

QUARTERLY FINANCIAL REPORT

September 30, 2021

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

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CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the quarter ended September 30, 2021

Results of Operations

Revenues

Through the third quarter ending September 30, 2021, operating revenues were higher by \$5.1 million compared to the budgeted amounts. The overall increase was due to higher GMC revenues of \$2.8 million and higher other revenues of \$2.3 million. GMC is higher due to the warmer than predicted weather pattern during the summer months. The Company monitors changes in GMC revenues and will adjust rates, if necessary, to align actual GMC revenues closer to budget, as required by the Tariff. Other revenues, 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 \$4.5 million under budget through the third 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 and to non-capitalizable software development costs.

Interest income and other are lower than budget through the third quarter due to unrealized losses on the value of investments as a result of rising interest rates, primarily during the third 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 third quarter.

Capital Projects

Through the end of the third quarter of 2021, \$14.4 million in projects were approved by the Corporate Management Committee. These projects will enhance the current systems' performance and effectiveness in meeting future challenges and FERC mandates.

CALIFORNIA ISO

Statement of Operations

For the quarter ended September 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	\$ 54,944	\$ 58,632	\$ 141,370	\$ 146,237	\$ 138,556
Other revenues	13,123	7,068	37,509	36,532	35,132
Total operating revenues	68,067	65,700	178,879	182,769	173,688
<u>Operating expenses:</u>					
Salaries and benefits	38,430	38,233	111,674	110,058	111,425
Building, leases and facility	608	512	1,459	1,519	1,766
Insurance	389	980	1,128	1,611	1,208
Third party vendor contracts	2,688	3,427	9,803	9,723	10,700
Consulting and contracting services	4,354	3,869	12,846	11,941	14,556
Legal and audit	519	475	1,361	1,345	2,560
Training, travel and professional dues	120	113	571	734	2,771
Other	1,674	1,458	3,640	4,027	1,958
Total operating expenses	48,782	49,067	142,482	140,958	146,944
Operating income before depreciation and amortization	19,285	16,633	36,397	41,811	26,744
<u>Depreciation and amortization</u>	7,919	6,613	22,538	19,463	23,000
Net operating income (loss)	11,366	10,020	13,859	22,348	3,744
<u>Other income (expenses)</u>					
Interest income & other	507	2,462	1,611	7,251	3,153
Interest expense	(1,805)	(2,041)	(3,783)	(6,142)	(2,694)
Total other income (expenses)	(1,298)	421	(2,172)	1,109	459
Excess (deficiency) of revenues over expenses	\$ 10,068	\$ 10,441	\$ 11,687	\$ 23,457	\$ 4,203
Number of full-time employees			626	637	658

CALIFORNIA ISO

Balance Sheet

As of September 30, 2021
(dollars in thousands)

	Current Quarter 9/30/2021	Prior Year 12/31/2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, including restricted amounts	\$ 576,981	\$ 471,005
Accounts receivable	28,753	13,997
Short-term Investments, including restricted amounts	38,352	68,132
Other current assets	7,519	6,286
Total current Assets	<u>651,605</u>	<u>559,420</u>
NONCURRENT ASSETS		
Long-term investments, including restricted amounts	252,561	212,148
Fixed assets, net	154,967	165,669
Other assets	9,935	4,749
Total noncurrent assets	<u>417,463</u>	<u>382,566</u>
TOTAL ASSETS	<u><u>\$ 1,069,068</u></u>	<u><u>\$ 941,986</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	6,353	11,754
Accrued salaries and compensated absences	36,181	43,448
Current portion of long-term debt	9,050	5,395
Due to market participants	615,714	492,419
Total current liabilities	<u>667,298</u>	<u>553,016</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	165,395	164,054
Employee retirement plan obligations	7,478	8,876
Total noncurrent liabilities	<u>172,873</u>	<u>172,930</u>
TOTAL LIABILITIES	<u>840,171</u>	<u>725,946</u>
TOTAL NET ASSETS	<u>228,897</u>	<u>216,040</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,069,068</u></u>	<u><u>\$ 941,986</u></u>

Capital Projects Report

For the quarter ended September 30, 2021

(\$ in thousands)

