

# QUARTERLY FINANCIAL REPORT

## June 30, 2013

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
QUARTERLY FINANCIAL REPORT - June 30, 2013**

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

For the quarter ended June 30, 2013

## **Results of Operations**

### ***Revenues***

Through the second quarter ending June 30, 2013, operating revenues were higher by \$2.4 million compared to the budgeted amounts. The overall increase in revenues was primarily due to higher than expected GMC collections, partially offset by lower LGIP revenues. The Company is planning to adjust certain GMC rates in August 2013, to align actual GMC revenues closer to budget, as required by the Tariff.

### ***Expenses***

Operating expenses are \$1.3 million under budget through the second quarter of the year, largely due to timing of expenses.

## **Material Changes to Assets and Liabilities**

Debt service and market collateral transactions were the primary contributors in the changes in company assets and liabilities during the first two quarters of the year. Additionally, net fixed assets decreased as a result of the depreciation expenses that were recognized during the same period.

## **Capital Projects**

Through the end of June 30, 2013, \$9.2 million in projects were approved by the Corporate Management Committee. These projects will enhance the current systems' performance and effectiveness in meeting future challenges and FERC mandates.

## **Collateral Held Report**

As of July 1, 2013 the ISO maintained \$1.7 billion in collateral from market participants to support \$241.2 million in aggregate liabilities due in the market. Approximately \$1.3 billion of the collateral is from unsecured sources (i.e., unsecured credit limits and parent guarantees) with investment grade or equivalent ratings, and \$412.0 million is from secured forms (i.e., cash, letters of credit, etc.). This collateral is predominantly invested in AAA rated money market funds or backed by A rated or better financial institutions.

# CALIFORNIA ISO

## Statement of Operations

For the quarter ended June 30, 2013  
(dollars in thousands)

	Quarter		Year to Date		Annual Budget
	Actual	Prior Year	Actual	Prior Year	
<u>Operating Revenues:</u>					
Grid Management Charge	\$ 49,947	\$ 47,997	\$ 95,082	\$ 91,761	\$ 196,028
Other Revenues	1,331	1,764	2,332	2,835	6,100
Total operating revenues	51,278	49,761	97,414	94,596	202,128
<u>Operating Expenses:</u>					
Salaries and Benefits	30,135	25,309	\$ 56,462	\$ 54,158	113,929
Building, Leases and Facility	873	1,949	1,607	3,973	3,390
Insurance	284	304	736	860	1,917
Third Party Vendor Contracts	4,149	3,990	8,059	7,805	15,710
Consulting and Contracting Services	4,199	3,449	7,261	6,301	16,154
Legal and Audit	1,344	1,070	2,346	1,983	5,900
Training, Travel and Professional Dues	866	963	1,550	1,734	3,996
Other	498	489	816	769	1,911
Total operating expenses	42,348	37,523	78,837	77,583	162,907
Operating Income Before Depreciation and Amortization	8,930	12,238	18,577	17,013	39,221
<u>Depreciation and amortization</u>	17,989	18,564	36,006	37,245	65,000
Net Operating Income (Loss)	(9,059)	(6,326)	(17,429)	(20,232)	(25,779)
<u>Other Income (Expenses)</u>					
Interest income & other	171	652	921	2,248	1,800
Interest expense	(3,049)	(3,420)	(5,977)	(6,825)	(12,045)
Total Other Income (Expenses)	(2,878)	(2,768)	(5,056)	(4,577)	(10,245)
Excess (Deficiency) of Revenues Over Expenses	\$ (11,937)	\$ (9,094)	(22,485)	(24,809)	\$ (36,024)
<b>Number of Full-time Employees</b>			577	578	601

