

QUARTERLY FINANCIAL REPORT

March 31, 2016

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
QUARTERLY FINANCIAL REPORT - March 31, 2016

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CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the quarter ended March 31, 2016

Results of Operations

Revenues

Through the first quarter ending March 31, 2016, operating revenues were slightly lower by \$0.08 million compared to the budgeted amounts. The overall decrease in revenues was primarily due to lower GMC revenues. The Company is monitoring changes in GMC revenues and will adjust rates, if necessary, to align actual GMC revenues closer to budget, as required by the Tariff.

Expenses

Operating expenses are \$3.1 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 unrealized gains on 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 2016, \$7.9 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 11, 2016, the ISO maintained \$1.8 billion in collateral from market participants to support \$210.6 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 \$426.7 million 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, 2016
(dollars in thousands)

	Quarter		Year to Date		Year to Date Budget
	Actual	Prior Year	Actual	Prior Year	
<u>Operating revenues:</u>					
Grid management charge	\$ 43,508	\$ 44,106	\$ 43,508	\$ 44,106	\$ 43,656
Other revenues	2,269	3,904	2,269	3,904	2,200
Total operating revenues	45,777	48,010	45,777	48,010	45,856
<u>Operating expenses:</u>					
Salaries and benefits	28,033	27,364	28,033	27,364	27,503
Building, leases and facility	621	599	621	599	829
Insurance	409	408	409	408	439
Third party vendor contracts	3,706	3,314	3,706	3,314	4,255
Consulting and contracting services	2,926	3,110	2,926	3,110	4,204
Legal and audit	285	153	285	153	964
Training, travel and professional dues	615	690	615	690	1,376
Other	416	439	416	439	531
Total operating expenses	37,011	36,077	37,011	36,077	40,101
Operating income before depreciation and amortization	8,766	11,933	8,766	11,933	5,755
<u>Depreciation and amortization</u>	6,076	18,477	6,076	18,477	6,000
Net operating income (loss)	2,690	(6,544)	2,690	(6,544)	(245)
<u>Other income (expenses)</u>					
Interest income & other	1,398	941	1,398	941	500
Interest expense	(2,244)	(2,302)	(2,244)	(2,302)	(2,269)
Total other income (expenses)	(846)	(1,361)	(846)	(1,361)	(1,769)
Excess (deficiency) of revenues over expenses	\$ 1,844	\$ (7,905)	\$ 1,844	\$ (7,905)	\$ (2,014)
Number of full-time employees			591	588	593

CALIFORNIA ISO**Balance Sheet**

As of March 31, 2016

(dollars in thousands)

	<u>Current Quarter 3/31/2016</u>	<u>Prior Year 12/31/2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, including restricted amounts	\$ 291,625	\$ 326,879
Accounts receivable	23,167	17,266
Short-term Investments, including restricted amounts	60,164	52,072
Other current assets	6,038	6,428
Total current Assets	<u>380,994</u>	<u>402,645</u>
NONCURRENT ASSETS		
Long-term investments, including restricted amounts	114,147	138,302
Fixed assets, net	176,169	175,013
Other assets	11,402	13,808
Total noncurrent assets	<u>301,718</u>	<u>327,123</u>
TOTAL ASSETS	<u><u>\$ 682,712</u></u>	<u><u>\$ 729,768</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	8,128	11,844
Accrued salaries and compensated absences	14,429	30,601
Current portion of long-term debt	4,625	4,500
Due to market participants	318,531	342,242
Generator noncompliance fines refund obligation	2,316	2,316
Total current liabilities	<u>348,029</u>	<u>391,503</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	187,252	192,039
Employee retirement plan obligations	21,235	21,495
Total noncurrent liabilities	<u>208,487</u>	<u>213,534</u>
TOTAL LIABILITIES	<u>556,516</u>	<u>605,037</u>
TOTAL NET ASSETS	<u>126,196</u>	<u>124,731</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 682,712</u></u>	<u><u>\$ 729,768</u></u>

