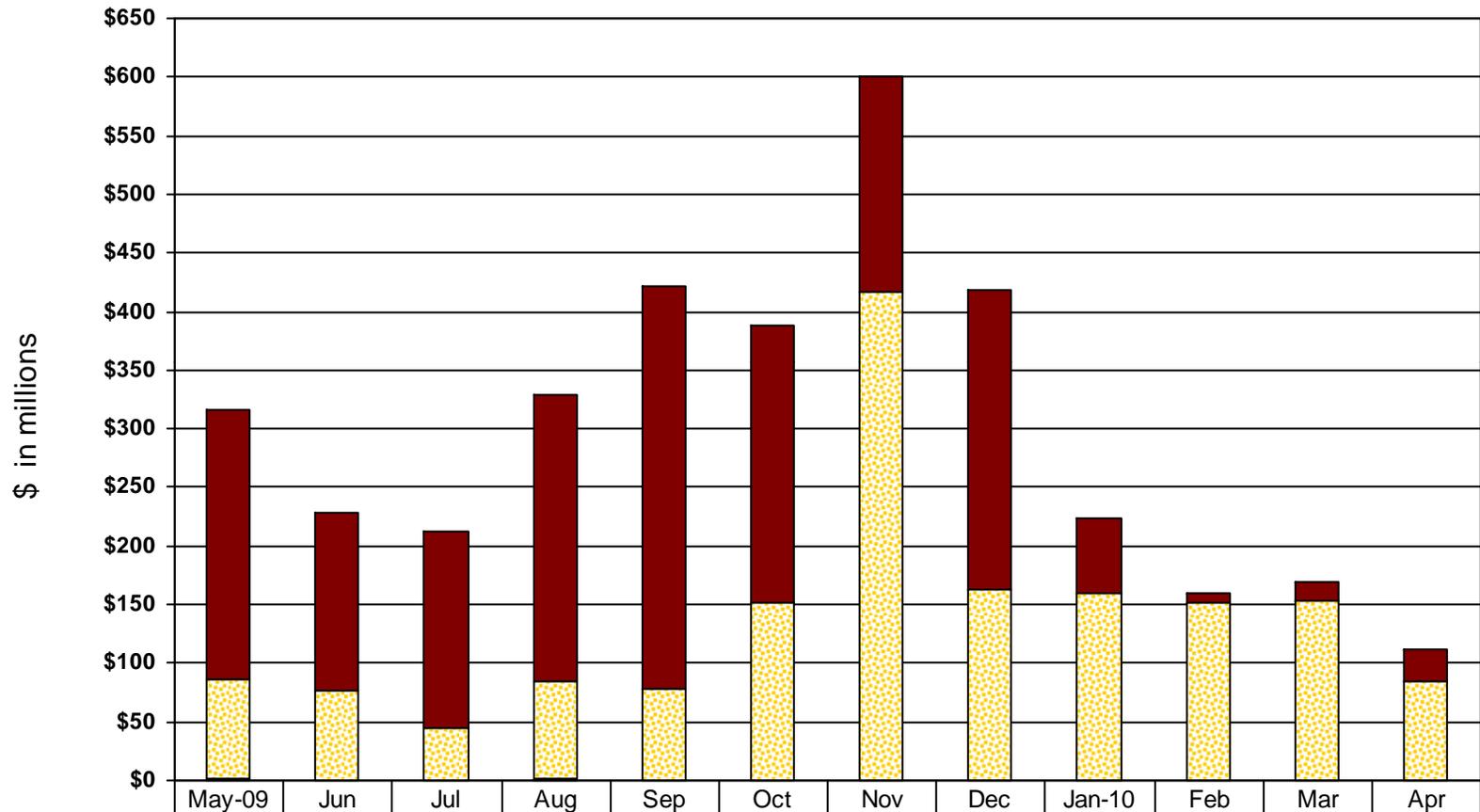
CAISO Market Revenues By Quarter 2nd Quarter 2005 through 1st Quarter 2010



CAISO Market Revenues By Year 1998 through 2009



Outstanding Obligations of Market Participants



■ Backed by UCL or GRN	229	151	169	245	343	237	184	255	65	9	15	27
■ Backed by posted security	86	77	44	83	78	151	417	163	159	151	154	85
■ Outstanding security requests	1	0	0	1	0	0	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

