
QUARTERLY FINANCIAL REPORT

December 31, 2019

Preliminary and Unaudited

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
QUARTERLY FINANCIAL REPORT - December 31, 2019 (Preliminary and Unaudited)

Table of Contents

	<i>Page Number</i>
Summary, Discussion and Commentary	<i>i</i>
<i>THE ISO</i>	
Statement of Operations (Preliminary and Unaudited)	1
Balance Sheet (Preliminary and Unaudited)	2
Capital Projects Report (Preliminary and Unaudited)	3
<i>Summary Financial Data</i>	
Cumulative Operating Revenues (Preliminary and Unaudited)	4
Monthly GMC Revenues (Preliminary and Unaudited)	5
Monthly Operating and Maintenance Expenses (Preliminary and Unaudited)	6
Cumulative Capital Expenditures (Preliminary and Unaudited)	7
ISO Market Costs by Month - January 2018 through December 2019	8
ISO Market Costs by Quarter - 1st Quarter 2016 through 4th Quarter 2019	9
Collateral and Estimated Aggregate Liability	10
Unsecured Collateral	11
Secured Collateral	12

CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY (Preliminary and Unaudited)

For the quarter ended December 31, 2019

Results of Operations

Revenues

Through the fourth quarter ending December 31, 2019, operating revenues were higher by \$7.2 million compared to the budgeted amounts. The overall increase in revenues was primarily due to higher other revenues of \$8.2 million, due to higher than planned forecasting fees and generator interconnection project revenues. These were offset by lower GMC revenues of \$1.0 million.

Expenses

Operating expenses are \$6.0 million under budget through the fourth quarter of the year, largely due to the underlying company goal of reducing expenses. Expenses were lower across most of the expense categories, especially in the legal and audit, consulting, and travel and training categories. Salaries and wages were also lower during the year due to a lower headcount than budgeted.

Interest income and other are \$7.0 million higher than budget through the fourth quarter due to higher interest rates and to unrealized gains on the Company's investments.

Material Changes to Assets and Liabilities

Material changes in Company assets and liabilities on a year over year basis are largely driven by amounts due to market participants, such as market collateral transactions.

Capital Projects

Through the end of the fourth quarter of 2019, \$22.0 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 January 7, 2020, the ISO maintained \$2.2 billion in collateral from market participants to support \$342.7 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 \$543.9 million is from secured forms (i.e., cash and letters of credit). This collateral is predominantly invested in AAA-rated government money market funds or backed by A-rated or better financial institutions.

CALIFORNIA ISO

Statement of Operations (Preliminary and Unaudited)

For the quarter ended December 31, 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	\$ 45,972	\$ 48,712	\$ 192,544	\$ 199,334	\$ 193,563
Other revenues	9,753	3,833	24,558	18,574	16,300
Total operating revenues	55,725	52,545	217,102	217,908	209,863
<u>Operating expenses:</u>					
Salaries and benefits	34,957	35,707	138,269	133,267	141,220
Building, leases and facility	673	673	2,085	2,201	2,378
Insurance	895	282	1,905	1,914	2,301
Third party vendor contracts	3,962	3,339	13,615	13,626	14,522
Consulting and contracting services	6,404	4,803	16,677	14,096	18,535
Legal and audit	877	780	2,136	2,770	3,796
Training, travel and professional dues	892	1,261	2,503	3,245	3,550
Other	4,113	1,282	5,864	2,901	2,728
Total operating expenses	52,773	48,127	183,054	174,020	189,030
Operating income before depreciation and amortization	2,952	4,418	34,048	43,888	20,833
<u>Depreciation and amortization</u>	5,855	9,434	26,555	35,338	26,000
Net operating income (loss)	(2,903)	(5,016)	7,493	8,550	(5,167)
<u>Other income (expenses)</u>					
Interest income & other	2,277	1,020	10,296	2,516	3,300
Interest expense	(2,099)	(1,685)	(8,497)	(8,249)	(8,494)
Total other income (expenses)	178	(665)	1,799	(5,733)	(5,194)
Excess (deficiency) of revenues over expenses	\$ (2,725)	\$ (5,681)	\$ 9,292	\$ 2,817	\$ (10,361)
Number of full-time employees			637	618	647

CALIFORNIA ISO

Balance Sheet (Preliminary and Unaudited)

As of December 31, 2019

(dollars in thousands)

