

MONTHLY FINANCIAL REPORT

November 2011

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

Table of Contents

	<i>Page Number</i>
Summary, Discussion and Commentary	<i>i, ii</i>
<i>THE ISO</i>	
Statement of Operations	1
Balance Sheet	2
Capital Projects Report	3
<i>Summary Financial Data</i>	
Cumulative Operating Revenues	4
Monthly GMC Revenues	5
Operating and Maintenance Expenses	6
Cumulative Capital Expenditures	7
CAISO Market Costs by Month - November 2009 through October 2011	8
CAISO Market Costs by Quarter - 1st Quarter 2007 through 3rd Quarter 2011	9
Collateral and Estimated Aggregate Liability	10
Unsecured Collateral	11
Secured Collateral	12

CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the eleven-months ended November 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. Effective Oct 1, 2011, certain GMC rates were adjusted to mitigate the undercollection of revenues. This was partially offset by higher interconnection revenues.
- ◆ YTD operating revenues were \$9.6M 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. This was offset by higher other revenues,
- ◆ YTD operating expenses were \$3.0M under budget
 - This is primarily due to the timing of payments, all of which will be true-up in December, and budget discipline during the period.
- ◆ YTD operating expenses were \$5.2M higher than last year
 - This is primarily due to higher third party vendor contract payments as a result of new maintenance contracts for the new market system, and higher building, leases and facility expenses, due to costs associated with the Iron Point facility and the vacant Blue Ravine campus.
- ◆ Currently there are 584 full-time employees compared to 601 full-time employees budgeted. There were 581 full-time employees YTD last year.

INTEREST COSTS and INTEREST INCOME: (page 1)

- ◆ YTD Interest income and other was \$1.4M 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 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 transfer of funds to longer-termed securities. 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 November totaled \$18.1M, actual capital project expenditure totaled \$8.8M.
- ◆ YTD expenditures for the Iron Point facility and the 2010-approved capital projects totaled \$145.3M and \$7.4M, respectively.

CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the eleven-months ended November 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 December 5, the ISO maintained \$1.8B in collateral from market participants. This supported \$160.2M 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.
- ♦ \$458.7M 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 eleven-months ended November 30, 2011
(dollars in thousands)

	Year to Date					2011
	Actual	Budget	Variance	Prior Year Actual	Variance	Budget
Operating Revenues:						
Grid Management Charge	\$ 172,137	\$ 174,452	\$ (2,314)	\$ 183,882	\$(11,745)	\$ 189,788
Fines, WSCC & Other Fees	6,226	3,108	3,118	4,112	2,114	3,300
Total operating revenues	<u>178,363</u>	<u>177,560</u>	<u>803</u>	<u>187,994</u>	<u>(9,631)</u>	<u>193,088</u>
Operating Expenses:						
Salaries and Benefits	100,043	102,860	(2,817)	99,774	\$ 269	110,026
Building, Leases and Facility	9,235	9,565	(330)	7,935	1,301	10,435
Insurance	2,028	2,073	(45)	1,915	113	2,208
Third Party Vendor Contracts	15,478	15,203	275	12,325	3,153	16,585
Consulting and Contracting Services	11,134	9,523	1,611	10,505	629	10,053
Legal and Audit	3,155	3,990	(835)	3,240	(85)	6,992
Training, Travel and Professional Dues	2,863	3,491	(628)	2,601	262	3,797
Other	2,012	2,248	(236)	2,457	(444)	2,452
Total operating expenses	<u>145,949</u>	<u>148,954</u>	<u>(3,005)</u>	<u>140,752</u>	<u>5,197</u>	<u>162,548</u>
Net operating income (loss)	<u>32,415</u>	<u>28,606</u>	<u>3,809</u>	<u>47,242</u>	<u>(14,828)</u>	<u>30,540</u>
Interest and Other Expenses						
Interest income & other	3,799	2,383	1,415	4,778	(980)	2,736
Interest expense	13,420	13,416	5	13,432	(11)	8,399
Gains and losses on investments (realized and unrealized)	(986)	-	(986)	505	(1,491)	-
Depreciation and amortization	54,611	54,611	-	44,360	10,251	62,000
Total interest and other expenses	<u>65,219</u>	<u>65,643</u>	<u>(425)</u>	<u>52,508</u>	<u>12,710</u>	<u>67,663</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ (32,804)</u>	<u>\$ (37,037)</u>	<u>\$ 4,233</u>	<u>\$ (5,266)</u>	<u>\$(27,538)</u>	<u>\$ (37,123)</u>
Number of Full-time Employees	<u>584</u>			<u>581</u>		<u>601</u>

CALIFORNIA ISO**Balance Sheet**

As of November 30, 2011

(dollars in thousands)

