

# QUARTERLY FINANCIAL REPORT

December 31, 2017

**Preliminary and Unaudited**

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**  
**QUARTERLY FINANCIAL REPORT - December 31, 2017 (Preliminary and Unaudited)**

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# **CALIFORNIA ISO**

## **SUMMARY, DISCUSSION AND COMMENTARY (Preliminary and Unaudited)**

For the quarter ended December 31, 2017

### **Results of Operations**

#### ***Revenues***

Through the fourth quarter ending December 31, 2017, operating revenues were higher by \$7.5 million compared to the budgeted amounts. The overall increase in revenues was primarily due to higher other revenues of \$4.5 million, due to higher than planned EIM administrative charges and forecasting fees. Additionally, GMC revenues were higher by \$3.0 million, resulting from higher than budgeted volumes.

#### ***Expenses***

Operating expenses are \$7.1 million under budget through the fourth quarter of the year, largely due to the underlying company goal of reducing expenses. Expenses were lower across most of the expense categories, especially in the salaries and wages, legal and audit, and travel and training categories.

Interest income and other are \$1.1 million higher than budget through the fourth quarter due to higher interest rates and to higher unrealized gains on the Company's 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 during the year ending December 31, 2017.

### **Capital Projects**

Through the end of the fourth quarter of 2017, \$19.5 million in projects were approved by the Corporate Management Committee. These projects will enhance the current systems' performance and effectiveness in meeting future challenges and FERC mandates.

### **Collateral Held Report**

As of January 3, 2018, the ISO maintained \$1.9 billion in collateral from market participants to support \$293.9 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 \$488.7 million is from secured forms (i.e., cash and letters of credit). This collateral is predominantly invested in AAA-rated government money market funds or backed by A-rated or better financial institutions.

# CALIFORNIA ISO

## Statement of Operations (Preliminary and Unaudited)

For the quarter ended December 31, 2017

(dollars in thousands)

	Quarter		Year to Date		Year to Date Budget
	Actual	Prior Year	Actual	Prior Year	
<u>Operating revenues:</u>					
Grid management charge	\$ 46,918	\$ 45,810	\$ 198,282	\$ 193,205	\$ 195,300
Other revenues	3,995	2,970	15,680	12,667	11,200
Total operating revenues	50,913	48,780	213,962	205,872	206,500
<u>Operating expenses:</u>					
Salaries and benefits	33,412	32,458	122,421	119,236	125,980
Building, leases and facility	591	940	2,200	3,238	2,677
Insurance	967	949	1,986	1,977	2,301
Third party vendor contracts	3,531	2,602	13,900	13,889	14,626
Consulting and contracting services	7,177	4,292	16,410	14,678	17,396
Legal and audit	825	1,015	2,209	2,930	4,200
Training, travel and professional dues	1,223	914	2,780	3,487	4,090
Other	3,190	694	4,671	2,028	2,367
Total operating expenses	50,916	43,864	166,577	161,463	173,637
Operating income before depreciation and amortization	(3)	4,916	47,385	44,409	32,863
<u>Depreciation and amortization</u>	6,852	6,787	27,414	23,749	24,000
Net operating income (loss)	(6,855)	(1,871)	19,971	20,660	8,863
<u>Other income (expenses)</u>					
Interest income & other	484	(741)	3,160	1,981	2,100
Interest expense	(2,007)	(1,732)	(8,712)	(8,492)	(8,806)
Total other income (expenses)	(1,523)	(2,473)	(5,552)	(6,511)	(6,706)
Excess (deficiency) of revenues over expenses	\$ (8,378)	\$ (4,344)	\$ 14,419	\$ 14,149	\$ 2,157
<b>Number of full-time employees</b>			599	596	600

**CALIFORNIA ISO**  
**Balance Sheet (Preliminary and Unaudited)**

As of December 31, 2017

(dollars in thousands)

