

QUARTERLY FINANCIAL REPORT

March 31, 2019

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
QUARTERLY FINANCIAL REPORT - March 31, 2019

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CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the quarter ended March 31, 2019

Results of Operations

Revenues

Through the first quarter ending March 31, 2019, operating revenues were slightly lower by \$0.05 million compared to the budgeted amounts. The overall decrease in revenues was due to lower other revenues of \$350 thousand as a result of lower than budgeted EIM administration fees, partially offset by higher GMC revenues of \$300 thousand. Although GMC revenues in total is over budget, one of the GMC components is under-recovered through March, 2019 and is forecasted to continue that trend throughout the year. As required by Tariff, the GMC rate for the CRR Service category will be adjusted effective May 1, 2019.

Expenses

Operating expenses are \$4.2 million under budget through the first quarter of the year, largely due to timing of expenses.

Interest income and other are higher than budget during the 1st quarter due to unrecognized gains on the value of 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 the first quarter.

Capital Projects

Through the end of the first quarter of 2019, \$13.2 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 April 2, 2019, the ISO maintained \$2.2 billion in collateral from market participants to support \$262.0 million in aggregate liabilities due in the market. Approximately \$1.6 billion of the collateral is from unsecured sources (i.e., unsecured credit limits and parent guarantees) with investment grade or equivalent ratings, and \$0.6 billion is from secured forms (i.e., cash and letters of credit). This collateral is predominantly invested in AAA-rated money market funds or backed by A rated or better financial institutions.

CALIFORNIA ISO
Statement of Operations

For the quarter ended March 31, 2019
(dollars in thousands)

	Quarter		Year to Date		Year to Date Budget
	Actual	Prior Year	Actual	Prior Year	
<u>Operating revenues:</u>					
Grid management charge	\$ 43,784	\$ 44,069	\$ 43,784	\$ 44,069	\$ 43,482
Other revenues	3,718	4,077	3,718	4,077	4,075
Total operating revenues	47,502	48,146	47,502	48,146	47,557
<u>Operating expenses:</u>					
Salaries and benefits	35,592	29,946	35,592	29,946	35,578
Building, leases and facility	368	494	368	494	702
Insurance	387	367	387	367	456
Third party vendor contracts	3,396	3,447	3,396	3,447	4,101
Consulting and contracting services	2,435	2,471	2,435	2,471	4,294
Legal and audit	261	95	261	95	849
Training, travel and professional dues	399	633	399	633	1,074
Other	660	429	660	429	686
Total operating expenses	43,498	37,882	43,498	37,882	47,740
Operating income before depreciation and amortization	4,004	10,264	4,004	10,264	(183)
<u>Depreciation and amortization</u>	9,456	7,239	9,456	7,239	9,500
Net operating income (loss)	(5,452)	3,025	(5,452)	3,025	(9,683)
<u>Other income (expenses)</u>					
Interest income & other	2,805	(120)	2,805	(120)	825
Interest expense	(2,142)	(2,196)	(2,142)	(2,196)	(2,149)
Total other income (expenses)	663	(2,316)	663	(2,316)	(1,324)
Excess (deficiency) of revenues over expenses	\$ (4,789)	\$ 709	\$ (4,789)	\$ 709	\$ (11,007)
Number of full-time employees			621	599	647

CALIFORNIA ISO

Balance Sheet

As of March 31, 2019

(dollars in thousands)

	Current Quarter 3/31/2019	Prior Year 12/31/2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, including restricted amounts	\$ 322,802	\$ 324,901
Accounts receivable	24,711	22,383
Short-term Investments, including restricted amounts	58,370	69,927
Other current assets	6,733	6,437
Total current Assets	<u>412,616</u>	<u>423,648</u>
NONCURRENT ASSETS		
Long-term investments, including restricted amounts	157,429	159,012
Fixed assets, net	160,584	167,080
Other assets	8,843	10,366
Total noncurrent assets	<u>326,856</u>	<u>336,458</u>
TOTAL ASSETS	<u><u>\$ 739,472</u></u>	<u><u>\$ 760,106</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	6,212	12,126
Accrued salaries and compensated absences	21,581	34,861
Current portion of long-term debt	5,165	4,970
Due to market participants	357,681	345,182
Generator noncompliance fines refund obligation	1,832	1,805
Total current liabilities	<u>392,471</u>	<u>398,944</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	170,473	175,788
Employee retirement plan obligations	15,310	19,067
Total noncurrent liabilities	<u>185,783</u>	<u>194,855</u>
TOTAL LIABILITIES	<u>578,254</u>	<u>593,799</u>
TOTAL NET ASSETS	<u>161,218</u>	<u>166,307</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 739,472</u></u>	<u><u>\$ 760,106</u></u>

