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# QUARTERLY FINANCIAL REPORT

## Quarter Ending March 31, 2012

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**  
**QUARTERLY FINANCIAL REPORT - March 31, 2012**

**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
Monthly Operating and Maintenance Expenses	6
Cumulative Capital Expenditures	7
ISO Market Costs by Month - February 2010 through March 2012	8
ISO Market Costs by Quarter - 3rd Quarter 2007 through 1st Quarter 2012	9
Collateral and Estimated Aggregate Liability	10
Unsecured Collateral	11
Secured Collateral	12

# **CALIFORNIA ISO**

## **SUMMARY, DISCUSSION AND COMMENTARY**

For the first quarter ended March 31, 2012

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

- ♦ Q1 operating revenues were \$1.5M under budget
  - This is primarily due to the timing of the actual collection of other fees compared to the budget and to slightly lower GMC revenues. The Company monitors these collections closely and may adjust GMC rates to mitigate any variances as described in the Tariff.
- ♦ Q1 operating revenues were \$1.5M lower than the previous year.
  - Previous year variances are generally a result of changes in the budgeted revenue requirement and timing of collections.
- ♦ Q1 operating expenses were \$1.7M under budget.
  - This is primarily due to the timing of payments and budget discipline during the period.
- ♦ Q1 operating expenses were \$1.0M lower than last year
- ♦ Currently there are 577 full-time employees compared to 601 full-time employees budgeted. There were 578 full-time employees Q1 last year.

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

- ♦ Q1 interest income and other was \$1.1M 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.)
- ♦ Q1 interest income and other were lower by \$0.6M compared to the previous year due to lower investment balances.
- ♦ Q1 interest expenses is at budget.
- ♦ Q1 interest expenses compared to last year were lower overall due to lower debt balances as a result of scheduled debt payments.
- ♦ Q1 losses on investments represent the quarterly mark-to-market adjustments of the fixed income investments held.

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

- ♦ The changes in cash and cash equivalents and investments were primarily due to debt service payments and returns of collateral deposits during the current quarter. Changes in the rest of the accounts were a result of normal business activity during the quarter.

### **CAPITAL PROJECTS: (pages 3 and 7)**

- ♦ 2012 capital projects were budgeted for the year at \$20.8M.
- ♦ Q1 capital projects approved totaled \$7.5M, actual capital project expenditure totaled \$2.8M.
- ♦ Q1 expenditures for the 2011-approved capital projects totaled \$2.3M.

# **CALIFORNIA ISO**

## **SUMMARY, DISCUSSION AND COMMENTARY**

For the first quarter ended March 31, 2012

### ***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 March 29, 2012 the ISO maintained \$1.6B in collateral from market participants. This supports \$135.9M in aggregate liabilities due in the market.
- ♦ Approximately \$1.3B of the collateral is from unsecured sources (i.e., unsecured credit limits and parent guarantees) with investment grade or equivalent ratings.
- ♦ \$351.8M of the collateral is from secured forms (i.e., cash , letters of credit, etc.). This collateral is predominantly invested in AAA rate money market funds or backed by A rated or better financial institutions

# CALIFORNIA ISO

## Statement of Operations

For the first quarter ended March 31, 2012  
(dollars in thousands)

	Q1 Actual	Q1 Budget	Variance	Q1 Prior Year	Variance	2012 Budget
<b>Operating Revenues:</b>						
Grid Management Charge	\$ 43,821	\$ 44,403	\$ (582)	\$ 44,529	\$ (708)	\$ 194,821
Fines, WSCC & Other Fees	472	1,375	(903)	1,285	(813)	5,500
Total operating revenues	44,293	45,778	(1,484)	45,814	(1,521)	200,321
<b>Operating Expenses:</b>						
Salaries and Benefits	28,892	29,805	(913)	28,815	\$ 77	113,150
Building, Leases and Facility	2,024	2,039	(15)	2,496	(472)	7,450
Insurance	556	501	54	724	(169)	2,006
Third Party Vendor Contracts	3,815	3,741	74	4,109	(294)	15,948
Consulting and Contracting Services	2,852	3,296	(444)	3,005	(153)	14,242
Legal and Audit	913	1,002	(89)	801	112	4,355
Training, Travel and Professional Dues	771	944	(173)	740	31	3,675
Other	280	554	(274)	444	(164)	2,222
Total operating expenses	40,102	41,881	(1,780)	41,134	(1,032)	163,048
Net operating income (loss)	4,192	3,896	295	4,680	(488)	37,273
<b>Interest and Other Expenses</b>						
Interest income & other	1,862	725	1,137	1,233	629	2,900
Interest expense	3,405	3,394	11	3,674	(269)	13,633
Gains and losses on investments (realized and unrealized)	(266)	-	(266)	(454)	188	-
Depreciation and amortization	18,680	18,680	-	16,347	2,334	65,000
Total interest and other expenses	20,490	21,350	(860)	19,241	1,249	75,733
Excess (Deficiency) of Revenues Over Expenses	\$ (16,298)	\$ (17,454)	\$ 1,155	\$ (14,561)	\$ (1,737)	\$ (38,460)
<b>Number of Full-time Employees</b>	<u>577</u>			<u>578</u>		<u>601</u>

