



California ISO
Your Link to Power

California Independent
System Operator

MONTHLY FINANCIAL REPORT

June 2010

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

Table of Contents

	<i>Page</i> <u>Number</u>
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 Revenues by Month - June 2008 through May 2010	8
CAISO Market Revenues by Quarter - 2nd Quarter 2005 through 1st Quarter 2010	9
CAISO Market Revenues by Year - 1998 through 2009	10
Outstanding Obligations of Market Participants	11
Backing for Estimated Aggregate Liability (EAL) by Credit Quality	12

CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the six-months ended June 30, 2010

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

- ◆ YTD operating revenues were \$5.1M 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 \$7.5M lower than the previous year.
 - This variance is primarily due to lower GMC revenues as a result of lower budgeted volumes (explained above), partially offset by higher other revenues.
- ◆ YTD O&M expenses were \$4.0M under budget.
 - This is primarily due to lower salaries and benefits as a result of the lower than budgeted headcount. The variances in the other categories are primarily due to timing of costs.
- ◆ YTD O&M expenses were \$1.3M lower than the previous year.
 - This variance is primarily due to decreased salaries and benefits because of less overtime, and lower consulting and contracting expenses due to the implementation of the new market. The lower YTD expenses are also partially offset by higher legal and audit and insurance expenses related to the new building headquarters in 2010.
- ◆ Currently there are 588 full-time employees compared to 615 full-time employees budgeted. There were 568 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 \$1.6M higher than budget.
 - Primarily due to interest earned on restricted funds which is not a budgeted item because it is an adjustment to debt service costs for the year.
- ◆ YTD Interest income and other were higher by \$1.4M higher compared to the previous year due to higher investment balances.
- ◆ YTD Interest expense, as compared to budget, was higher by \$0.9 million due to interest expense adjustments related to the bonds for the period.
- ◆ YTD Interest expense was higher overall compared to last year due to the generator fines interest expense reversal and to the issuance of the 2009 bonds.
- ◆ YTD Gains and losses on investments are higher compared to budget as a result of recovering bond prices.
- ◆ YTD Gains and losses on investments in 2010 are lower by \$1.6M compared to 2009 because the 2009 gains were primarily due to the initial recovery after the 2008 historic lows.

BALANCE SHEET: (page 2)

- ◆ Changes to the accounts were mainly due to normal business activity during the month.

CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the six-months ended June 30, 2010

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 June totaled \$14.3M.
- ♦ Actual expenditures to date for 2010-approved capital projects and the new facility totaled \$3.7M and \$107.1M, respectively. Expenditures for 2009-approved capital projects totaled \$9.8M.

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 the new 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.
- ♦ 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 six-months ended June 30, 2010
(dollars in thousands)

	Year to Date					2010
	Actual	Budget	Variance	PY Actual	Variance	Budget
Revenues:						
Grid Management Charge	\$ 85,649	\$ 92,613	\$ (6,963)	\$ 94,356	\$ (8,707)	\$ 195,067
Fines, WSCC & Other Fees	3,967	2,150	1,817	2,731	\$ 1,236	4,300
Total revenues	<u>89,616</u>	<u>94,763</u>	<u>(5,147)</u>	<u>97,087</u>	<u>(7,471)</u>	<u>199,367</u>
Operating Expenses:						
Salaries and Benefits	52,908	54,889	(1,981)	54,440	\$ (1,531)	110,028
Building, Leases and Facility	4,662	4,698	(36)	4,403	259	9,396
Insurance	786	1,103	(317)	168	618	2,205
Third Party Vendor Contracts	8,172	8,981	(809)	8,471	(299)	17,962
Consulting and Contracting Services	4,876	5,429	(552)	7,219	(2,342)	11,022
Legal and Audit	2,418	2,815	(397)	1,337	1,081	5,630
Training, Travel and Professional Dues	2,091	1,865	226	1,118	973	3,797
Other	1,159	1,270	(111)	1,223	(65)	2,656
Total operating expenses	<u>77,071</u>	<u>81,049</u>	<u>(3,977)</u>	<u>78,379</u>	<u>(1,307)</u>	<u>162,696</u>
Net operating income (loss)	<u>12,545</u>	<u>13,714</u>	<u>(1,169)</u>	<u>18,709</u>	<u>(6,164)</u>	<u>36,672</u>
Interest and Other Expenses						
Interest income & other	3,456	1,900	1,556	2,092	1,364	2,736
Interest expense	9,031	8,072	959	(7,807)	16,838	8,399
Gains and losses on investments (realized and unrealized)	582	-	582	2,177	(1,595)	-
Depreciation and amortization	28,113	28,113	-	14,129	13,984	62,000
Total interest and other expenses	<u>33,107</u>	<u>34,285</u>	<u>(14)</u>	<u>2,054</u>	<u>27,863</u>	<u>67,663</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ (20,562)</u>	<u>\$ (20,572)</u>	<u>\$ (1,155)</u>	<u>\$ 16,655</u>	<u>\$ (34,027)</u>	<u>\$ (30,991)</u>
Number of Full-time Employees	<u>588</u>			<u>568</u>		<u>615</u>

