

MONTHLY FINANCIAL REPORT

May 2011

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
MONTHLY FINANCIAL REPORT - May 31, 2011

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CALIFORNIA ISO

SUMMARY, DISCUSSION AND COMMENTARY

For the five-months ended May 31, 2011

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

- ♦ YTD operating revenues were \$0.1M over budget:
 - This is primarily due to slightly higher GMC revenues during the period as a result of higher market volumes, offset by the April 2011 rate adjustment.
- ♦ YTD operating revenues were \$4.7M higher than the previous year:
 - This variance is primarily due to higher GMC revenues as a result higher market volumes during the period, partially and higher other revenues due to increased generator interconnection projects activity.
- ♦ YTD O&M expenses were \$0.5M under budget:
 - This is primarily due to the timing of payments and budget discipline during the period.
- ♦ YTD O&M expenses were \$1.3M higher than last year
 - This is primarily due to the timing of expenses and O & M costs related to the move in early 2011.
- ♦ Currently there are 586 full-time employees compared to 601 full-time employees budgeted. There were 585 full-time employees YTD last year.

INTEREST COSTS and INTEREST INCOME: (page 1)

- ♦ YTD Interest income and other was \$1.0M higher than budget due to interest earned on restricted funds. (Interest income earned on restricted funds is not budgeted, it is adjusted at the end of the year as part of the debt service costs.)
- ♦ YTD interest income and other were lower by \$1.0M compared to the previous year due to lower investment balances.
- ♦ YTD loss on investments is primarily due to the volatility in the financial markets.
- ♦ YTD interest expenses, as compared to budget, were slightly higher due to interest expense adjustments.
- ♦ YTD interest expenses were lower overall compared to last year due to lower debt balances as a result of schedule debt payments.

BALANCE SHEET: (page 2)

- ♦ The changes in cash and cash equivalents were primarily due to increased security deposits from market participants. Changes in the rest of the accounts were a result of normal business activity during the month.

CAPITAL PROJECTS: (pages 3 and 7)

- ♦ 2011 capital projects were budgeted for the year at \$23.5M.
- ♦ YTD capital projects approved through May totaled \$8.8M, actual capital project expenditure totaled \$1.7M.
- ♦ YTD expenditures for the Iron Point facility and the 2010-approved capital projects totaled \$144.4M and \$5.0M, respectively.

CALIFORNIA ISO

SUMMARY, DISCUSSION AND COMMENTARY

For the five-months ended May 31, 2011

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, Transmission, Congestion 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 10, 11 and 12)

- ♦ As of June 8, the ISO maintained \$1.5B in collateral from market participants. This supported \$137.6M in aggregate liabilities due in the market.
- ♦ Approximately \$1.2B of the collateral is from unsecured sources (i.e., unsecured credit limits and parent guarantees) with investment grade or equivalent ratings.
- ♦ \$250M of the collateral is from secured forms (i.e., cash , letters of credit, escrow accounts, etc.). This collateral is predominantly invested in AAA rated securities or backed by single A rated or better financial institutions.

CALIFORNIA ISO

Statement of Operations

For the five-months ended May 31, 2011
(dollars in thousands)

	Year to Date					2011
	Actual	Budget	Variance	PY Actual	Variance	Budget
Revenues:						
Grid Management Charge	\$ 73,243	\$ 73,118	\$ 125	\$ 69,398	\$ 3,845	\$ 189,788
Fines, WSCC & Other Fees	2,786	1,458	1,327	1,883	903	3,300
Total revenues	76,029	74,576	1,453	71,281	4,748	193,088
Operating Expenses:						
Salaries and Benefits	45,164	46,485	(1,321)	44,695	\$ 469	110,026
Building, Leases and Facility	4,068	4,348	(280)	3,832	236	10,435
Insurance	902	920	(18)	693	209	2,208
Third Party Vendor Contracts	7,644	6,910	733	6,988	656	16,585
Consulting and Contracting Services	5,000	4,237	763	4,592	408	10,053
Legal and Audit	1,505	1,814	(309)	2,051	(546)	6,992
Training, Travel and Professional Dues	1,448	1,614	(166)	1,531	(83)	3,797
Other	1,085	1,027	58	901	(46)	2,452
Total operating expenses	66,814	67,355	(541)	65,283	1,302	162,548
Net operating income (loss)	9,214	7,221	1,993	5,998	3,446	30,540
Interest and Other Expenses						
Interest income & other	2,033	1,083	950	2,986	(953)	2,736
Interest expense	6,121	6,073	48	7,272	(1,151)	8,399
Gains and losses on investments (realized and unrealized)	(275)	-	(275)	412	(687)	-
Depreciation and amortization	21,602	21,602	-	22,817	(1,215)	62,000
Total interest and other expenses	25,965	26,592	(627)	26,691	(726)	67,663
Excess (Deficiency) of Revenues Over Expenses	\$ (16,751)	\$ (19,371)	\$ 2,620	\$ (20,694)	\$ 4,172	\$ (37,123)
Number of Full-time Employees	586			585		601