	Current Year 12/31/2019	Prior Year 12/31/2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, including restricted amounts	\$ 366,432	\$ 324,901
Accounts receivable	32,191	22,383
Short-term Investments, including restricted amounts	61,940	69,927
Other current assets	7,424	6,437
Total current Assets	<u>467,987</u>	<u>423,648</u>
NONCURRENT ASSETS		
Long-term investments, including restricted amounts	203,763	159,012
Fixed assets, net	170,951	167,080
Other assets	5,289	10,366
Total noncurrent assets	<u>380,003</u>	<u>336,458</u>
TOTAL ASSETS	<u><u>\$ 847,990</u></u>	<u><u>\$ 760,106</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	11,146	12,126
Accrued salaries and compensated absences	36,356	34,861
Current portion of long-term debt	5,165	4,970
Due to market participants	421,476	345,182
Generator noncompliance fines refund obligation	1,891	1,805
Total current liabilities	<u>476,034</u>	<u>398,944</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	170,027	175,788
Employee retirement plan obligations	16,480	19,067
Total noncurrent liabilities	<u>186,507</u>	<u>194,855</u>
TOTAL LIABILITIES	<u>662,541</u>	<u>593,799</u>
TOTAL NET ASSETS	<u>185,449</u>	<u>166,307</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 847,990</u></u>	<u><u>\$ 760,106</u></u>

Capital Projects Report (Preliminary and Unaudited)

Year-to-Date Through December 31, 2019

(\$ in thousands)

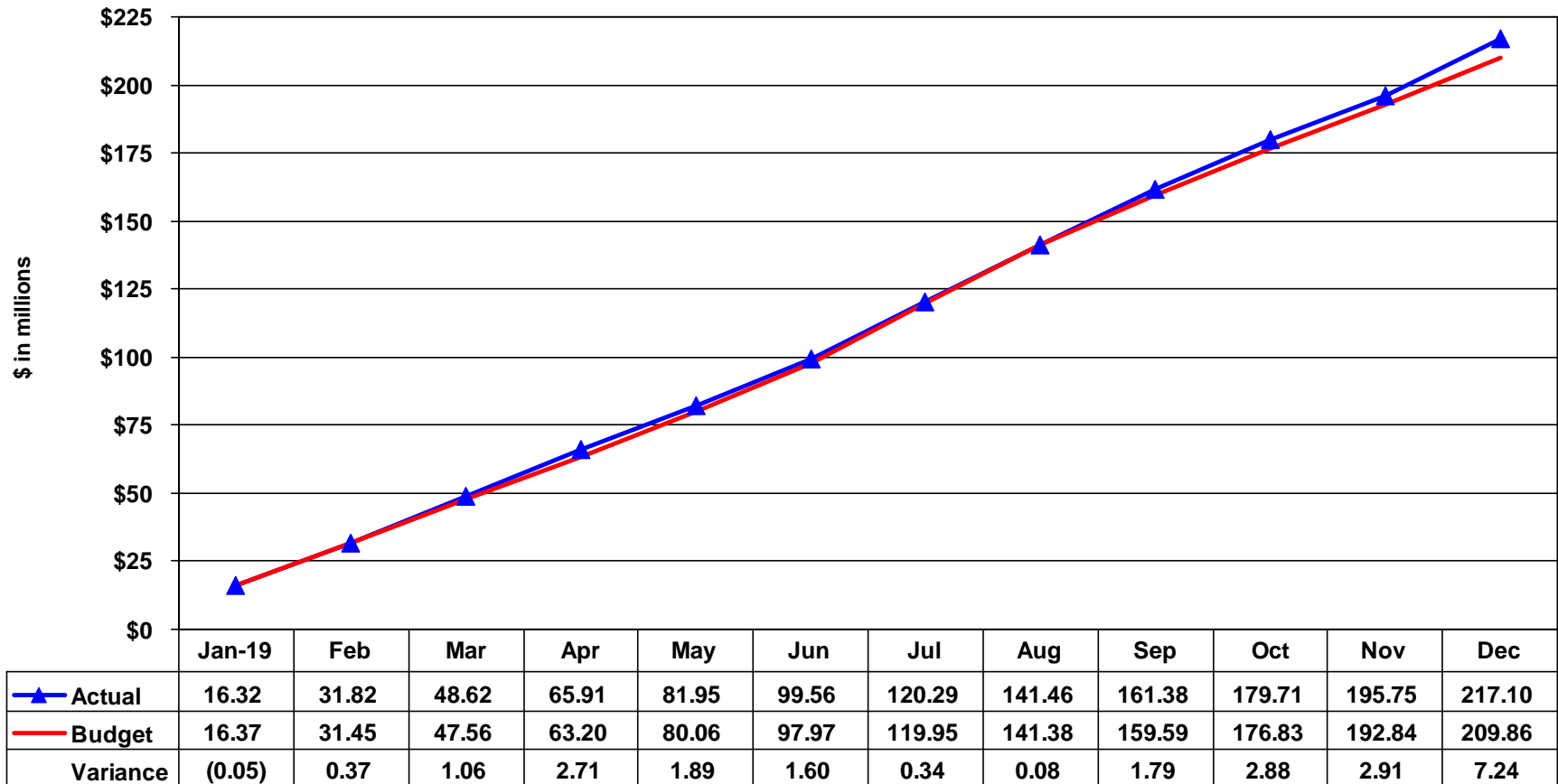
Project Classification	2019 Capital and Project Budget ¹	Projects Approved YTD	Remaining Budget	Expenditures YTD
Market and Operational Excellence	\$ 10,325	\$ 11,982	\$ (1,657)	5,296
Enhance the Technology Foundation	9,300	6,225	3,075	2,237
Focus on Customer Service and Other Costs	1,225	3,790	(2,565)	864
Grid Evolution Readiness and Regional Innovation Opportunities	1,150	-	1,150	-
	\$ 22,000	\$ 21,997	\$ 3	\$ 8,398
			Expenditures on projects approved prior to 2019 ²	17,775
			Total	\$ 26,173