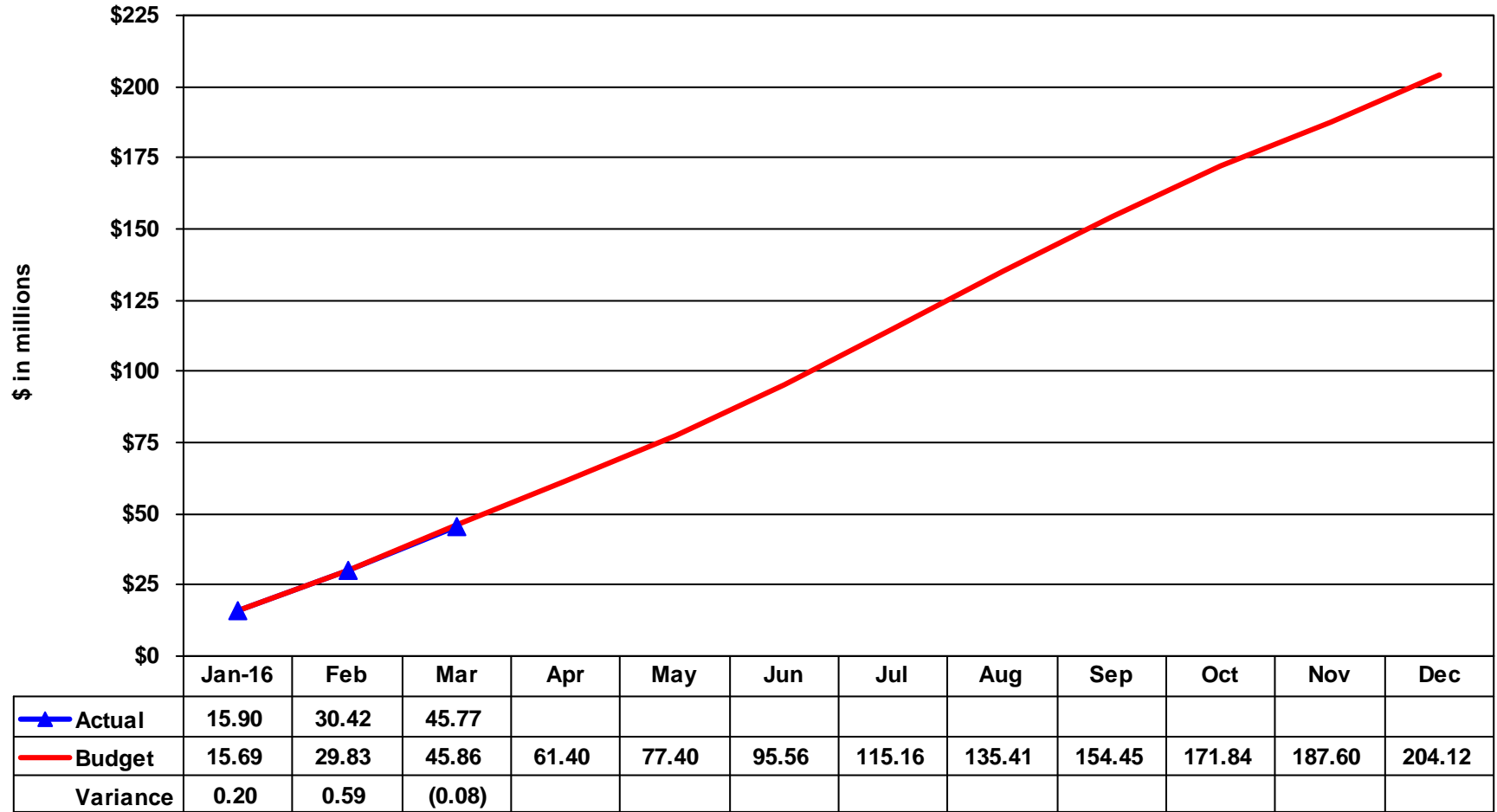
CALIFORNIA ISO
Capital Projects Report

For the quarter ended March 31, 2016
(dollars in thousands)