CALIFORNIA ISO
Balance Sheet
As of May 31, 2011
(dollars in thousands)

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>	<u>%</u>
ASSETS				
NET ELECTRIC UTILITY PLANT	<u>\$ 332,695</u>	<u>\$ 336,858</u>	<u>\$ (4,163)</u>	-1%
CURRENT ASSETS				
Unrestricted Cash and Cash Equivalents	11,811	9,166	2,645	29%
Restricted Cash and Cash Equivalents	294,708	275,304	19,403	7%
Other Special Deposits	34,989	34,905	84	0%
Accounts Receivable, net	25,344	23,173	2,171	9%
Investments	189,851	189,728	123	0%
Accrued Interest	871	803	69	9%
Prepayments	6,061	6,518	(457)	-7%
Total Current Assets	<u>563,635</u>	<u>539,597</u>	<u>24,038</u>	4%
NONCURRENT ASSET AND DEFERRED CHARGES				
Unamortized Debt Expenses and Other	5,534	5,318	215	4%
Total Noncurrent Asset and Deferred Charges	<u>5,534</u>	<u>5,318</u>	<u>215</u>	4%
TOTAL ASSETS	<u><u>\$ 901,863</u></u>	<u><u>\$ 881,773</u></u>	<u><u>\$ 20,090</u></u>	2%
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
Stakeholders' Surplus	\$ 217,870	\$ 221,184	\$ (3,314)	-1%
Long-term Debt	260,039	260,159	(120)	0%
TOTAL CAPITALIZATION	<u>477,909</u>	<u>481,343</u>	<u>(3,434)</u>	-1%
CURRENT LIABILITIES				
Long-term Debt Due Within One Year	28,585	28,585	-	0%
Accounts Payable	27,436	24,833	2,603	10%
Customer Deposits & Other	365,772	344,851	20,921	6%
Fines Subject to Refund	705	705	-	0%
Total Current Liabilities	<u>422,499</u>	<u>398,975</u>	<u>23,524</u>	6%
NONCURRENT LIABILITY AND DEFERRED CREDITS				
Other	1,455	1,455	-	0%
Total Noncurrent Liability and Deferred Credits	<u>1,455</u>	<u>1,455</u>	<u>-</u>	0%
TOTAL LIABILITIES	<u>423,954</u>	<u>400,430</u>	<u>23,524</u>	6%
TOTAL CAPITALIZATION AND LIABILITIES	<u><u>\$ 901,863</u></u>	<u><u>\$ 881,773</u></u>	<u><u>\$ 20,090</u></u>	2%

CALIFORNIA ISO
Capital Projects Report

For the five-months ended May 31, 2011
(dollars in thousands)

	Approved Projects				
	Month	YTD	2011	Total Projected	Original
	<u>Actual</u>	<u>Actual</u>	<u>Approved</u> <u>Projects</u>	<u>Costs for</u> <u>Approved</u> <u>Projects</u>	<u>2011</u> <u>Budget</u>
Customer Focus	\$ 72	\$ 269	\$ 550	\$ 550	
Operational Excellence	49	325	1,476	1,476	
Continuous Transformation	249	393	4,470	4,470	
Reasonable Costs & Essential Projects	280	704	2,284	2,284	
Total 2011 Capital Spending	<u>650</u>	<u>1,691</u>	<u>8,779</u>	<u>8,779</u>	<u>23,500</u>
Iron Point Building	443	144,449	-	160,000	160,000
2010 Capital Projects	<u>772</u>	<u>5,004</u>	<u>-</u>	<u>13,512</u>	<u>13,512</u>
Total Capital	<u>\$ 1,866</u>	<u>\$ 151,144</u>	<u>\$ 8,779</u>	<u>\$ 182,291</u>	<u>\$ 197,012</u>

