California Independent System Operator Corporation

Financial Statements
December 31, 2023 and 2022

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MOSSADAMS

Report of Independent Auditors

The Board of Directors and Management
California Independent System Operator Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of California Independent System Operator Corporation, which comprise the statements of net position as of December 31, 2023 and 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of California Independent System Operator Corporation as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of California Independent System Operator Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about California Independent System Operator Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of California Independent System Operator Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about California Independent System Operator Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the schedule of changes in the net OPEB liability and related ratios on page 41 and schedule of employer contributions to the OPEB plan on page 42 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Moss Adams LLP

Portland, Oregon
April 17, 2024

The following discussion and analysis of the California Independent System Operator Corporation (the "Company") provides an overview of the Company's financial activities for the years ended December 31, 2023 and 2022. This discussion and analysis should be read in conjunction with the Company's financial statements and accompanying notes, which follow this section.

Background

The Company, a nonprofit public benefit corporation, is responsible for ensuring the reliable and efficient use of the transmission grid in most of California and a part of Nevada. The Company operates this grid, which is one of the largest and most modern power grids in the world, as a balancing authority within the Western Electricity Coordinating Council. The Company conducts comprehensive planning for the future development of this grid.

In addition, the Company administers a competitive energy market that matches supply with demand, procures operating reserves and allocates space on transmission lines for delivering electricity efficiently, all of which ultimately benefits consumers. This market provides open and nondiscriminatory access to the transmission grid for more than 200 market participants. The Company also administers the Western Energy Imbalance Market ("WEIM"), the name of which was formally changed from EIM to WEIM effective 2022 as part of the Company's regionalization effort. This extension of the Company's real-time energy market facilitates transactions with and among several balancing authority areas in the western interconnection that are not a part of the grid the Company operates.

The Company's markets and its grid operations are regulated by the Federal Energy Regulatory Commission, and comply with standards set by the North American Electric Reliability Corporation and the Western Electricity Coordinating Council. A five-member Board of Governors (the "Board") appointed by the Governor of California and confirmed by the California State Senate governs the Company.

Financial Reporting

The Company's accounting records are maintained in accordance with generally accepted accounting principles for proprietary funds as prescribed by the Governmental Accounting Standards Board ("GASB").

Cash held by the Company on behalf of market participants is recorded in a restricted asset account with a corresponding liability due to market participants in the Statements of Net Position. Except for the retention of restricted assets noted above, the financial statements reflect a net reporting of market activities wherein the financial statements do not include the revenues and expenses, cash flows, or assets and liabilities associated with the market transactions the Company facilitates.

Revenue

The Company charges a Grid Management Charge ("GMC") to market participants to recover the Company's operating costs, capital expenditures, debt service costs, and to provide for an operating reserve. The GMC is comprised of the following three service categories: market services, system operations, and congestion revenue rights services.

The Company receives other revenues outside of its GMC charges including, but not limited to: fees paid for participation in the Western Energy Imbalance Market, Reliability Coordinator services, generator interconnection studies, and for operation of the California-Oregon Intertie Path.

After accounting for other revenues, the Company establishes its annual net revenue requirement, which is allocated to the three GMC service categories based on percentages established in the tariff. Category costs are then divided by forecasted volumes to establish the annual rates.

Liquidity
The Company's tariff allows for GMC rates to be adjusted during the year to ensure collection of the revenue requirement. During a year, if forecasted revenues from any of the three GMC service categories is materially different, as defined in the tariff, from budgeted revenues, the Company may adjust the rate for the affected category to realign the forecast revenue with the budgeted revenue.

Per the tariff, the revenue requirement includes an operating reserve, which is 15% of the current year's operating and maintenance budget, and a debt service reserve, which is 25% of the debt service to be paid during the year. The Company's operating and debt service reserves were fully funded in 2023 and 2022. Furthermore, the Company maintains capital reserves in its unrestricted funds, which consist of funds collected through the revenue requirement for future capital expenditures.

The Market and Reliability Coordinator Service
The Company's wholesale energy market is the vehicle for providing open-access transmission service to users of the transmission grid. It includes a day-ahead market for all twenty-four hours of the next operating day, and a real-time market that schedules resources in 15-minute intervals and dispatches them in 5-minute intervals. The day-ahead market clears supply and demand offers for short-term energy purchases and sales. The real-time market clears supply offers and the Company's forecast of demand. Together, these enable the economic scheduling and dispatch of generating resources to maintain continuous balance of supply and demand and management of congestion on the grid. The market also procures reserve capacity or ancillary services to maintain reliable operation under unexpected changes in grid conditions. In addition, the Company performs a settlement and clearing function by charging and collecting payments from users of these services and paying providers of such services.

The Company continues to develop market enhancements to increase reliability, efficiency and the accuracy of market results. The market prices energy at the points it enters and leaves the grid, which increases transparency and sends signals for competitive investments in transmission and generation. The market operates on an advanced and flexible platform helping to integrate renewable resources as well as demand response. These enhancements increase the functionality and flexibility of the market system to meet the on-going needs of market participants.

The Company also operates the Western Energy Imbalance Market. This extension of the Company's real-time energy market facilitates transactions with and among several balancing authority areas in the western interconnection that are not a part of the grid the Company operates. The WEIM provides reliability, efficiency and renewable integration benefits to the West while also providing economic benefits to participants. The broader footprint for the real-time market provides more opportunities to integrate cleaner sources of energy, such as wind and solar, that may be produced in one area but needed in another. In addition to the Company, twenty-one other balancing authorities are participating in the WEIM as of the end of 2023.

The Company serves as the Reliability Coordinator for entities within its footprint and for most of the balancing authorities and transmission operators in the West. As the Reliability Coordinator (known externally as "RC West"), the Company has the highest level of authority and responsibility for the reliable operation of the power grid, and has a wide-area view of the bulk electricity system. In compliance with federal and regional grid standards, it can authorize measures to prevent or mitigate system emergencies. The Company is currently the Reliability Coordinator of record for forty-two balancing authorities and transmission operators in the West.

Financial Highlights

Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position

The financial statements provide both short-term and long-term information about the Company's financial status. The *Statements of Net Position* include all of the Company's assets and liabilities, using the accrual method of accounting, and identify any assets, which are restricted because of bond covenants or external commitments. These Statements also provide information about the nature and amount of resources and obligations at specific points in time.

The *Statements of Revenues, Expenses and Changes in Net Position* report all of the Company's revenues and expenses during the year.

The Statements of *Cash Flows* report the cash provided and used during the year by operating activities, as well as other cash sources such as investment income and debt financing, and other cash used such as payments for bond principal and capital additions.

Condensed Statements of Net Position (in millions)

	2023	2022	2021
Assets and deferred outflows			
Current assets	$ 1,056.4	$ 1,192.1	$ 680.5
Fixed assets, net	127.7	133.4	151.0
Other noncurrent assets	264.8	249.9	248.8
Deferred outflows	14.4	15.7	15.3
Total assets and deferred outflows	$ 1,463.3	$ 1,591.1	$ 1,095.6
Liabilities and net position			
Current liabilities	$ 1,088.0	$ 1,207.7	$ 682.0
Long-term debt, net of current portion	147.9	156.7	165.4
Other noncurrent liabilities	6.8	5.5	4.1
Deferred inflows	8.3	10.3	11.7
Net position	212.3	210.9	232.4
Total liabilities, deferred inflows and net position	$ 1,463.3	$ 1,591.1	$ 1,095.6

Assets

Current Assets (in millions)

	2023	2022	2021
Cash and cash equivalents	$ 1,002.6	$ 1,122.1	$ 599.0
Short-term investments	18.1	40.0	51.9
Accounts receivable and other assets	35.7	30.0	29.6
Total current assets	$ 1,056.4	$ 1,192.1	$ 680.5

2023 Compared to 2022
As of December 31, 2023, current assets decreased by $135.7 million during the year. This net decrease is largely due to lower collateral deposits and other market accounts held for market participants but partially offset by increases in generator interconnection project study deposits. Additionally, accounts receivable is higher because of the timing of the settlement of market invoices at year end.

2022 Compared to 2021
As of December 31, 2022, current assets increased by $511.6 million during the year. This net increase is largely due to increases in collateral funds from increased market activity and higher energy prices and other market accounts held for market participants.

Fixed Assets, Net (in millions)

	2023	2022	2021
Fixed assets in service, net	$ 114.2	$ 123.3	$ 145.5
Work-in-progress	13.5	10.1	5.5
Total fixed assets, net	$ 127.7	$ 133.4	$ 151.0

2023 Compared to 2022
Total fixed assets, net of accumulated depreciation, decreased in 2023 by $5.7 million compared to 2022. The decrease is primarily due to lower net assets in service of $9.2 million, as a result of the current year depreciation expense of $28.7 million, partially offset by new net assets placed-in-service of $19.5 million. Work in-progress increased by $3.4 million compared to 2022, due to the addition of new of projects during the year.