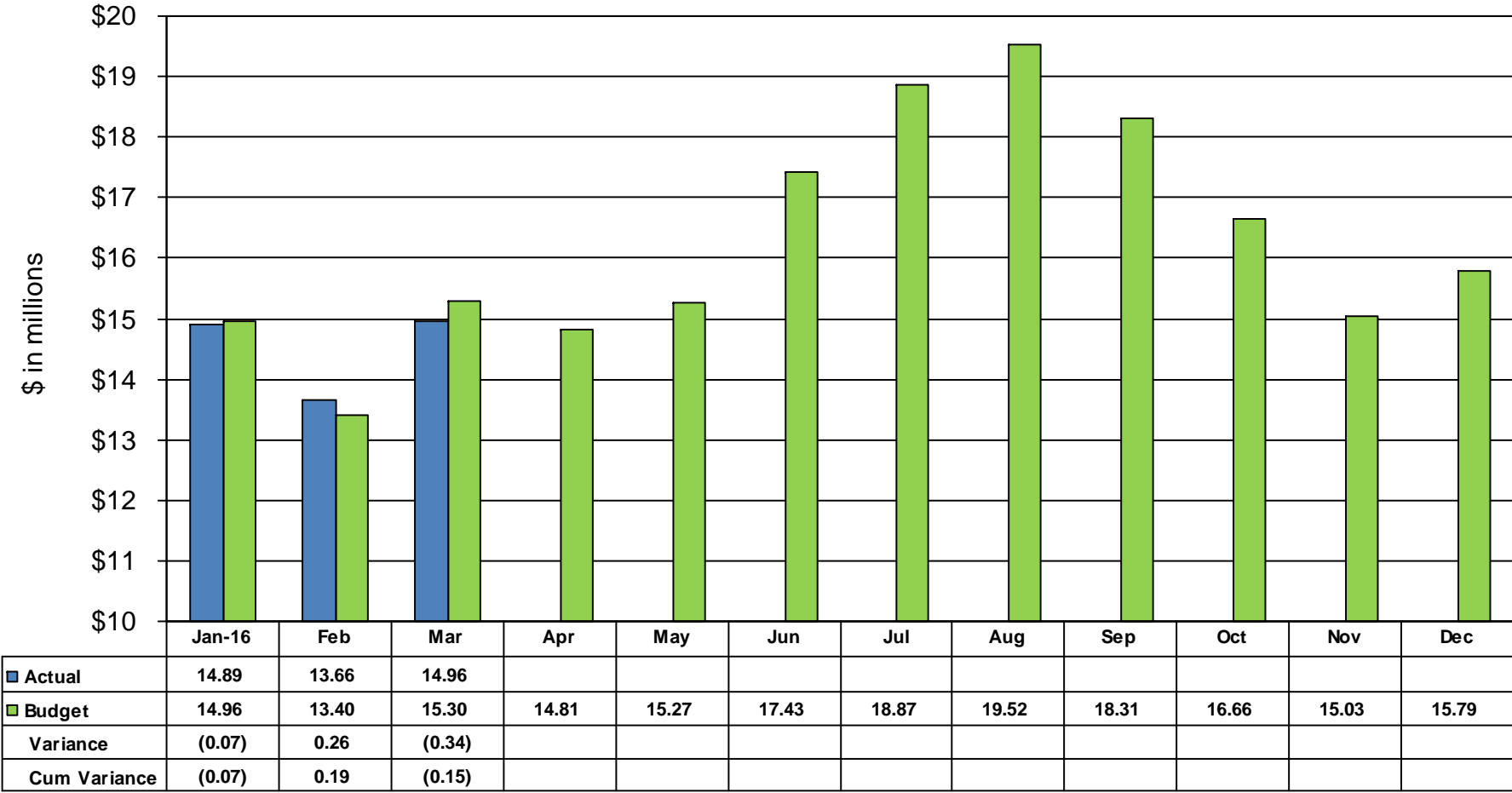
	Approved Projects				
	Q1 Actual	YTD Actual	2016 Approved Projects	Projected Costs for Approved Projects	Original/ Current Budget
Market & Operational Excellence	\$ 367	\$ 367	\$ 3,836	\$ 3,836	\$ 10,905
Focus on Customer Service /Compliance	924	924	2,246	2,246	1,425
Enhance the Technology Foundation	42	42	1,823	1,823	4,170
Total 2016 Capital Spending	1,333	1,333	7,905	7,905	16,500
Energy Management System	49	49		13,500	13,500
Lincoln Operations Center	3,577	3,577		26,109	30,400
Energy Imbalance Market Projects	125	125		1,694	2,109
Prior Year Capital Projects	2,506	2,506		9,350	-
Total Capital	\$ 7,590	\$ 7,590	\$ 7,905	\$ 58,558	\$ 62,509