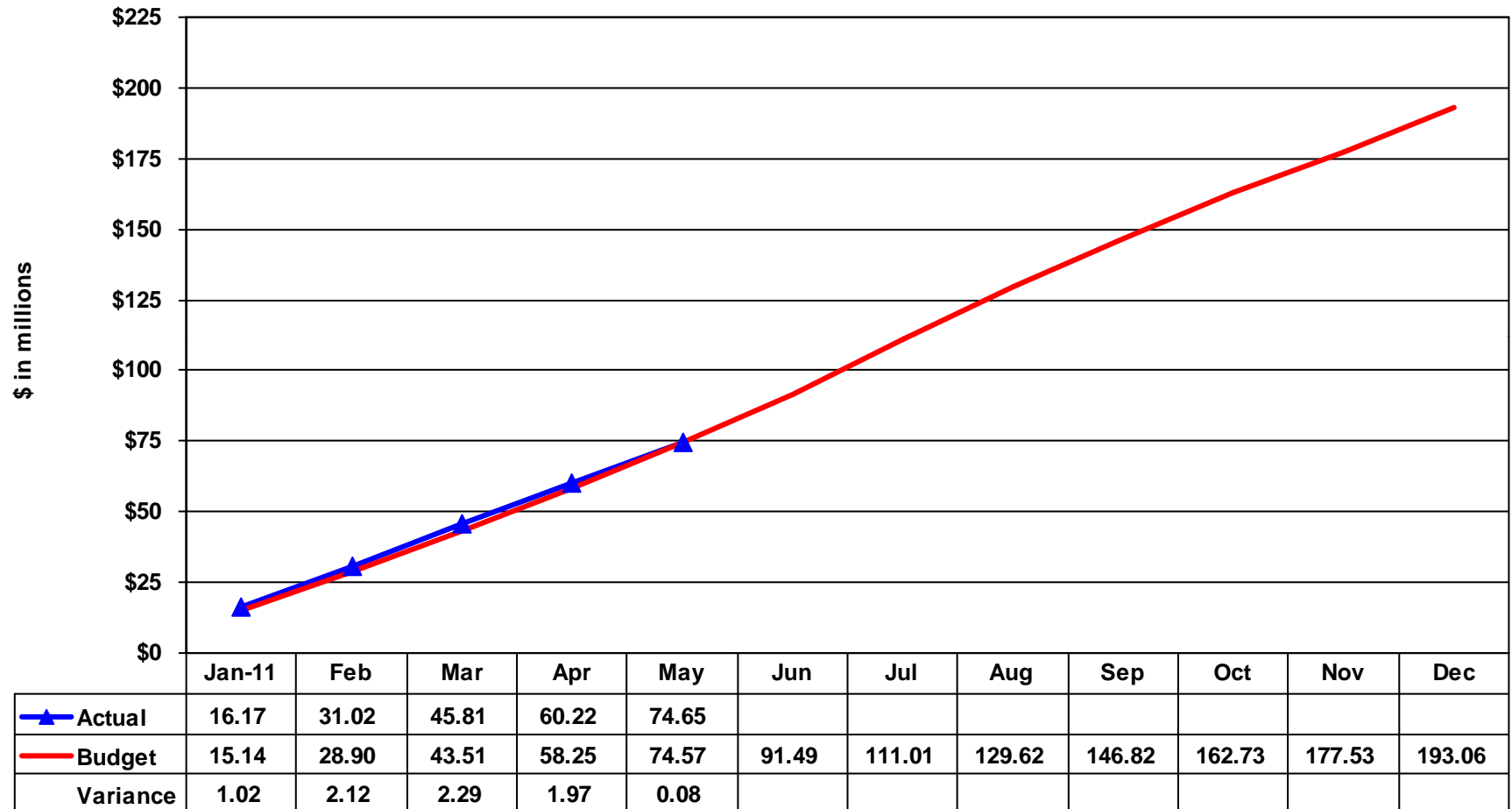
Notes:

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

The Iron Point Building is funded from 2009 bond proceeds.

