

QUARTERLY FINANCIAL REPORT

March 31, 2020

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
QUARTERLY FINANCIAL REPORT - March 31, 2020**

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CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the quarter ended March 31, 2020

Results of Operations

Revenues

Through the first quarter ending March 31, 2020, operating revenues were slightly lower by \$1.3 million compared to the budgeted amounts. The overall decrease was due to lower GMC revenues of \$0.7 million and lower other revenues of \$0.6 million, as a result of lower than budgeted forecasting and SC application fees. Other revenues, as compared to the same period last year, were much higher due to fees collected for the new Reliability Coordinator service. The Company monitors changes in GMC revenues and will adjust rates, if necessary, to align actual GMC revenues closer to budget, as required by the Tariff

Expenses

Operating expenses are \$3.3 million under budget through the first quarter of the year, largely due to timing of expenses.

Interest income and other are lower than budget during the 1st quarter due to unrecognized losses on the value of investments as a result of the economic downturn brought about by the coronavirus crisis.

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 during the the first quarter.

Capital Projects

Through the end of the first quarter of 2020, \$9.0 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 April 7, 2020, the ISO maintained \$1.6 billion in collateral from market participants to support \$292.7 million in aggregate liabilities due in the market. Approximately \$1.1 billion of the collateral is from unsecured sources (i.e., unsecured credit limits and parent guarantees) with investment grade or equivalent ratings, and \$0.5 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 March 31, 2020
(dollars in thousands)

	Quarter		Year to Date		Year to Date Budget
	Actual	Prior Year	Actual	Prior Year	
<u>Operating revenues:</u>					
Grid management charge	\$ 42,371	\$ 43,698	\$ 42,371	\$ 43,698	\$ 43,030
Other revenues	23,031	4,921	23,031	4,921	23,650
Total operating revenues	65,402	48,619	65,402	48,619	66,680
<u>Operating expenses:</u>					
Salaries and benefits	37,441	35,727	37,441	35,727	36,931
Building, leases and facility	1,086	368	1,086	368	711
Insurance	386	387	386	387	391
Third party vendor contracts	2,817	3,396	2,817	3,396	4,044
Consulting and contracting services	3,481	2,435	3,481	2,435	4,918
Legal and audit	117	261	117	261	876
Training, travel and professional dues	387	399	387	399	1,018
Other	478	659	478	659	628
Total operating expenses	46,193	43,632	46,193	43,632	49,517
Operating income before depreciation and amortization	19,209	4,987	19,209	4,987	17,163
<u>Depreciation and amortization</u>	6,372	9,456	6,372	9,456	6,300
Net operating income (loss)	12,837	(4,469)	12,837	(4,469)	10,863
<u>Other income (expenses)</u>					
Interest income & other	(3,054)	3,389	(3,054)	3,389	975
Interest expense	(2,060)	(2,142)	(2,060)	(2,142)	(2,148)
Total other income (expenses)	(5,114)	1,247	(5,114)	1,247	(1,173)
Excess (deficiency) of revenues over expenses	\$ 7,723	\$ (3,222)	\$ 7,723	\$ (3,222)	\$ 9,690
Number of full-time employees			625	621	653

CALIFORNIA ISO

Balance Sheet

As of March 31, 2020

(dollars in thousands)

	Current Quarter 3/31/2020	Prior Year 12/31/2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, including restricted amounts	\$ 314,891	\$ 366,395
Accounts receivable	22,715	25,635
Short-term Investments, including restricted amounts	53,082	72,476
Other current assets	7,169	6,067
Total current Assets	<u>397,857</u>	<u>470,573</u>
NONCURRENT ASSETS		
Long-term investments, including restricted amounts	191,061	193,263
Fixed assets, net	168,313	170,858
Other assets	3,258	5,773
Total noncurrent assets	<u>362,632</u>	<u>369,894</u>
TOTAL ASSETS	<u><u>\$ 760,489</u></u>	<u><u>\$ 840,467</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	5,561	13,955
Accrued salaries and compensated absences	22,036	37,916
Current portion of long-term debt	5,395	5,165
Due to market participants	356,629	414,785
Generator noncompliance fines refund obligation	1,426	1,426
Total current liabilities	<u>391,047</u>	<u>473,247</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	164,486	170,027
Employee retirement plan obligations	10,437	10,733
Total noncurrent liabilities	<u>174,923</u>	<u>180,760</u>
TOTAL LIABILITIES	<u>565,970</u>	<u>654,007</u>
TOTAL NET ASSETS	<u>194,519</u>	<u>186,460</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 760,489</u></u>	<u><u>\$ 840,467</u></u>