Cumulative Operating Revenues

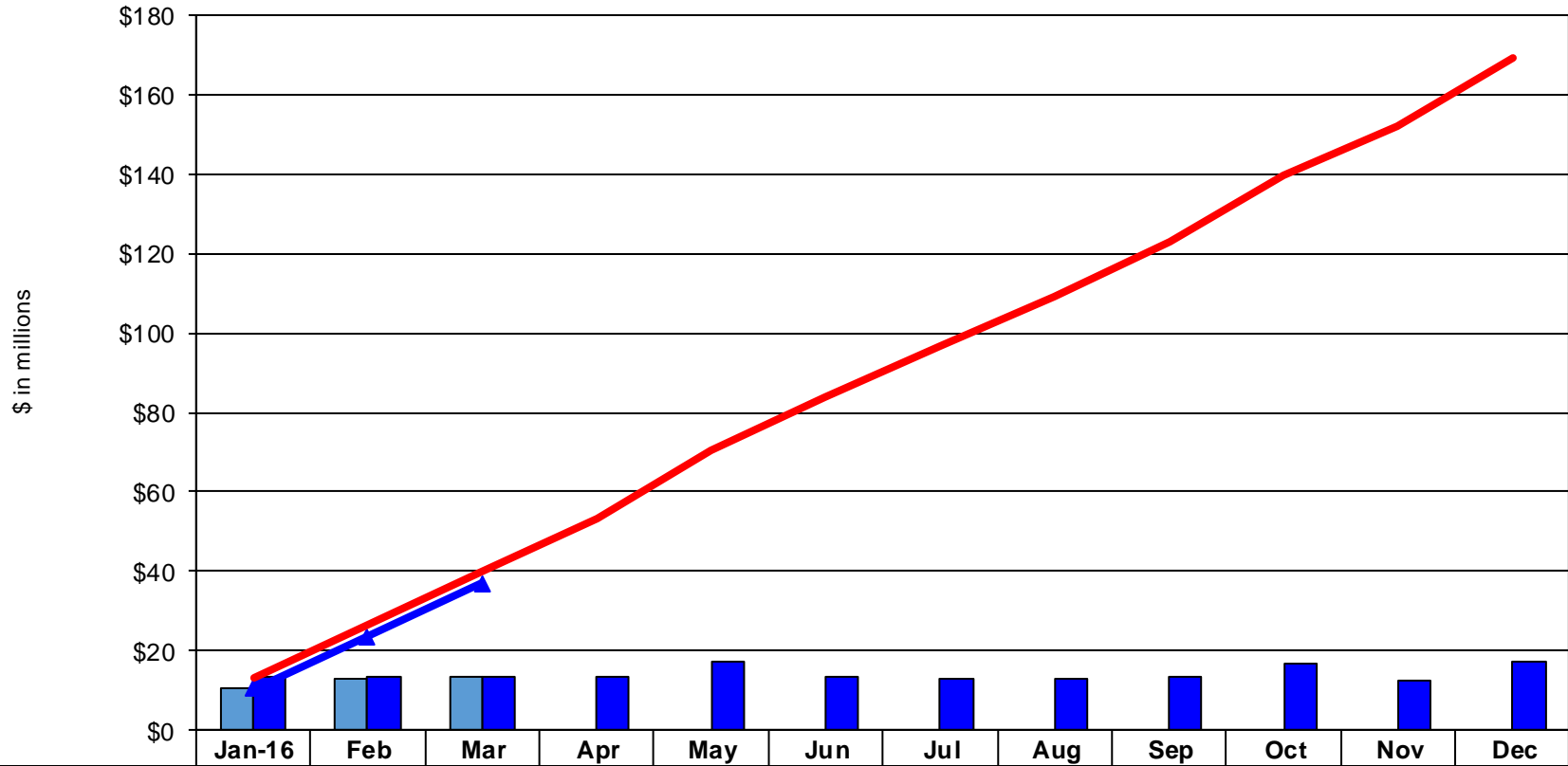
Revenues = GMC & Other Revenues