2022 Compared to 2021
Total fixed assets, net of accumulated depreciation, decreased in 2022 by $17.6 million compared to 2021. The decrease is primarily due to lower net assets in service of $22.1 million, as a result of the current year depreciation expense of $ 36.7 million, partially offset by new net assets placed-in-service of $14.6 million. Work in-progress decreased by $4.5 million compared to 2020 due to the completion of projects during the year.

Other Noncurrent Assets (in millions)

	2023	2022	2021
Long-term investments	$ 252.2	$ 241.4	$ 242.3
Other assets	12.6	8.5	6.5
Total other noncurrent assets	$ 264.8	$ 249.9	$ 248.8

2023 Compared to 2022
Other noncurrent assets increased by $14.9 million in 2023. This change is largely attributable to increased long-term investments amounting to $10.8 million during the year due to higher corporate reserves and continued investing in fixed income mutual funds, which are considered to be long-term assets. Other assets increased by $4.1 million primarily as a result of higher executive benefit plans trust account balances and higher prepaid balances.

2022 Compared to 2021
Other noncurrent assets increased by $1.1 million in 2022. This change is largely attributable to increases in other assets of $2.0 million primarily as a result of higher prepaid balances, partially offset by a slight a decrease in long-term investments of $0.9 million.

Deferred Outflows (in millions)

	2023	2022	2021
Unamortized other postemployment benefit costs	$ 3.3	$ 3.2	$ 1.3
Unamortized loss on refunding of bonds	11.1	12.5	14.0
Total deferred outflows	$ 14.4	$ 15.7	$ 15.3

2023 Compared to 2022
The decrease in the deferred outflows balance of $1.3 million is due to the current year amortization of the unamortized loss on refunding of bonds of $1.4 million, partially offset by lower unamortized other employment benefit costs of $0.1 million.

2022 Compared to 2021
The increase in the deferred outflows balance of $0.4 million is due to higher unamortized other employment benefit costs of $1.9 million, partially offset by the current year amortization of the unamortized loss on refunding of bonds of $1.5 million.

Liabilities
Current Liabilities (in millions)

	2023	2022	2021
Accounts payable and accrued expenses	$ 14.4	$ 10.3	$ 11.7
Accrued salaries and compensated absences	50.2	46.2	43.3
Current portion of long-term debt	8.8	8.7	9.1
Due to market participants	1,014.6	1,142.5	617.9
Total current liabilities	$ 1,088.0	$ 1,207.7	$ 682.0

2023 Compared to 2022
Current liabilities as of December 31, 2023 decreased by $119.7 million during the year. This decrease is due to lower amounts due to market participants of $127.9 million, partially offset by increases in the year-end balance for accounts payable and accrued expenses of $4.1 million and accrued salaries and compensated absences of $4.1 million.

The decrease of $127.9 million in the market participants' accounts is a result of decreases in the balances of collateral accounts of $319.4 million and market funds of $29.3 million. These were partially offset by increases in interconnection study deposits of $214.9 million, nonrefundable deposits pending distribution of $3.7 million and pass-through fees due to others of $2.2 million. Collateral funds decreased due to lower financial liabilities of participants. Interconnection study deposits are higher due to increased number of projects that are currently in queue to be completed. Market funds were lower due to the timing of the market clearing at the end of the year.

2022 Compared to 2021
Current liabilities as of December 31, 2022 increased by $525.7 million during the year. This increase is primarily due to higher amounts due to market participants of $524.6 million, as a result of increases in the balances of collateral accounts of $485.7 million, market funds of $51.6 million and pass-through fees due to others of $3.2 million. These were partially offset by decreases in interconnection study deposits of $14.9 million and nonrefundable deposits pending distribution of $1.0 million. Collateral funds were higher due to increased market activity and prices, in addition to increased number of participants. Interconnection study deposits were lower as a result of the Company's decision to defer accepting any new project studies in 2022. Market funds were higher due to the timing of the market clearing at the end of the year. Additionally, there were decreases in the year-end balance for accounts payable and accrued expenses of $1.4 million but increases in accrued salaries and compensated absences of $2.8 million.

Long-Term Debt (in millions)
Summarized activity of long-term debt for the year ended December 31, 2023, is as follows:

	Beginning of Year	Issuances (Payments/ Amortization)	End of Year
CSCDA Taxable Refunding Revenue Bonds,			
Series 2021 bonds	$ 165.4	$ (8.7)	$ 156.7
Total long-term debt	165.4	(8.7)	156.7
Less: Current portion	8.7	0.1	8.8
Total long-term debt, net of current portion	$ 156.7	$ (8.8)	$ 147.9

Summarized activity of long-term debt for the year ended December 31, 2022, is as follows:

	Beginning of Year	Issuances (Payments/ Amortization)	End of Year
CSCDA Taxable Refunding Revenue Bonds,			
Series 2021 bonds	$ 174.4	$ (9.0)	$ 165.4
Total long-term debt	174.4	(9.0)	165.4
Less: Current portion	9.0	(0.3)	8.7
Total long-term debt, net of current portion	$ 165.4	$ (8.7)	$ 156.7

As of December 31, 2023, the Company had an underlying rating of A+ from S&P, A1 by Moody's and A+ by Fitch.

2023 Compared to 2022
At December 31, 2023, the Company had $156.7 million of outstanding bonds issued through the CSCDA. The decrease in long-term debt is due to a principal payment made during the year.

2022 Compared to 2021
At December 31, 2022, the Company had $165.4 million of outstanding bonds issued through the CSCDA. The decrease in long-term debt is due to a principal payment made during the year.

Other Noncurrent Liabilities (in millions)

	2023	2022	2021
Employee retirement plan obligations	$ 6.8	$ 5.5	$ 4.1
Total other noncurrent liabilities	$ 6.8	$ 5.5	$ 4.1

2023 Compared to 2022
Other noncurrent liabilities at December 31, 2023, were higher by $1.3 million. The increase is primarily due to higher balances in the executive benefit plans of $1.8 million, partially offset by a lower liability associated with the post-employment medical benefit plan of $0.5 million, due to changes in actuarial assumptions.

2022 Compared to 2021
Other noncurrent liabilities at December 31, 2022 were higher by $1.4 million. The increase is primarily due to the change in liability associated with the post-employment medical benefit plan of $1.8 million due to changes in actuarial assumptions and to a decrease in executive benefit plans of $0.4 million, due to funds withdrawals by some participants.

Deferred Inflows (in millions)

	2023	2022	2021
Unamortized other postemployment benefit costs	$ 8.4	$ 10.3	$ 11.7
Total deferred inflows	$ 8.4	$ 10.3	$ 11.7

2023 Compared to 2022
The decrease of $1.9 million in the deferred inflows balance is due to the decrease in the costs associated with differences between expected and actual experience of $0.7 million and to the decrease in the changes in assumptions of $1.2 million.

2022 Compared to 2021
The decrease of $1.3 million in the deferred inflows balance is due to the decrease in the costs associated with the net difference between projected and actual earnings on the designated trust fund investments of $1.8 million. This was partially offset by increase in costs associated with differences between expected and actual experience of $0.4 million and to the decrease in the changes in assumptions of $0.1 million.

Net Position (in millions)

	2023	2022	2021
Net investment in fixed assets	$ 20.3	$ 19.2	$ 25.9
Unrestricted	192.0	191.7	206.5
Total net position	$ 212.3	$ 210.9	$ 232.4

2023 Compared to 2022
Net investment in capital assets at December 31, 2023 slightly increased by $1.1 million during the year. This increase is primarily attributable to increased commitment of funds for capital projects, partially offset by normal depreciation during the year. The unrestricted component of the net position at December 31, 2023 slightly increased by $0.4 million during the year primarily as a result of net cash.

2022 Compared to 2021
Net investment in capital assets at December 31, 2022 decreased by $6.7 million during the year. This decrease is primarily due to normal depreciation during the year, partially offset by increased commitment of funds for capital projects. The unrestricted component of the net position at December 31, 2022 decreased by $14.8 million during the year primarily as a result of net cash flows from operations.

Changes in Net Position
Condensed Statements of Revenues, Expenses and Changes in Net Position (in millions)

	2023	2022	2021
Operating revenues	$ 262.4	$ 246.6	$ 244.3
Operating expenses	273.3	246.1	223.1
Operating income (loss)	(10.9)	0.5	21.2
Other income (expenses), net	12.3	(22.0)	(4.7)
Change in net position	$ 1.4	$ (21.5)	$ 16.5

Operating Revenues

2023 Compared to 2022
Total operating revenues increased during the year by $15.8 million. This is primarily due to increases in GMC revenues of $11.5 million due to a higher revenue requirement, and to other revenues of $4.3 million. Increases in other revenues were primarily due to higher collections from generator interconnection projects studies of $4.6 million, WEIM administration charges of $2.5 million, reliability coordinator services of $1.7 million, forecasting fees of $0.2 million and other miscellaneous revenues of $0.2 million. The increases were partially offset by a net adjustment to Metered Sub-Systems revenues of $4.3 million and a decrease in WEIM onboarding revenues of $0.6 million.