**CALIFORNIA ISO**  
**Balance Sheet**  
As of June 30, 2013  
*(dollars in thousands)*

	Current Quarter 6/30/2013	Prior Year 12/31/2012
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and Cash Equivalents, including restricted amounts	\$ 371,272	\$ 376,420
Accounts Receivable	43,970	22,351
Short-term Investments, including restricted amounts	31,746	27,839
Other current assets	5,432	7,206
Total Current Assets	<u>452,420</u>	<u>433,816</u>
NONCURRENT ASSET		
Long-term investments, including restricted amounts	\$ 88,694	\$ 107,587
Fixed Assets, net	223,988	252,406
Other Assets	3,725	3,711
Total Noncurrent Assets	<u>316,407</u>	<u>363,704</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 768,827</u></u>	<u><u>\$ 797,520</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 26,153	\$ 15,287
Accrued salaries and compensated absences	19,381	27,132
Current portion of Long-term Debt	27,145	39,580
Due to Market Participants	347,625	317,253
Generator noncompliance fines refund obligation	2,700	2,851
Total Current Liabilities	<u>423,004</u>	<u>402,102</u>
NONCURRENT LIABILITIES		
Long-term Debt, Net of Current Portion	191,123	218,550
Employee Retirement Plan obligations	20,916	21,758
Total Noncurrent Liabilities	<u>212,039</u>	<u>240,309</u>
<b>TOTAL LIABILITIES</b>	<u>635,043</u>	<u>642,411</u>
<b>TOTAL NET ASSETS</b>	<u>133,784</u>	<u>155,109</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 768,827</u></u>	<u><u>\$ 797,520</u></u>

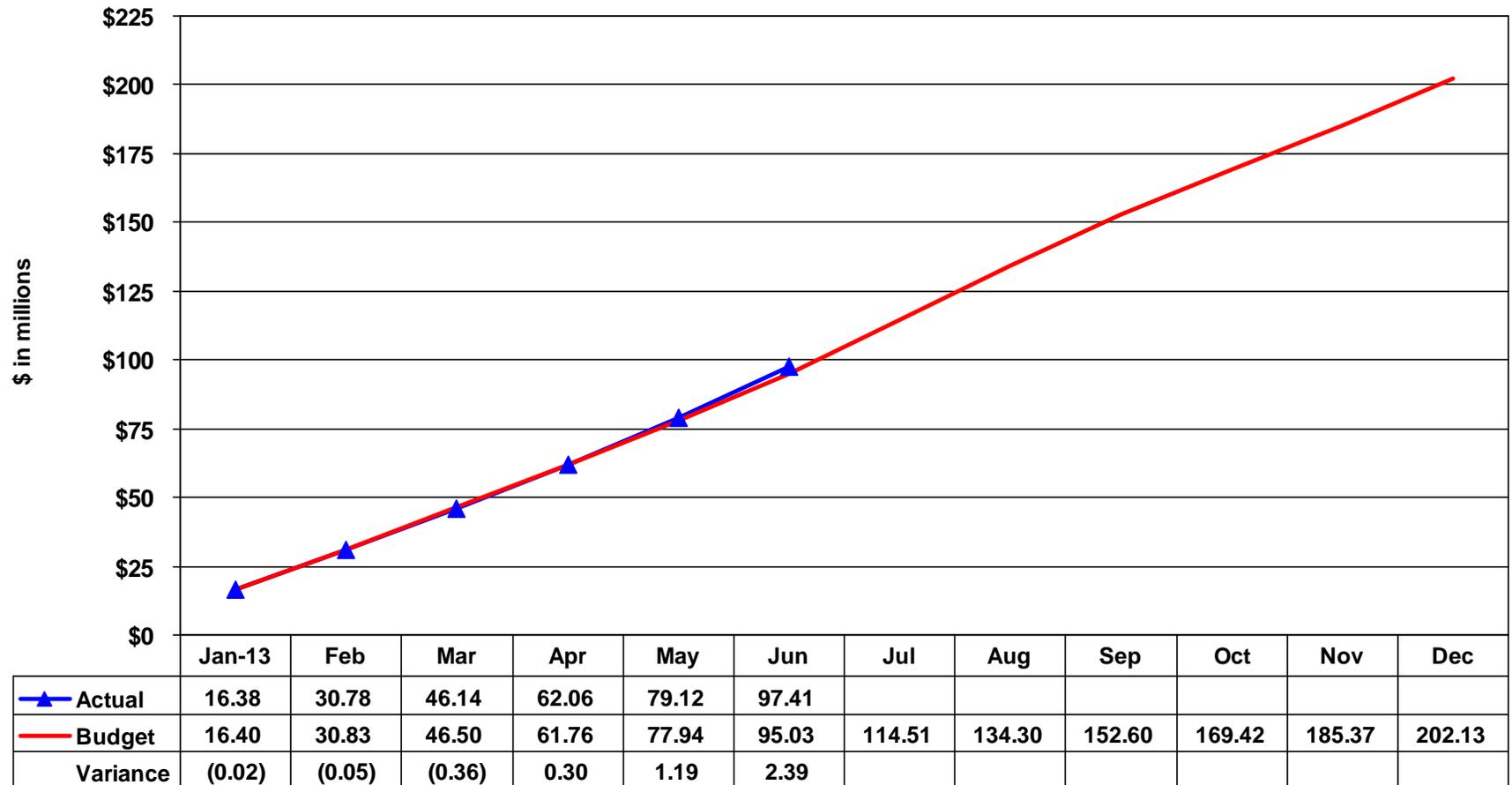
**CALIFORNIA ISO**  
**Capital Projects Report**

