

MONTHLY FINANCIAL REPORT

March 2007

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
MONTHLY FINANCIAL REPORT - March 2007**

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CALIFORNIA ISO

SUMMARY, DISCUSSION AND COMMENTARY

For the three-month period ended March 31, 2007

The ISO

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

- ♦ Operating Revenues for March were \$22.6M, \$7.2M higher than budget.
 - The variance was primarily due to the SDG&E refund of \$6.6M and to higher interest income.
- ♦ Operating Revenues for the year were \$53.2M, \$7.1M higher than budget.
 - The variance was primarily due to lower GMC and to higher interest income and the SDG&E refund of \$6.6M.
- ♦ O&M expenses for March were \$12.2M, \$1.6M lower than the budget.
 - The variance was primarily due to the timing of third party vendor contract costs.
- ♦ O&M expenses for the year were \$35.9M, \$0.2M lower than budget.
 - The variance was primarily due to timing of expenses.
- ♦ At month end, there were 511 full-time employees compared to the 541 full-time employees budgeted.

BALANCE SHEET: (page 2)

- ♦ The changes to the accounts are due to the incentive compensation pay-outs and to normal business activity during the month.

CAPITAL PROJECTS: (pages 3 and 8)

- ♦ 2007 approved capital expenditures were budgeted for the year at \$52.5M. Period to date actual expenditures for 2007 capital projects totaled \$7.3M. Expenditures for 2006 approved capital projects totaled \$1.2M. Capital expenditures for 2006 and 2007 approved projects will be funded by the proceeds of the 2004 bonds.
- ♦ 2007 capital projects approved through March totaled \$48.7M and include \$45.1M for MRTU projects.

INTEREST COSTS: (page 9)

- ♦ During March, the ISO bond interest rates averaged 3.96%, 0.04% higher than the budgeted rate of 3.92%.

CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the three-month period ended March 31, 2007

The ISO Markets

MARKET CHARGES: (page 4)

- ◆ Charges for the market (including GMC and FERC Fees) settled in March amounted to \$132.4M (December 2006 trade month)

ISO MARKET COSTS: (page 10 and 11)

- ◆ The total costs managed by the ISO include GMC, RMR, A/S Capacity, Real Time Energy and Transmission.

OBLIGATIONS OF MARKET PARTICIPANTS: (pages 12 and 13)

- ◆ Both PG&E and SCE are now only required to collateralize their GMC obligations.
- ◆ The new credit policy took effect on May 12, 2006 and the report reflects the new standards, estimates, and credit limits.

TIMELINESS OF MARKET COLLECTIONS: (page 14)

- ◆ Twenty one payments (of 251 invoices) in the December 2006 clearing were received late.

CALIFORNIA ISO

Statement of Operations

For the three-month period ended March 31, 2007
(dollars in thousands)

	Month				Year to Date				2007
	Actual	Budget	Variance	Var (%)	Actual	Budget	Variance	Var (%)	Budget
Revenues:									
Grid Management Charge	\$ 20,582	\$ 14,690	\$ 5,892	40%	\$ 48,024	\$ 43,716	\$ 4,308	10%	\$ 188,313
Fines, WSCC & Other Fees	396	576	(180)	-31%	1,573	1,728	(155)	-9%	6,912
Interest income & other	1,665	193	1,472	763%	3,569	579	2,990	516%	2,317
Total revenues	22,643	15,459	7,184	46%	53,166	46,023	7,143	16%	197,542
Operating Expenses:									
Salaries and Benefits	7,348	6,721	627	9%	20,119	20,162	(43)	0%	87,180
Building, Leases and Facility	966	780	186	24%	2,263	2,340	(77)	-3%	9,359
Insurance	1,080	1,796	(716)	-	1,784	1,841	(57)	-	2,209
Third Party Vendor Contracts	727	2,316	(1,589)	-69%	5,125	5,719	(594)	-10%	22,915
Consulting and Contracting Services	1,021	858	163	19%	3,176	2,385	791	33%	8,396
Legal and Audit	973	738	235	32%	1,753	1,847	(94)	-5%	6,900
Training, Travel and Professional Dues	645	395	250	63%	1,063	1,107	(44)	-4%	4,316
Other	(545)	200	(745)	-373%	663	700	(37)	-5%	2,530
Total operating expenses	12,215	13,804	(1,589)	-12%	35,946	36,101	(155)	0%	143,805
Net operating income (loss)	10,428	1,655	8,773	530%	17,220	9,922	7,298	74%	53,737
Interest and Other Expenses									
Interest expense	2,343	554	1,789	323%	3,600	1,714	1,886	110%	6,913
Depreciation and amortization	1,400	1,400	-	-	4,200	4,200	-	-	25,200
Total interest and other expenses	3,743	1,954	1,789	92%	7,800	5,914	1,886	32%	32,113
Excess (Deficiency) of Revenues Over Expenses	\$ 6,685	\$ (299)	\$ 6,984	-2336%	\$ 9,420	\$ 4,008	\$ 5,412	135%	\$ 21,624
Number of Full-time Employees	511	541	(30)	-6%					541

CALIFORNIA ISO**Balance Sheet (Preliminary and Unaudited)**

As of March 31, 2007

(dollars in thousands)

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>
ASSETS			
NET ELECTRIC UTILITY PLANT	<u>\$ 169,831</u>	<u>\$ 167,481</u>	<u>\$ 2,350</u>
CURRENT ASSETS			
Unrestricted Cash and Cash Equivalents	27,286	39,407	(12,121)
Restricted Cash and Cash Equivalents	77,922	73,586	4,336
Accounts Receivable, net	48,925	43,323	5,602
Investments	95,462	94,954	508
Accrued Interest	970	1,177	(207)
Prepayments	1,334	1,334	-
Total Current Assets	<u>251,899</u>	<u>253,781</u>	<u>(1,882)</u>
NONCURRENT ASSET AND DEFERRED CHARGES			
Unamortized debt expenses and other	<u>2,314</u>	<u>2,418</u>	<u>(104)</u>
Total Noncurrent Asset and Deferred Charges	<u>2,314</u>	<u>2,418</u>	<u>(104)</u>
TOTAL ASSETS	<u><u>\$424,044</u></u>	<u><u>\$423,680</u></u>	<u><u>\$ 364</u></u>
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION			
Stakeholders' Surplus	\$ 171,657	\$ 164,972	\$ 6,685
Long-term Debt	<u>120,028</u>	<u>120,028</u>	<u>-</u>
TOTAL CAPITALIZATION	<u>291,685</u>	<u>285,000</u>	<u>6,685</u>
CURRENT LIABILITIES			
Long-term debt due within one year	49,000	49,000	-
Accounts Payable	23,573	31,434	(7,861)
Fines subject to refund	58,771	57,231	1,540
Total Current Liabilities	<u>131,344</u>	<u>137,665</u>	<u>(6,321)</u>
NONCURRENT LIABILITY AND DEFERRED CREDITS			
Other	<u>1,015</u>	<u>1,015</u>	<u>-</u>
Total Noncurrent Liability and Deferred Credits	<u>1,015</u>	<u>1,015</u>	<u>-</u>
TOTAL LIABILITIES	<u>132,359</u>	<u>138,680</u>	<u>(6,321)</u>
TOTAL CAPITALIZATION AND LIABILITIES	<u><u>\$424,044</u></u>	<u><u>\$423,680</u></u>	<u><u>\$ 364</u></u>

