

QUARTERLY FINANCIAL REPORT

March 31, 2018

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
QUARTERLY FINANCIAL REPORT - March 31, 2018

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CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the quarter ended March 31, 2018

Results of Operations

Revenues

Through the first quarter ending March 31, 2018, operating revenues were higher by \$1.2 million compared to the budgeted amounts. The overall increase in revenues was primarily due to higher other revenues of \$1.6 million due to the recognition of EIM implementation fees, partially offset by lower GMC revenues of \$0.4 million. 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.

Expenses

Operating expenses are \$3.7 million under budget through the first quarter of the year, largely due to timing of expenses.

Interest income and other are lower than budget during the 1st quarter due to unrecognized losses on the value of investments, due to rising interest rates.

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 2018, \$3.0 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 April 4, 2018, the ISO maintained \$1.9 billion in collateral from market participants to support \$300.9 million in aggregate liabilities due in the market. Approximately \$1.5 billion of the collateral is from unsecured sources (i.e., unsecured credit limits and parent guarantees) with investment grade or equivalent ratings, and \$0.5 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, 2018
(dollars in thousands)

	Quarter		Year to Date		Year to Date Budget
	Actual	Prior Year	Actual	Prior Year	
<u>Operating revenues:</u>					
Grid management charge	\$ 43,872	\$ 44,617	\$ 43,872	\$ 44,617	\$ 44,238
Other revenues	4,801	2,865	4,801	2,865	3,206
Total operating revenues	48,673	47,482	48,673	47,482	47,444
<u>Operating expenses:</u>					
Salaries and benefits	29,945	28,543	29,945	28,543	29,982
Building, leases and facility	494	346	494	346	605
Insurance	367	314	367	314	456
Third party vendor contracts	3,447	3,309	3,447	3,309	4,009
Consulting and contracting services	2,471	2,828	2,471	2,828	4,022
Legal and audit	95	150	95	150	803
Training, travel and professional dues	635	554	635	554	1,127
Other	428	358	428	358	598
Total operating expenses	37,882	36,402	37,882	36,402	41,602
Operating income before depreciation and amortization	10,791	11,080	10,791	11,080	5,842
<u>Depreciation and amortization</u>	7,239	6,290	7,239	6,290	7,000
Net operating income (loss)	3,552	4,790	3,552	4,790	(1,158)
<u>Other income (expenses)</u>					
Interest income & other	(134)	1,034	(134)	1,034	625
Interest expense	(2,196)	(2,240)	(2,196)	(2,240)	(2,165)
Total other income (expenses)	(2,330)	(1,206)	(2,330)	(1,206)	(1,540)
Excess (deficiency) of revenues over expenses	\$ 1,222	\$ 3,584	\$ 1,222	\$ 3,584	\$ (2,698)
Number of full-time employees			599	584	600

CALIFORNIA ISO

Balance Sheet

As of March 31, 2018

(dollars in thousands)

	Current Quarter 3/31/2018	Prior Year 12/31/2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, including restricted amounts	317,835	\$ 332,767
Accounts receivable	26,504	16,404
Short-term Investments, including restricted amounts	53,432	49,050
Other current assets	6,963	5,708
Total current Assets	<u>404,734</u>	<u>403,929</u>
NONCURRENT ASSETS		
Long-term investments, including restricted amounts	127,971	143,281
Fixed assets, net	177,201	178,898
Other assets	13,665	14,579
Total noncurrent assets	<u>318,837</u>	<u>336,758</u>
TOTAL ASSETS	<u><u>\$ 723,571</u></u>	<u><u>\$ 740,687</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	4,619	10,186
Accrued salaries and compensated absences	15,932	32,700
Current portion of long-term debt	4,970	4,765
Due to market participants	338,643	330,381
Generator noncompliance fines refund obligation	2,198	2,167
Total current liabilities	<u>366,362</u>	<u>380,199</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	176,248	181,372
Employee retirement plan obligations	18,005	17,218
Total noncurrent liabilities	<u>194,253</u>	<u>198,590</u>
TOTAL LIABILITIES	<u>560,615</u>	<u>578,789</u>
TOTAL NET ASSETS	<u>162,956</u>	<u>161,898</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 723,571</u></u>	<u><u>\$ 740,687</u></u>