**CALIFORNIA ISO**  
**Balance Sheet**  
As of March 31, 2012  
*(dollars in thousands)*

	Current Quarter 3/31/2012	Prior Quarter 12/31/2011	Change	%
<b>ASSETS</b>				
NET ELECTRIC UTILITY PLANT	\$ 290,624	\$ 303,868	\$ (13,244)	-4%
CURRENT ASSETS				
Unrestricted Cash and Cash Equivalents	32,627	31,132	1,495	5%
Restricted Cash and Cash Equivalents	223,992	299,615	(75,623)	-25%
Other Special Deposits	34,695	34,677	17	0%
Accounts Receivable, net	9,885	12,541	(2,655)	-21%
Investments	159,593	197,827	(38,234)	-19%
Accrued Interest	745	1,303	(558)	-43%
Prepayments	4,772	5,811	(1,038)	-18%
Total Current Assets	466,309	582,905	(116,596)	-20%
NONCURRENT ASSET AND DEFERRED CHARGES				
Unamortized Debt Expenses and Other	4,575	3,781	794	21%
Total Noncurrent Asset and Deferred Charges	4,575	3,781	794	21%
<b>TOTAL ASSETS</b>	<b>\$ 761,508</b>	<b>\$ 890,554</b>	<b>\$ (129,047)</b>	<b>-14%</b>
<b>LIABILITIES AND NET ASSETS</b>				
CURRENT LIABILITIES				
Long-term Debt Due Within One Year	39,580	28,585	10,995	38%
Accounts Payable	26,024	44,460	(18,436)	-41%
Customer Deposits & Other	279,782	347,208	(67,426)	-19%
Fines Subject to Refund	666	638	28	4%
Total Current Liabilities	346,052	420,891	(74,840)	-18%
NONCURRENT LIABILITIES				
Long-term Debt, Net of Current Portion	219,329	259,201	(39,872)	-15%
Other	20,093	19,343	750	4%
Total Noncurrent Liability and Deferred Credits	239,422	278,544	(39,122)	-14%
NET ASSETS	\$ 176,034	\$ 191,119	\$ (15,085)	-8%
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 761,508</b>	<b>\$ 890,554</b>	<b>\$ (129,047)</b>	<b>-14%</b>