CALIFORNIA ISO
Capital Projects Report

For the three-month period ended March 31, 2007
(dollars in thousands)

Capital Spending

	Approved Projects					
	<u>Month</u> <u>Actual</u>	<u>YTD</u> <u>Actual</u>	<u>2007</u> <u>Approved</u> <u>Projects</u>	<u>Projected</u> <u>Costs for</u> <u>Approved</u> <u>Projects</u>	<u>Original</u> <u>2007</u> <u>Budget</u>	<u>Future</u> <u>O&M</u>
Facilities	\$ -	\$ 4	\$ 1,600	\$ 1,600	\$ 2,000	\$ -
Market Redesign	1,582	2,852	23,035	23,035	22,991	-
Technology Upgrade	1,414	4,103	22,030	22,030	21,983	-
Main Operating Systems - All	-	-	-	-	2,275	-
Other Systems - Corporate Support	355	355	2,015	2,017	3,225	-
Total 2007 Capital Spending	<u>3,351</u>	<u>7,314</u>	<u>48,680</u>	<u>48,682</u>	<u>52,474</u>	<u>-</u>
2006 Capital Projects	<u>645</u>	<u>1,215</u>	<u>6,233</u>	<u>6,670</u>		
Total Capital	<u>\$ 3,996</u>	<u>\$ 8,529</u>	<u>\$ 54,913</u>	<u>\$ 55,352</u>	<u>\$ 52,474</u>	<u>\$ -</u>

CALIFORNIA ISO

Monthly Market Summary By Charge Type

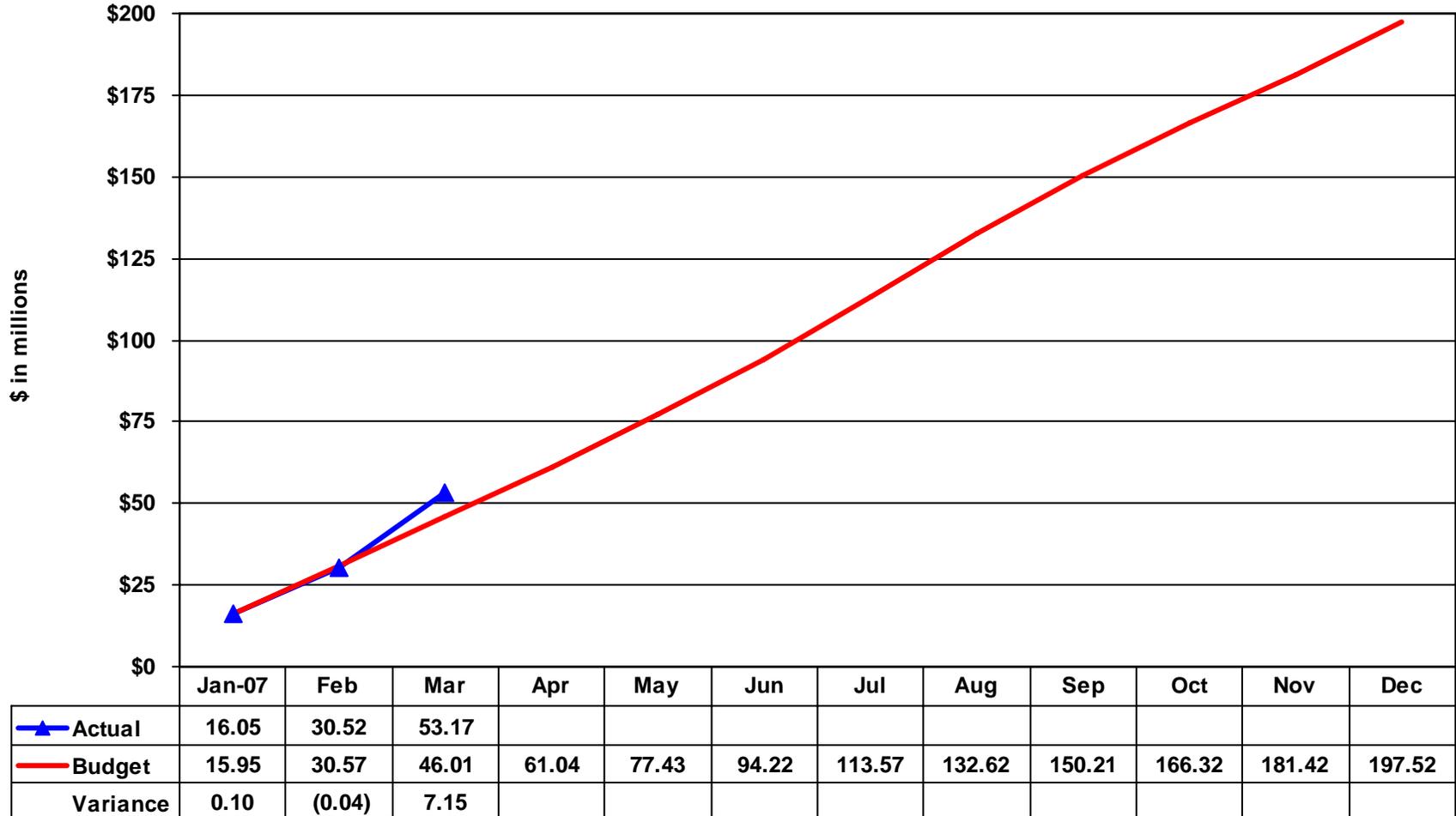
For the trade month December 2006 settled in March 2007