Monthly GMC Revenues

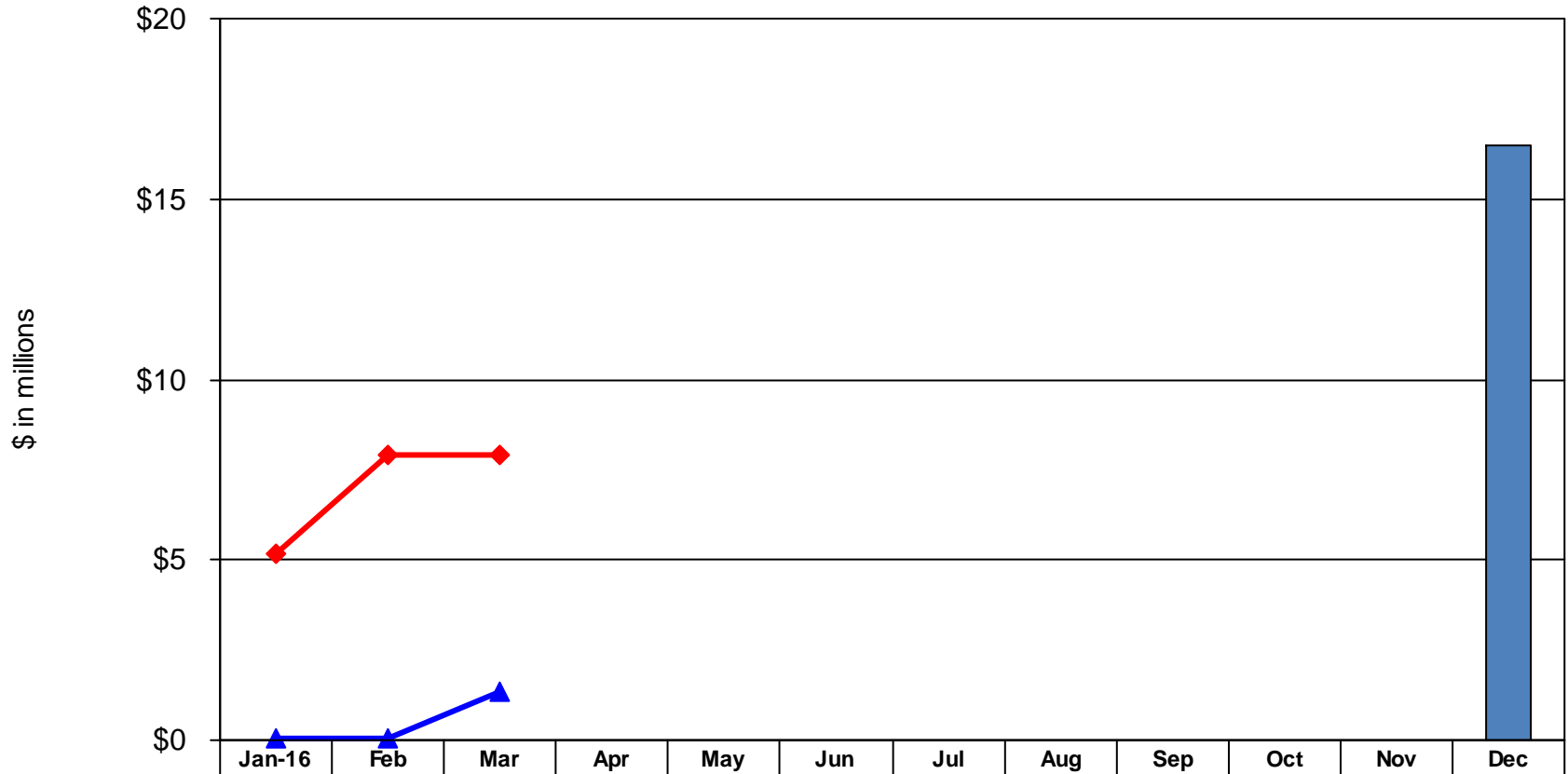


Operating and Maintenance Expenses (O&M)



