

QUARTERLY FINANCIAL REPORT

September 30, 2013

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

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CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the quarter ended September 30, 2013

Results of Operations

Revenues

Through the third quarter ending September 30, 2013, operating revenues were higher by \$1.7 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 adjusted certain GMC rates in August 2013, to align actual GMC revenues closer to budget, as required by the Tariff.

Expenses

Operating expenses are \$0.9 million under budget through the third 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 three 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 September 30, 2013, \$17.6 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 October 3, 2013 the ISO maintained \$1.7 billion in collateral from market participants to support \$230.9 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 \$411.2 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 September 30, 2013
(dollars in thousands)

	Quarter		Year to Date		Annual Budget
	Actual	Prior Year	Actual	Prior Year	
Operating Revenues:					
Grid Management Charge	\$ 54,982	\$ 57,223	\$ 150,074	\$ 148,985	\$ 196,028
Other Revenues	1,436	2,039	4,223	4,873	6,100
Total operating revenues	56,418	59,262	154,297	153,858	202,128
Operating Expenses:					
Salaries and Benefits	25,118	27,974	\$ 81,988	\$ 82,132	113,633
Building, Leases and Facility	885	1,691	2,492	5,664	3,390
Insurance	853	842	1,590	1,702	1,917
Third Party Vendor Contracts	3,547	3,936	11,605	11,741	15,457
Consulting and Contracting Services	5,862	3,311	13,112	9,612	16,610
Legal and Audit	1,091	1,152	3,436	3,135	5,969
Training, Travel and Professional Dues	637	681	2,187	2,415	3,855
Other	981	420	1,797	1,189	2,076
Total operating expenses	38,974	40,007	118,207	117,590	162,907
Operating Income Before Depreciation and Amortization	17,444	19,255	36,090	36,268	39,221
<u>Depreciation and amortization</u>	9,133	18,430	39,210	55,674	65,000
Net Operating Income (Loss)	8,311	825	(3,120)	(19,406)	(25,779)
Other Income (Expenses)					
Interest income & other	620	696	1,364	2,944	1,800
Interest expense	(2,997)	(3,621)	(8,974)	(10,446)	(12,045)
Total Other Income (Expenses)	(2,377)	(2,925)	(7,610)	(7,502)	(10,245)
Excess (Deficiency) of Revenues Over Expenses	\$ 5,934	\$ (2,100)	(10,730)	(26,908)	\$ (36,024)
Number of Full-time Employees			577	580	601

CALIFORNIA ISO**Balance Sheet**

As of September 30, 2013

(dollars in thousands)

	Current Quarter 9/30/2013	Prior Year 12/31/2012
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents, including restricted amounts	\$ 385,028	\$ 376,420
Accounts Receivable	36,434	22,351
Short-term Investments, including restricted amounts	48,225	27,839
Other current assets	5,612	7,206
Total Current Assets	<u>475,299</u>	<u>433,816</u>
NONCURRENT ASSET		
Long-term investments, including restricted amounts	\$ 70,089	\$ 107,587
Fixed Assets, net	223,554	252,406
Other Assets	4,873	3,711
Total Noncurrent Assets	<u>298,516</u>	<u>363,704</u>
TOTAL ASSETS	<u><u>\$ 773,815</u></u>	<u><u>\$ 797,520</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 9,731	\$ 15,287
Accrued salaries and compensated absences	20,181	27,132
Current portion of Long-term Debt	27,145	39,580
Due to Market Participants	355,007	317,253
Generator noncompliance fines refund obligation	2,731	2,851
Total Current Liabilities	<u>414,795</u>	<u>402,102</u>
NONCURRENT LIABILITIES		
Long-term Debt, Net of Current Portion	191,006	218,550
Employee Retirement Plan obligations	21,713	21,758
Total Noncurrent Liabilities	<u>212,719</u>	<u>240,309</u>
TOTAL LIABILITIES	<u>627,514</u>	<u>642,411</u>
TOTAL NET ASSETS	<u>146,301</u>	<u>155,109</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 773,815</u></u>	<u><u>\$ 797,520</u></u>