Capital Projects Report

For the quarter ended March 31, 2020

(\$ in thousands)

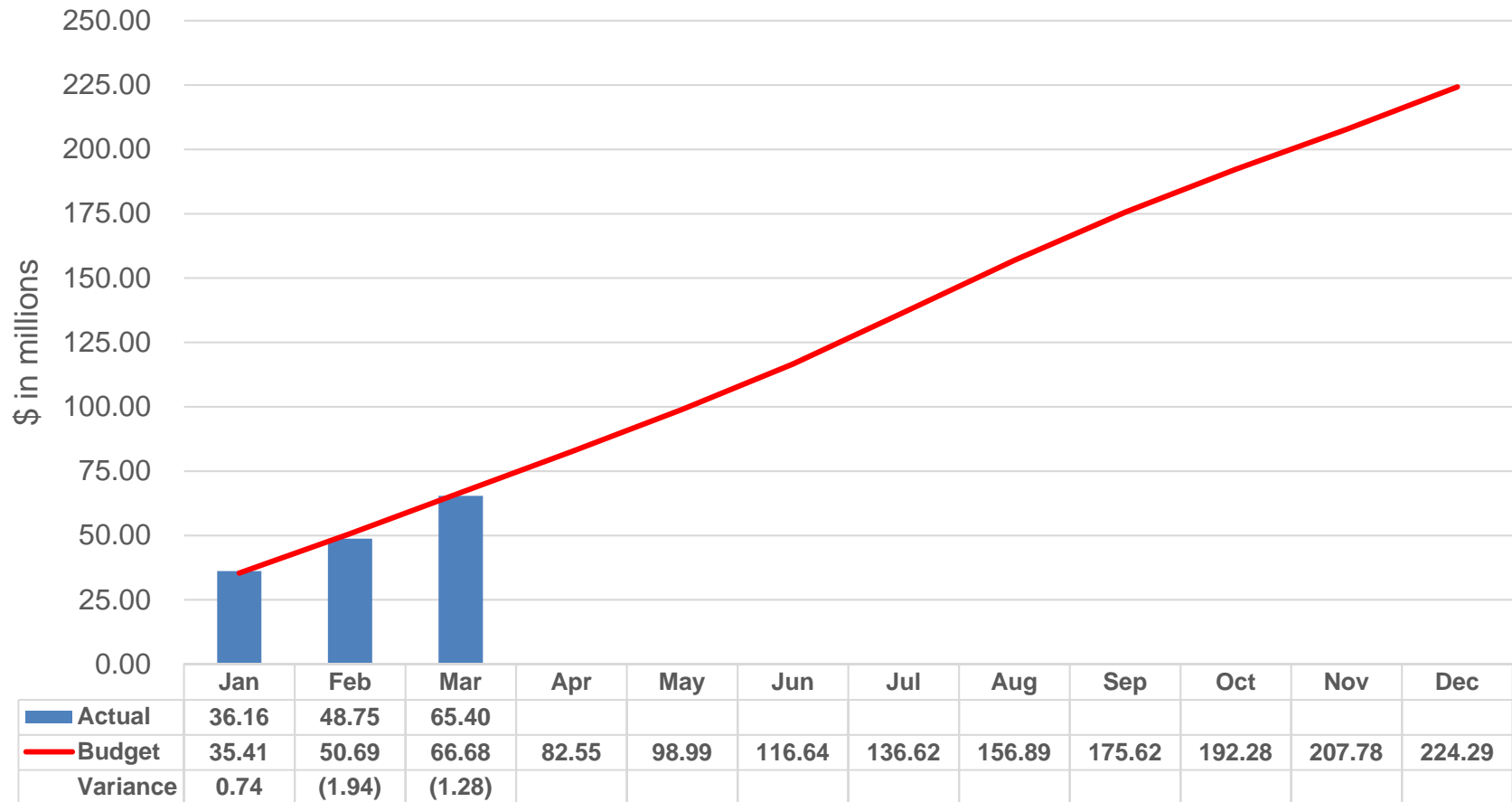
Project Classification	2020 Capital and Project Budget¹	Projects Approved YTD	Remaining Budget	Expenditures YTD
Market and Operational Excellence	\$ 12,000	\$ 3,018	\$ 8,982	\$ 162
Enhance the Technology Foundation	8,475	4,052	4,423	105
Focus on Customer Service and Other Costs	900	1,887	(987)	41
Grid Evolution Readiness and Regional Innovation Opportunities	625	-	625	-
	\$ 22,000	\$ 8,957	\$ 13,043	\$ 308
			Expenditures on projects approved prior to 2019 ² :	5,237
				\$ 5,545

