

---

# MONTHLY FINANCIAL REPORT

## May 2010

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**  
**MONTHLY FINANCIAL REPORT - May 31, 2010**

**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 Revenues by Month - May 2008 through April 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 five-months ended May 31, 2010

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

- ♦ YTD operating revenues were \$3.4M 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 \$5.1M 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 \$3.5M 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 \$0.5M 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 585 full-time employees compared to 615 full-time employees budgeted. There were 580 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 \$1.4M 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 \$1.2M higher compared to the previous year due to higher investment balances.
- ♦ YTD Interest expense, as compared to budget, was higher by \$0.6 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 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 compared to prior year due the fact that the gains in 2009 were 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.

### **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 May totaled \$13.9M.
- ♦ Actual expenditures to date for 2010-approved capital projects and the new facility totaled \$2.8M and \$98.0M, respectively. Expenditures for 2009-approved capital projects totaled \$8.3M.

# **CALIFORNIA ISO**

## **SUMMARY, DISCUSSION AND COMMENTARY**

For the five-months ended May 31, 2010

### ***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 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 11 and 12 )**

- ♦ Outstanding obligations of market participants reflects the seasonality of energy usage during the year.
- ♦ Outstanding obligations of market participants backed by unsecured credit limits (UCL) or guarantees (GRN) continues to decline resulting in the majority of outstanding market participant obligations being backed by posted security.
- ♦ 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 five-months ended May 31, 2010  
(dollars in thousands)

	Year to Date					2010
	Actual	Budget	Variance	PY Actual	Variance	Budget
<b>Revenues:</b>						
Grid Management Charge	\$ 70,435	\$ 75,409	\$ (4,973)	\$ 76,645	\$ (6,209)	\$ 195,067
Fines, WSCC & Other Fees	3,397	1,792	1,605	2,330	\$ 1,067	4,300
Total revenues	73,832	77,200	(3,368)	78,974	(5,142)	199,367
<b>Operating Expenses:</b>						
Salaries and Benefits	44,691	46,427	(1,736)	46,463	\$ (1,772)	110,028
Building, Leases and Facility	3,831	3,915	(84)	3,599	232	9,396
Insurance	693	919	(225)	318	375	2,205
Third Party Vendor Contracts	6,990	7,484	(495)	7,204	(215)	17,962
Consulting and Contracting Services	4,169	4,593	(423)	5,358	(1,189)	11,022
Legal and Audit	2,051	2,346	(295)	844	1,207	5,630
Training, Travel and Professional Dues	1,531	1,582	(51)	587	944	3,797
Other	892	1,107	(215)	927	(35)	2,656
Total operating expenses	64,848	68,372	(3,524)	65,301	(452)	162,696
Net operating income (loss)	8,984	8,828	156	13,674	(4,690)	36,672
<b>Interest and Other Expenses</b>						
Interest income & other	2,986	1,583	1,402	1,766	1,219	2,736
Interest expense	7,272	6,718	554	3,795	3,477	8,399
Gains and losses on investments (realized and unrealized)	412	-	412	1,265	(854)	-
Depreciation and amortization	22,817	22,817	-	9,477	13,340	62,000
Total interest and other expenses	26,691	27,952	(437)	10,240	14,743	67,663
Excess (Deficiency) of Revenues Over Expenses	\$ (17,707)	\$ (19,124)	\$ 593	\$ 3,434	\$ (19,433)	\$ (30,991)
<b>Number of Full-time Employees</b>	585			580		615

**CALIFORNIA ISO**  
**Balance Sheet**  
As of May 31, 2010  
*(dollars in thousands)*

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>	<u>%</u>
<b>ASSETS</b>				
NET ELECTRIC UTILITY PLANT	<u>\$ 316,860</u>	<u>\$ 309,716</u>	<u>\$ 7,144</u>	2%
CURRENT ASSETS				
Unrestricted Cash and Cash Equivalents	6,934	4,930	2,004	41%
Restricted Cash and Cash Equivalents	325,071	333,069	(7,998)	-2%
Other Special Deposits	35,181	35,143	38	0%
Accounts Receivable, net	28,197	26,471	1,726	7%
Investments	195,773	195,414	359	0%
Accrued Interest	1,323	1,365	(42)	-3%
Prepayments	7,455	8,031	(576)	-7%
Total Current Assets	<u>599,934</u>	<u>604,423</u>	<u>(4,489)</u>	-1%
NONCURRENT ASSET AND DEFERRED CHARGES				
Unamortized Debt Expenses and Other	4,745	4,643	102	2%
Total Noncurrent Asset and Deferred Charges	<u>4,745</u>	<u>4,643</u>	<u>102</u>	2%
<b>TOTAL ASSETS</b>	<u><u>\$ 921,539</u></u>	<u><u>\$ 918,782</u></u>	<u><u>\$ 2,757</u></u>	0%
<b>CAPITALIZATION AND LIABILITIES</b>				
CAPITALIZATION				
Stakeholders' Surplus	\$ 229,570	\$ 235,806	\$ (6,236)	-3%
Long-term Debt	290,503	290,678	(175)	0%
TOTAL CAPITALIZATION	<u>520,073</u>	<u>526,484</u>	<u>(6,411)</u>	-1%
CURRENT LIABILITIES				
Long-term Debt Due Within One Year	42,250	42,250	-	0%
Accounts Payable	36,640	27,266	9,374	34%
Customer Deposits & Other	274,995	275,201	(206)	0%
Fines Subject to Refund	46,348	46,348	-	0%
Total Current Liabilities	<u>400,233</u>	<u>391,065</u>	<u>9,168</u>	2%
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>401,466</u>	<u>392,298</u>	<u>9,168</u>	2%
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<u><u>\$ 921,539</u></u>	<u><u>\$ 918,782</u></u>	<u><u>\$ 2,757</u></u>	0%

