

QUARTERLY FINANCIAL REPORT

December 31, 2020

Preliminary and Unaudited

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
QUARTERLY FINANCIAL REPORT - December 31, 2020 (Preliminary and Unaudited)

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CALIFORNIA ISO

SUMMARY, DISCUSSION AND COMMENTARY (Preliminary and Unaudited)

For the year ended December 31, 2020

Results of Operations

Revenues

Through the year ending December 31, 2020, operating revenues were higher by \$8.9M compared to budget due to higher GMC and other revenues. GMC was higher by \$4.4M compared to budget due to the unusual warm weather during the third quarter and to the increase in the GMC rates for market services and system operations categories, which went into effect June 1, 2020. Effective October 1, 2020, the GMC rates for market services and system operations were decreased due to the projected over-collection of the GMC for the year, if rates were not adjusted. Other revenues were higher than budget by \$4.5M due to the EIM implementation fees and higher generator interconnection project fees. As compared to the same period last year, other revenues increased by \$17.2M largely due to fees collected for the new Reliability Coordinator service.

Expenses

Operating expenses were \$7.2 million under budget through the end of the year, largely due to reduced training and travel expenses and to cost containment measures. To date, the Company has experienced a variety of costs associated with COVID-19 that have been offset by savings in areas such as travel, meeting expenses, etc.

Interest income and other were higher than budget through the end of the year due to better than expected earnings and to unrealized gains in investments. In addition, the Company recognized other income of \$1.4M for the generator refund liability, which the Company is no longer obligated to pay due to the final accounting of the on-going FERC refund case..

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 end of the year.

Capital Projects

Through the end of the year, \$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 15, 2021, the ISO maintained \$2.4 billion in collateral from market participants to support \$291.4 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 \$0.7 billion is from secured forms (i.e., cash and letters of credit). This collateral is predominantly invested in AAA and A+ rated money market funds or backed by A rated or better financial institutions.

CALIFORNIA ISO

Statement of Operations (Preliminary and Unaudited)

For the year ended December 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	\$ 45,153	\$ 46,025	\$ 191,390	\$ 192,597	\$ 186,943
Other revenues	5,823	9,828	41,817	24,633	37,345
Total operating revenues	50,976	55,853	233,207	217,230	224,288
<u>Operating expenses:</u>					
Salaries and benefits	32,932	31,524	142,990	134,861	145,649
Building, leases and facility	696	737	2,216	2,149	2,394
Insurance	417	895	2,028	1,905	2,301
Third party vendor contracts	3,582	3,695	13,304	13,348	14,450
Consulting and contracting services	6,388	5,253	18,328	16,971	19,998
Legal and audit	936	994	2,281	2,253	3,904
Training, travel and professional dues	369	921	1,103	2,534	3,677
Other	1,472	1,523	5,499	5,717	2,579
Total operating expenses	46,792	45,542	187,749	179,738	194,952
Operating income before depreciation and amortization	4,184	10,311	45,458	37,492	29,336
<u>Depreciation and amortization</u>	4,819	5,906	24,282	26,605	25,200
Net operating income (loss)	(635)	4,405	21,176	10,887	4,136
<u>Other income (expenses)</u>					
Interest income & other	5,854	3,063	13,105	11,082	3,900
Interest expense	(2,041)	(1,634)	(8,183)	(8,032)	(8,493)
Total other income (expenses)	3,813	1,429	4,922	3,050	(4,593)
Excess (deficiency) of revenues over expenses	\$ 3,178	\$ 5,834	\$ 26,098	\$ 13,937	\$ (457)
Number of full-time employees			642	637	657

CALIFORNIA ISO

Balance Sheet (Preliminary and Unaudited)

As of December 31, 2020

(dollars in thousands)