¹ The Board approved a maximum level of \$22.0 million in capital and project commitments for 2020 at their December 2019 meeting. The sub-amounts allocated to the project classifications will vary as actual projects are approved during the year by the Corporate Management Committee.

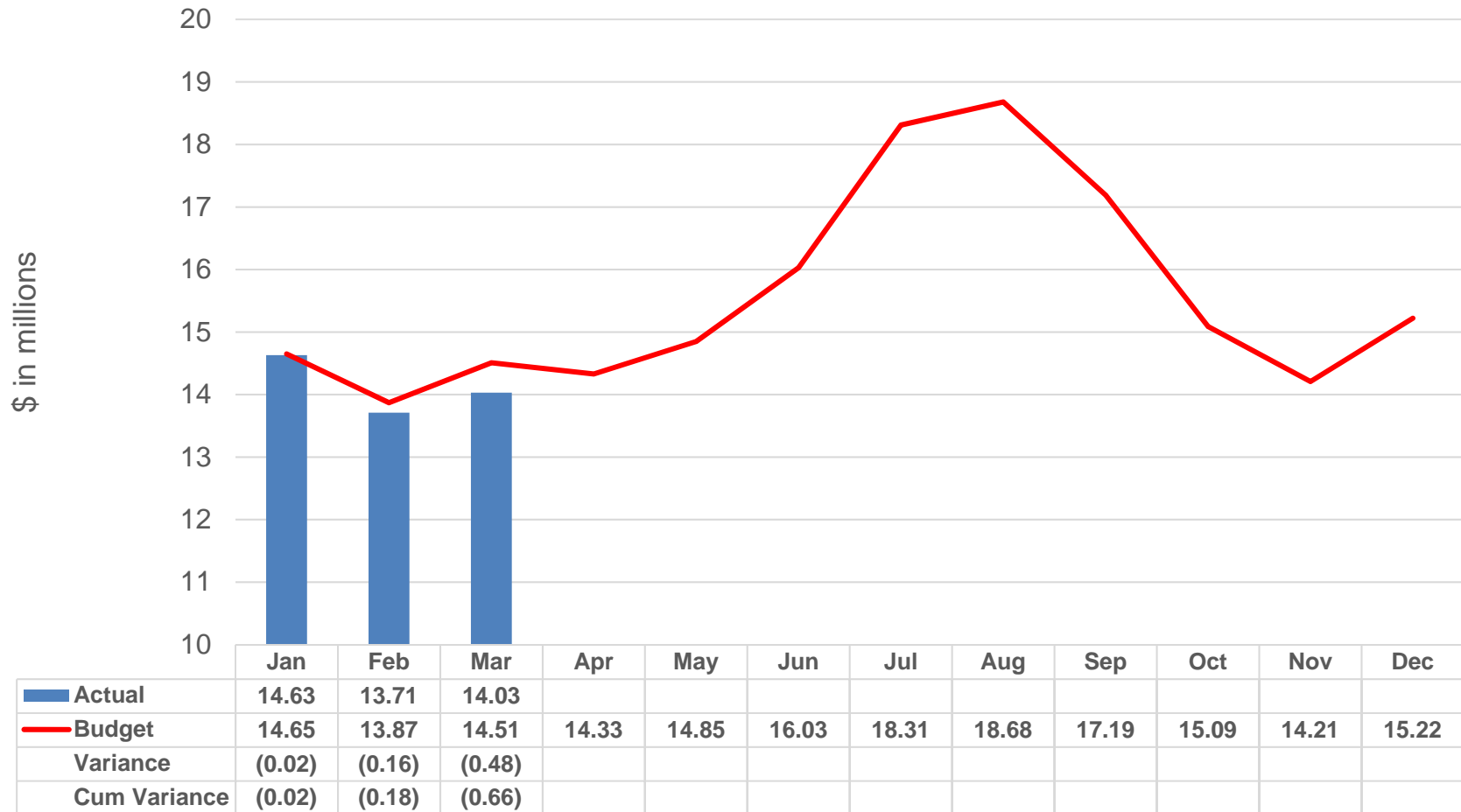
² Expenditures on projects approved in a prior budget year. Does not include EIM Implementation projects as those expenditures are reimbursed by the EIM entity.