	Current Quarter 12/31/2017	Prior Year 12/31/2016
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents, including restricted amounts	\$ 332,804	\$ 363,471
Accounts receivable	31,459	15,629
Short-term Investments, including restricted amounts	49,050	50,431
Other current assets	6,463	6,603
Total current Assets	<u>419,776</u>	<u>436,134</u>
NONCURRENT ASSETS		
Long-term investments, including restricted amounts	143,244	153,116
Fixed assets, net	180,890	187,171
Other assets	10,022	12,834
Total noncurrent assets	<u>334,156</u>	<u>353,121</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 753,932</u></u>	<u><u>\$ 789,255</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	10,255	10,811
Accrued salaries and compensated absences	30,537	33,170
Current portion of long-term debt	4,765	4,625
Due to market participants	345,525	395,857
Generator noncompliance fines refund obligation	2,167	2,262
Total current liabilities	<u>393,249</u>	<u>446,725</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	181,372	186,767
Employee retirement plan obligations	23,385	21,260
Total noncurrent liabilities	<u>204,757</u>	<u>208,027</u>
TOTAL LIABILITIES	<u>598,006</u>	<u>654,752</u>
TOTAL NET ASSETS	<u>155,926</u>	<u>134,503</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 753,932</u></u>	<u><u>\$ 789,255</u></u>

## Capital Projects Report (Preliminary and Unaudited)

Year-to-Date Through December 31, 2017

(\$ in thousands)

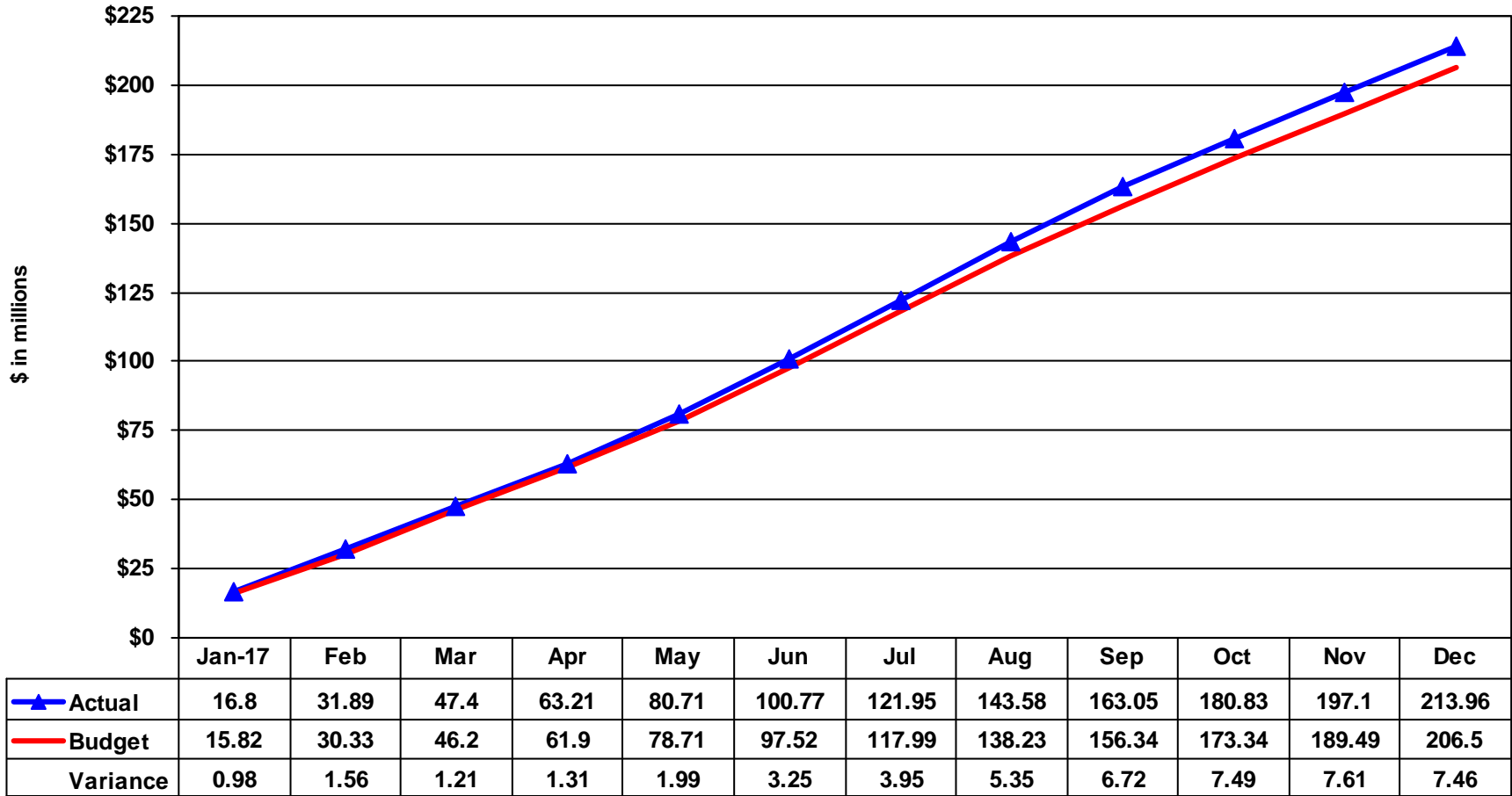
Project Classification	2017 Capital and Project Budget <sup>1</sup>	Projects Approved YTD	Remaining Budget	Expenditures YTD
Market and Operational Excellence	\$ 12,200	\$ 9,828	\$ 2,372	\$ 3,903
Enhance the Technology Foundation	5,425	7,583	(2,158)	3,856
Focus on Customer Service and Other Costs	1,675	1,998	(323)	332
Grid Evolution Readiness and Regional Innovation Opportunities	700	90	610	90
	<b>\$ 20,000</b>	<b>\$ 19,499</b>	<b>\$ 501</b>	<b>\$ 8,181</b>
			Expenditures on projects approved prior to 2017 <sup>2</sup>	9,991
				<b>\$ 18,172</b>