	Current Year 12/31/2020	Prior Year 12/31/2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, including restricted amounts	\$ 470,917	\$ 366,395
Accounts receivable	18,871	25,635
Short-term Investments, including restricted amounts	52,794	72,476
Other current assets	8,211	6,067
Total current Assets	<u>550,793</u>	<u>470,573</u>
NONCURRENT ASSETS		
Long-term investments, including restricted amounts	227,213	193,263
Fixed assets, net	167,341	170,858
Other assets	2,240	5,773
Total noncurrent assets	<u>396,794</u>	<u>369,894</u>
TOTAL ASSETS	<u><u>\$ 947,587</u></u>	<u><u>\$ 840,467</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	11,860	13,955
Accrued salaries and compensated absences	42,877	37,916
Current portion of long-term debt	5,395	5,165
Due to market participants	497,011	414,785
Generator noncompliance fines refund obligation	0	1,426
Total current liabilities	<u>557,143</u>	<u>473,247</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	164,054	170,027
Employee retirement plan obligations	10,074	10,733
Total noncurrent liabilities	<u>174,128</u>	<u>180,760</u>
TOTAL LIABILITIES	<u>731,271</u>	<u>654,007</u>
TOTAL NET ASSETS	<u>216,316</u>	<u>186,460</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 947,587</u></u>	<u><u>\$ 840,467</u></u>

Capital Projects Report (Preliminary and Unaudited)

For the year ended December 31, 2020

(\$ in thousands)

Project Classification	2020 Capital and Project Budget ¹	Projects Approved YTD	Remaining Budget	Expenditures YTD
Market and Operational Excellence	\$ 12,000	\$ 7,016	\$ 4,984	\$ 3,667
Enhance the Technology Foundation	8,475	11,676	(3,201)	5,061
Focus on Customer Service and Other Costs	900	3,308	(2,408)	917
Grid Evolution Readiness and Regional Innovation Opportunities	625	-	625	-
	\$ 22,000	\$ 22,000	\$ 0	\$ 9,645
			Expenditures on projects approved prior to 2020 ² :	12,887
				\$ 22,532

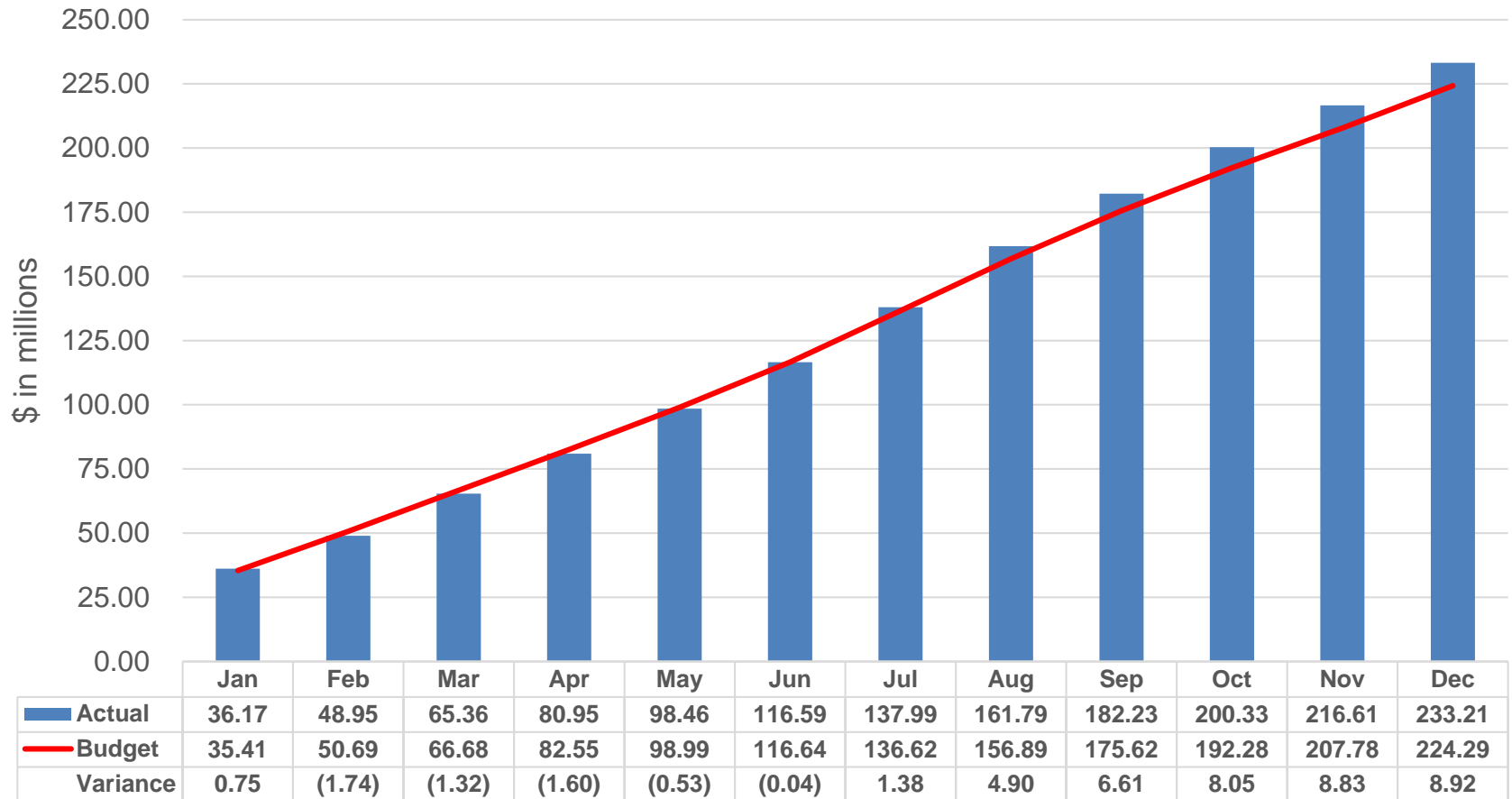
¹ The Board approved a maximum level of \$22.0 million in capital and project commitments for 2020 at their December 2019 meeting. The sub-amounts allocated to the project classifications will vary as actual projects are approved during the year by the Corporate Management Committee.