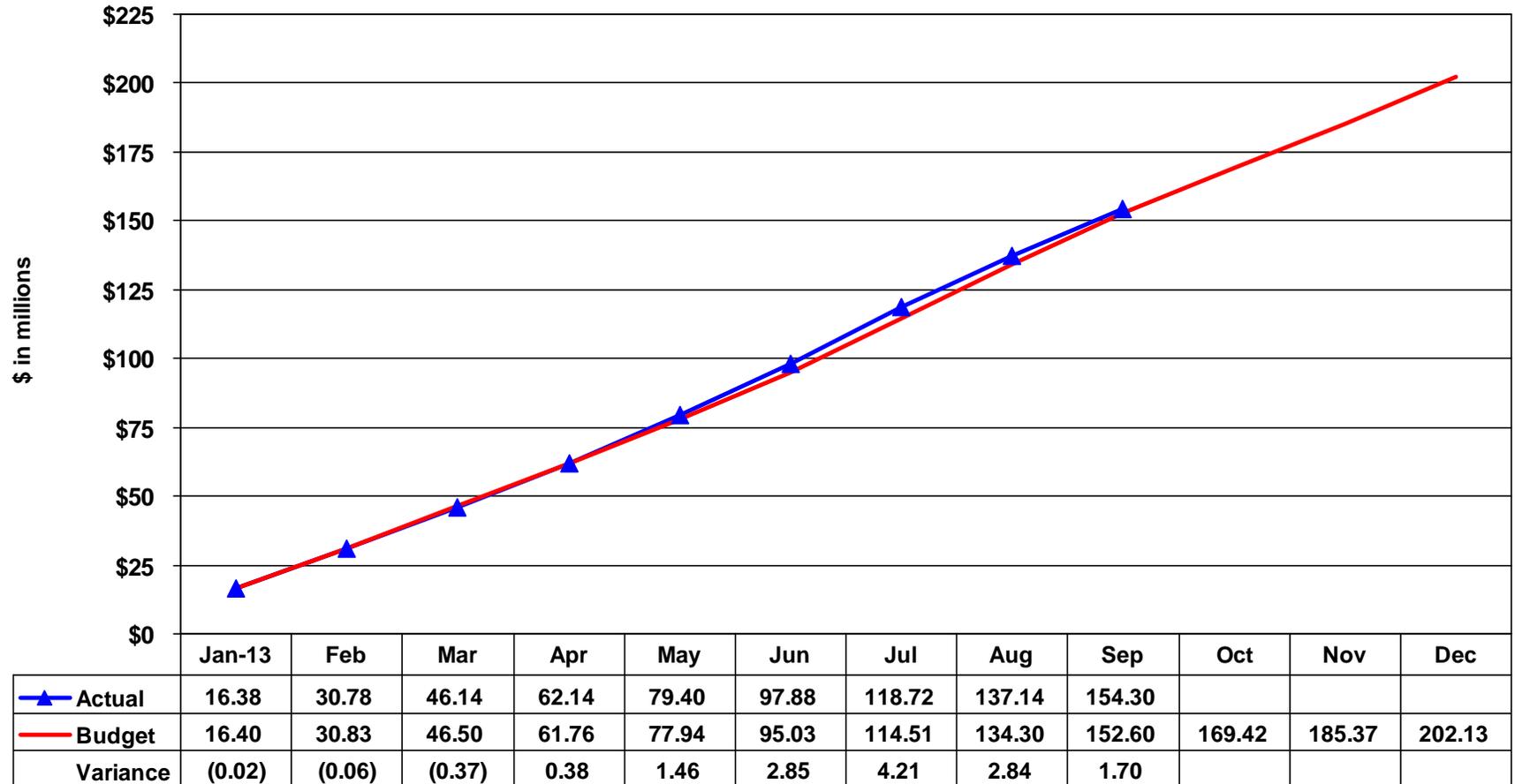
CALIFORNIA ISO
Capital Projects Report

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

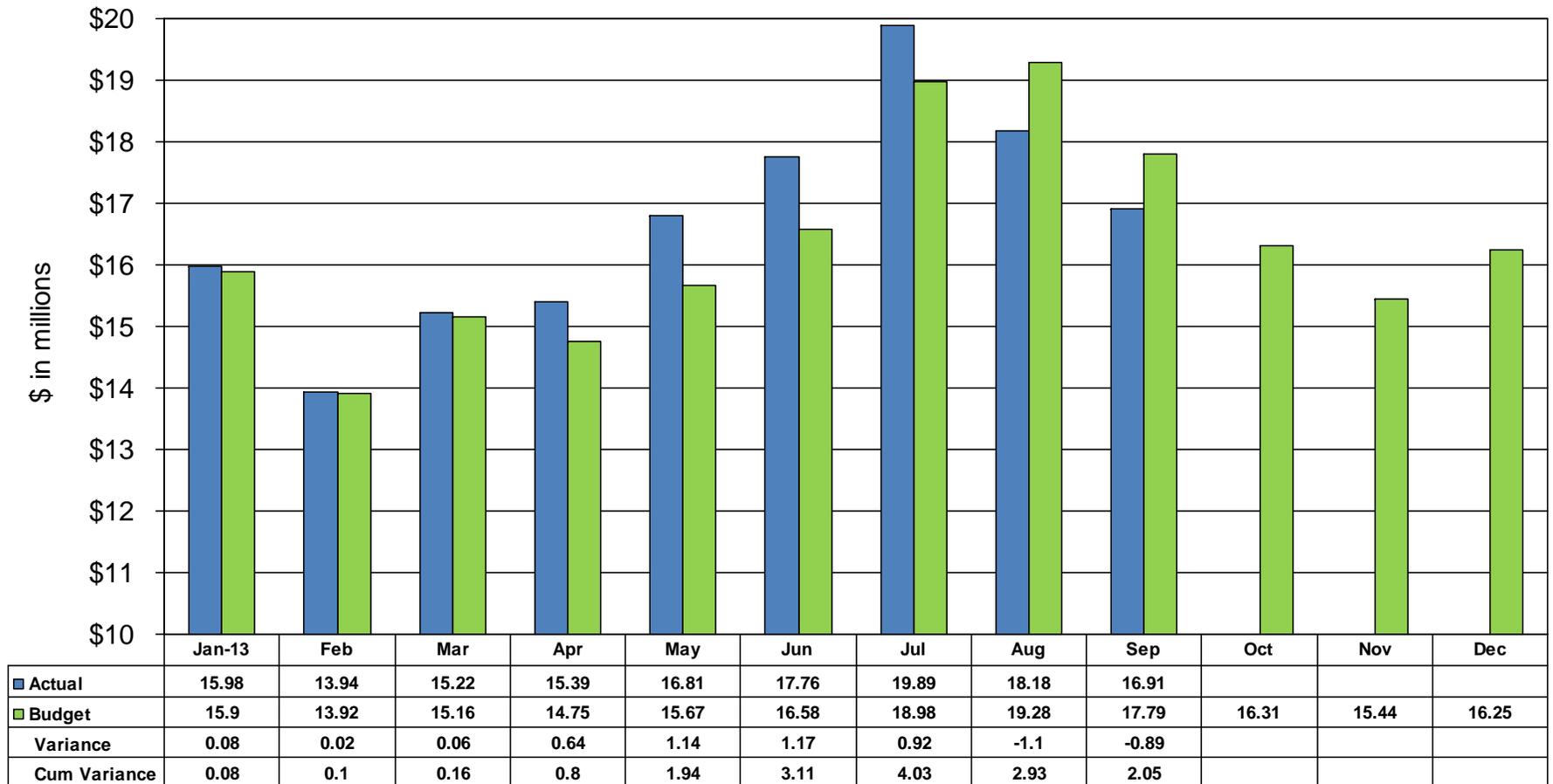
	Approved Projects				
	Q3 Actual	YTD Actual	2013 Approved Projects	Projected Costs for Approved Projects	Original/ Current Budget
Implement Systems, Tools and Forecasting	\$ 605	\$ 816	\$ 4,965	\$ 4,965	\$ 9,070
Enhance Markets & Performance	1,616	2,220	8,212	8,196	6,200
Compliance Culture	89	124	545	545	430
Infrastructure Improvements	426	2,141	3,918	3,918	3,800
Total 2013 Capital Spending	2,736	5,301	17,640	17,625	19,500
Prior Year Capital Projects	1,491	6,591	-	11,766	11,766
Total Capital	\$ 4,227	\$ 11,892	\$ 17,640	\$ 29,390	\$ 31,266