Charge Type	Type	Unit		Settlements Amount	
		Due SC	Due ISO	Due SC	Due ISO
Spin Reserve	MW	10,513,447	252,925	\$ 1,107,569	\$ 1,322,354
Non-Spin Reserve	MW	5,648,799	142,025	161,359	157,864
AGC/Regulation	MW	869,643	169,115	2,402,760	2,139,428
Replacement Reserve	MW	-	-	-	-
No-Pay Provision		18,857,079	21,845	123,188	123,261
Rational Buyer Adjustment		-	3,627,729	-	52,064
Total Ancillary Services		35,888,968	4,213,639	\$ 3,794,877	\$ 3,794,971
Energy (Note1)	MWh	907,462	15,523,970	\$ 36,681,198	\$ 41,268,906
Neutrality		19,930,923	47	4,873,003	282,437
Minimum Load Cost Compensation		39,966	11,189,541	2,870,261	2,853,463
Start-Up Cost Compensation		19,574,096	19,574,096	670,977	670,977
Emissions Cost Compensation		-	-	-	-
Voltage Support		-	7,940,400	137,843	137,843
Intermittent Resource Deviation		1,023,132	205,685	1,050,020	1,050,020
Total Energy		41,475,580	54,433,739	\$ 46,283,302	\$ 46,263,646
Inter-Zonal Congestion	MWh	5,829,441	51,892	\$ 10,464,896	\$ 10,484,738
Wheeling & High Voltage Access Charge	MWh	19,062,286	18,159,372	57,740,316	57,740,316
Others		8,495	84,938	8,711	8,697
FERC Fee		-	19,800,217	10	1,009,821
Penalty and Interest Charge		-	-	-	-
Total Transmission and Other		24,900,222	38,096,419	\$ 68,213,933	\$ 69,243,573
Total Market Billed by Charge Type		102,264,770	96,743,798	\$ 118,292,112	\$ 119,302,190
Other Billings					
Grid Management Charge				\$ 837	\$ 13,078,518

Note 1 - Energy includes Supplemental Energy, Imbalance Energy and Unaccounted-For-Energy

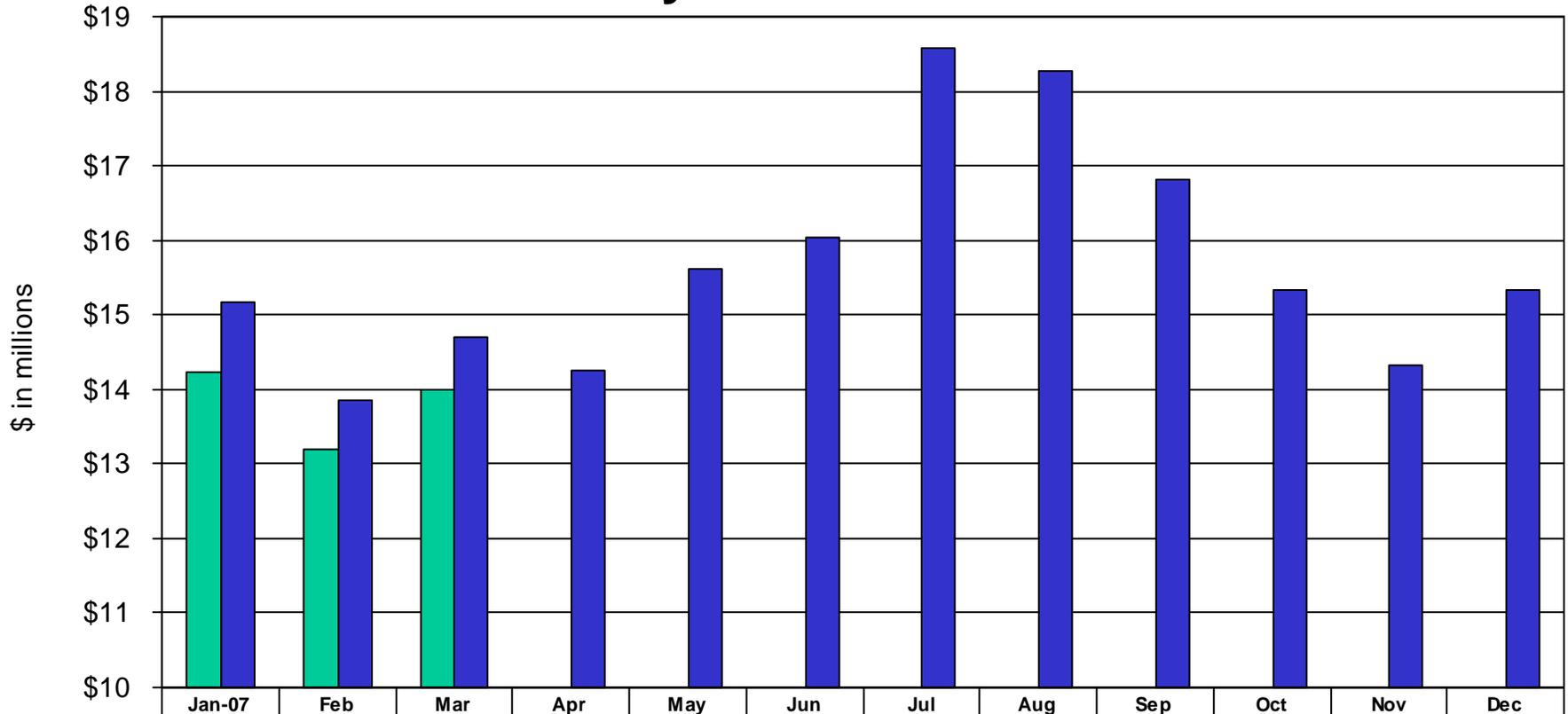
Cumulative Operating Revenues

Revenues = GMC, Interest, WSCC Security & Other Fees



January revenue is preliminary and February and March revenues are estimates.