Capital Projects Report

For the quarter ended March 31, 2018

(\$ in thousands)

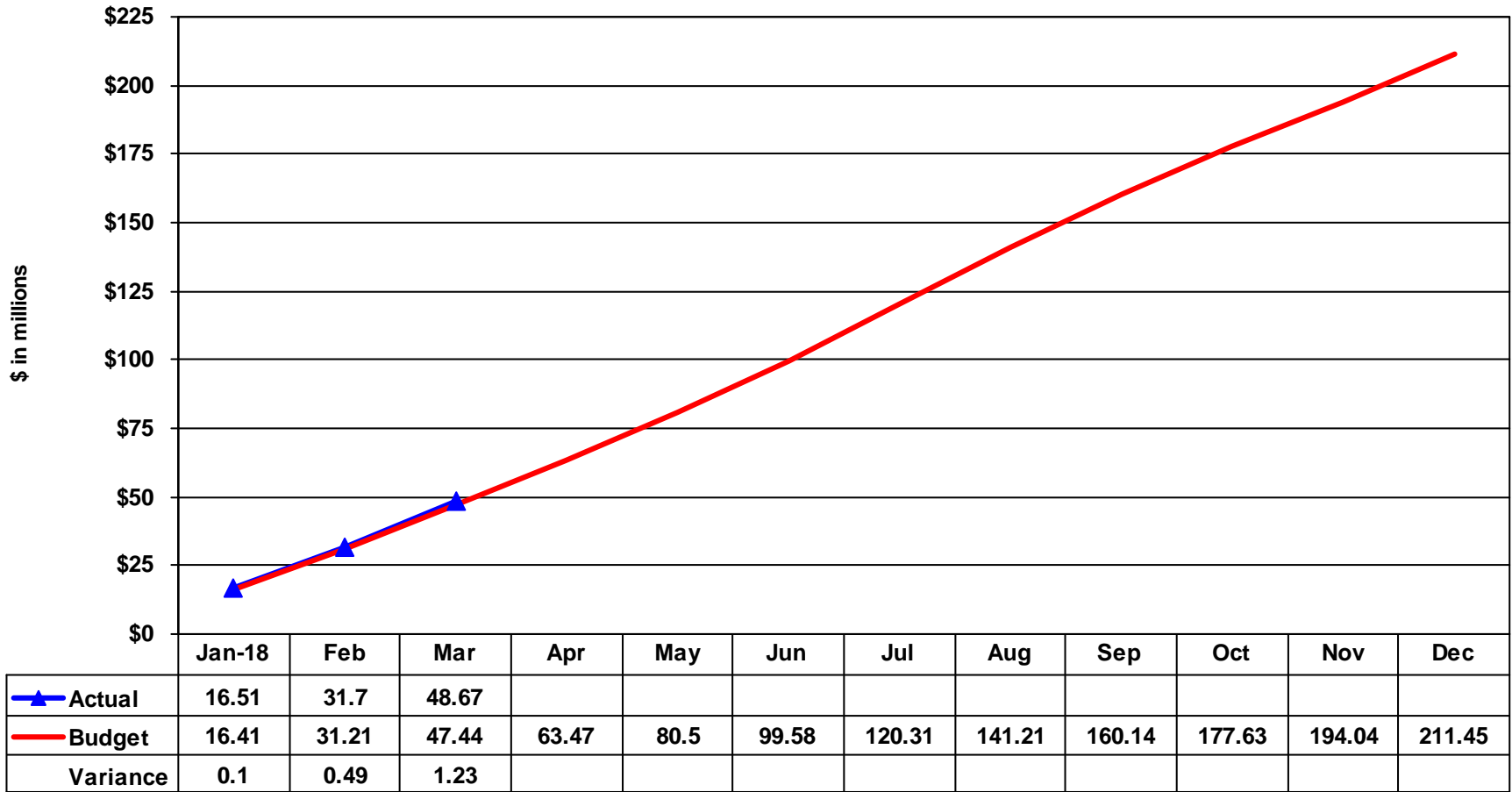
Project Classification	2018 Capital and Project Budget¹	Projects Approved YTD	Remaining Budget	Expenditures YTD
Market and Operational Excellence	\$ 10,050	\$ 1,436	\$ 8,614	\$ 206
Enhance the Technology Foundation	6,050	939	5,111	70
Focus on Customer Service and Other Costs	1,150	650	500	-
Grid Evolution Readiness and Regional Innovation Opportunities	750	-	750	-
	\$ 18,000	\$ 3,025	\$ 14,975	\$ 276
			Expenditures on projects approved prior to 2017 ² :	5,159
				\$ 5,435

¹ The Board approved a maximum level of \$18.0 million in capital and project commitments for 2018 at their December 2017 meeting. The sub-amounts allocated to the project classifications will vary as actual projects are approved during the year by the Corporate Management Committee.