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

For the five-months ended May 31, 2010  
*(dollars in thousands)*

	<b>Approved Projects</b>				
	Month	YTD	2010	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>2010</u> <u>Budget</u>
Customer Focus	\$ 32	\$ 40	\$ 145	\$ 145	\$ 821
Operational Excellence	71	128	3,235	3,235	13,620
Continuous Transformation	163	257	5,751	5,751	10,415
Reasonable Costs & Essential Projects	438	2,339	4,797	4,759	6,144
<b>Total 2010 Capital Spending</b>	<u>704</u>	<u>2,764</u>	<u>13,928</u>	<u>13,891</u>	<u>31,000</u>
Iron Point Building	9,144	98,047	-	160,000	160,000
2009 Capital Projects	<u>2,131</u>	<u>8,279</u>	<u>-</u>	<u>20,023</u>	<u>20,023</u>
<b>Total Capital</b>	<u>\$ 11,979</u>	<u>\$ 109,090</u>	<u>\$ 13,928</u>	<u>\$ 193,913</u>	<u>\$ 211,023</u>

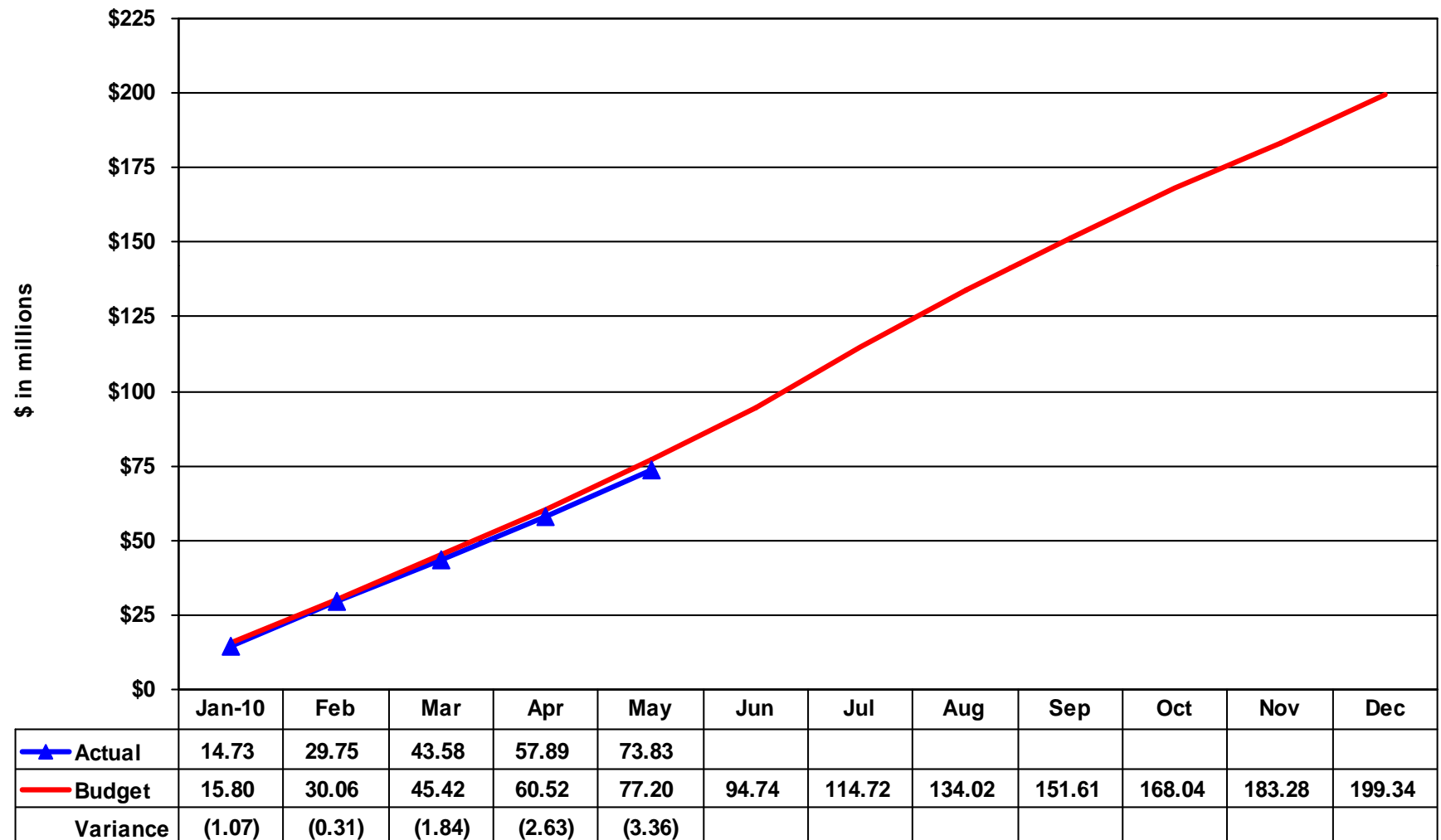
*Notes:*

*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

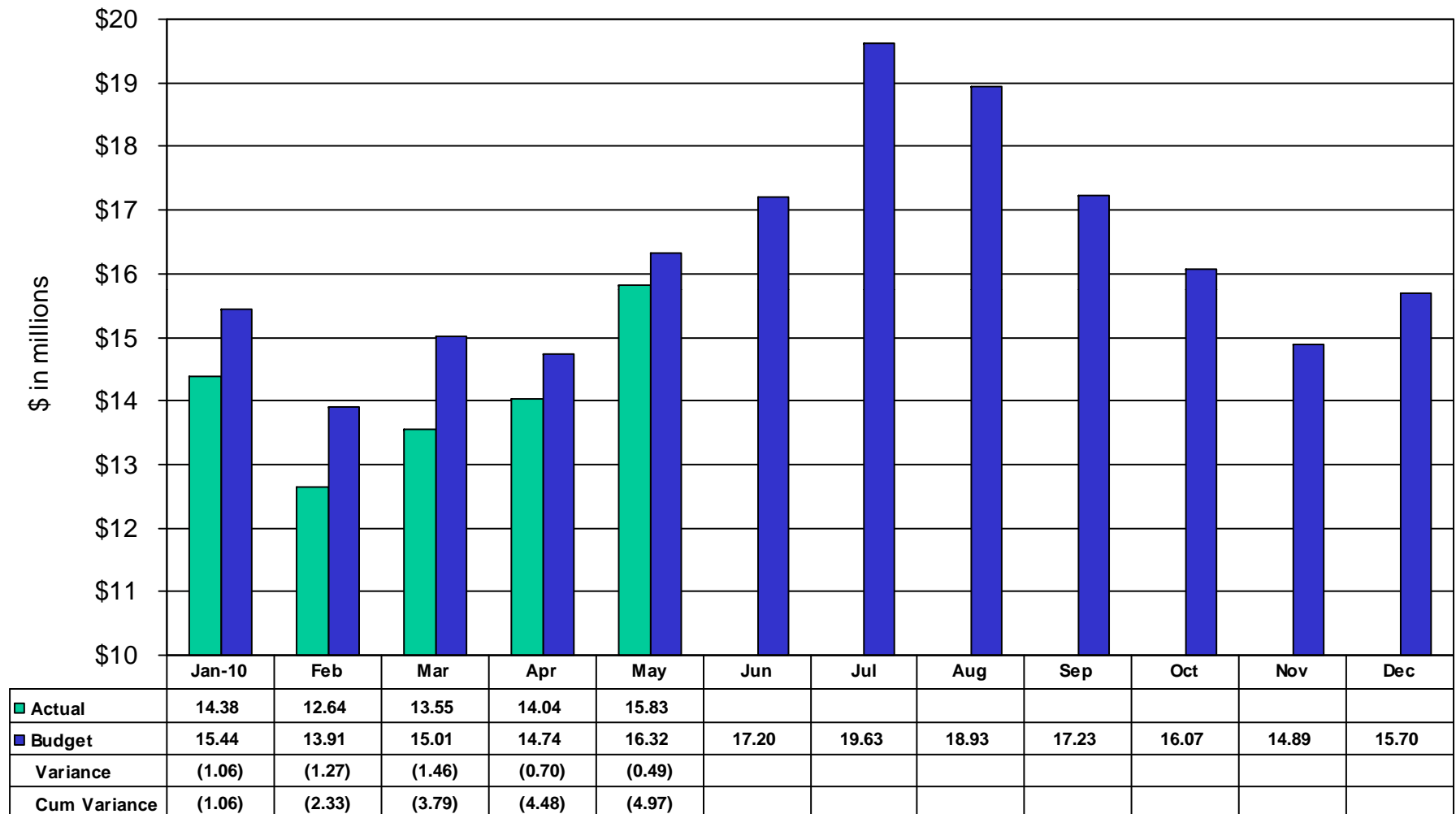
Revenues = GMC, LGIP, WSCC Security & Other Fees