For the quarter ended June 30, 2013  
*(dollars in thousands)*

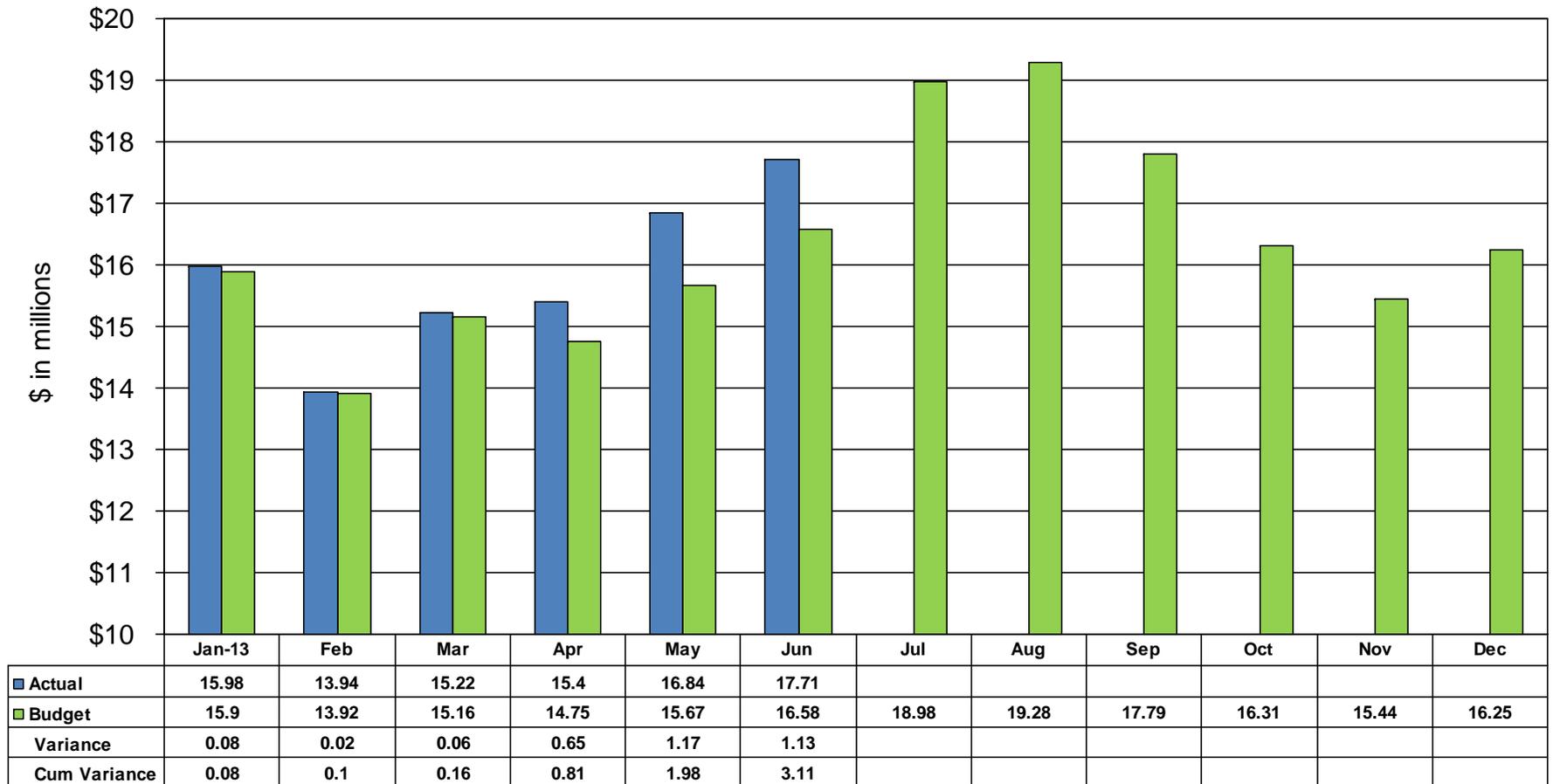
	<b>Approved Projects</b>				
	Q2 Actual	YTD Actual	2013 Approved Projects	Projected Costs for Approved Projects	Original/ Current Budget
Implement Systems, Tools and Forecasting	\$ 154	\$ 211	\$ 2,257	\$ 2,257	\$ 9,070
Enhance Markets & Performance	583	604	3,794	3,794	6,200
Compliance Culture	9	35	545	545	430
Infrastructure Improvements	1,588	1,715	2,599	2,599	3,800
<b>Total 2013 Capital Spending</b>	<b>2,334</b>	<b>2,565</b>	<b>9,195</b>	<b>9,195</b>	<b>19,500</b>
Prior Year Capital Projects	2,624	5,100	-	11,766	11,766
<b>Total Capital</b>	<b>\$ 4,958</b>	<b>\$ 7,665</b>	<b>\$ 9,195</b>	<b>\$ 20,961</b>	<b>\$ 31,266</b>