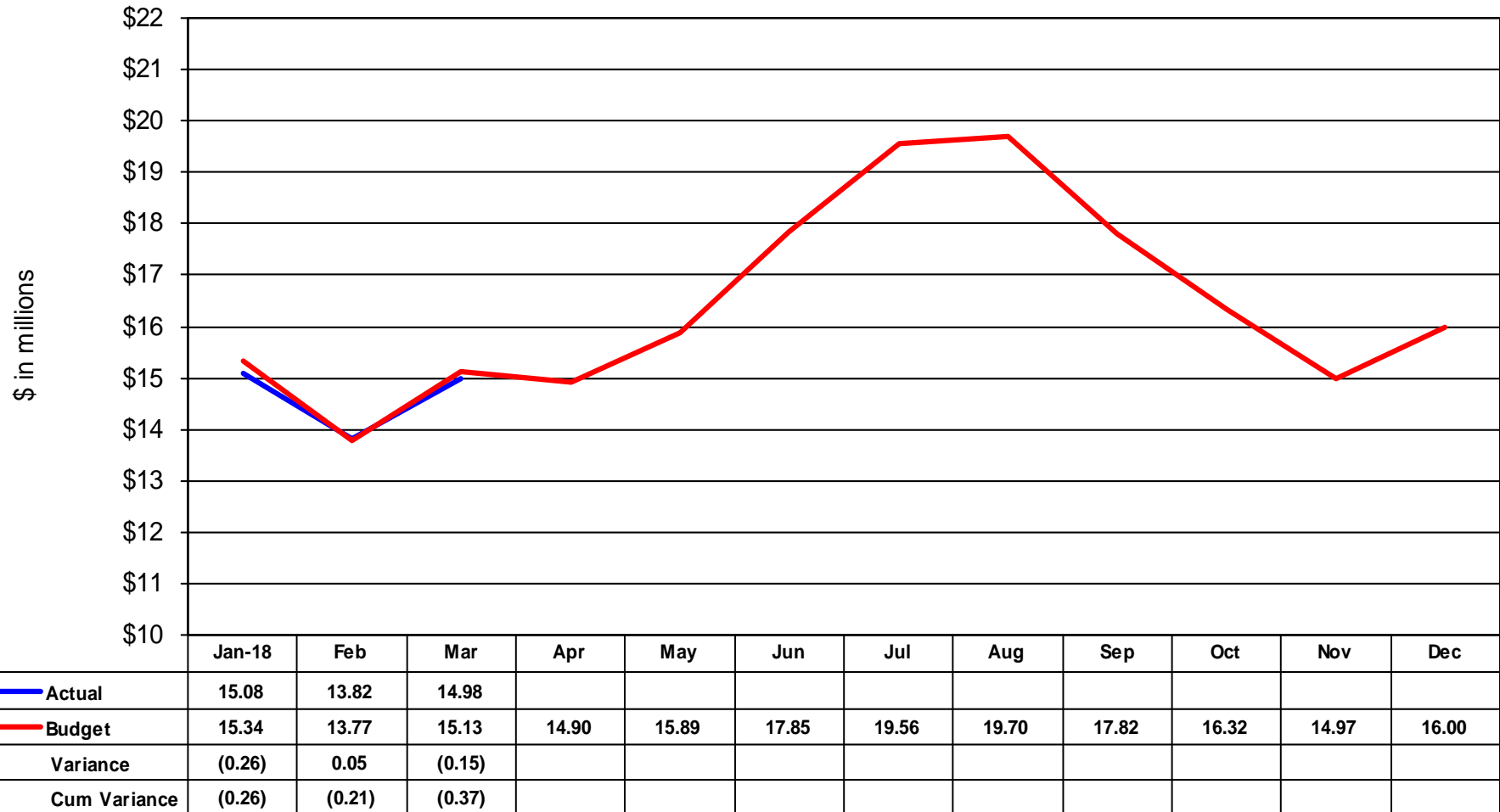
² Expenditures on projects approved in a prior budget year. Does not include EIM Implementation projects as those expenditures are reimbursed by the EIM entity.

