



Report of Independent Auditors and
Financial Statements with
Supplemental Schedule

**California ISO Retirement
Savings Benefits Plan**

December 31, 2016 and 2015

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Plan Administrator
California ISO Retirement Savings Benefits Plan

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of California ISO Retirement Savings Benefits Plan (the Plan), which comprise the statements of net position available for benefits as of December 31, 2016 and 2015, and the related statements of changes in net position available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audits in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's (DOL's) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA), the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 4, which was certified by Charles Schwab Bank, the trustee of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of and for the years ended December 31, 2016 and 2015, that the information provided to the plan administrator by the trustee is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. Accordingly, we do not express an opinion on the financial statements.

To the Plan Administrator
California ISO Retirement Savings Benefits Plan

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management discussion and analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Schedule

The Schedule H, line 4(i) – Schedule of assets (held at end of year) as of December 31, 2016, is required by the DOL's Rules and Regulations for Reporting and Disclosure under ERISA and is presented for the purpose of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on this supplemental schedule.

Report on Form and Content in Compliance with DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.

Mess Adams LLP

Rancho Cordova, California
July 26, 2017

CALIFORNIA ISO RETIREMENT SAVINGS BENEFITS PLAN MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of California ISO Retirement Savings Benefits Plan (the Plan) of the California Independent System Operator Corporation (the Company) provides an overview of the Plan's financial activities for the years ended December 31, 2016 and 2015. This discussion and analysis should be read in conjunction with the Plan's financial statements and accompanying notes, which follow this section.

Background

The Plan is a defined contribution plan and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Substantially all employees of the Company are eligible to participate in the Plan. Participants are eligible to participate in the Plan on the first day of the month coinciding with or following their date of hire.

The Company is the Plan's named fiduciary and plan administrator and has designated an advisory committee and retained the services of a third party to assist in the administration of the Plan. The advisory committee is appointed by the Company and has the responsibility of making discretionary determinations under the Plan and providing distribution directions to the trustee. The Company has appointed Charles Schwab Bank (the Trustee) as the Plan's trustee and Schwab Retirement Plan Services, Inc., to assist in the administration of the Plan.

Financial Highlights

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Plan's financial statements, which are comprised of the following:

- Statements of Net Position Available for Benefits
- Statements of Changes in Net Position Available for Benefits
- Notes to Financial Statements

The Statements of Net Position Available for Benefits present information on the Plan's assets and liabilities and the resulting net position as of December 31, 2016 and 2015. These statements reflect the Plan's investments at fair value, receivables, and liabilities.

The Statements of Changes in Net Position Available for Benefits present information showing how the Plan's net position held in trust for benefits changed during the years ended December 31, 2016 and 2015. These statements reflect contributions by participants and the Company along with investment income during the period from investing activities. Deductions for benefit payments to participants and administrative expenses are also presented.

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

CALIFORNIA ISO RETIREMENT SAVINGS BENEFITS PLAN MANAGEMENT'S DISCUSSION AND ANALYSIS

The supplemental schedule details the schedule of assets held as of December 31, 2016. It is the same schedule that is submitted with the Plan's Internal Revenue Service/U.S. Department of Labor Form 5500 Schedule H. This information is presented for the purpose of additional analysis and is not a required part of the financial statements.

Financial Analysis

The Plan's investments as of December 31, 2016, amounted to \$206.6 million, compared to \$190.5 million at December 31, 2015, and \$188.2 million at December 31, 2014.

Additions to the Plan's net position held in trust for pension benefits include contributions, rollovers, net appreciation in fair value of investments, and any investment income. Participant contributions and rollovers in 2016 amounted to \$8.1 million, compared to \$8.4 million and \$7.6 million in Plan years 2015 and 2014, respectively. Employee contributions increased by \$0.01 million in 2016, compared to 2015 and rollover activity decreased by \$0.3 million in 2016 compared to 2015. Employer contributions in 2016 amounted to \$9.7 million, compared to \$9.7 million in 2015 and \$9.1 million in 2014.

The Plan recognized net investment income of \$14.6 million in 2016, compared to net investment losses of \$1.2 million in 2015 and net investment income of \$9.2 million in 2014. The investment losses experienced in 2015 were due to a slowdown in the financial markets caused by global growth concerns, a further decline in commodity prices, and continued strength in the U.S. dollar.