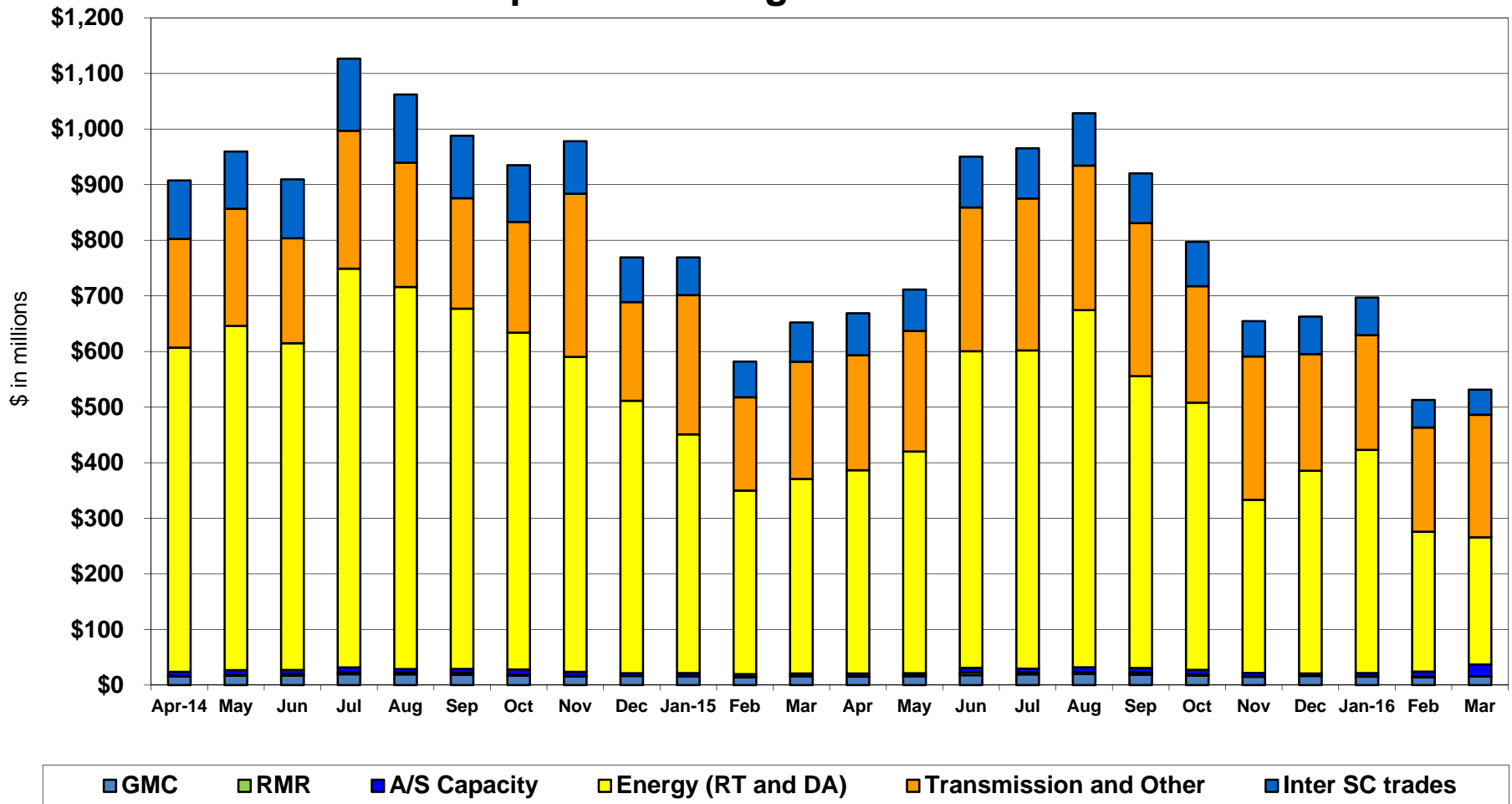
	Jan-16	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	10.53	12.98	13.50									
Monthly Budget	13.30	13.33	13.47	13.39	17.05	13.31	12.75	12.75	13.54	16.55	12.70	17.19
Cum Actual	10.53	23.51	37.01									
Cum Budget	13.30	26.63	40.10	53.49	70.54	83.85	96.60	109.35	122.89	139.44	152.14	169.33
Cum Variance	2.77	3.12	3.09									