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

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>	<u>%</u>
ASSETS				
NET ELECTRIC UTILITY PLANT	<u>\$ 323,169</u>	<u>\$ 316,860</u>	<u>\$ 6,309</u>	2%
CURRENT ASSETS				
Unrestricted Cash and Cash Equivalents	2,206	6,934	(4,728)	-68%
Restricted Cash and Cash Equivalents	328,449	339,323	(10,874)	-3%
Other Special Deposits	35,222	35,181	41	0%
Accounts Receivable, net	28,632	27,145	1,487	5%
Investments	202,415	195,773	6,642	3%
Accrued Interest	1,576	1,323	253	19%
Prepayments	7,078	7,455	(377)	-5%
Total Current Assets	<u>605,578</u>	<u>613,134</u>	<u>(7,556)</u>	-1%
NONCURRENT ASSET AND DEFERRED CHARGES				
Unamortized Debt Expenses and Other	5,100	4,743	357	8%
Total Noncurrent Asset and Deferred Charges	<u>5,100</u>	<u>4,743</u>	<u>357</u>	8%
TOTAL ASSETS	<u>\$ 933,847</u>	<u>\$ 934,737</u>	<u>\$ (890)</u>	0%
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
Stakeholders' Surplus	\$ 226,921	\$ 228,762	\$ (1,841)	-1%
Long-term Debt	290,328	290,503	(175)	0%
TOTAL CAPITALIZATION	<u>517,249</u>	<u>519,265</u>	<u>(2,016)</u>	0%
CURRENT LIABILITIES				
Long-term Debt Due Within One Year	42,250	42,250	-	0%
Accounts Payable	39,897	36,644	3,253	9%
Customer Deposits & Other	286,870	288,997	(2,127)	-1%
Fines Subject to Refund	46,348	46,348	-	0%
Total Current Liabilities	<u>415,365</u>	<u>414,239</u>	<u>1,126</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>416,598</u>	<u>415,472</u>	<u>1,126</u>	0%
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 933,847</u>	<u>\$ 934,737</u>	<u>\$ (890)</u>	0%

CALIFORNIA ISO
Capital Projects Report

For the six-months ended June 30, 2010
(dollars in thousands)

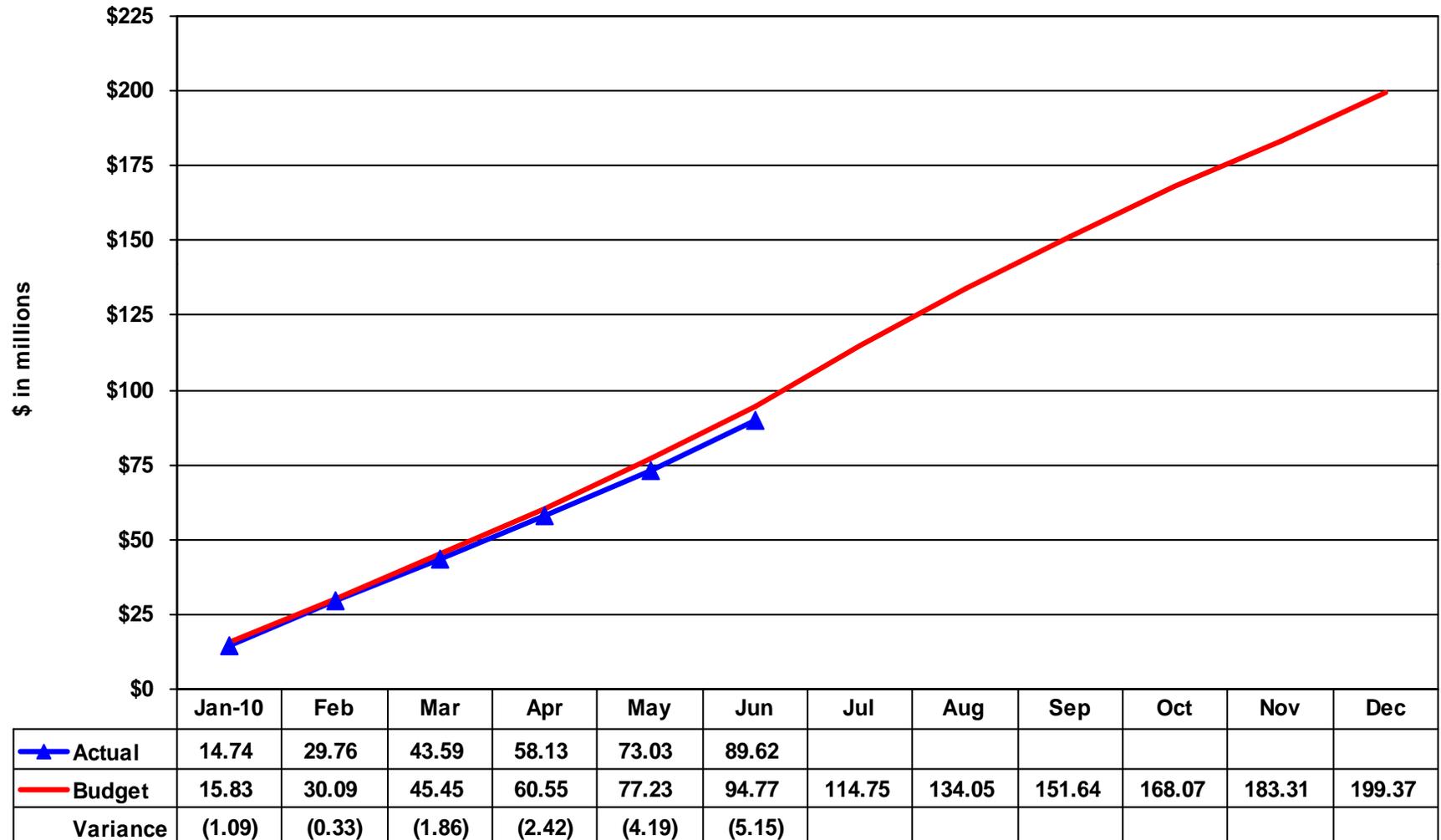
	Approved Projects				
	<u>Month</u> <u>Actual</u>	<u>YTD</u> <u>Actual</u>	<u>2010</u> <u>Approved</u> <u>Projects</u>	<u>Total Projected</u> <u>Costs for</u> <u>Approved</u> <u>Projects</u>	<u>Original</u> <u>2010</u> <u>Budget</u>
Customer Focus	\$ 10	\$ 50	\$ 145	\$ 145	\$ 821
Operational Excellence	108	236	3,235	3,235	13,620
Continuous Transformation	483	740	5,751	5,751	10,415
Reasonable Costs & Essential Projects	298	2,637	5,130	5,093	6,144
Total 2010 Capital Spending	<u>899</u>	<u>3,663</u>	<u>14,261</u>	<u>14,224</u>	<u>31,000</u>
Iron Point Building	9,010	107,057	-	160,000	160,000
2009 Capital Projects	<u>1,561</u>	<u>9,840</u>	<u>-</u>	<u>20,023</u>	<u>20,023</u>
Total Capital	<u>\$ 11,470</u>	<u>\$ 120,560</u>	<u>\$ 14,261</u>	<u>\$ 194,247</u>	<u>\$ 211,023</u>