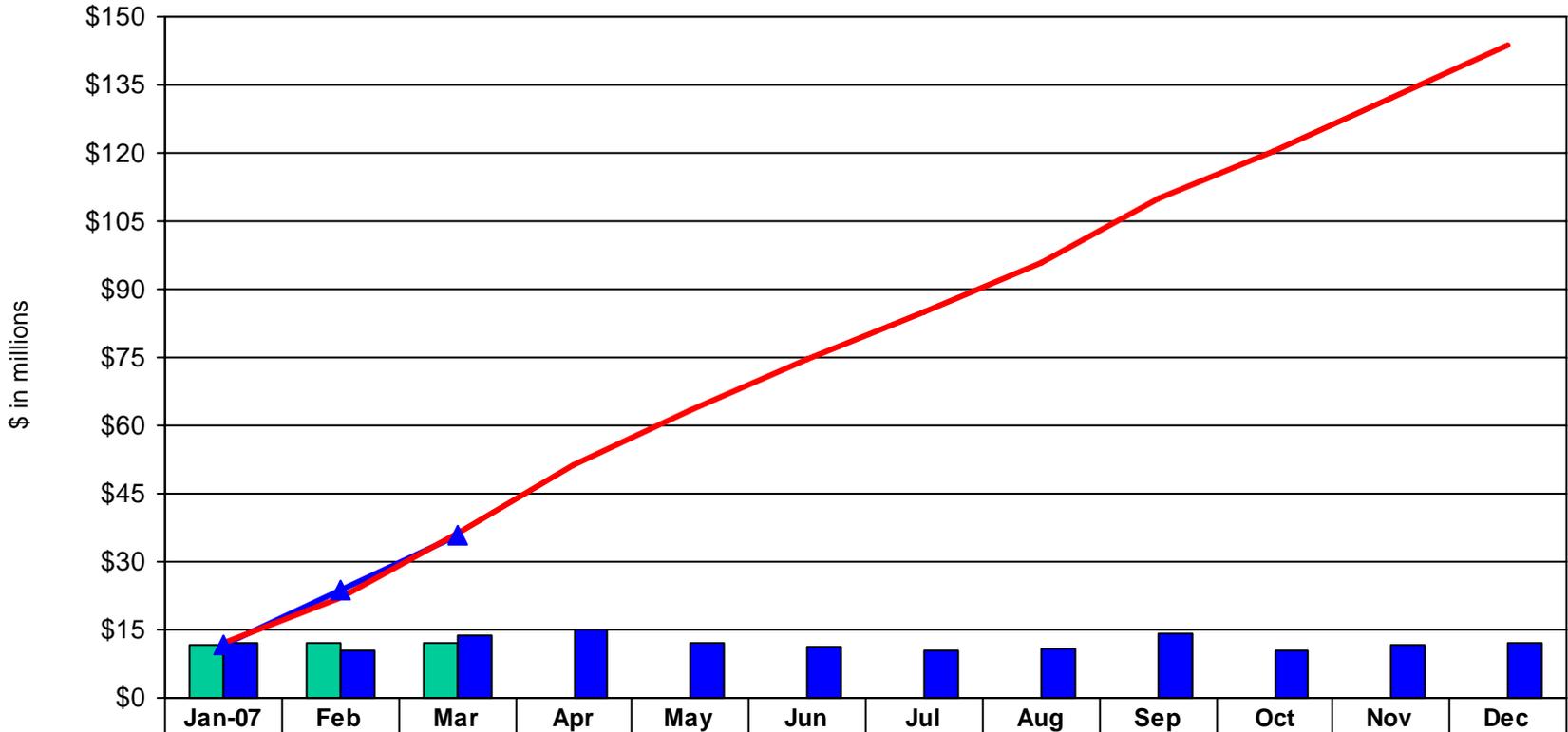
Monthly GMC Revenues



	Jan-07	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Actual	14.24	13.20	14.00									
Budget	15.18	13.85	14.69	14.26	15.62	16.04	18.58	18.28	16.82	15.33	14.33	15.33
Variance	(0.94)	(0.65)	(0.69)									
Cum Variance	(0.94)	(1.59)	(2.28)									

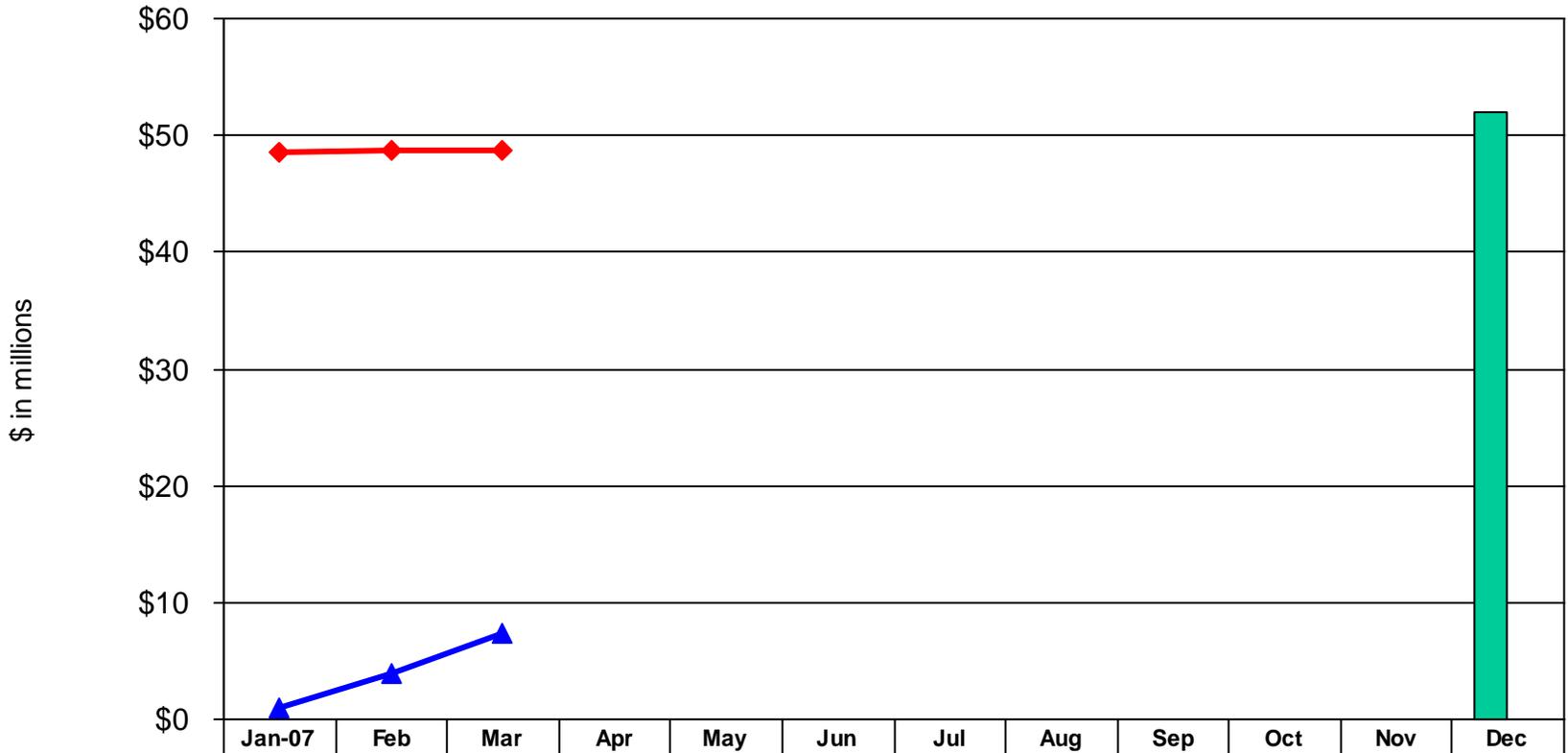
January revenues are preliminary and February and March revenues are estimates.