Capital Projects Report

For the quarter ended March 31, 2019

(\$ in thousands)

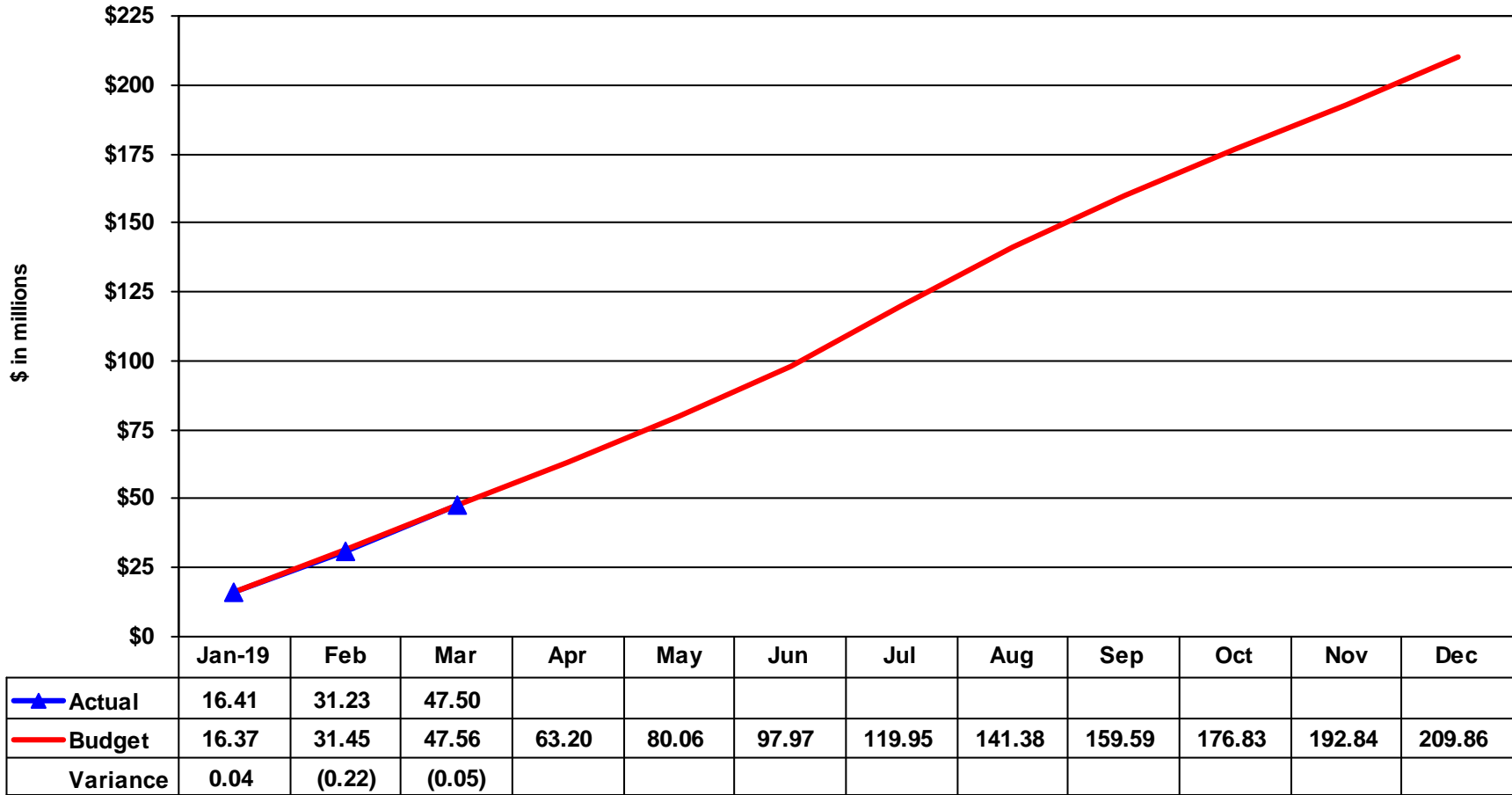
Project Classification	2019 Capital and Project Budget¹	Projects Approved YTD	Remaining Budget	Expenditures YTD
Market and Operational Excellence	\$ 10,325	\$ 7,538	\$ 2,787	\$ 142
Enhance the Technology Foundation	9,300	3,912	5,388	96
Focus on Customer Service and Other Costs	1,225	1,775	(550)	6
Grid Evolution Readiness and Regional Innovation Opportunities	1,150	-	1,150	-
	\$ 22,000	\$ 13,225	\$ 8,775	\$ 243
			Expenditures on projects approved prior to 2019 ² :	2,840
				\$ 3,084