Notes:

*2009 capital projects are funded by prior year rate collections.
The Iron Point Project (Phase 2) is funded from the 2009 bond proceeds.*

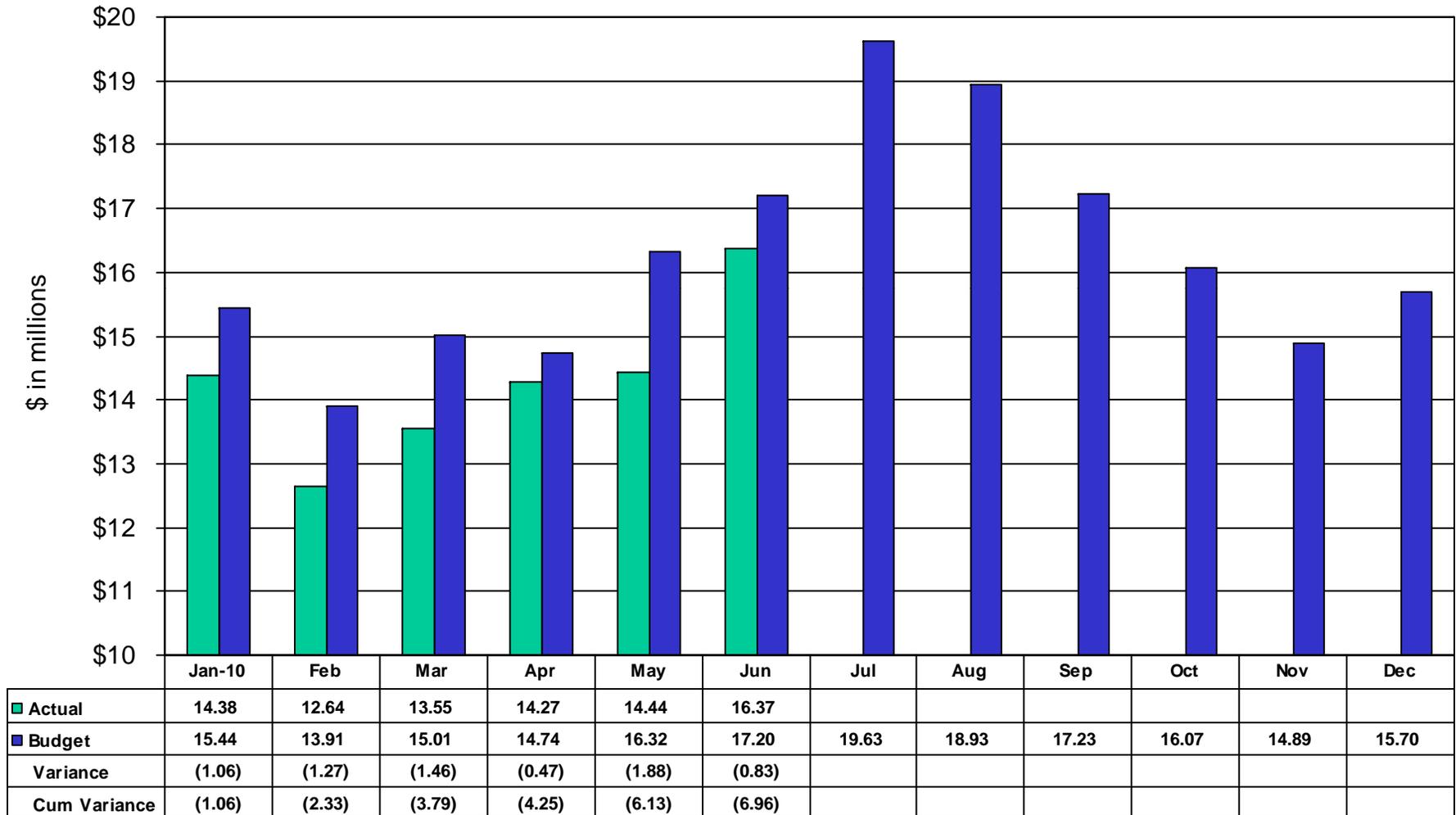