Cumulative Operating Revenues

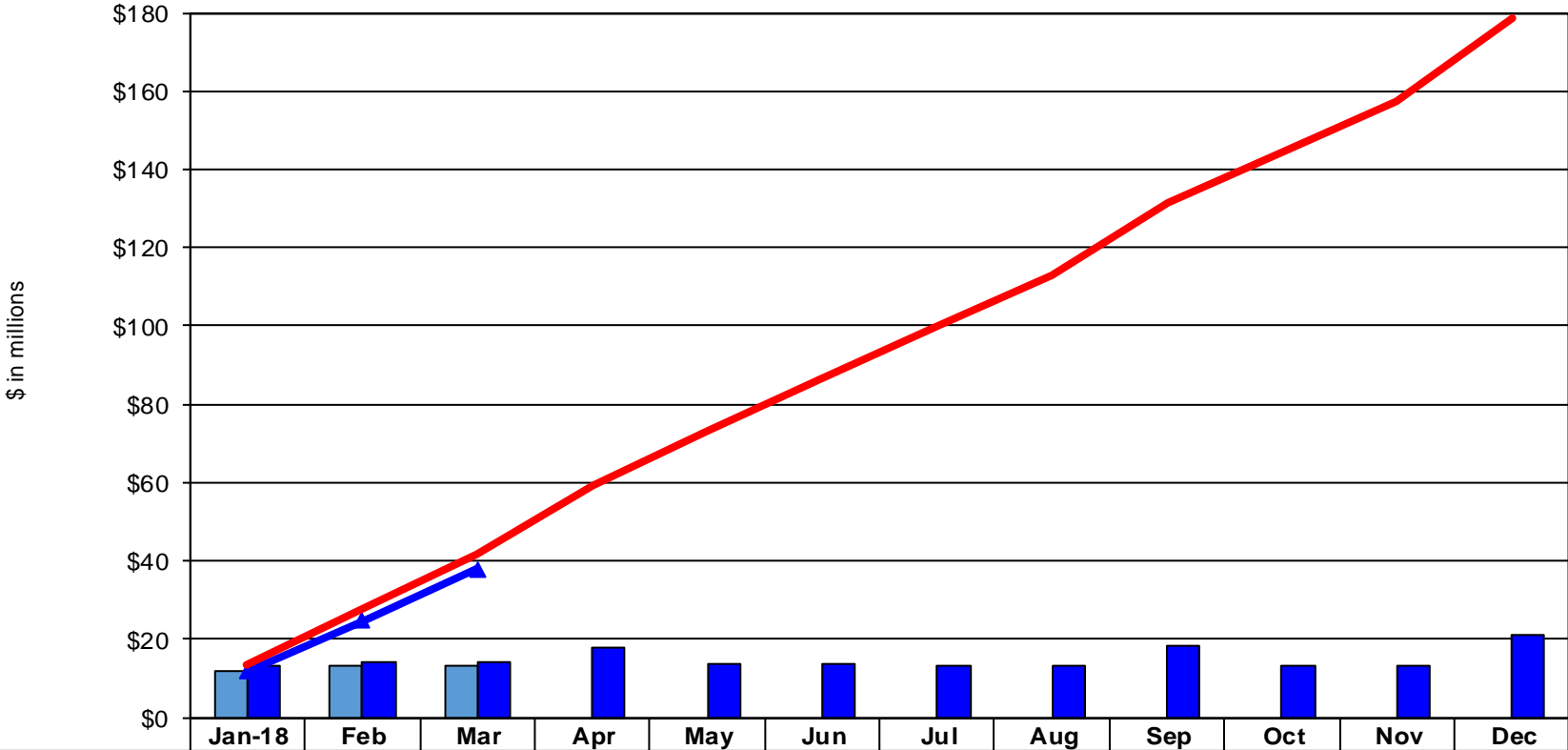
Revenues = GMC & Other Revenues



