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# QUARTERLY FINANCIAL REPORT

## June 30, 2020

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**  
**QUARTERLY FINANCIAL REPORT - June 30, 2020**

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

For the quarter ended June 30, 2020

## **Results of Operations**

### ***Revenues***

Through the second quarter ending June 30, 2020, operating revenues were slightly higher compared to the budgeted amounts due to higher other revenues, offset by lower GMC revenues. 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. Effective June 1, 2020, the rates for market services and system operations were slightly increased in response to lower than expected volumes during the first four months of the year.

### ***Expenses***

Operating expenses are \$3.9 million under budget through the second quarter of the year, largely due to timing of expenses. To date, the Company has experienced a variety of costs associated with the response to COVID-19. These costs have been immaterial to the Company's operations and have largely been offset by savings in areas such as travel, meeting expenses, etc.

Interest income and other are higher than budget through the second quarter due to unrealized gains in 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 during the first half of the year.

## **Capital Projects**

Through the end of the second quarter of 2020, \$13.8 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 6, 2020, the ISO maintained \$1.7 billion in collateral from market participants to support \$199.8 million in aggregate liabilities due in the market. Approximately \$1.7 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 June 30, 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	\$ 45,177	\$ 46,698	\$ 87,480	\$ 90,396	\$ 88,243
Other revenues	6,105	4,243	29,194	9,164	28,394
Total operating revenues	51,282	50,941	116,674	99,560	116,637
<u>Operating expenses:</u>					
Salaries and benefits	34,367	31,350	71,799	67,077	70,928
Building, leases and facility	1,364	519	2,450	886	1,422
Insurance	245	312	630	698	721
Third party vendor contracts	3,479	3,470	6,296	6,867	8,087
Consulting and contracting services	4,591	4,178	8,072	6,613	9,790
Legal and audit	752	703	870	964	1,752
Training, travel and professional dues	222	621	608	1,020	1,854
Other	648	463	1,126	1,122	1,231
Total operating expenses	45,668	41,616	91,851	85,247	95,785
Operating income before depreciation and amortization	5,614	9,325	24,823	14,313	20,852
<u>Depreciation and amortization</u>	6,477	6,283	12,849	15,739	12,600
Net operating income (loss)	(863)	3,042	11,974	(1,426)	8,252
<u>Other income (expenses)</u>					
Interest income & other	7,843	2,917	4,789	6,305	1,950
Interest expense	(2,041)	(2,128)	(4,101)	(4,270)	(4,296)
Total other income (expenses)	5,802	789	688	2,035	(2,346)
Excess (deficiency) of revenues over expenses	\$ 4,939	\$ 3,831	\$ 12,662	\$ 609	\$ 5,906
<b>Number of full-time employees</b>			633	627	657

**CALIFORNIA ISO**  
**Balance Sheet**

As of June 30, 2020  
(dollars in thousands)

	Current Quarter 6/30/2020	Prior Year 12/31/2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents, including restricted amounts	\$ 360,330	\$ 366,395
Accounts receivable	30,471	25,635
Short-term Investments, including restricted amounts	54,921	72,476
Other current assets	7,281	6,067
<b>Total current Assets</b>	<b>453,003</b>	<b>470,573</b>
<b>NONCURRENT ASSETS</b>		
Long-term investments, including restricted amounts	190,640	193,263
Fixed assets, net	167,361	170,858
Other assets	3,630	5,773
<b>Total noncurrent assets</b>	<b>361,631</b>	<b>369,894</b>
<b>TOTAL ASSETS</b>	<b>\$ 814,634</b>	<b>\$ 840,467</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	7,314	13,955
Accrued salaries and compensated absences	30,167	37,916
Current portion of long-term debt	5,395	5,165
Due to market participants	394,614	414,785
Generator noncompliance fines refund obligation	1,418	1,426
<b>Total current liabilities</b>	<b>438,908</b>	<b>473,247</b>
<b>NONCURRENT LIABILITIES</b>		
Long-term debt, net of current portion	164,342	170,027
Employee retirement plan obligations	10,205	10,733
<b>Total noncurrent liabilities</b>	<b>174,547</b>	<b>180,760</b>
<b>TOTAL LIABILITIES</b>	<b>613,455</b>	<b>654,007</b>
<b>TOTAL NET ASSETS</b>	<b>201,179</b>	<b>186,460</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 814,634</b>	<b>\$ 840,467</b>