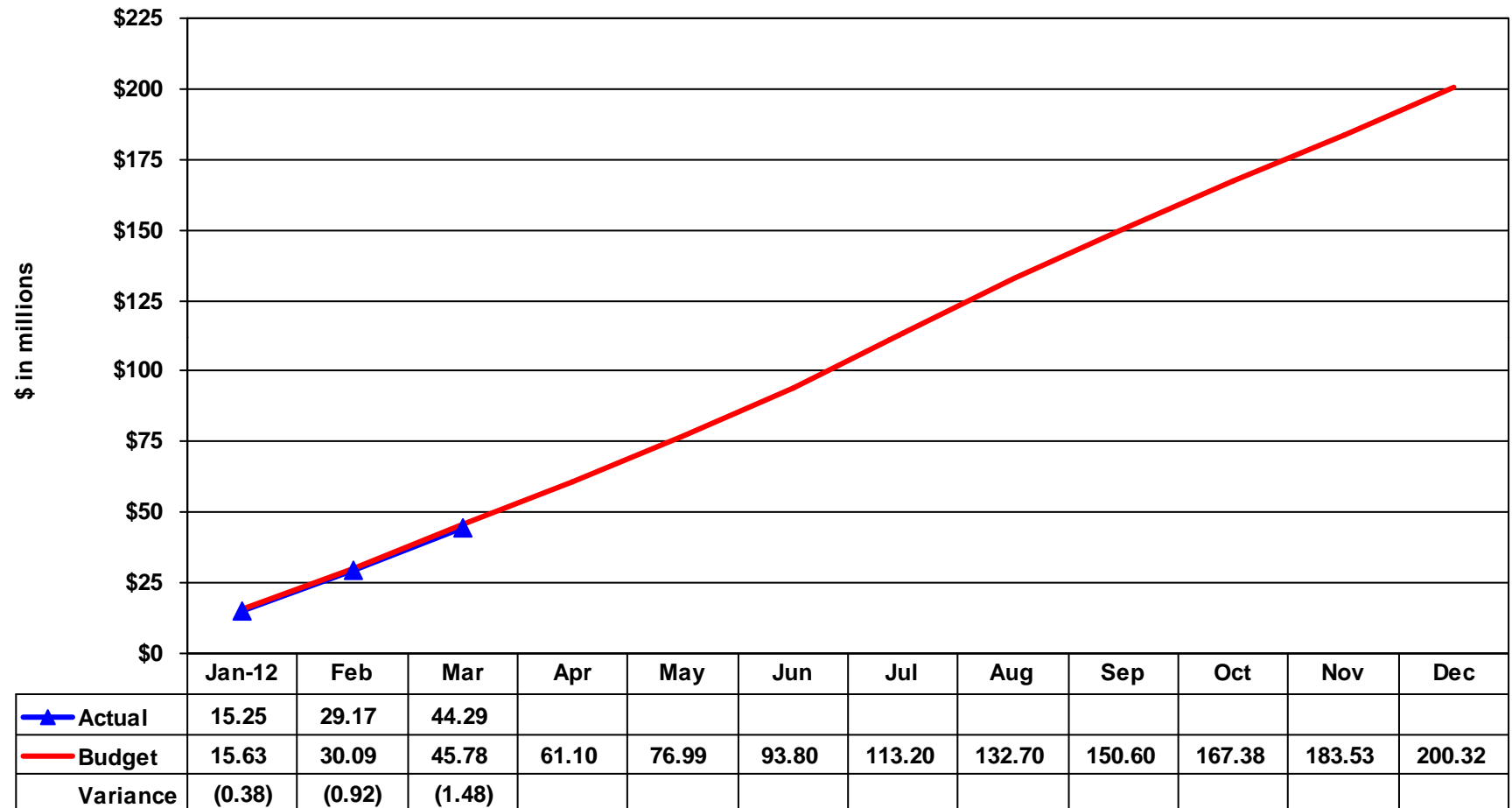
**CALIFORNIA ISO**  
**Capital Projects Report**

For the first quarter ended March 31, 2012  
*(dollars in thousands)*

	<b>Approved Projects</b>			
	Q1 Actual	2012 Approved Projects	Total Projected Costs for Approved Projects	Original 2012 Budget
Implement Systems, Tools and Forecasting	\$ 519	\$ 2,639	\$ 2,639	\$ 3,800
Enhance Markets & Performance	96	1,862	1,862	8,400
Compliance Culture	26	35	35	2,900
Infrastructure Improvements	2,157	1,819	1,819	4,400
Blue Ravine Decommissioning Costs		1,143	1,143	1,300
<b>Total 2012 Capital Spending</b>	<b>2,798</b>	<b>7,498</b>	<b>7,498</b>	<b>20,800</b>
Prior Year Capital Projects	2,304	-	9,879	9,879
<b>Total Capital</b>	<b>\$ 5,102</b>	<b>\$ 7,498</b>	<b>\$ 17,377</b>	<b>\$ 30,679</b>