*May revenues are estimates.*

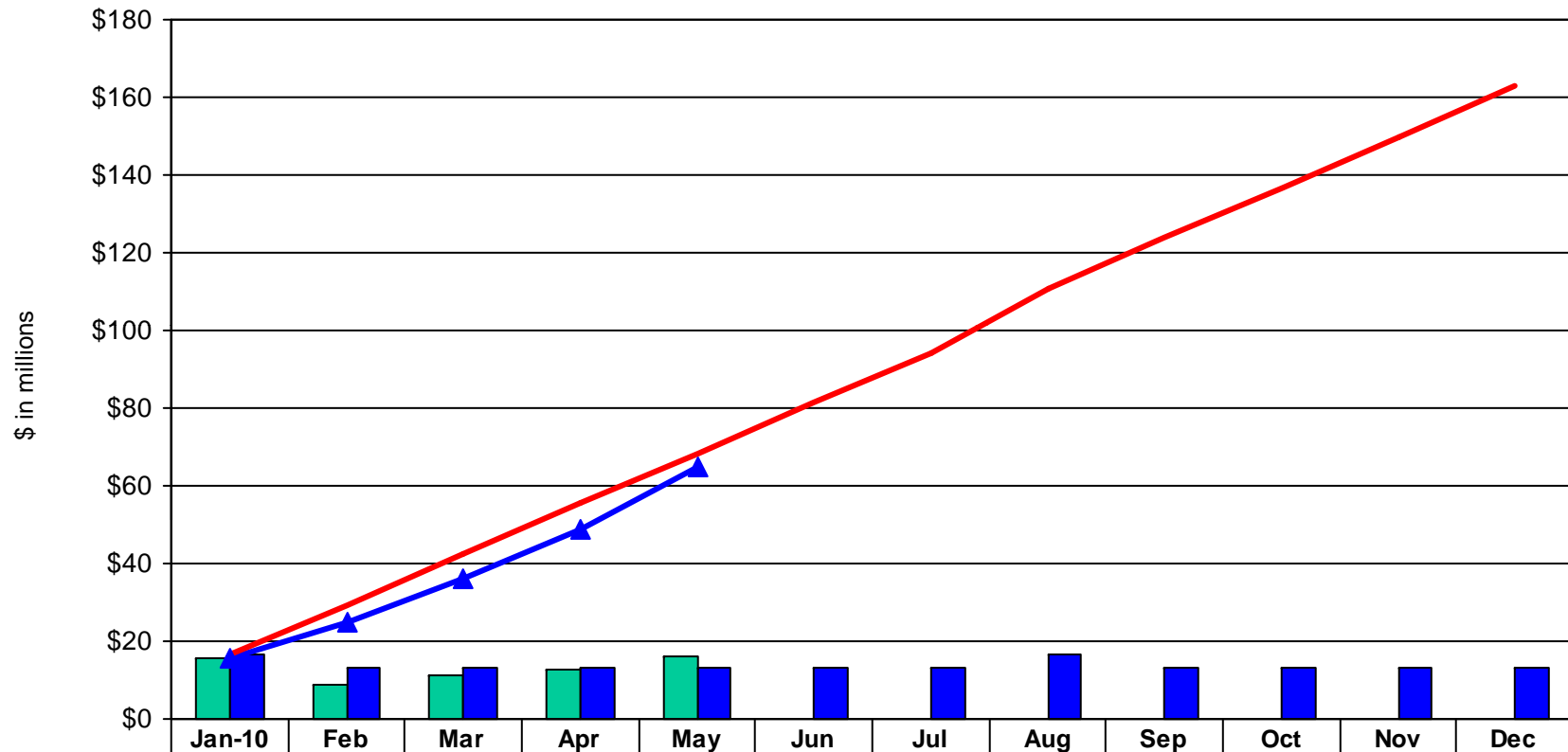


## Monthly GMC Revenues



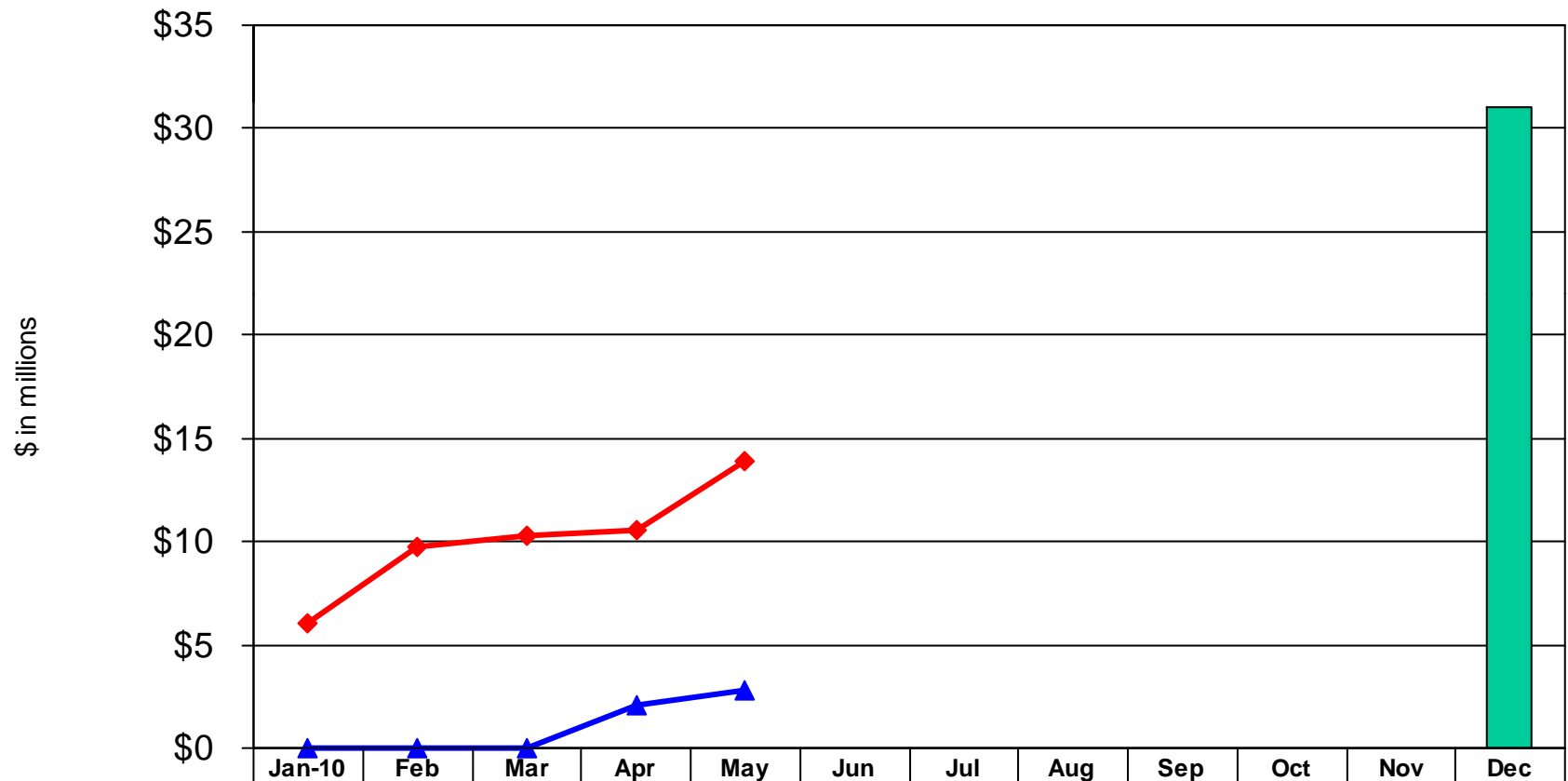
***May revenues are estimates.***

## Operating and Maintenance Expenses (O&M)

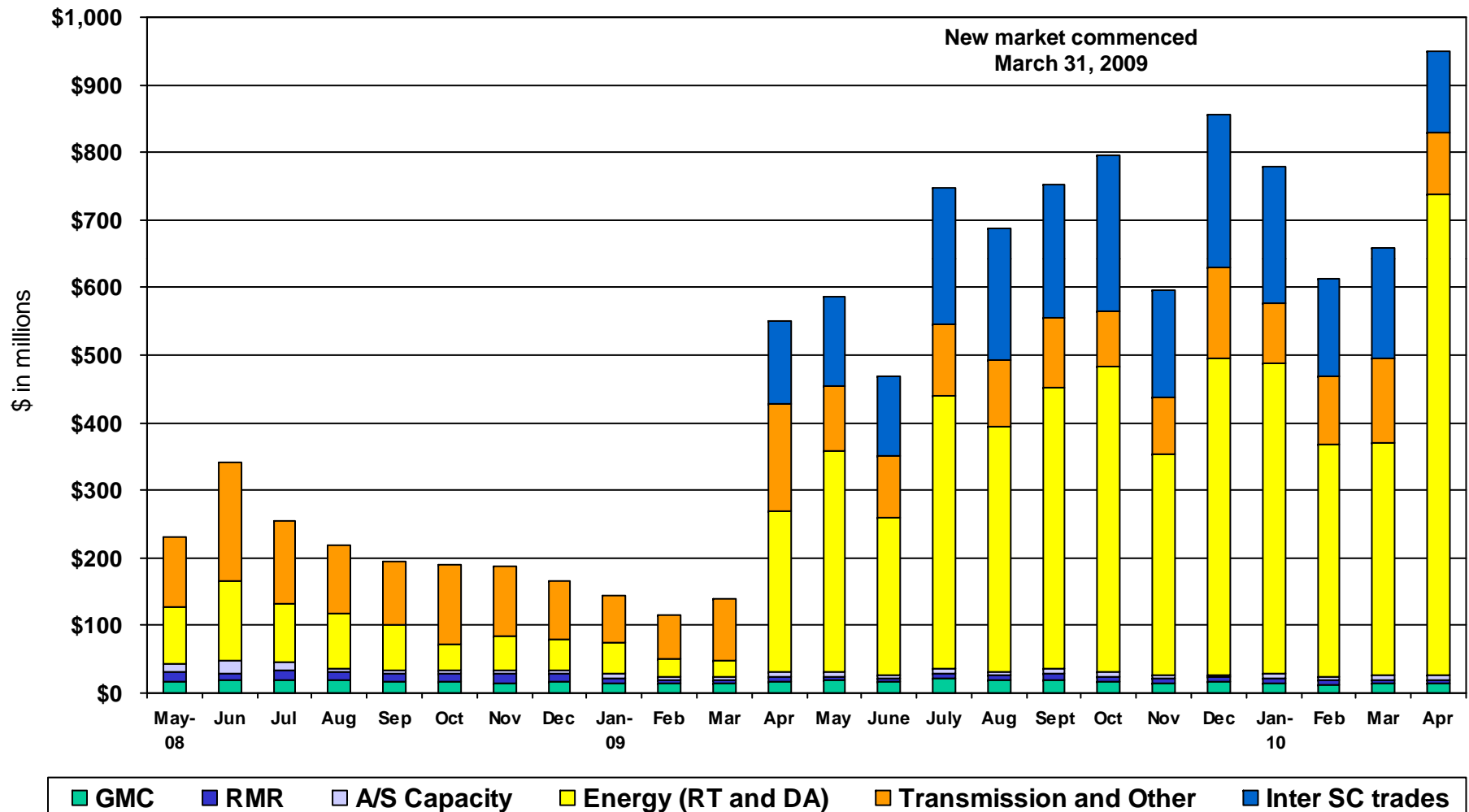


Monthly Actual	15.82	8.86	11.23	12.68	16.26							
Monthly Budget	16.47	12.98	12.98	12.98	12.98	12.98	12.98	16.47	12.98	12.98	12.98	12.98
Cum Actual	15.82	24.68	35.91	48.59	64.85							
Cum Budget	16.47	29.45	42.42	55.4	68.37	81.35	94.32	110.79	123.76	136.74	149.71	162.69
Cum Variance	0.65	4.77	6.51	6.81	3.52							