<sup>1</sup> The Board approved a maximum level of \$20 million in capital and project commitments for 2017 at their December 2016 meeting. The sub-amounts allocated to the project classifications will vary as actual projects are approved during the year by the Corporate Management Committee.

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

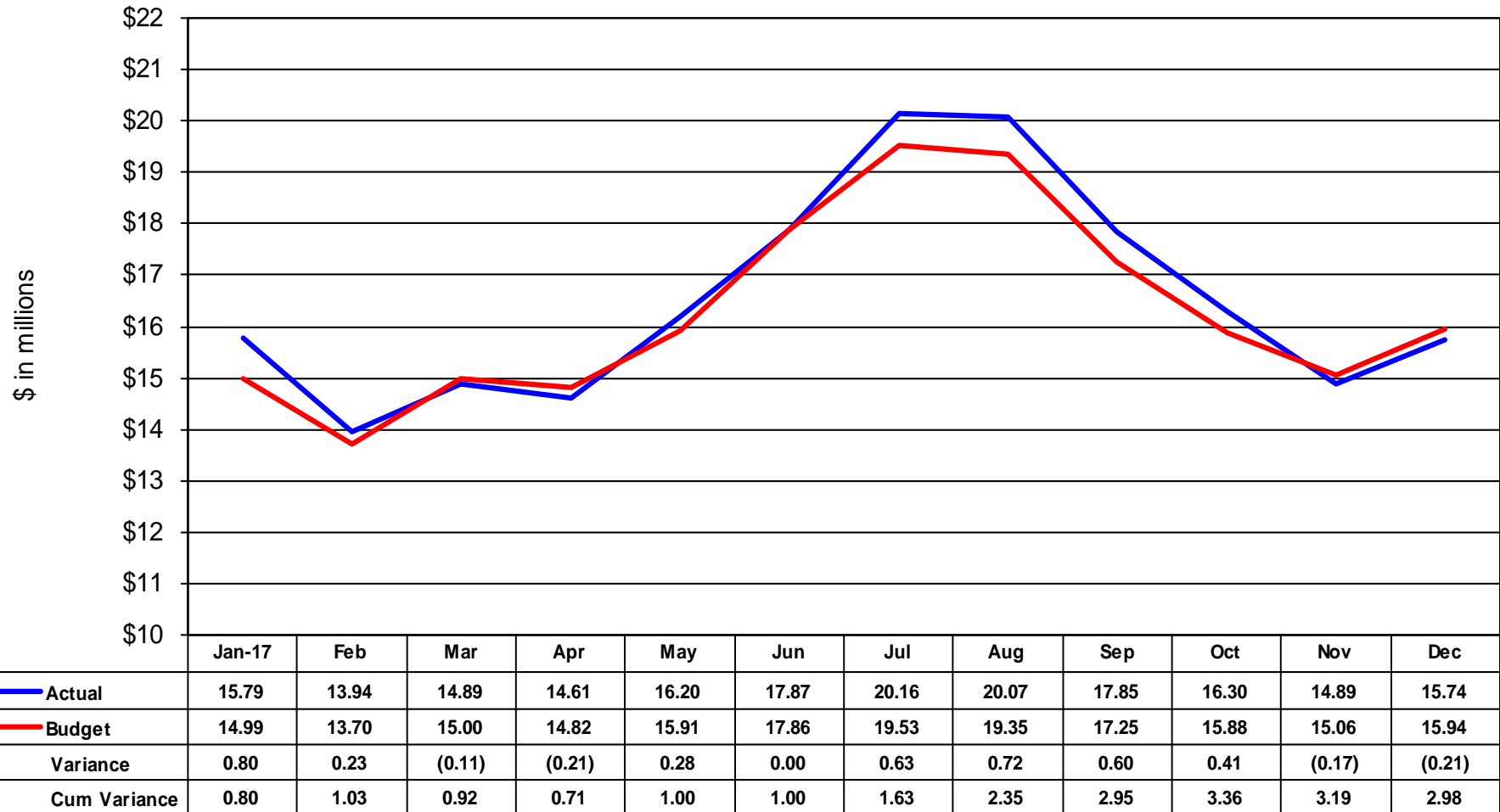
