

# MONTHLY FINANCIAL REPORT

## September 2011

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**  
**MONTHLY FINANCIAL REPORT - September 30, 2011**

**Table of Contents**

	<i>Page Number</i>
<b>Summary, Discussion and Commentary</b>	<i>i, ii</i>
<b><i>THE ISO</i></b>	
Statement of Operations	1
Balance Sheet	2
Capital Projects Report	3
<b><i>Summary Financial Data</i></b>	
Cumulative Operating Revenues	4
Monthly GMC Revenues	5
Operating and Maintenance Expenses	6
Cumulative Capital Expenditures	7
CAISO Market Costs by Month - September 2009 through August 2011	8
CAISO Market Costs by Quarter - 3rd Quarter 2006 through 2nd Quarter 2011	9
Collateral and Estimated Aggregate Liability	10
Unsecured Collateral	11
Secured Collateral	12

## **CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY**

For the nine-months ended September 30, 2011

### **OPERATIONS: (pages 1, 4, 5, and 6)**

- ◆ YTD operating revenues were \$0.8M under budget
  - This is primarily due to lower GMC revenues during the period as a result of lower market volumes and the April 2011 downward rate adjustment. Effective Oct 1, 2011, certain GMC rates were adjusted to mitigate the undercollection of revenues.
- ◆ YTD operating revenues were \$5.9M lower than the previous year:
  - This variance is primarily due to lower GMC revenues resulting from the lower annual revenue requirement and lower market volumes, which is attributable to the generally milder weather pattern during the current year.
- ◆ YTD operating expenses were \$2.0M under budget
  - This is primarily due to the timing of payments and budget discipline during the period.
- ◆ YTD operating expenses were \$0.3M higher than last year
  - This is primarily due to the timing of expenses, higher salaries and wages and O & M costs related to the move in early 2011.
- ◆ Currently there are 593 full-time employees compared to 601 full-time employees budgeted. There were 595 full-time employees YTD last year.

### **INTEREST COSTS and INTEREST INCOME: (page 1)**

- ◆ YTD Interest income and other was \$1.3M 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 \$1.5M compared to the previous year due to lower investment balances.
- ◆ YTD interest expenses is at budget.
- ◆ YTD interest expenses compared to last year were lower overall due to lower debt balances as a result of scheduled debt payments.
- ◆ YTD losses on investments represent the mark-to-market adjustments of the fixed income investments held.

### **BALANCE SHEET: (page 2)**

- ◆ The changes in restricted cash and cash equivalents were primarily due to decreased 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 September totaled \$15.1M, actual capital project expenditure totaled \$6.4M.
- ◆ YTD expenditures for the Iron Point facility and the 2010-approved capital projects totaled \$144.8M and \$7.2M, respectively.

# CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the nine-months ended September 30, 2011

## *The ISO Markets*

### **MARKET CHARGES: (page 8 and 9 )**

- ♦ The total market charges managed by the ISO include GMC, Reliability Must Run (RMR) charges, Ancillary Services Capacity, Real Time Energy, Transmission, Congestion and Other, and InterSC Trades.
- ♦ Other market charges fluctuate with the season or as a result of certain external factors (wildfires, extreme temperatures and drought conditions).

### **OBLIGATIONS OF MARKET PARTICIPANTS: (page 10 )**

- ♦ As of October 17, the ISO maintained \$1.6B in collateral from market participants. This supported \$32.7M 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.
- ♦ \$364.9M 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 nine-months ended September 30, 2011  
*(dollars in thousands)*

	Year to Date					2011
	Actual	Budget	Variance	Prior Year Actual	Variance	Budget
<b>Operating Revenues:</b>						
Grid Management Charge	\$ 141,560	\$ 144,289	\$ (2,728)	\$ 148,579	\$ (7,019)	\$ 189,788
Fines, WSCC & Other Fees	4,445	2,558	1,887	3,293	1,153	3,300
Total operating revenues	<u>146,005</u>	<u>146,847</u>	<u>(842)</u>	<u>151,871</u>	<u>(5,866)</u>	<u>193,088</u>
<b>Operating Expenses:</b>						
Salaries and Benefits	82,116	85,246	(3,130)	81,987	\$ 129	110,026
Building, Leases and Facility	7,589	7,826	(237)	6,790	799	10,435
Insurance	1,835	1,705	130	1,709	126	2,208
Third Party Vendor Contracts	13,160	12,439	721	11,604	1,556	16,585
Consulting and Contracting Services	9,528	7,754	1,774	10,624	(1,095)	10,053
Legal and Audit	2,620	3,265	(645)	3,485	(865)	6,992
Training, Travel and Professional Dues	2,432	2,867	(435)	2,738	(306)	3,797
Other	1,631	1,841	(210)	1,878	(46)	2,452
Total operating expenses	<u>120,911</u>	<u>122,943</u>	<u>(2,031)</u>	<u>120,815</u>	<u>298</u>	<u>162,548</u>
Net operating income (loss)	<u>25,094</u>	<u>23,904</u>	<u>1,190</u>	<u>31,056</u>	<u>(6,164)</u>	<u>30,540</u>
<b>Interest and Other Expenses</b>						
Interest income & other	3,287	1,950	1,337	4,778	(1,491)	2,736
Interest expense	10,973	10,968	5	13,432	(2,459)	8,399
Gains and losses on investments (realized and unrealized)	(938)	-	(938)	505	(1,443)	-
Depreciation and amortization	43,816	43,816	-	44,360	(544)	62,000
Total interest and other expenses	<u>52,440</u>	<u>52,834</u>	<u>(394)</u>	<u>52,508</u>	<u>(69)</u>	<u>67,663</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ (27,346)</u>	<u>\$ (28,930)</u>	<u>\$ 1,584</u>	<u>\$ (21,452)</u>	<u>\$ (6,095)</u>	<u>\$ (37,123)</u>
<b>Number of Full-time Employees</b>	<u>593</u>			<u>595</u>		<u>601</u>