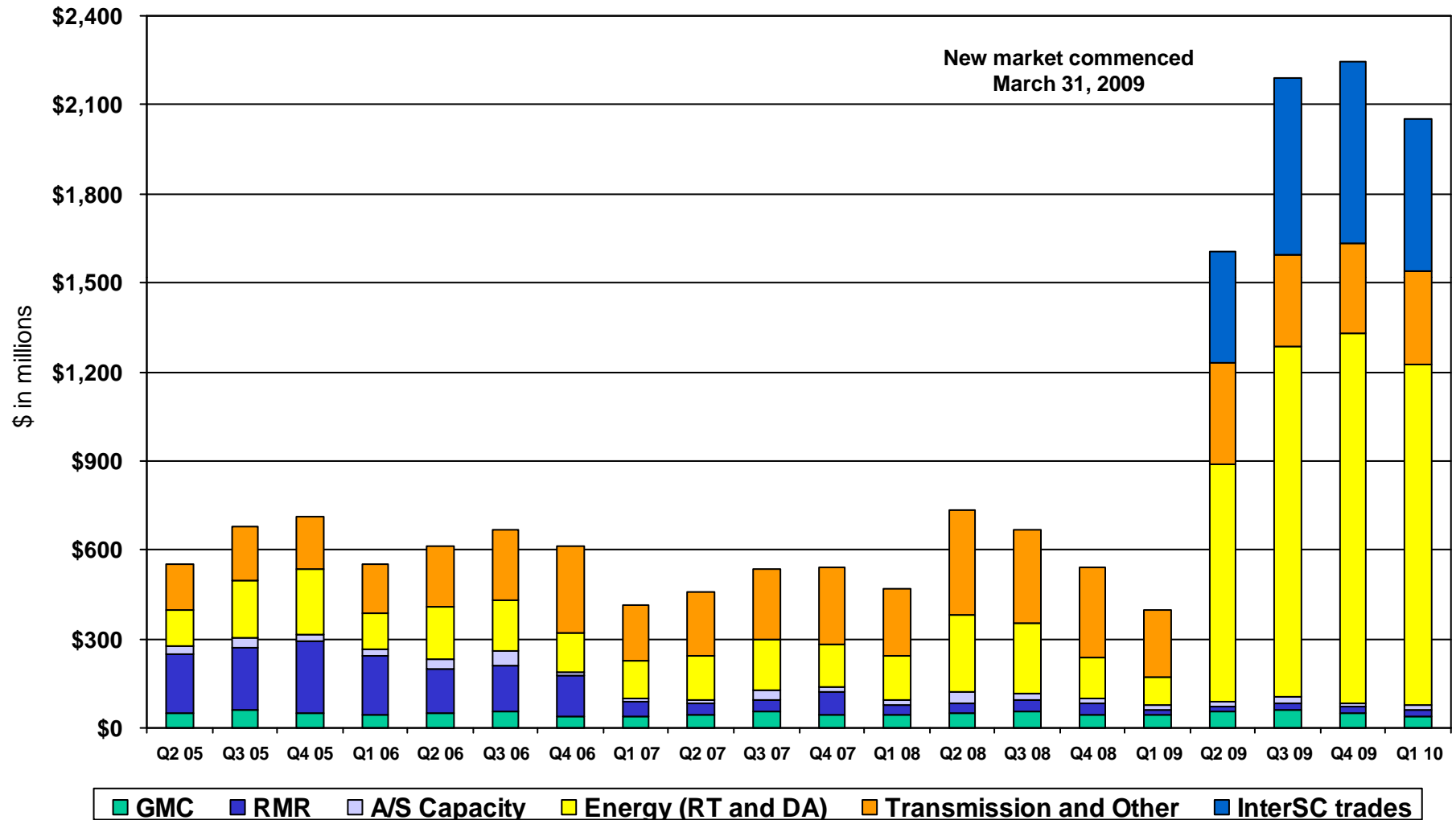
## Cumulative Capital Expenditures