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

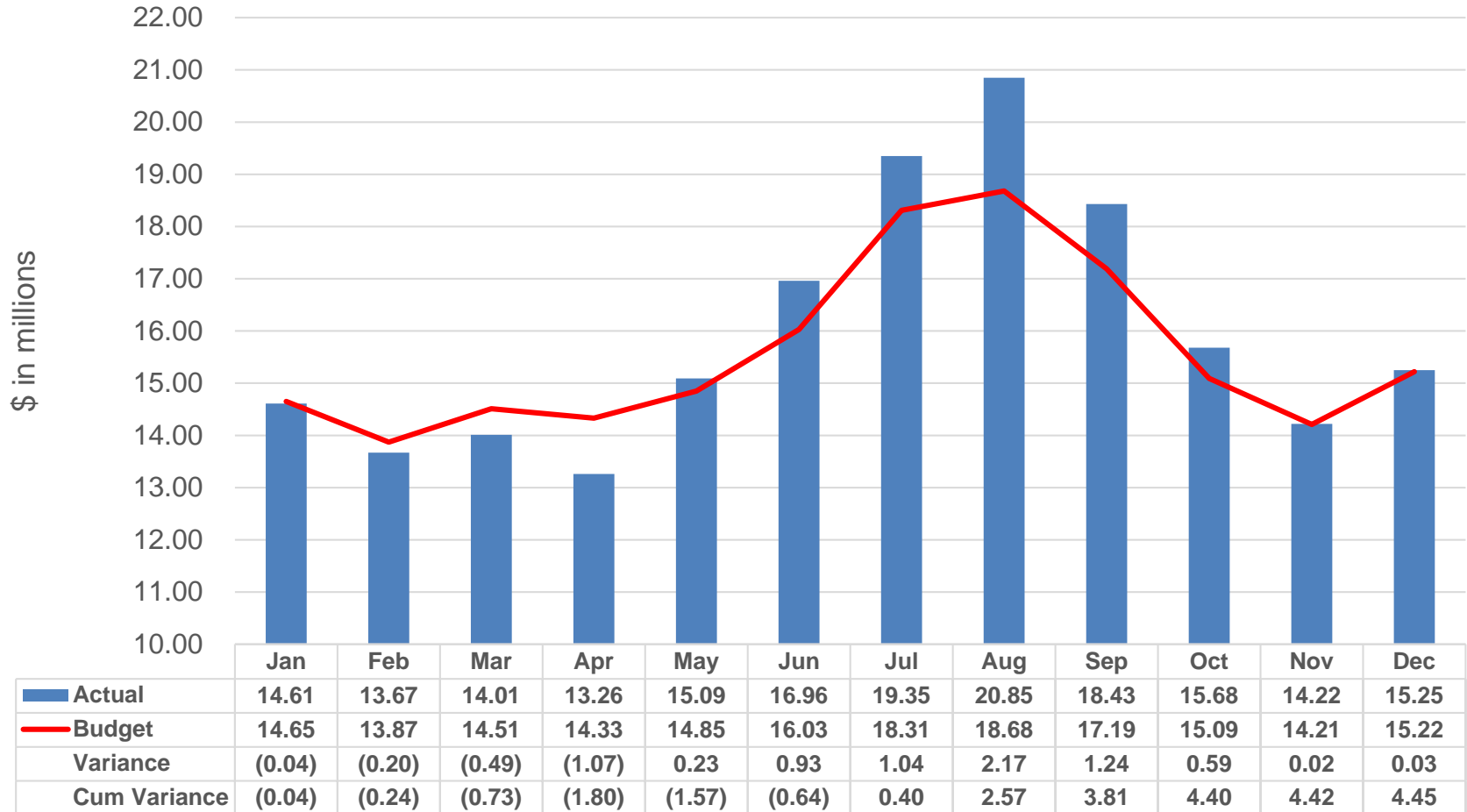
