

QUARTERLY FINANCIAL REPORT

September 30, 2020

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
QUARTERLY FINANCIAL REPORT - September 30, 2020

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CALIFORNIA ISO

SUMMARY, DISCUSSION AND COMMENTARY

For the quarter ended September 30, 2020

Results of Operations

Revenues

Through the third quarter ending September 30, 2020, operating revenues were higher by \$4.5M compared to the budgeted amounts due to higher GMC and other revenues. GMC was higher by \$1.8M due to the unusual warm weather during the third quarter and to the increase in the GMC rates for market services and system operations categories, which went into effect June 1, 2020. Other revenues were higher by \$2.7M than budgeted due to the EIM implementation fees and higher generator interconnection project fees. As compared to the same period last year, other revenues increased by \$21.0M largely due to fees collected for the new Reliability Coordinator service.

Effective October 1, 2020, the rates for market services and system operations were decreased due to the projected over-collection of GMC for the year, if rates were not adjusted.

Expenses

Operating expenses were \$4.6 million under budget through the third quarter of the year, largely due to reduced training and travel expenses and to cost containment measures. To date, the Company has experienced a variety of costs associated with COVID-19 that have been offset by savings in areas such as travel, meeting expenses, etc.

Interest income and other are higher than budget through the third quarter due to better than expected earnings and to unrealized gains in investments.

Material Changes to Assets and Liabilities

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

Capital Projects

Through the end of the third quarter of 2020, \$16.0 million in projects were approved by the Corporate Management Committee. These projects will enhance the current systems' performance and effectiveness in meeting future challenges and FERC mandates.

Collateral Held Report

As of October 19, 2020, the ISO maintained \$2.1 billion in collateral from market participants to support \$401.2 million in aggregate liabilities due in the market. Approximately \$1.4 billion of the collateral is from unsecured sources (i.e., unsecured credit limits and parent guarantees) with investment grade or equivalent ratings, and \$0.7 billion is from secured forms (i.e., cash and letters of credit). This collateral is predominantly invested in AAA and A+ rated money market funds or backed by A rated or better financial institutions.

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Statement of Operations

For the quarter ended September 30, 2020
(dollars in thousands)

	Quarter		Year to Date		Year to Date Budget
	Actual	Prior Year	Actual	Prior Year	
<u>Operating revenues:</u>					
Grid management charge	\$ 56,608	\$ 56,176	\$ 144,219	\$ 146,572	\$ 142,432
Other revenues	6,882	5,641	35,854	14,805	33,193
Total operating revenues	63,490	61,817	180,073	161,377	175,625
<u>Operating expenses:</u>					
Salaries and benefits	38,190	36,260	110,015	103,337	109,140
Building, leases and facility	512	526	1,519	1,413	1,908
Insurance	980	312	1,611	1,010	1,771
Third party vendor contracts	3,427	2,787	9,723	9,653	11,169
Consulting and contracting services	3,869	3,976	11,941	11,719	14,313
Legal and audit	475	295	1,345	1,259	2,628
Training, travel and professional dues	113	591	734	1,613	2,776
Other	1,458	1,395	4,027	4,195	1,825
Total operating expenses	49,024	46,142	140,915	134,199	145,530
Operating income before depreciation and amortization	14,466	15,675	39,158	27,178	30,095
<u>Depreciation and amortization</u>	6,613	4,961	19,463	20,700	18,900
Net operating income (loss)	7,853	10,714	19,695	6,478	11,195
<u>Other income (expenses)</u>					
Interest income & other	2,462	1,713	7,251	8,019	2,925
Interest expense	(2,041)	(2,129)	(6,142)	(6,399)	(6,395)
Total other income (expenses)	421	(416)	1,109	1,620	(3,470)
Excess (deficiency) of revenues over expenses	\$ 8,274	\$ 10,298	\$ 20,804	\$ 8,098	\$ 7,725
Number of full-time employees			637	636	657

CALIFORNIA ISO

Balance Sheet

As of September 30, 2020

(dollars in thousands)