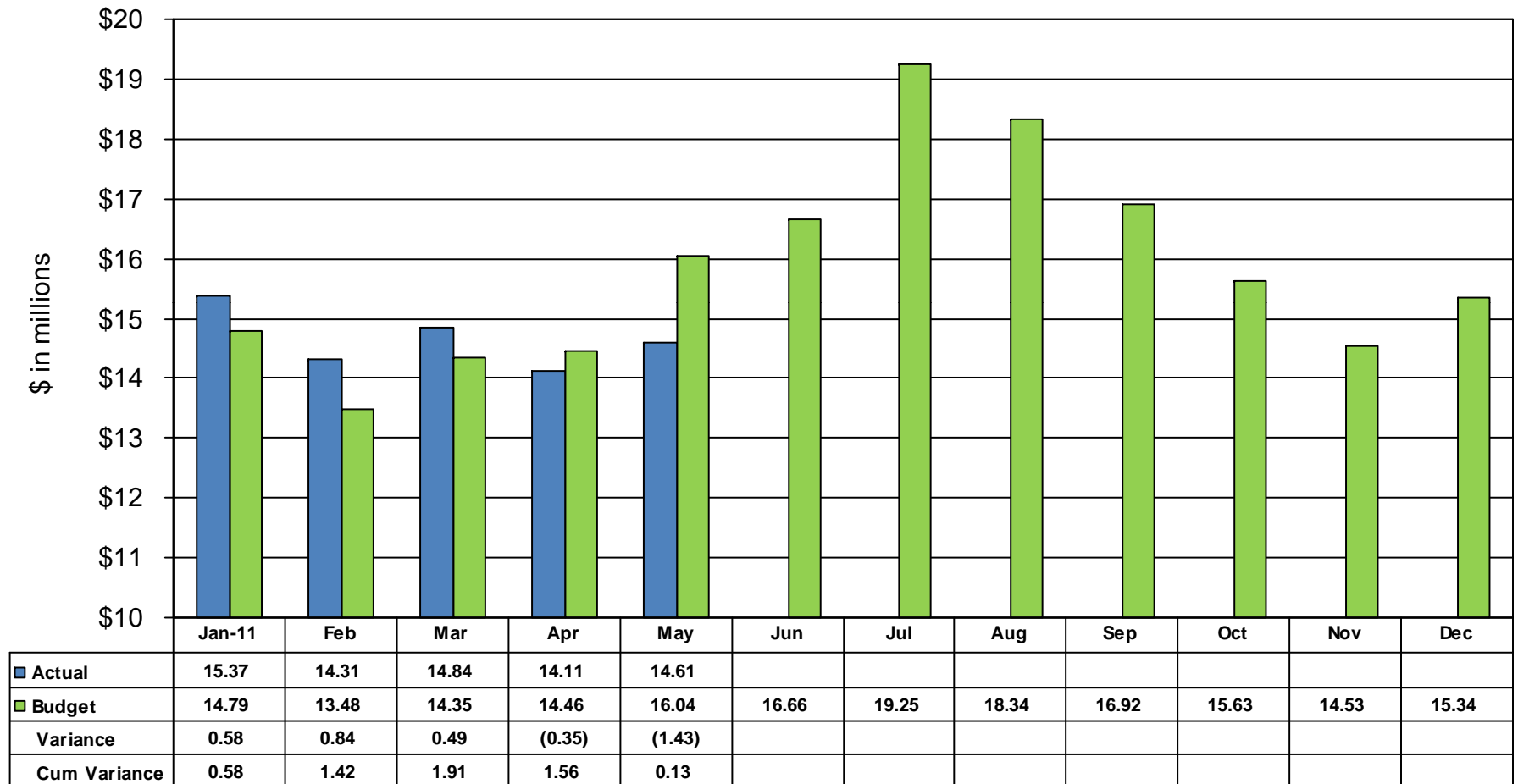
Cumulative Operating Revenues

Revenues = GMC, LGIP, WSCC Security & Other Fees



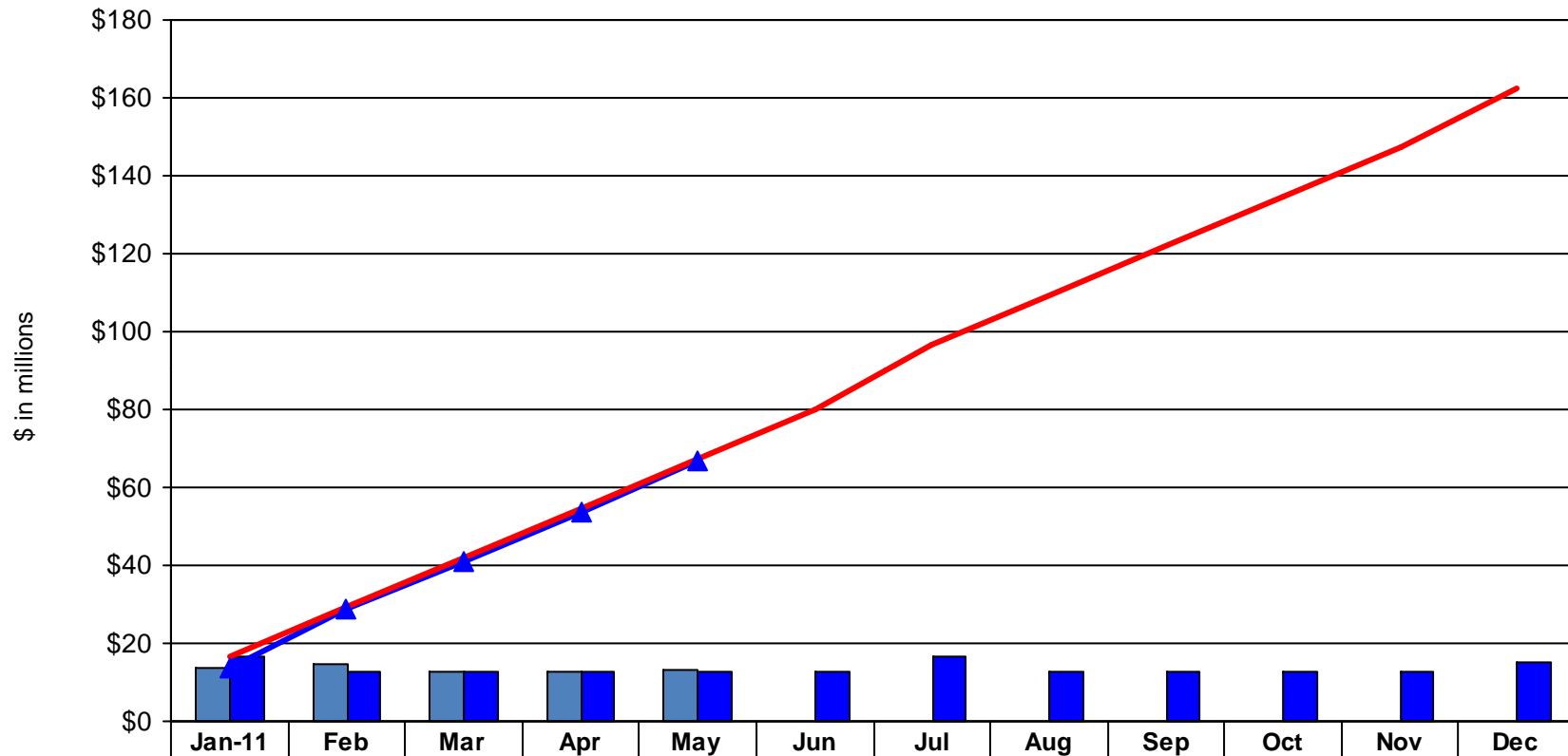
May revenues are estimates.