Revenues = GMC & Other Revenues

PRELIMINARY AND UNAUDITED



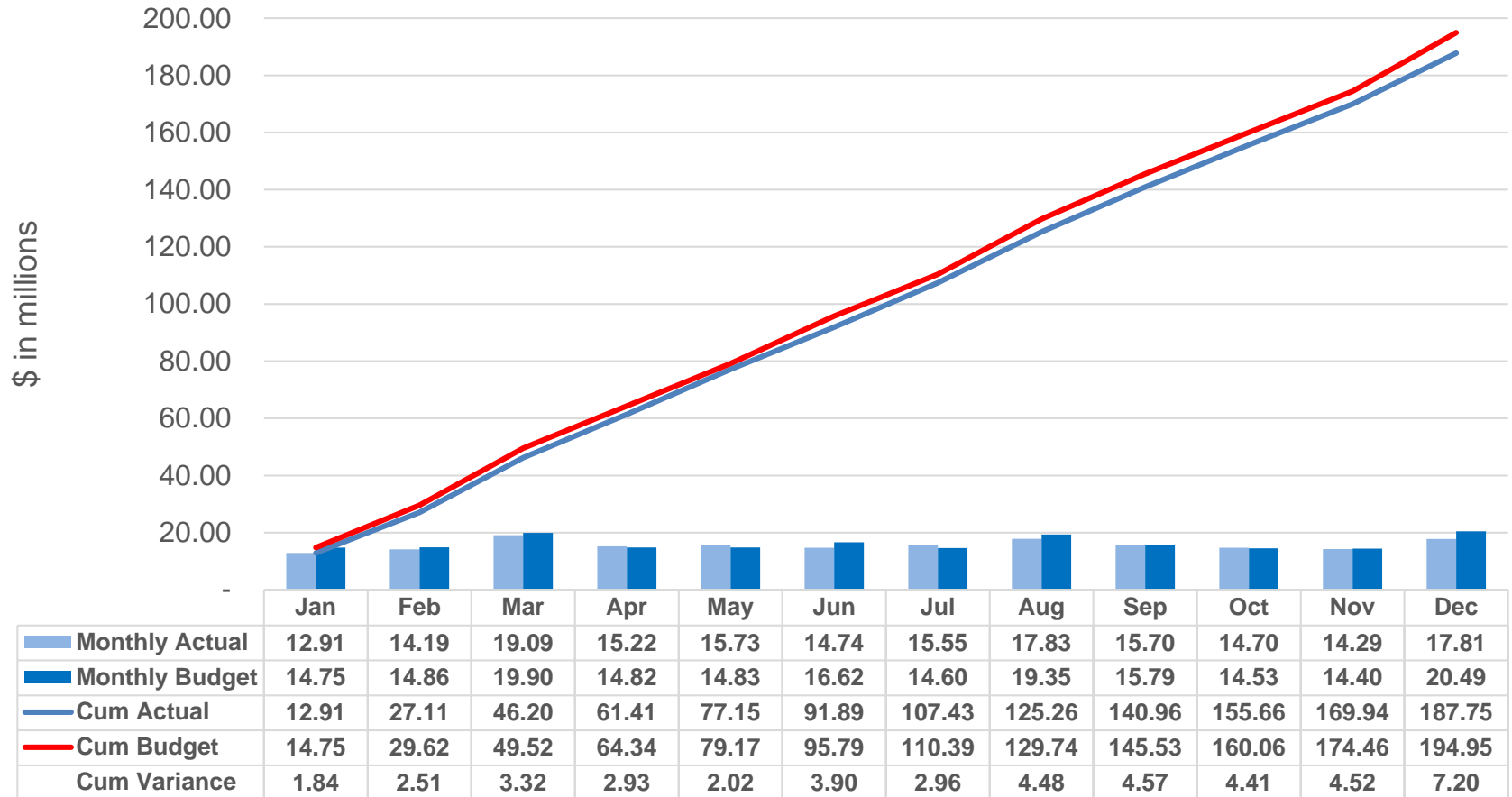
Monthly GMC Revenues