Monthly GMC Revenues

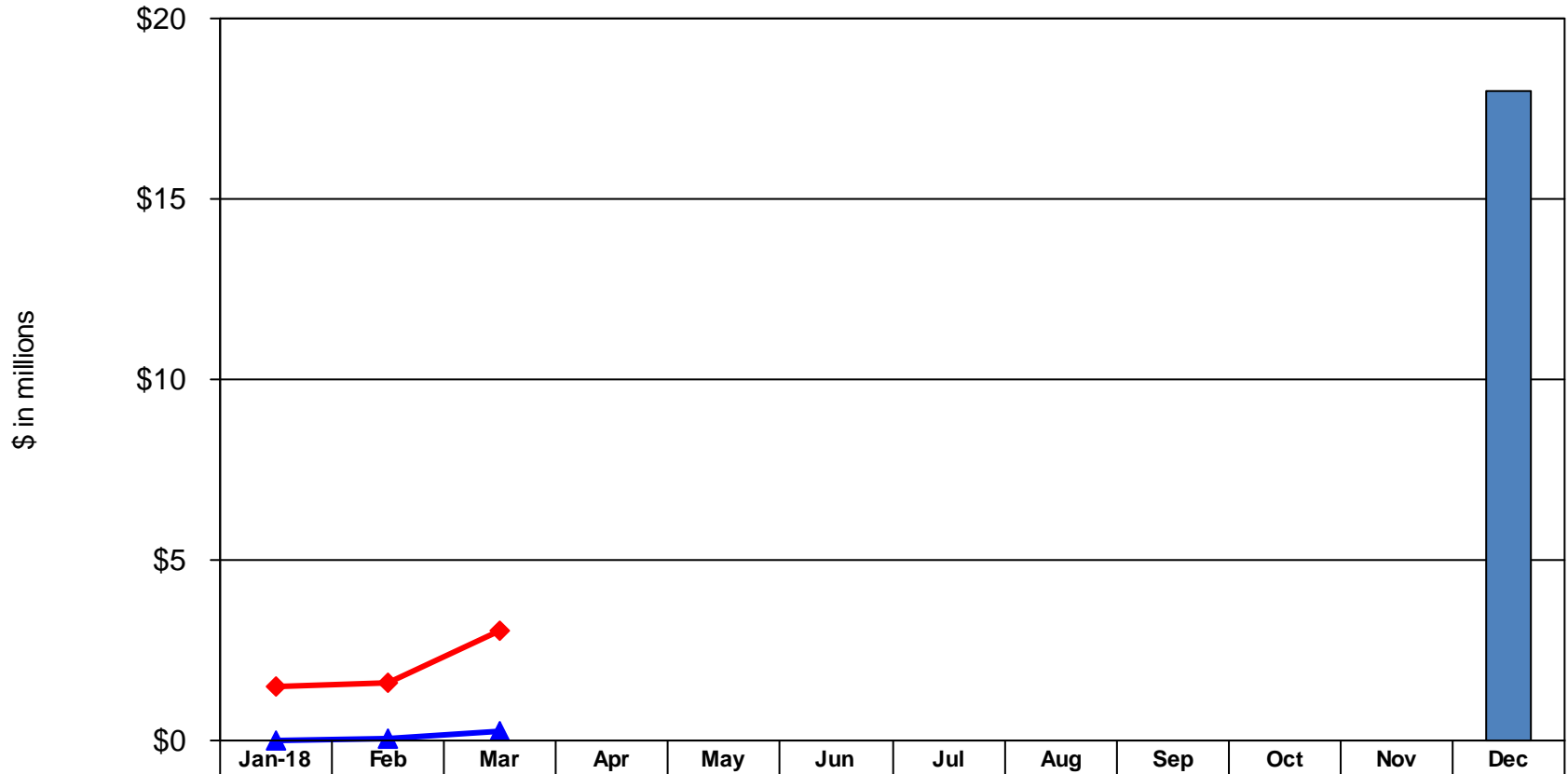


Operating and Maintenance Expenses (O&M)