Monthly GMC Revenues



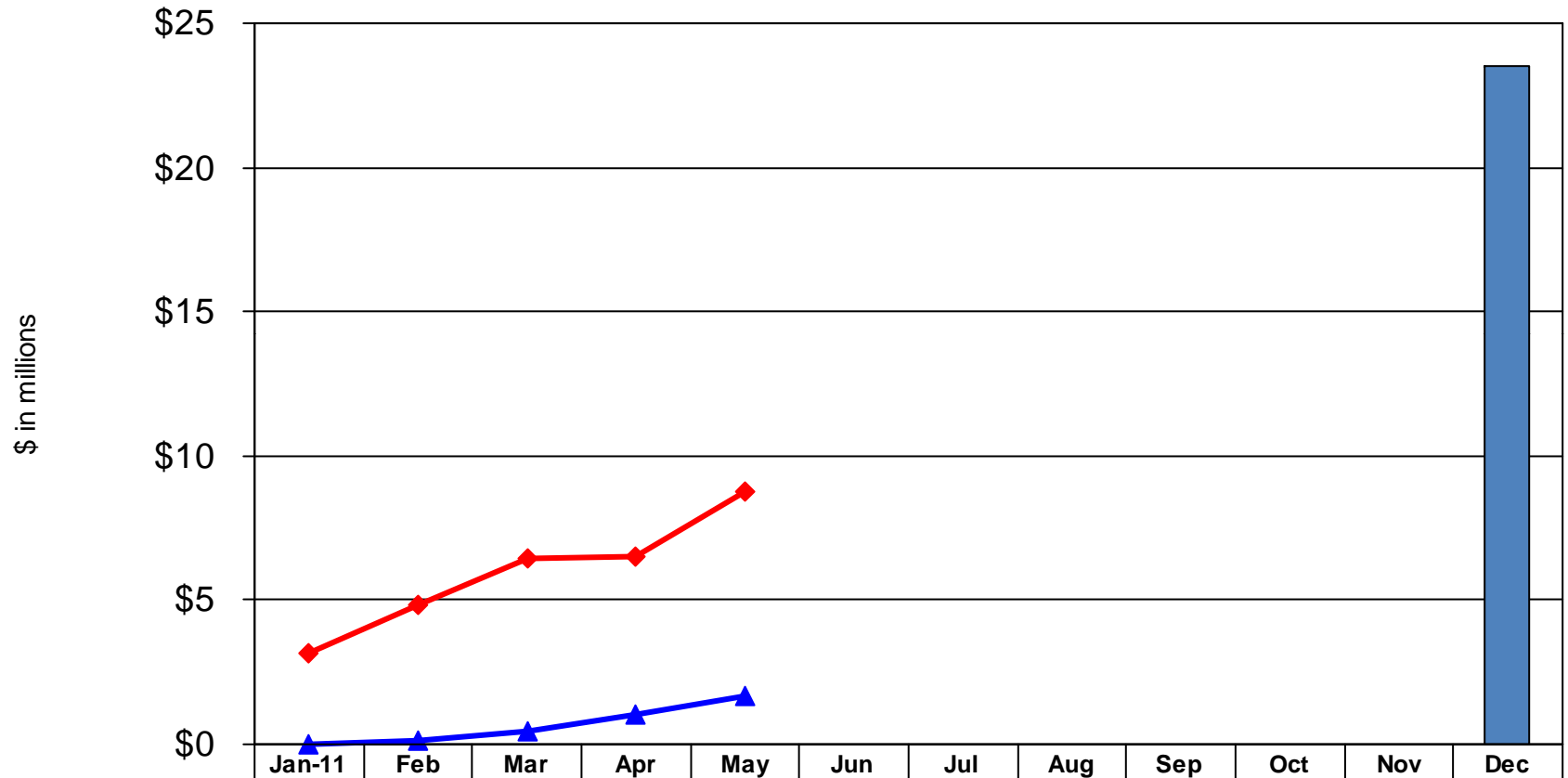
May revenues are estimates.




