

QUARTERLY FINANCIAL REPORT

JUNE 30, 2019

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
QUARTERLY FINANCIAL REPORT - June 30, 2019

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CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the quarter ended June 30, 2019

Results of Operations

Revenues

Through the second quarter ending June 30, 2019, operating revenues were higher by \$1.0 million compared to the budgeted amounts. The overall increase in revenues was due to higher other revenues amounting to \$0.6 million and slightly higher GMC revenues of \$0.4 million. Although GMC revenues in total is over budget, one of the GMC components, the CRR Service category was under-collected during Q1 2019 and was forecasted to continue trending down throughout the year. As a result, per the Tariff, that GMC component was adjusted effective May 1, 2019.

Expenses

Operating expenses are \$3.1 million under budget through the second quarter of the year, largely due to timing of expenses.

Interest income and other are higher than budget during the 2nd quarter due to unrecognized gains on the value of investments.

Material Changes to Assets and Liabilities

Debt service, market collateral transactions, incentive compensation payouts and annual 401k contributions were the primary contributors to the changes in company assets and liabilities year to date.

Capital Projects

Through the end of the second quarter of 2019, \$14.5 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 8, 2019, the ISO maintained \$2.2 billion in collateral from market participants to support \$213.0 million in aggregate liabilities due in the market. Approximately \$1.6 billion of the collateral is from unsecured sources (i.e., unsecured credit limits and parent guarantees) with investment grade or equivalent ratings, and \$0.6 billion is from secured forms (i.e., cash and letters of credit). 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, 2019
(dollars in thousands)

	Quarter		Year to Date		Year to Date Budget
	Actual	Prior Year	Actual	Prior Year	
<u>Operating revenues:</u>					
Grid management charge	\$ 46,481	\$ 46,744	\$ 90,176	\$ 90,813	\$ 89,817
Other revenues	3,973	5,716	8,757	9,793	8,150
Total operating revenues	50,454	52,460	98,933	100,606	97,967
<u>Operating expenses:</u>					
Salaries and benefits	31,174	33,783	66,879	63,728	67,180
Building, leases and facility	519	482	2,564	976	1,405
Insurance	312	313	698	680	726
Third party vendor contracts	3,470	3,697	7,032	7,144	8,203
Consulting and contracting services	4,178	3,665	7,578	6,137	8,538
Legal and audit	703	1,158	964	1,253	1,698
Training, travel and professional dues	621	590	1,020	1,223	1,901
Other	463	635	1,122	1,064	1,323
Total operating expenses	41,440	44,323	87,856	82,205	90,974
Operating income before depreciation and amortization	9,014	8,137	11,077	18,401	6,993
<u>Depreciation and amortization</u>	6,283	9,031	15,739	16,270	16,000
Net operating income (loss)	2,731	(894)	(4,662)	2,131	(9,007)
<u>Other income (expenses)</u>					
Interest income & other	2,377	587	5,181	467	1,650
Interest expense	(2,128)	(2,183)	(4,270)	(4,379)	(4,297)
Total other income (expenses)	249	(1,596)	911	(3,912)	(2,647)
Excess (deficiency) of revenues over expenses	\$ 2,980	\$ (2,490)	\$ (3,751)	\$ (1,781)	\$ (11,654)
Number of full-time employees			627	611	647

CALIFORNIA ISO

Balance Sheet

As of June 30, 2019

(dollars in thousands)

	Current Quarter 6/30/2019	Prior Year 12/31/2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, including restricted amounts	\$ 386,968	\$ 324,901
Accounts receivable	29,195	22,383
Short-term Investments, including restricted amounts	71,062	69,927
Other current assets	7,008	6,437
Total current Assets	<u>494,233</u>	<u>423,648</u>
NONCURRENT ASSETS		
Long-term investments, including restricted amounts	148,233	159,012
Fixed assets, net	163,991	167,080
Other assets	8,123	10,366
Total noncurrent assets	<u>320,347</u>	<u>336,458</u>
TOTAL ASSETS	<u><u>\$ 814,580</u></u>	<u><u>\$ 760,106</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	12,825	12,126
Accrued salaries and compensated absences	23,342	34,861
Current portion of long-term debt	5,165	4,970
Due to market participants	417,671	345,182
Generator noncompliance fines refund obligation	1,861	1,805
Total current liabilities	<u>460,864</u>	<u>398,944</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	170,324	175,788
Employee retirement plan obligations	15,556	19,067
Total noncurrent liabilities	<u>185,880</u>	<u>194,855</u>
TOTAL LIABILITIES	<u>646,744</u>	<u>593,799</u>
TOTAL NET ASSETS	<u>167,836</u>	<u>166,307</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 814,580</u></u>	<u><u>\$ 760,106</u></u>