2022 Compared to 2021
Total operating revenues increased during the year by $2.3 million. This is due to increases in other revenues of $2.8 million primarily due to increases in Metered Sub-Systems revenues of $1.7 million, generator interconnection revenues of $0.9 million, WEIM administration charges of $0.8 million, forecasting fees of $0.4 million and increases in other categories of $0.2 million, partially offset by a decrease in WEIM implementation revenues of $1.2 million. The increase in other revenues was offset by a decrease in GMC revenues of $0.5 million due to a lower revenue requirement.

Operating Expenses and Percentages (in millions)

	2023	2022	2021
Salaries and related benefits	$ 173.2	$ 150.5	$ 139.1
Communication and technology costs	23.1	21.8	20.0
Legal and consulting costs	32.7	25.2	21.5
Leases, facilities and other administrative costs	15.7	11.9	12.0
Depreciation and amortization	28.7	36.7	30.6
Total operating expenses	$ 273.4	$ 246.1	$ 223.2
Salaries and related benefits	63 %	61 %	62 %
Communication and technology costs	8	9	9
Legal and consulting costs	12	10	10
Leases, facilities and other administrative costs	6	5	5
Depreciation and amortization	11	15	14
Total operating expenses (%)	100 %	100 %	100 %

2023 Compared to 2022
Operating expenses were $27.3 million higher for the year ended December 31, 2023, compared to the year ended December 31, 2022. The increase is primarily due to higher salaries and related benefits of $22.7 million, higher legal and consulting costs of $7.5 million, and higher leases, facilities and other administrative costs of $3.8 million and higher communication and technology costs of $1.3 million. These were partially offset by lower depreciation of $8.0 million. Salaries and wages were higher due to increased headcount and to cost of living and merit increases. Legal and consulting costs are higher due to an increase in contract staff to fill in job vacancies. Leases, facilities and other administrative costs are higher due to the employee computing initiative cost and to non-capitalizable software purchases. Depreciation is lower in 2023 due to a lower depreciable base.

2022 Compared to 2021
Operating expenses were $22.9 million higher for the year ended December 31, 2022, compared to the year ended December 31, 2021. The increase is primarily due to higher salaries and related benefits of $11.4 million, higher depreciation of $6.0 million, higher legal and consulting costs of $3.7 million and higher communication and technology costs of $1.8 million. Salaries and wages are higher due to cost of living, merit and incentive increases and to a higher number of headcount. Depreciation is higher in 2022 due to a higher depreciation base resulting from completion of projects during the period. Legal and consulting costs are higher due to increases in consultant contracts costs. Communication and technology costs were higher due to increased costs of software and hardware maintenance contracts and to increases in contract staff.

Other Income (Expense), Net (in millions)

	2023	2022	2021
Interest income (loss)	$ 16.7	$ (17.5)	$ 1.6
Bond issuance costs	-	-	(1.3)
Interest expense	(4.4)	(4.5)	(4.9)
Total other income (expense), net	$ 12.3	$ (22.0)	$ (4.6)

2023 Compared to 2022
Total other income increased by $34.3 million for the year ended December 31, 2023 compared to the year ended December 31, 2022. This increase is attributable to the recognition of interest income in 2023 as opposed to a loss in 2022, which contributed to a net change of $34.2 million for the period. The net change was driven primarily by the recognition of unrealized gains in 2023 compared to the recognition of unrealized losses in 2022 as a result of the changing interest rate environment. Additionally, interest expense was lower by $0.1 million in 2023 compared to 2022 due to a lower long-term debt balance.

2022 Compared to 2021
Total other income decreased by $17.4 million for the year ended December 31, 2022 compared to the year ended December 31, 2021. This decrease is attributable to $19.1 million of lower interest income, partially offset by lower interest expense of $0.4 million, due to the refunding of the higher cost 2013 Series bonds with the 2021 Series bonds. Additionally, in 2021, the Company recorded $1.3 million in debt expenses resulting from the issuance of the 2021 Series bonds and none was recorded in 2022. Interest income decrease is due primarily to unrealized losses on the market value of investments as a result of rising interest rates.

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California Independent System Operator Corporation
Statements of Net Position
December 31, 2023 and 2022

	2023	2022
	(in thousands)	
Assets and deferred outflows		
Current assets		
Cash and cash equivalents, including restricted amounts	$ 1,002,472	$ 1,122,096
Accounts receivable	28,979	23,394
Short-term investments, including restricted amounts	18,143	40,015
Other current assets	6,760	6,627
Total current assets	1,056,354	1,192,132
Noncurrent assets		
Long-term investments, including restricted amounts	252,215	241,366
Fixed assets, net	127,727	133,409
Other assets	12,568	8,457
Total noncurrent assets	392,510	383,232
Total assets	1,448,864	1,575,364
Deferred outflows		
Unamortized other post employment benefit costs	3,311	3,214
Unamortized loss on refunding of bonds	11,133	12,536
Total deferred outflows	14,444	15,750
Total assets and deferred outflows	$ 1,463,308	$ 1,591,114
Liabilities, deferred inflows and net position		
Current liabilities		
Accounts payable and accrued expenses	$ 14,408	$ 10,297
Accrued salaries and compensated absences	50,164	46,149
Current portion of long-term debt	8,770	8,735
Due to market participants	1,014,691	1,142,518
Total current liabilities	1,088,033	1,207,699
Noncurrent liabilities		
Long-term debt, net of current portion	147,890	156,660
Employee retirement plan obligations	6,762	5,508
Total noncurrent liabilities	154,652	162,168
Total liabilities	1,242,685	1,369,867
Deferred inflows		
Unamortized other post employment benefit costs	8,360	10,336
Total deferred inflows	8,360	10,336
Commitments and contingencies (See Notes 8-10)		
Net position		
Net investment in fixed assets	20,270	19,229
Unrestricted	191,994	191,682
Total net position	212,264	210,911
Total liabilities, deferred inflows and net position	$ 1,463,308	$ 1,591,114

The accompanying notes are an integral part of these financial statements.

California Independent System Operator Corporation
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022
	(in thousands)	
Operating revenues		
GMC revenue	$ 197,210	$ 185,659
Other revenues	65,161	60,899
Total operating revenues	262,371	246,558
Operating expenses		
Salaries and related benefits	173,197	150,500
Equipment leases and facility costs	2,463	2,359
Communications, technology and temporary staffing contracts	23,112	21,790
Legal and consulting services	32,670	25,201
Training, travel and professional dues	3,058	2,525
Insurance, administrative and other expenses	10,161	7,056
Depreciation	28,650	36,660
Total operating expenses	273,311	246,091
Operating (loss) income from operations	(10,940)	467
Other income (expense)		
Interest income (loss)	16,681	(17,484)
Interest expense	(4,388)	(4,496)
Total other income (expense), net	12,293	(21,980)
Change in net position	1,353	(21,513)
Net position		
Beginning of year	210,911	232,424
End of year	$ 212,264	$ 210,911

The accompanying notes are an integral part of these financial statements.

California Independent System Operator Corporation
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
	(in thousands)	
Cash flows from operating activities		
Receipts from scheduling coordinators for GMC	$ 195,402	$ 186,593
Other receipts	61,384	59,627
Payments to employees and to others for related benefits	(167,596)	(142,536)
Payments to vendors others	(75,333)	(68,519)
Receipts from market participants	1,088,331	1,130,651
Payments to market participants	(1,216,158)	(606,070)
Net cash provided by (used in) operating activities	(113,970)	559,746
Cash flows from capital and related financing activities		
Repayment of bonds	(8,735)	(9,050)
Purchases and development of fixed assets	(20,875)	(19,915)
Interest on debt	(2,998)	(3,024)
Net cash used in capital financing activities	(32,608)	(31,989)
Cash flows from investing activities		
Purchases of investments	(352,302)	(258,323)
Sales and maturities of investments	369,834	244,757
Interest received	9,422	8,935
Net cash provided by (used in) investing activities	26,954	(4,631)
Net change in cash and cash equivalents, restricted and unrestricted	(119,624)	523,126
Cash and cash equivalents, restricted and unrestricted		
Beginning of year	1,122,096	598,970
End of year	$ 1,002,472	$ 1,122,096

The accompanying notes are an integral part of these financial statements.

California Independent System Operator Corporation
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
	(in thousands)	
Reconciliation of income from operations to net cash provided by (used in) operating activities		
Operating income from operations	$ (10,940)	$ 467
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation and amortization	28,650	36,660
Changes in operating assets, deferred outflows and liabilities		
Accounts receivable and other assets	(9,624)	(2,084)
Deferred inflows/outflows	(2,073)	(3,267)
Accounts payable and other accrued expenses	7,844	3,390
Due to market participants	(127,827)	524,580
Net cash provided by (used in) operating activities	$ (113,970)	$ 559,746
Supplemental disclosure of noncash financing and investing activities		
Amortization of loss on refunding	(1,403)	(1,481)
Change in purchases and development of fixed assets included in accounts payable and accrued expenses	(1,548)	796

The accompanying notes are an integral part of these financial statements.