PRELIMINARY AND UNAUDITED



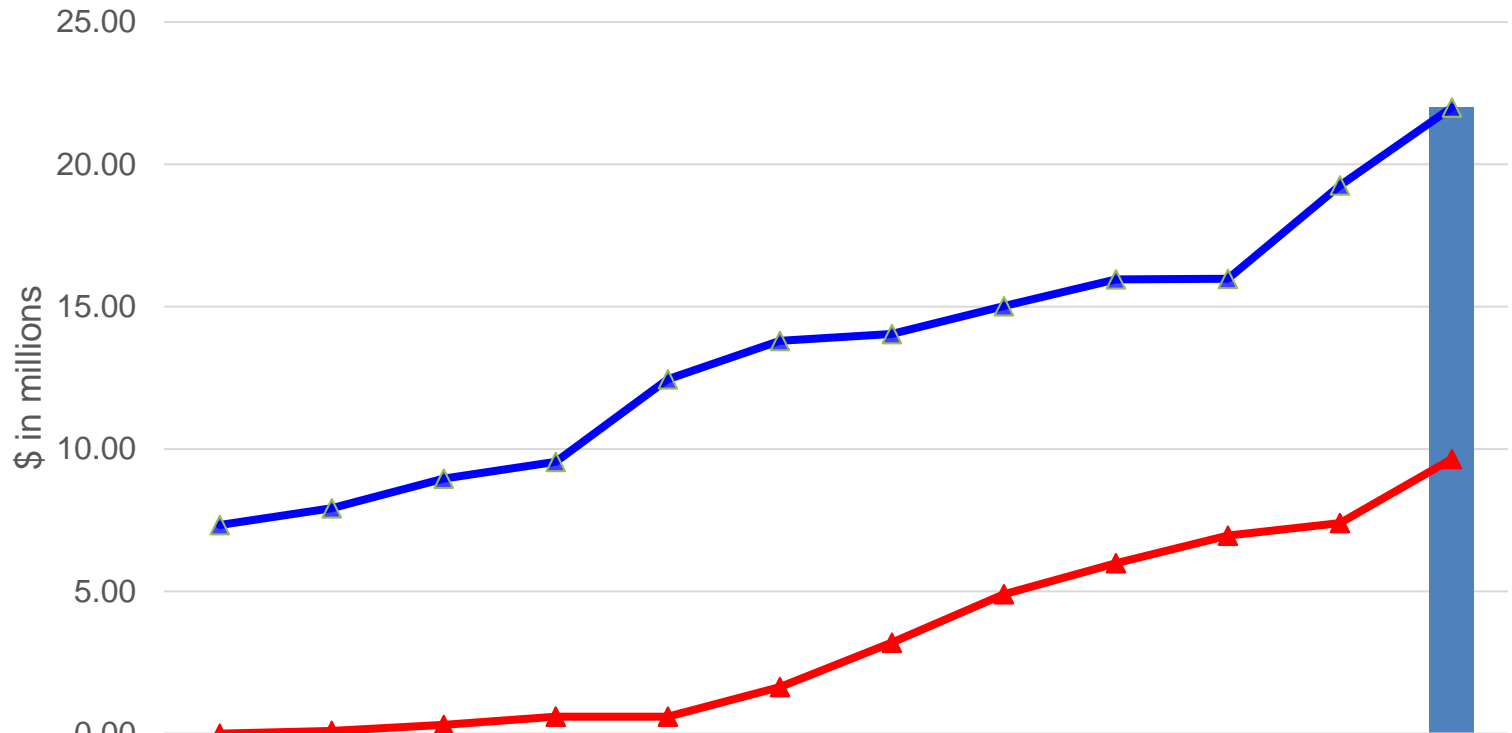
Operating and Maintenance Expenses (O&M)