Capital Projects Report

For the quarter ended June 30, 2019

(\$ in thousands)

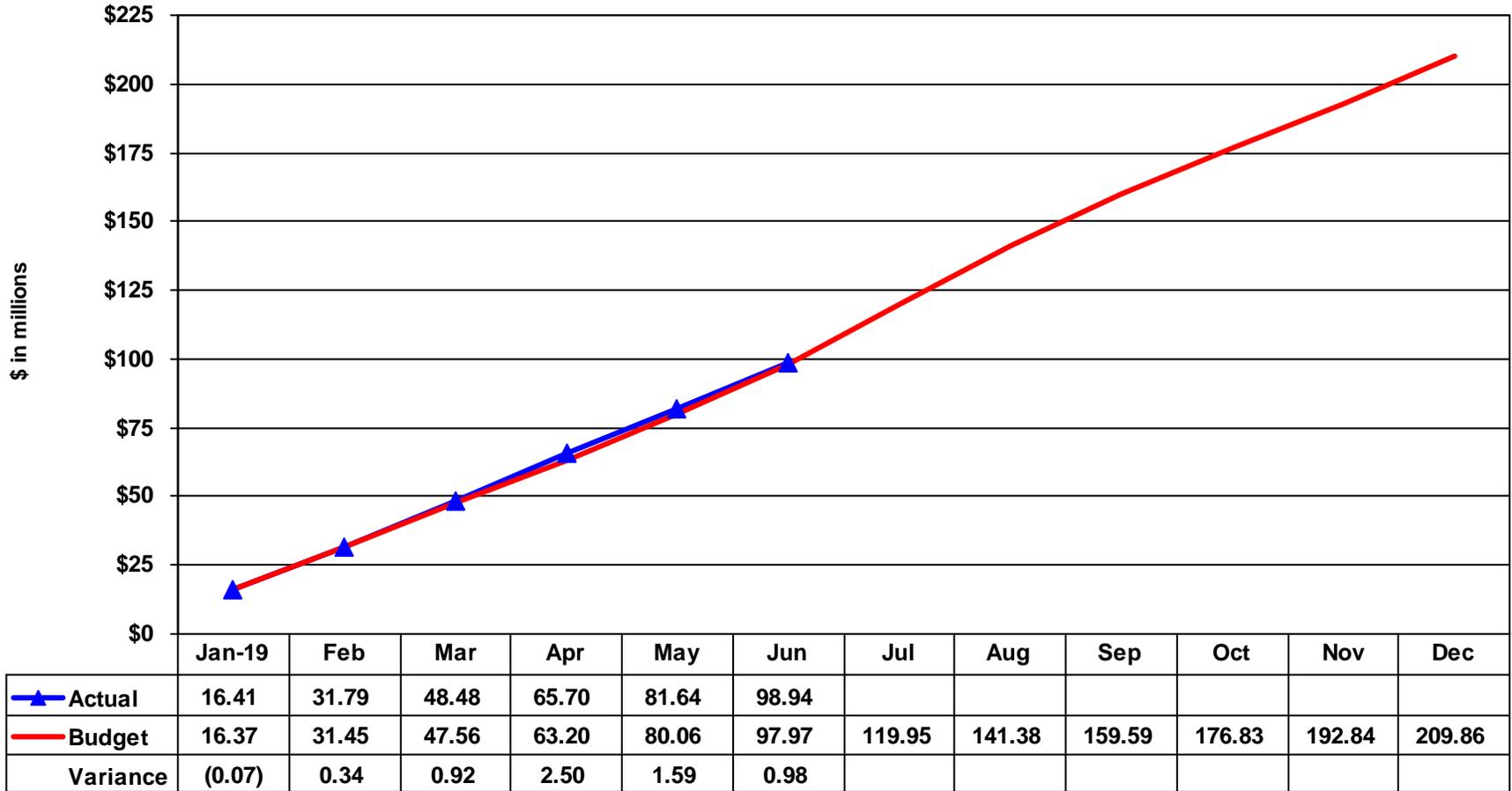
Project Classification	2019 Capital and Project Budget¹	Projects Approved YTD	Remaining Budget	Expenditures YTD
Market and Operational Excellence	\$ 10,325	\$ 8,825	\$ 1,500	\$ 1,199
Enhance the Technology Foundation	9,300	3,919	5,381	1,211
Focus on Customer Service and Other Costs	1,225	1,775	(550)	16
Grid Evolution Readiness and Regional Innovation Opportunities	1,150	-	1,150	-
	\$ 22,000	\$ 14,519	\$ 7,481	\$ 2,426
			Expenditures on projects approved prior to 2019 ² :	8,059
				\$ 10,485