Deductions from the Plan's net position held in trust for pension benefits include benefit payments to participants and administrative expenses. In 2016, deductions amounted to \$16.1 million, compared to \$14.1 million in 2015 and \$12.5 million in 2014. The increase in deductions in 2016 and 2015 compared to 2014 is primarily due to balances distributed to participants due to retirements, terminations, and other qualified reasons.

CALIFORNIA ISO RETIREMENT SAVINGS BENEFITS PLAN MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Statements of Net Position Available for Benefits (in millions):

	December 31,		
	2016	2015	2014
ASSETS			
Investments	\$ 206.6	\$ 190.5	\$ 188.2
Contributions receivable	5.5	5.5	5.1
Notes receivable from participants	2.9	2.7	2.6
NET POSITION HELD IN TRUST FOR BENEFITS	<u>\$ 215.0</u>	<u>\$ 198.7</u>	<u>\$ 195.9</u>

	Year Ended December 31,		
	2016	2015	2014
ADDITIONS			
Investment income (loss)	\$ 14.6	\$ (1.2)	\$ 9.2
Contributions	17.8	18.1	16.7
Total additions	32.4	16.9	25.9
DEDUCTIONS			
Benefits paid to participants and administrative expenses	16.1	14.1	12.5
CHANGE IN NET POSITION	16.3	2.8	13.4
NET POSITION HELD IN TRUST FOR BENEFITS			
Beginning of year	198.7	195.9	182.5
End of year	<u>\$ 215.0</u>	<u>\$ 198.7</u>	<u>\$ 195.9</u>

FINANCIAL STATEMENTS

CALIFORNIA ISO RETIREMENT SAVINGS BENEFITS PLAN
STATEMENTS OF NET POSITION AVAILABLE FOR BENEFITS

	December 31,	
	<u>2016</u>	<u>2015</u>
ASSETS		
Investments, at fair value	\$ 206,571,994	\$ 190,455,449
Receivables		
Employer contributions	5,553,100	5,502,823
Participant contributions	816	122
Notes receivable from participants	<u>2,863,568</u>	<u>2,783,357</u>
NET POSITION HELD IN TRUST FOR BENEFITS	<u>\$ 214,989,478</u>	<u>\$ 198,741,751</u>

CALIFORNIA ISO RETIREMENT SAVINGS BENEFITS PLAN
STATEMENTS OF CHANGES IN NET POSITION AVAILABLE FOR BENEFITS

	Years Ended December 31,	
	2016	2015
ADDITIONS		
Investment income		
Net appreciation (depreciation) in fair value of investments	\$ 9,669,173	\$ (7,697,180)
Dividends and interest	4,804,328	6,424,930
	<u>14,473,501</u>	<u>(1,272,250)</u>
Interest income on notes receivable from participants	<u>116,528</u>	<u>125,489</u>
Contributions		
Employer	9,668,631	9,687,289
Participant	7,684,629	7,671,103
Rollovers	411,259	766,543
	<u>17,764,519</u>	<u>18,124,935</u>
Total additions	<u>32,354,548</u>	<u>16,978,174</u>
DEDUCTIONS		
Benefits paid to participants	15,981,286	13,981,552
Administrative expenses	125,535	116,671
Total deductions	<u>16,106,821</u>	<u>14,098,223</u>
CHANGE IN NET POSITION	16,247,727	2,879,951
NET POSITION HELD IN TRUST FOR BENEFITS		
Beginning of year	<u>198,741,751</u>	<u>195,861,800</u>
End of year	<u>\$ 214,989,478</u>	<u>\$ 198,741,751</u>

CALIFORNIA ISO RETIREMENT SAVINGS BENEFITS PLAN

NOTES TO FINANCIAL STATEMENTS

Note 1 – The Plan and Significant Accounting Policies

General – The following description of California ISO Retirement Savings Benefits Plan (the Plan) provides only general information. Participants should refer to the plan document for a more complete description of the Plan’s provisions.