1. Organization and Operations

California Independent System Operator Corporation ("Company"), a nonprofit public benefit corporation, is responsible for ensuring the reliable and efficient use of the transmission grid in most of California and a part of Nevada. The Company operates this grid, which is one of the largest and most modern power grids in the world, as a balancing authority within the Western Electricity Coordinating Council. The Company conducts comprehensive planning for the future development of this grid.

The Company is regulated by the Federal Energy Regulatory Commission ("FERC") and complies with standards set by the North American Electric Reliability Corporation and the Western Electricity Coordinating Council. A five-member Board of Governors (the "Board") appointed by the Governor of California and confirmed by the California State Senate governs the Company.

The Company's wholesale energy market is the vehicle for providing open-access transmission service to users of the transmission grid. It includes a day-ahead market for all twenty-four hours of the next operating day, and a real-time market that schedules resources in 15-minute intervals and dispatches them in 5-minute intervals. The day-ahead market clears supply and demand offers for short-term energy purchases and sales. The real-time market clears supply offers and the Company's forecast of demand. Together, these enable the economic scheduling and dispatch of generating resources to maintain continuous balance of supply and demand and management of congestion on the grid. The market also procures reserve capacity or ancillary services to maintain reliable operation under unexpected changes in grid conditions. The market prices energy at the points it enters and leaves the grid, which increases transparency and sends signals for competitive investments in transmission and generation. The market operates on an advanced flexible platform that helps to integrate renewable resources as well as demand response.

The Company also operates the Western Energy Imbalance Market ("WEIM."). This extension of the Company's real-time energy market facilitates transactions with and among several balancing authority areas in the western interconnection that are not a part of the grid the Company operates. The WEIM provides reliability, efficiency and renewable integration benefits to the West while also providing economic benefits to participants. The broader footprint for the real-time market provides more opportunities to integrate cleaner sources of energy, such as wind and solar, that may be produced in one area but needed in another. In addition to the Company, twenty-one other balancing authorities are participating as of the end of 2023.

The Company continues to develop enhancements to increase reliability, efficiency and the accuracy of market results. These on-going enhancements increase the functionality and flexibility of the market system to meet the needs of market participants. Participants in the WEIM have a voice in proposed enhancements that would apply to WEIM and real time markets through WEIM Governing Body, which is a five-member body selected by market participants and other stakeholders that must approve certain enhancements and advises the Board on other enhancements. One of the enhancements in development is an option for WEIM participants to extend their participation to the day-ahead market. FERC has authorized the Company to offer this service in the future, which is intended to retain WEIM participants and further reduce costs for participants in California.

The Company is the Reliability Coordinator for entities within its footprint and for most of the balancing authorities and transmission operators in the West. As the Reliability Coordinator (a business unit known externally as "RC West"), the Company has the highest level of authority and responsibility for the reliable operation of the power grid. In compliance with federal and regional grid standards, it can authorize measures to prevent or mitigate system emergencies in day-ahead or real-time operations. The Company is currently the Reliability Coordinator of record for forty-two balancing authorities and transmission operators in the West.

In addition, the Company also performs a settlement and clearing function by charging and collecting payments from users of these services and paying providers of such services. Cash held by the Company on behalf of market participants is recorded in a restricted asset account with a corresponding liability due to market participants in the statements of net position. Except for the retention of restricted assets noted above, the Company's financial statements reflect a net reporting of market activities wherein the financial statements do not include the revenues and expenses, cash flows, or assets and liabilities associated with the market transactions it facilitates. Grid Management Charge ("GMC") revenues have a priority claim against any market-related receipts. Any market defaults are allocated to market participants.

The Company is the central counterparty to market participant transactions, which include Congestion Revenue Rights ("CRR"). CRRs are financial instruments that enable market participants to reduce their congestion-related price risk when delivering or selling energy on the grid. A CRR provides an economic hedging mechanism against congestion charges that can be transacted by market participants separately from transmission service. Consistent with its role in facilitating other market transactions, the Company facilitates the allocation, auctioning and ultimate settlement of CRRs in its market, but does not have economic risks and rewards associated with these financial instruments. Any market defaults are allocated to market participants. As such, they are not recognized as assets and liabilities in the Company's Statements of Net Position. However, unlike other market transactions administered by the Company, CRRs can be outstanding for extended periods. At December 31, 2023, the average life of the Company's CRRs was 2.78 years and there were a total of 114 CRR holders, compared to 2.77 years and 110 CRR holders at December 31, 2022.

2. Summary of Significant Accounting Policies

Method of Accounting

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles for proprietary funds as prescribed by the Government Accounting Standards Board ("GASB"). The Company uses the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Net Presentation of Market Activity

The Company is a central counterparty to the market transactions that it financially settles, with certain limited exceptions. The Company is a buyer to every seller and a seller to every buyer, but market participants are responsible for supplying electricity and other services to their customers. The Company's market participants are the primary obligors with respect to those obligations. In the event of a market default, the defaulted amount is allocated among market participants, in accordance with the tariff. Market participants continue to bear the credit risk associated with any financial defaults by other market participants. Accordingly, the Company's financial statements continue to reflect a net reporting of market activities and exclude the revenues and expenses, cash flows and assets and liabilities associated with the market transactions the Company facilitates.

Use of Estimates
The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

Cash and Cash Equivalents
Cash and cash equivalents, restricted and unrestricted, include cash in bank accounts, money market funds and other highly liquid investments with original maturities of three months or less. Cash and cash equivalents are unrestricted unless specifically restricted by bond indentures or the tariff.

Accounts Receivable and Revenue Recognition
The GMC is based on rates filed with the Federal Energy Regulatory Commission and is designed to recover the Company's operating costs, capital expenditures, debt service costs, and to provide for an operating reserve. The GMC billings are recognized as revenue. The initial billings are based on estimated meter data submitted by market participants and therefore may be subject to adjustment over time to reflect the difference between actual meter data and initial estimates.

The GMC is comprised of the following three service categories: market services, system operations and congestion revenue rights services.

The operating reserve is calculated separately for each GMC service category and accumulates until the reserve becomes fully funded (at 15% of budgeted annual operating costs for each rate service category). At December 31, 2023, the operating reserve for each service category was fully funded. In accordance with the tariff, any surplus operating reserve balance is applied as a reduction in revenue requirements in the following year. The Company's tariff allows for GMC rates to be adjusted during the year to ensure collection of the revenue requirement. During a year, if forecasted revenues from any of the three GMC service categories is materially different, as defined in the tariff, from budgeted revenues, the Company may adjust the rate for the affected category to realign the forecasted revenue with the budgeted revenue. As a result, one or more GMC service categories were adjusted effective May 1, 2023. November 1, 2022, and August 1, 2022.

In addition, the Company bills the participants of the WEIM an administrative charge based on gross imbalance WEIM volumes and at a rate that is calculated annually to recover the ongoing costs of operating the WEIM. The WEIM administrative charge is included in other revenues of the Company.

The Company also bills the balancing authorities and transmission owners that use the services of RC West based on net energy loads and at a rate that is developed annually to recover the ongoing costs of the service. Participants with no load are charged a predetermined fixed amount. The Reliability Coordinator charge is included in other revenues of the Company.

Generator Interconnection Studies
The Company is responsible for conducting generator interconnection studies at the request of project sponsors who are developing generating plants that would become connected to the transmission grid operated by the Company. The project sponsors are required to make a deposit

before any studies are performed. Sponsors may withdraw their projects from the studies at any time.

In accordance with the tariff, the Company charges the project sponsors the actual costs of the studies. Related study costs include both internal costs and external costs and are recorded, when incurred, as operating expenses. As costs are incurred, the Company recognizes revenue for the same amount, which is recorded as a component of other revenues. The Company applies the deposits against the related receivable as costs are incurred. Certain deposits related to projects abandoned by the project sponsors are retained by the Company and distributed in accordance with the tariff. These distributions do not result in revenues or expenses recognized by the Company.

Investments
Investments, unrestricted or restricted, include instruments with original maturities of greater than three months or, instruments that have no stated maturity and the holding period is intended to be long-term in nature. These investments primarily consist of fixed income mutual funds. Income on investments and the gain or loss on the fair value of investments is recorded as a component of interest income.

Fixed Assets
Fixed assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of assets. Most of the Company's investment in fixed assets consists of the headquarters building and the backup facility, both of which are being depreciated over twenty to thirty years, and information systems, which are being depreciated over three to seven years. The cost of improvements to or replacement of fixed assets is capitalized. When assets are retired or otherwise disposed of, the cost and related depreciation are removed from the accounts and any resulting gain or loss is reflected in the Company's Statement of Changes in Revenues, Expenses and Changes in Net Position for the period. Repair and maintenance costs are expensed when incurred. The Company capitalizes direct costs of salaries and certain indirect costs to develop or obtain software for internal use. Costs related to software development during the preliminary stage of a project and training and maintenance costs are expensed as incurred. Costs related to abandoned projects are expensed when the decision to abandon is made.