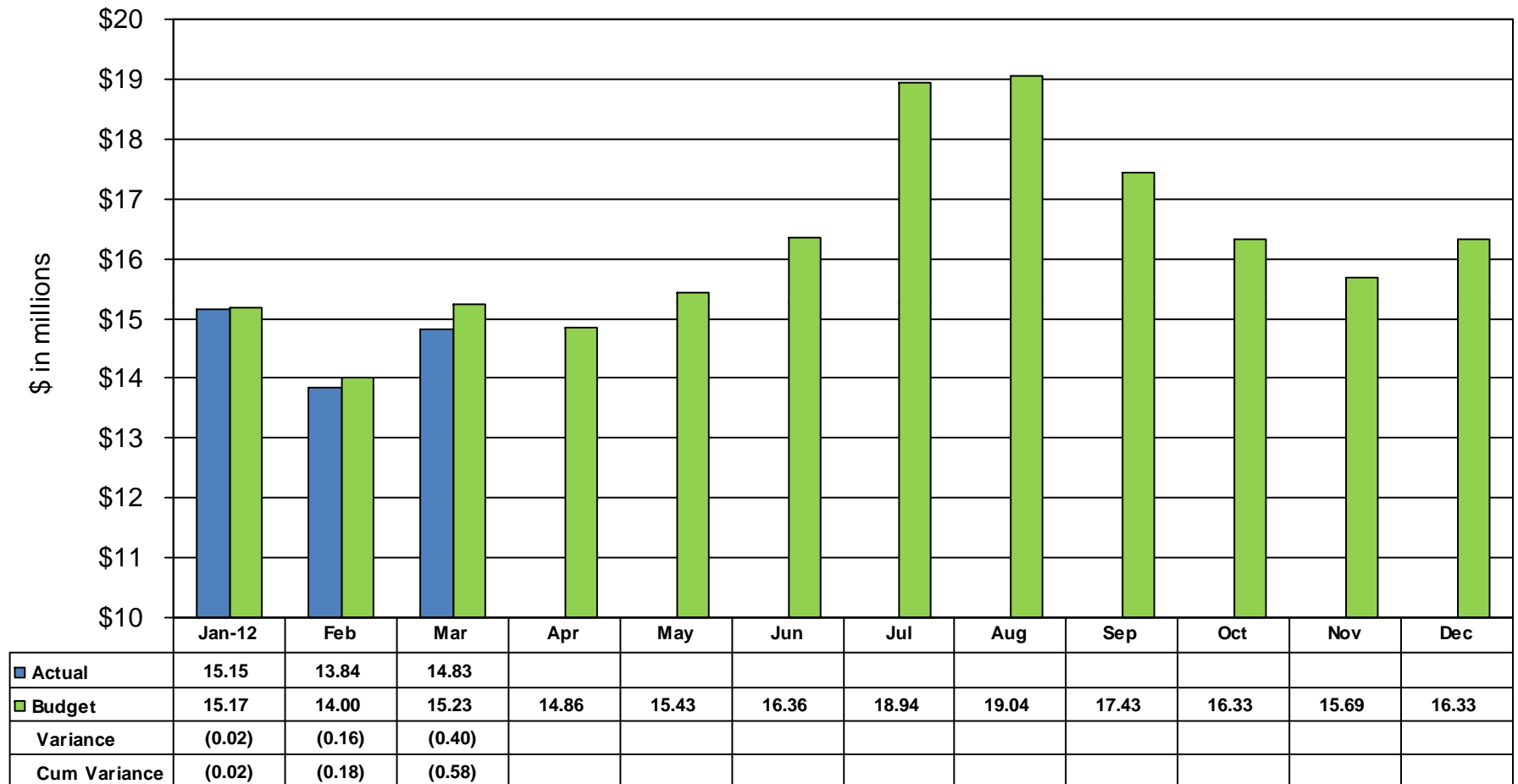
# Cumulative Operating Revenues

Revenues = GMC, LGIP, WSCC Security & Other Fees

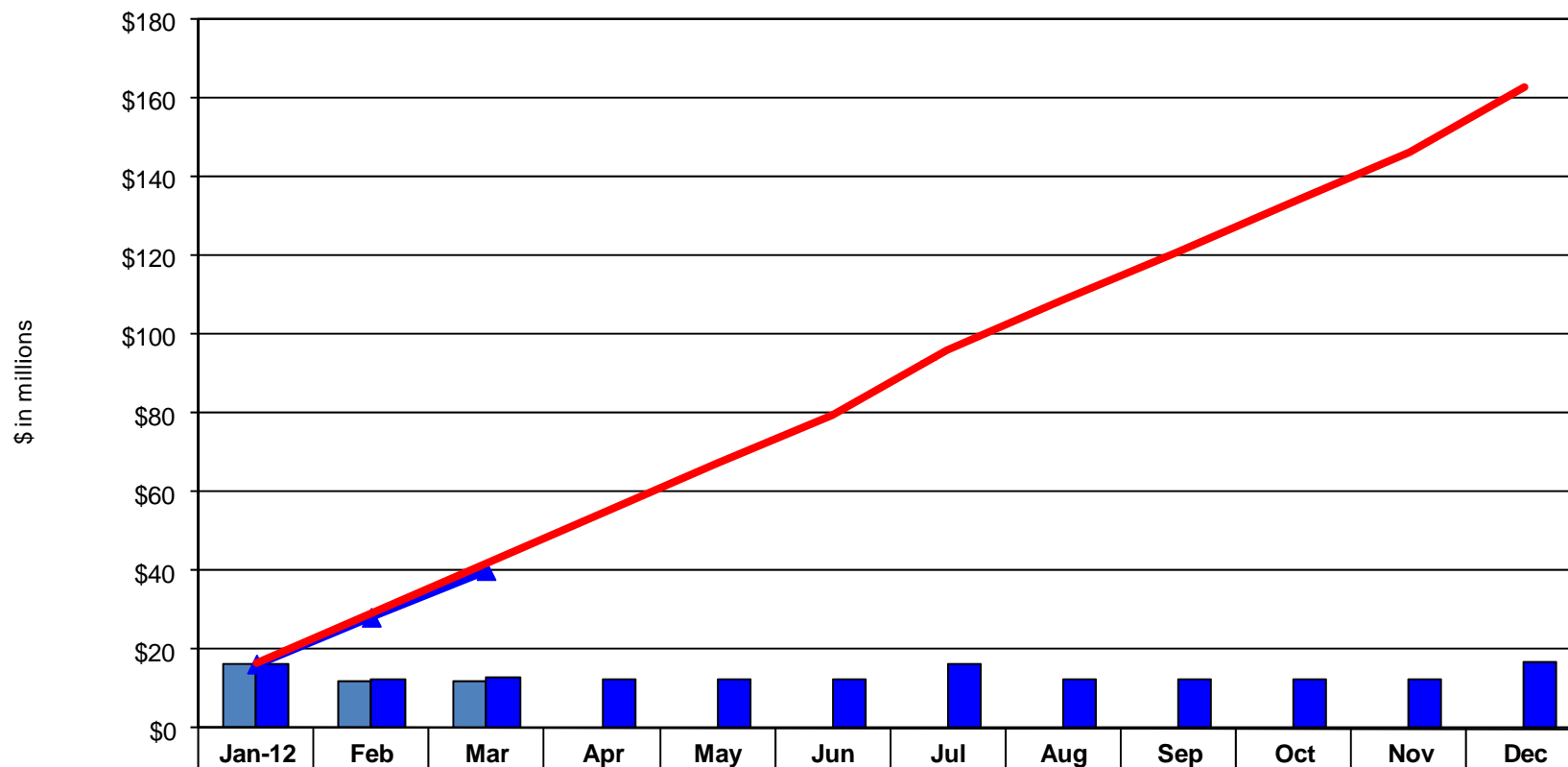




# Monthly GMC Revenues

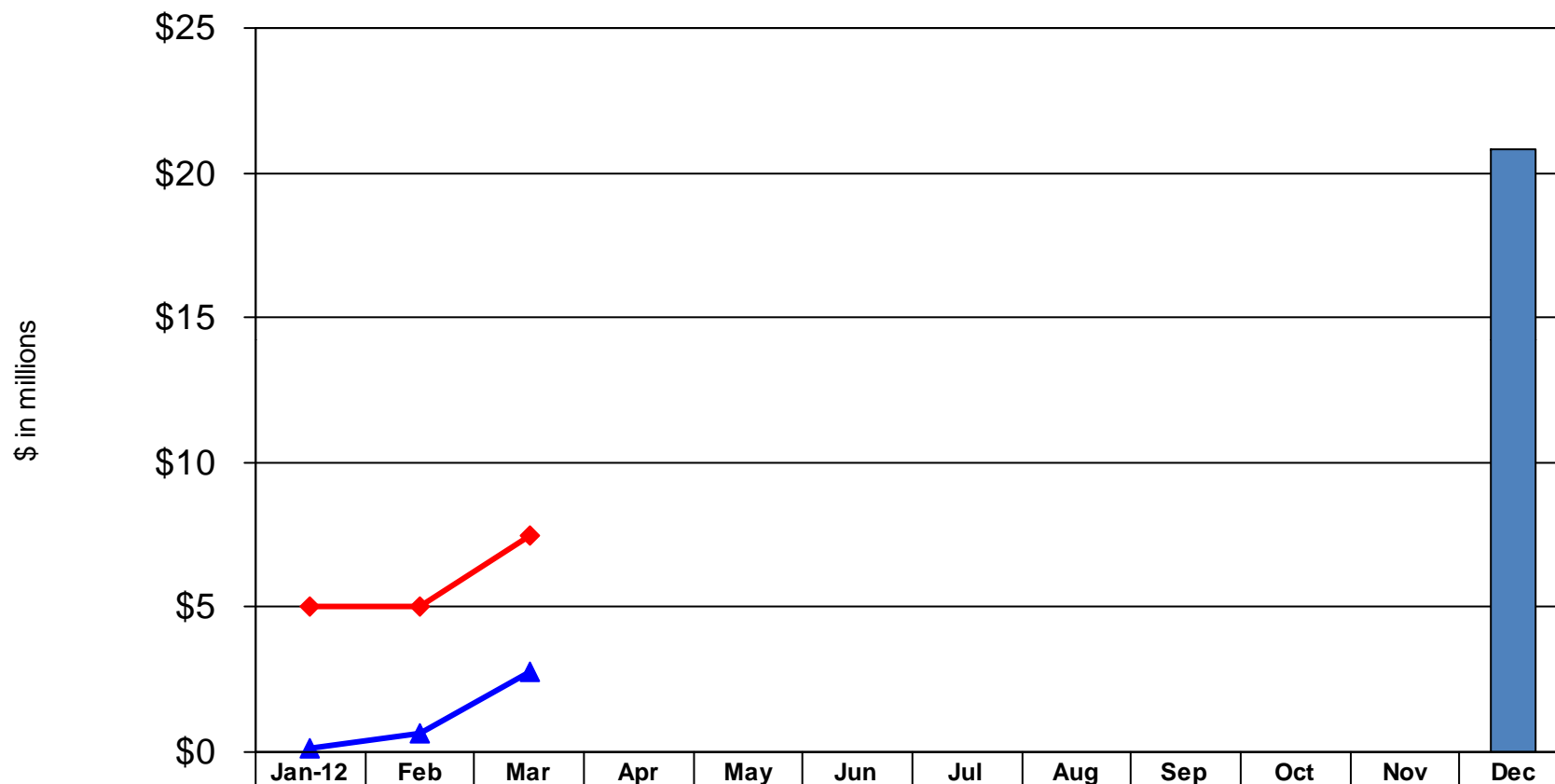


## Operating and Maintenance Expenses (O&M)



	Jan-12	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	16.32	11.89	11.89									
Monthly Budget	16.49	12.63	12.76	12.63	12.64	12.55	16.35	12.54	12.53	12.53	12.53	16.87
Cum Actual	16.32	28.21	40.10									
Cum Budget	16.49	29.13	41.88	54.51	67.15	79.70	96.05	108.59	121.12	133.65	146.17	163.05
Cum Variance	0.17	0.92	1.78									