PRELIMINARY AND UNAUDITED



Cumulative Capital Expenditures

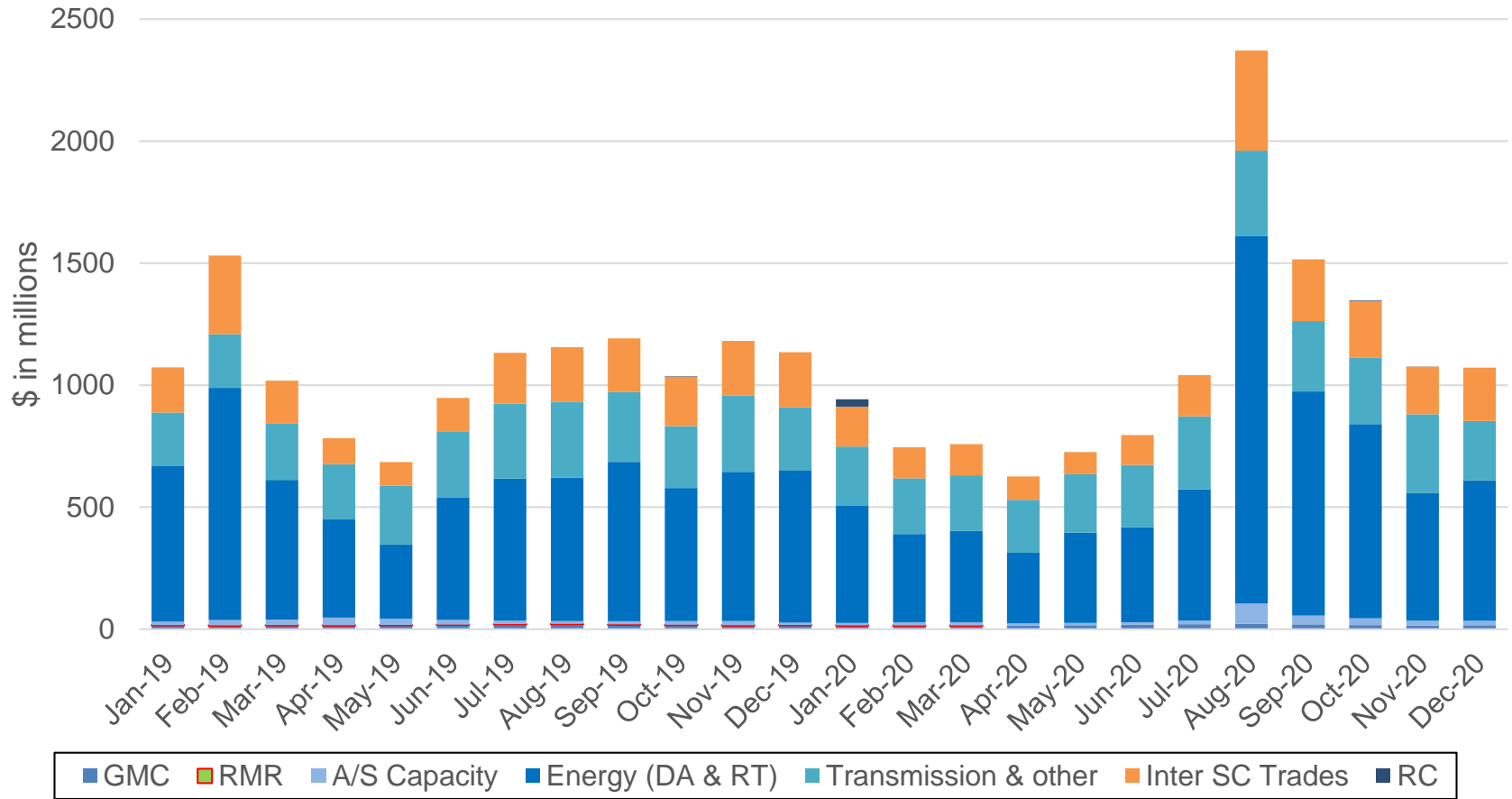
PRELIMINARY AND UNAUDITED



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Budgeted Capital												22.00
Cum Expenditures	0.00	0.10	0.31	0.60	0.60	1.64	3.20	4.90	5.99	6.96	7.40	9.65
Approved Projects	7.33	7.92	8.96	9.55	12.45	13.80	14.04	15.02	15.96	15.98	19.26	22.00