The Plan is a defined contribution plan that was established in 1997 by the California Independent System Operator Corporation (the Company) to provide benefits to eligible employees, as defined in the plan document. The Plan is currently designed to be qualified under the applicable requirements of the Internal Revenue Code (the Code) and the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

As of December 31, 2016 and 2015, there were approximately 700 plan members.

Administration – The Company has appointed the Employee Pension Benefits Committee (the Committee) to manage the operation and administration of the Plan. The Company has contracted with Charles Schwab Bank (the Trustee) to act as the trustee, and Charles Schwab Retirement Plan Services, Inc., an affiliate of the Trustee, to process and maintain the records of participant data. Substantially all expenses incurred for administering the Plan are paid by the Company.

Financial reporting entity and basis of accounting – The Plan is governed by the Board of Directors of the Company. The Company’s five-member Board is currently appointed by the California governor and subject to confirmation by the California State Senate. The Plan uses the economic resources measurement focus and the accrual basis of accounting in accordance with standards of the Governmental Accounting Standards Board (GASB).

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment valuation and income recognition – The Plan’s investments are reported at fair value. The Trustee certifies the contract value of the stable value fund and the fair market value of all other investments. If available, quoted market prices are used to value investments. Fair value is the price that would be received on the sale of an asset or paid to transfer a liability (the “exit price”) in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan’s gains and losses on investments bought or sold as well as held during the year.

Contract value is the relevant measurement for assets invested in fully benefit-responsive investment contracts because contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the Plan.

CALIFORNIA ISO RETIREMENT SAVINGS BENEFITS PLAN

NOTES TO FINANCIAL STATEMENTS

Note 1 – The Plan and Significant Accounting Policies (continued)

Notes receivable from participants – Notes receivable from participants are measured at amortized cost, which represents unpaid principal balance plus accrued but unpaid interest. Delinquent notes receivable from participants are reclassified as distributions upon the occurrence of a distributable event, based on the terms of the plan document.

Payment of benefits – Benefits are recorded when paid.

Forfeitures – Forfeited nonvested accounts at December 31, 2016 and 2015, totaled \$71,435 and \$117,446, respectively, and may be used to reduce future employer contributions. Forfeitures totaling \$69,286 and \$117,256 were used to reduce the Company’s contributions for the years ended December 31, 2016 and 2015, respectively.

Income taxes – The plan document is a prototype standardized defined contribution plan that received a favorable opinion letter from the Internal Revenue Service dated June 19, 2014. The Plan administrator believes that the Plan is operated in accordance with, and qualifies under, the applicable requirements of the Code and related state statutes and that the trust, which forms a part of the Plan, is exempt from federal income and state franchise taxes.

Risks and uncertainties – The Plan provides for various investment options in any combination of investment securities offered by the Plan. Investment securities are exposed to various risks, such as interest rate, market fluctuations, and credit risks. Due to the risk associated with certain investment securities, it is at least reasonably possible that changes in market values, interest rates, or other factors in the near term would materially affect participants’ account balances and the amounts reported in the statement of net position available for benefits.

New accounting standard – The Plan adopted GASB Statement No. 72, Fair Value Measurement and Application (GASB No. 72) for the year ended December 31, 2016. GASB No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and includes new disclosure requirements for fair value measurements. These fair value measurements and disclosures were applied on a retrospective basis as of December 31, 2015 in accordance with the guidance in GASB No. 72.

Reclassification – Certain amounts from the prior year statement of net position available for benefits have been reclassified, in order to conform to the current year presentation.

Note 2 – Related Party Transactions

Certain investments are managed by affiliates of the Trustee. Any purchases and sales of these funds are performed in the open market at fair value. Such transactions, while considered party-in-interest transactions under ERISA regulations, are permitted under the provisions of the Plan and are specifically exempt from the prohibition of party-in-interest transactions under ERISA.

CALIFORNIA ISO RETIREMENT SAVINGS BENEFITS PLAN

NOTES TO FINANCIAL STATEMENTS

Note 3 – Participation and Benefits

Participant contributions – Participants may elect to contribute eligible pre-tax or Roth compensation to the Plan up to the amounts allowable under the plan document and current income tax regulations. Participants who have the Company contribute a portion of their compensation to the Plan agree to accept an equivalent reduction in taxable or taxed compensation. Contributions withheld are invested in accordance with the participant's direction.