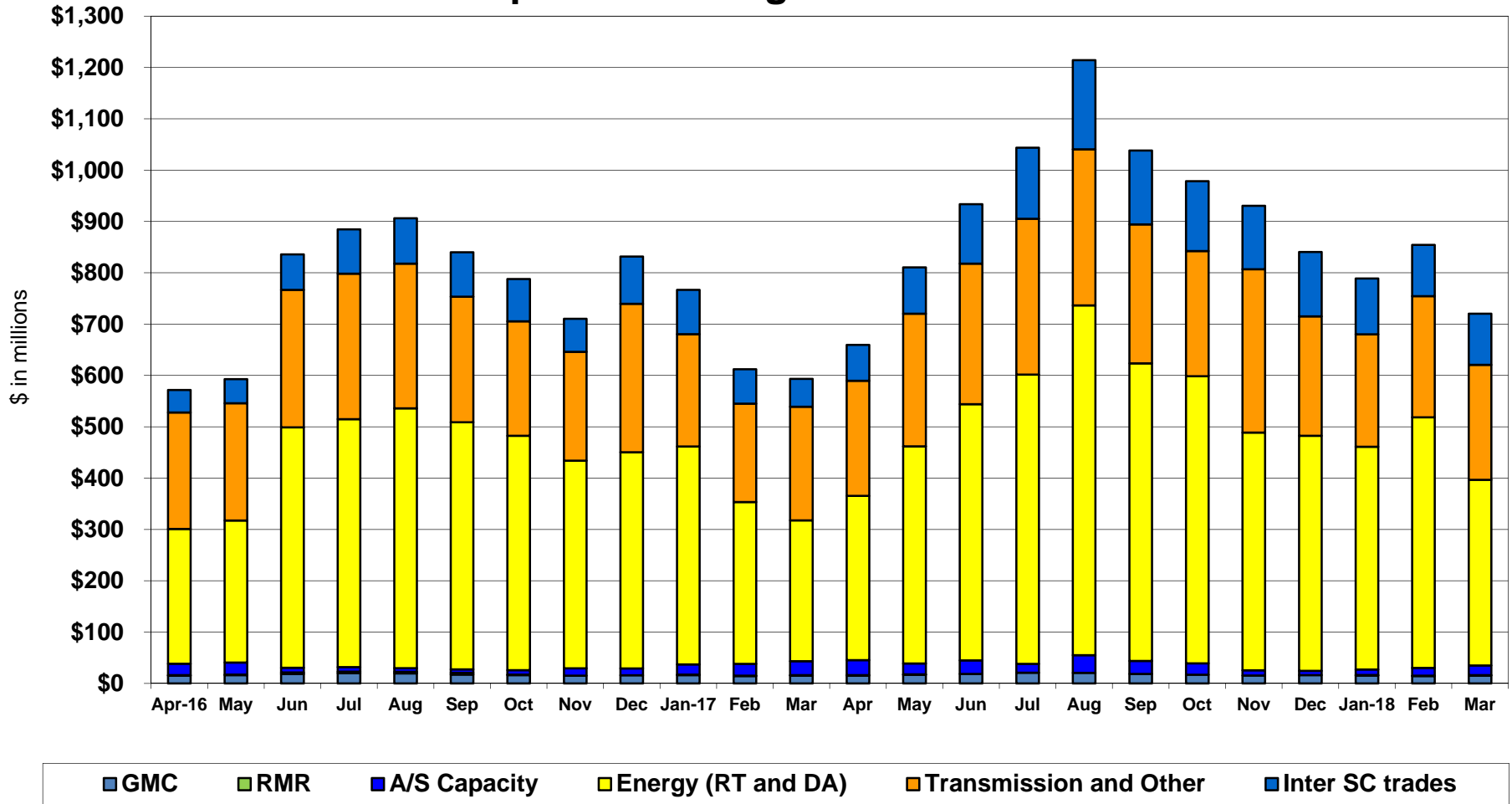
	Jan-18	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	11.64	13.07	13.18									
Monthly Budget	13.35	14.27	13.98	17.82	13.61	13.71	13.21	13.19	18.20	13.08	13.08	21.02
Cum Actual	11.64	24.70	37.88									
Cum Budget	13.35	27.62	41.61	59.42	73.03	86.74	99.95	113.14	131.34	144.42	157.50	178.52
Cum Variance	1.72	2.92	3.72									