Cumulative Operating Revenues

Revenues = GMC, LGIP, WSCC Security & Other Fees



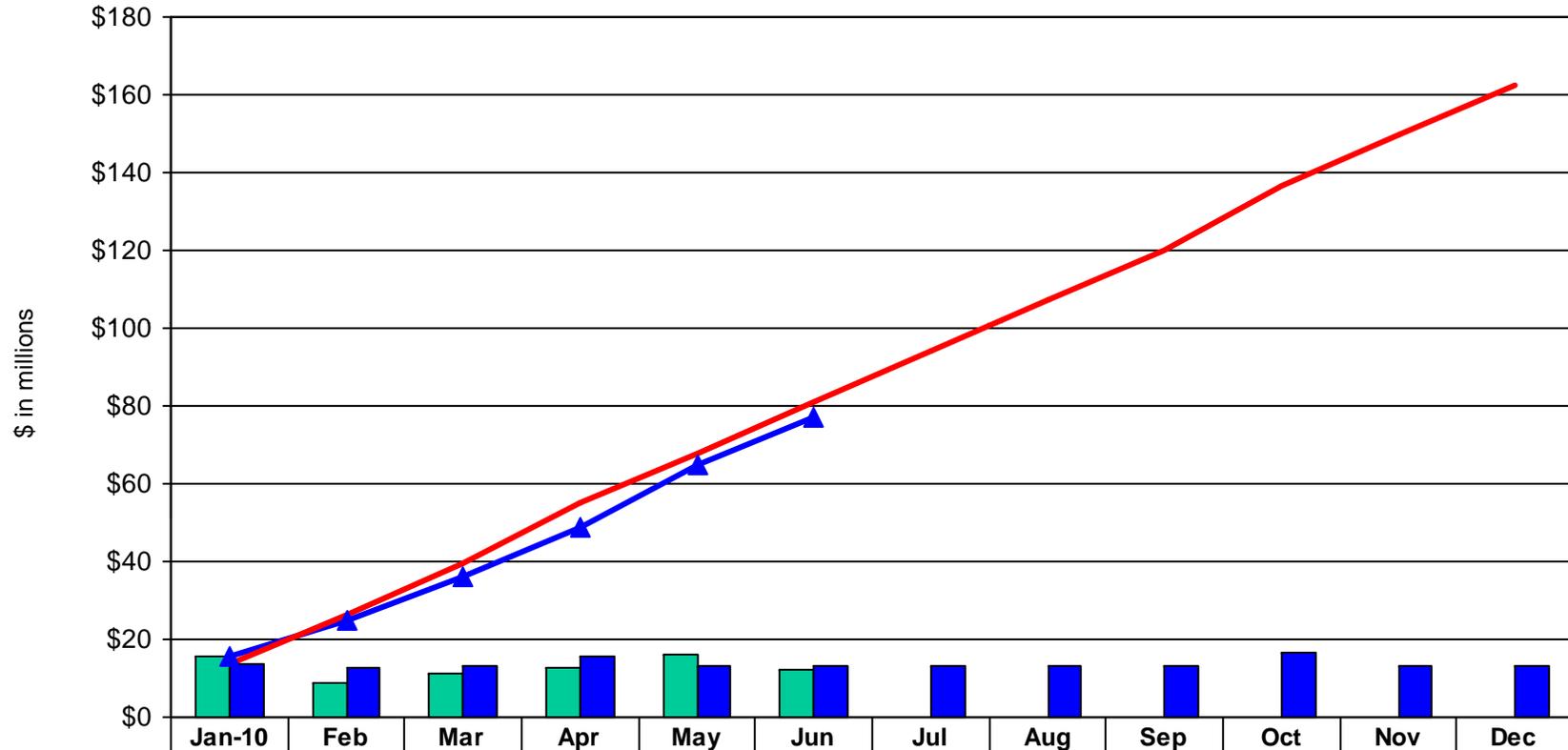
June revenues are estimates.