Cumulative Operating Revenues

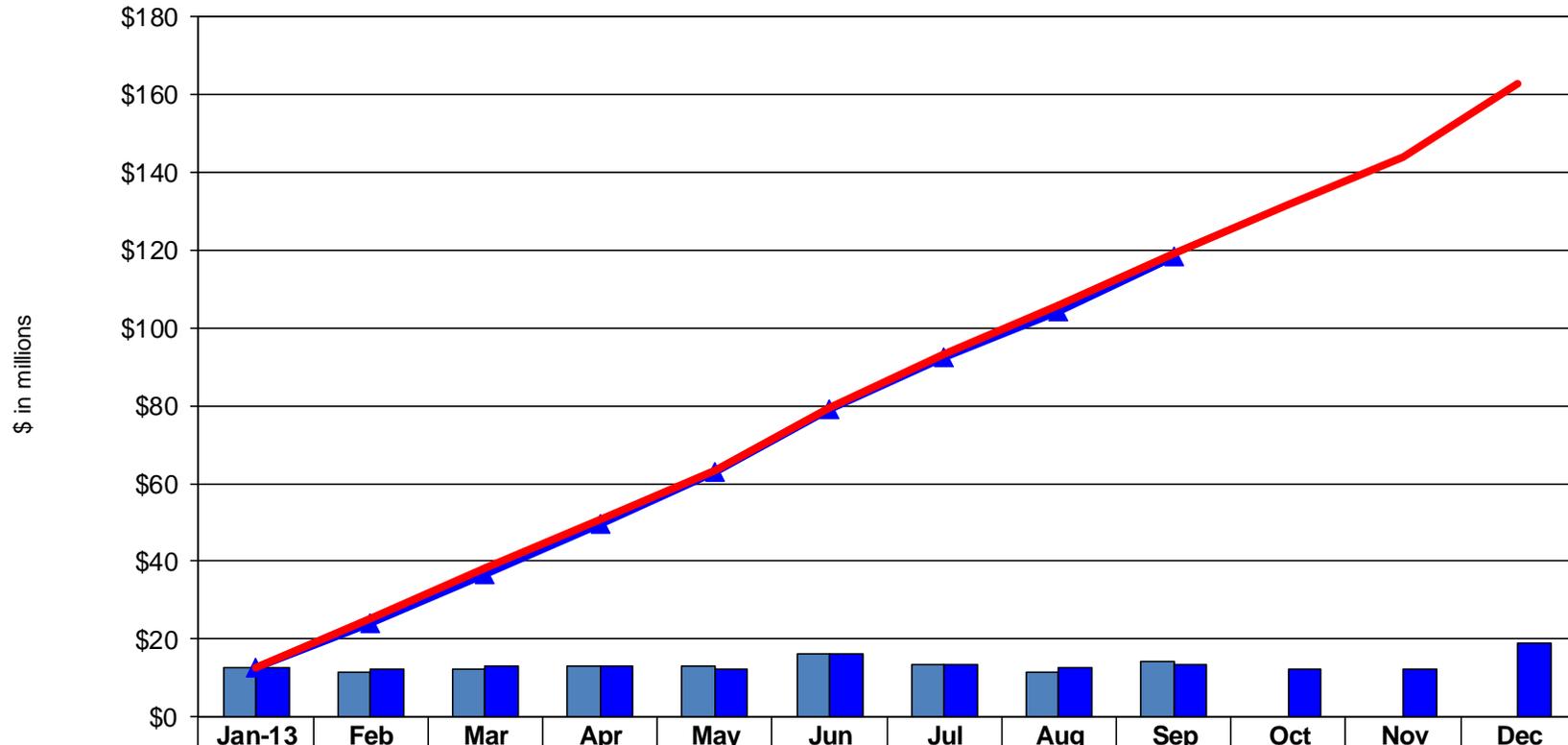
Revenues = GMC & Other Revenues



Monthly GMC Revenues

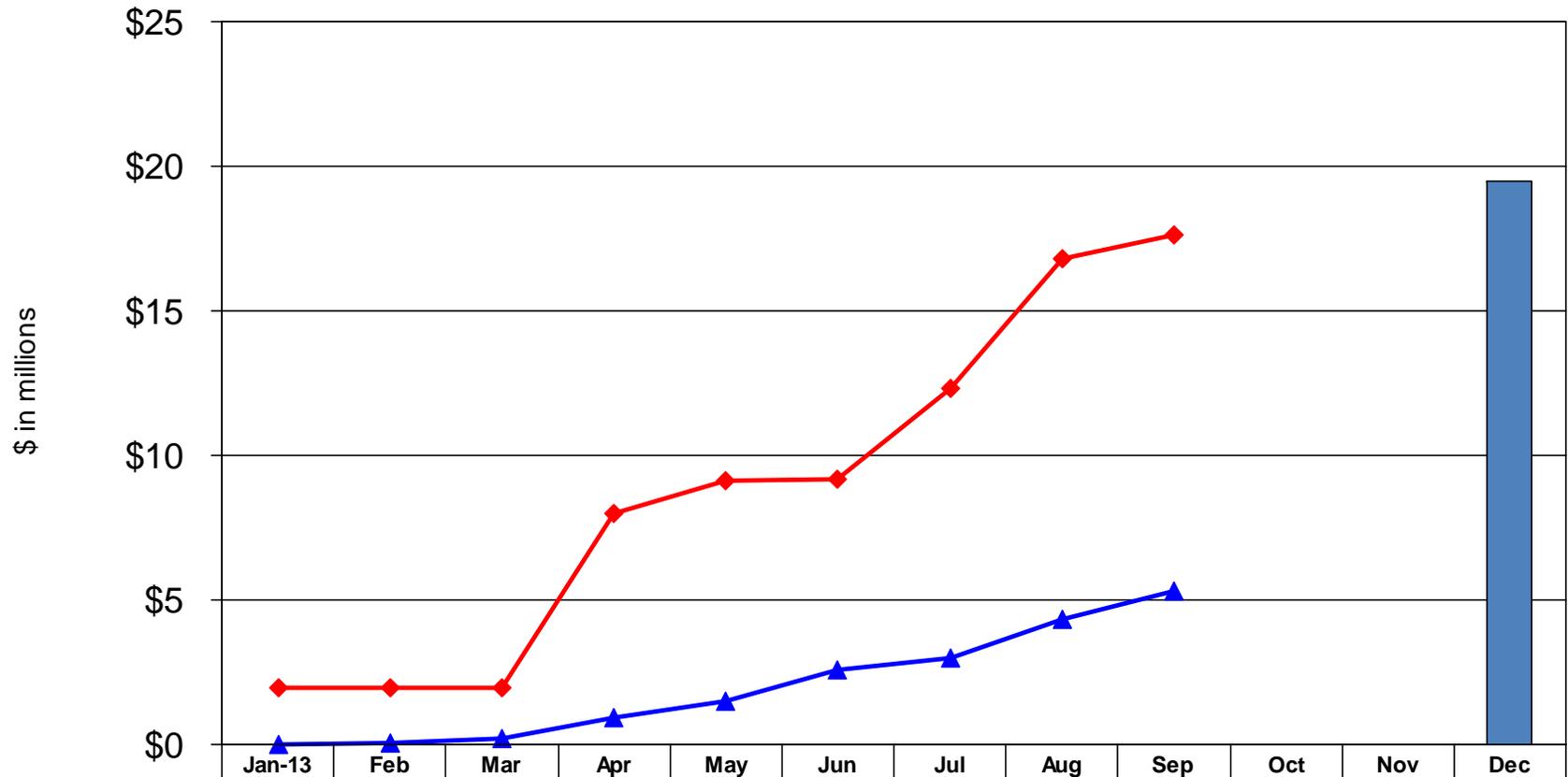


Operating and Maintenance Expenses (O&M)



	Jan-13	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	12.61	11.54	12.39	13.23	13.12	16.36	13.37	11.55	14.06			
Monthly Budget	12.75	12.43	12.86	12.91	12.38	16.28	13.63	12.52	13.37	12.45	12.45	18.88
Cum Actual	12.61	24.14	36.53	49.76	62.88	79.23	92.60	104.15	118.20			
Cum Budget	12.75	25.18	38.04	50.95	63.33	79.61	93.25	105.76	119.13	131.58	144.03	162.91
Cum Variance	0.14	1.04	1.52	1.20	0.46	0.38	0.65	1.62	0.93			