Cumulative Capital Expenditures

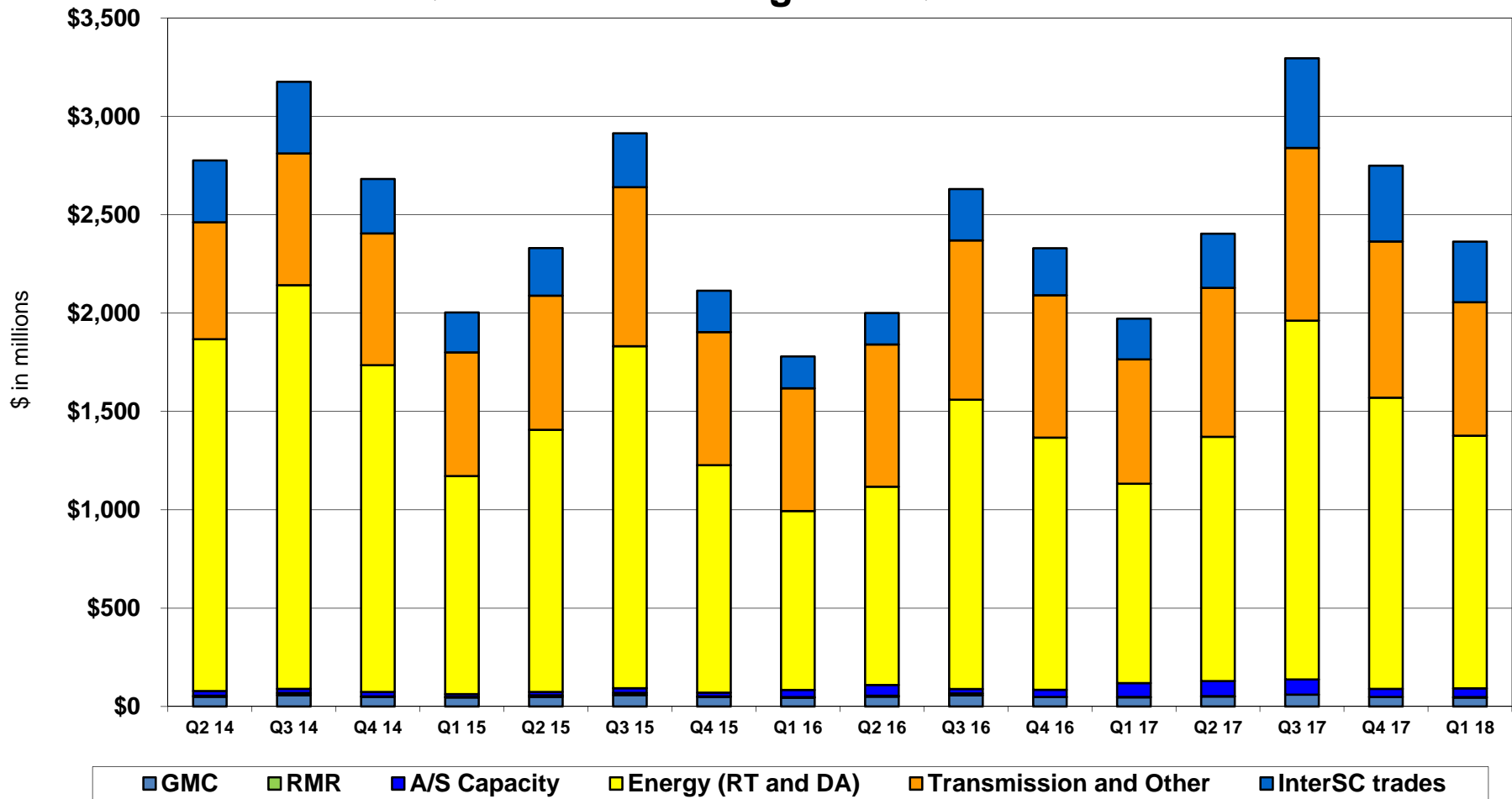


Budgeted capital												18.00
Cumulative Expenditures	0.00	0.03	0.28									
Approved projects	1.48	1.59	3.03									

