

QUARTERLY FINANCIAL REPORT

June 30, 2022

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
QUARTERLY FINANCIAL REPORT - June 30, 2022**

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CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the quarter ended June 30, 2022

Results of Operations

Revenues

Through the second quarter ending June 30, 2022, operating revenues were higher by \$2.9 million compared to the budgeted amounts, primarily due to higher GMC revenues. 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. As a result, the Company will adjust the GMC rate for Market Services and Market Service-EIM effective August 1, 2022. Other revenues were slightly higher than budget through the second quarter.

Expenses

Operating expenses are \$1.6 million under budget through the second quarter of the year, largely due to lower legal and audit expenses, lower training and travel and to timing of certain expenses.

Interest income and other are lower than budget during the second quarter due to unrealized losses on the value of investments as a result of increasingly higher interest rates. Interest expense is slightly lower than budgeted primarily due to the difference in the actual recognition of the expense.

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 first quarter.

Capital Projects

Through the end of the second quarter of 2022, \$13.0 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.

CALIFORNIA ISO

Statement of Operations

For the quarter ended June 30, 2022
(dollars in thousands)

	Quarter		Year to Date		Year to Date Budget
	Actual	Prior Year	Actual	Prior Year	
<u>Operating revenues:</u>					
Grid management charge	\$ 45,905	\$ 45,769	\$ 87,890	\$ 86,437	\$ 85,468
Other revenues	12,933	13,632	24,444	25,333	23,940
Total operating revenues	58,838	59,401	112,334	111,770	109,408
<u>Operating expenses:</u>					
Salaries and benefits	34,959	33,966	74,474	73,061	73,756
Building, leases and facility	529	502	958	851	1,129
Insurance	1,119	319	1,603	739	1,611
Third party vendor contracts	4,149	3,909	7,328	7,115	6,964
Consulting and contracting services	6,058	4,577	9,912	8,492	10,594
Legal and audit	314	559	523	842	1,723
Training, travel and professional dues	402	183	626	451	1,952
Other	829	1,280	2,111	1,966	1,399
Total operating expenses	48,359	45,295	97,535	93,517	99,128
Operating income before depreciation and amortization	10,479	14,106	14,799	18,253	10,280
<u>Depreciation and amortization</u>	6,016	7,612	14,371	14,619	14,300
Net operating income (loss)	4,463	6,494	428	3,634	(4,020)
<u>Other income (expenses)</u>					
Interest income & other	(8,367)	2,504	(17,742)	1,187	1,872
Interest expense	(1,122)	(779)	(2,252)	(1,978)	(2,342)
Total other income (expenses)	(9,489)	1,725	(19,994)	(791)	(470)
Excess (deficiency) of revenues over expenses	\$ (5,026)	\$ 8,219	\$ (19,566)	\$ 2,843	\$ (4,490)
Number of full-time employees			641	640	694

CALIFORNIA ISO

Balance Sheet

As of June 30, 2022

(dollars in thousands)

	Current Quarter 6/30/2022	Prior Year 12/31/2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, including restricted amounts	\$ 685,772	\$ 598,970
Accounts receivable	30,336	23,057
Short-term Investments, including restricted amounts	24,847	51,874
Other current assets	11,669	6,618
Total current Assets	<u>752,624</u>	<u>680,519</u>
NONCURRENT ASSETS		
Long-term investments, including restricted amounts	239,589	242,296
Fixed assets, net	145,046	150,950
Other assets	5,474	10,110
Total noncurrent assets	<u>390,109</u>	<u>403,356</u>
TOTAL ASSETS	<u><u>\$ 1,142,733</u></u>	<u><u>\$ 1,083,875</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	5,147	11,684
Accrued salaries and compensated absences	27,863	43,273
Current portion of long-term debt	8,735	9,050
Due to market participants	727,587	617,937
Total current liabilities	<u>769,332</u>	<u>681,944</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	156,660	165,395
Employee retirement plan obligations	2,731	4,112
Total noncurrent liabilities	<u>159,391</u>	<u>169,507</u>
TOTAL LIABILITIES	<u>928,723</u>	<u>851,451</u>
TOTAL NET ASSETS	<u>214,010</u>	<u>232,424</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,142,733</u></u>	<u><u>\$ 1,083,875</u></u>

Capital Projects Report

For the quarter ended June 30, 2022

(\$ in thousands)