Monthly GMC Revenues



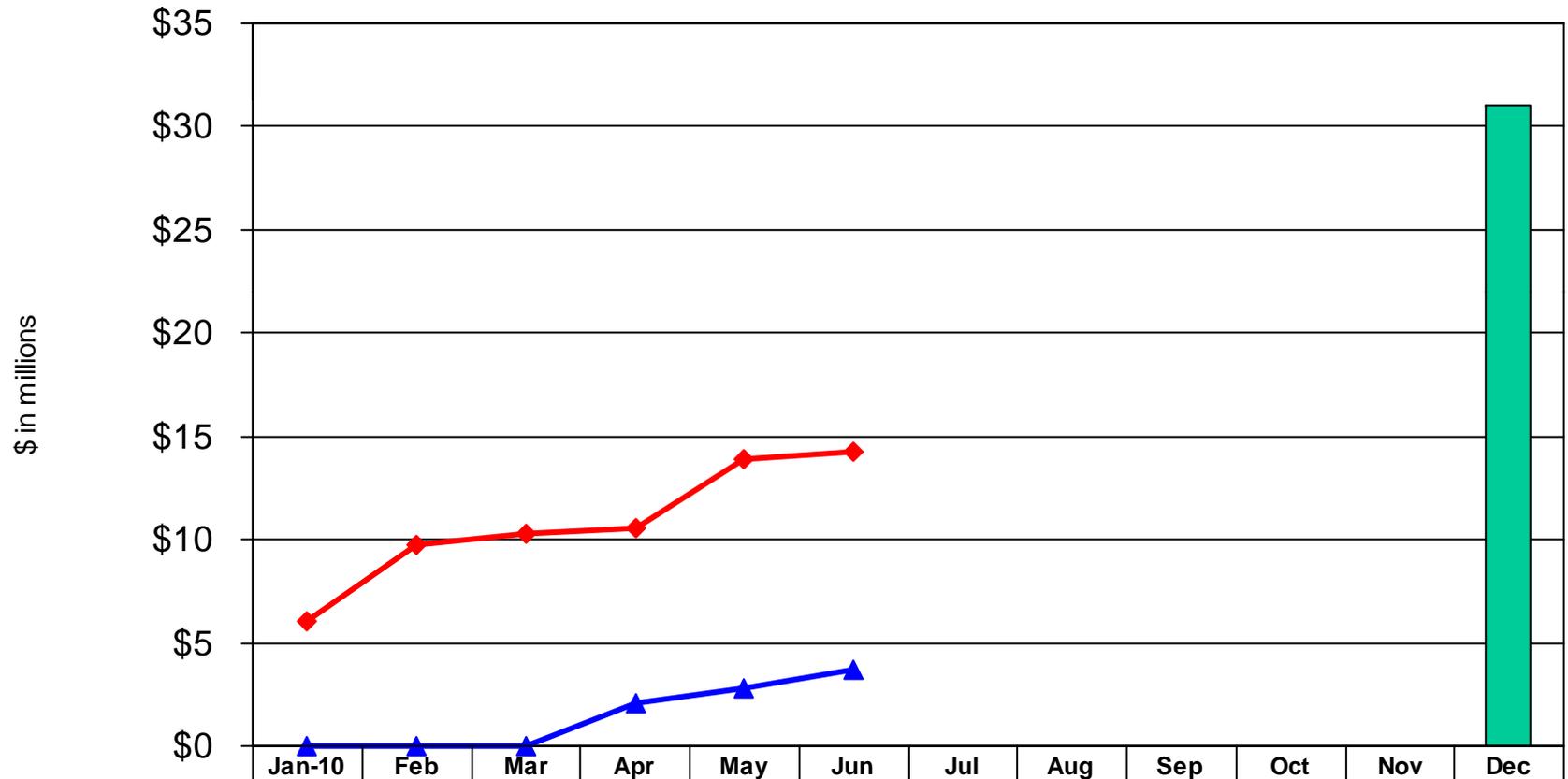
June revenues are estimates.

Operating and Maintenance Expenses (O&M)