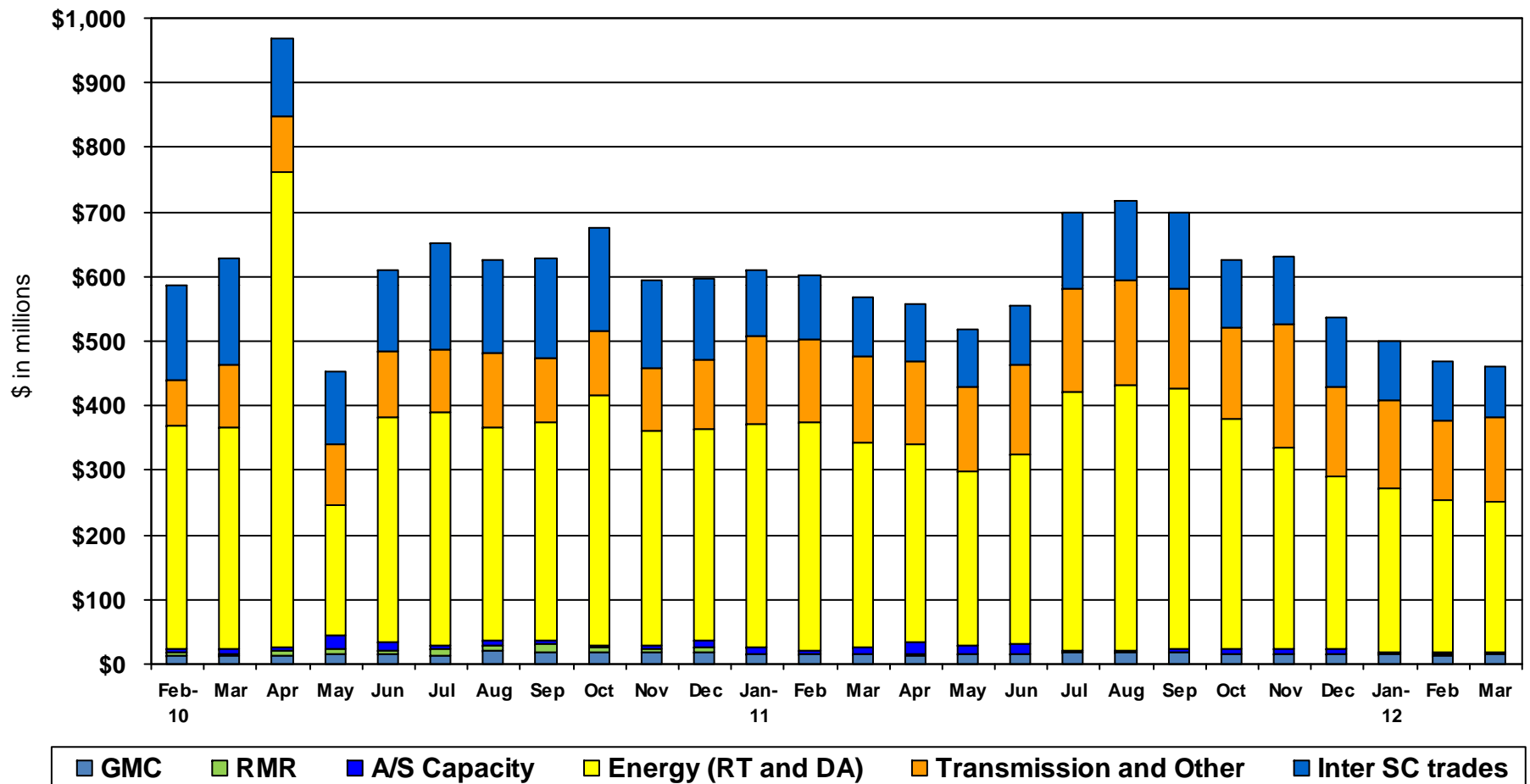
## Cumulative Capital Expenditures



Budgeted capital												20.80
Cumulative Expenditures	0.10	0.63	2.80									
Approved projects	5.03	5.03	7.50									