Cumulative Operating Revenues

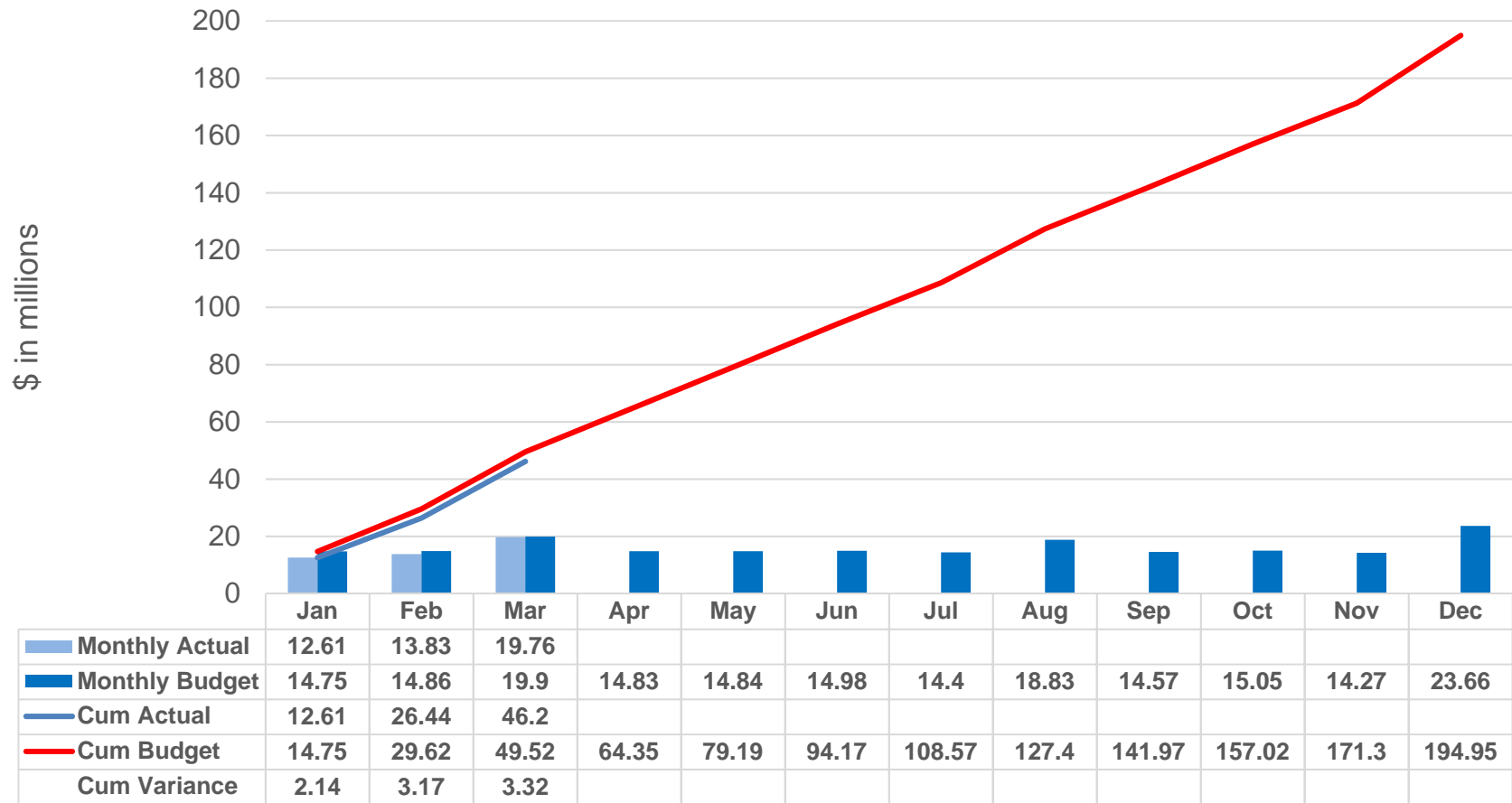
Revenues = GMC & Other Revenues



