

QUARTERLY FINANCIAL REPORT

June 30, 2021

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
QUARTERLY FINANCIAL REPORT - June 30, 2021**

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CALIFORNIA ISO

SUMMARY, DISCUSSION AND COMMENTARY

For the quarter ended June 30, 2021

Results of Operations

Revenues

Through the second quarter ending June 30, 2021, operating revenues were higher by \$2.3 million compared to the budgeted amounts. The overall increase was due to higher GMC revenues of \$1.1 million and higher other revenues of \$1.2 million. GMC is higher due to the warmer than predicted weather pattern in June. The Company monitors changes in GMC revenues and will adjust rates, if necessary, to align actual GMC revenues closer to budget, as required by the Tariff. Other revenues, as compared to the same quarter last year, were higher due to a planned change in the recognition of the Reliability Coordinator service fees, from annually to quarterly and to the new nodal pricing model fee, which is assessed starting in 2021. In 2020, the annual RC revenues were recognized during the first quarter.

Expenses

Operating expenses are \$2.5 million under budget through the second quarter of the year, largely due to timing of invoices against budget in areas such as temporary staff, consultants, technical maintenance renewals, facility operating expenses, and telecommunications. Other drivers include reduced spend in outside legal and discretionary areas such as travel, training, conference fees, and office meetings. The surplus is slightly offset by higher than anticipated overtime spend.

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

Material Changes to Assets and Liabilities

Debt service, market collateral transactions, incentive compensation payouts and annual 401k contributions were the primary contributors to the changes in company assets and liabilities through the second quarter.

Capital Projects

Through the end of the second quarter of 2021, \$11.7 million in projects were approved by the Corporate Management Committee. These projects will enhance the current systems' performance and effectiveness in meeting future challenges and FERC mandates.

CALIFORNIA ISO
Statement of Operations

For the quarter ended June 30, 2021
(dollars in thousands)

	Quarter		Year to Date		Year to Date Budget
	Actual	Prior Year	Actual	Prior Year	
<u>Operating revenues:</u>					
Grid management charge	\$ 45,614	\$ 45,308	\$ 86,271	\$ 87,605	\$ 85,164
Other revenues	12,533	6,265	24,118	29,464	22,945
Total operating revenues	58,147	51,573	110,389	117,069	108,109
<u>Operating expenses:</u>					
Salaries and benefits	33,922	34,393	73,200	71,825	72,050
Building, leases and facility	502	611	851	1,007	1,177
Insurance	389	245	809	630	806
Third party vendor contracts	3,909	3,479	7,115	6,296	7,412
Consulting and contracting services	4,578	4,591	8,493	8,072	9,825
Legal and audit	561	752	844	870	1,706
Training, travel and professional dues	190	221	458	621	1,857
Other	1,224	1,401	1,910	2,569	1,376
Total operating expenses	45,275	45,693	93,680	91,890	96,209
Operating income before depreciation and amortization	12,872	5,880	16,709	25,179	11,900
<u>Depreciation and amortization</u>	7,612	6,477	14,619	12,849	14,600
Net operating income (loss)	5,260	(597)	2,090	12,330	(2,700)
<u>Other income (expenses)</u>					
Interest income & other	3,097	7,843	1,774	4,789	2,102
Interest expense	(779)	(2,041)	(1,978)	(4,101)	(1,928)
Total other income (expenses)	2,318	5,802	(204)	688	174
Excess (deficiency) of revenues over expenses	\$ 7,578	\$ 5,205	\$ 1,886	\$ 13,018	\$ (2,526)
Number of full-time employees			640	633	658

CALIFORNIA ISO

Balance Sheet

As of June 30, 2021

(dollars in thousands)

	Current Quarter 6/30/2021	Prior Year 12/31/2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, including restricted amounts	\$ 409,604	\$ 471,005
Accounts receivable	49,504	13,997
Short-term Investments, including restricted amounts	46,061	68,132
Other current assets	8,070	6,286
Total current Assets	<u>513,239</u>	<u>559,420</u>
NONCURRENT ASSETS		
Long-term investments, including restricted amounts	197,722	212,148
Fixed assets, net	158,597	165,669
Other assets	11,521	4,749
Total noncurrent assets	<u>367,840</u>	<u>382,566</u>
TOTAL ASSETS	<u><u>\$ 881,079</u></u>	<u><u>\$ 941,986</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	6,492	11,754
Accrued salaries and compensated absences	27,409	43,448
Current portion of long-term debt	9,050	5,395
Due to market participants	446,870	492,419
Total current liabilities	<u>489,821</u>	<u>553,016</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	165,395	164,054
Employee retirement plan obligations	7,846	8,876
Total noncurrent liabilities	<u>173,241</u>	<u>172,930</u>
TOTAL LIABILITIES	<u>663,062</u>	<u>725,946</u>
TOTAL NET ASSETS	<u>218,017</u>	<u>216,040</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 881,079</u></u>	<u><u>\$ 941,986</u></u>

