

QUARTERLY FINANCIAL REPORT

December 31, 2021

Preliminary and Unaudited

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
QUARTERLY FINANCIAL REPORT - December 31, 2021 (Preliminary and Unaudited)

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CALIFORNIA ISO

SUMMARY, DISCUSSION AND COMMENTARY (Preliminary and Unaudited)

For the year ended December 31, 2021

Results of Operations

Revenues

Through the year ending December 31, 2021, operating revenues were higher by \$9.6 million compared to the budgeted amounts. The overall increase was due to higher GMC revenues of \$4.5 million and higher other revenues of \$5.1 million. GMC is higher due to the warmer than predicted weather pattern during the summer months. 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. Other revenues are higher than budgeted due to higher than expected fees collected for EIM and to higher than expected revenues from GIP studies.

Expenses

Operating expenses are \$6.3 million under budget through the end of the year, largely due to lower salaries and wages as a result of a lower employee headcount than budgeted and to lower than budgeted burden expenses. Additionally, the Company's cost containment measures have resulted in lower than budgeted expenses in other expense categories. However, other expenses are higher than budgeted due to costs incurred to upgrade office equipment and facilities, as the Company prepares for the physical return of its staff to the office in early 2022.

Interest income and other are lower than budget through the end of the year due to unrealized losses on the value of investments as a result of rising interest rates. Interest expense is lower than last year due to the refunding of the 2013 Series Bonds with the new 2021 Series Bonds, in January 2021.

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 through the third quarter.

Capital Projects

Through the end of the year, \$21.4 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.

CALIFORNIA ISO

Statement of Operations (Preliminary and Unaudited)

For the year ended December 31, 2021

(dollars in thousands)

	Quarter		Year to Date		Year to Date Budget
	Actual	Prior Year	Actual	Prior Year	
<u>Operating revenues:</u>					
Grid management charge	\$ 44,824	\$ 45,512	\$ 186,156	\$ 191,749	\$ 181,680
Other revenues	15,511	5,315	51,329	41,847	46,253
Total operating revenues	60,335	50,827	237,485	233,596	227,933
<u>Operating expenses:</u>					
Salaries and benefits	33,691	31,605	148,221	141,663	150,762
Building, leases and facility	621	747	2,080	2,266	2,354
Insurance	1,245	452	2,372	2,063	2,401
Third party vendor contracts	3,379	3,657	13,183	13,380	14,288
Consulting and contracting services	5,539	6,481	18,385	18,422	20,823
Legal and audit	1,220	856	2,587	2,201	3,813
Training, travel and professional dues	701	375	1,273	1,109	3,669
Other	2,078	1,636	6,418	5,663	2,701
Total operating expenses	48,474	45,809	194,519	186,767	200,811
Operating income before depreciation and amortization	11,861	5,018	42,966	46,829	27,122
<u>Depreciation and amortization</u>	5,267	6,763	27,805	26,226	23,000
Net operating income (loss)	6,594	(1,745)	15,161	20,603	4,122
<u>Other income (expenses)</u>					
Interest income & other	(321)	6,132	1,297	13,383	4,204
Interest expense	(1,148)	(2,041)	(4,930)	(8,183)	(3,452)
Total other income (expenses)	(1,469)	4,091	(3,633)	5,200	752
Excess (deficiency) of revenues over expenses	\$ 5,125	\$ 2,346	\$ 11,528	\$ 25,803	\$ 4,874
Number of full-time employees			635	642	658

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Balance Sheet (Preliminary and Unaudited)

As of December 31, 2021

(dollars in thousands)

	Current Year 12/31/2021	Prior Year 12/31/2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, including restricted amounts	\$ 595,966	\$ 471,005
Accounts receivable	28,609	13,997
Short-term Investments, including restricted amounts	36,519	68,132
Other current assets	8,777	6,286
Total current Assets	<u>669,871</u>	<u>559,420</u>
NONCURRENT ASSETS		
Long-term investments, including restricted amounts	257,603	212,148
Fixed assets, net	152,790	165,669
Other assets	7,904	4,749
Total noncurrent assets	<u>418,297</u>	<u>382,566</u>
TOTAL ASSETS	<u><u>\$ 1,088,168</u></u>	<u><u>\$ 941,986</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	9,642	11,754
Accrued salaries and compensated absences	41,677	43,448
Current portion of long-term debt	9,050	5,395
Due to market participants	625,861	492,419
Total current liabilities	<u>686,230</u>	<u>553,016</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	165,395	164,054
Employee retirement plan obligations	7,114	8,876
Total noncurrent liabilities	<u>172,509</u>	<u>172,930</u>
TOTAL LIABILITIES	<u>858,739</u>	<u>725,946</u>
TOTAL NET ASSETS	<u>229,429</u>	<u>216,040</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,088,168</u></u>	<u><u>\$ 941,986</u></u>

Capital Projects Report (Preliminary and Unaudited)