¹ The Board approved a maximum level of \$22.0 million in capital and project commitments for 2019 at their December 2018 meeting. The sub-amounts allocated to the project classifications will vary as actual projects are approved during the year by the Corporate Management Committee.

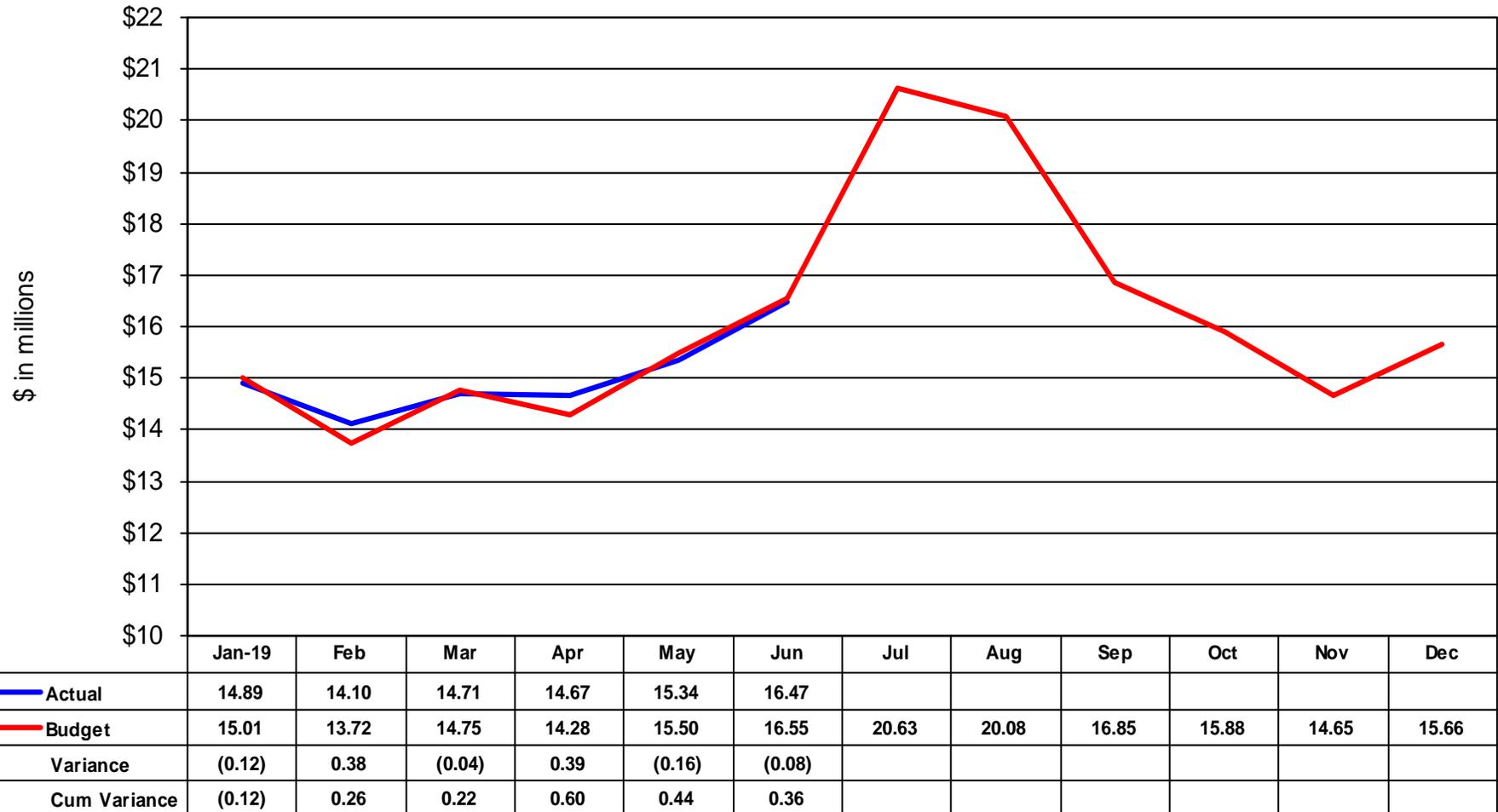
² Expenditures on projects approved in a prior budget year. Does not include EIM Implementation projects as those expenditures are reimbursed by the EIM entity.