Operating and Maintenance Expenses (O&M)



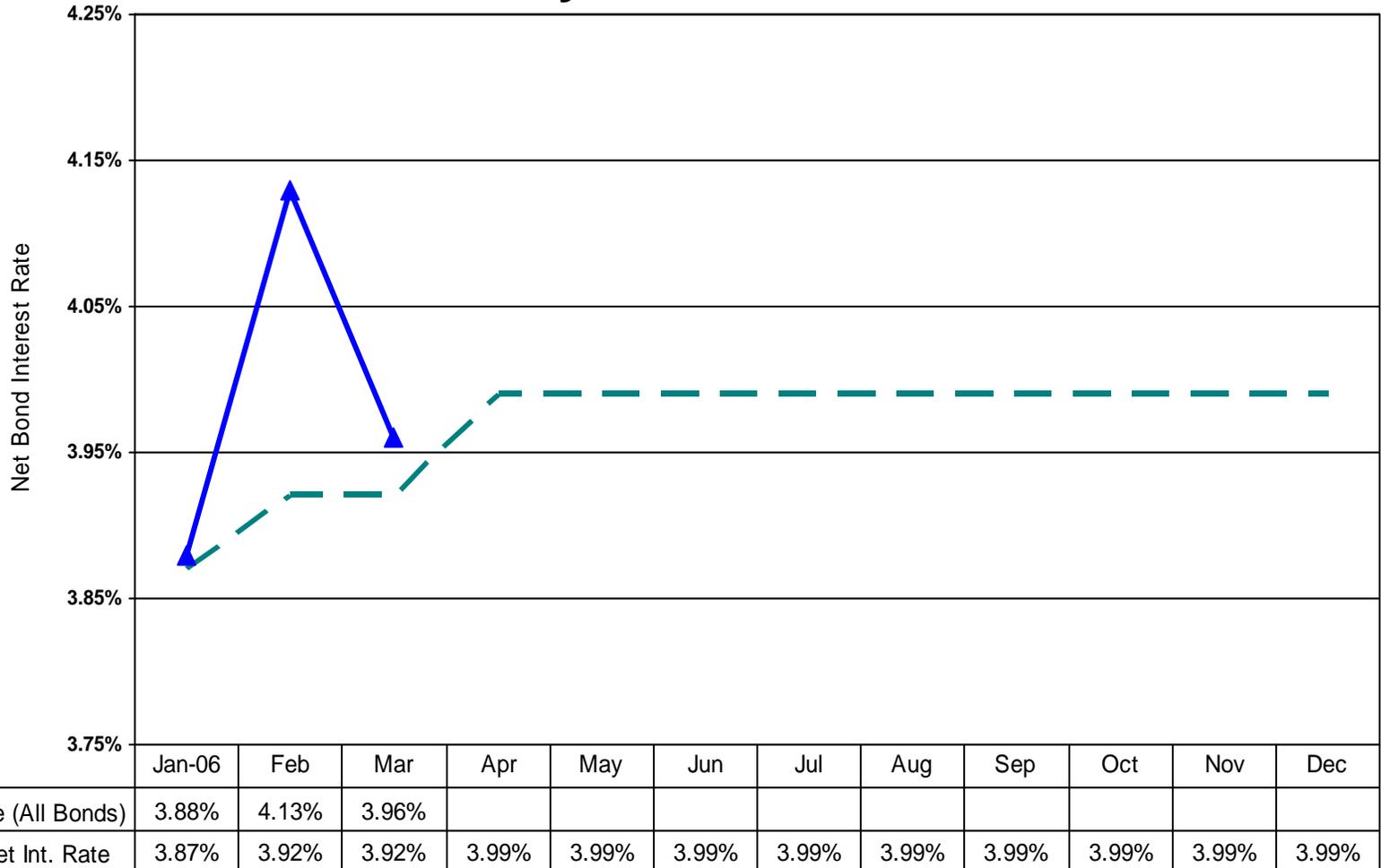
Monthly Actual	11.66	12.07	12.22									
Monthly Budget	11.89	10.40	13.80	14.98	12.11	11.37	10.48	10.97	14.13	10.22	11.52	11.92
Cum Actual	11.66	23.73	35.95									
Cum Budget	11.89	22.29	36.09	51.07	63.18	74.55	85.03	96.01	110.14	120.36	131.88	143.81
Cum Variance	0.23	-1.44	0.15									

Cumulative Capital Expenditures



 Budgeted capital													52.00
 2007 O&M Impact	0.00	0.00	0.00										
 Cumulative Expenditures	1.00	3.96	7.30										
 Approved projects	48.59	48.68	48.68										