ISO Market Revenues By Month Apr 2016 through Mar 2018



ISO Market Revenues By Quarter 2nd Quarter 2014 through 1st Quarter 2018



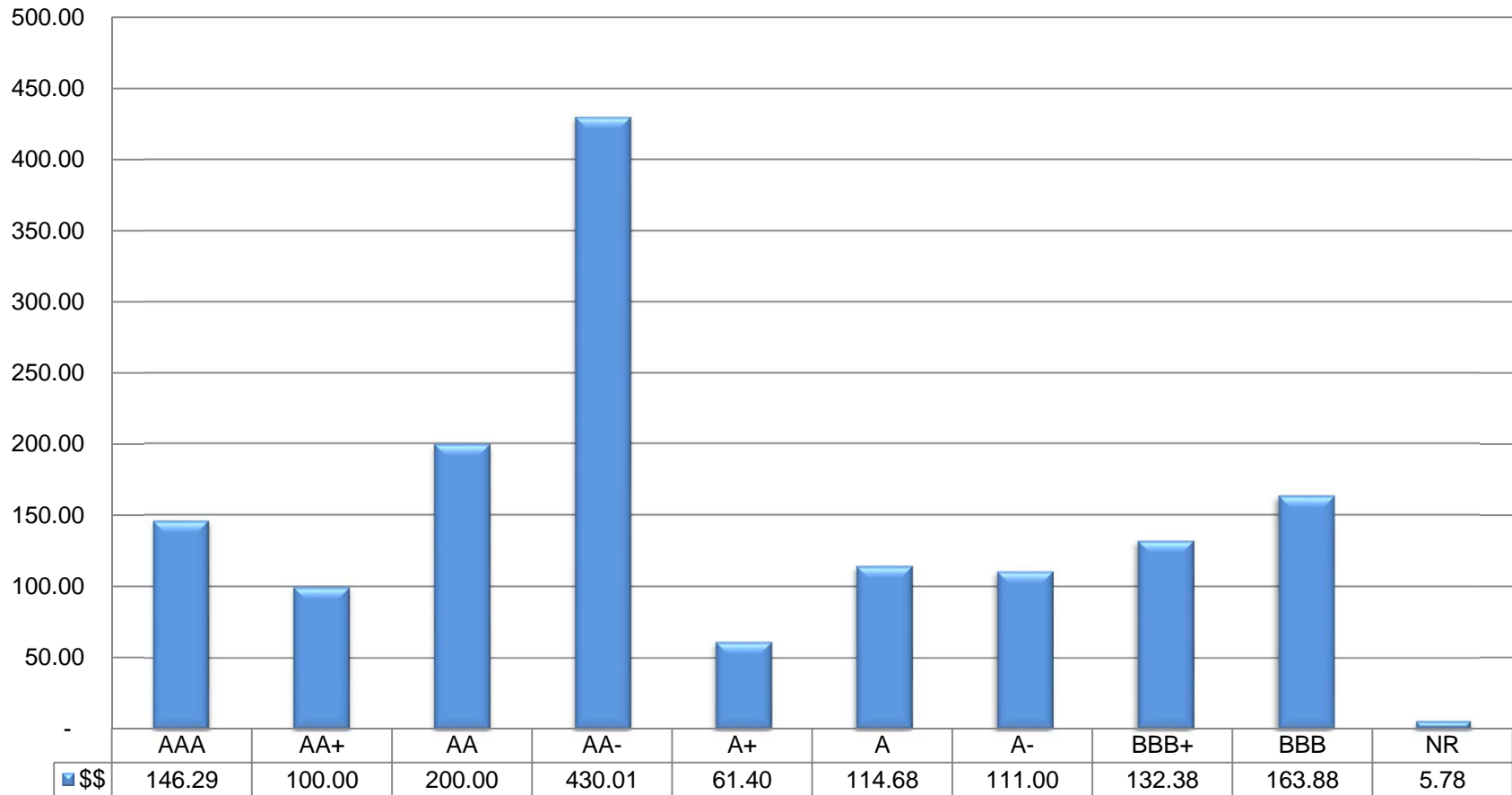
Collateral & Estimated Aggregate Liability (as of 04/04/18)

Collateral Types	Amount
Unsecured	\$1,465,420,460
Secured	\$454,154,173
Total	\$1,919,574,633

Estimate Aggregate Liability	Amount
Positive EAL	\$300,910,210

Unsecured Collateral (as of 04/04/18)

(in millions)



Secured Collateral (as of 04/04/18)

(in millions)

Secured Collateral (Millions)