Cumulative Operating Revenues

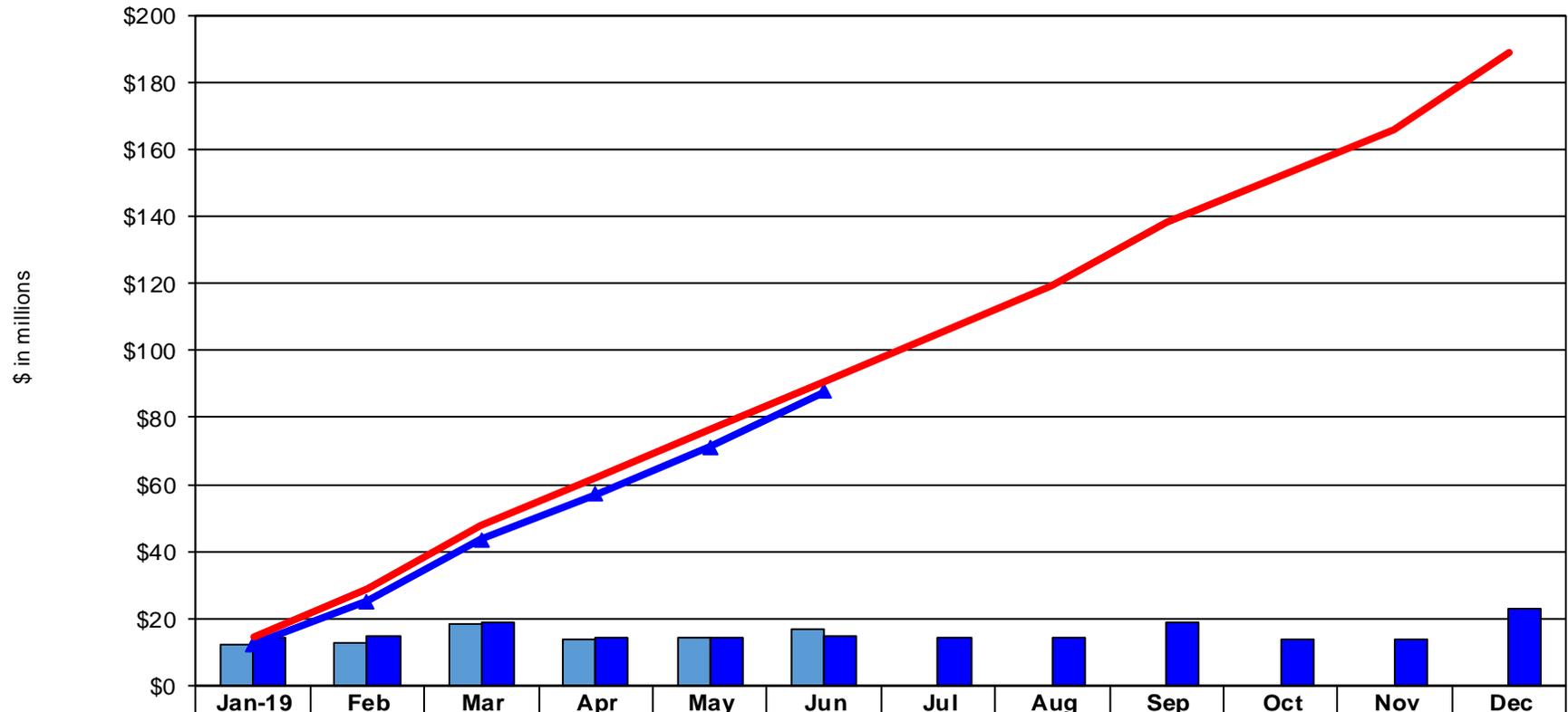
Revenues = GMC & Other Revenues