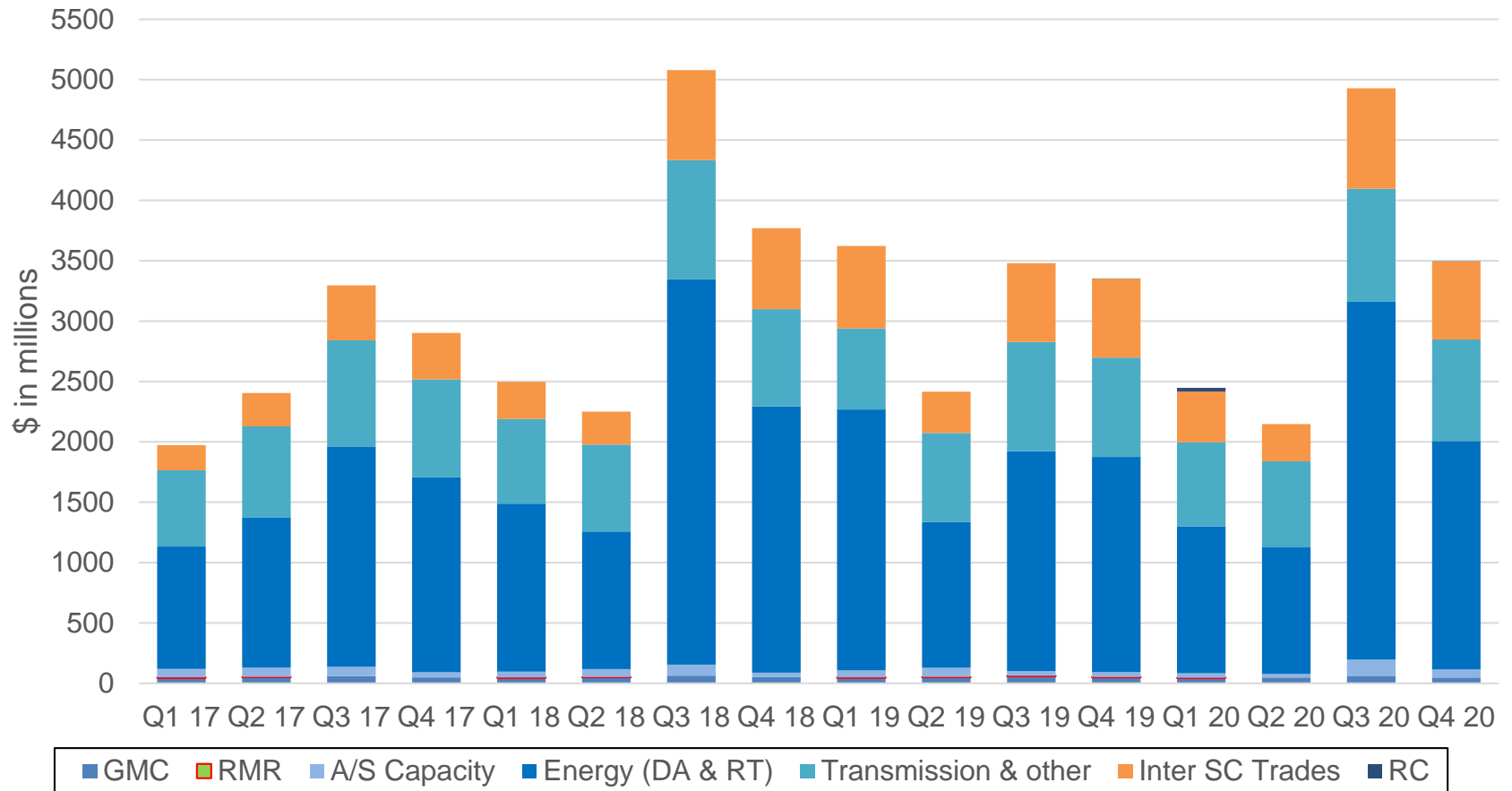
ISO Market Revenues By Month

January 2019 through December 2020



ISO Market Revenues By Quarter

1st Quarter 2017 through 4th Quarter 2020

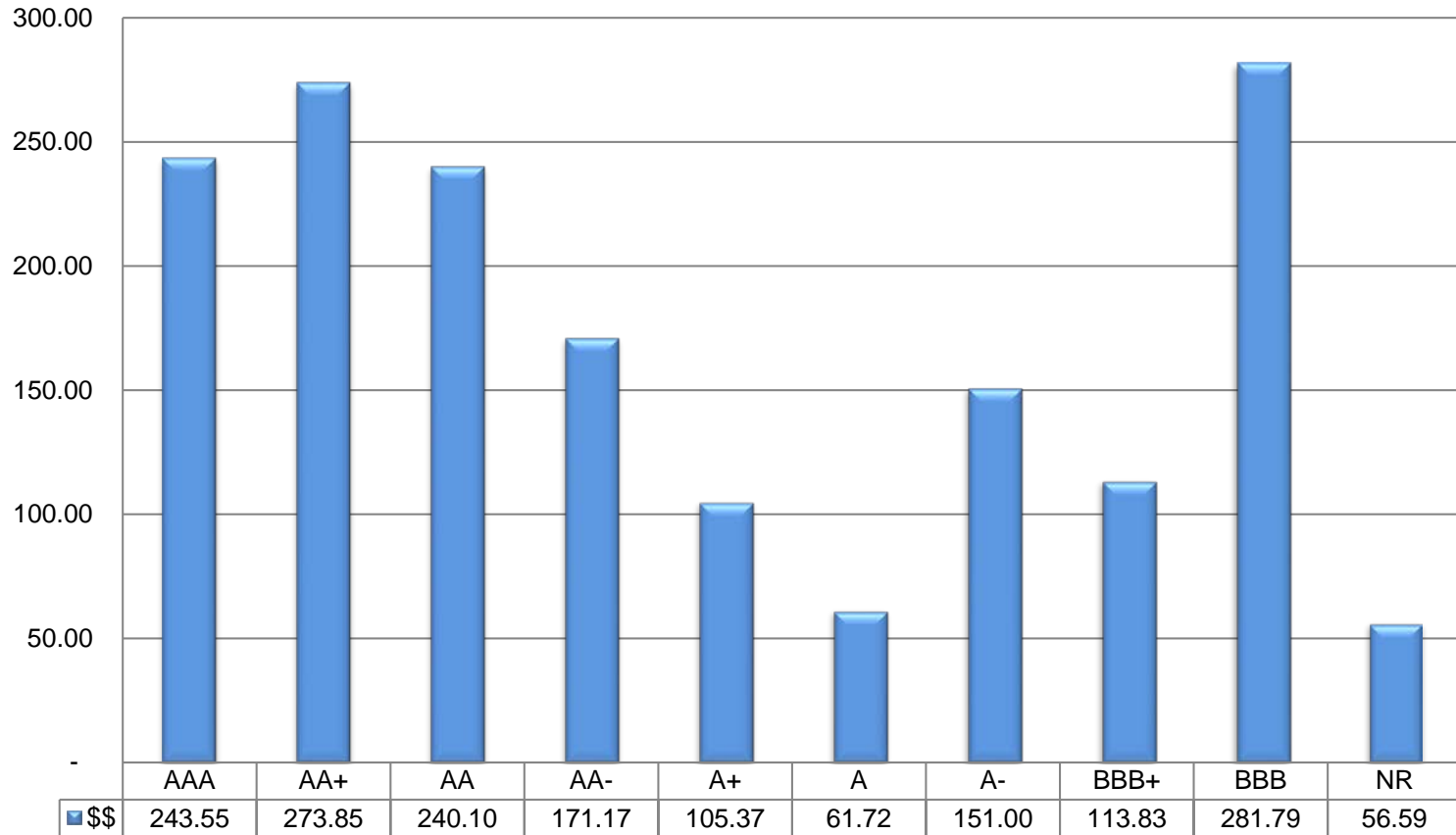


Collateral & Estimated Aggregate Liability (as of 01/15/21)

Collateral Types	Amount
Unsecured	\$1,698,960,172
Secured	\$745,071,260
Total	\$2,444,031,432

Estimate Aggregate Liability	Amount
Positive EAL	\$291,392,373

Unsecured Collateral (as of 01/15/21)



Secured Collateral (as of 01/15/21)