	Current Quarter 9/30/2020	Prior Year 12/31/2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, including restricted amounts	\$ 393,045	\$ 366,395
Accounts receivable	25,114	25,635
Short-term Investments, including restricted amounts	55,490	72,476
Other current assets	8,372	6,067
Total current Assets	<u>482,021</u>	<u>470,573</u>
NONCURRENT ASSETS		
Long-term investments, including restricted amounts	210,350	193,263
Fixed assets, net	167,023	170,858
Other assets	2,157	5,773
Total noncurrent assets	<u>379,530</u>	<u>369,894</u>
TOTAL ASSETS	<u><u>\$ 861,551</u></u>	<u><u>\$ 840,467</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	7,285	13,955
Accrued salaries and compensated absences	37,236	37,916
Current portion of long-term debt	5,395	5,165
Due to market participants	425,591	414,785
Generator noncompliance fines refund obligation	1,418	1,426
Total current liabilities	<u>476,925</u>	<u>473,247</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	164,198	170,027
Employee retirement plan obligations	10,260	10,733
Total noncurrent liabilities	<u>174,458</u>	<u>180,760</u>
TOTAL LIABILITIES	<u>651,383</u>	<u>654,007</u>
TOTAL NET ASSETS	<u>210,168</u>	<u>186,460</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 861,551</u></u>	<u><u>\$ 840,467</u></u>

Capital Projects Report

For the quarter ended September 30, 2020

(\$ in thousands)

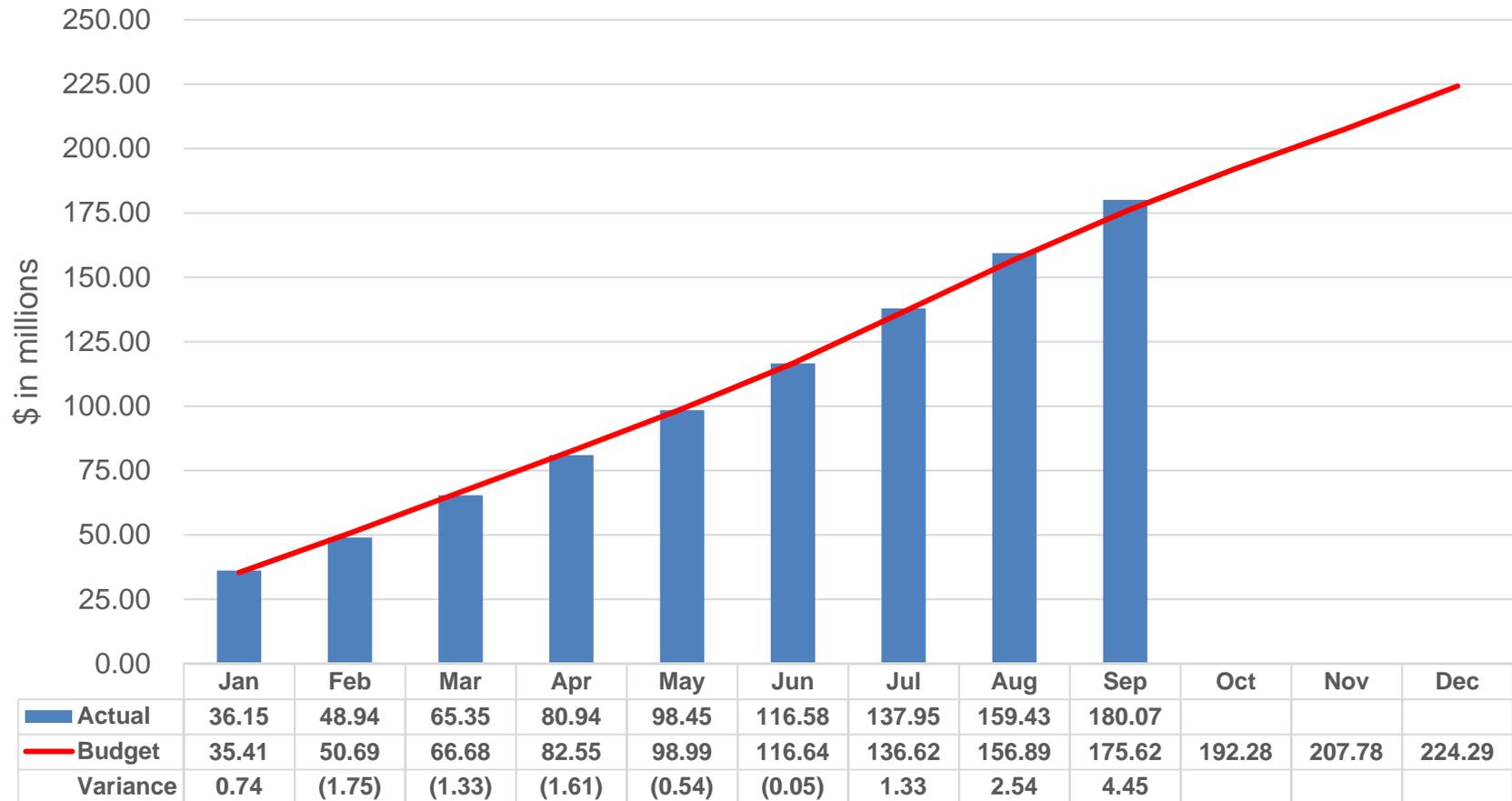
Project Classification	2020 Capital and Project Budget¹	Projects Approved YTD	Remaining Budget	Expenditures YTD
Market and Operational Excellence	\$ 12,000	\$ 5,901	\$ 6,099	\$ 2,097
Enhance the Technology Foundation	8,475	7,471	1,004	3,223
Focus on Customer Service and Other Costs	900	2,588	(1,688)	669
Grid Evolution Readiness and Regional Innovation Opportunities	625	-	625	-
	\$ 22,000	\$ 15,960	\$ 6,040	\$ 5,990
			Expenditures on projects approved prior to 2020 ² :	<u>10,914</u>
				\$ 16,903