Monthly GMC Revenues

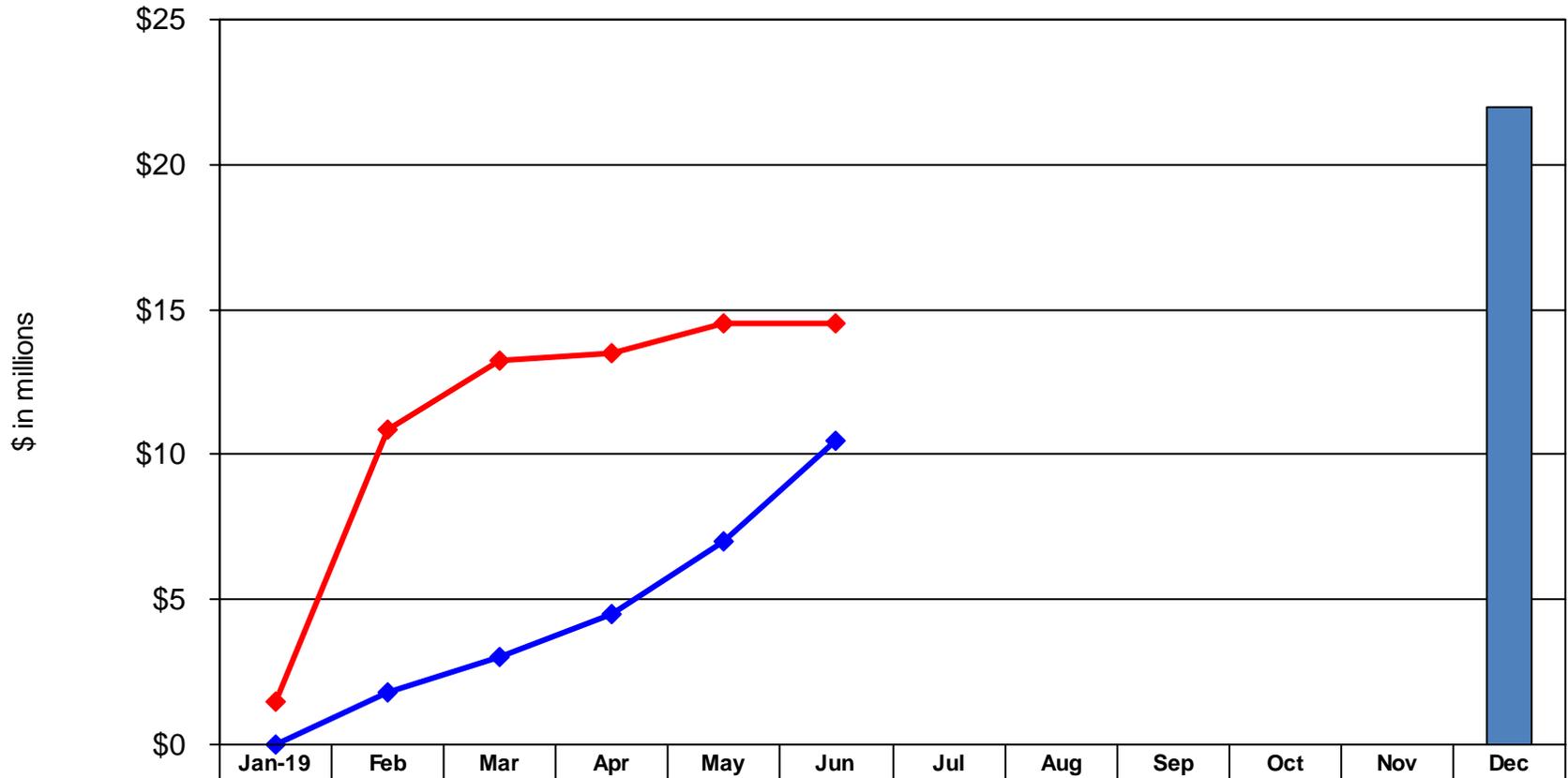


Operating and Maintenance Expenses (O&M)