¹ The Board approved a maximum level of \$22.0 million in capital and project commitments for 2019 at their December 2018 meeting. The sub-amounts allocated to the project classifications will vary as actual projects are approved during the year by the Corporate Management Committee.

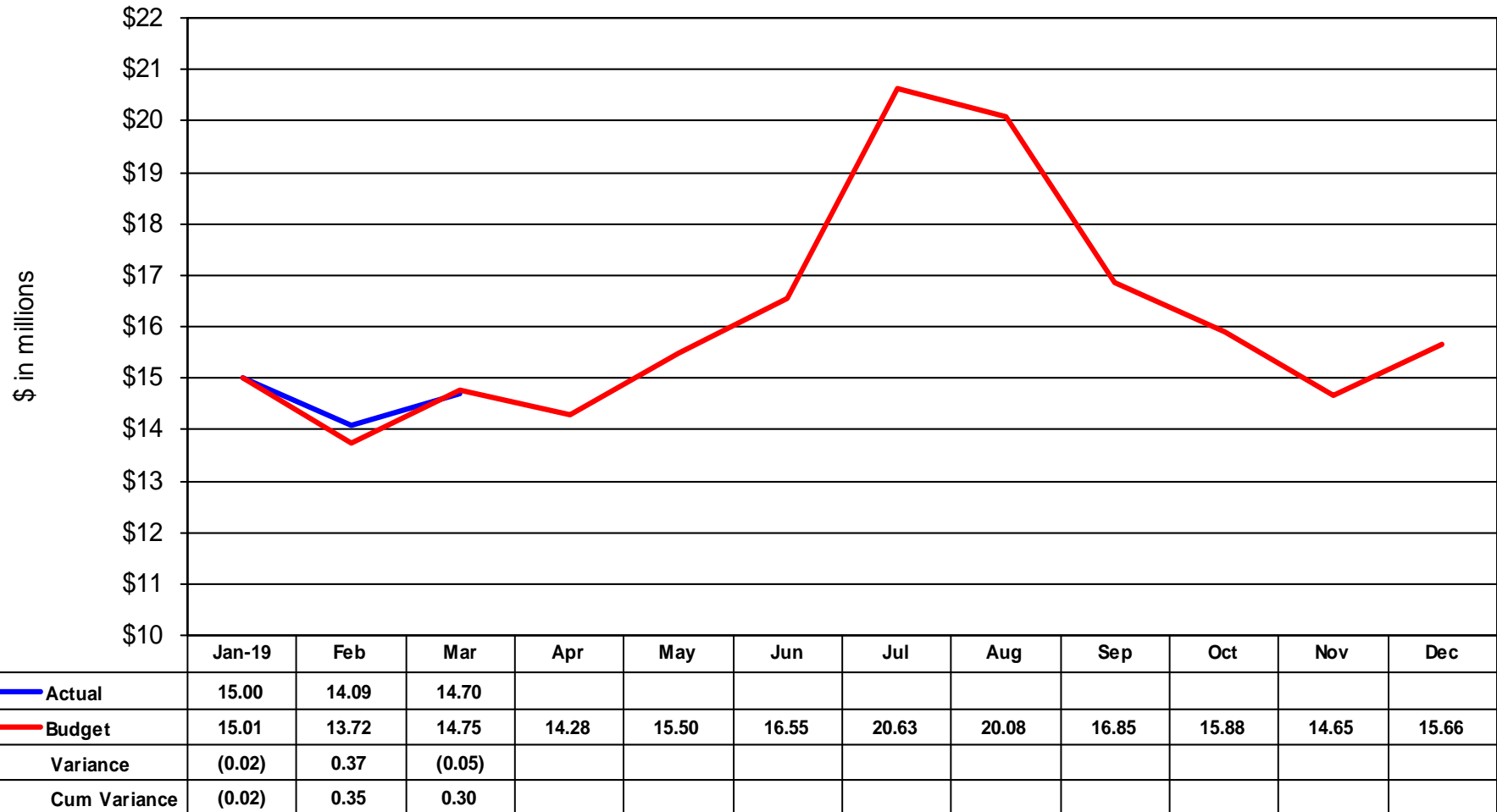
² Expenditures on projects approved in a prior budget year. Does not include EIM Implementation projects as those expenditures are reimbursed by the EIM entity.