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

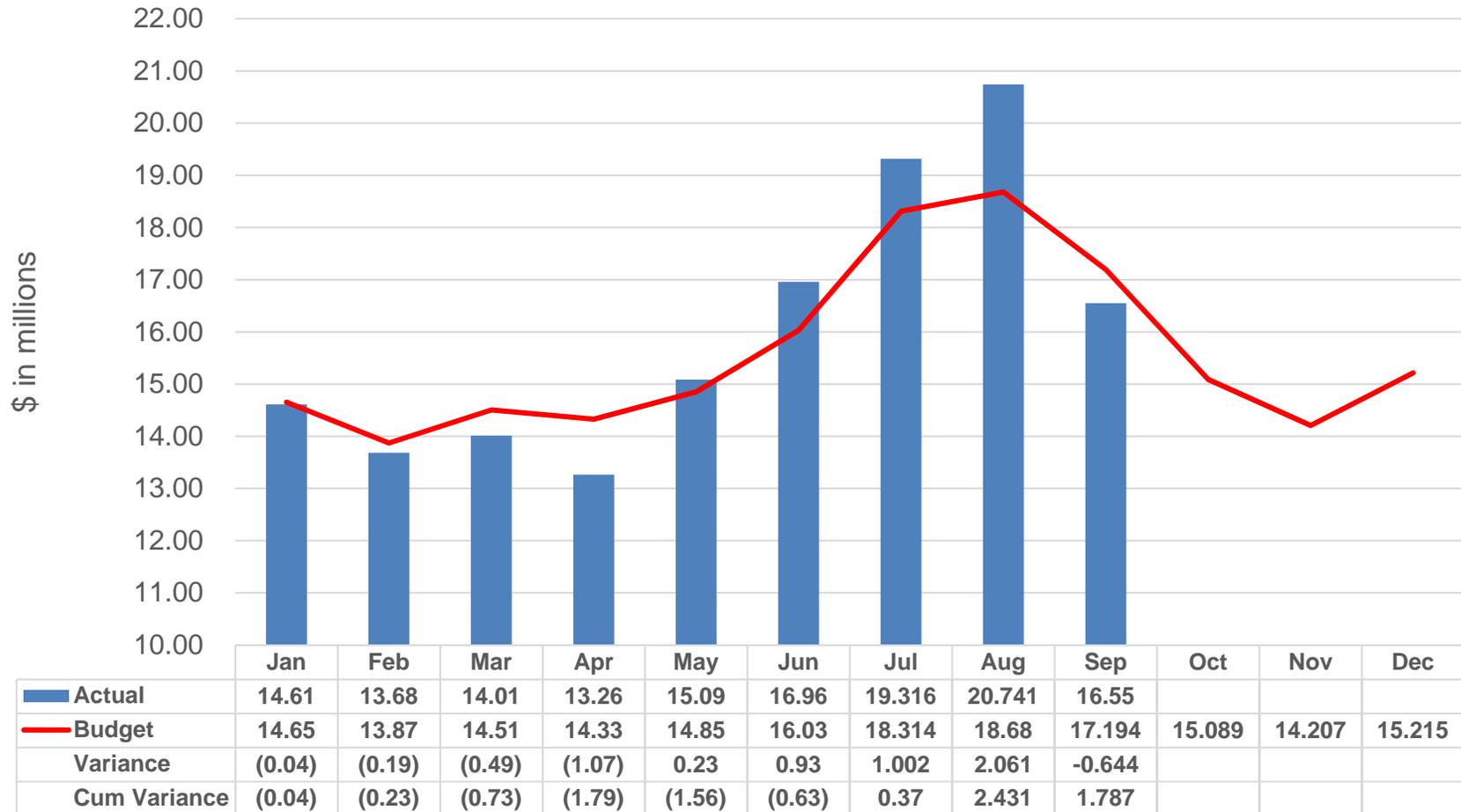
² Expenditures on projects approved in a prior budget year. Does not include EIM Implementation projects as those expenditures are reimbursed by the EIM entity.