Operating and Maintenance Expenses (O&M)



	Jan-11	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	13.86	14.73	12.48	12.70	13.03							
Monthly Budget	16.46	12.69	12.75	12.76	12.69	12.70	16.46	12.70	12.69	12.69	12.69	15.25
Cum Actual	13.86	28.60	41.08	53.78	66.81							
Cum Budget	16.46	29.15	41.90	54.66	67.36	80.05	96.52	109.21	121.91	134.60	147.29	162.55
Cum Variance	2.60	0.55	0.82	0.88	0.54							

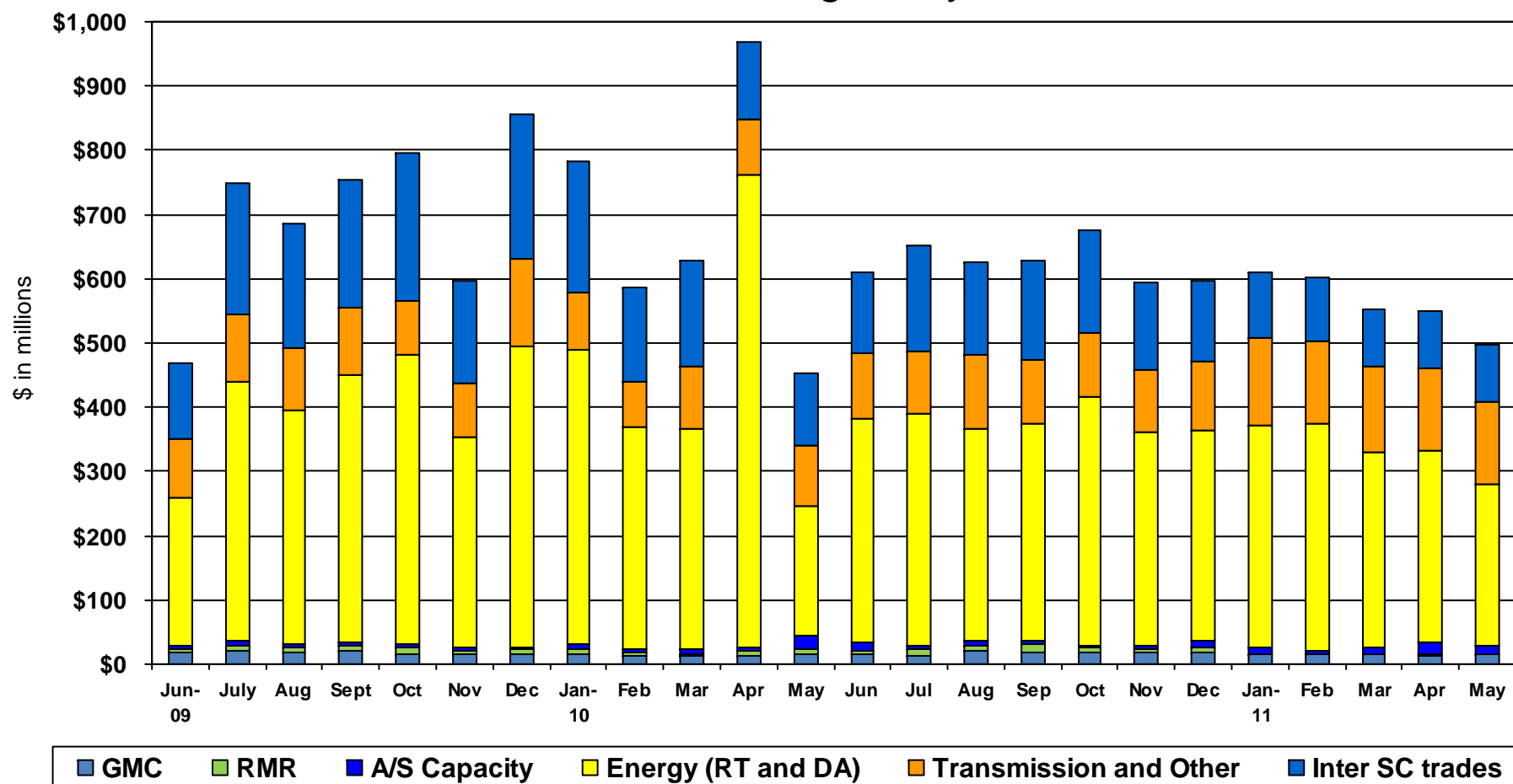
Cumulative Capital Expenditures



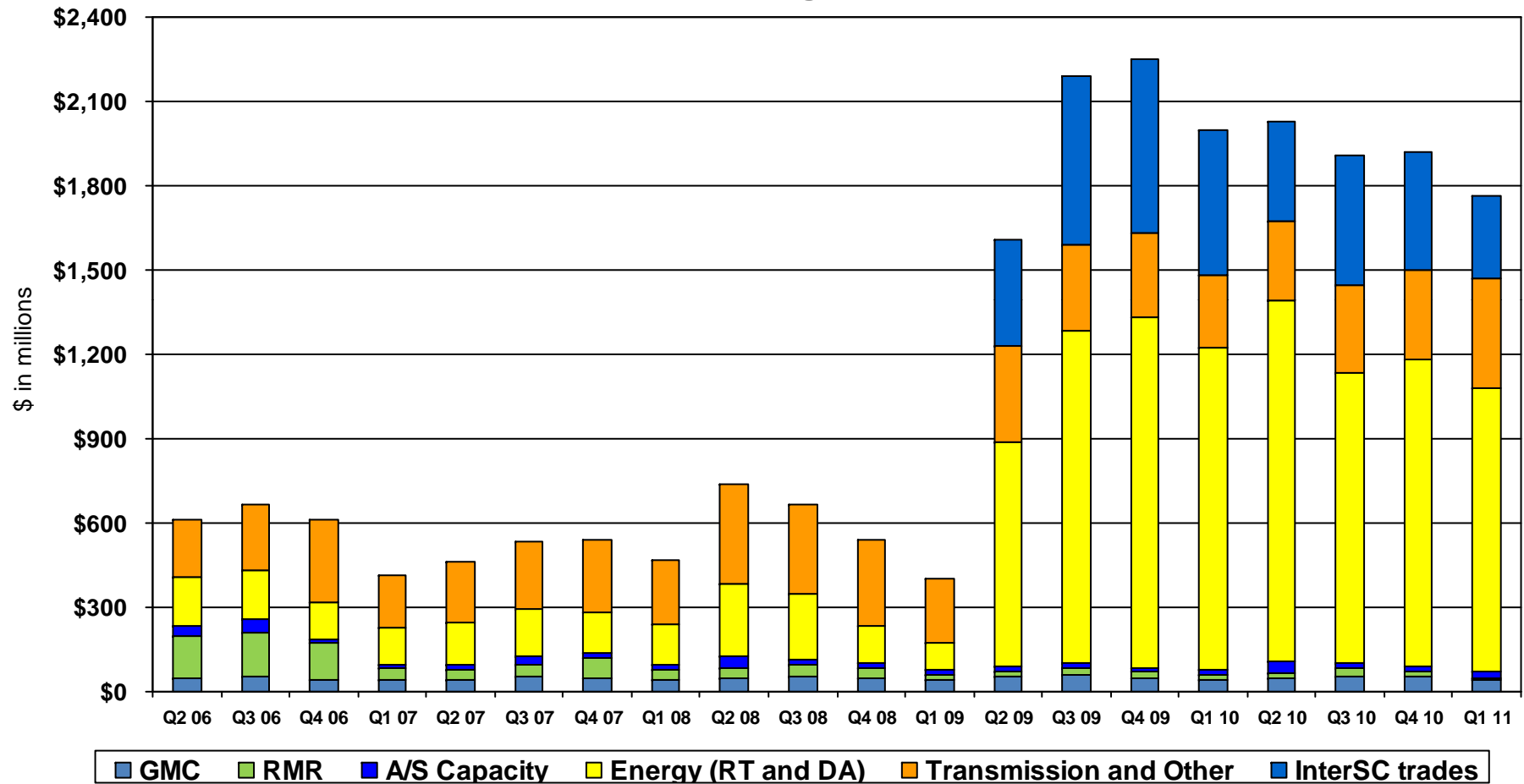
 Budgeted capital												23.50
 Cumulative Expenditures	0.02	0.14	0.43	1.04	1.69							
 Approved projects	3.16	4.84	6.46	6.51	8.78							