	<u>Current Month</u>	<u>Prior Month</u>	<u>Change</u>	<u>%</u>
ASSETS				
NET ELECTRIC UTILITY PLANT	\$ 314,900	\$ 314,190	\$ 710	0%
CURRENT ASSETS				
Unrestricted Cash and Cash Equivalents	34,075	44,505	(10,430)	-23%
Restricted Cash and Cash Equivalents	299,798	301,148	(1,349)	0%
Other Special Deposits	34,677	34,677	-	0%
Accounts Receivable, net	25,133	24,206	927	4%
Investments	197,237	181,948	15,289	8%
Accrued Interest	781	781	-	0%
Prepayments	5,293	5,502	(209)	-4%
Total Current Assets	<u>596,996</u>	<u>592,768</u>	<u>4,228</u>	1%
NONCURRENT ASSET AND DEFERRED CHARGES				
Unamortized Debt Expenses and Other	4,050	4,742	(691)	-15%
Total Noncurrent Asset and Deferred Charges	<u>4,050</u>	<u>4,742</u>	<u>(691)</u>	-15%
TOTAL ASSETS	<u>\$ 915,946</u>	<u>\$ 911,700</u>	<u>\$ 4,247</u>	0%
CAPITALIZATION				
Stakeholders' Surplus	\$ 204,438	\$ 202,183	\$ 2,255	1%
Long-term Debt	259,321	259,441	(120)	0%
TOTAL CAPITALIZATION	<u>463,759</u>	<u>461,623</u>	<u>2,136</u>	0%
CURRENT LIABILITIES				
Long-term Debt Due Within One Year	28,585	28,585	-	0%
Accounts Payable	38,769	36,660	2,109	6%
Customer Deposits & Other	382,785	382,783	2	0%
Fines Subject to Refund	746	746	-	0%
Total Current Liabilities	<u>450,885</u>	<u>448,774</u>	<u>2,111</u>	0%
NONCURRENT LIABILITY AND DEFERRED CREDITS				
Other	1,303	1,303	-	0%
Total Noncurrent Liability and Deferred Credits	<u>1,303</u>	<u>1,303</u>	<u>-</u>	0%
TOTAL LIABILITIES	<u>452,188</u>	<u>450,076</u>	<u>2,111</u>	0%
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 915,946</u>	<u>\$ 911,700</u>	<u>\$ 4,247</u>	0%

CALIFORNIA ISO
Capital Projects Report

For the eleven-months ended November 30, 2011
(dollars in thousands)