## Capital Projects Report

For the quarter ended June 30, 2020

(\$ in thousands)

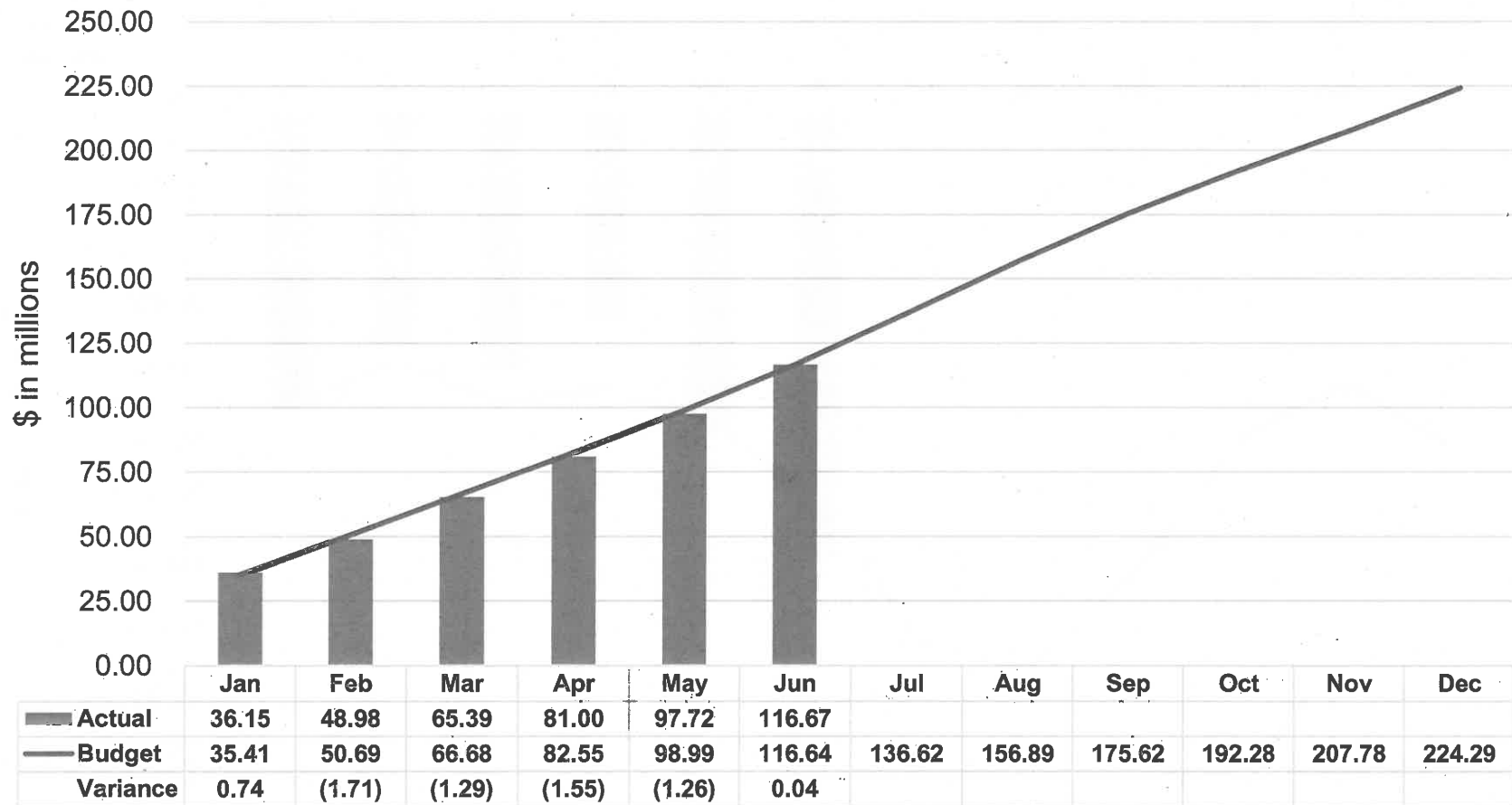
Project Classification	2020 Capital and Project Budget <sup>1</sup>	Projects Approved YTD	Remaining Budget	Expenditures YTD
Market and Operational Excellence	\$ 12,000	\$ 4,820	\$ 7,180	\$ 969
Enhance the Technology Foundation	8,475	6,554	1,921	455
Focus on Customer Service and Other Costs	900	2,424	(1,524)	216
Grid Evolution Readiness and Regional Innovation Opportunities	625	-	625	-
	<b>\$ 22,000</b>	<b>\$ 13,798</b>	<b>\$ 8,202</b>	<b>\$ 1,640</b>
			Expenditures on projects approved prior to 2019 <sup>2</sup> :	8,829
				<b>\$ 10,469</b>