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.

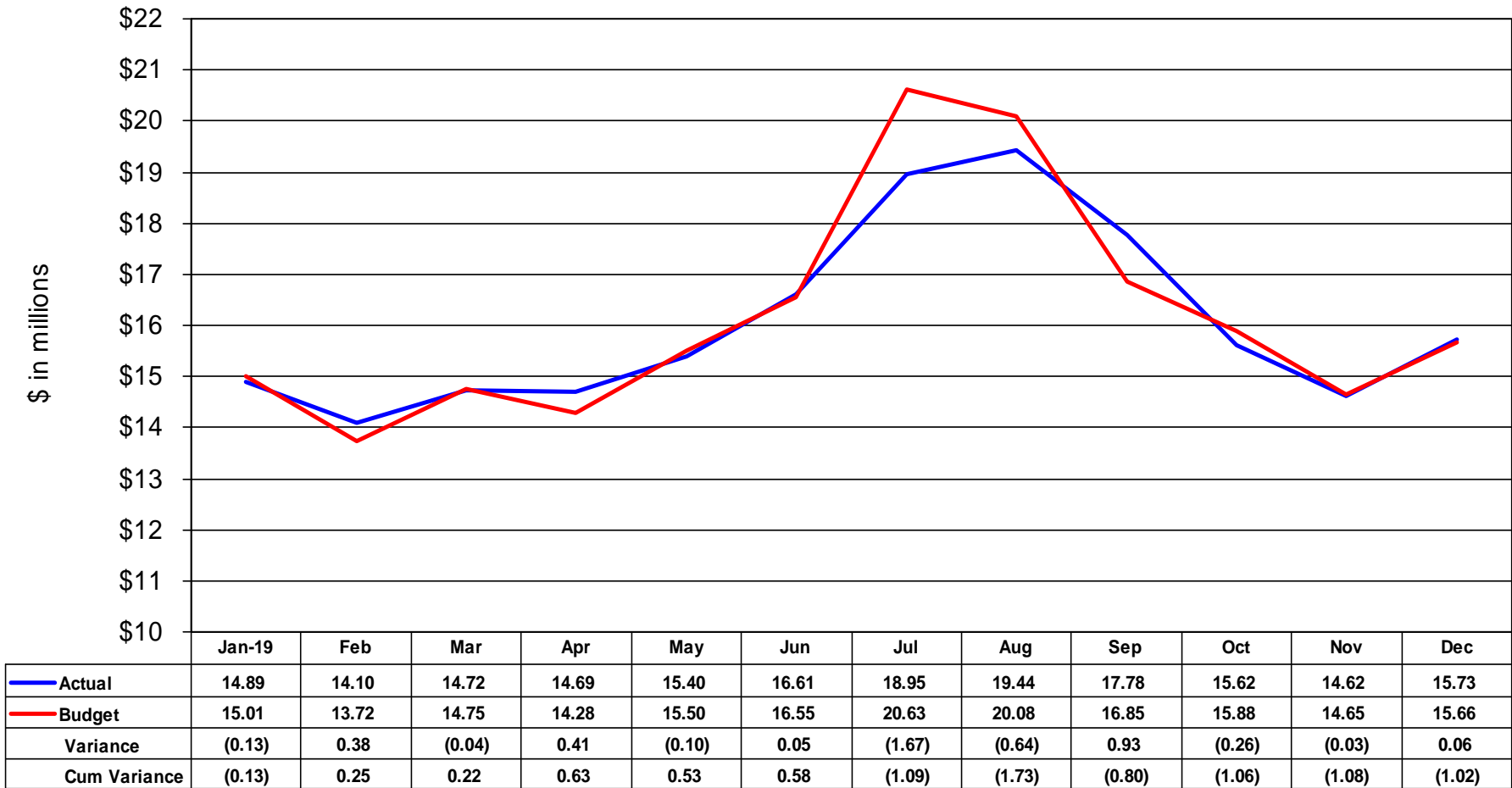
Cumulative Operating Revenues

Revenues = GMC & Other Revenues