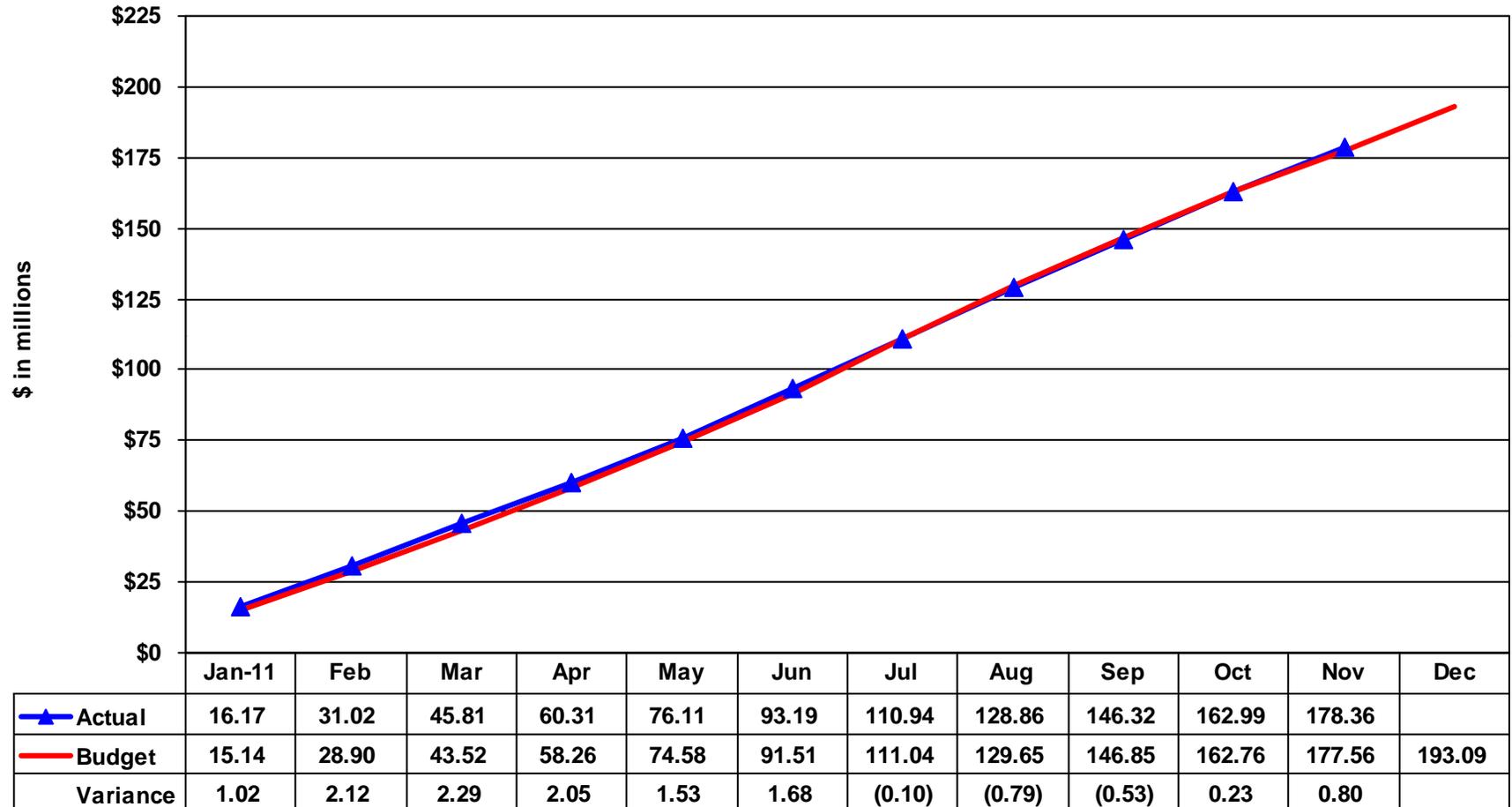
	Approved Projects				
	<u>Month</u> <u>Actual</u>	<u>YTD</u> <u>Actual</u>	<u>2011</u> <u>Approved</u> <u>Projects</u>	<u>Total Projected</u> <u>Costs for</u> <u>Approved</u> <u>Projects</u>	<u>Original</u> <u>2011</u> <u>Budget</u>
Customer Focus	\$ 14	\$ 659	\$ 2,027	\$ 2,027	
Operational Excellence	148	1,067	4,438	4,449	
Continuous Transformation	249	4,318	7,770	7,801	
Reasonable Costs & Essential Projects	178	2,794	3,844	3,844	
Total 2011 Capital Spending	<u>589</u>	<u>8,838</u>	<u>18,078</u>	<u>18,120</u>	<u>23,500</u>
Iron Point Building	12	145,293	-	160,000	160,000
2010 Capital Projects	<u>195</u>	<u>7,493</u>	<u>-</u>	<u>13,512</u>	<u>13,512</u>
Total Capital	<u>\$ 796</u>	<u>\$ 161,624</u>	<u>\$ 18,078</u>	<u>\$ 191,632</u>	<u>\$ 197,012</u>

Notes:

The Iron Point Building is funded from 2009 bond proceeds.