Participants are also allowed to make rollover contributions of amounts received from other tax-qualified employer-sponsored retirement plans. Such contributions are deposited in the appropriate investment funds in accordance with the participant's direction and the Plan's provisions.

Effective April 1, 2017, the Plan was amended to include auto enrollment. Participants hired on or after the effective date who do not make another election will be automatically enrolled in the Plan at a 3% non-escalating rate.

Employer contributions – The Company may make contributions to the Plan in the form of matching contributions as defined in the Plan and as approved by the Board of Directors. In 2016 and 2015, the Company matched 100% of each eligible participant's contribution up to a maximum of 6% of the participant's compensation.

In addition, the Company is allowed to make Annual Retirement Contributions based on years of credited service with the Company, as defined in the Plan and as approved by the Board of Directors. Annual Retirement Contributions of \$5,416,127 and \$5,410,440, prior to a reduction by using forfeited amounts, have been made for the years ended December 31, 2016 and 2015, respectively.

Vesting – Participants are immediately vested in their contributions. Participants are fully vested in the employer's matching and Annual Retirement Contributions allocated to their account after four years of credited service.

Participant accounts – Each participant's account is credited with the participant's contribution, Plan earnings or losses, and an allocation of the Company's contributions, if any. Allocation of the Company's contributions is based on participant contributions and years of credited service, as defined in the Plan.

Payment of benefits – Upon termination, the participants or beneficiaries may elect to leave their account balance in the Plan, or receive their total benefits in a lump sum amount equal to the value of the participant's vested interest in their account. The Plan allows for the automatic lump sum distribution of participant vested account balances that do not exceed \$1,000.

CALIFORNIA ISO RETIREMENT SAVINGS BENEFITS PLAN

NOTES TO FINANCIAL STATEMENTS

Note 3 - Participation and Benefits (continued)

Notes receivable from participants – The Plan allows participants to borrow not less than \$1,000 and up to the lesser of \$50,000 or 50% of their vested account balance. The notes receivable are secured by the participant's vested balance. Such notes receivable bear interest at the available market financing rates and must be repaid to the Plan within a five-year period, unless the proceeds are used for the purchase of a principal residence in which case the maximum repayment period may be longer. The specific terms and conditions of such notes receivable are established by the Committee. As of December 31, 2016, the rates of interest on outstanding loans ranged from 4.25% to 8.25% with various maturities through December 2031.

Note 4 - Information Certified by the Trustee

All investment information disclosed in the accompanying financial statements and supplemental schedule, including investments held as of December 31, 2016 and 2015, and net appreciation (depreciation), interest, and dividends for the years ended December 31, 2016 and 2015, was obtained or derived from information supplied to the Plan administrator and certified as complete and accurate by the Trustee in accordance with 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

Note 5 - Investments

The mutual funds, money market fund, and the collective trust (collectively, the funds) offered by the Plan are initially selected based on criteria including risk and relative performance versus similar funds within an investment category, the level of expense ratios, and consistency and tenure of the funds' management. After a fund has been selected, the advisory committee reviews the fund for the continued conformance with these criteria. If a fund does not conform to these retention criteria, it is flagged for continued attention and placed on a "watch" list, or removed as a continuing investment option for Plan participants. The Committee reviews quarterly and annual performance of funds versus benchmarks. The Committee also reviews funds for potential departures from the investment styles that were in place at the time of fund selection.

The Plan also permits participants to establish self-directed brokerage accounts, which provide participants with the ability to purchase most legally permissible investments for a retirement account. Neither the Company nor the advisory committee will monitor investments made within the brokerage account (other than such review as may be necessary to ensure that the investment is permitted by ERISA).

CALIFORNIA ISO RETIREMENT SAVINGS BENEFITS PLAN

NOTES TO FINANCIAL STATEMENTS

Note 5 – Investments (continued)

Custodial credit risk – Custodial credit risk for investments is the risk that an issuer or other counterparty will not fulfill its obligations to the Plan and custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Plan's policies do not specifically address custodial credit risk, but all the Plan's investments are insured or registered, or held by the Plan or its agent in the Plan's name. The Plan does not have an investment policy that would limit its investment choices to address custodial credit risk.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. The Plan has direct investments in debt instruments, such as certificates of deposit and corporate bonds, and indirect investments, such as fixed income mutual funds other than money market funds, exchange-traded funds, and collective trusts that are subject to interest rate risk. The Plan attempts to mitigate interest rate risk through portfolio diversification.