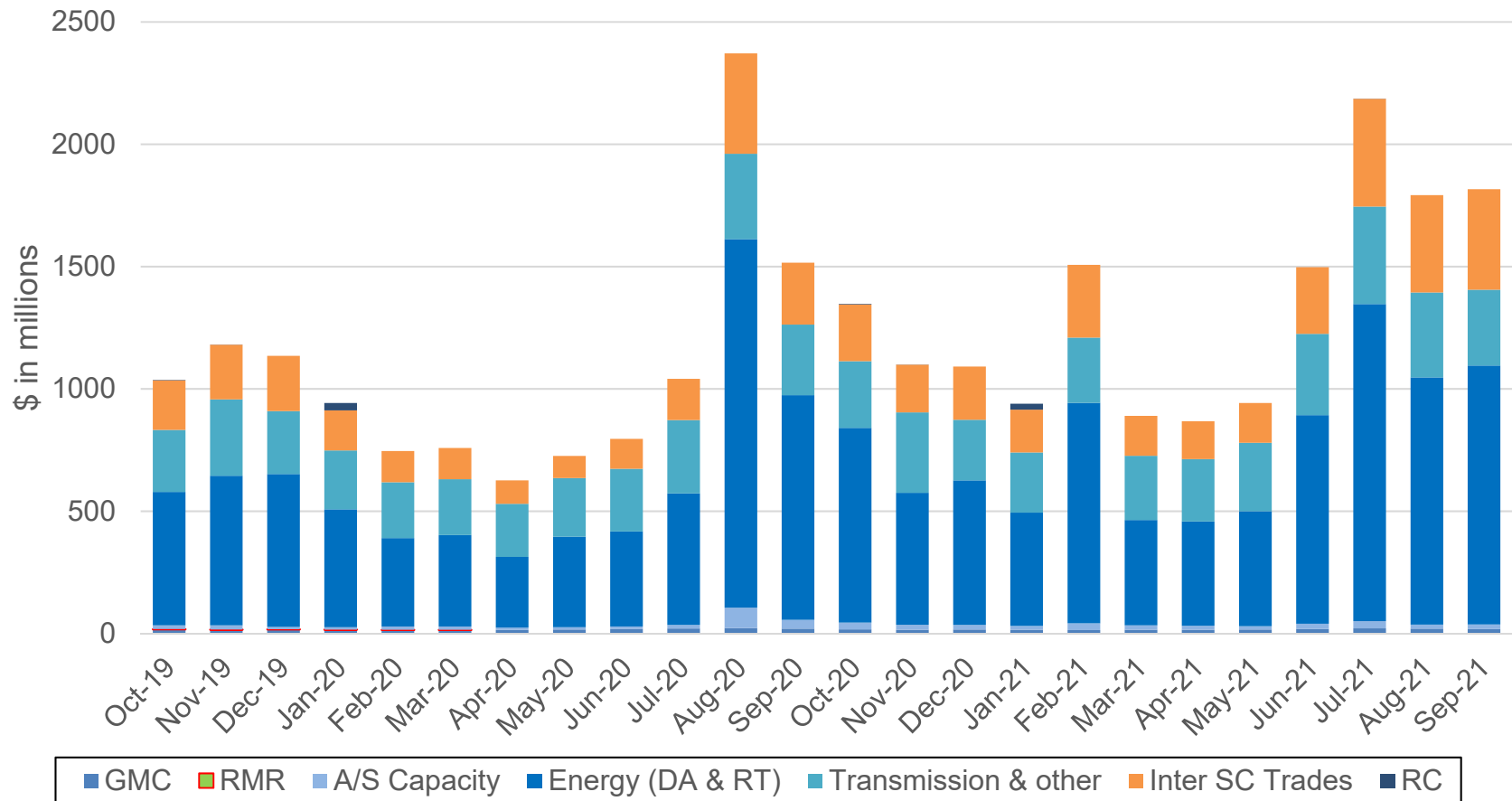
Project Classification	2021 Capital and Project Budget ¹	Projects Approved YTD	Remaining Budget	Expenditures YTD
Market and Operational Excellence	\$ 13,700	\$ 7,750	\$ 5,950	\$ 3,843
Enhance the Technology Foundation	6,150	4,179	1,971	477
Focus on Customer Service and Other Costs	2,000	2,518	(518)	123
Grid Evolution Readiness and Regional Innovation Opportunities	150	-	150	-
	\$ 22,000	\$ 14,447	\$ 7,553	\$ 4,443
			Expenditures on projects approved prior to 2021 ² :	<u>6,415</u>
				\$ 10,858

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

October 2019 through September 2021



ISO Market Revenues By Quarter

4th Quarter 2017 through 3rd Quarter 2021