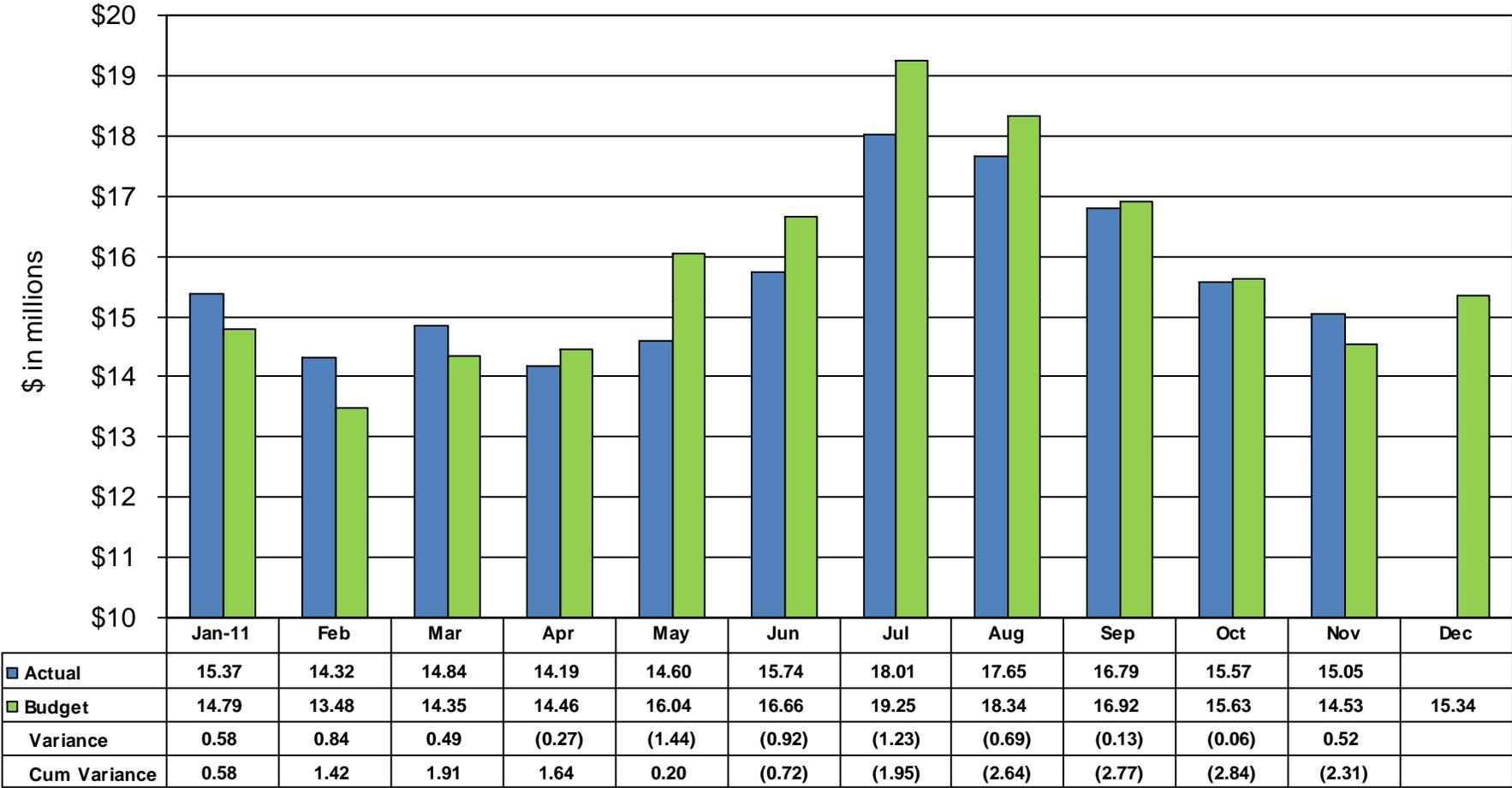
Cumulative Operating Revenues

Revenues = GMC, LGIP, WSCC Security & Other Fees



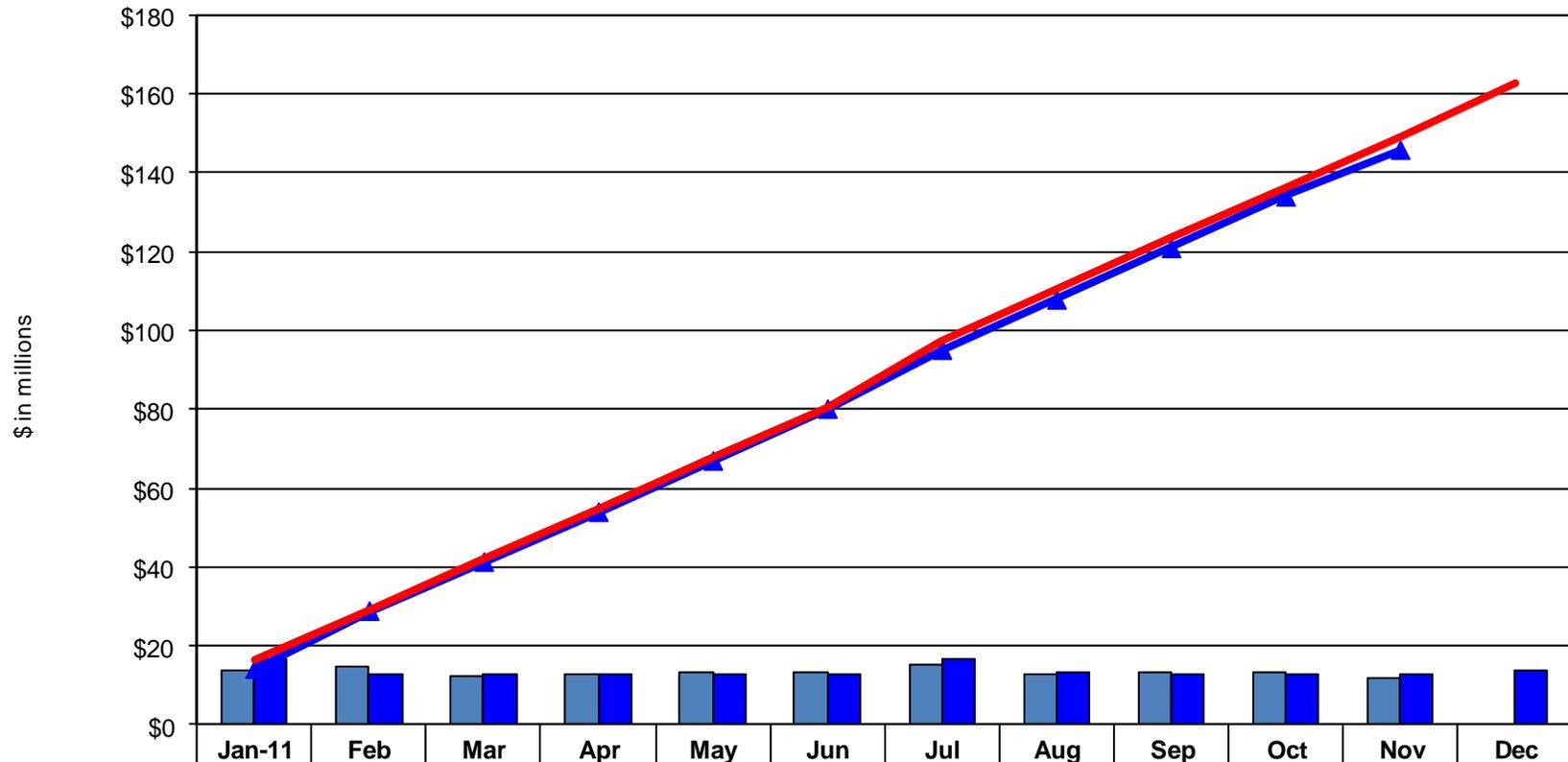
November revenues are estimates.