**CALIFORNIA ISO****Balance Sheet**

As of September 30, 2011

*(dollars in thousands)*

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>	<u>%</u>
<b>ASSETS</b>				
NET ELECTRIC UTILITY PLANT	\$ 322,432	\$ 320,712	\$ 1,721	1%
CURRENT ASSETS				
Unrestricted Cash and Cash Equivalents	27,168	24,125	3,043	13%
Restricted Cash and Cash Equivalents	302,816	246,964	55,852	23%
Other Special Deposits	35,047	35,047	0	0%
Accounts Receivable, net	29,403	30,295	(893)	-3%
Investments	185,902	185,743	159	0%
Accrued Interest	685	793	(107)	-14%
Prepayments	6,007	5,400	607	11%
Total Current Assets	<u>587,029</u>	<u>528,367</u>	<u>58,662</u>	11%
NONCURRENT ASSET AND DEFERRED CHARGES				
Unamortized Debt Expenses and Other	5,063	5,037	25	1%
Total Noncurrent Asset and Deferred Charges	<u>5,063</u>	<u>5,037</u>	<u>25</u>	1%
<b>TOTAL ASSETS</b>	<u>\$ 914,524</u>	<u>\$ 854,116</u>	<u>\$ 60,408</u>	7%
CAPITALIZATION				
Stakeholders' Surplus	\$ 208,705	\$ 205,990	\$ 2,715	1%
Long-term Debt	259,560	259,680	(120)	0%
TOTAL CAPITALIZATION	<u>468,265</u>	<u>465,670</u>	<u>2,596</u>	1%
CURRENT LIABILITIES				
Long-term Debt Due Within One Year	28,585	28,585	-	0%
Accounts Payable	35,549	34,940	609	2%
Customer Deposits & Other	379,629	322,448	57,181	18%
Fines Subject to Refund	746	724	22	3%
Total Current Liabilities	<u>444,510</u>	<u>386,697</u>	<u>57,812</u>	15%
NONCURRENT LIABILITY AND DEFERRED CREDITS				
Other	1,749	1,749	-	0%
Total Noncurrent Liability and Deferred Credits	<u>1,749</u>	<u>1,749</u>	<u>-</u>	0%
TOTAL LIABILITIES	<u>446,258</u>	<u>388,446</u>	<u>57,812</u>	15%
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<u>\$ 914,524</u>	<u>\$ 854,116</u>	<u>\$ 60,408</u>	7%