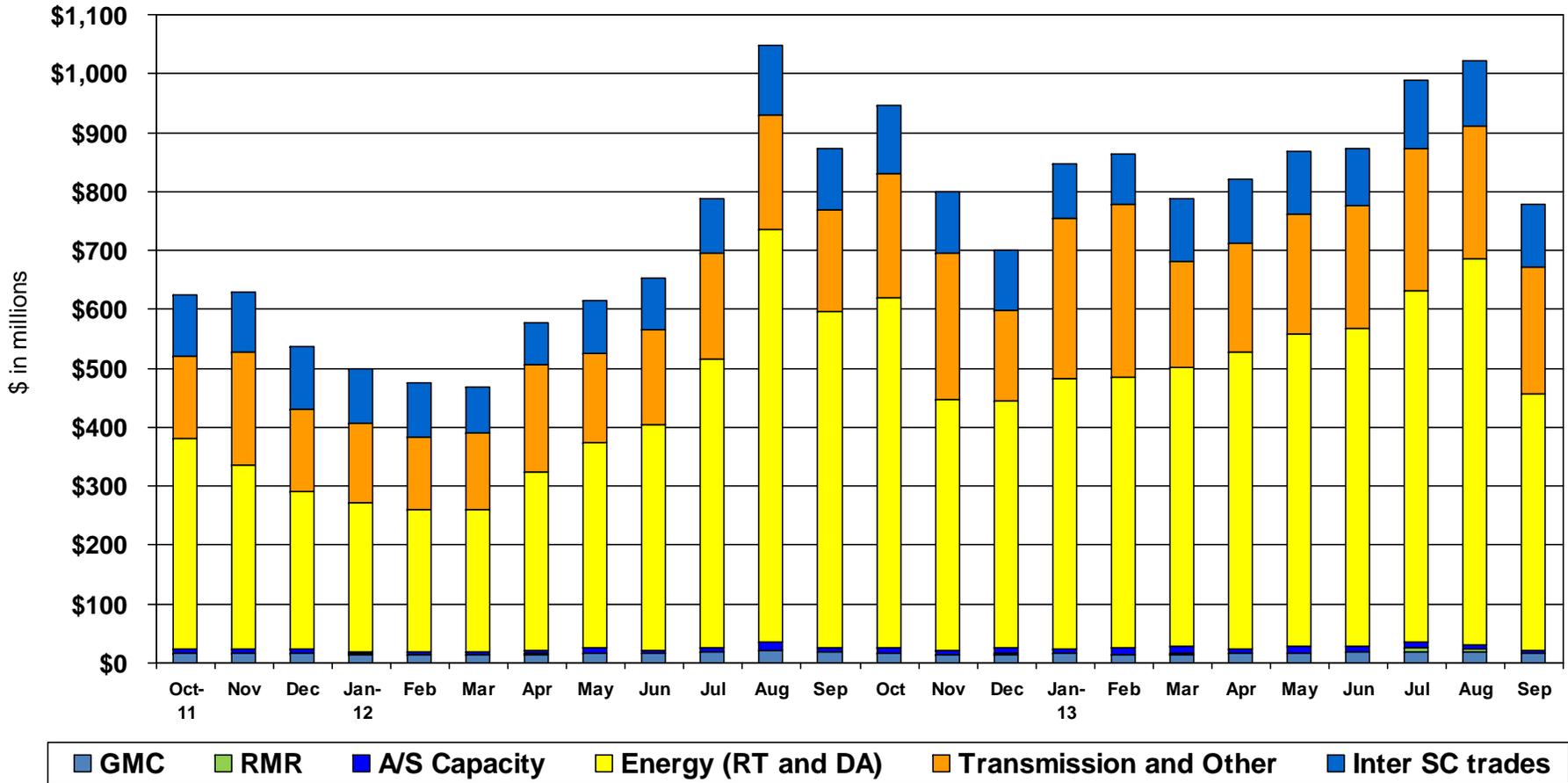
Cumulative Capital Expenditures



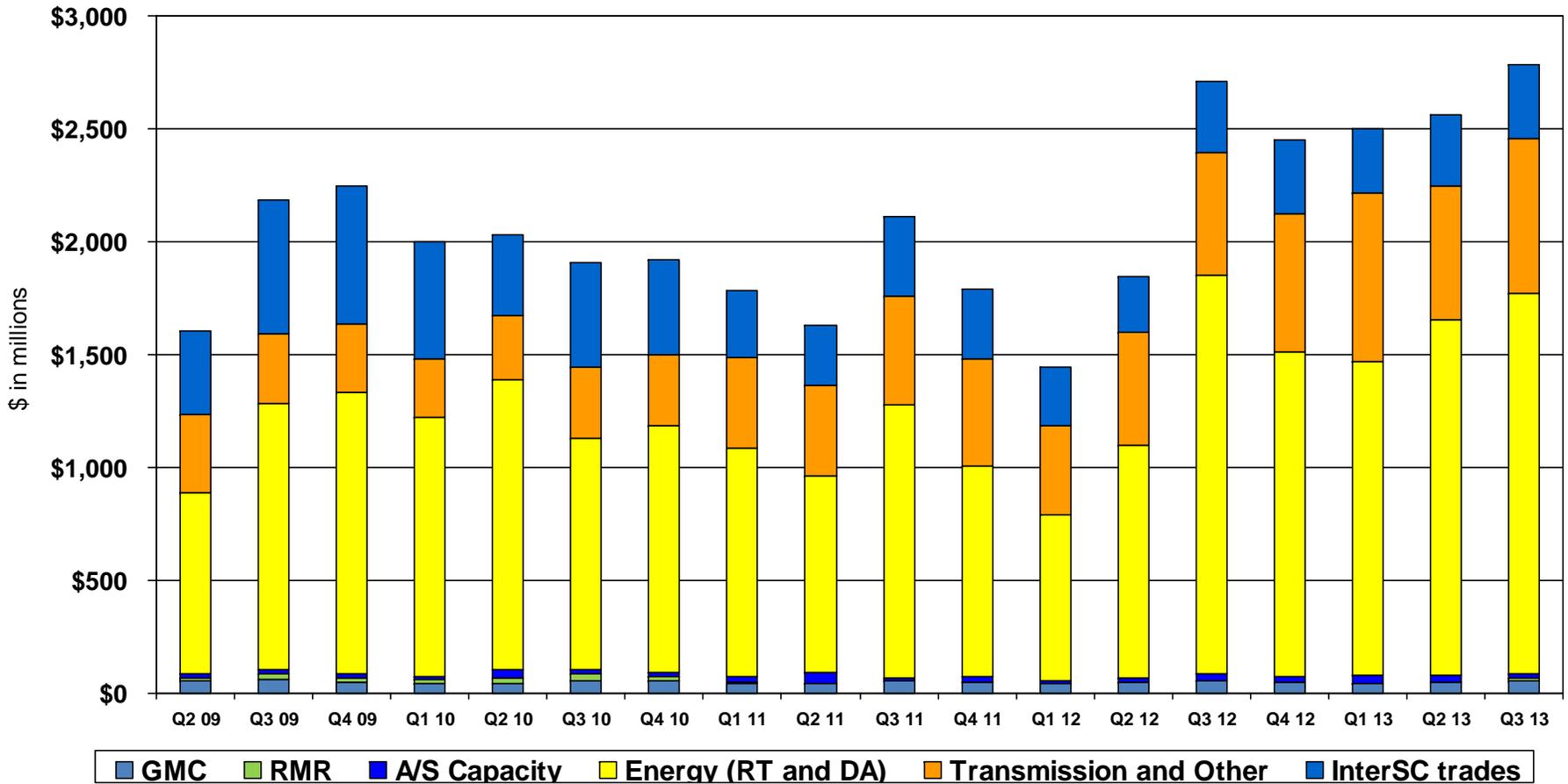
Budgeted capital												19.50
Cumulative Expenditures	0.02	0.05	0.23	0.94	1.51	2.57	3.00	4.33	5.30			
Approved projects	1.95	1.95	1.95	7.98	9.13	9.19	12.31	16.82	17.64			