PRELIMINARY AND UNAUDITED



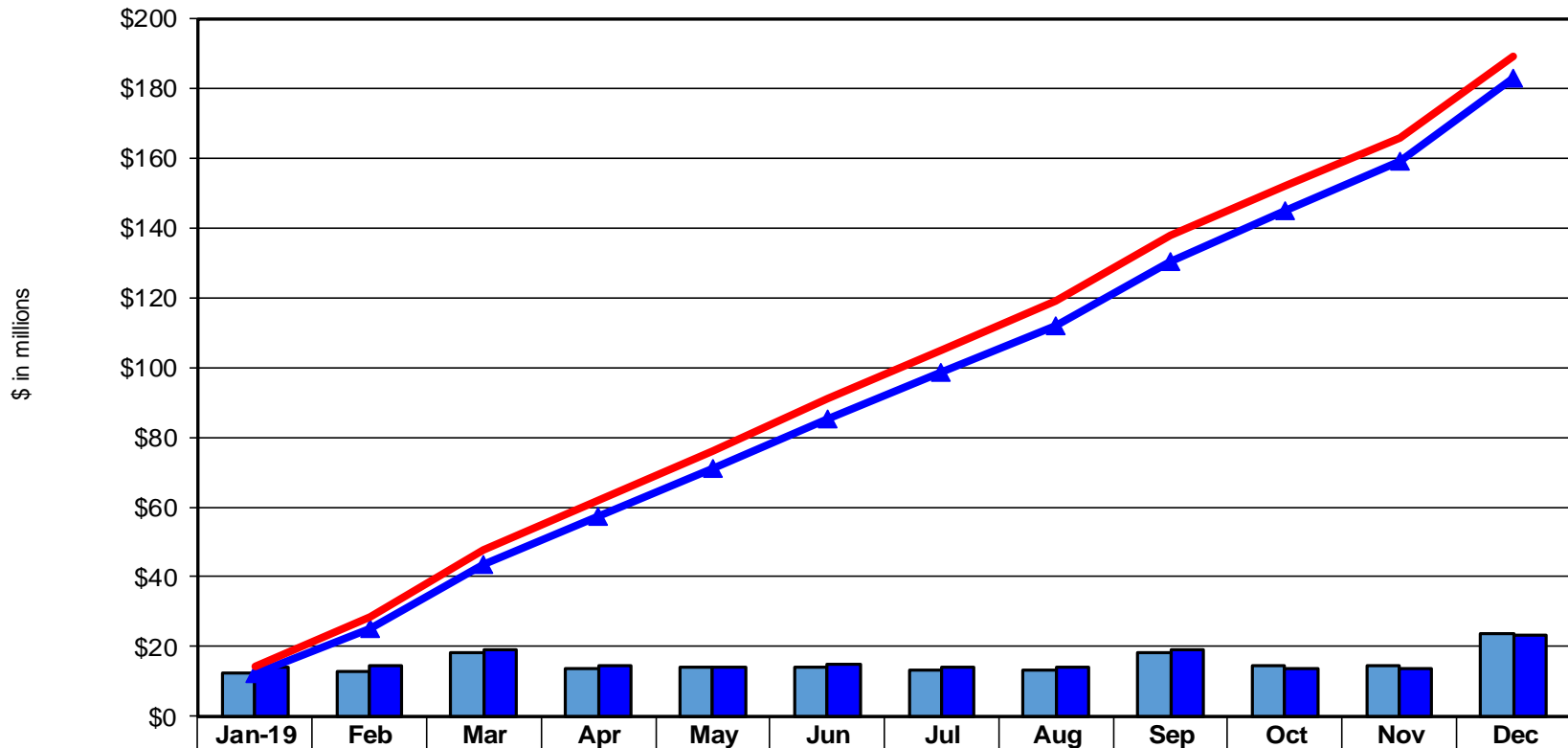
Monthly GMC Revenues

PRELIMINARY AND UNAUDITED



Operating and Maintenance Expenses (O&M)