**CALIFORNIA ISO**  
**Capital Projects Report**

For the nine-months ended September 30, 2011  
*(dollars in thousands)*

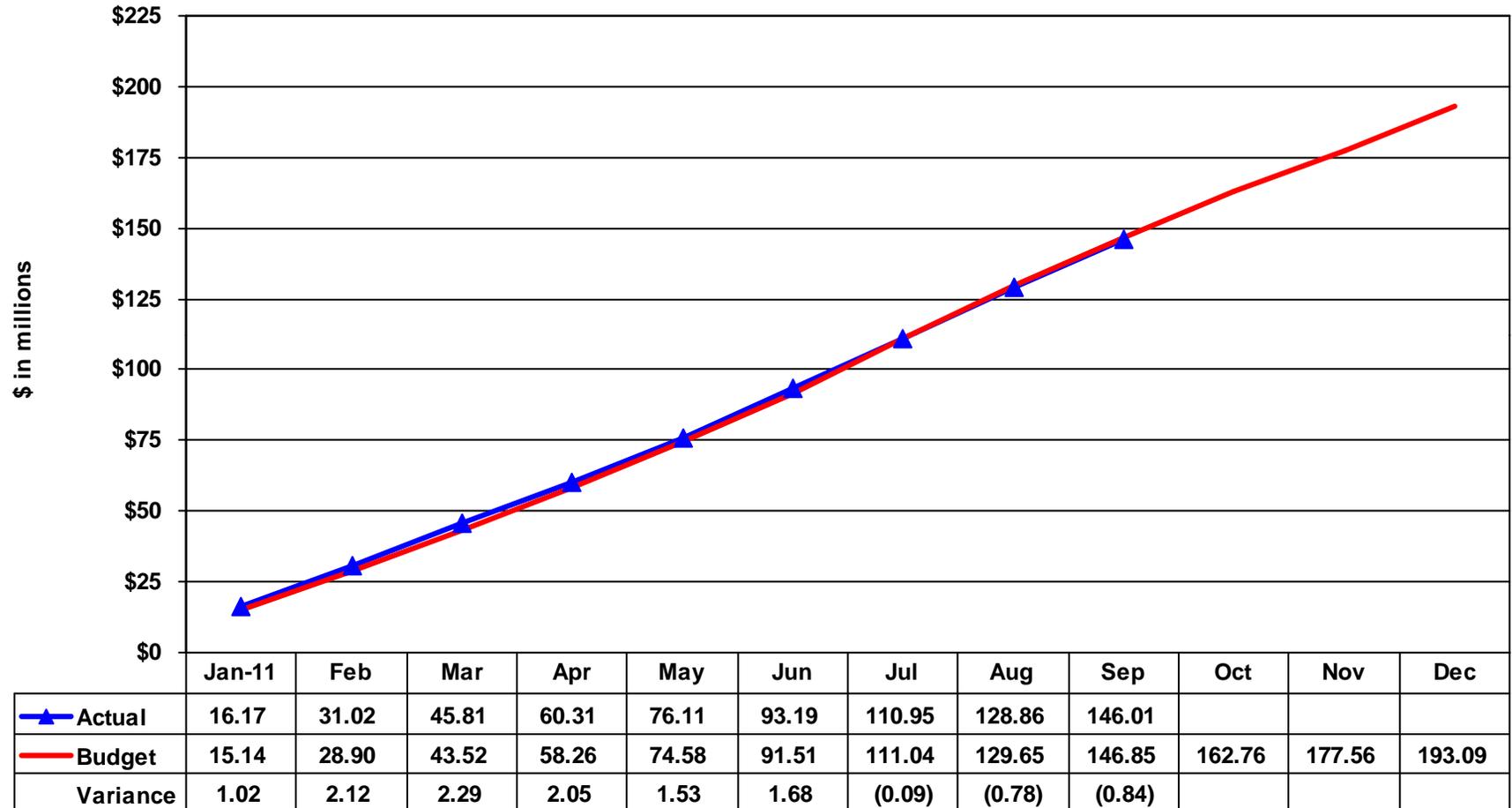
	<b>Approved Projects</b>				
	<u>Month</u> <u>Actual</u>	<u>YTD</u> <u>Actual</u>	<u>2011</u> <u>Approved</u> <u>Projects</u>	<u>Total Projected</u> <u>Costs for</u> <u>Approved</u> <u>Projects</u>	<u>Original</u> <u>2011</u> <u>Budget</u>
Customer Focus	\$ 38	\$ 507	\$ 1,638	\$ 1,638	
Operational Excellence	173	747	3,064	3,051	
Continuous Transformation	1,110	3,075	6,872	6,874	
Reasonable Costs & Essential Projects	137	2,118	3,567	3,567	
<b>Total 2011 Capital Spending</b>	<u>1,458</u>	<u>6,447</u>	<u>15,141</u>	<u>15,130</u>	<u>23,500</u>
Iron Point Building	56	144,840	-	160,000	160,000
2010 Capital Projects	<u>705</u>	<u>7,190</u>	<u>-</u>	<u>13,512</u>	<u>13,512</u>
<b>Total Capital</b>	<u>\$ 2,219</u>	<u>\$ 158,477</u>	<u>\$ 15,141</u>	<u>\$ 188,642</u>	<u>\$ 197,012</u>