ISO Market Revenues By Month

Oct 2011 through Sep 2013



ISO Market Revenues By Quarter 2nd Quarter 2009 through 3rd Quarter 2013



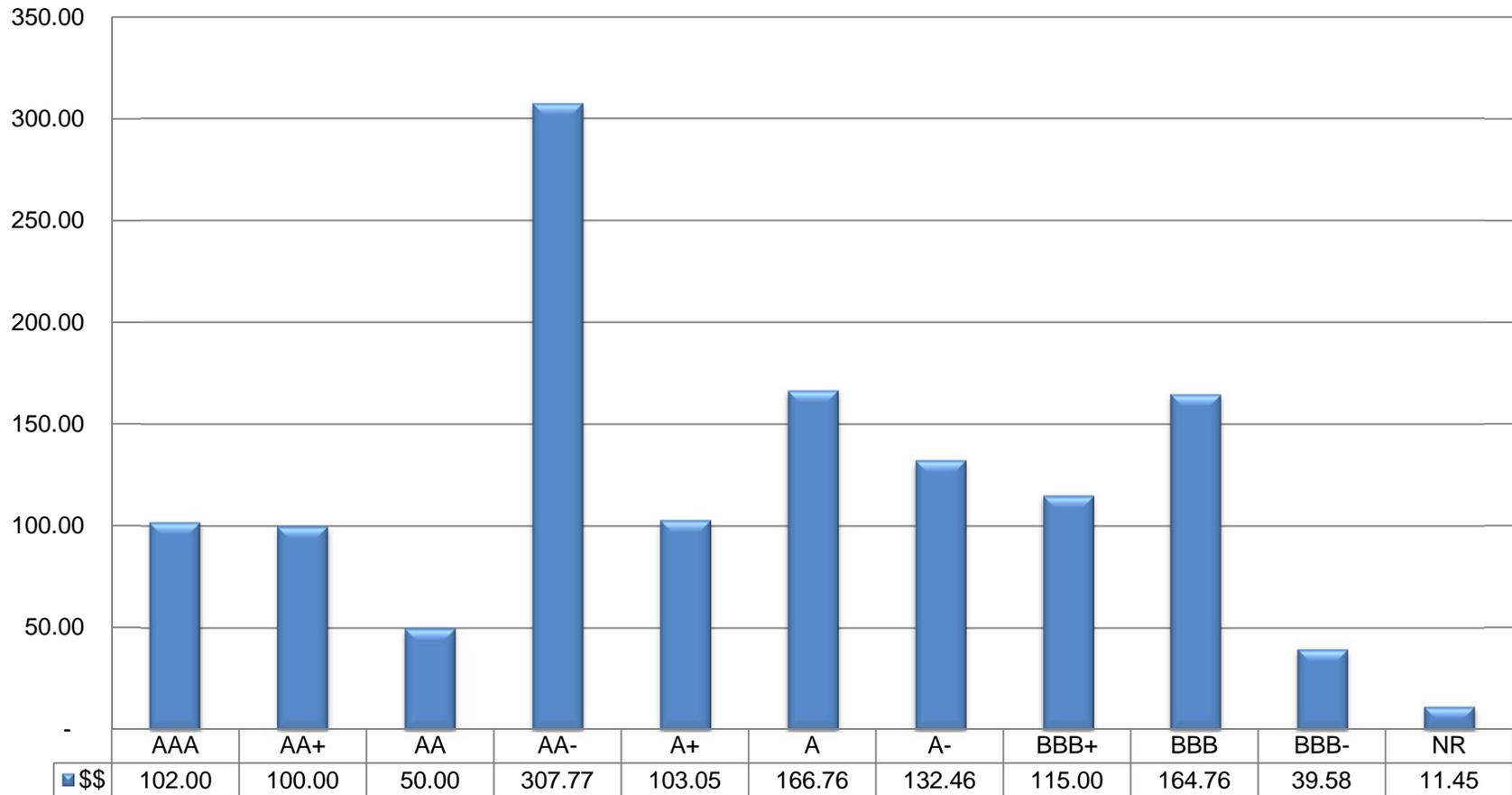
Collateral & Estimated Aggregate Liability (as of 10/03/13)

Collateral Types	Amount
Unsecured	\$1,292,832,121
Secured	\$411,179,546
Total	\$1,704,011,667

Estimate Aggregate Liability	Amount
Positive EAL	\$230,875,184

Unsecured Collateral (as of 10/03/13)

(in millions)



Secured Collateral (as of 10/03/13)

(in millions)