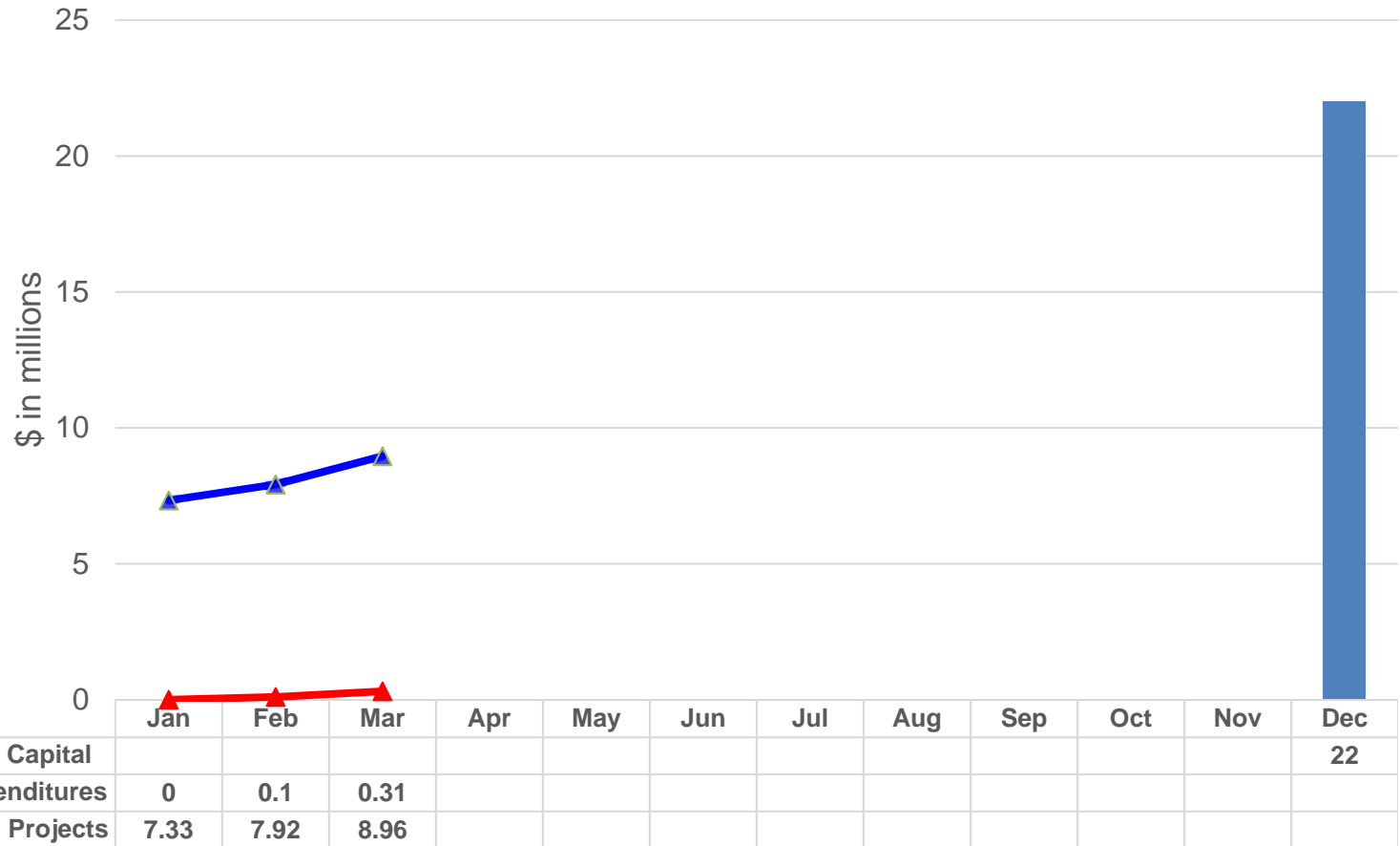
Monthly GMC Revenues



Operating and Maintenance Expenses (O&M)