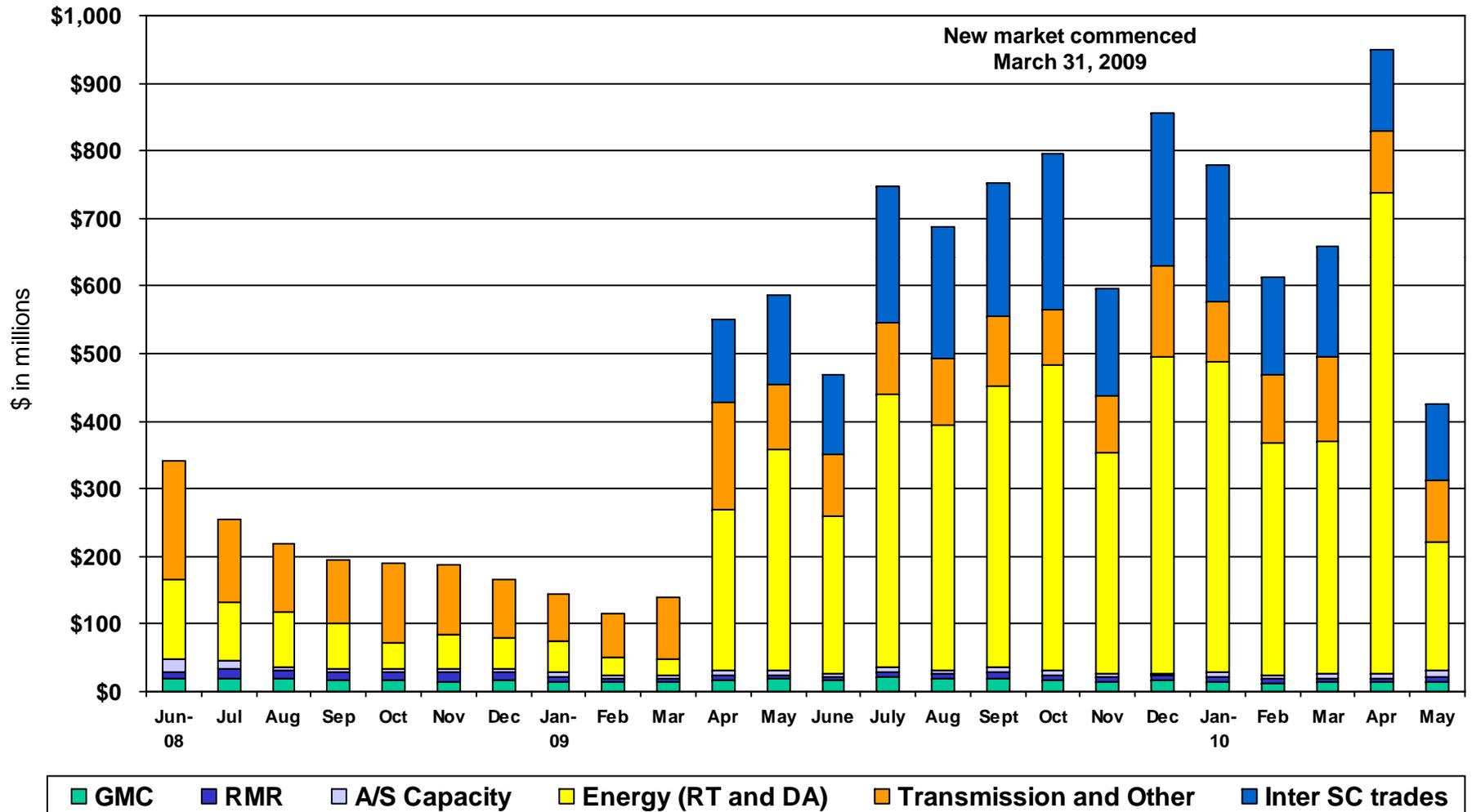


	Jan-10	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
 Monthly Actual	15.82	8.86	11.23	12.68	16.26	12.22						
 Monthly Budget	13.53	12.91	12.94	15.61	13.04	13.02	13.02	13.02	13.02	16.53	13.02	13.02
 Cum Actual	15.82	24.68	35.91	48.59	64.85	77.07						
 Cum Budget	13.53	26.44	39.38	54.99	68.03	81.05	94.06	107.08	120.10	136.63	149.65	162.67
Cum Variance	(2.29)	1.76	3.47	6.40	3.18	3.98						