Cumulative Operating Revenues

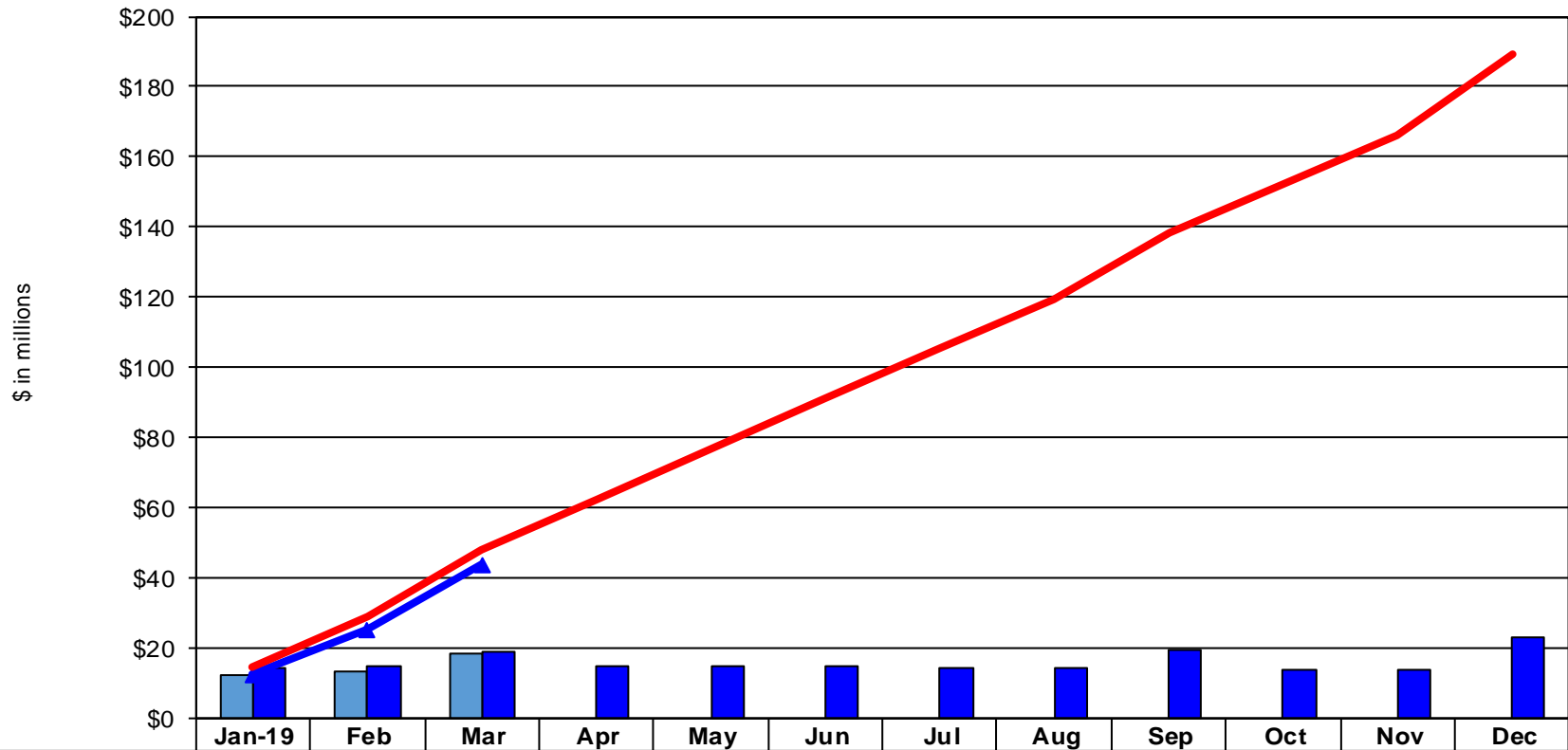
Revenues = GMC & Other Revenues