# Cumulative Operating Revenues

Revenues = GMC & Other Revenues  
PRELIMINARY AND UNAUDITED



# Monthly GMC Revenues

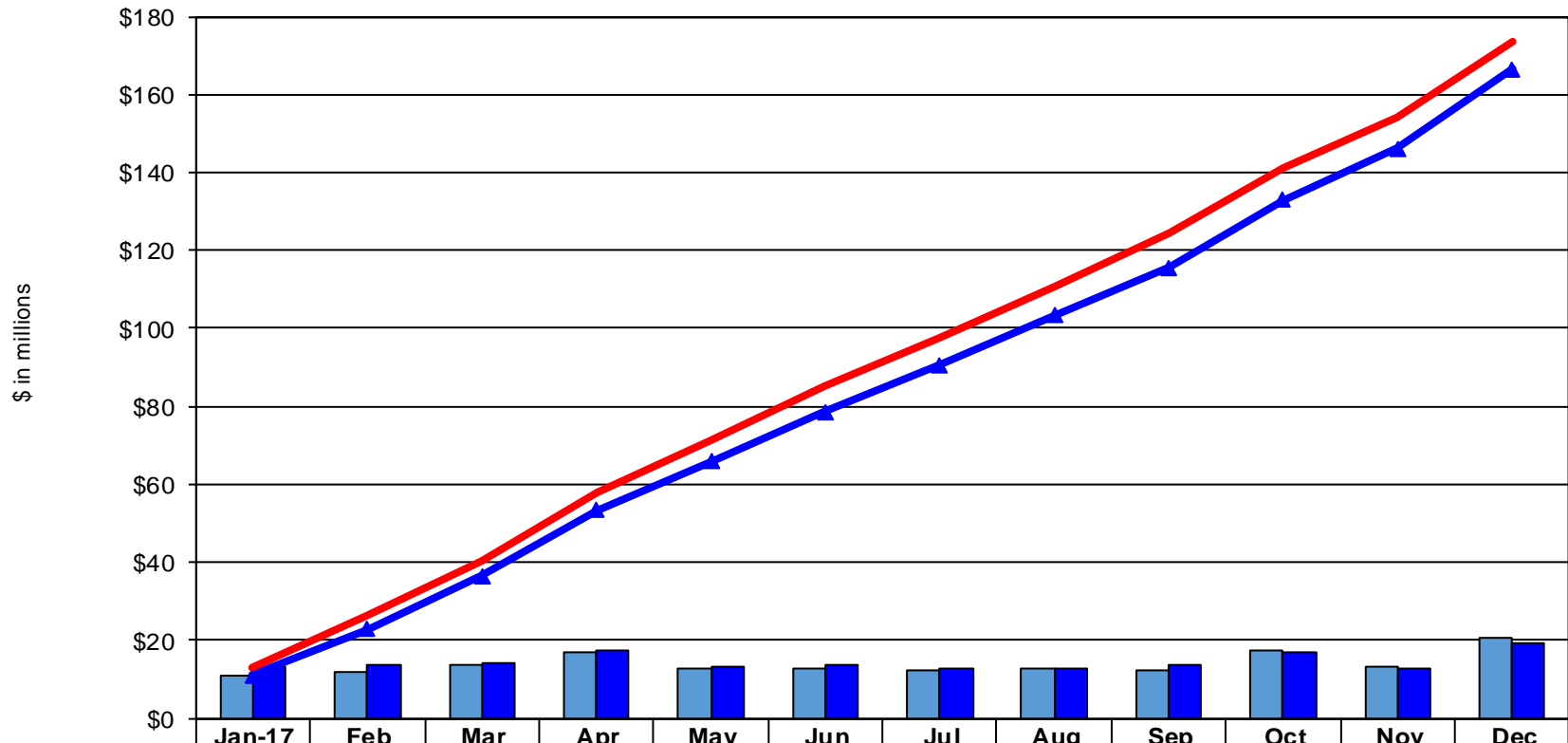
## PRELIMINARY AND UNAUDITED





# Operating and Maintenance Expenses (O&M)

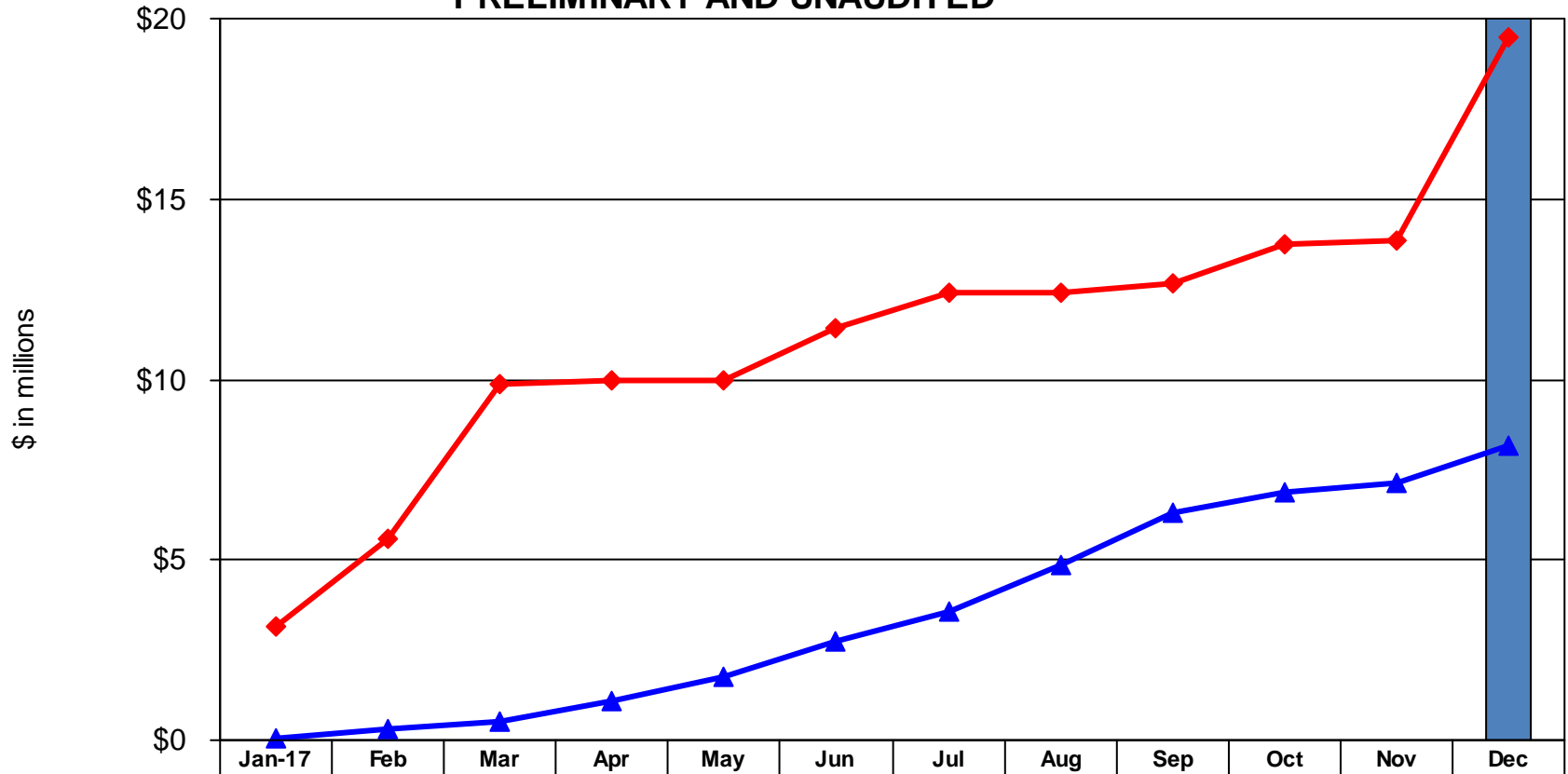
PRELIMINARY AND UNAUDITED



	Jan-17	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	10.92	11.94	13.54	17.02	12.52	12.52	12.15	12.66	12.39	17.32	13.10	20.50
Monthly Budget	13.08	13.52	13.90	17.39	13.41	13.81	12.76	12.75	13.85	16.88	12.87	19.43
Cum Actual	10.92	22.86	36.40	53.42	65.94	78.46	90.61	103.27	115.66	132.98	146.08	166.58
Cum Budget	13.08	26.60	40.50	57.88	71.29	85.10	97.86	110.62	124.47	141.34	154.22	173.64
Cum Variance	2.16	3.74	4.09	4.46	5.35	6.64	7.25	7.34	8.81	8.36	8.13	7.07