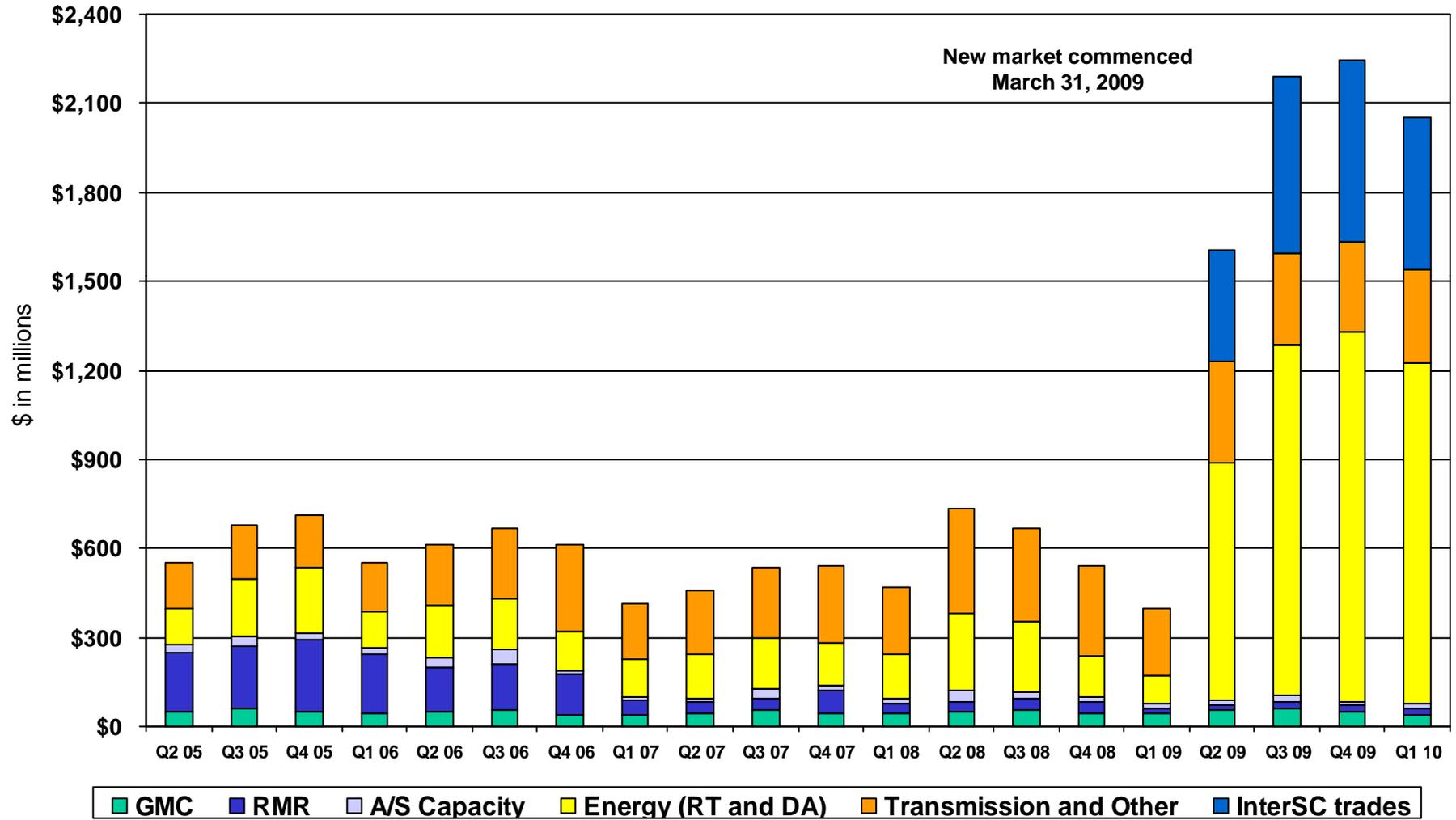
Cumulative Capital Expenditures



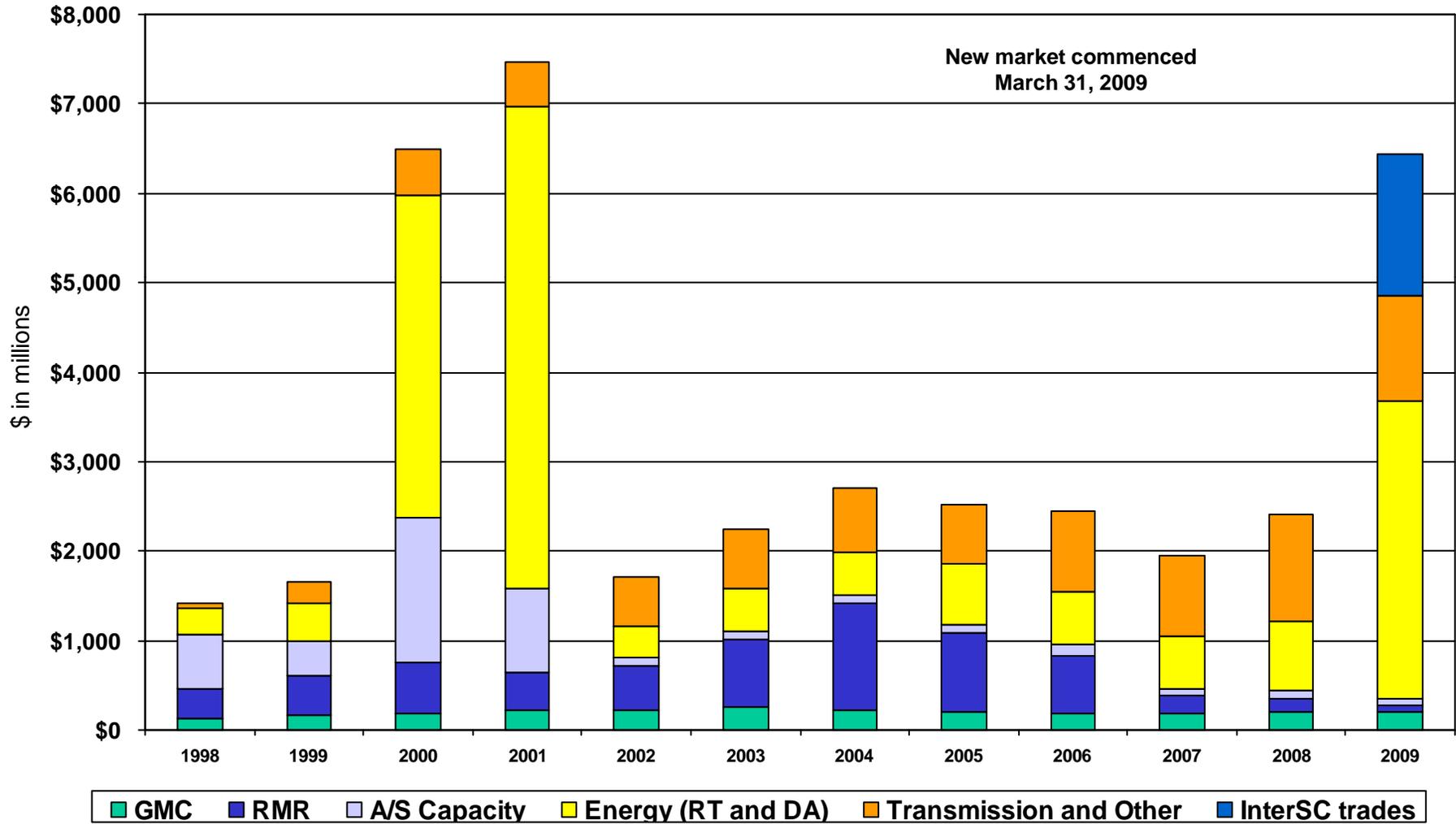
CAISO Market Revenues By Month June 2008 through May 2010