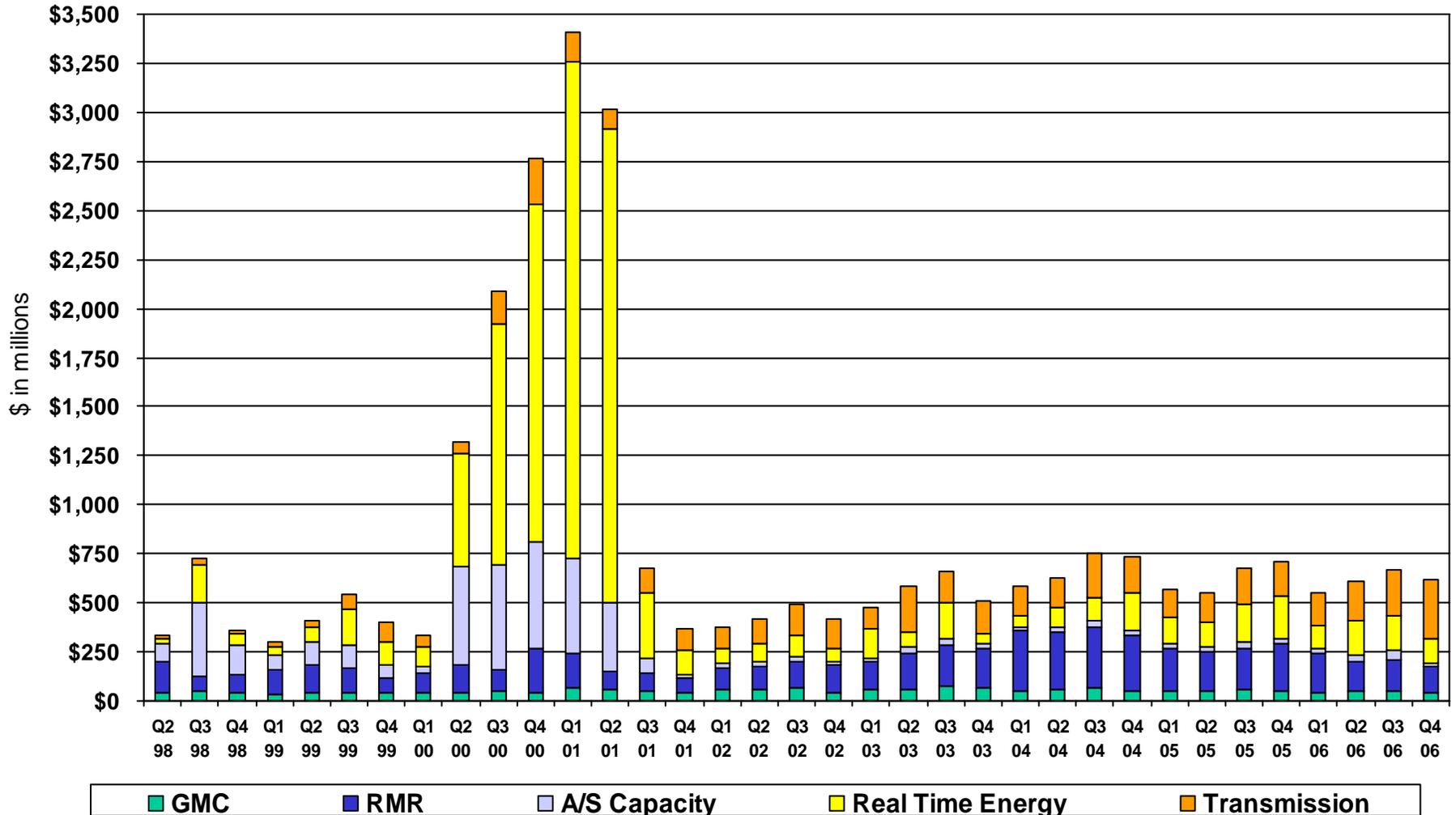
ISO Monthly Debt Rates



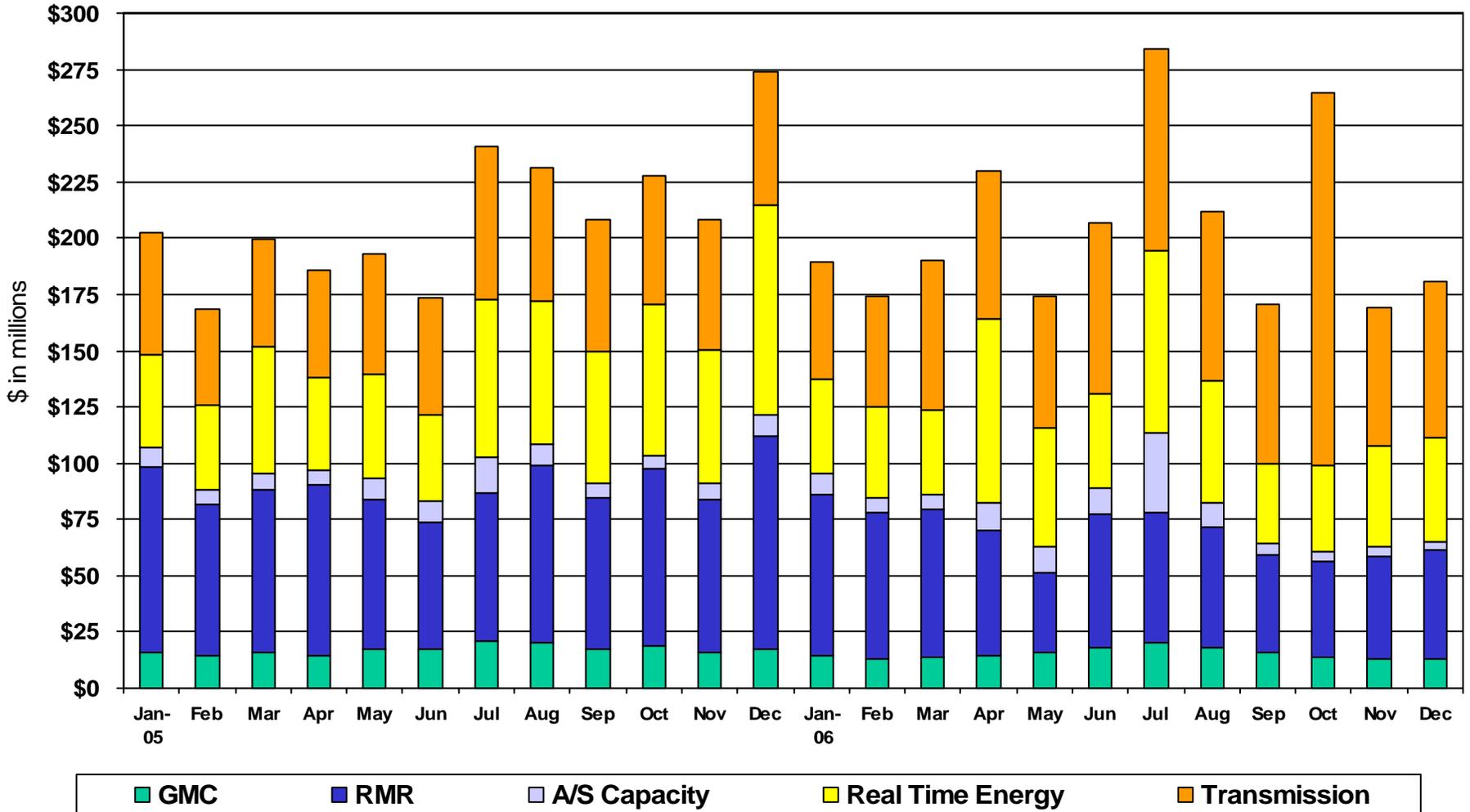
These rates do not include adjustments for amortization of bond issuance costs and remarketing fees.