# Cumulative Operating Revenues

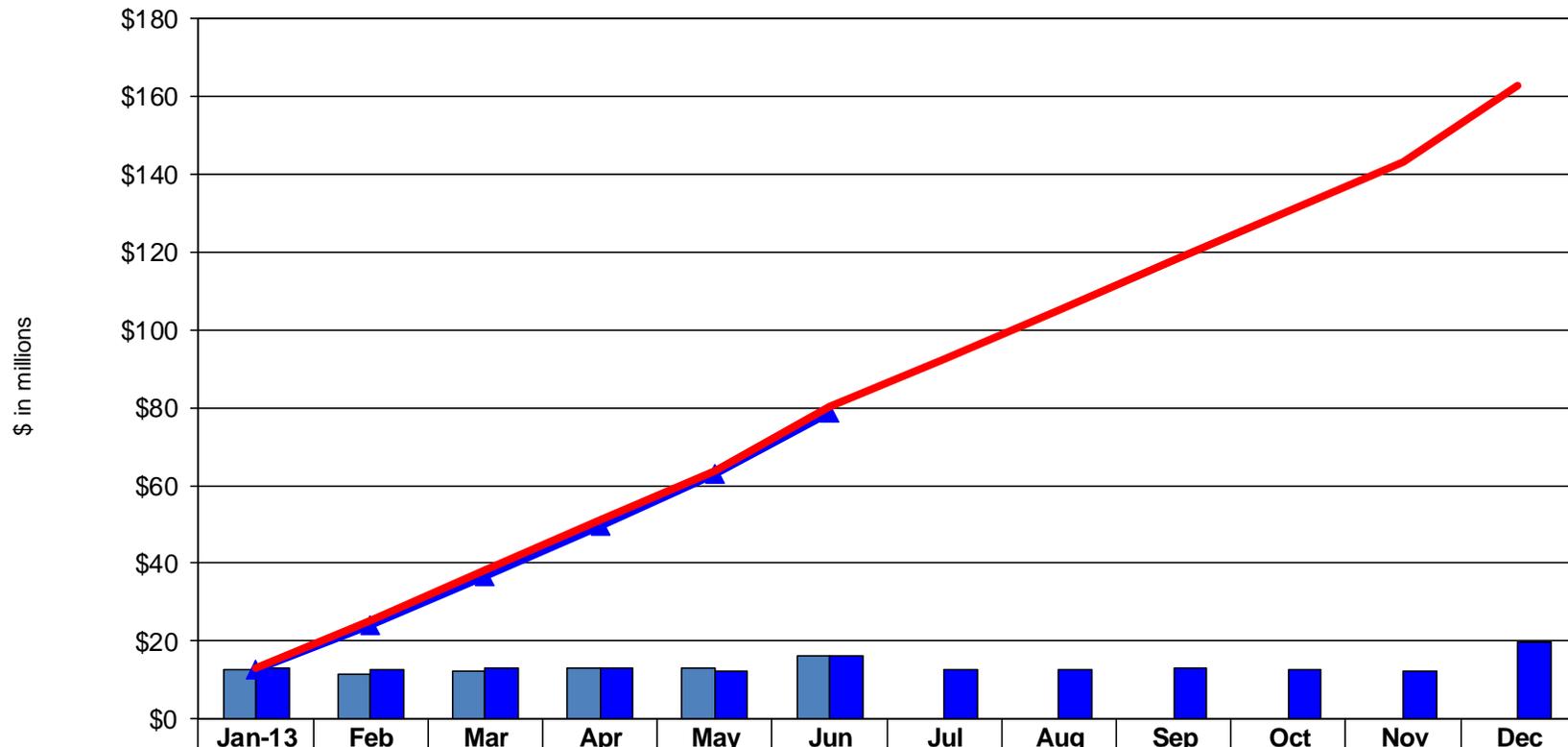
Revenues = GMC & Other Revenues



# Monthly GMC Revenues

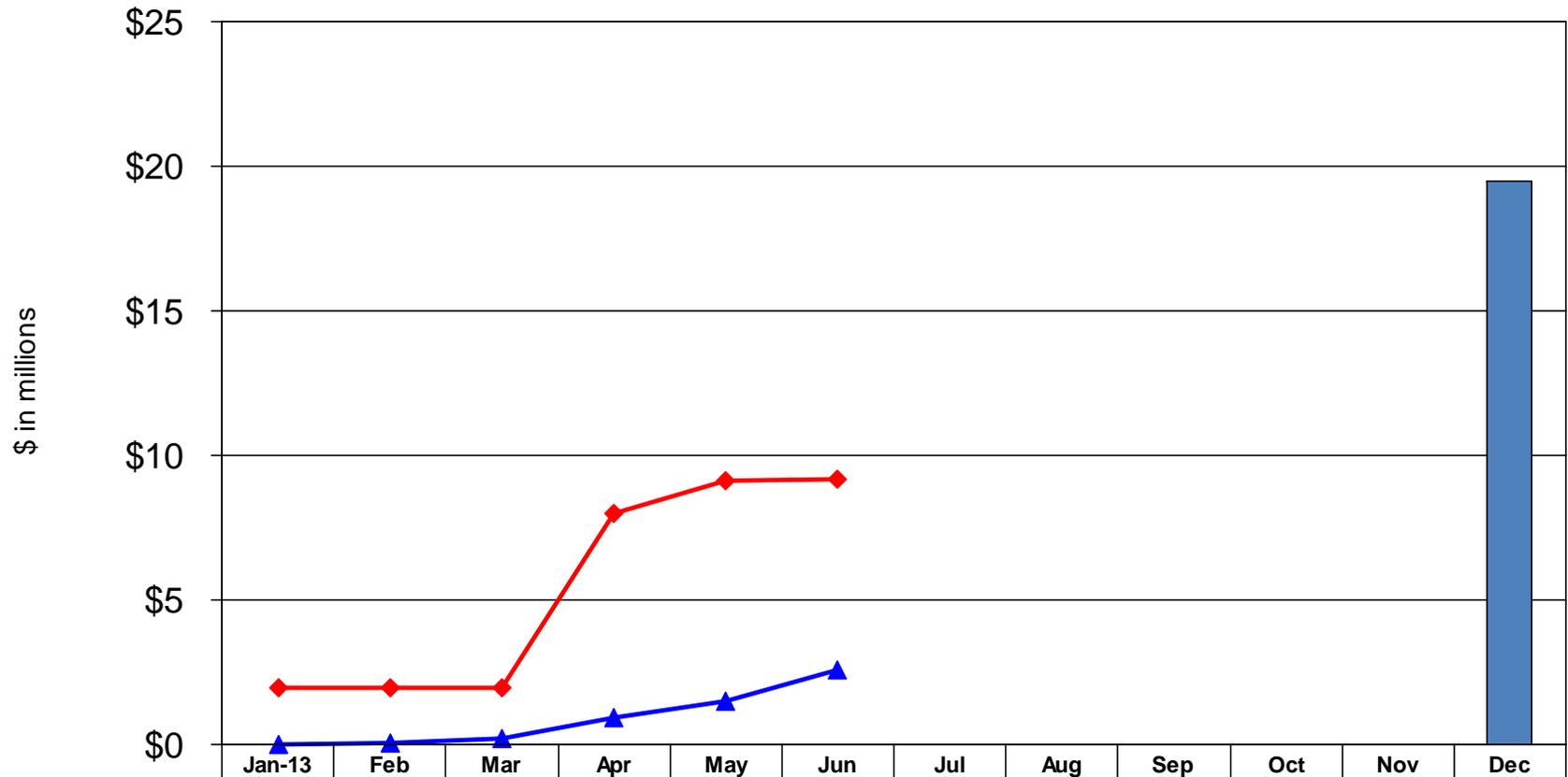


# Operating and Maintenance Expenses (O&M)



	Jan-13	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	12.61	11.52	12.37	13.23	13.12	16.00						
Monthly Budget	12.88	12.51	12.90	13.07	12.44	16.31	12.48	12.49	12.97	12.49	12.44	19.92
Cum Actual	12.61	24.13	36.50	49.73	62.85	78.85						
Cum Budget	12.88	25.39	38.29	51.36	63.80	80.11	92.59	105.08	118.05	130.54	142.98	162.90
Cum Variance	0.27	1.26	1.79	1.63	0.95	1.26						