Other Assets
Other assets include certain employee retirement plan trust accounts.

Compensated Absences
The Company accrues vacation leave when the employee becomes eligible for the benefit.

The Company does not record sick leave or other leave as a liability since there are no cash payments for sick leave or other leave made when employees terminate or retire. At December 31, 2023 and 2022, the total accrued liability for vacation was $13.9 million and $12.6 million, at the end of each year, respectively.

Income Taxes
The Company is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Service (IRS) Code and is exempt from California State franchise income taxes.

Net Position
The Company classifies its net position into three components:

- **Net investment in fixed assets** - This component consists of fixed assets, net of accumulated depreciation reduced by the outstanding debt balances, net of unamortized debt expenses.

- **Restricted** - This component consists of net assets with constraints placed on their use. Constraints include those imposed by debt covenants (excluding amounts considered in net capital, above) and by the Company's tariff and agreements with external parties.

- **Unrestricted** - This component consists of net assets that do not meet the definition of "invested in capital, net of related debt" or "restricted".

The Company had no restricted component of the net position at December 31, 2023 or 2022.

Concentration of Credit Risk
Financial instruments that subject the Company to credit risk consist primarily of accounts receivable relating to GMC billings due from market participants and cash and cash equivalents and investments.

Most of the Company's receivables are due from entities in the energy industry, including utilities, generation owners and other electricity market participants. For the years ended December 31, 2023 and 2022, approximately 29% and 32% of modified revenues, respectively, were from two market participants. Modified revenues include all operating revenues except for incidental pass-through fees paid by various parties.

GMC revenues have a priority claim against any market-related receipts, which means that even if a market participant defaults on an invoice containing a GMC charge, the Company receives the full GMC so long as sufficient funds were received on other market invoices to fund the GMC due to the Company.

The Company's concentration of credit risk related to cash and cash equivalents, and investments is described in Note 3.

New GASB Guidance
In March 2022, GASB issued Statement No. 94 Public-Private and Public-Public Partnerships and Availability Payment Arrangements, The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The statement is effective for reporting periods beginning after June 15, 2022. The Company has no PPP arrangements. The Company has evaluated this guidance and has determined there is no impact to the financial statements.

In May 2020, GASB issued Statement No. 96 Subscription-Based Information Technology Arrangements, which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The statement is effective for reporting periods beginning after June 15, 2022. The Company adopted the standard effective January 1, 2023. The Company currently has subscription-based information technology arrangements and management has evaluated these contracts according to their business-type, activity, and materiality. As a result, the Company has determined that continuing to expense rather than capitalize the costs associated with the current contracts will not have a material impact on the financial statements for the years ended December 31, 2023 and 2022.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022,* which aims to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The statement has several requirements, which have differing effective dates. The requirements related to extension of the use of LIBOR, accounts for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions GASB Statement No. 34 and terminology updates related to GASB Statement No. 53 and 63 are effective upon issuance. The requirements related to leases, PPPs, and subscription-based information technology arrangements are effective for reporting periods after June 15, 2022. Requirements related to financial guarantees and the classification and reporting of derivatives instruments within the scope of GASB Statement No. 53 are effective for reporting periods beginning after June 15, 2023. The Company has no LIBOR related transactions, SNAP accounts, nonmonetary transactions, pledges of future revenues by governments, leases or PPPs and the Company has evaluated the updated guidance for subscription-based information technology arrangements and has determined there is no impact to the financial statements.

In June 2022, GASB issued Statement No. 100 *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62,* which enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. The requirements of this statement are effective for accounting changes and error corrections made in reporting periods beginning after June 15, 2023 and the Company has adopted the statement accordingly.

In June 2022, GASB issued Statement No. 101 *Compensated Absences* to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. The company is currently evaluating the impact of this statement.

3. Cash and Cash Equivalents and Investments

Investment Policy

The Company maintains an investment policy approved by its Board of Governors, which provides investment guidelines of the majority of the Company’s unrestricted funds. The policy guidelines address permissible investment types, credit risk, concentration of credit risk, interest rate risk, custodial credit risk and other investment portfolio parameters.

Restricted funds, such as bond proceeds and amounts due to market participants, are invested according to the Company’s bond indentures and tariff, respectively, both of which are more restrictive than the investment policy. A portion of the Company’s unrestricted funds, $3.3 million as of December 31, 2023, has been designated by the Company as assets related to the liabilities associated with the Company's Retiree Medical Plan. These assets are governed by a separate investment policy approved by the Board of Governors, which is aligned with the Company's long-term pension obligations to fund postretirement health benefits.

Credit Risk

The Company primarily invests all unrestricted and restricted funds in broadly diversified money market funds and other fixed income mutual funds. Credit risk within these funds is largely mitigated due to the broad diversification of the fund and any negative credit events would be reflected in the fund's net asset value. The investment policy contains minimum credit rating standards if the Company chooses to invest in direct securities and includes exceptions that allow the Company to invest in certificates of deposit issued by lower rated banks up to the FDIC insured limit and to hold investments that have been downgraded below the policy rating minimums if approved to do so by the Company's internal investment committee.

Money Market Fund rules require the use of a floating net asset (NAV) for institutional prime money market. Under normal circumstances, a floating NAV money market fund investment would continue to meet the definition of a cash equivalent. However, in the event credit or liquidity issues arise causing a meaningful decrease of the money market investments below $1.0000 per share the classification of such investments as cash equivalents may not be appropriate. There were no credit or liquidity issues that resulted in meaningful decreases in the Company's money market investments in 2023 or 2022. Therefore, amounts invested in money market funds remain classified as cash equivalents.

Concentration of Credit Risk

This is the risk of loss associated with the percentage of an entity's investment in a single issuer. The Company's investment policy limits investments in any single issuer to no more than 5% of the portfolio, with exceptions relating to obligations issued by or fully guaranteed as to principal and interest by the United States, federal agencies or United States government sponsored enterprises, pooled investments such as money market funds, and fixed income mutual funds, and investments procured in connection with Company bond offerings. As of December 31, 2023, other than the security exceptions described above, the Company had no investments in any one issuer representing more than 5% of total cash and cash equivalents and investments.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution or counterparty, the Company will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party.

The Company may maintain balances in bank accounts exceeding the FDIC insured level of $250,000. In the event of a bank default, the Company's deposits may not be returned. The Company had no unrestricted noninterest-bearing bank deposits at December 31, 2023 and 2022, respectively. Additionally, the Company had no restricted noninterest-bearing bank deposits at December 31, 2023 but had similar deposits in the amount of $15.3 million at December 31, 2022. All other investments purchased by the Company, by policy, are held in custodial accounts by third-party custodians and are registered in the Company's name, thereby minimizing any custodial credit risk.

Interest Rate Risk

Changes in interest rates may adversely affect the fair value of the Company's investments and its cash flows. A sharp rise in market interest rates could have a material adverse impact on the fair value of our fixed income investment portfolio. Conversely, declines in interest rates, could have a material adverse impact on interest income for our investment portfolio. The Company's investment policy attempts to mitigate this risk by limiting the maximum maturity of any direct investment to five years with the exception of bond proceeds and the assets associated with the Retiree Medical Plan liabilities. The fixed income mutual funds that the Company invests in also have similar duration targets.

Summary of Balances
At December 31, 2023, the Company's cash, cash equivalents and investments consist of the following (in thousands):

		Remaining Maturities (in Years)			
Description	**Credit Rating***	**Less than 1**	**1 - 5**	**More than 5**	**Total**
Cash and cash equivalents - unrestricted					
Deposits		$ (475)	$ -	$ -	$ (475)
Money Market Funds	AAAm	23,341	$ -	$ -	23,341
		22,866	-	-	22,866
Cash and cash equivalents - restricted					
Money Market Funds	AAAm	979,606	-	-	979,606
		979,606	-	-	979,606
Total cash and cash equivalents		1,002,472	-	-	1,002,472
Short term investments - restricted					
Certificate of Deposits	FDIC Insured	18,143	-	-	18,143
		18,143	-	-	18,143
Total short-term investments		18,143	-	-	18,143
Long-term investments - unrestricted					
Affinity Insurance Ltd.	Unrated	-	-	37	37
Mutual Funds	Unrated	-	238,865	-	238,865
		-	238,865	37	238,902
Long-term investments - restricted					
Certificate of Deposits	FDIC Insured	-	13,313	-	13,313
Total long-term investments		-	252,178	37	252,215
Total cash, cash equivalents and investments		$1,020,615	$ 252,178	$ 37	$1,272,830

*Represents S&P rating.