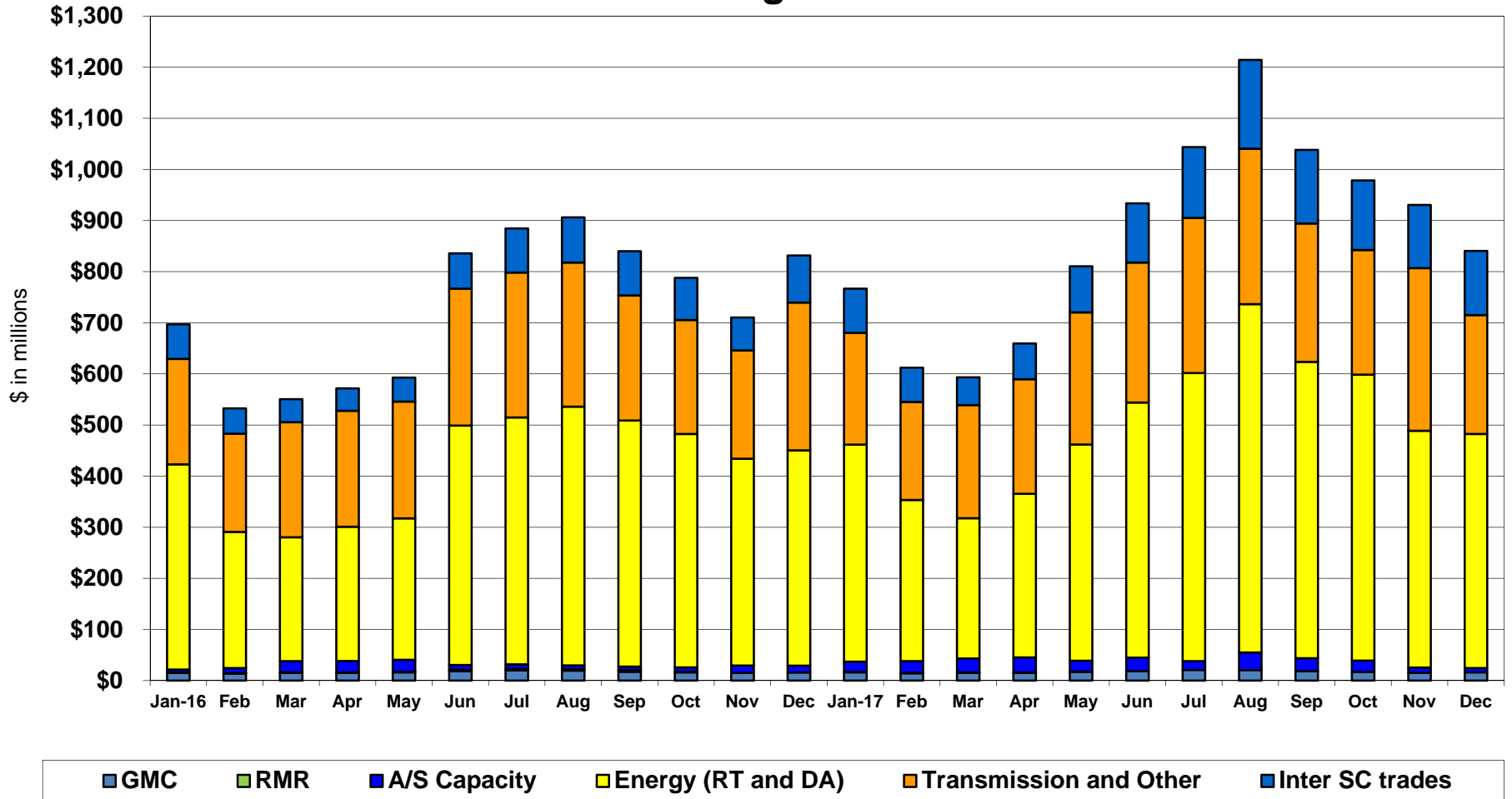
# Cumulative Capital Expenditures

## PRELIMINARY AND UNAUDITED

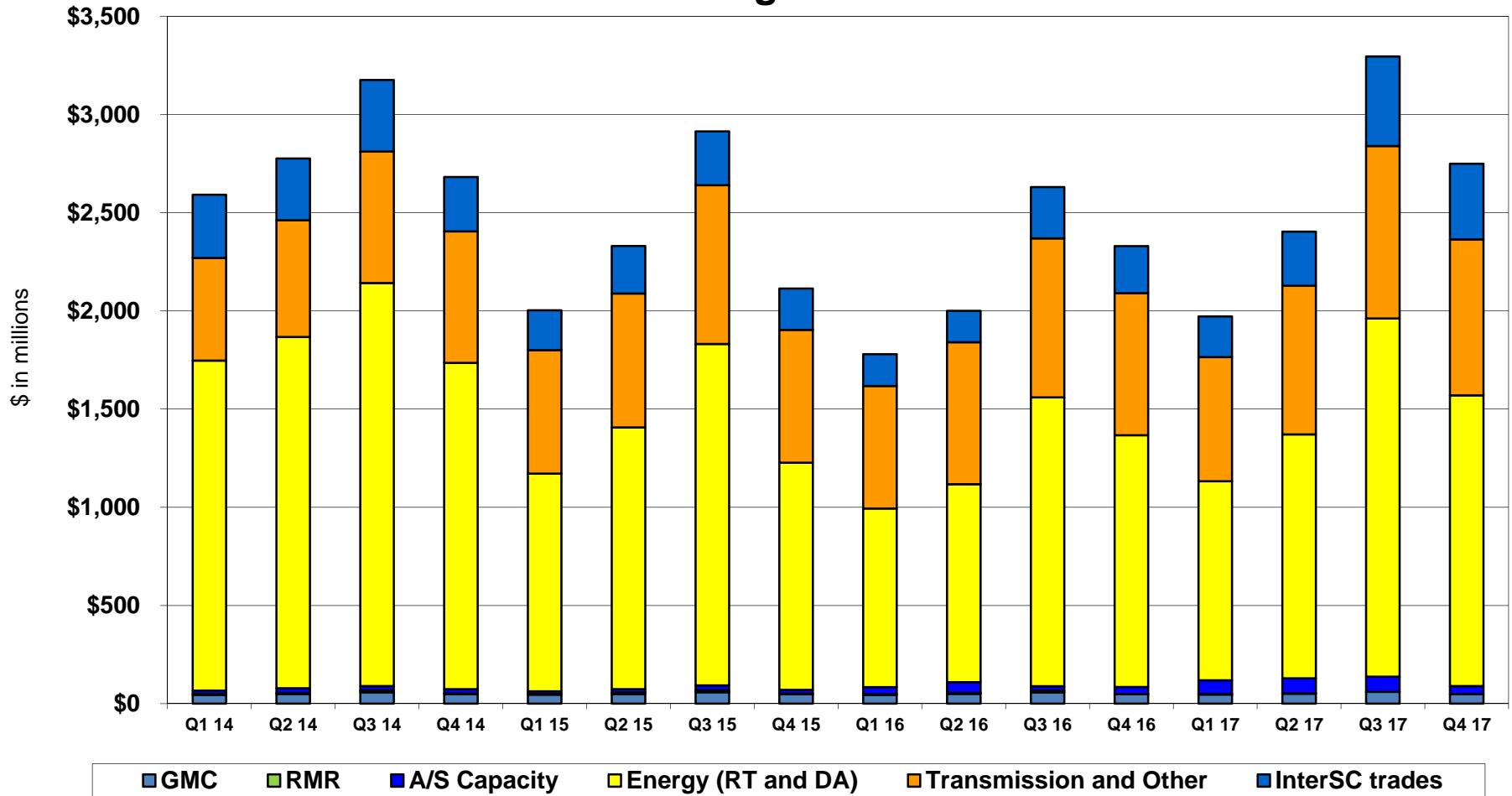


Budgeted capital												20.00
Cumulative Expenditures	0.06	0.33	0.52	1.08	1.76	2.72	3.57	4.84	6.32	6.88	7.11	8.18
Approved projects	3.17	5.60	9.88	9.96	9.96	11.40	12.41	12.41	12.67	13.73	13.87	19.50