Cumulative Operating Revenues

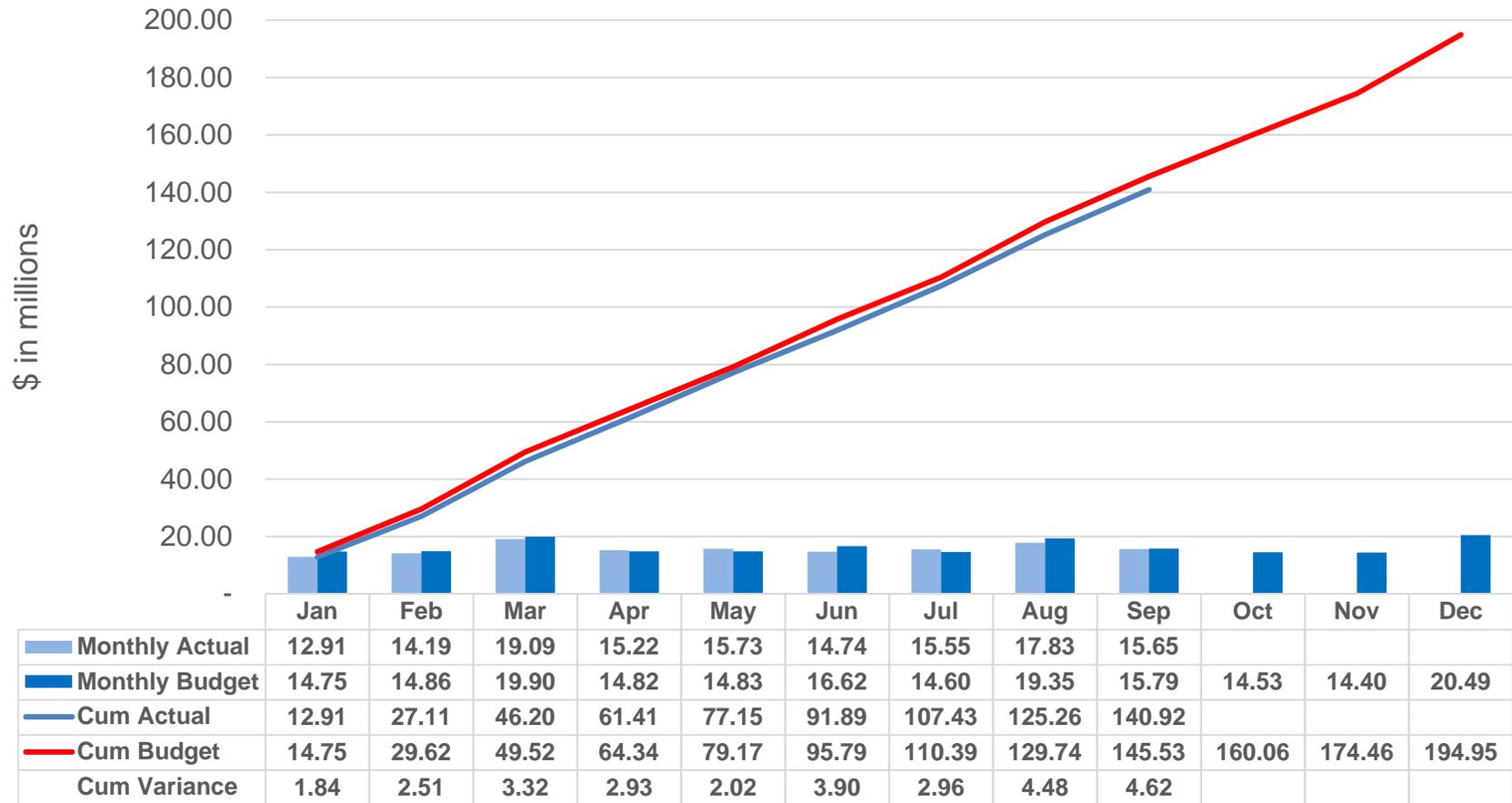
Revenues = GMC & Other Revenues