At December 31, 2022, the Company's cash, cash equivalents and investments consist of the following (in thousands):

		Remaining Maturities (in Years)			
Description	**Credit Rating***	**Less than 1**	**1 - 5**	**More than 5**	**Total**
Cash and cash equivalents - unrestricted					
Deposits		$ (1,045)	$ -	$ -	$ (1,045)
Money Market Funds	AAAm	16,219	-	-	16,219
		15,174	-	-	15,174
Cash and cash equivalents - restricted					
Deposits		15,302	-	-	15,302
Money Market Funds	AAAm	1,091,620	-	-	1,091,620
		1,106,922	-	-	1,106,922
Total cash and cash equivalents		1,122,096	-	-	1,122,096
Short term investments - unrestricted					
Mutual Funds	Unrated	15,520	-	-	15,520
U.S Treasury	AA+	4,467	-	-	4,467
		19,987	-	-	19,987
Short term investments - restricted					
Certificate of Deposits	FDIC Insured	20,028	-	-	20,028
		20,028	-	-	20,028
Total short-term investments		40,015	-	-	40,015
Long-term investments - unrestricted					
Affinity Insurance Ltd.	Unrated	-	-	37	37
Mutual Funds	Unrated	-	227,512		227,512
		-	227,512	37	227,549
Long-term investments - restricted					
Certificate of Deposits	FDIC Insured	-	13,817	-	13,817
Total long-term investments		-	241,329	37	241,366
Total cash, cash equivalents and investments		$1,162,111	$ 241,329	$ 37	$1,403,477

*Represents S&P rating.

The Company's cash, cash equivalents and investments at December 31 consist of unrestricted and restricted funds as follows (in thousands):

	2023	2022
Unrestricted funds, operating account	$ 261,768	$ 262,710
Restricted funds, market participants	1,011,062	1,140,767
Total cash, cash equivalents and investments	$ 1,272,830	$ 1,403,477

Cash, cash equivalents and investments restricted for market participants consist of the following at December 31 (in thousands):

	2023	2022
Security deposits	$ 506,133	$ 825,490
Market funds pending settlement	99,574	128,889
Pass-through fees due to others	17,172	14,924
Generator interconnection study deposits	385,825	170,938
Non-refundable deposits pending distribution	2,358	526
Total amounts restricted for market participants	$ 1,011,062	$ 1,140,767

Cash, cash equivalents and investments restricted for market participants consist of amounts held by the Company to be remitted to market participants or others on their behalf. Security deposits are amounts received from market participants who are required to post collateral for their transactions in the Company's markets. Market funds pending settlement consist of amounts collected during the settlement and clearing function that will pass-through to market participants in subsequent periods. Pass-through fees due to others consist of amounts collected from market participants that will be paid to market participants for summer reliability, startup costs and emission costs. Generator interconnection study deposits are amounts collected for future studies. Nonrefundable deposits consist of interconnection amounts, which are nonrefundable to project sponsors in accordance with tariff requirements.

4. Fixed Assets

Changes in the Company's fixed assets for the year ended December 31, 2023, are as follows (in thousands):

	2022	Additions and Transfers In	Disposals and Transfers Out	2023
Nondepreciable fixed assets				
Land	$ 10,561	$ -	$ -	$ 10,561
Work-in-progress	10,052	22,976	(19,492)	13,536
	20,613	22,976	(19,492)	24,097
Depreciable fixed assets				
Regional transmission operator software	483,578	13,253	(6)	496,825
Regional transmission operator hardware	24,384	3,300	(2,762)	24,922
Communication equipment	13,270	1,263	(1,439)	13,094
ISO Facilities (HQ and Lincoln)	162,251	-	-	162,251
Furniture, fixtures and other	20,324	1,676	(771)	21,229
	703,807	19,492	(4,978)	718,321
Less: Accumulated depreciation	(591,011)	(28,650)	4,970	(614,691)
	112,796	(9,158)	(8)	103,630
Total fixed assets, net	$ 133,409	$ 13,818	$ (19,500)	$ 127,727

Changes in the Company's fixed assets for the year ended December 31, 2022, are as follows (in thousands):

	2021	Additions and Transfers In	Disposals and Transfers Out	2022
Nondepreciable fixed assets				
Land	$ 10,561	$ -	$ -	$ 10,561
Work-in-progress	5,483	19,119	(14,550)	10,052
	16,044	19,119	(14,550)	20,613
Depreciable fixed assets				
Regional transmission operator software	474,048	9,530	-	483,578
Regional transmission operator hardware	22,134	2,314	(64)	24,384
Communication equipment	11,302	1,968	-	13,270
ISO Facilities (HQ and Lincoln)	162,251	-	-	162,251
Furniture, fixtures and other	19,889	741	(306)	20,324
	689,624	14,553	(370)	703,807
Less: Accumulated depreciation	(554,718)	(36,660)	367	(591,011)
	134,906	(22,107)	(3)	112,796
Total fixed assets, net	$ 150,950	$ (2,988)	$ (14,553)	$ 133,409

5. Long-term Debt and Related Agreements

Long-term debt consists of the following at December 31 (in thousands):

	2023	2022
CSCDA Taxable Refunding Revenue Bonds, Series 2021 Fixed interest rates of 0.25% - 2.68% with maturities through 2039	$ 156,660	$ 165,395
Total long-term debt	156,660	165,395
Less: Current portion	(8,770)	(8,735)
Total long-term debt, net of current portion	$ 147,890	$ 156,660

Summarized activity of long-term debt for the year ended December 31, 2023, is as follows (in thousands):

	Beginning of Year	Issuances (Payments)	End of Year
CSCDA Taxable Refunding Revenue Bonds, Series 2021	$ 165,395	$ (8,735)	$ 156,660
Total long-term debt	$ 165,395	$ (8,735)	$ 156,660

Summarized activity of long-term debt for the year ended December 31, 2022, is as follows (in thousands):

	Beginning of Year	Issuances (Payments)	End of Year
SCDA Taxable Refunding Revenue Bonds, Series 2021	$ 174,445	$ (9,050)	$ 165,395
Total long-term debt	$ 174,445	$ (9,050)	$ 165,395

Scheduled future debt service payments for these bonds as of December 31, 2023, are as follows (in thousands):

	Principal	Interest	Total
2024	$ 8,770	$ 2,983	$ 11,753
2025	8,815	2,938	11,753
2026	8,875	2,874	11,749
2027	8,960	2,791	11,751
2028	9,065	2,682	11,747
2029 - 2033	47,690	11,070	58,760
2034 - 2038	53,045	5,702	58,747
2039	11,440	307	11,747
Total debt service payments	$ 156,660	$ 31,347	$ 188,007

6. Fair Value of Financial Instruments

Accounting guidance for fair value measurement requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard establishes a three-tier fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is as follows:

Level 1 Applies to assets or liabilities for which there are quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 Applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs and significant value drivers are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. Financial assets and liabilities are classified in their entirety based on the level of input that is considered most significant to the fair value measurement.

The Company's assets measured at fair value on a recurring basis at December 31, 2023, were as follows (in thousands):

	Total	Level 1	Level 2	Level 3
Cash:	$ -	$ -	$ -	$ -
Cash equivalents:				
Money market funds	1,002,472	1,002,472	-	-
Short-term investments:				
Negotiable certificates of deposit	18,143	-	18,143	-
Long-term investments:				
Negotiable certificates of deposit	13,313	-	13,313	-
Publicly traded mutual funds	238,865	238,865	-	-
Captive insurance investment	37	-	-	37
Total cash, cash equivalents and investments	$ 1,272,830	$ 1,241,337	$ 31,456	$ 37

The Company's assets measured at fair value on a recurring basis at December 31, 2022, were as follows (in thousands):

	Total	Level 1	Level 2	Level 3
Cash:	$ 14,257	$ -	$ -	$ -
Cash equivalents:				
Money market funds	1,107,839	1,107,839	-	-
Short-term investments:				
Publicly traded mutual funds	15,520	15,520	-	-
U.S. Treasury securities	4,467	4,467	-	-
Negotiable certificates of deposit	20,028	-	20,028	-
Long-term investments:				
Negotiable certificates of deposit	13,817	-	13,817	-
Publicly traded mutual funds	227,512	227,512	-	-
Captive insurance investment	37	-	-	37
Total cash, cash equivalents and investments	$ 1,403,477	$ 1,355,338	$ 33,845	$ 37

Level 1 money market funds and publicly traded mutual funds are determined by using quoted prices in active markets. Level 2 fixed income securities are priced using quoted market prices for similar instruments or nonbinding market prices that are corroborated by observable market data. Level 3 assets are nonnegotiable instruments that require the use of unobservable inputs in determining fair value.

The fair value of the employee retirement plan trust accounts at December 31, 2023 and 2022 was $5.3 million and $3.6 million, respectively. These accounts are invested in cash equivalents and publicly traded mutual funds and are classified as Level 1 assets.

The carrying values reported in the balance sheet for current assets and liabilities, excluding amounts discussed above, approximate fair value.

Additionally, the Company had $20.3 million and $17.8 million at December 31, 2023 and 2022, respectively, in trust related to the post-employment medical benefit plan (Note 7). At

December 31, 2023 and 2022, these trust assets consist primarily of mutual funds and are classified as Level 1 within the fair value hierarchy.