Capital Projects Report

For the quarter ended June 30, 2021

(\$ in thousands)

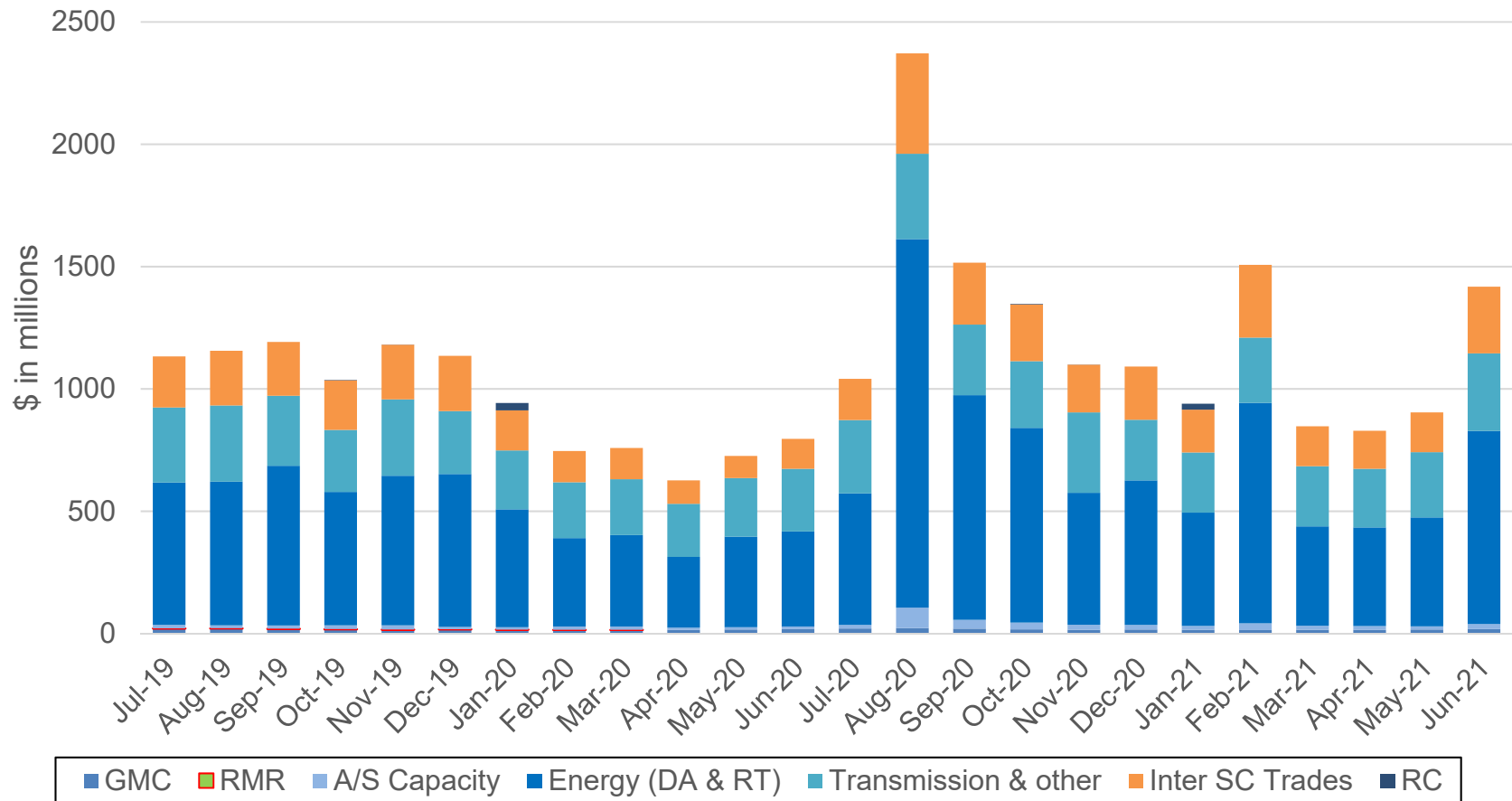
Project Classification	2021 Capital and Project Budget ¹	Projects Approved YTD	Remaining Budget	Expenditures YTD
Market and Operational Excellence	\$ 13,700	\$ 6,264	\$ 7,436	\$ 1,806
Enhance the Technology Foundation	6,150	2,943	3,207	159
Focus on Customer Service and Other Costs	2,000	2,518	(518)	63
Grid Evolution Readiness and Regional Innovation Opportunities	150	-	150	-
	\$ 22,000	\$ 11,725	\$ 10,275	\$ 2,028
			Expenditures on projects approved prior to 2021 ² :	4,449
				\$ 6,477

¹ The Board approved a maximum level of \$22.0 million in capital and project commitments for 2021 at their December 2020 meeting. The sub-amounts allocated to the project classifications will vary as actual projects are approved during the year by the Corporate Management Committee.

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

ISO Market Revenues By Month

July 2019 through June 2021



ISO Market Revenues By Quarter

3rd Quarter 2017 through 2nd Quarter 2021