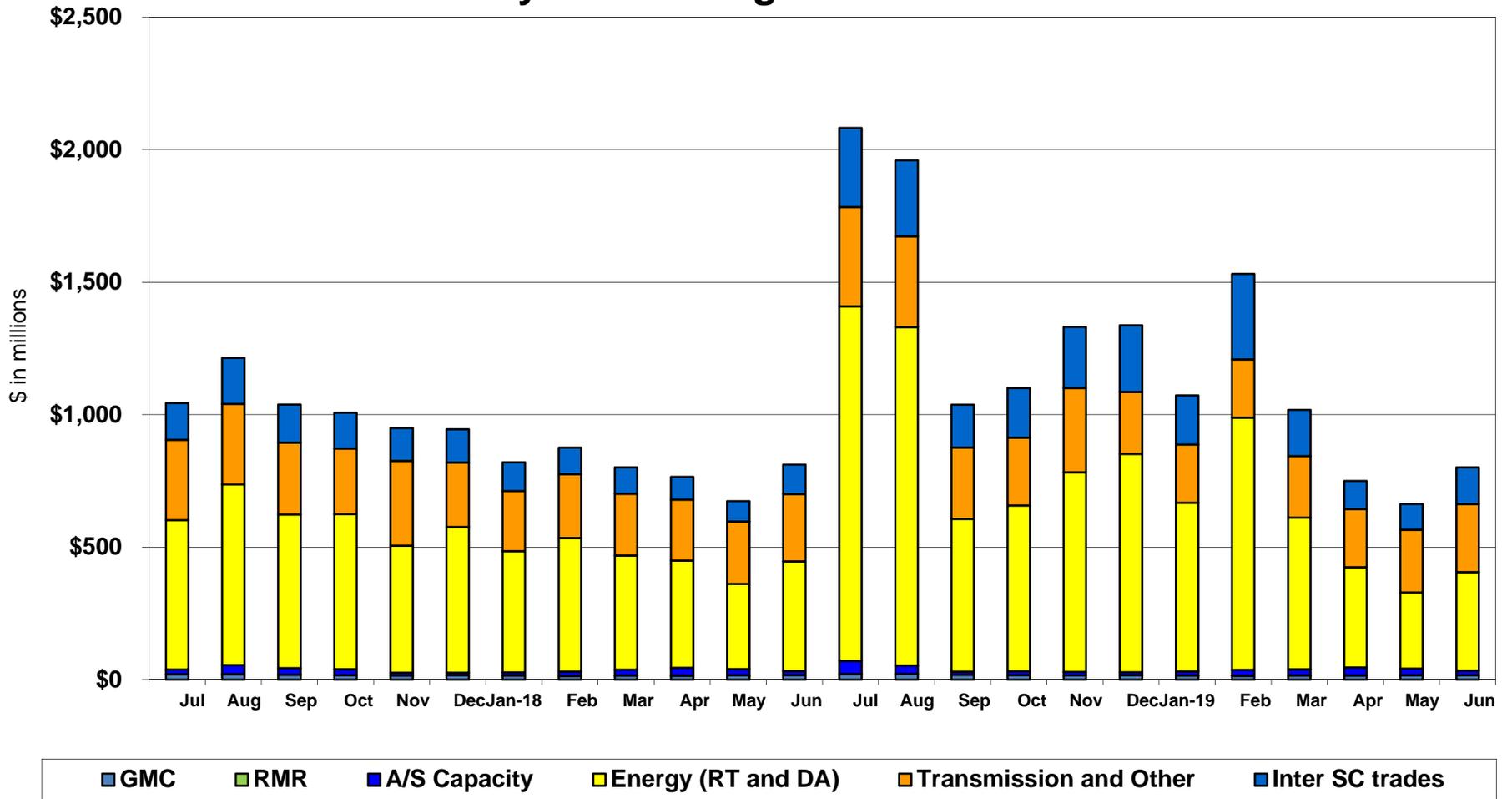
	Jan-19	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	12.27	12.88	18.45	13.48	14.00	16.76						
Monthly Budget	14.21	14.45	18.94	14.34	14.29	14.73	14.00	14.00	19.05	13.88	13.88	22.93
Cum Actual	12.27	25.15	43.60	57.08	71.08	87.84						
Cum Budget	14.21	28.66	47.90	61.94	76.23	90.96	105.27	119.28	138.33	152.21	166.10	189.03
Cum Variance	1.94	3.51	4.00	4.86	5.15	3.12						