CAISO Market Revenues By Month

June 2009 through May 2011



CAISO Market Revenues By Quarter 2nd Quarter 2006 through 1st Quarter 2011

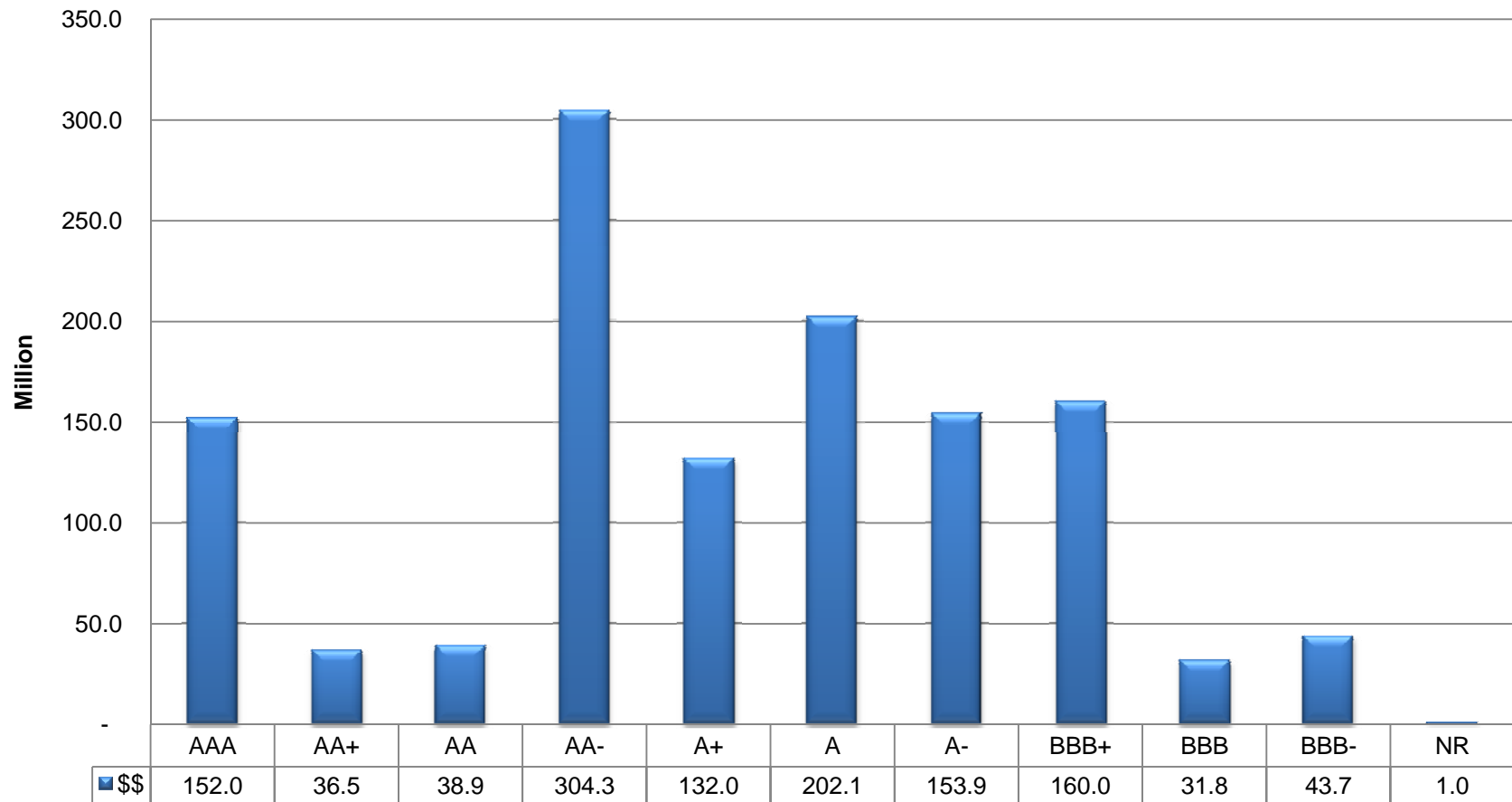


Collateral & Estimated Aggregate Liability (as of June 8th)

Collateral Types	Amount
Unsecured	\$1,256,120,814
Secured	\$249,852,947
Total	\$1,505,973,761

Estimate Aggregate Liability	Amount
Positive EAL	\$137,616,399

Unsecured Collateral



Secured Collateral