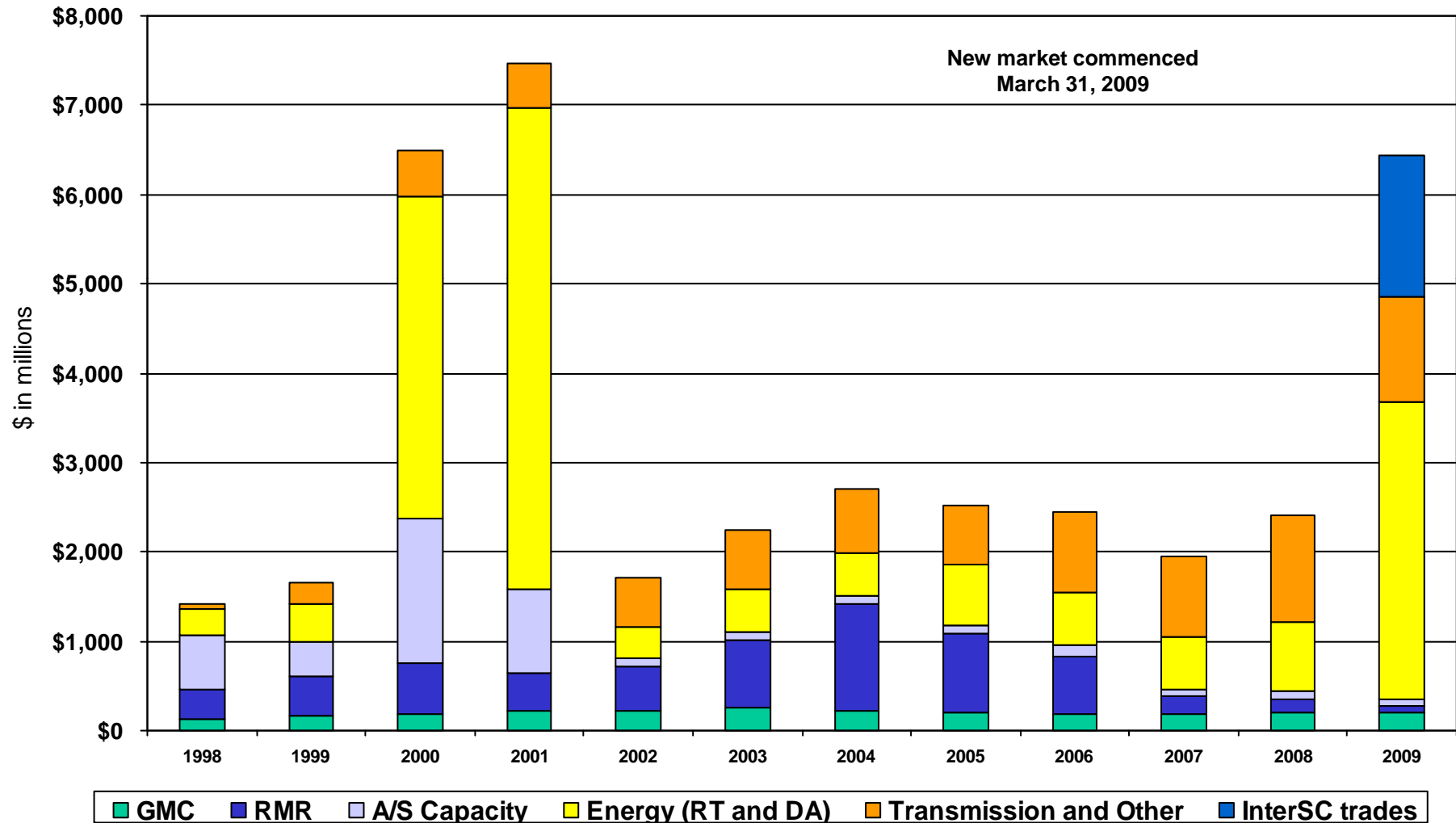
## CAISO Market Revenues By Month May 2008 through April 2010