Monthly GMC Revenues

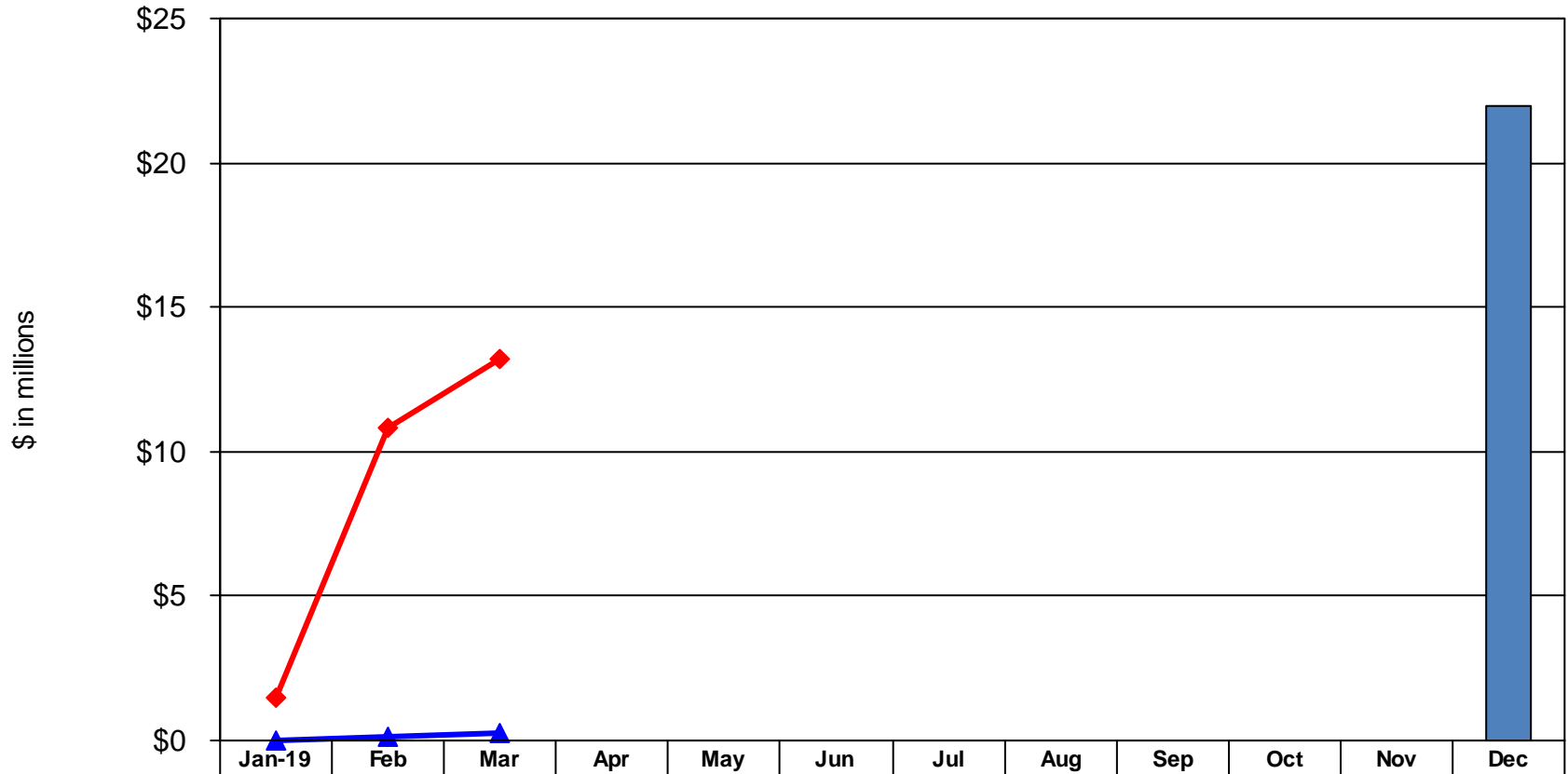


Operating and Maintenance Expenses (O&M)