Cumulative Capital Expenditures

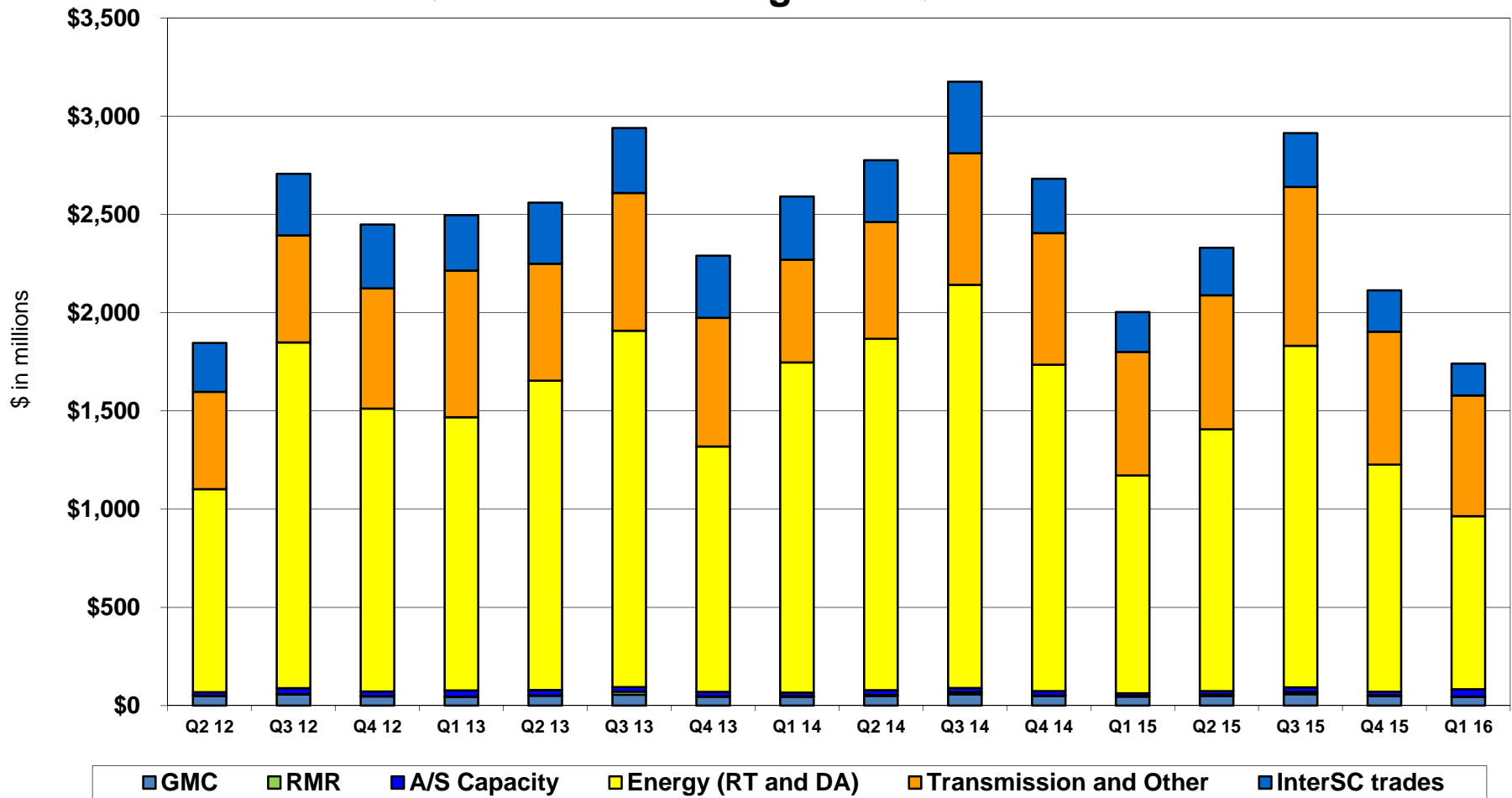


	Jan-16	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Budgeted capital												16.50
Cumulative Expenditures	0.06	0.07	1.33									
Approved projects	5.16	7.91	7.91									