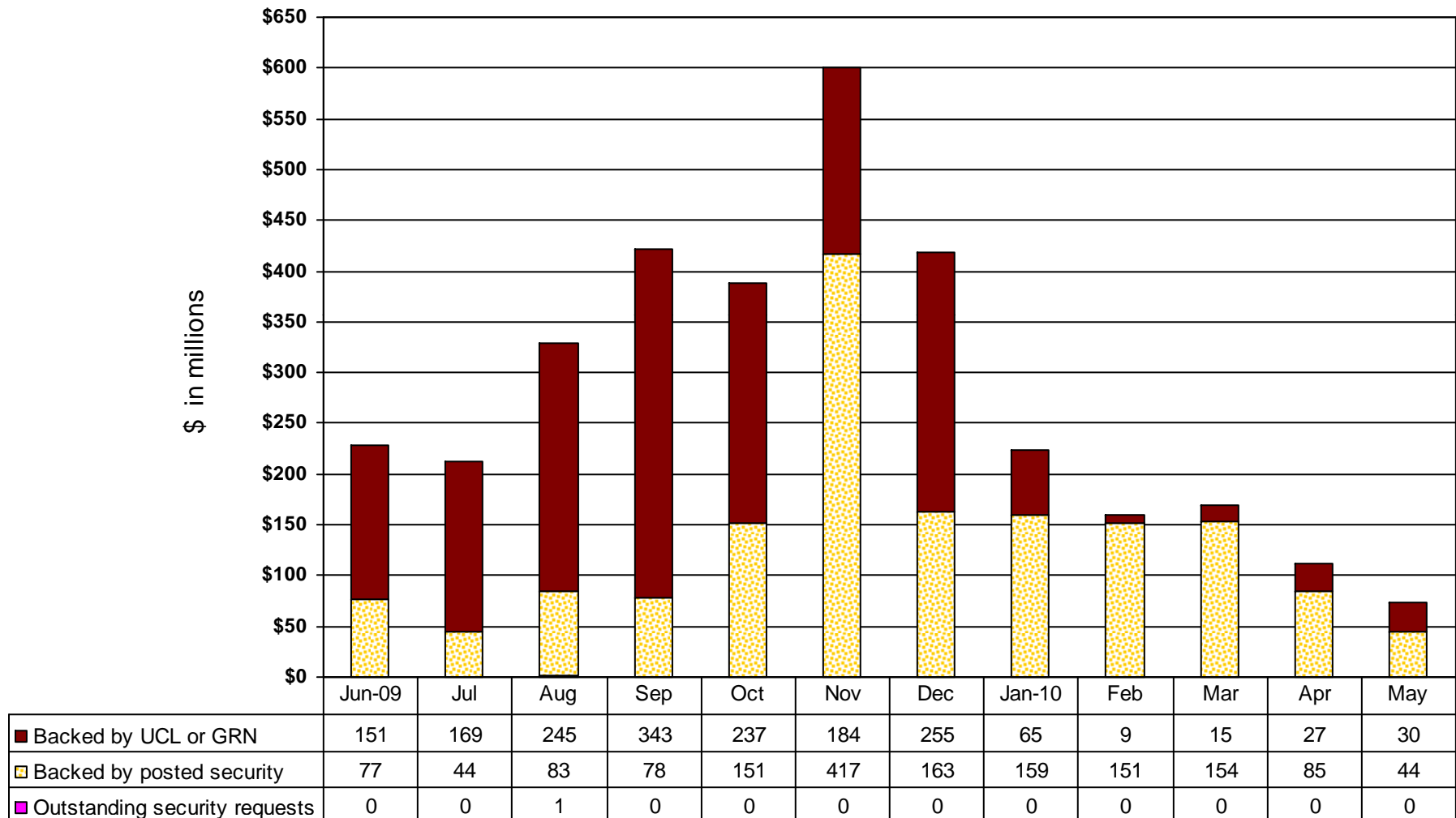
## CAISO Market Revenues By Quarter 2nd Quarter 2005 through 1st Quarter 2010



## 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