*Notes:*

*The Iron Point Building is funded from 2009 bond proceeds.*

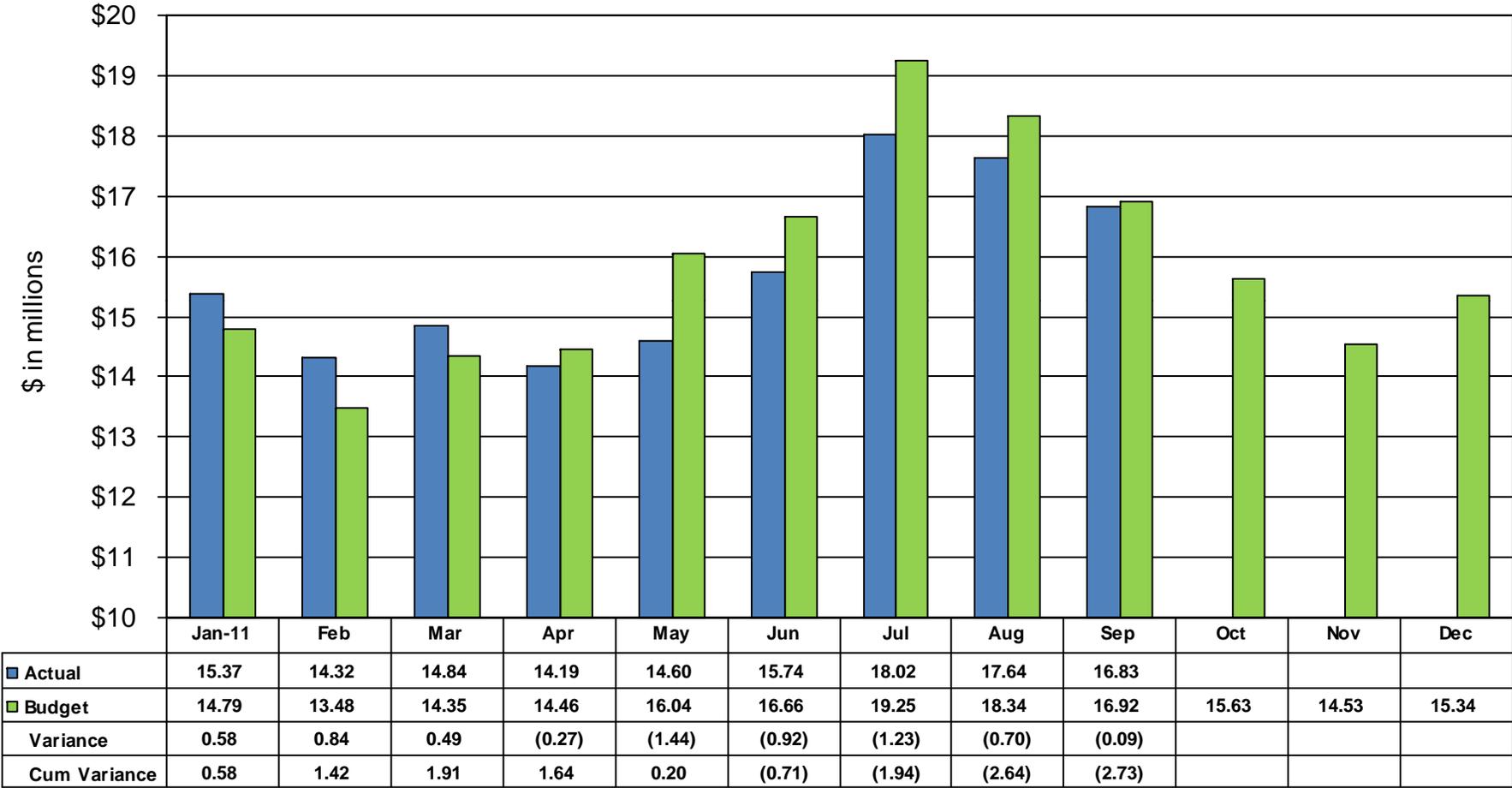
# Cumulative Operating Revenues

Revenues = GMC, LGIP, WSCC Security & Other Fees