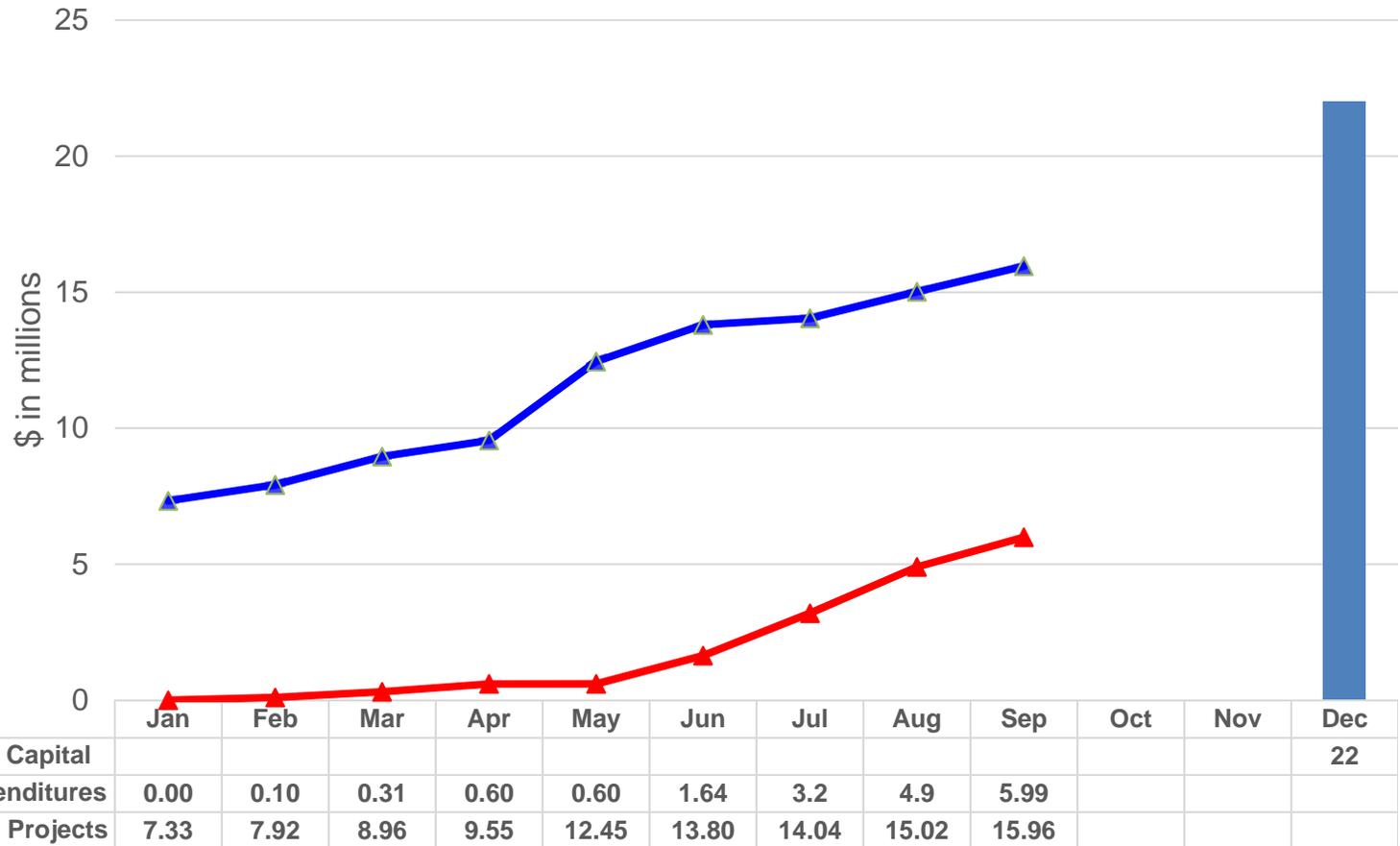
Monthly GMC Revenues



Operating and Maintenance Expenses (O&M)