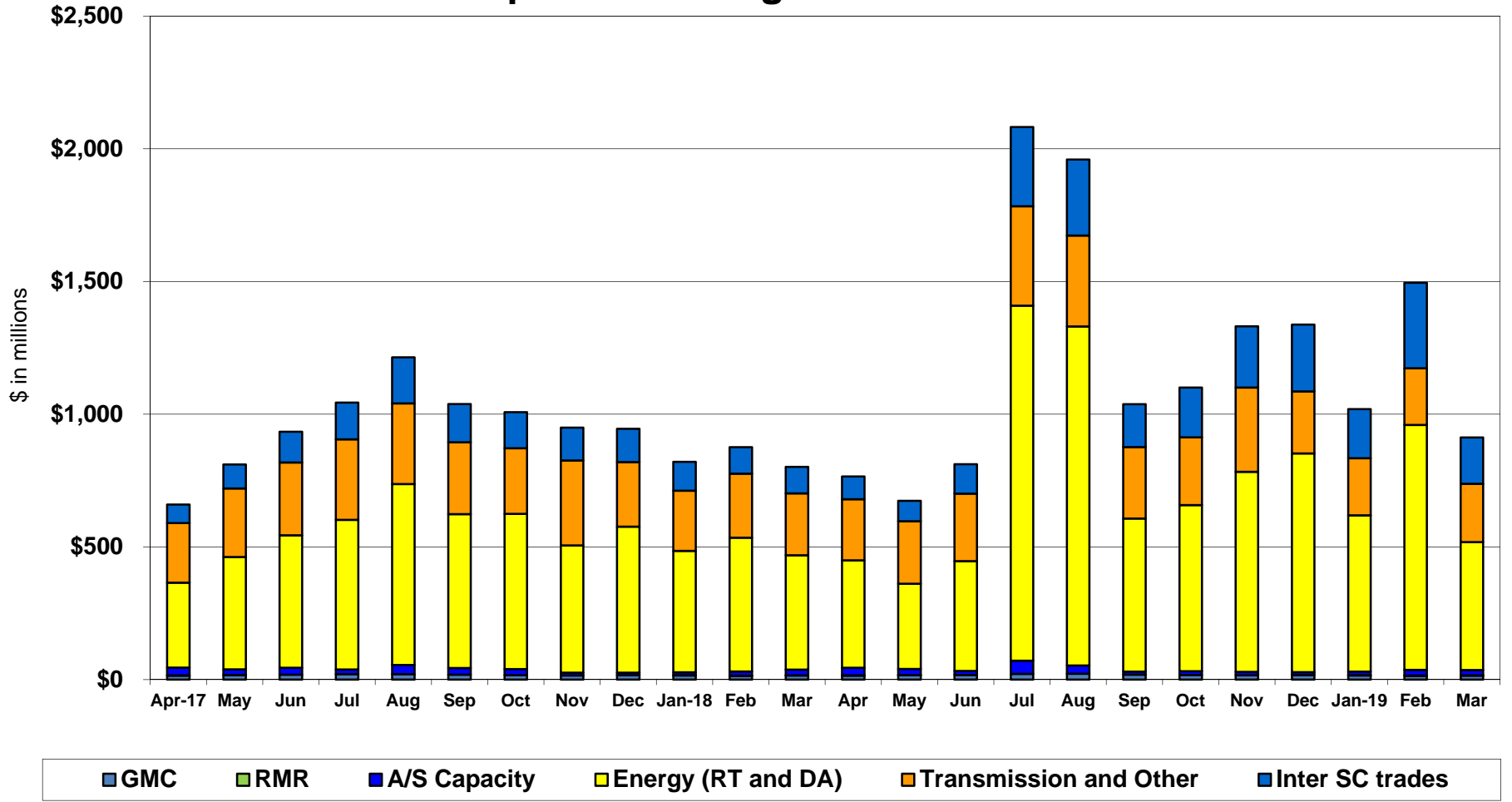
	Jan-19	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	12.30	12.88	18.31									
Monthly Budget	14.23	14.50	19.01	14.47	14.47	14.60	14.00	14.00	19.05	13.88	13.88	22.93
Cum Actual	12.30	25.19	43.50									
Cum Budget	14.23	28.73	47.74	62.21	76.67	91.27	105.27	119.28	138.33	152.21	166.10	189.03
Cum Variance	1.93	3.54	4.24									