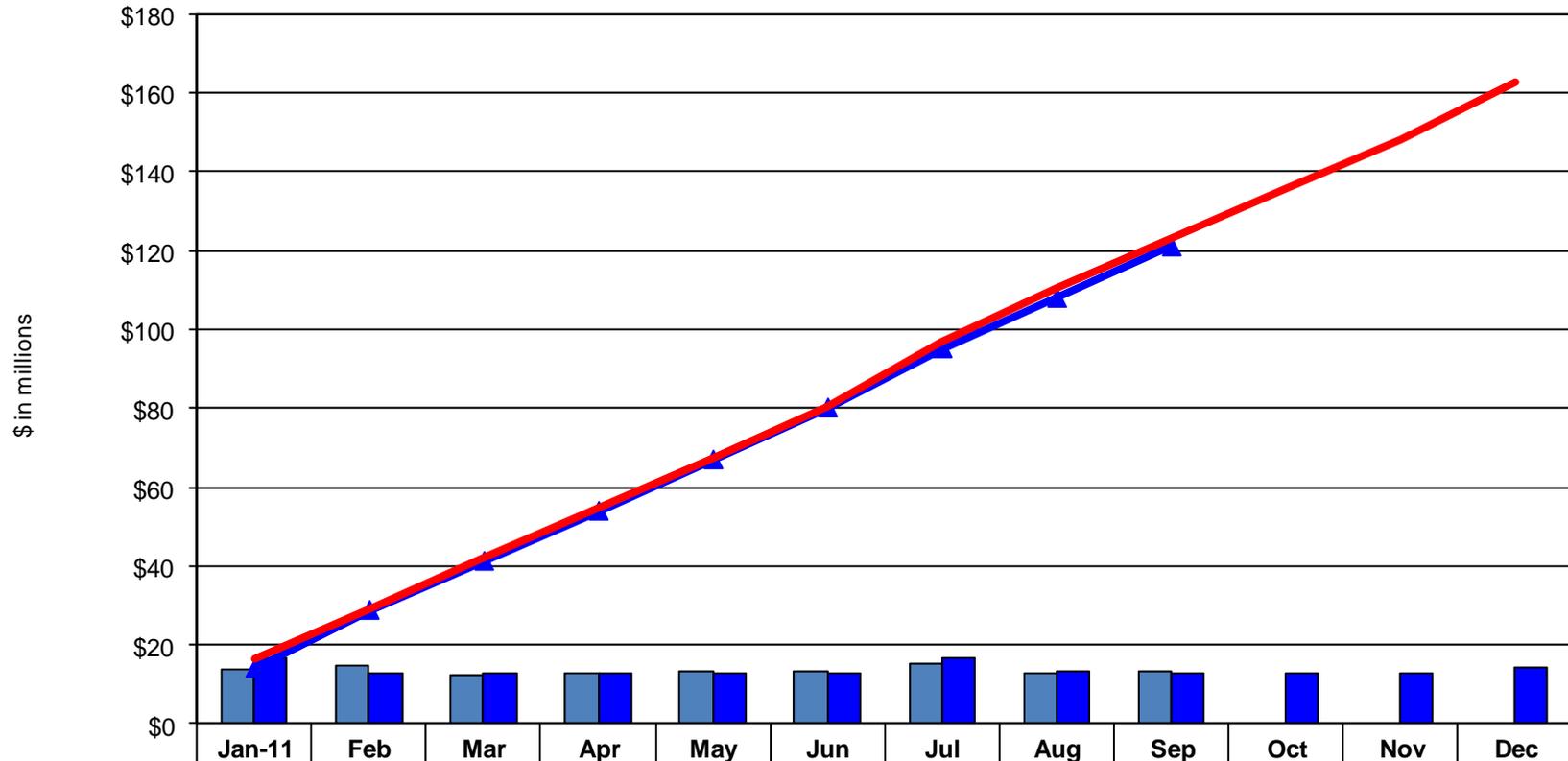
*September revenues are estimates.*

# Monthly GMC Revenues



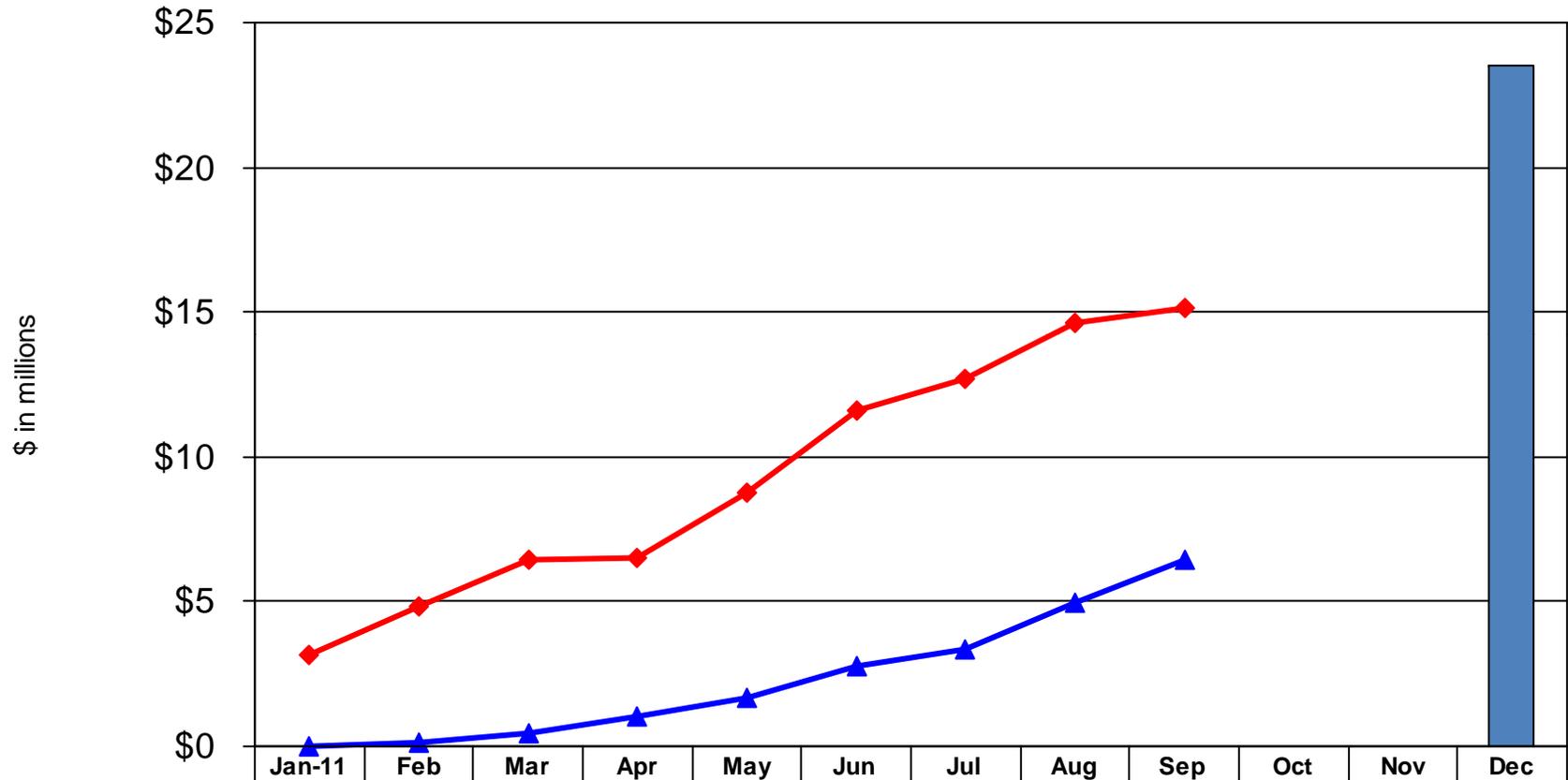
September revenues are estimates.