<sup>1</sup> 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.

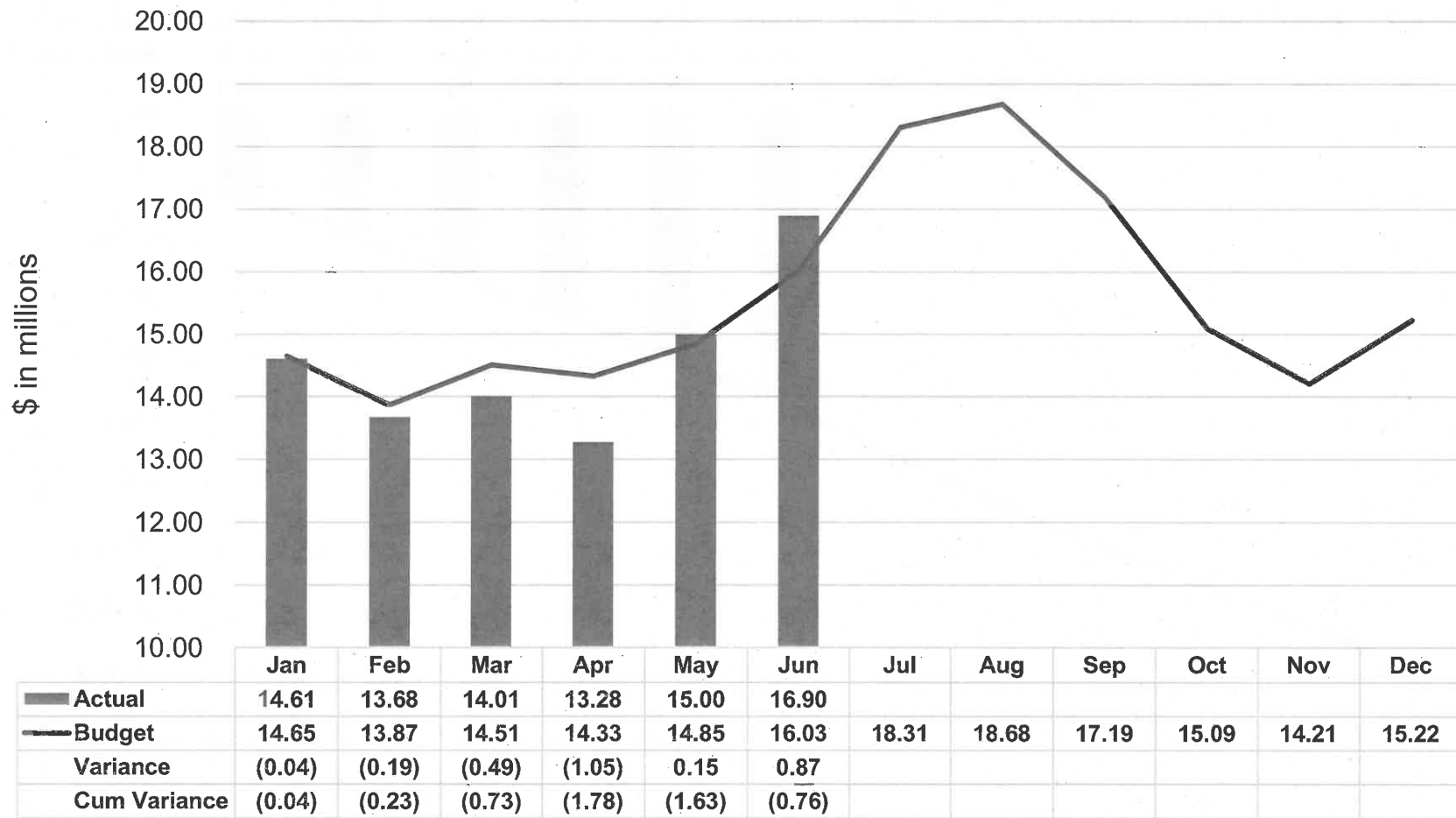
<sup>2</sup> Expenditures on projects approved in a prior budget year. Does not include EIM Implementation projects as those expenditures are reimbursed by the EIM entity.