Cumulative Capital Expenditures

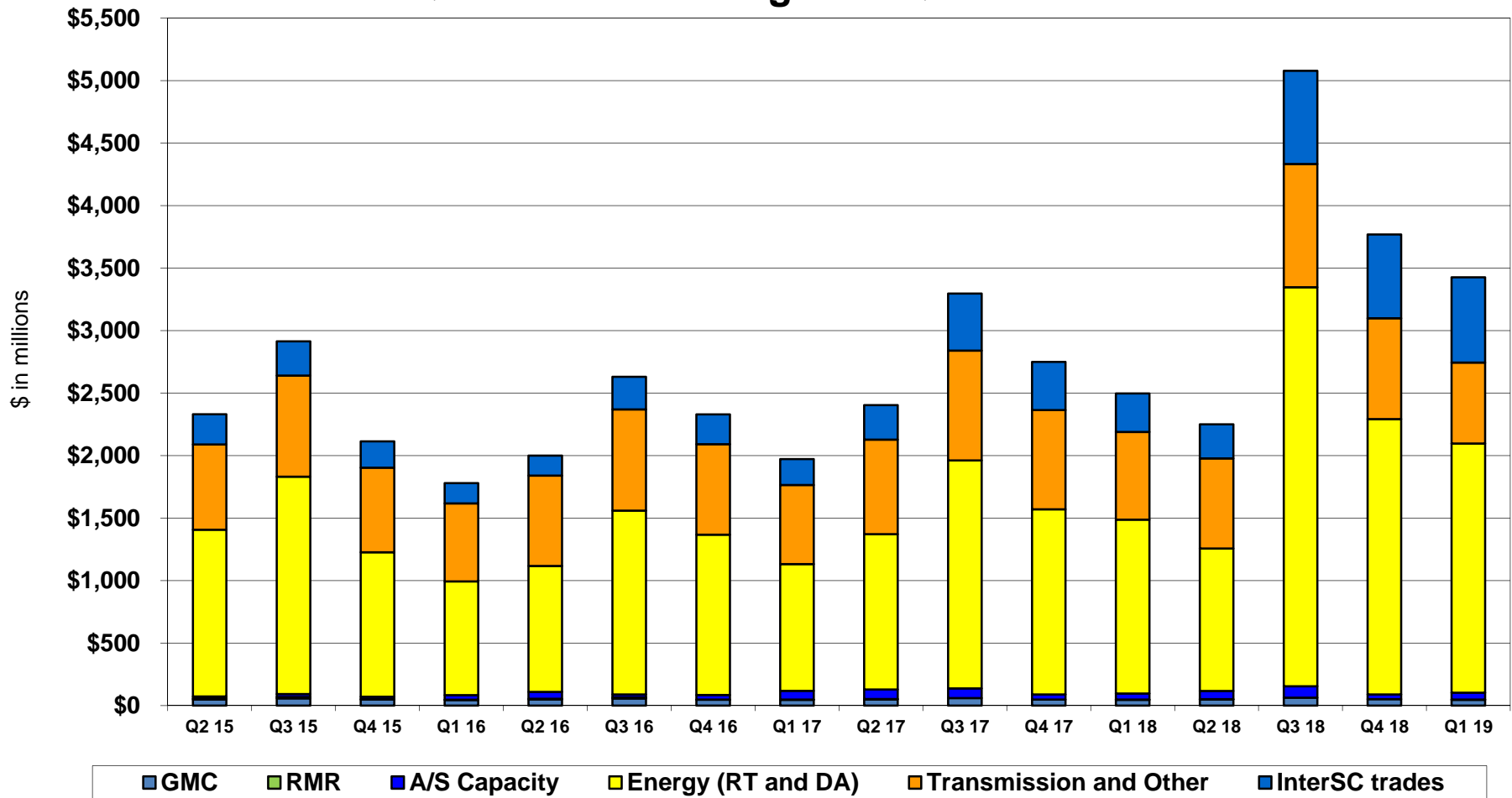


 Budgeted capital												22.00
 Cumulative Expenditures	0.00	0.10	0.24									
 Approved projects	1.48	10.84	13.22									