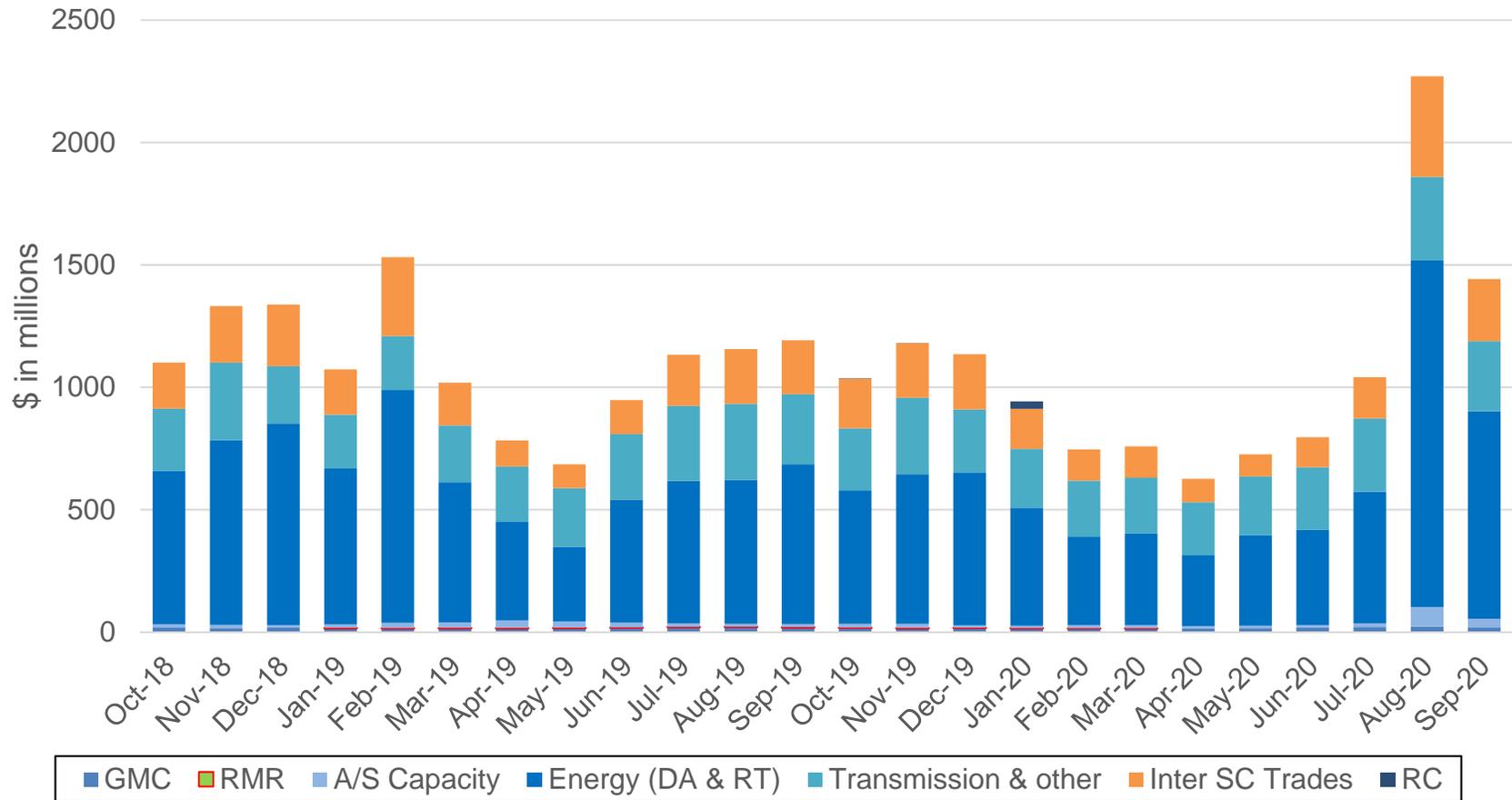


Cumulative Capital Expenditures



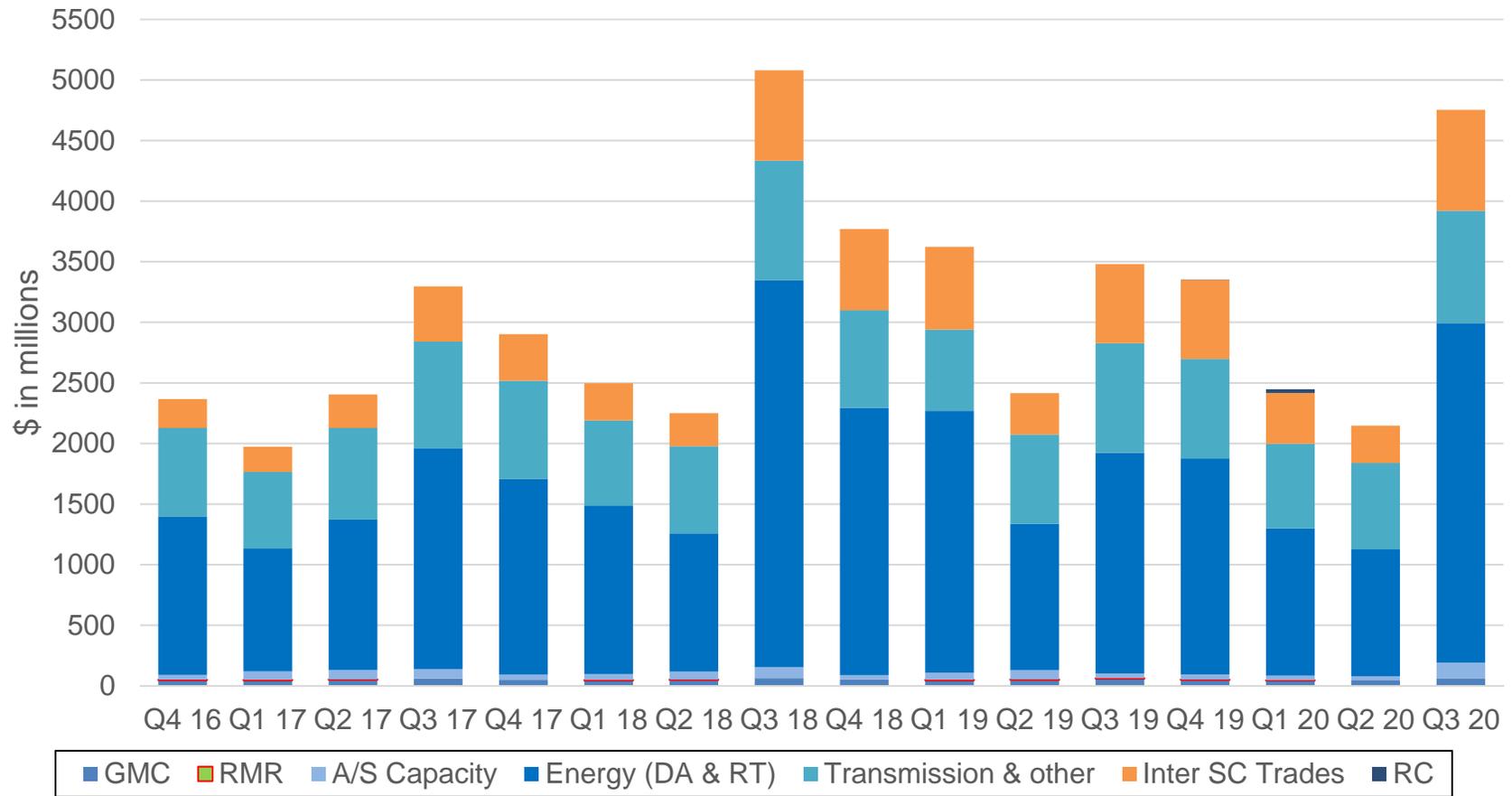
ISO Market Revenues By Month

October 2018 through September 2020