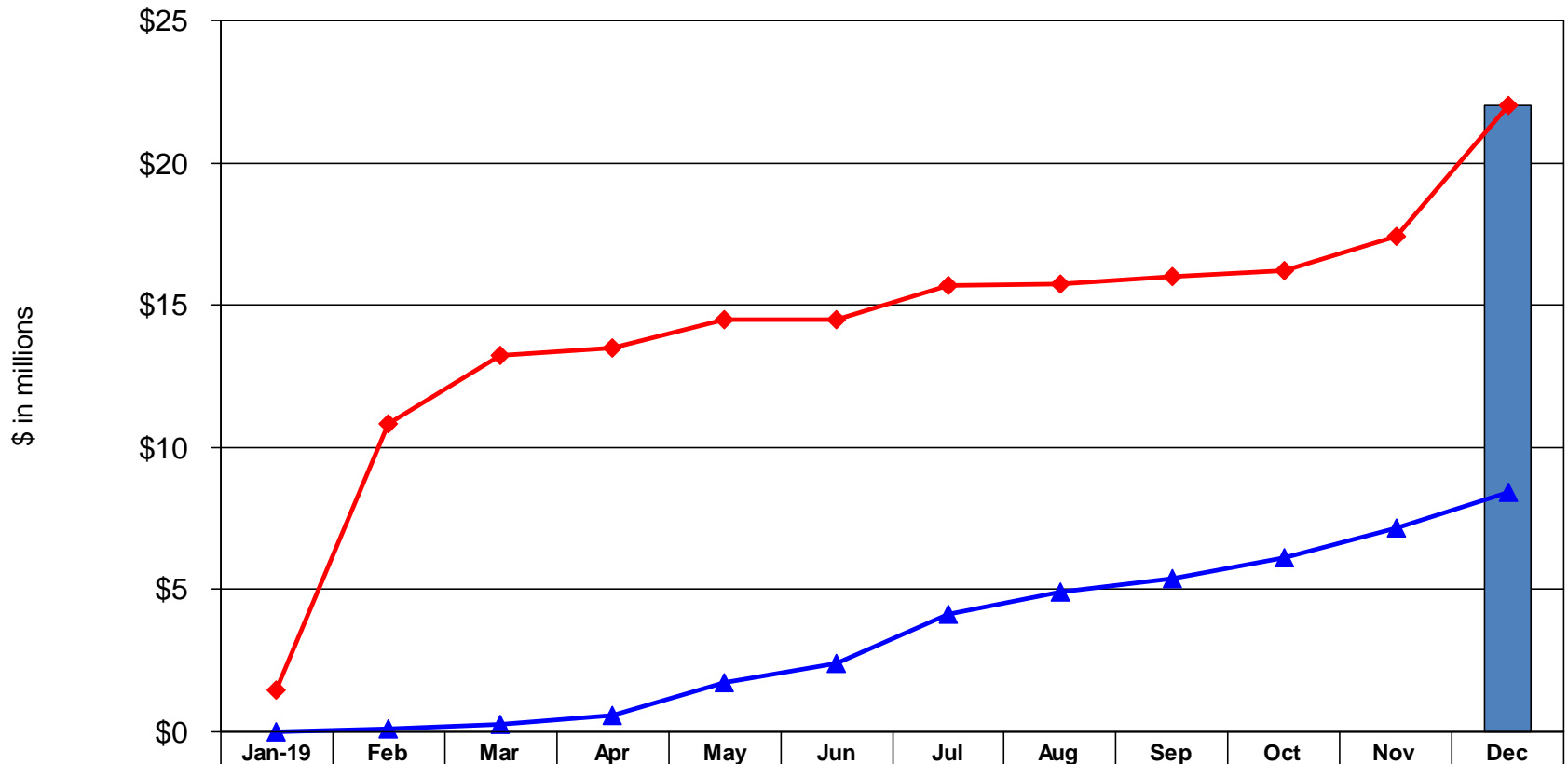
PRELIMINARY AND UNAUDITED



	Jan-19	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	12.30	12.88	18.45	13.63	14.00	13.97	13.27	13.32	18.47	14.50	14.52	23.75
Monthly Budget	14.21	14.45	18.94	14.34	14.29	14.73	14.09	14.08	18.92	13.88	13.88	23.21
Cum Actual	12.30	25.18	43.63	57.26	71.26	85.22	98.49	111.81	130.28	144.78	159.30	183.05
Cum Budget	14.21	28.67	47.61	61.95	76.24	90.97	105.06	119.14	138.06	151.94	165.82	189.03
Cum Variance	1.92	3.49	3.98	4.69	4.99	5.75	6.57	7.33	7.78	7.16	6.51	5.98