ISO Market Revenues By Month Apr 2017 through Mar 2019



ISO Market Revenues By Quarter 2nd Quarter 2015 through 1st Quarter 2019



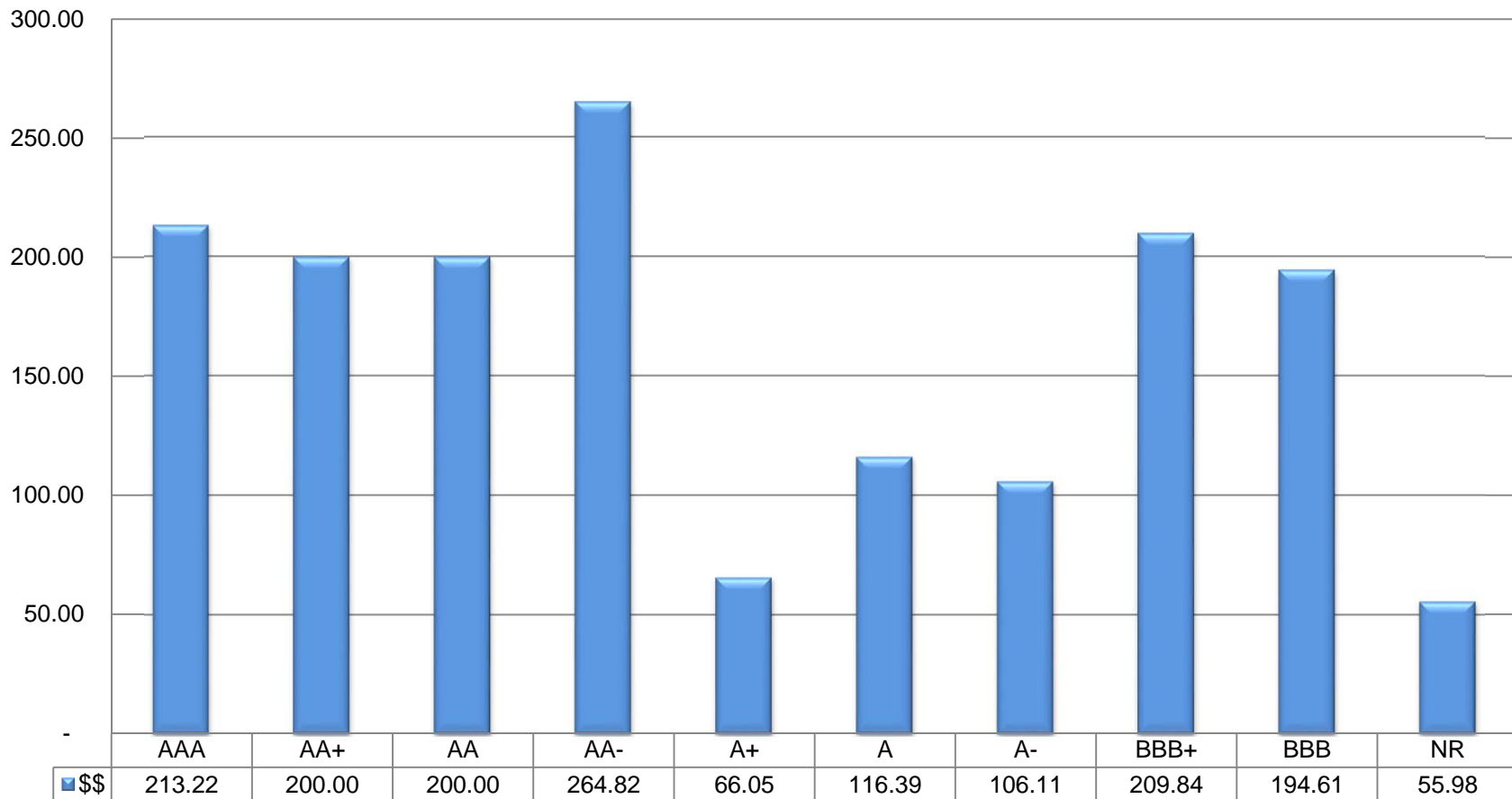
Collateral & Estimated Aggregate Liability (as of 04/02/19)

Collateral Types	Amount
Unsecured	\$1,627,015,580
Secured	\$581,698,572
Total	\$2,208,714,152

Estimate Aggregate Liability	Amount
Positive EAL	\$261,956,680

Unsecured Collateral (as of 04/02/19)

(in millions)



Secured Collateral (as of 04/02/19)

(in millions)