Monthly GMC Revenues



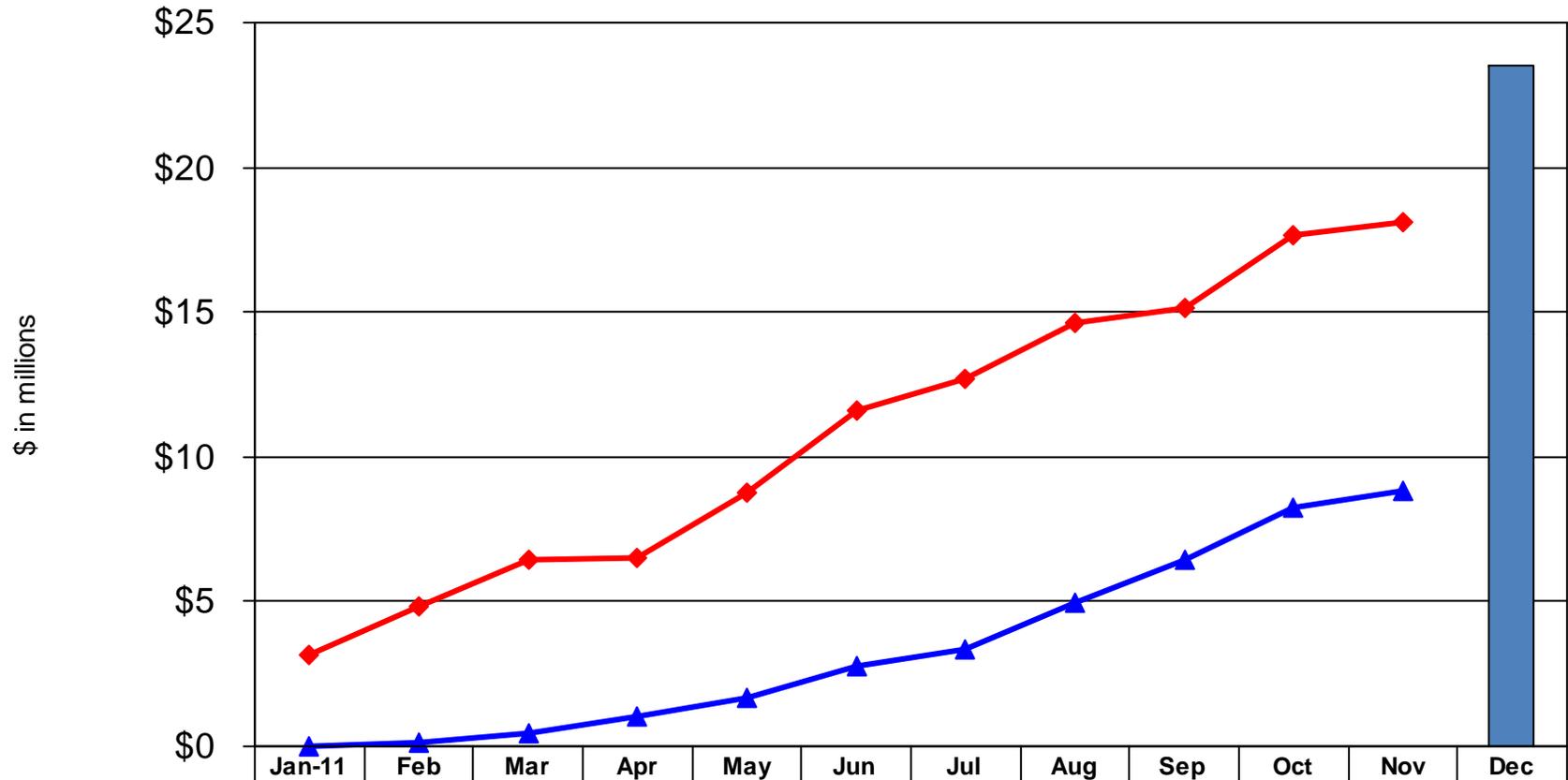
November revenues are estimates.