CAISO Market Costs By Quarter

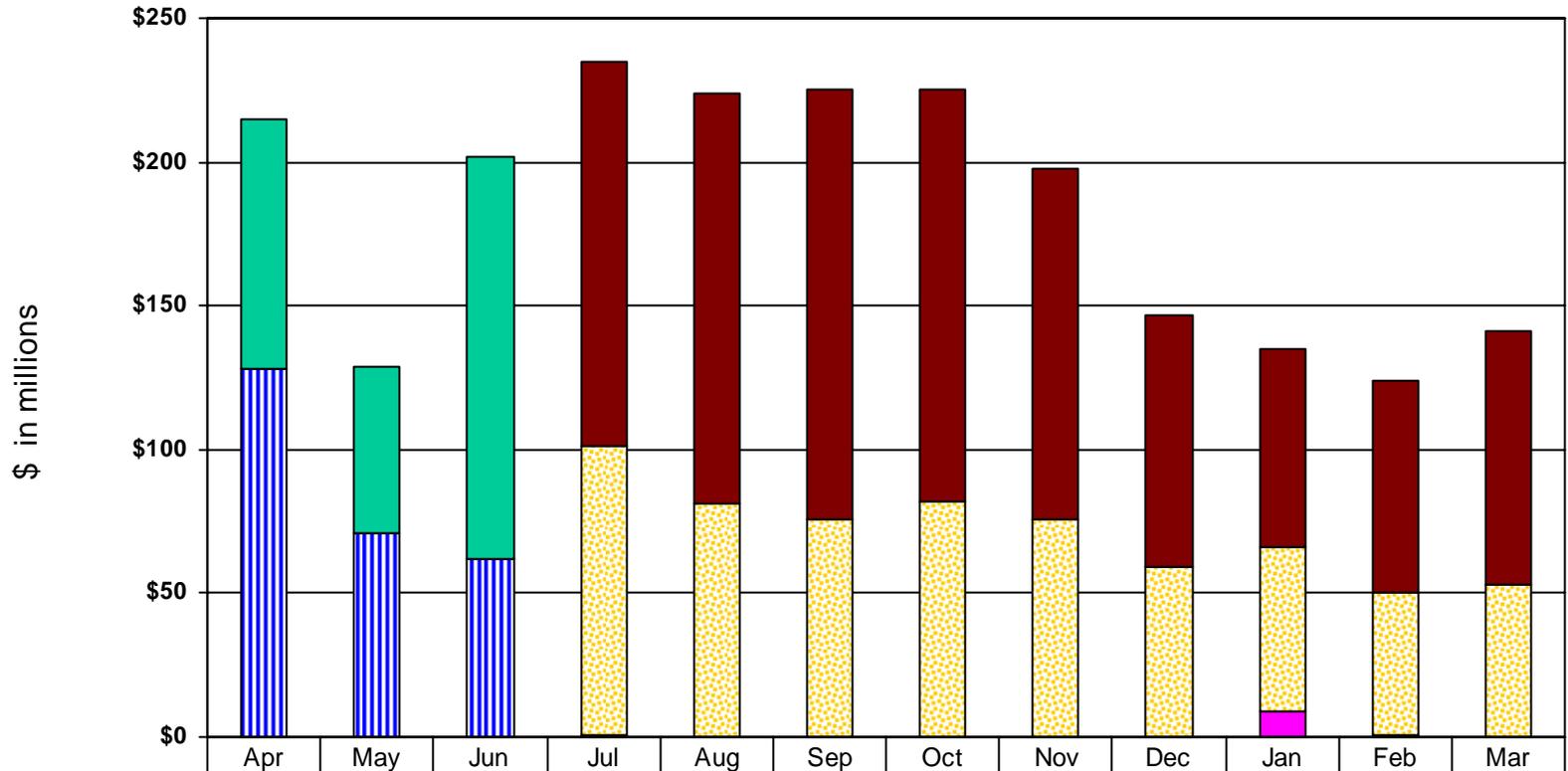
2nd Quarter 1998 (Inception) through 4th Quarter 2006



CAISO Market Costs By Month January 2005 through December 2006



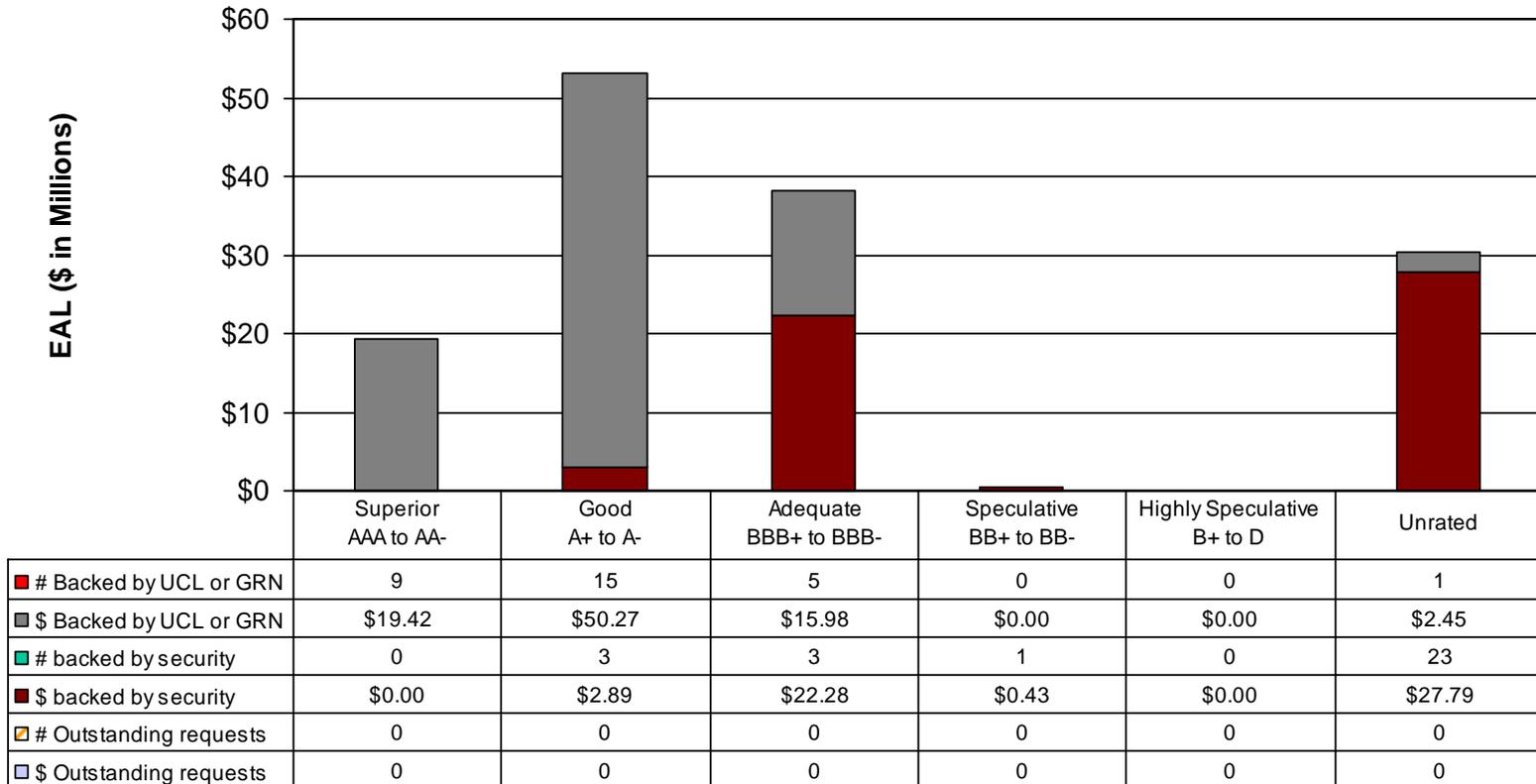
Outstanding Obligations of Market Participants