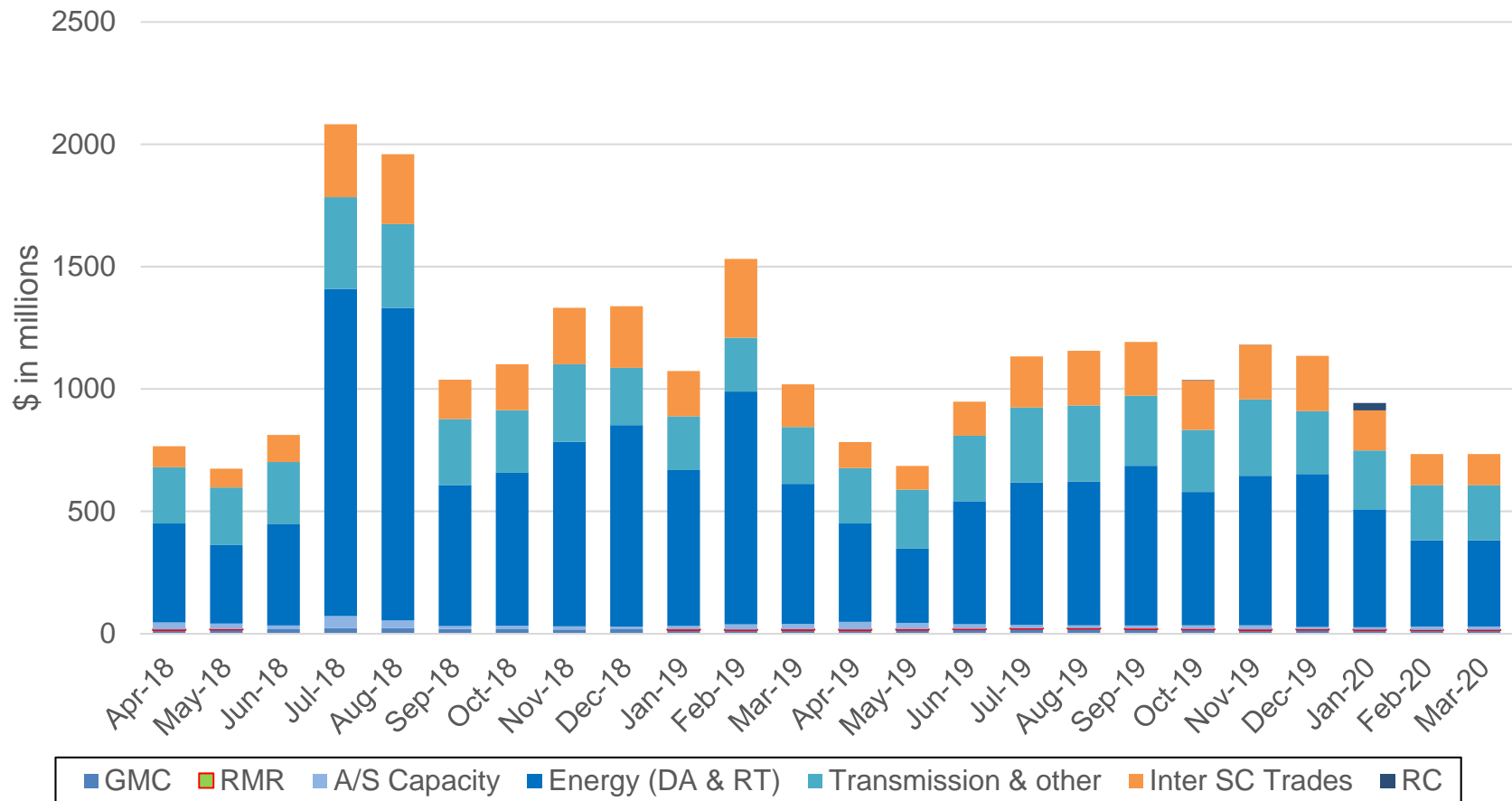


Cumulative Capital Expenditures



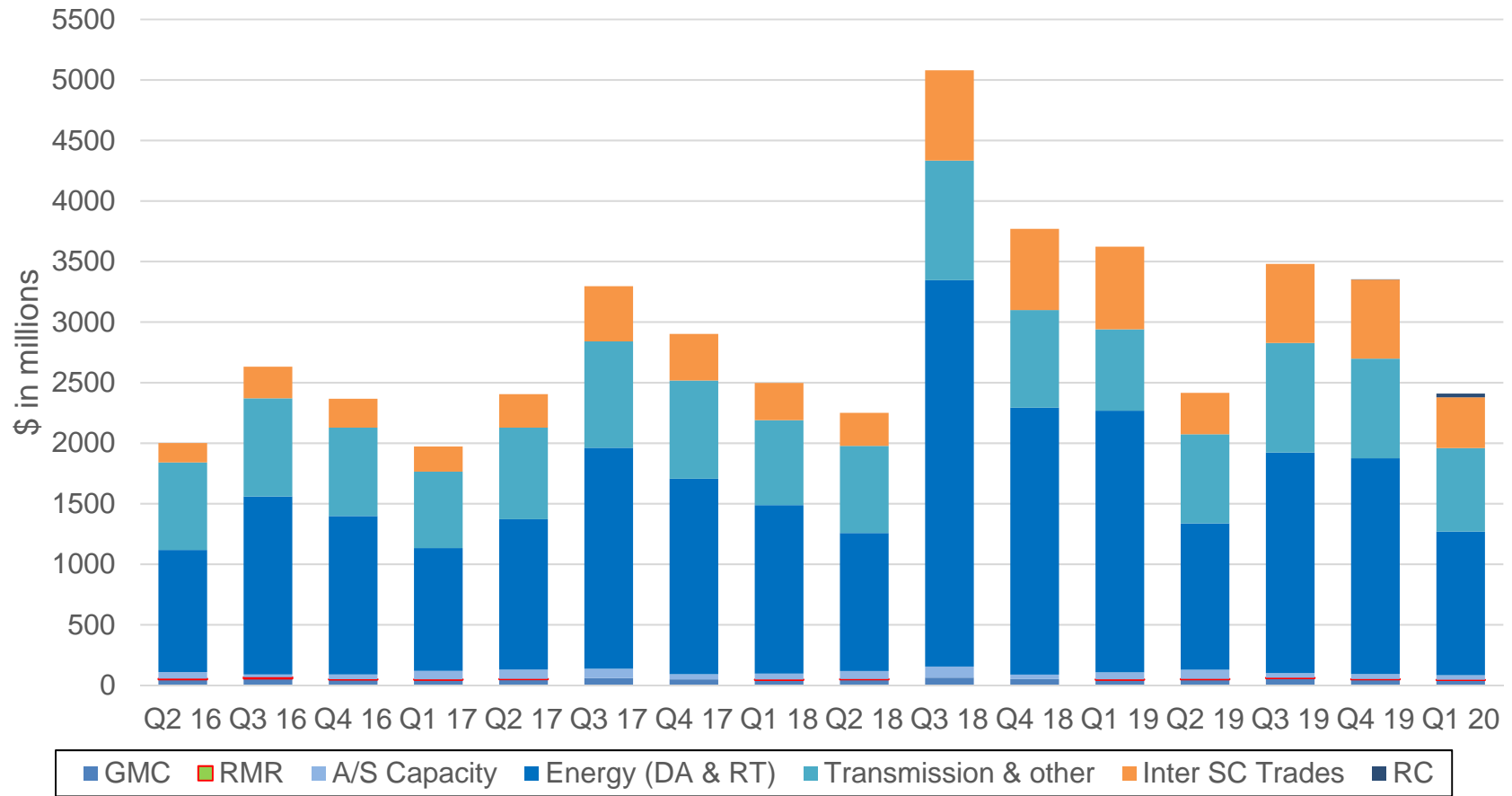
ISO Market Revenues By Month

April 2018 through March 2020



ISO Market Revenues By Quarter