The investment maturities of the Plan's fixed income investments are summarized as follows as of December 31, 2016:

Investment	Fair Value	Investment Maturities (in years)			
		< 1	1 - 5	5 - 10	> 10
Mutual funds					
PIMCO Total Return Fund	\$ 12,202,340	\$ (2,574,694)	\$ 9,249,374	\$ 3,733,916	\$ 1,793,744
Vanguard Federal Money Market Fund	15,817,219	15,532,509	284,710	-	-
Metropolitan West Total Return Bond Fund I	8,889,273	791,145	3,084,578	3,804,609	1,208,941
Collective trust					
INVESCO Stable Value Fund	11,106,389	2,443,406	8,440,856	222,128	-
	<u>\$ 48,015,221</u>	<u>\$ 16,192,366</u>	<u>\$ 21,059,518</u>	<u>\$ 7,760,653</u>	<u>\$ 3,002,685</u>

Credit risk – Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its payments on a security under the original term. As of December 31, 2016, the Plan had the following credit quality mix in its fixed income securities.

Investment	Fair Value	Ratings						
		AAA	AA	A	BBB	BB	B	CCC & Below
Mutual funds								
PIMCO Total Return Fund	\$ 12,202,340	\$ 9,115,148	\$ 488,094	\$ 915,176	\$ 622,319	\$ 597,915	\$ 146,428	\$ 317,260
Vanguard Federal Money Market Fund	15,817,219	-	-	15,817,219	-	-	-	-
Metropolitan West Total Return Bond Fund I	8,889,273	5,706,913	435,574	1,386,727	871,149	186,675	62,225	240,010
Collective trust								
INVESCO Stable Value Fund	11,106,389	8,451,962	399,830	1,343,873	910,724	-	-	-
	<u>\$ 48,015,221</u>	<u>\$ 23,274,023</u>	<u>\$ 1,323,498</u>	<u>\$ 19,462,995</u>	<u>\$ 2,404,192</u>	<u>\$ 784,590</u>	<u>\$ 208,653</u>	<u>\$ 557,270</u>

CALIFORNIA ISO RETIREMENT SAVINGS BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS

Note 5 – Investments (continued)

Foreign currency risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit denominated in a foreign currency. The Plan invests in exchange-traded funds that are specifically identified as having an investment focus outside the United States, international equity mutual funds, and American Depositary Receipts (ADRs). The Plan attempts to mitigate foreign currency risk through portfolio diversification. The Plan’s investments include the following foreign investments at December 31, 2016:

Mutual funds	\$ 27,644,933
American depositary receipts	198,087
Exchange-traded funds	1,913
	<hr/>
	\$ 27,844,933
	<hr/> <hr/>

Note 6 – Fair Value Measurements

The Plan categorizes the fair value measures of its assets within the fair value hierarchy established by generally accepted accounting principles outlined in GASB No. 72. The framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs and significant value drivers are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 – Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

CALIFORNIA ISO RETIREMENT SAVINGS BENEFITS PLAN

NOTES TO FINANCIAL STATEMENTS

Note 6 – Fair Value Measurements (continued)

The tables below summarize the Plan’s fair value measurements as of December 31, 2016 and 2015:

	Fair Value Measurement as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Money market fund	\$ 15,817,249	\$ -	\$ -	\$ 15,817,249
Mutual funds	146,731,450	-	-	146,731,450
	<u>\$ 162,548,699</u>	<u>\$ -</u>	<u>\$ -</u>	162,548,699
Self-directed brokerage accounts**				32,916,906
Investments measured at NAV practical expedient				11,106,389
Investments at fair value				<u>\$ 206,571,994</u>

	Fair Value Measurement as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Money market fund	\$ 16,519,405	\$ -	\$ -	\$ 16,519,405
Mutual funds	130,621,015	-	-	130,621,015
	<u>\$ 147,140,420</u>	<u>\$ -</u>	<u>\$ -</u>	147,140,420
Self-directed brokerage accounts**				32,390,086
Investments measured at NAV practical expedient				10,924,943
Investments at fair value				<u>\$ 190,455,449</u>

** Self-directed brokerage accounts have multiple investment types with various fair value measurements.

Following is a description of the valuation techniques used for assets measured at fair value. There have been no changes in the techniques used at December 31, 2016 and 2015.