## ISO Market Revenues By Month Jan 2016 through Dec 2017



## ISO Market Revenues By Quarter 1st Quarter 2014 through 4th Quarter 2017



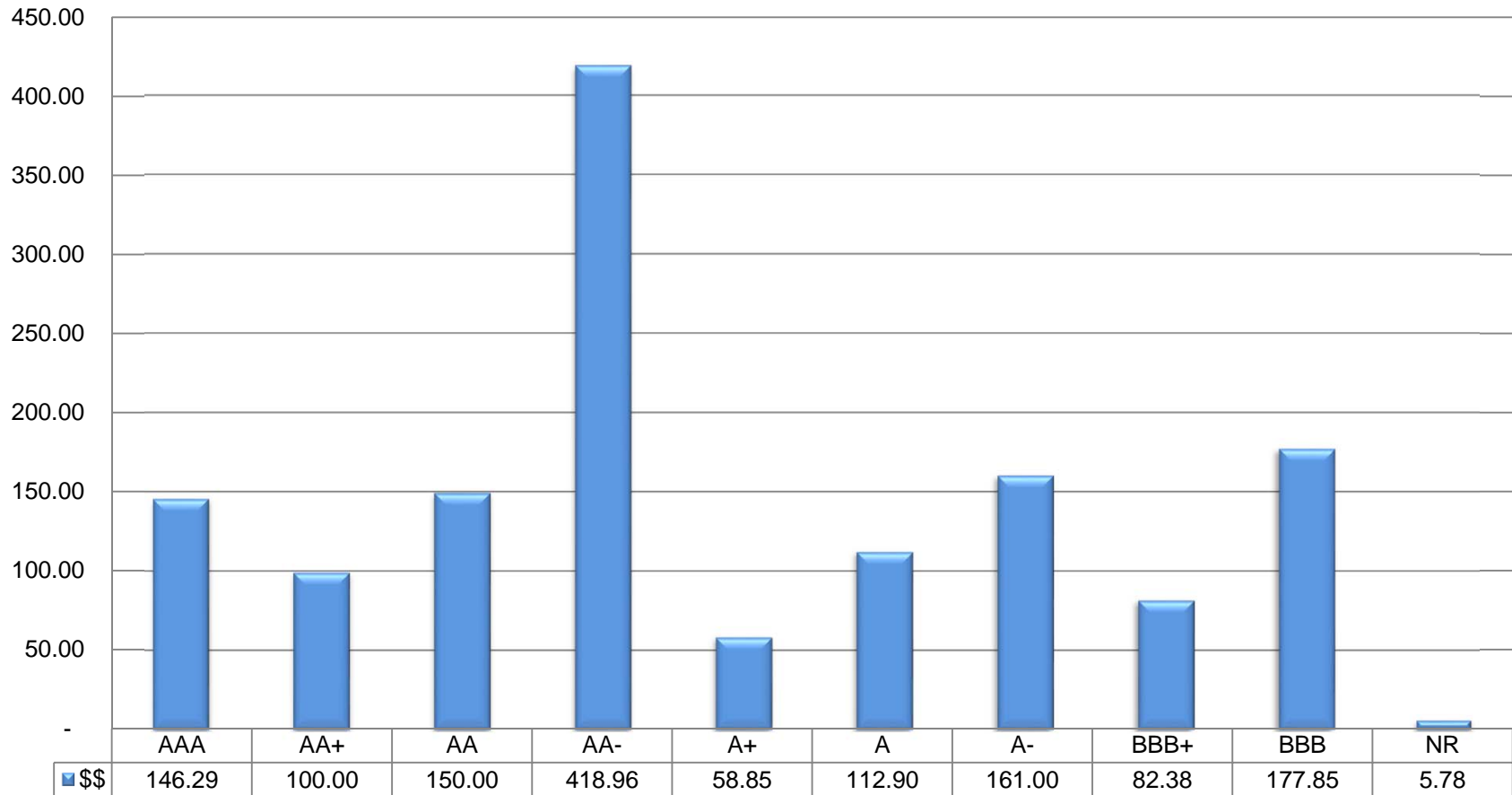
# Collateral & Estimated Aggregate Liability (as of 01/03/18)

<b>Collateral Types</b>	<b>Amount</b>
<b>Unsecured</b>	<b>\$1,414,014,126</b>
<b>Secured</b>	<b>\$488,733,774</b>
<b>Total</b>	<b>\$1,902,747,900</b>

<b>Estimate Aggregate Liability</b>	<b>Amount</b>
<b>Positive EAL</b>	<b>\$293,926,724</b>

# Unsecured Collateral (as of 01/03/18)

(in millions)



# Secured Collateral (as of 01/03/18)

(in millions)