7. Employee Benefit Plans

The Company maintains a number of employee benefit plans. A description of the Plans and key provisions is included below. Obligations included in the Company's Statements of Net Position related to these plans consist of the following at December 31 (in thousands):

	2023	2022
Post-employment medical benefit plan	$ 1,470	$ 1,958
Executive pension restoration plan	3,720	2,450
Executive savings plan	1,572	1,100
Total employee retirement plan obligations	$ 6,762	$ 5,508

Post-Employment Medical Benefit Plan
Plan Description
The Company sponsors the California ISO Retirees Medical Plan, a single employer defined benefit plan, to provide post-employment health care benefits to all eligible employees who retire from the Company and meet certain eligibility requirements. The Plan is closed to new hires and rehires effective January 1, 2019.

Eligibility for retirement is age 55 with at least 10 years of continuous service, whose combined age and years of continuous service equals or exceeds 70. For employees born after January 1, 1969, pre-65 spousal coverage ends on the participants' 75th birth date. A Post-65 spouse who is removed from pre-65 coverage may obtain coverage once they reach age 65.

Depending on years of service, the Company pays between 60% and 70% of the premiums on the coverage elections made by the beneficiaries not to exceed $8,000 per year for individual retiree coverage and $16,000 per year for retiree plus spouse and/or dependent. Plan benefits are available to eligible retirees and to their spouses, domestic partners and eligible dependents, as provided for under the terms of the Plan. Current plan coverage extends for the lifetime of the participants and their beneficiaries, except for dependents, which generally terminates at age 25.

The Plan provides a monthly amount per post-65 retiree and eligible post-65 dependents towards the cost of enrolling in any of the Medicare supplemental programs, and at the Company's discretion, may increase the allowance annually. Supplemental program costs in excess of the provided monthly amount are the responsibility of the retirees and or dependents.

There are 366 active employees who could become eligible for benefits, of which, 120 are fully eligible to retire and 114 retirees eligible to receive benefits pursuant to the Plan as of December 31, 2023.

Funding and Investment Policy
The Company has established a trust for the purposes of funding the Plan. The trust was established as a tax-exempt voluntary employees' beneficiary association. All assets of the trust are to be used for the exclusive benefit of the participants and beneficiaries of the Plan. Although the Company has fiscal accountability for these assets and holds them in a fiduciary capacity, the assets are not considered assets of the Company and are therefore not included in the

Statements of Net Position of the Company. As of December 31, 2023, and 2022, the trust assets were $20.3 million and $17.8 million, respectively. The Plan issues audited trust financial statements annually, which are available upon request.

The Company's current funding policy is to annually contribute an amount such that the total amount in the trust approximates the actuarially determined liability attributable to retirees and their spouses and to active participants who are fully eligible to retire. Based on this current funding policy, the trust was fully funded at December 31, 2023. The Company does not provide funding into the trust related to future obligations associated with employees who have not become eligible to retire, although, as part of its rate structure, the Company collects annual amounts associated with future other post-employment benefit ("OPEB") obligations for all employees. As a result, assets equivalent to the actuarially determined liability attributable to employees not yet eligible to retire are segregated in a separate custody account. The amounts are adjusted annually to match the current actuarially determined liability. These segregated assets are reported in the Company's Statements of Net Position.

The assets of both the trust and the Company's segregated funds are invested in accordance with the Board approved California ISO Retirees Medical Plan Investment Policy. In general, the assets are invested in a mix of equity and fixed income mutual funds.

The Company also currently funds disbursements for the employer portion of the premiums on the coverage elections made by the pre-65 beneficiaries, their respective spouses and, if any, dependents, and the monthly contributions to the post-65 retirees and their post-65 dependents from the segregated funds.

Net OPEB Liability (NOL)

The Company's annual OPEB liabilities as of December 31, 2023 and 2022, respectively, were determined by an actuarial valuation as of those dates.

The Company's Net OPEB Liability at December 31, 2023 and 2022 are as follows (in thousands):

	2023	2022
Total OPEB liability (TOL)		
Service cost	$ 461	$ 575
Interest cost	1,217	1,174
Changes in benefit terms	-	-
Differences between expected and actual experience	2,103	(1,064)
Changes in assumptions	(315)	(1,619)
Benefit payments	(1,335)	(611)
Net change in TOL	2,131	(1,545)
TOL - beginning	19,524	21,069
TOL - ending	21,655	19,524
Plan fiduciary net position (PFNP)		
Employer contributions	1,231	555
Net investment income (loss)	2,555	(3,388)
Benefit payment	(1,334)	(611)
Active subsidy	105	56
Net change in PFNP	2,557	(3,388)
PFNP - beginning	17,771	21,159
PFNP - ending	20,328	17,771
Net OPEB liability	$ 1,327	$ 1,753
PFNP as a percentage of TOL	93.87 %	91.02 %
Covered-employee payroll	$ 66,573	$ 64,079
NOL as a percentage of covered-employee payroll	1.99 %	2.74 %

Actuarial Methods and Assumptions
The total OPEB liability in the December 31, 2023 and 2022 actuarial valuations were determined using actuarial assumptions, applied to all respective periods included in the measurement. The following significant actuarial methods and assumptions were used in the calculation.

	2023	2022
Discount Rate	6.40%	6.30%
Expected Long-term Rate of Return on Plan Assets	6.40%	6.30%
Rate of Compensation Increase	3.50%	3.00%
Current Health Care Cost Trend Rate	6.50%	6.50%
Ultimate Health Care Cost Trend Rate	5.00%	5.00%
Year of Ultimate Trend Rate	2030	2030

The mortality rates were based on the Pri-2012 mortality tables (Base mortality table year "2012", Table type "Total", Health type "Healthy", Table weighing "Headcount"), with Scale MP-2021 for mortality improvements to reflect the most recent mortality experience published by the Society of Actuaries. Separate rates, based on the "Employee" table, were developed for annuitants and nonannuitants. Same rates also were developed for retirees, contingent annuitants, and contingent survivors.

The expected long term return on assets assumption reflects the Company's estimate of future experience for the trust asset returns reflecting the Plan's current asset allocation and any expected changes during the current plan year, current market conditions and the Company's expectations for future market conditions. The long-term rate of return was determined using a building-block method in which best estimate ranges of expected investment rates of return over the next 20 years are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the current asset allocation percentage. The current asset allocation and best estimates of the rates of return for each major asset class are summarized in the following table.

Asset Class	Asset Allocation	Long-Term Expected Rate of Return
International stocks	28.0 %	7.51 %
BarCap aggregate funds	25.0	4.42
Large-cap stocks	21.0	7.34
10-year TIPS	10.0	4.25
Cash equivalents	10.0	4.38
Small cap stocks	2.0	6.95
Mid-cap stocks	4.0	7.36
Total	100 %	

The expected long-term return on assets is also used as the discount rate for all periods of projected benefit payments to determine the total OPEB liability since the Company's contributions to the Plan are made at rates equal to the actuarially determined contribution rates. Additionally, the Plan's fiduciary net position is projected to be available to make all projected OPEB payments for all current and future retirees.

The actuarial assumptions employed in the development of the OPEB liability and other financial reporting have been selected in accordance with the Actuarial Standards of Practice, which required that each significant assumption is appropriate for the purpose of the measurement; takes into account historical and current economic data that is relevant as of the measurement date; reflects expected future experience and has no significant bias (i.e., it is not significantly optimistic or pessimistic).

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Company's annual OPEB expenses at December 31, 2023 and 2022 are as follows (in thousands):

	2023	2022
OPEB Expense		
Service cost	$ 461	$ 575
Interest cost	1,217	1,174
Differences between expected and actual experience	(207)	(476)
Changes in assumptions	(1,422)	(1,381)
Expected return on assets	(1,120)	(1,164)
Differences between expected and actual return on assets	(92)	459
Annual OPEB expense	$ (1,163)	$ (813)

For the year ended December 31, 2023, the Company reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Outflows	Inflows
Differences between expected and actual experience	$ 2,156	$ (2,424)
Changes in assumptions	156	(5,936)
Net difference between projected and actual earnings on OPEB investments	999	N/A
Total deferred inflows (outflows)	$ 3,311	$ (8,360)

For the year ended December 31, 2022, the Company reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Outflows	Inflows
Differences between expected and actual experience	$ 547	$ (3,123)
Changes in assumptions	326	(7,213)
Net difference between projected and actual earnings on OPEB investments	2,341	N/A
Total deferred inflows (outflows)	$ 3,214	$ (10,336)

Amounts reported as of December 31, 2023 as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

		Amount
During fiscal year ending 12/31/2024	$	(1,520)
During fiscal year ending 12/31/2025		(1,438)
During fiscal year ending 12/31/2026		(1,015)
During fiscal year ending 12/31/2027		(771)
During fiscal year ending 12/31/2028		(292)
During fiscal year ending after 12/31/2029 and thereafter		(13)
Total net deferred inflows	$	(5,049)

The following table presents the sensitivity of the net OPEB liability to changes in the discount rate and health care cost trend rates if it was separately calculated using a 1% lower or 1% higher than the current discount rate or health cate cost trend rate.