# Cumulative Operating Revenues

Revenues = GMC & Other Revenues

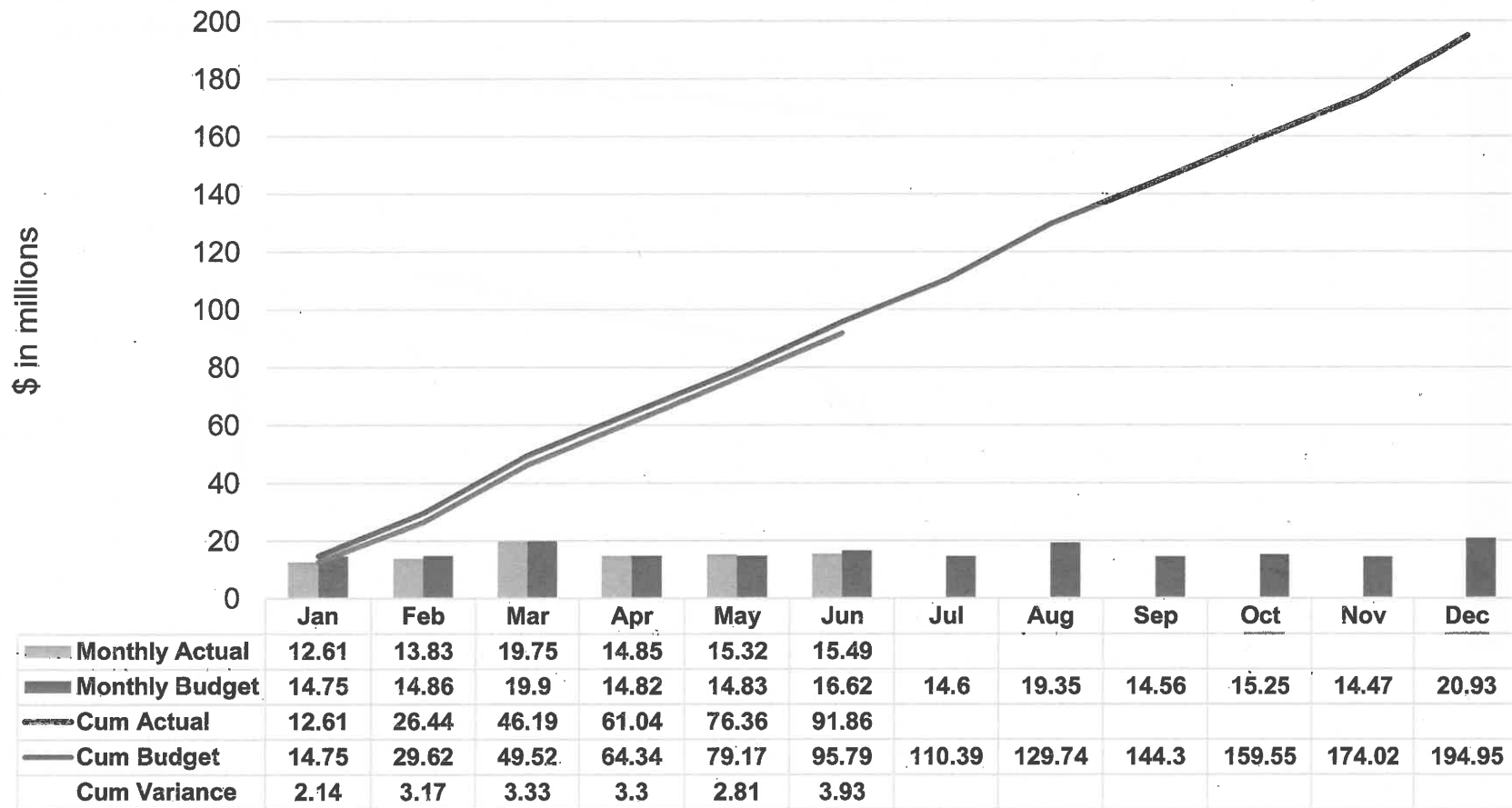


# Monthly GMC Revenues

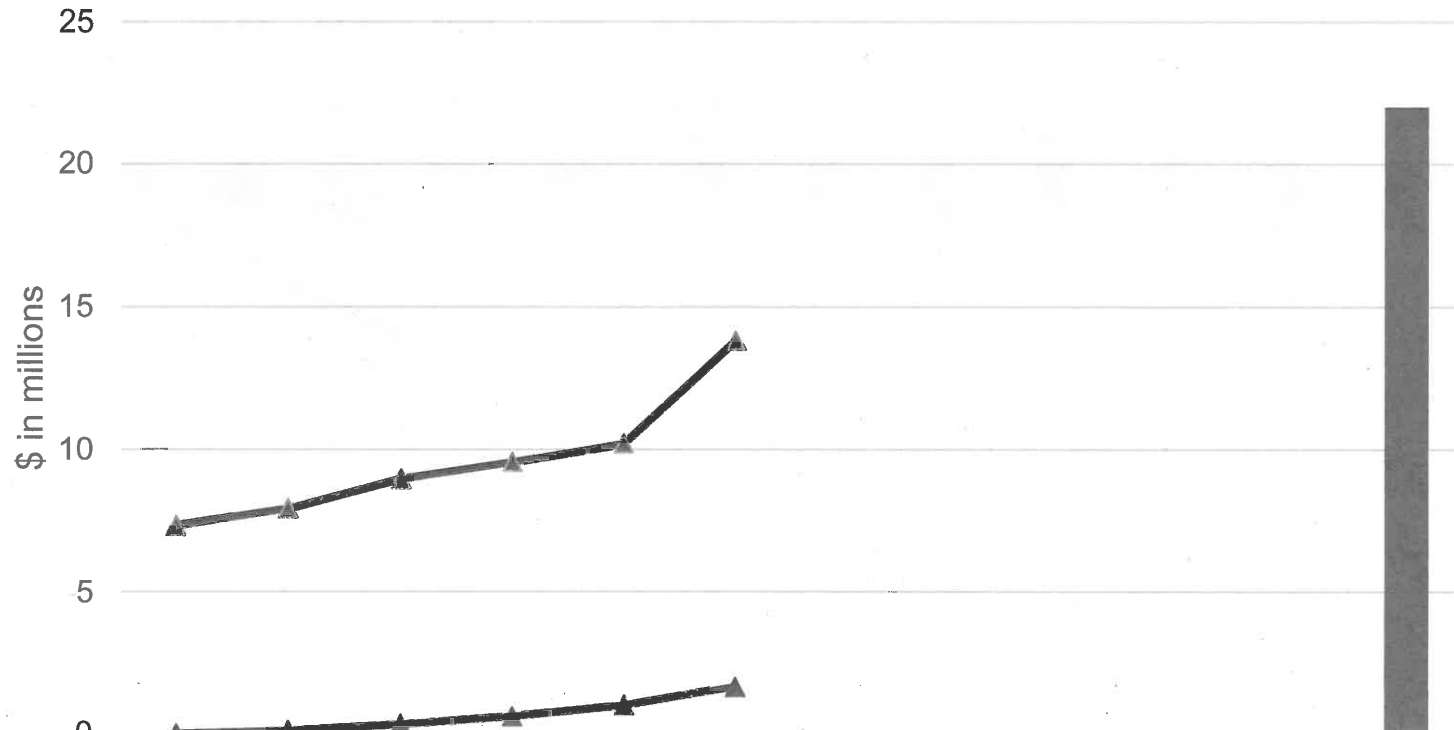