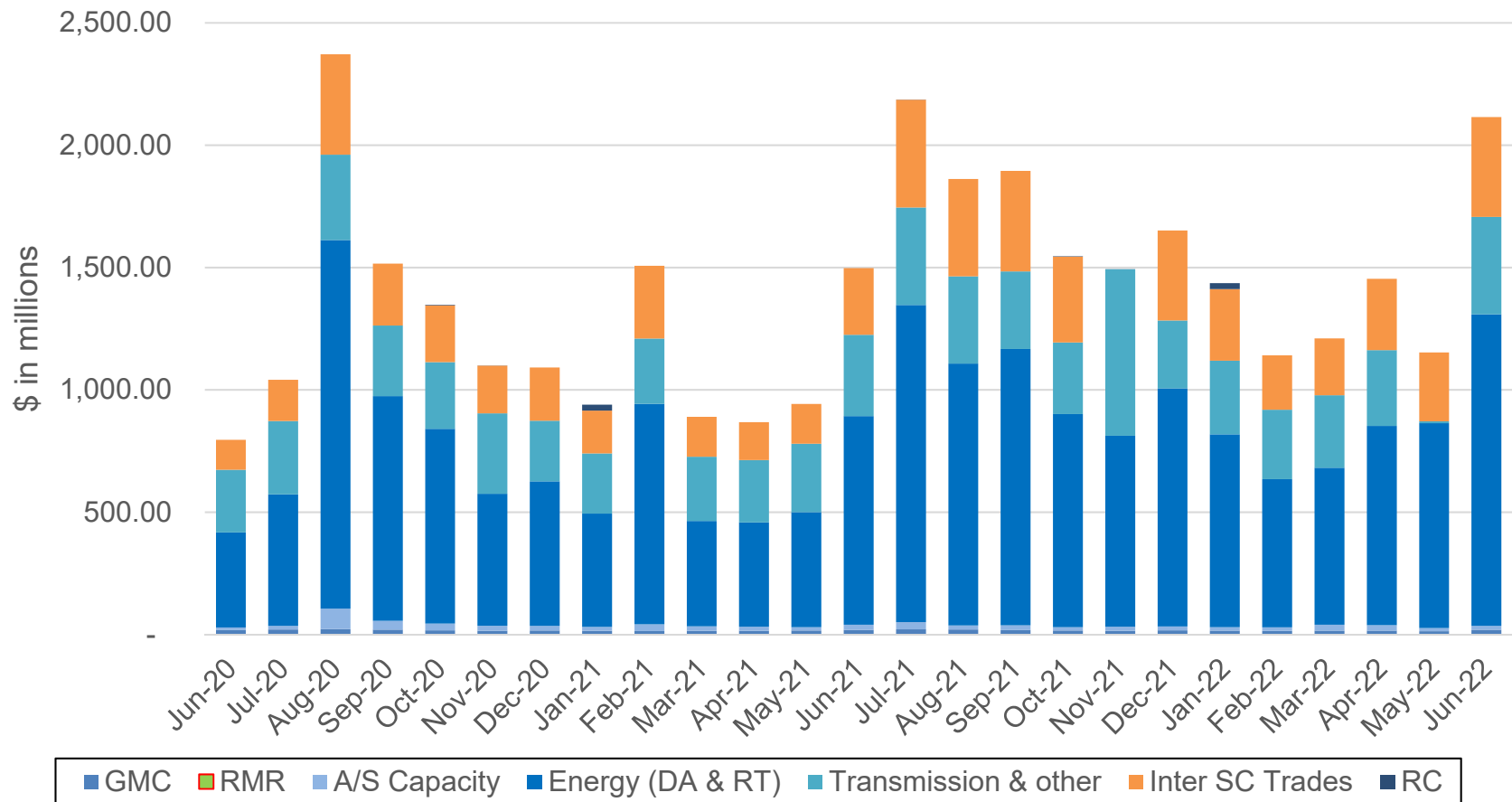
Project Classification	2022 Capital and Project Budget¹	Projects Approved YTD	Remaining Budget	Expenditures YTD
Market and Operational Excellence	\$ 8,155	\$ 5,217	\$ 2,938	\$ 968
Enhance the Technology Foundation	7,495	5,447	2,048	684
Focus on Customer Service and Other Costs	2,950	1,500	1,450	55
Grid Evolution Readiness and Regional Innovation Opportunities	1,400	864	536	461
	\$ 20,000	\$ 13,029	\$ 6,971	\$ 2,168
			Expenditures on projects approved prior to 2022 ² :	6,134
				\$ 8,302

¹ The Board approved a maximum level of \$20.0 million in capital and project commitments for 2022 at their December 2021 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 WEIM Implementation projects as those expenditures are reimbursed by the WEIM entity.

ISO Market Revenues By Month

June 2020 through June 2022



ISO Market Revenues By Quarter

2nd Quarter 2020 through 2nd Quarter 2022