Cumulative Capital Expenditures

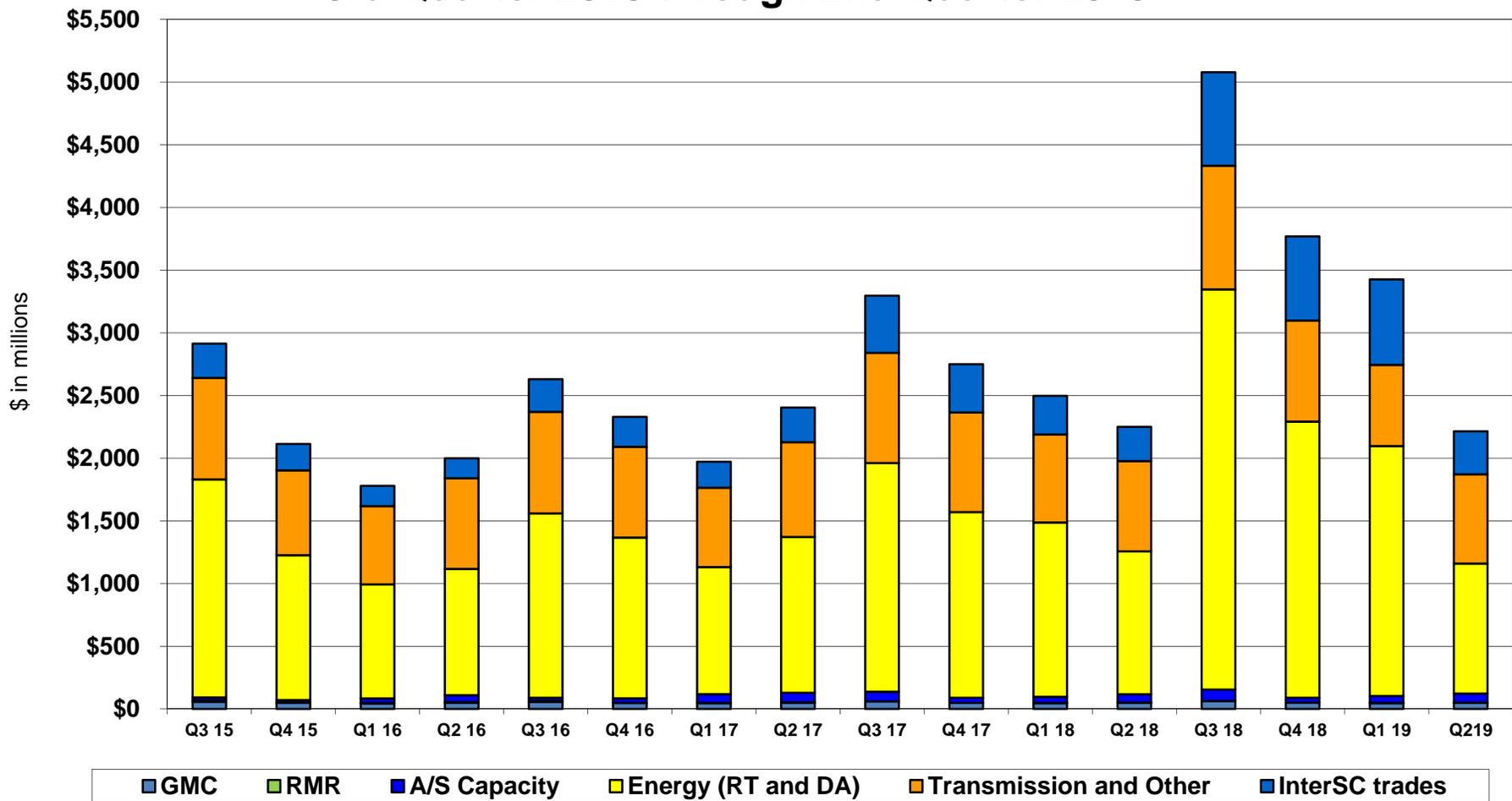


Budgeted capital												22.00
Cumulative Expenditures	0.00	1.80	3.00	4.50	7.00	10.50						
Approved projects	1.48	10.84	13.22	13.50	14.50	14.50						

ISO Market Revenues By Month July 2017 through June 2019



ISO Market Revenues By Quarter 3rd Quarter 2015 through 2nd Quarter 2019



Collateral & Estimated Aggregate Liability (as of 07/08/2019)