# Operating and Maintenance Expenses (O&M)



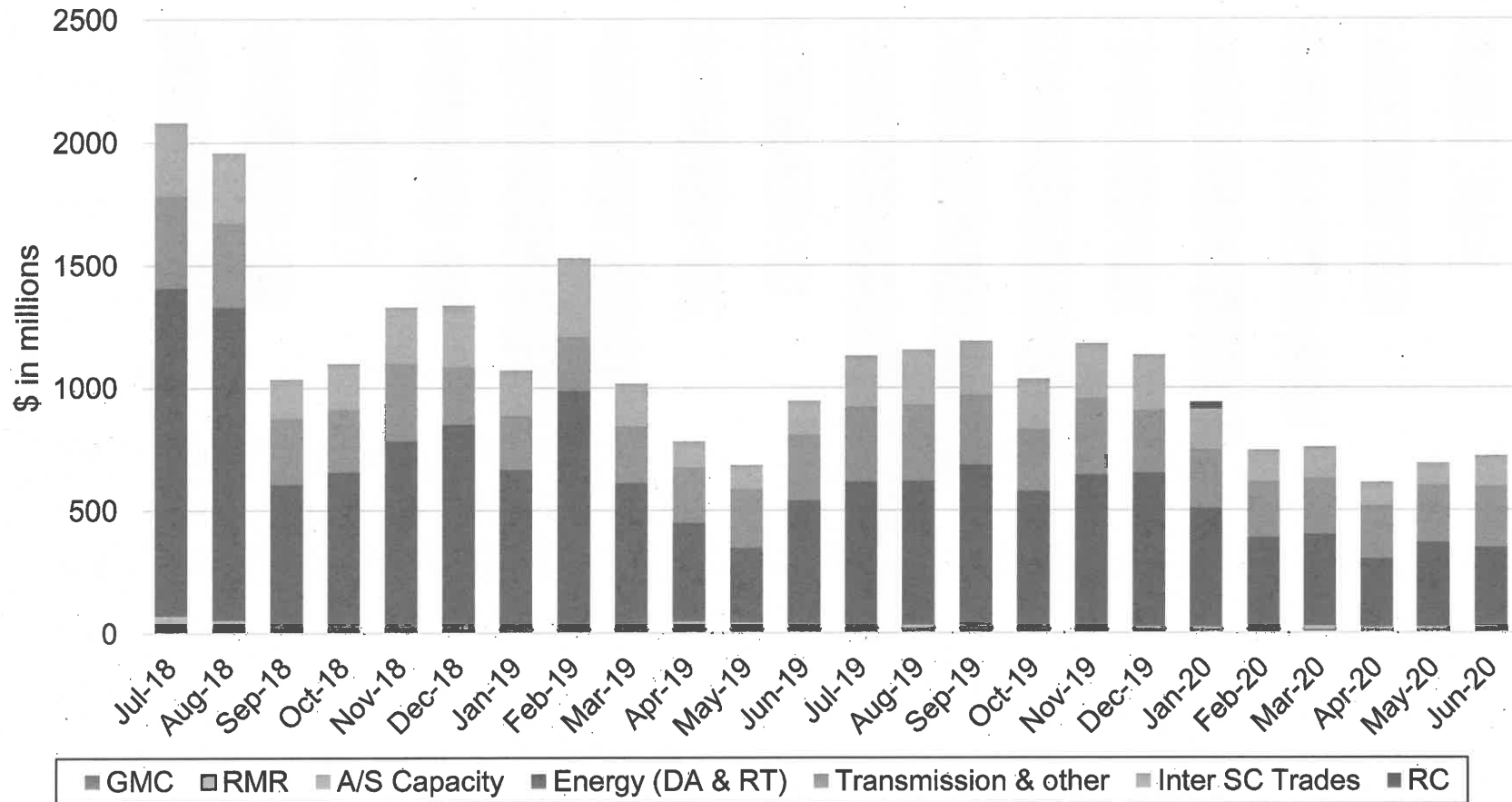
# Cumulative Capital Expenditures



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec 22
<b>Budgeted Capital</b>												
<b>Cum Expenditures</b>	0.00	0.10	0.31	0.60	0.98	1.64						
<b>Approved Projects</b>	7.33	7.92	8.96	9.55	10.20	13.80						