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	13.10	13.09	11.90	
Monthly Budget	16.49	12.70	12.82	12.84	12.80	12.85	16.67	13.32	12.91	12.88	12.67	13.59
Cum Actual	13.92	28.65	41.13	53.83	66.86	80.05	95.09	107.87	120.96	134.05	145.95	
Cum Budget	16.49	29.19	42.01	54.85	67.66	80.50	97.17	110.49	123.40	136.28	148.95	162.55
Cum Variance	2.57	0.54	0.88	1.02	0.79	0.46	2.09	2.63	2.44	2.23	3.01	

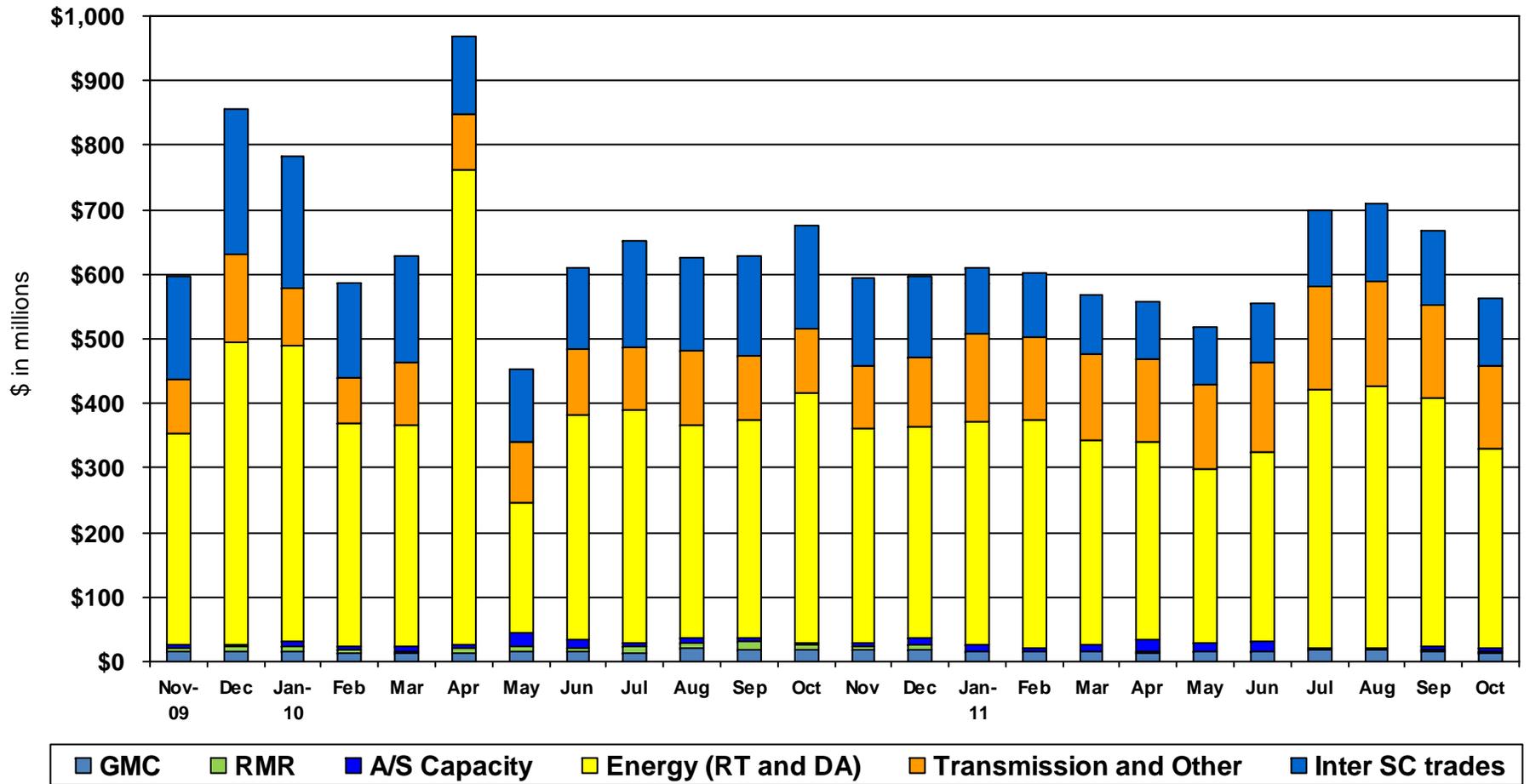
Cumulative Capital Expenditures



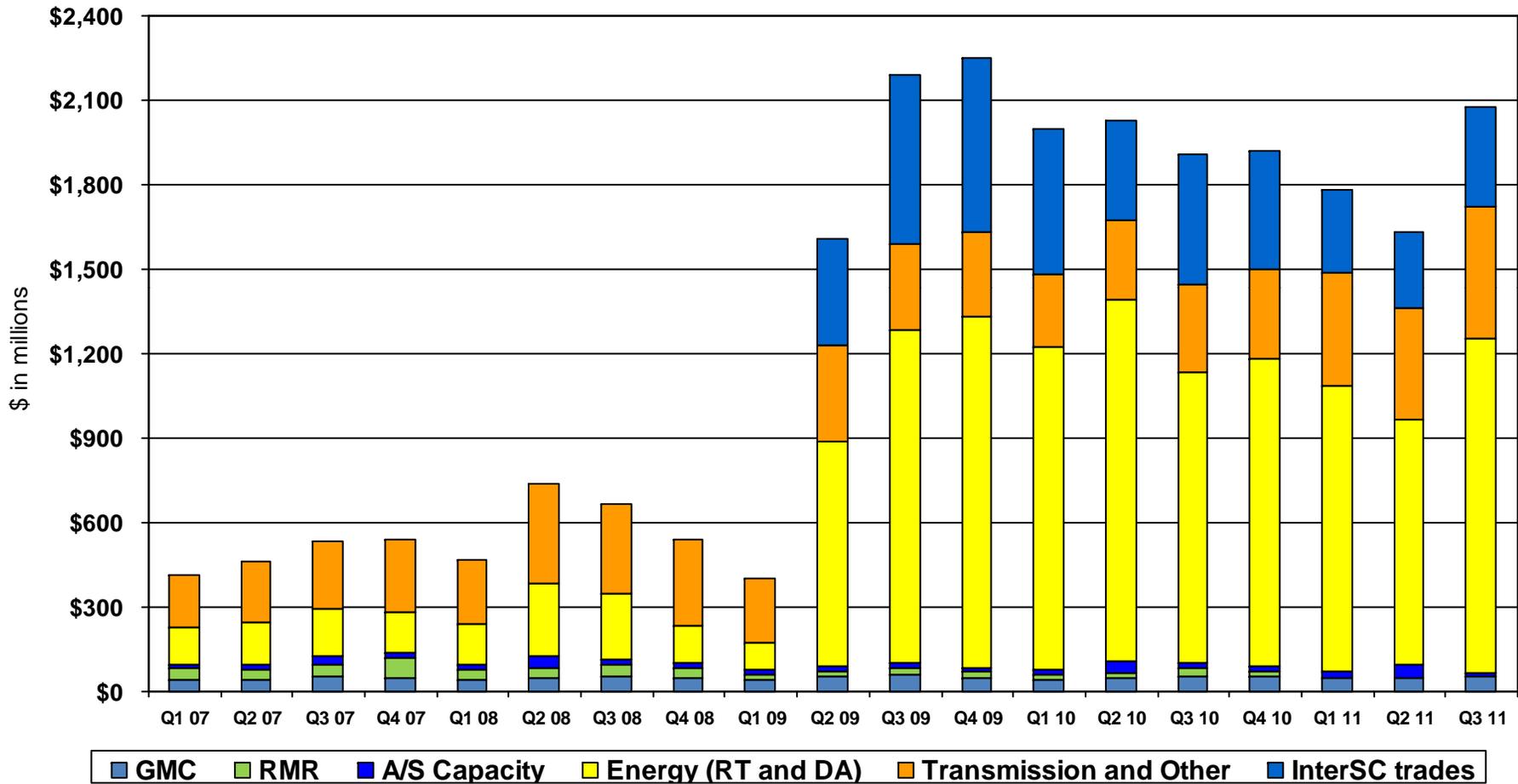
Budgeted capital												23.50
Cumulative Expenditures	0.02	0.14	0.43	1.04	1.69	2.75	3.35	4.99	6.45	8.25	8.84	
Approved projects	3.16	4.84	6.46	6.51	8.78	11.57	12.72	14.60	15.14	17.66	18.08	