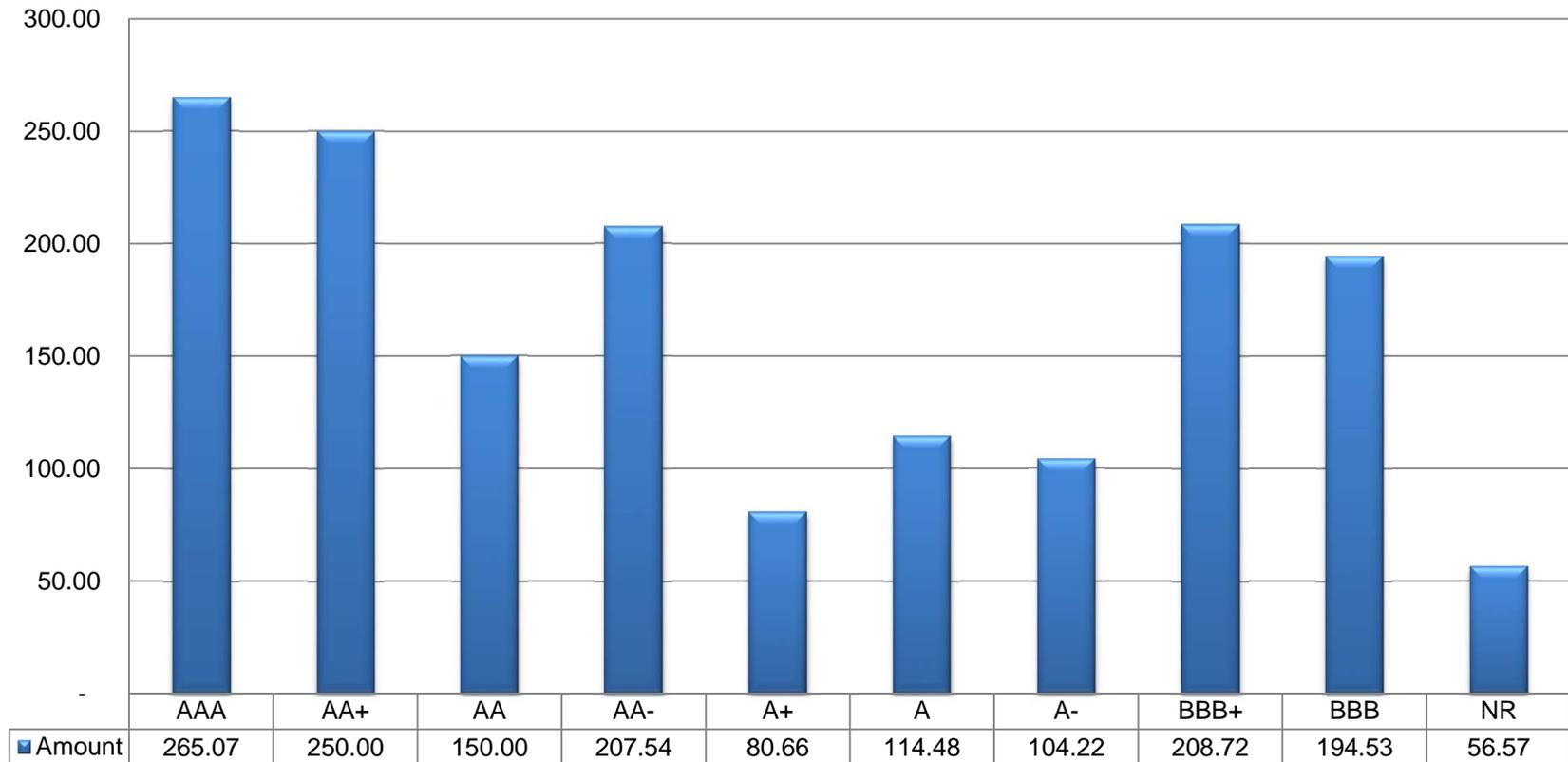
Collateral Types	Amount
Unsecured	\$1,631,785,841
Secured	\$576,691,869
Total	\$2,208,477,710

Estimate Aggregate Liability	Amount
Positive EAL	\$212,526,098

Unsecured Collateral (as of 07/08/2019)

(in millions)

Unsecured Collateral



Secured Collateral (as of 07/08/2019)

(in millions)

Secured Collateral