For the year ended December 31, 2021

(\$ in thousands)

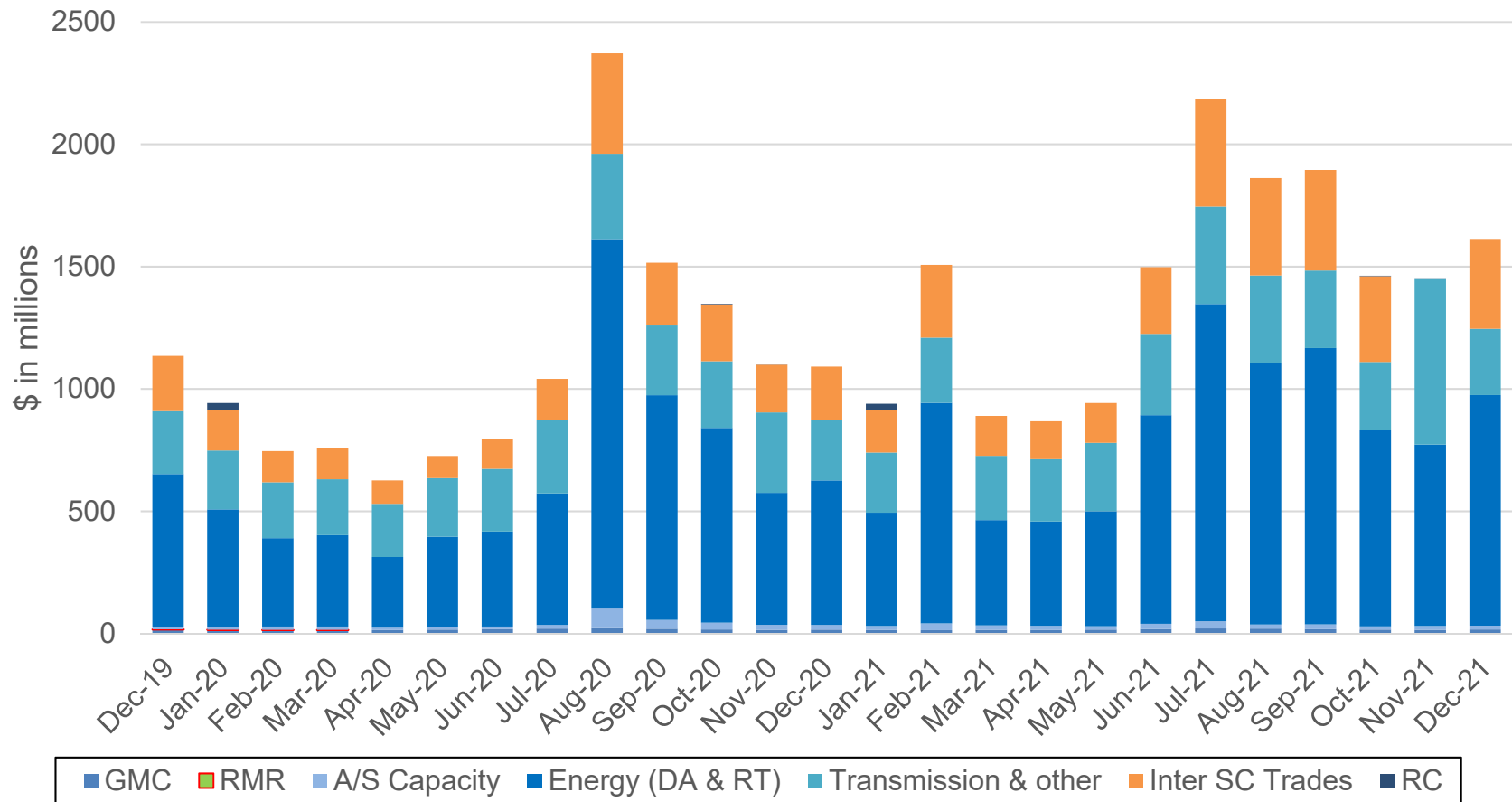
Project Classification	2021 Capital and Project Budget ¹	Projects Approved YTD	Remaining Budget	Expenditures YTD
Market and Operational Excellence	\$ 13,700	\$ 13,280	\$ 420	\$ 6,090
Enhance the Technology Foundation	6,150	5,634	516	1,064
Focus on Customer Service and Other Costs	2,000	2,518	(518)	311
Grid Evolution Readiness and Regional Innovation Opportunities	150	-	150	-
	\$ 22,000	\$ 21,432	\$ 568	\$ 7,465
			Expenditures on projects approved prior to 2021 ² :	<u>6,696</u>
				\$ 14,161

¹ The Board approved a maximum level of \$22.0 million in capital and project commitments for 2021 at their December 2020 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.

ISO Market Revenues By Month

Dec 2019 through December 2021



ISO Market Revenues By Quarter

4th Quarter 2018 through 4th Quarter 2021