CAISO Market Revenues By Month

November 2009 through October 2011



CAISO Market Revenues By Quarter 1st Quarter 2007 through 3rd Quarter 2011

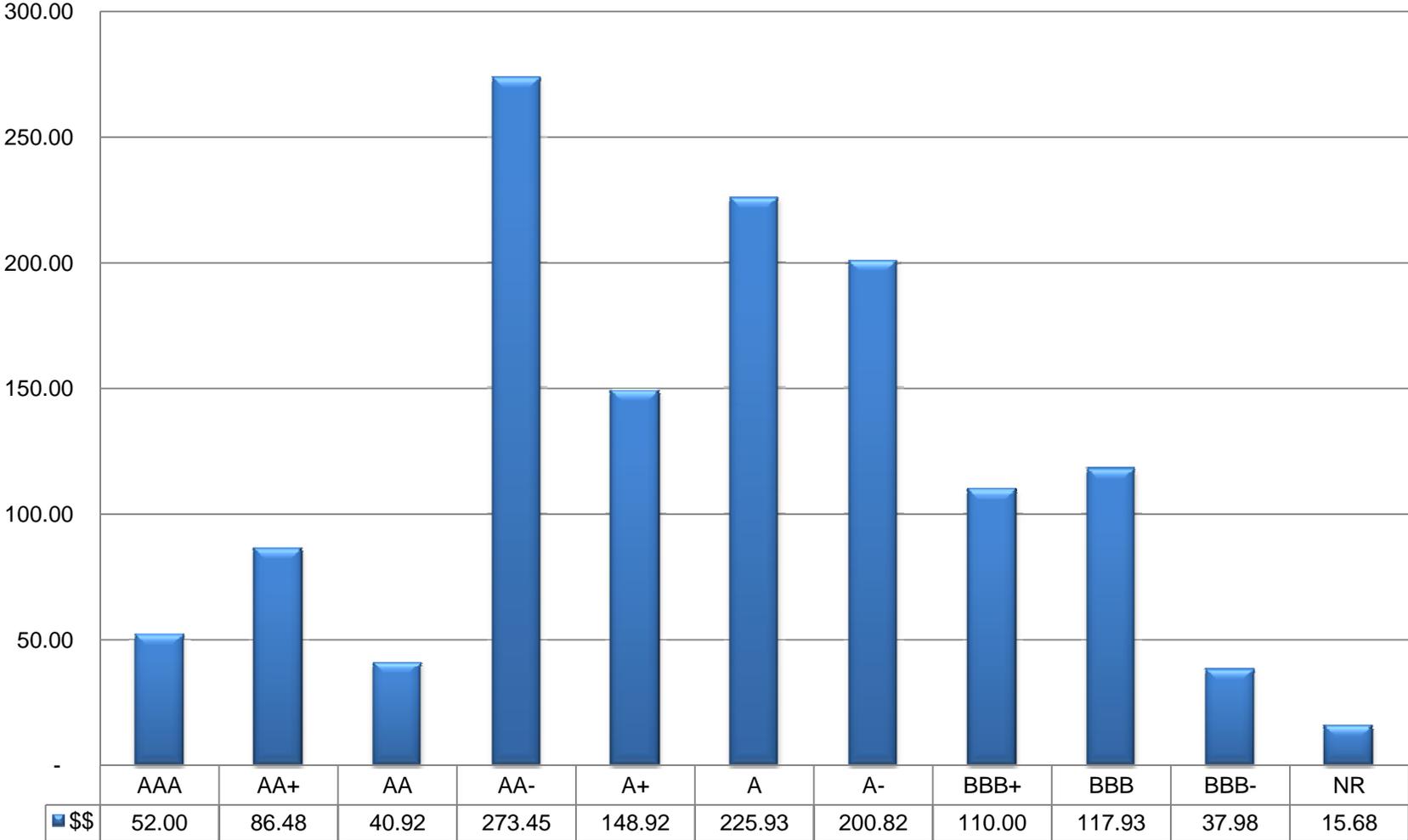


Collateral & Estimated Aggregate Liability (as of December 5)

Collateral Types	Amount
Unsecured	\$1,310,087,200
Secured	\$458,699,981
Total	\$1,768,787,181

Estimate Aggregate Liability	Amount
Positive EAL	\$160,247,981

Unsecured Collateral



Secured Collateral