# Operating and Maintenance Expenses (O&M)



	Jan-11	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	13.92	14.73	12.48	12.70	13.03	13.18	15.04	12.78	13.05			
Monthly Budget	16.47	12.71	12.78	12.81	12.74	12.75	16.63	13.31	12.75	12.75	12.75	14.11
Cum Actual	13.92	28.65	41.13	53.83	66.86	80.05	95.09	107.87	120.91			
Cum Budget	16.47	29.18	41.96	54.77	67.51	80.27	96.89	110.20	122.94	135.69	148.43	162.55
Cum Variance	2.55	0.53	0.83	0.94	0.65	0.22	1.80	2.33	2.03			

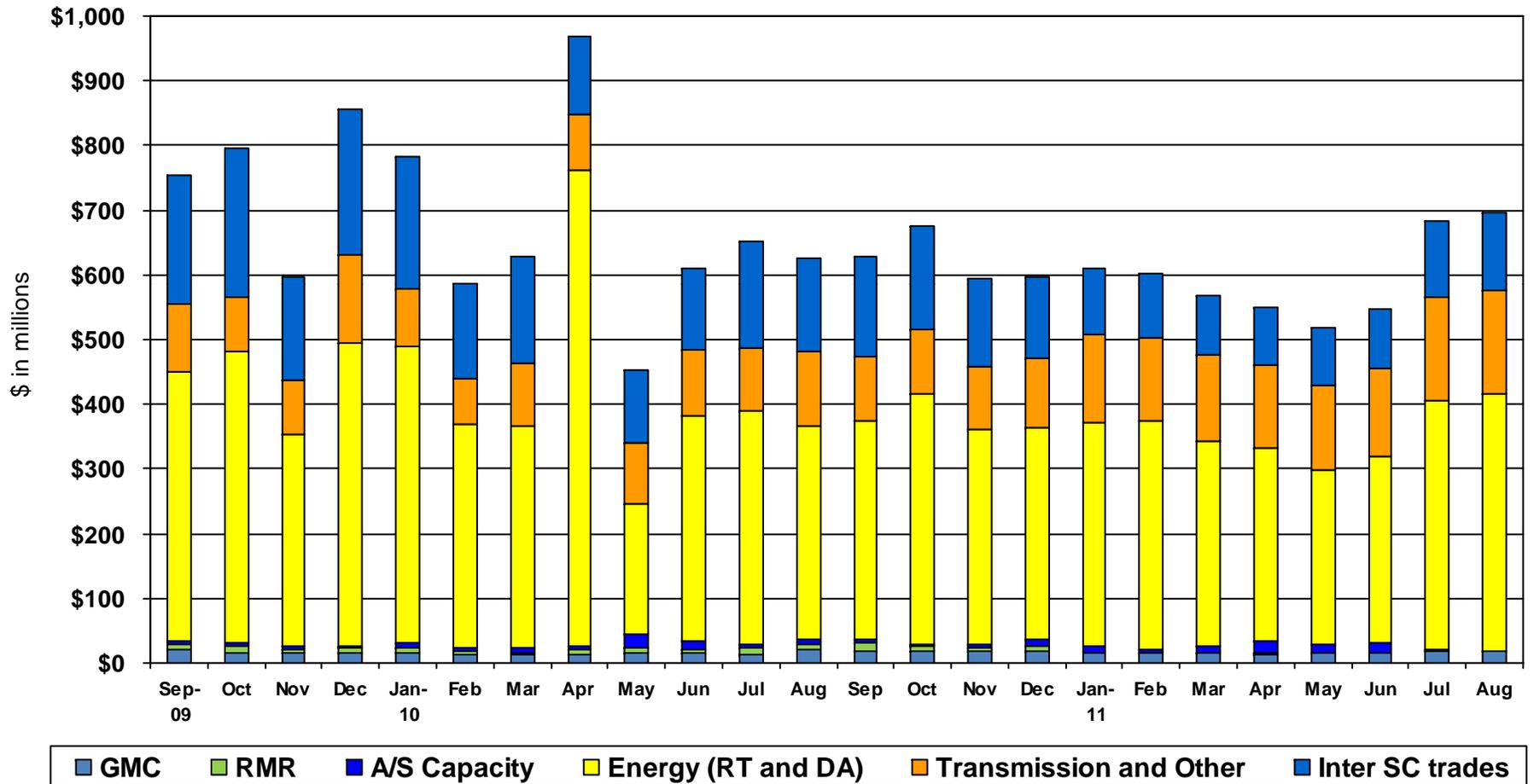
# Cumulative Capital Expenditures



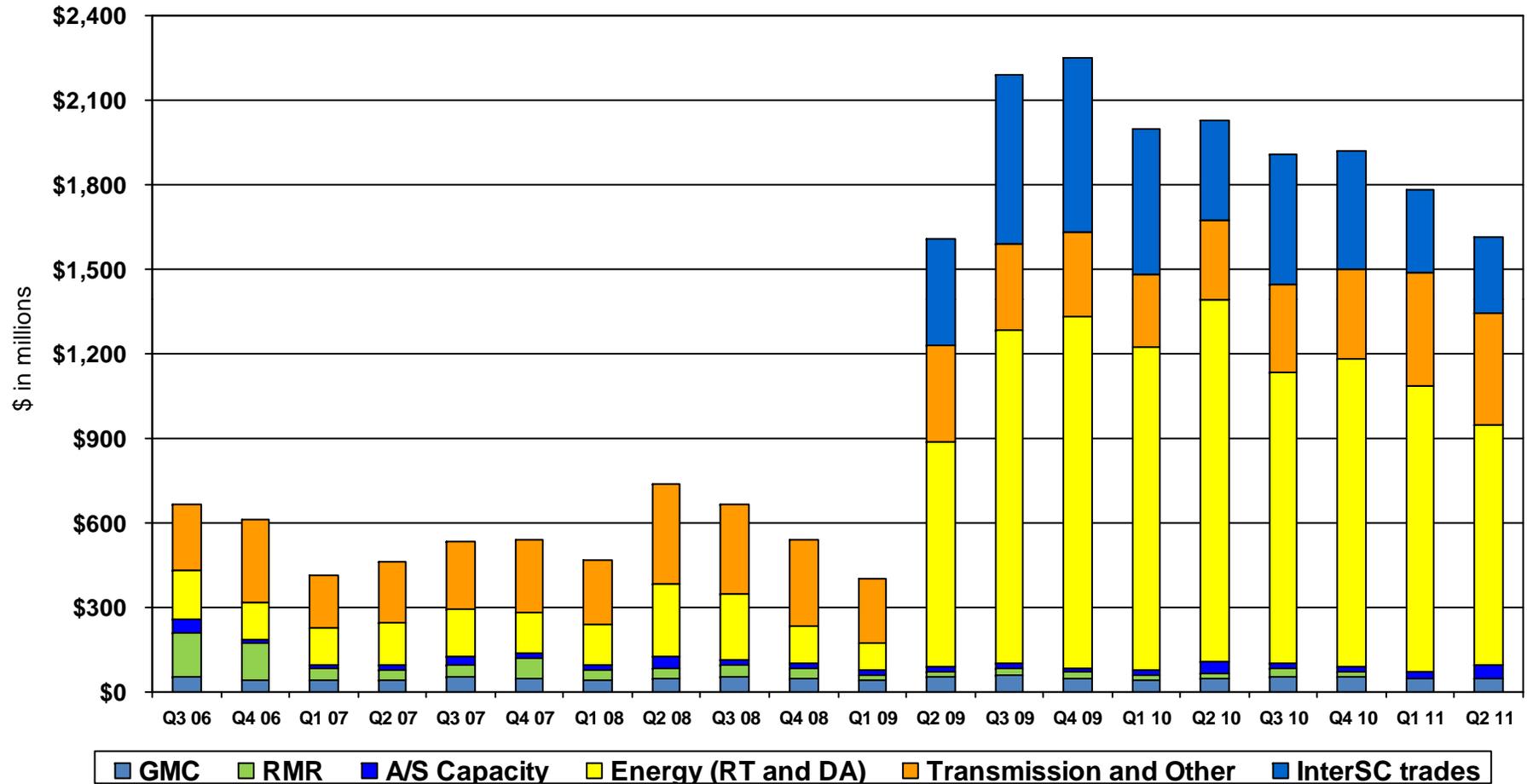
Budgeted capital												23.50
Cumulative Expenditures	0.02	0.14	0.43	1.04	1.69	2.75	3.35	4.99	6.45			
Approved projects	3.16	4.84	6.46	6.51	8.78	11.57	12.72	14.60	15.14			