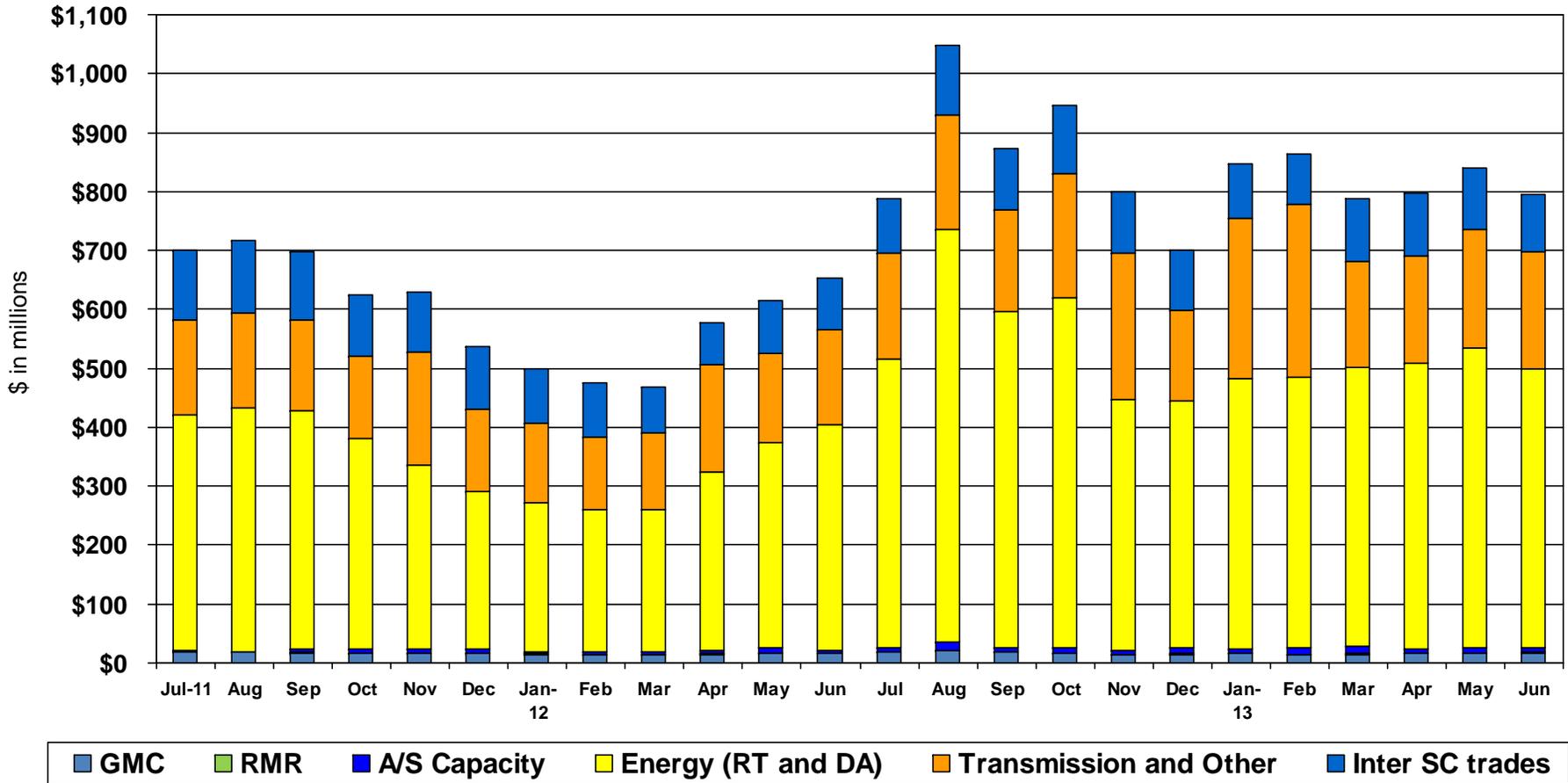
# Cumulative Capital Expenditures



Budgeted capital												19.50
Cumulative Expenditures	0.02	0.05	0.23	0.94	1.51	2.57						
Approved projects	1.95	1.95	1.95	7.98	9.13	9.19						