Registered investment companies (mutual funds) and money market funds: Valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Plan are deemed to be actively traded. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission.

Stable value fund: A stable value fund that is composed primarily of fully benefit-responsive investment contracts that is valued using the net asset value practical expedient (NAV practical expedient), an estimate of fair value. This NAV practical expedient would not be used if it is determined to be probable that the Plan will sell the investment for an amount different from the reported net asset value. Participant transactions (purchases and sales) may occur daily. If the plan initiates a full redemption of the trust, the issuer reserves the right to temporarily delay withdrawal from the trust in order to ensure that securities liquidations will be carried out in an orderly business manner.

CALIFORNIA ISO RETIREMENT SAVINGS BENEFITS PLAN
NOTES TO FINANCIAL STATEMENTS

Note 7 – Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net position held in trust for benefits per the financial statements to the Form 5500 as of December 31, 2015:

Net position held in trust for benefits per the financial statements	\$ 198,741,751
Adjustment from contract value to fair value for stable value fund	<u>80,769</u>
Net assets per the Form 5500	<u><u>\$ 198,822,520</u></u>

The following is a reconciliation of the affected component of the changes in net position held in trust for benefits per the financial statements to the Form 5500 for the year ended December 31, 2016:

Change in net position per the financial statements	\$ 16,247,727
Adjustment from contract value to fair value for stable value fund	<u>(80,769)</u>
Net income per the Form 5500	<u><u>\$ 16,166,958</u></u>

Note 8 – Plan Termination

The Company intends to continue the Plan indefinitely for the benefit of its participants. However, the Company reserves the right to terminate or modify the Plan at any time by resolution of its Board of Directors and subject to the provisions of ERISA. In the event of Plan termination, participants would become 100% vested in their employer contributions.

SUPPLEMENTAL SCHEDULE

CALIFORNIA ISO RETIREMENT SAVINGS BENEFITS PLAN
SCHEDULE H, LINE 4(i) – SCHEDULE OF ASSETS (HELD AT END OF YEAR)
DECEMBER 31, 2016

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
	American Beacon International Equity Fund	Mutual fund	**	\$ 7,486,097
	AMG Mid Cap Fund	Mutual fund	**	5,117,924
	Brown Capital Management Small Company Fund	Mutual fund	**	5,830,757
	Cohen & Steers Institutional Global Realty Fund	Mutual fund	**	1,743,698
	DFA U.S. Small Cap Fund	Mutual fund	**	10,036,525
	American Funds EuroPacific Growth Stock Fund	Mutual fund	**	9,105,097
	Goldman Sachs Growth Opportunity Fund	Mutual fund	**	1,244,132
	Hotchkis & Wiley Mid-Cap Value Fund	Mutual fund	**	3,358,161
	Metropolitan West Total Return Bond I Fund	Mutual fund	**	8,889,273
	PIMCO All Asset Fund	Mutual fund	**	4,291,448
	PIMCO Total Return Fund	Mutual fund	**	12,202,340
	T. Rowe Price Growth Stock Fund	Mutual fund	**	15,606,223
	Vanguard Fed Money Market Fund	Money market fund	**	15,817,219
	Vanguard Institutional Index Fund	Mutual fund	**	34,503,283
	Vanguard Total Institutional Stock Index Fund	Mutual fund	**	8,881,370
	Vanguard Windsor II Admiral Fund	Mutual fund	**	12,942,983
	Victory Integrity Small Cap Value Fund	Mutual fund	**	5,492,169
*	Personal Choice Retirement Accounts	Self-directed brokerage accounts	**	32,916,906
	INVESCO Stable Value Fund	Collective trust	**	11,106,389
*	Participant loans	Interest rates ranging from 4.25% to 8.25%, maturing through December 2031	-	2,863,568
				\$ 209,435,562

* Indicates party-in-interest.

** Information is not required as investments are participant directed.