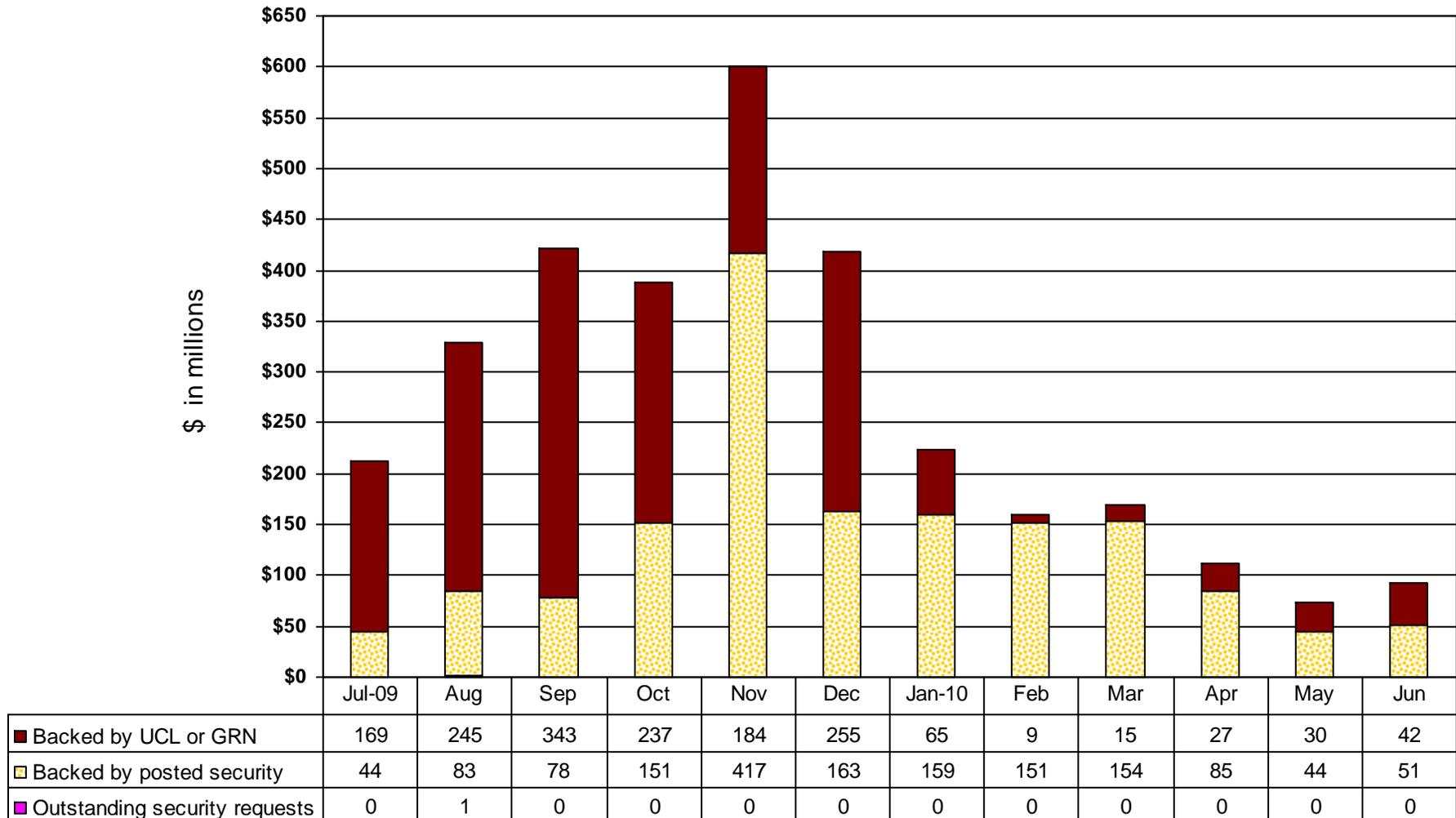
CAISO Market Revenues By Quarter 2nd Quarter 2005 through 1st Quarter 2010



CAISO Market Revenues By Year 1998 through 2009



Outstanding Obligations of Market Participants



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