2nd Quarter 2016 through 1st Quarter 2020

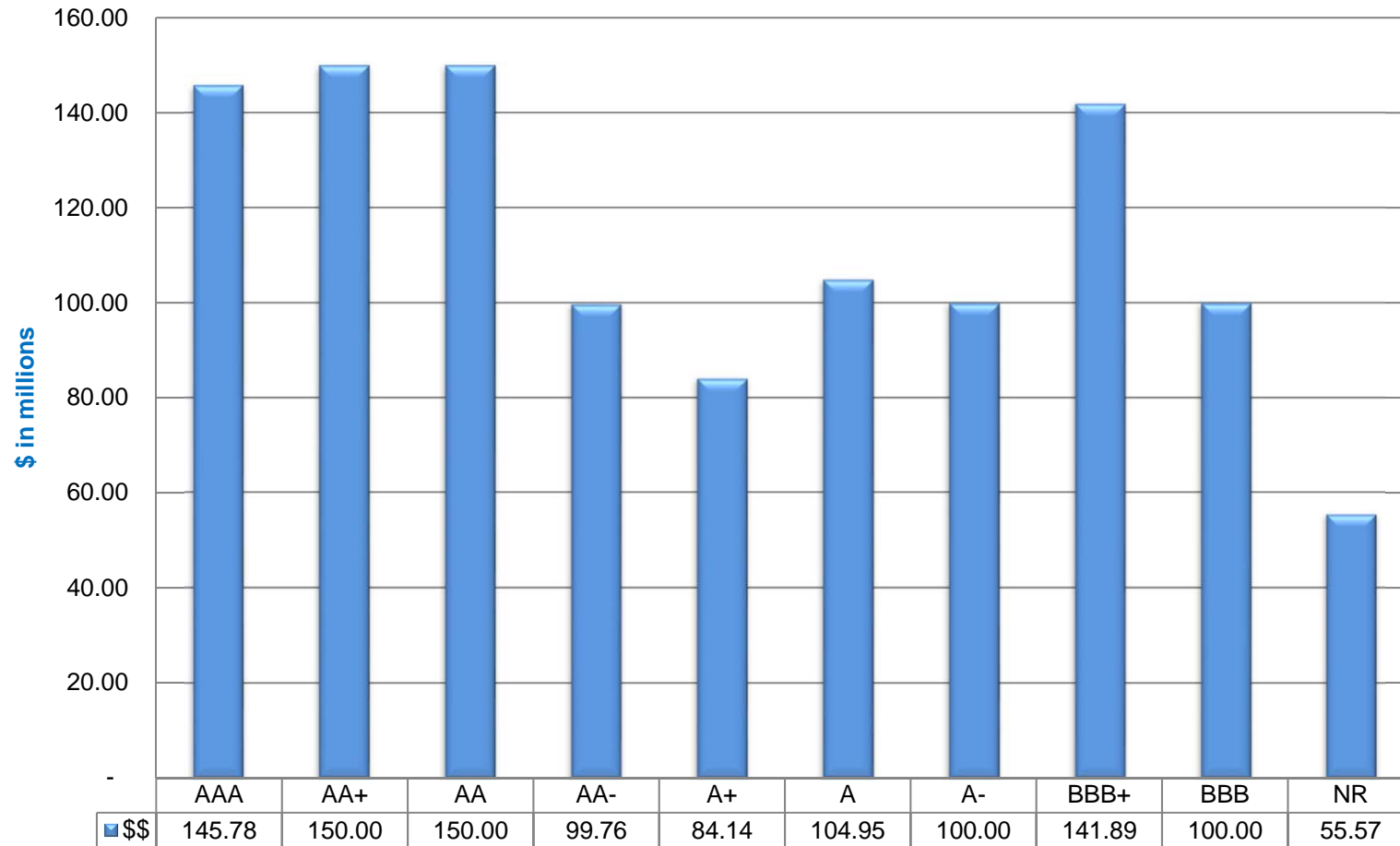


Collateral & Estimated Aggregate Liability (as of 04/07/20)

Collateral Types	Amount
Unsecured	\$1,132,087,675
Secured	\$509,250.348
Total	\$1,641,338,023

Estimate Aggregate Liability	Amount
Positive EAL	\$292,671,380

Unsecured Collateral (as of 04/07/20)



Secured Collateral (as of 04/07/20)