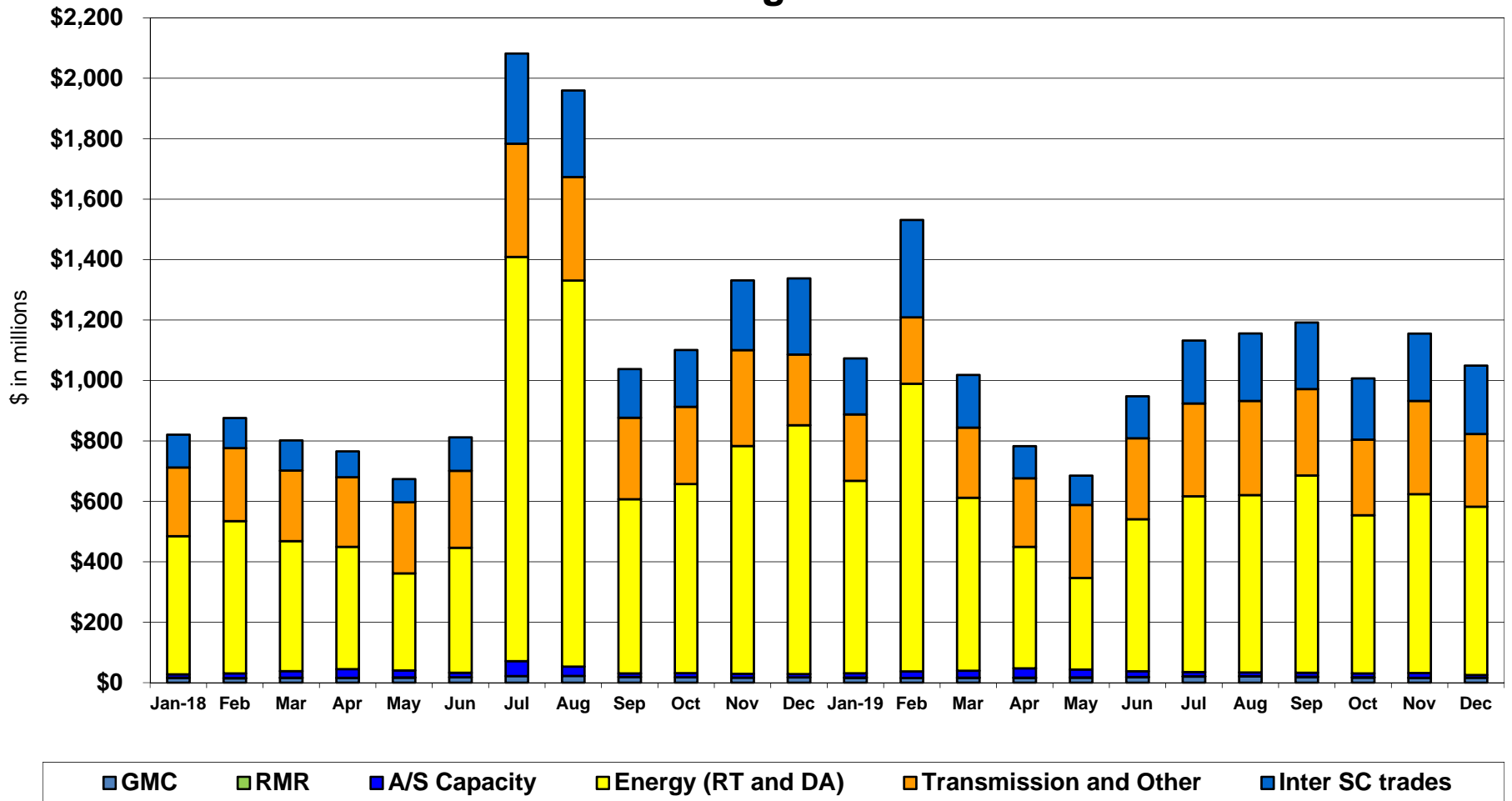
Cumulative Capital Expenditures

PRELIMINARY AND UNAUDITED

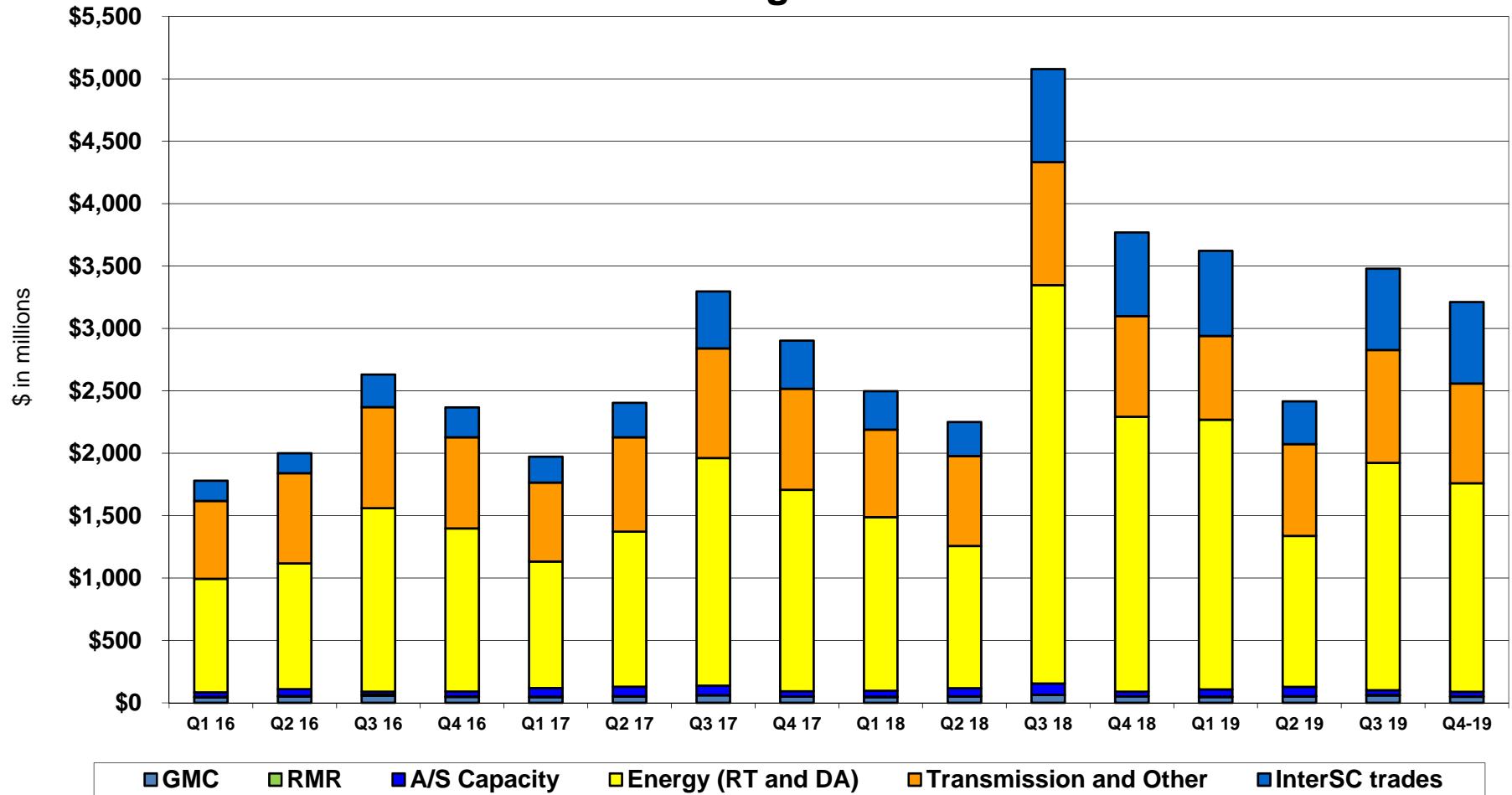


Budgeted capital												22.00
Cumulative Expenditures	0.00	0.10	0.24	0.60	1.72	2.43	4.14	4.94	5.39	6.10	7.16	8.40
Approved projects	1.48	10.84	13.22	13.50	14.50	14.50	15.67	15.72	16.02	16.21	17.43	22.00