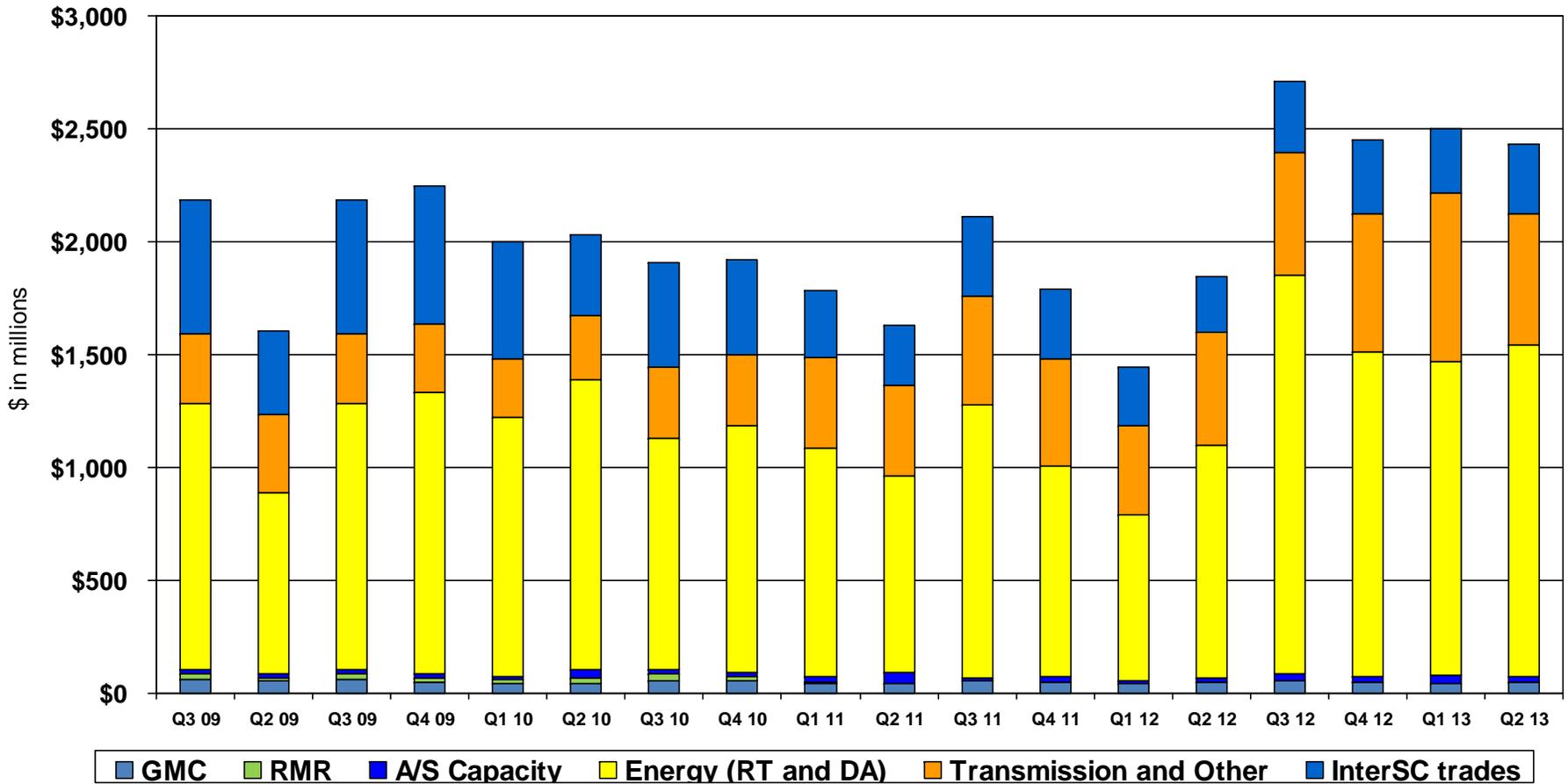
# ISO Market Revenues By Month

## July 2011 through June 2013



# ISO Market Revenues By Quarter

## 3rd Quarter 2009 through 2nd Quarter 2013



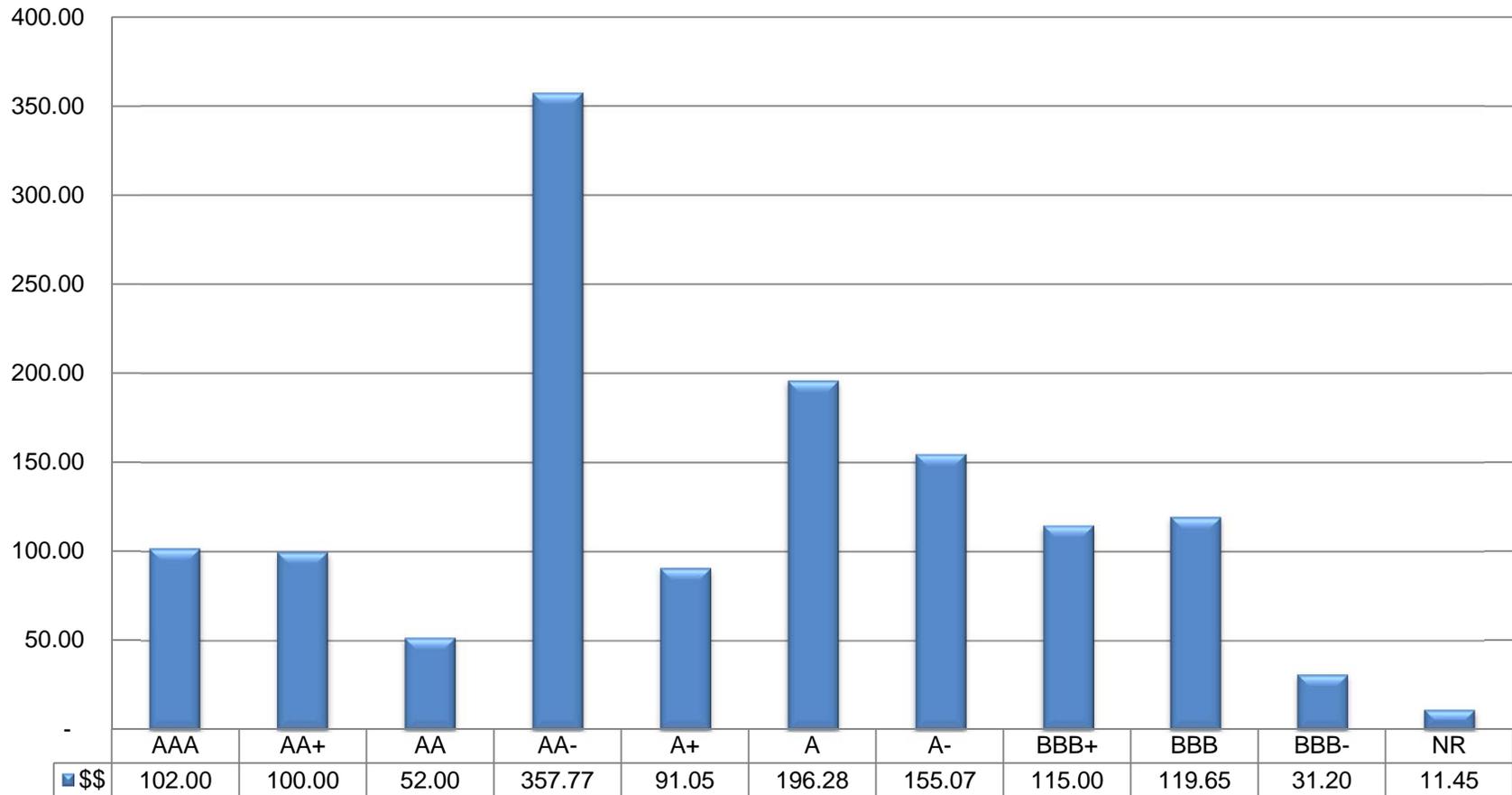
# Collateral & Estimated Aggregate Liability (as of 07/01/13)

<b>Collateral Types</b>	<b>Amount</b>
<b>Unsecured</b>	<b>\$1,331,467,986</b>
<b>Secured</b>	<b>\$411,999,305</b>
<b>Total</b>	<b>\$1,743,467,291</b>

<b>Estimate Aggregate Liability</b>	<b>Amount</b>
<b>Positive EAL</b>	<b>\$241,213,038</b>

# Unsecured Collateral (as of 07/01/13)

(in millions)



# Secured Collateral (as of 07/01/13)

(in millions)