		2023		2022
Change in NOL with 1.0% increase in discount rate	$	(1,881)	$	(1,824)
Change in NOL with 1.0% decrease in discount rate		2,199		2,152
Change in NOL with 1.0% increase in health care trend rates		300		162
Change in NOL with 1.0% decrease in health care trend rates		(308)		(158)

Executive Pension Restoration Plan
The Company sponsors the Executive Pension Restoration Plan, a nonqualified defined contribution plan, which allows certain officers of the Company to contribute and receive Company contributions in excess of the 401(k) contribution limits set forth by IRS regulations as described in the retirement savings benefits plan below.

The contributions and earnings thereon are held in a trust and the balances as of December 31, 2023 and 2022, were $3.7 million and $2.5 million, respectively, and are included in Other Assets with a corresponding liability in Employee Retirement Plan Obligations. In connection with this plan, the Company recognized expenses for contributions of $28,217 and $230,645 in 2023 and 2022, respectively.

Executive Savings Plan
The Company sponsors the Executive Savings Plan, a nonqualified defined contribution plan under section 457(b) of the IRS Code. The Company contributes a percentage of each officer's annual base compensation to the Plan. Officers may elect to make voluntary contributions, subject to statutory limitations. The contributions and earnings thereon are held in a trust and the balance as of December 31, 2023 and 2022 was $1.6 million and $1.1 million, respectively, and are included in Other Assets, with a corresponding liability in Employee Retirement Plan Obligations. In connection with this plan, the Company recognized expenses of $150,466 and $210,414 in 2023 and 2022, respectively.

Retirement Savings Benefits Plan
The Company sponsors a defined contribution retirement plan, the California ISO Retirement Savings Benefits Plan (the "Retirement Plan") that is subject to the provisions of the Employee Retirement Income Security Act of 1974 and covers substantially all employees. The Company administers the Retirement Plan with the assistance of a third party. The assets of the Plan are

held separately from Company assets and are not combined with the assets in the Statements of Net Position.

Employees may elect to contribute up to fifty percent of their eligible compensation to the Retirement Plan, subject to statutory limitations. The Company matches contributions up to six percent of an employees' eligible compensation and an additional contribution equal to five percent of eligible compensation for employees with less than five years of service, or seven percent for employees who have at least five years but not more than ten years of service. An additional contribution of one percent of eligible compensation is also made by the Company for each five-year increment of service after an employees' ten-year anniversary.

Employee contributions to the Retirement Plan for 2023 and 2022 were $12.8 million and $11.8 million, respectively. The Company contributions to the Retirement Plan for 2023 and 2022 were $12.9 million and $12.0 million, respectively.

8. Insurance Programs and Claims

The Company is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; nonperformance of duty; injuries to employees; and natural disasters. The Company maintains various commercial and mutual insurance plans that provide coverage for most claims in excess of specific dollar thresholds. Primary insurance policies have coverage limits set based on the Company's assessment of reasonable exposure within that risk category, with consideration of insurance types and coverage limits for comparable entities. Additionally, the Company maintains excess liability coverage that provides umbrella coverage for certain exposures. Losses incurred below insurance deductibles are expensed as incurred. In the last three years, the Company did not incur any claims in excess of the coverage described above.

The Company is a participant in a group captive insurance company for workers compensation insurance coverage. The Company's annual net insurance costs for such coverage vary based on claims incurred at the Company, and to a lesser extent, claims activity of other members of the captive insurance company. The Company's annual insurance expense is limited through reinsurance and risk sharing arrangements of the captive to an additional percentage of the initial base premium paid.

9. Contract Commitments

The Company has a long-term operating contract that expires through 2030.

The following are the future minimum payments under this agreement as of December 31, 2023 (in thousands):

2024	$	212
2025		217
2026		222
2027		226
2028 - 2030		711
Total contract commitment	$	1,588

10. Contingencies

Market Billing Disputes in Good Faith Negotiations
As part of the tariff and applicable contracts, the Company has dispute resolution processes for market participants to register disagreements regarding information reflected in the settlement statements or billing amounts for market activity.

Market disputes are addressed in the normal course of operations, some of which result in adjustments to previously issued settlement statements. When adjustments are made, the adjustment amounts are reallocated to market participants, with no net cost or credit being realized by the Company. With respect to pending market disputes at December 31, 2023, including those that have escalated to good faith negotiations, management believes that any settlements or market awards would be resettled against the market with no liability to the Company.

Indemnifications
The Company's bylaws require its annual financial statements to include disclosures about certain payments made by the Company related to indemnification of officers and Board members. There were no such payments in 2023 or 2022.

Other Matters
The Company, during the ordinary course of its operations, has been involved in various lawsuits and claims. In addition, the Company is subject to compliance with mandatory reliability standards promulgated by the North American Electric Reliability Corporation and approved by the Federal Energy Regulatory Commission, which if violated could result in penalties assessed to the Company.

There are currently some pending claims against the Company as well as matters related to alleged violations of the mandatory reliability standards. Management is of the opinion that none of these matters will have a material adverse impact on the financial position or results of the operations of the Company.

Schedule of Changes in the Net OPEB Liability and Related Ratios

The schedule below presents the Company's total OPEB liability, the Plan fiduciary position, net OPEB liability and related ratios (dollars in thousands):

	2023	2022	2021	2020	2019	2018	2017	2016
Total OPEB liability (TOL)								
Service cost	$ 461	$ 575	$ 748	$ 811	$ 1,101	$ 1,366	$ 1,369	$ 1,166
Interest cost	1,217	1,174	1,217	1,314	1,580	1,525	1,470	1,175
Changes in benefit terms		-	-	-	-	3,634	-	-
Differences between expected and actual experience	2,103	(1,064)	313	(1,883)	(438)	(1,326)	(951)	1,593
Changes in assumptions	(315)	(1,619)	(2,468)	89	(4,657)	(3,699)	(228)	1,380
Benefit payments	(1,335)	(611)	(1,050)	(539)	(606)	(883)	(587)	(426)
Net change in TOL	2,131	(1,545)	(1,240)	(208)	(3,020)	617	1,073	4,888
TOL - beginning	19,524	21,069	22,309	22,517	25,537	24,920	23,847	18,959
TOL - ending	21,655	19,524	21,069	22,309	22,517	25,537	24,920	23,847
Plan fiduciary net position (PFNP)								
Employer contributions	1,231	555	986	461	4,987	841	384	269
Net investment income	2,555	(3,388)	1,857	2,262	2,230	(674)	1,522	534
Benefit payment	(1,334)	(611)	(1,050)	(539)	(606)	(883)	(587)	(426)
Active subsidy	105	56	64	78	56	42	203	157
Net change in PFNP	2,557	(3,388)	1,857	2,262	6,667	(674)	1,522	534
PFNP - beginning	17,771	21,159	19,302	17,040	10,373	11,047	9,525	8,991
PFNP - ending	20,328	17,771	21,159	19,302	17,040	10,373	11,047	9,525
Net OPEB liability	$ 1,327	$ 1,753	$ (90)	$ 3,007	$ 5,477	$ 15,164	$ 13,873	$ 14,322
PFNP as a percentage of TOL	93.87 %	91.02 %	100.42 %	86.52 %	75.67 %	40.62 %	44.33 %	39.94 %
Covered-employee payroll	$ 66,573	$ 64,079	$ 64,368	$ 69,598	$ 71,588	$ 72,478	$ 69,960	$ 68,984
NOL as a percentage of covered-employee payroll	1.99 %	2.74 %	(0.14)%	4.32 %	7.65 %	20.92 %	19.83 %	2.08 %

Note: The is intended to be a ten-year schedule in accordance with GASB Statement 75; however, the Company adopted the standard in 2018 and revalued the plan retroactively to 2016.

Schedule of Employer Contributions to the OPEB Plan

The schedule below reflects the Company's contributions relative to the actuarially determined contributions for the Plan (dollars in thousands):

	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contribution in relation to the actuarially determined contribution	1,232	555	986	461	550	841	384	269
Contribution deficiency (excess)	$ (1,232)	$ (555)	$ (986)	$ (461)	$ (550)	$ (841)	$ (384)	$ (269)
Covered-employee payroll	$ 66,573	$ 64,079	$ 64,368	$ 69,598	$ 71,588	$ 72,478	$ 69,960	$ 68,984
Contribution as a percentage of covered-employee payroll	1.9 %	0.9 %	1.5 %	0.7 %	0.8 %	1.2 %	0.5 %	0.4 %

Note: The is intended to be a ten-year schedule in accordance with GASB Statement 75; however, the Company adopted the standard in 2018 and revalued the plan retroactively to 2016.

Notes to Schedule

Valuation date:
Actuarially determined contribution rates are calculated as of December 31, 2023

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
Amortization period	Average future service for all participants as of 1/1/2023, where participants are assumed to have zero average future service
Asset valuation method	Investments in the trust fund are valued on the basis of their fair value
Inflation	2.5%
Salary increases	3.5%, average, including inflation
Termination and retirement age	The termination and retirement rates have been updated to reflect current experience
Discount rate	6.40%