ISO Market Revenues By Month Jan 2018 through Dec 2019



ISO Market Revenues By Quarter 1st Quarter 2016 through 4th Quarter 2019



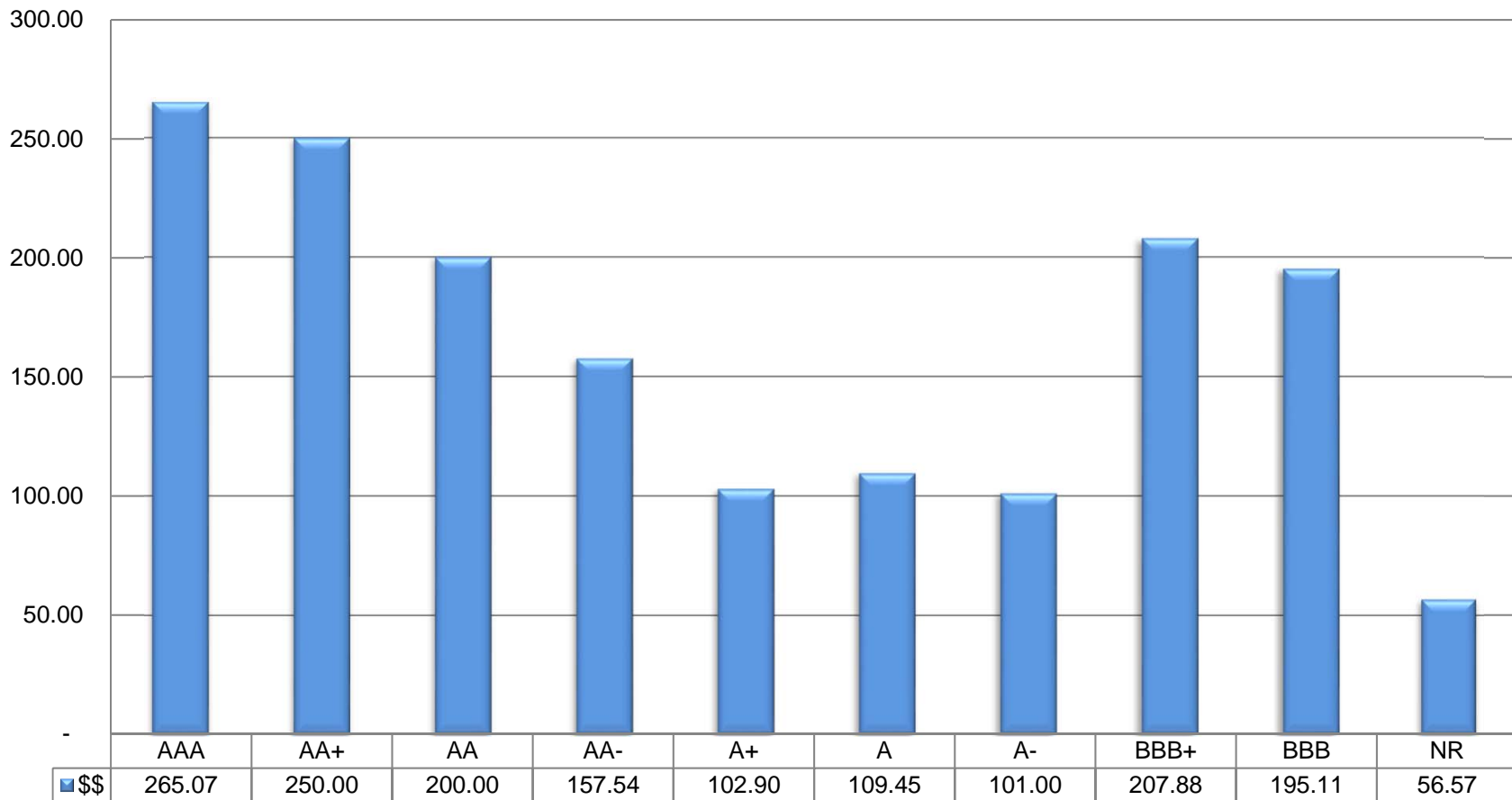
Collateral & Estimated Aggregate Liability (as of 01/07/20)

Collateral Types	Amount
Unsecured	\$1,645,510,941
Secured	\$543,879,981
Total	\$2,189,390,922

Estimate Aggregate Liability	Amount
Positive EAL	\$342,700,948

Unsecured Collateral (as of 01/07/20)

(in millions)



Secured Collateral (as of 01/07/20)

(in millions)