ISO Market Revenues By Quarter

4th Quarter 2016 through 3rd Quarter 2020

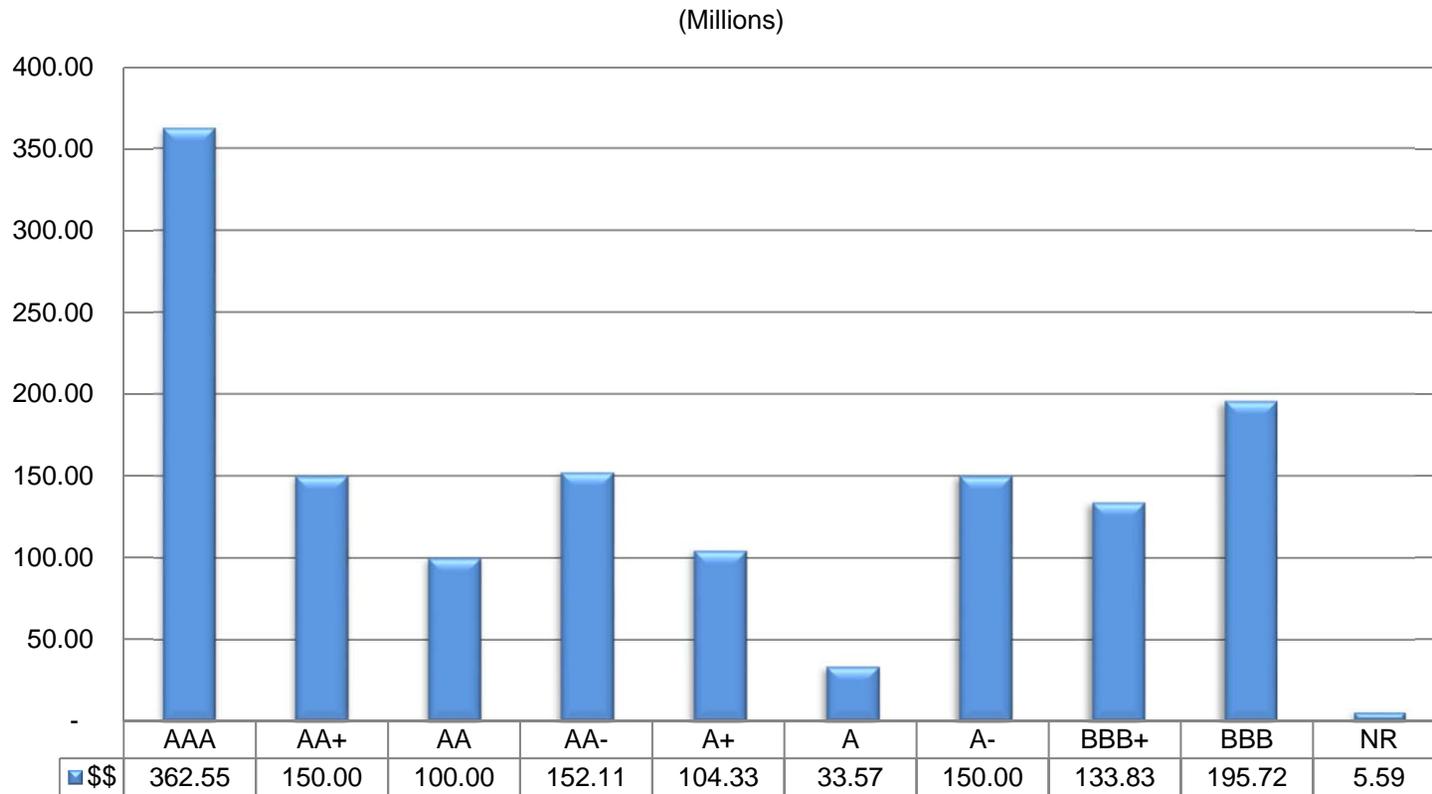


Collateral & Estimated Aggregate Liability (as of 10/19/20)

Collateral Types	Amount
Unsecured	\$1,387,697,218
Secured	\$717,592,586
Total	\$2,105,289,804

Estimate Aggregate Liability	Amount
Positive EAL	\$401,191,189

Unsecured Collateral (as of 10/19/20)



Secured Collateral (as of 10/19/20)