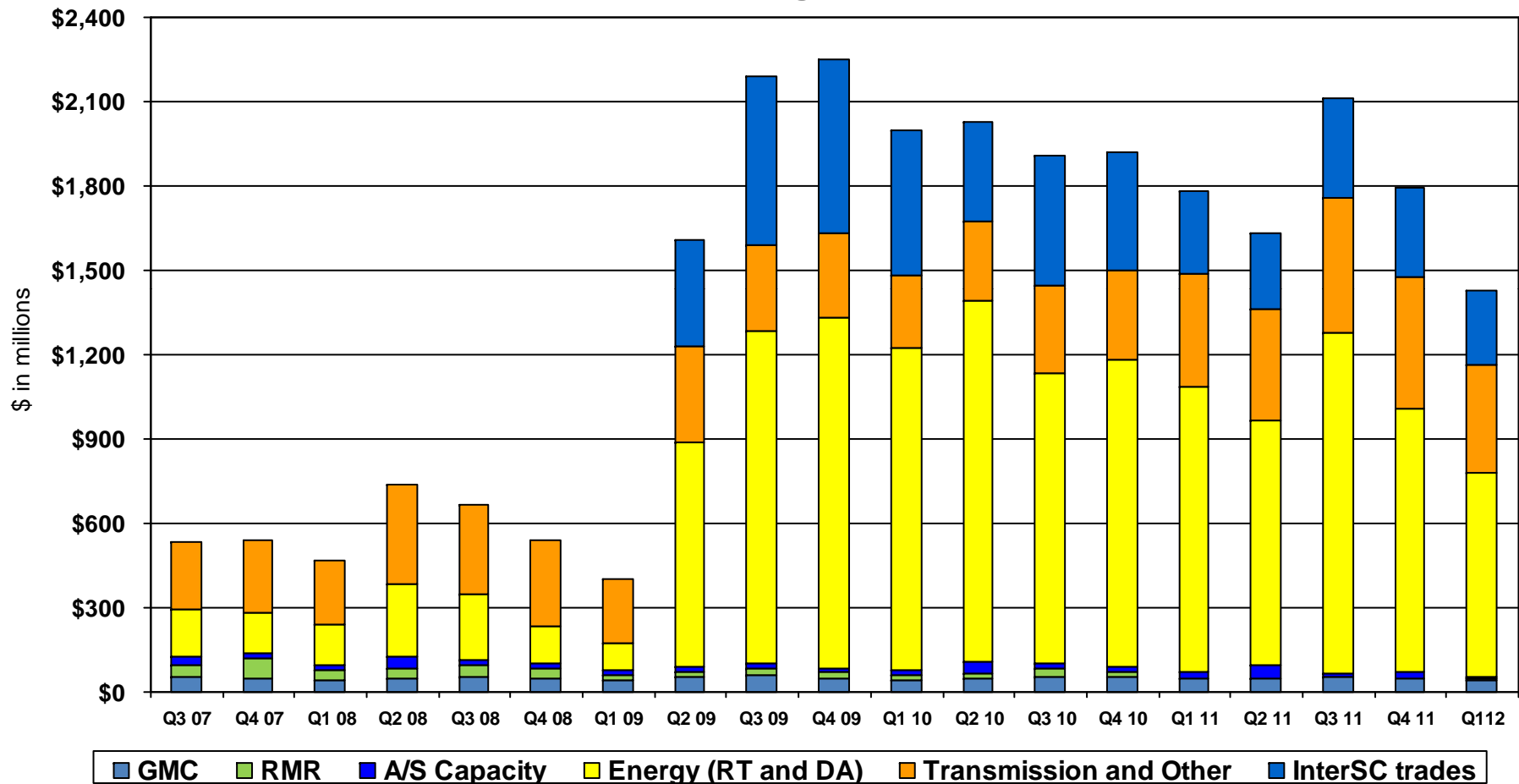
# ISO Market Revenues By Month

## February 2010 through March 2012



## ISO Market Revenues By Quarter

### 3rd Quarter 2007 through 1st Quarter 2012



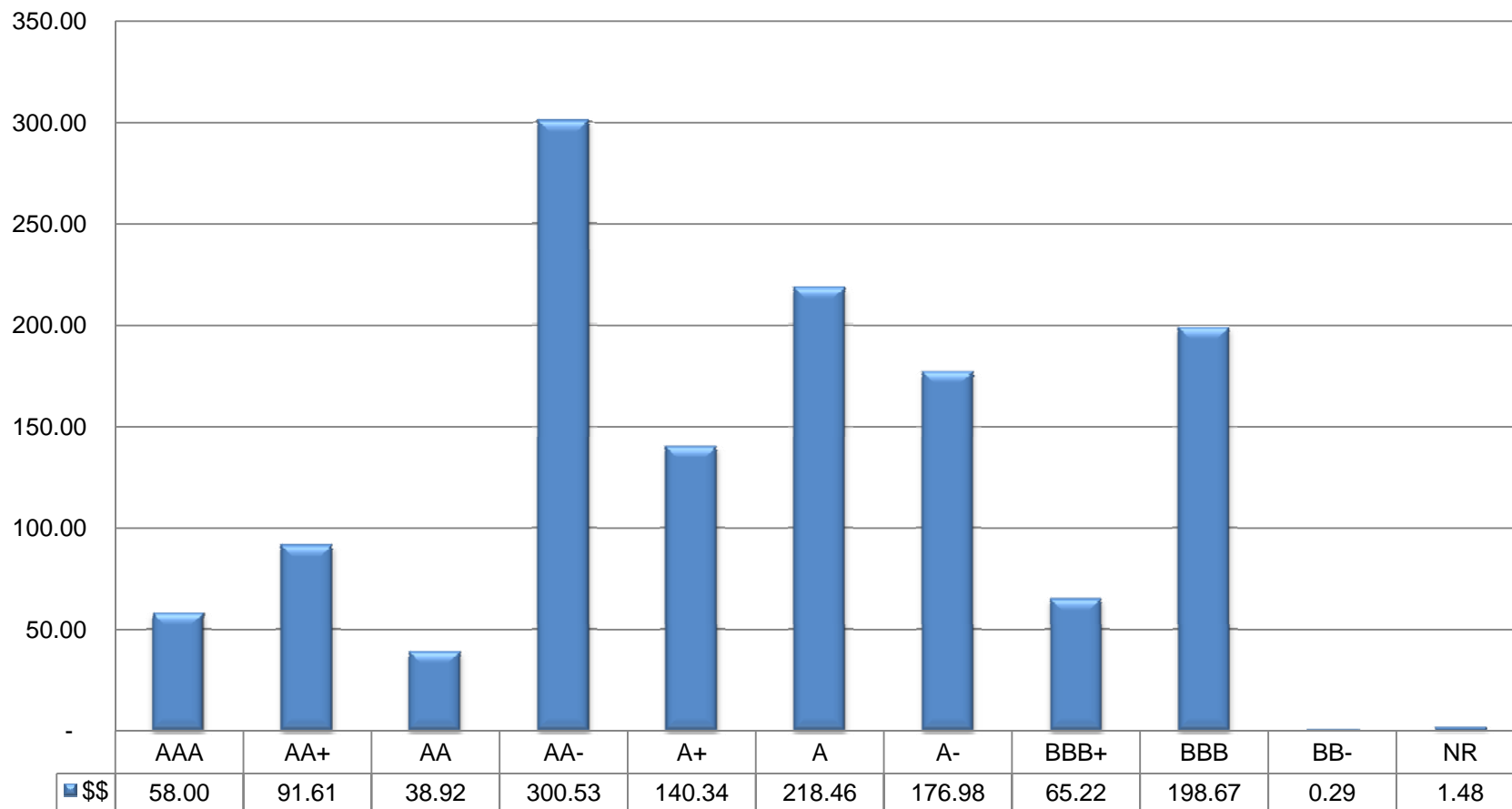
## Collateral & Estimated Aggregate Liability (as of 03/29/12)

Collateral Types	Amount
Unsecured	\$1,290,498,142
Secured	\$351,847,588
Total	\$1,642,345,730

Estimate Aggregate Liability	Amount
Positive EAL	\$135,948,122

# Unsecured Collateral (as of 03/29/12)

(in millions)



# Secured Collateral (as of 03/29/12)

(in millions)