ISO Market Revenues By Month Apr 2014 through Mar 2016



ISO Market Revenues By Quarter 2nd Quarter 2012 through 1st Quarter 2016



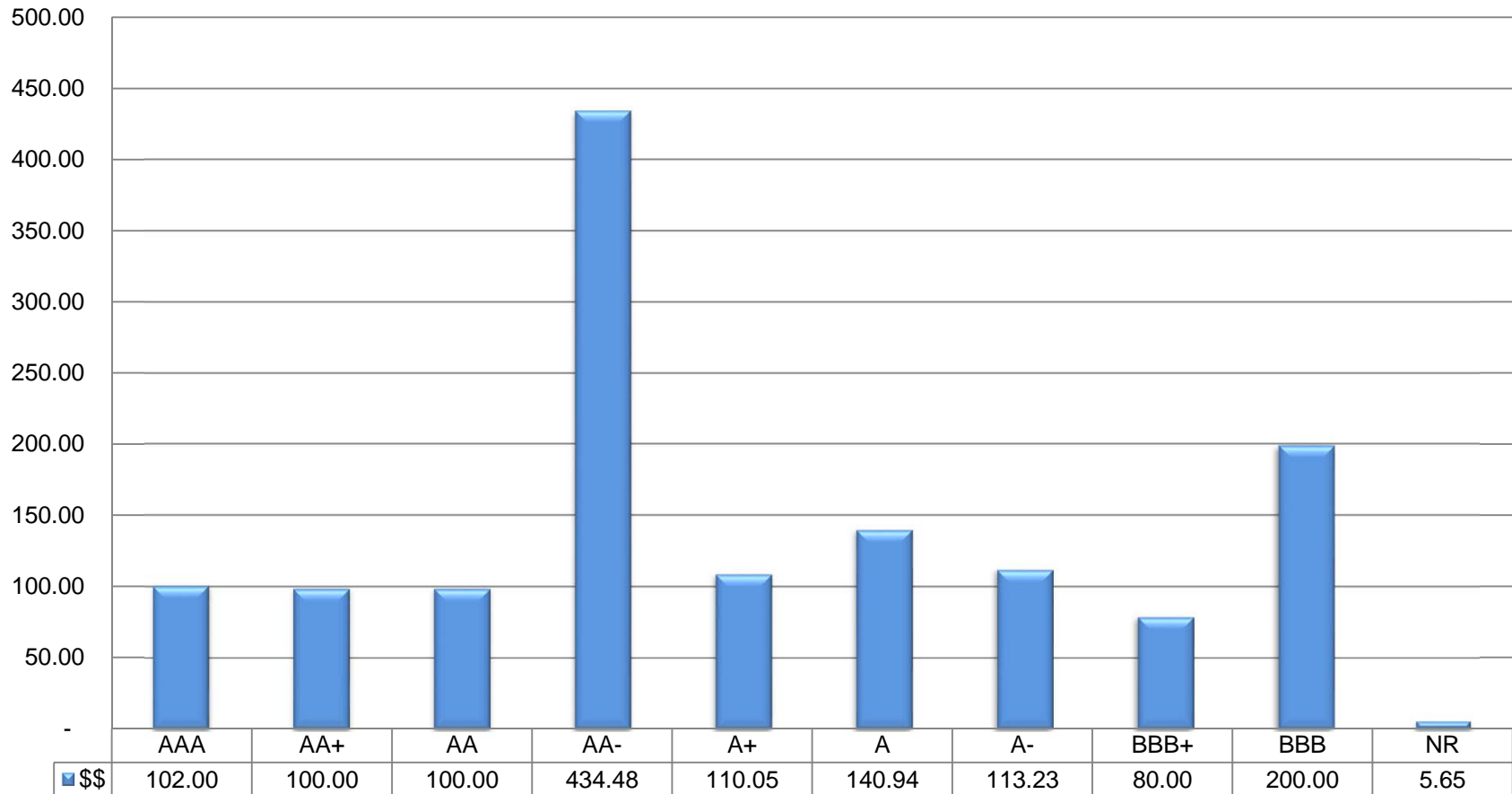
Collateral & Estimated Aggregate Liability (as of 04/11/16)

Collateral Types	Amount
Unsecured	\$1,386,347,258
Secured	\$426,651,448
Total	\$1,812,998,706

Estimate Aggregate Liability	Amount
Positive EAL	\$210,613,335

Unsecured Collateral (as of 04/11/16)

(in millions)



Secured Collateral (as of 04/11/16)

(in millions)