# CAISO Market Revenues By Month

## September 2009 through August 2011



## CAISO Market Revenues By Quarter 3rd Quarter 2006 through 2nd Quarter 2011

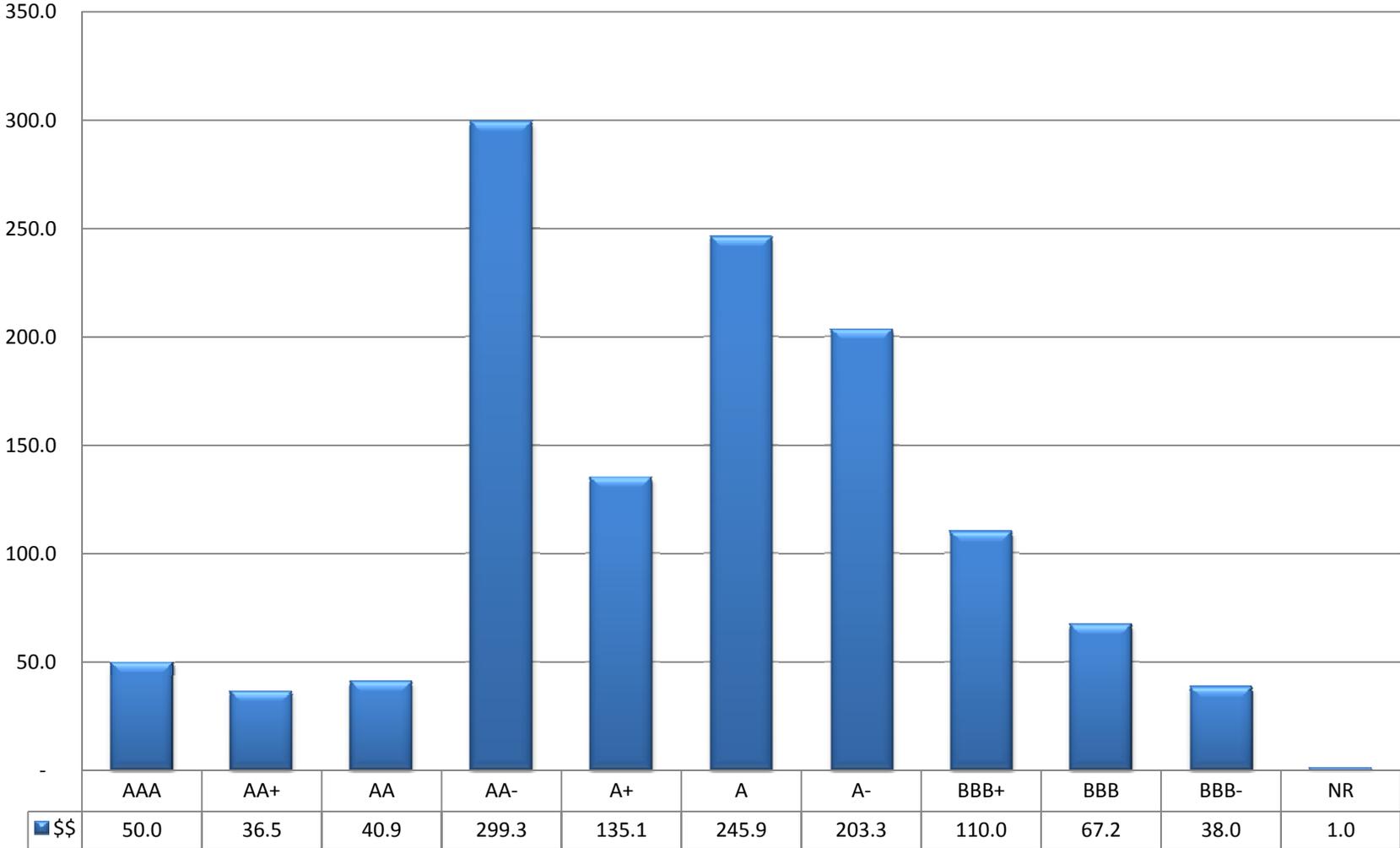


# Collateral & Estimated Aggregate Liability (as of October 17th)

<b>Collateral Types</b>	<b>Amount</b>
<b>Unsecured</b>	<b>\$1,227,222,520</b>
<b>Secured</b>	<b>\$364,940,384</b>
<b>Total</b>	<b>\$1,592,162,904</b>

<b>Estimate Aggregate Liability</b>	<b>Amount</b>
<b>Positive EAL</b>	<b>\$32,705,336</b>

# Unsecured Collateral



# Secured Collateral