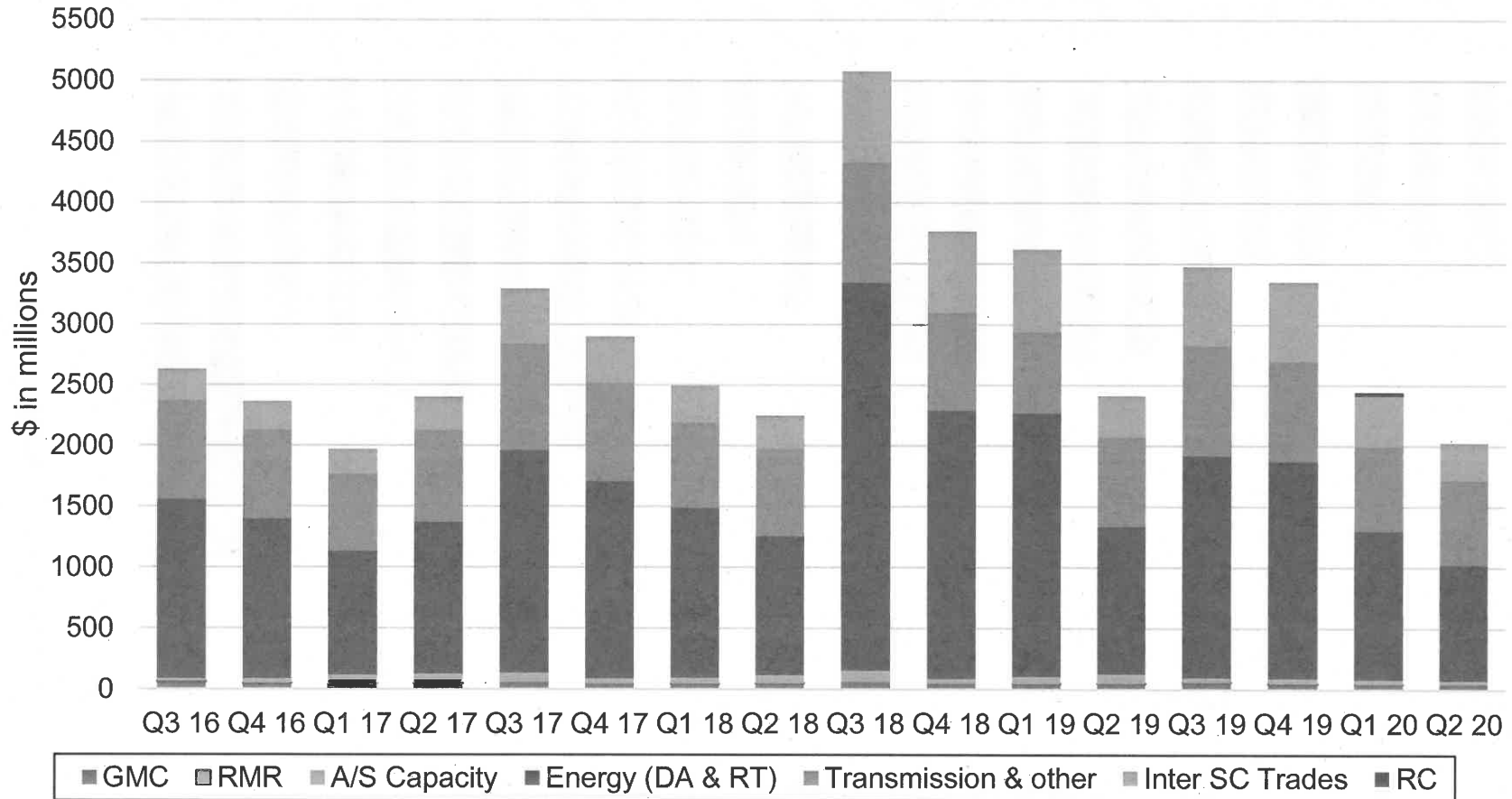
# ISO Market Revenues By Month

## July 2018 through June 2020



# ISO Market Revenues By Quarter

## 3rd Quarter 2016 through 2nd Quarter 2020

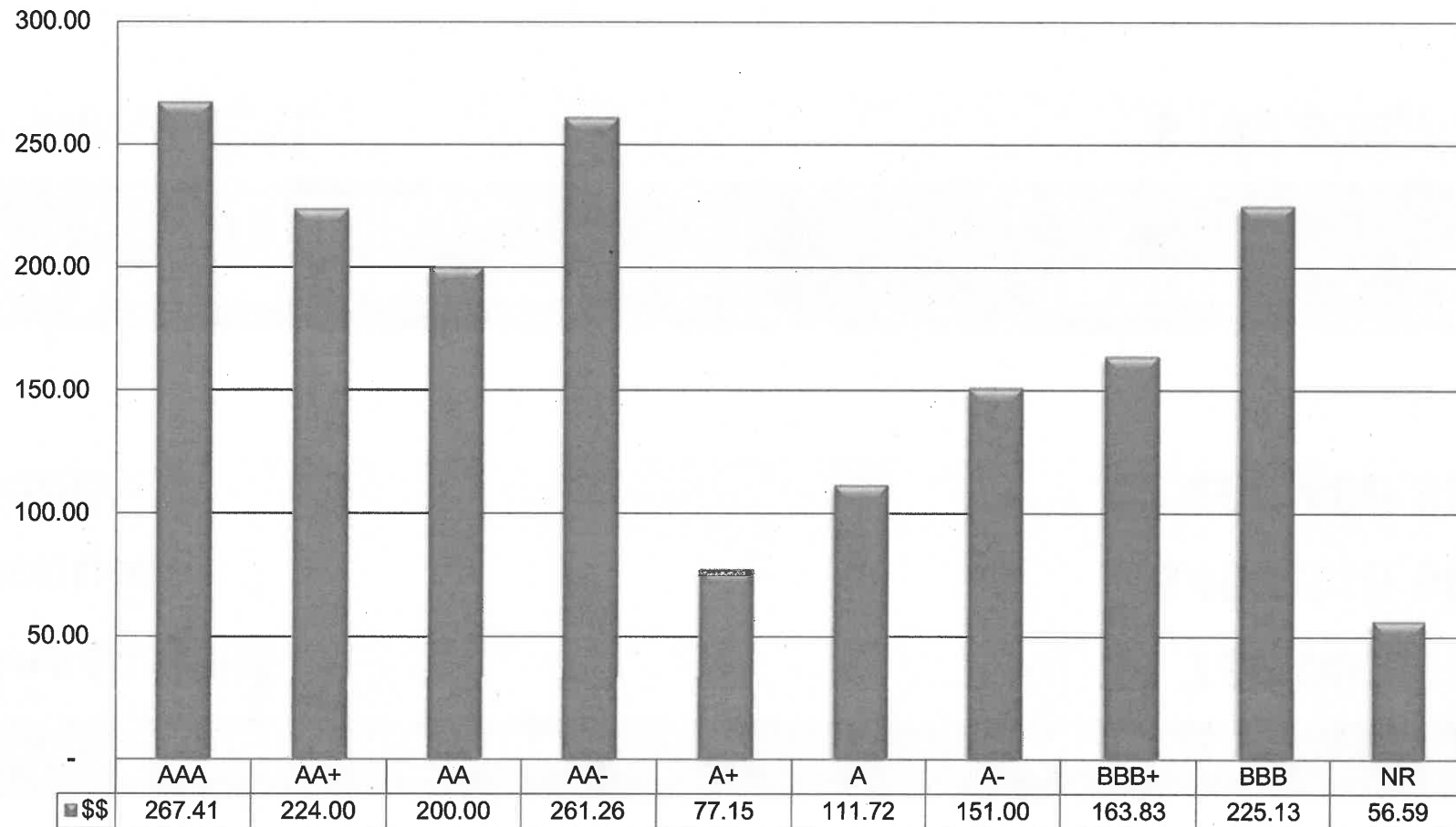


## Collateral & Estimated Aggregate Liability (as of 07/06/20)

<b>Collateral Types</b>	<b>Amount</b>
<b>Unsecured</b>	<b>\$1,738,083,998</b>
<b>Secured</b>	<b>\$468,316,893</b>
<b>Total</b>	<b>\$2,206,400,891</b>

<b>Estimate Aggregate Liability</b>	<b>Amount</b>
<b>Positive EAL</b>	<b>\$199,838,770</b>

# Unsecured Collateral (as of 07/06/20)



# Secured Collateral (as of 07/06/20)