■ Backed by UCL or GRN				134	143	149	143	122	88	69	74	88
■ Backed by posted security				100	81	76	82	76	59	57	49	53
■ Outstanding security requests				1	0	0	0	0	0	9	1	0
■ SCs with approved credit ratings	87	58	140									
■ SCs with posted security	128	71	62									

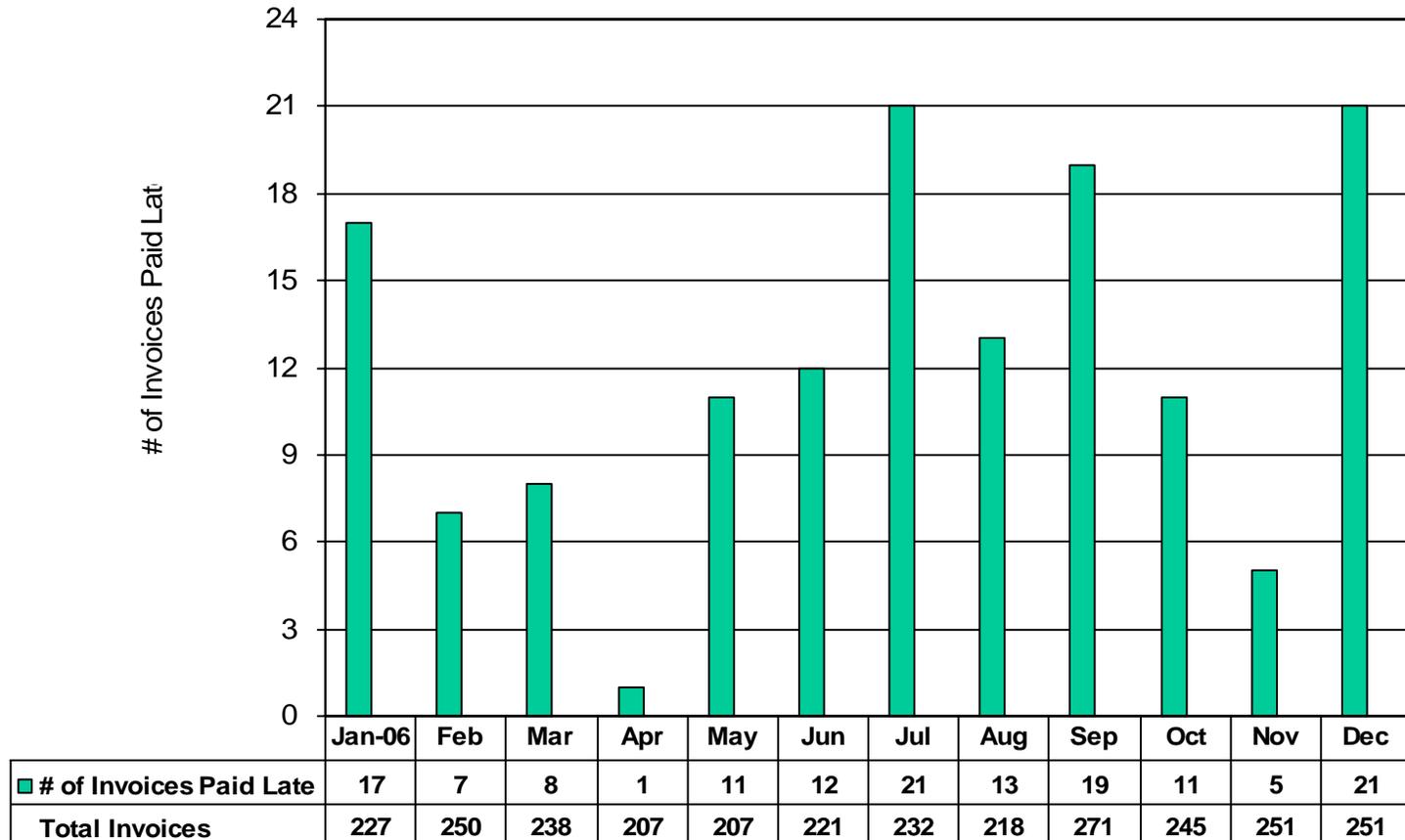
As of June 19, the CAISO completed its transition to a new approach for assigning unsecured credit limits (UCL). Effective May 2006, outstanding obligations are estimated using available historical settlements data in contrast with the use of SCALE application data (SCALE is currently inoperative) in previous months. Posted security includes letters of credit, surety bonds, cash deposits held in escrow, certificates of deposit, payment bonds, and prepayments to the CAISO. The "Backed by UCL or GRN" category includes Unsecured Credit Limits (UCL) and Guarantees (GRN).

Backing for Estimated Aggregate Liability (EAL) by Credit Quality



Credit Quality

Timeliness of Market Collections



Payment shown late if not paid by close of business on payment due date.