

QUARTERLY FINANCIAL REPORT

SEPTEMBER 30, 2019

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
QUARTERLY FINANCIAL REPORT - September 30, 2019**

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CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the quarter ended September 30, 2019

Results of Operations

Revenues

Through the third quarter ending September 30, 2019, operating revenues were higher by \$0.8 million compared to the budgeted amounts. The overall increase in revenues was due to higher other revenues amounting to \$1.7 million, partially offset by lower GMC revenues of \$0.9 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 \$4.3 million under budget through the third quarter of the year, largely due to timing of expenses.

Interest income and other are higher than budget through the third quarter due to higher interest earned and 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 year to date.

Capital Projects

Through the end of the third quarter of 2019, \$16.0 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 October 7, 2019, the ISO maintained \$2.2 billion in collateral from market participants to support \$295.0 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 September 30, 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	\$ 56,047	\$ 59,810	\$ 146,441	\$ 150,623	\$ 147,369
Other revenues	5,035	4,948	13,959	14,741	12,225
Total operating revenues	61,082	64,758	160,400	165,364	159,594
<u>Operating expenses:</u>					
Salaries and benefits	35,965	33,831	102,923	97,560	103,254
Building, leases and facility	526	552	1,413	1,528	1,849
Insurance	312	953	1,010	1,632	1,831
Third party vendor contracts	2,787	3,144	10,653	10,288	11,174
Consulting and contracting services	3,660	3,156	12,273	9,292	12,707
Legal and audit	295	737	1,759	1,990	2,547
Training, travel and professional dues	591	761	2,011	1,984	2,742
Other	630	555	1,752	1,618	1,959
Total operating expenses	44,766	43,689	133,794	125,892	138,063
Operating income before depreciation and amortization	16,316	21,069	26,606	39,472	21,531
<u>Depreciation and amortization</u>	4,961	9,634	20,700	25,904	20,000
Net operating income (loss)	11,355	11,435	5,906	13,568	1,531
<u>Other income (expenses)</u>					
Interest income & other	1,713	1,029	8,019	1,496	2,475
Interest expense	(2,129)	(2,186)	(6,399)	(6,565)	(6,396)
Total other income (expenses)	(416)	(1,157)	1,620	(5,069)	(3,921)
Excess (deficiency) of revenues over expenses	\$ 10,939	\$ 10,278	\$ 7,526	\$ 8,499	\$ (2,390)
Number of full-time employees			670	627	647

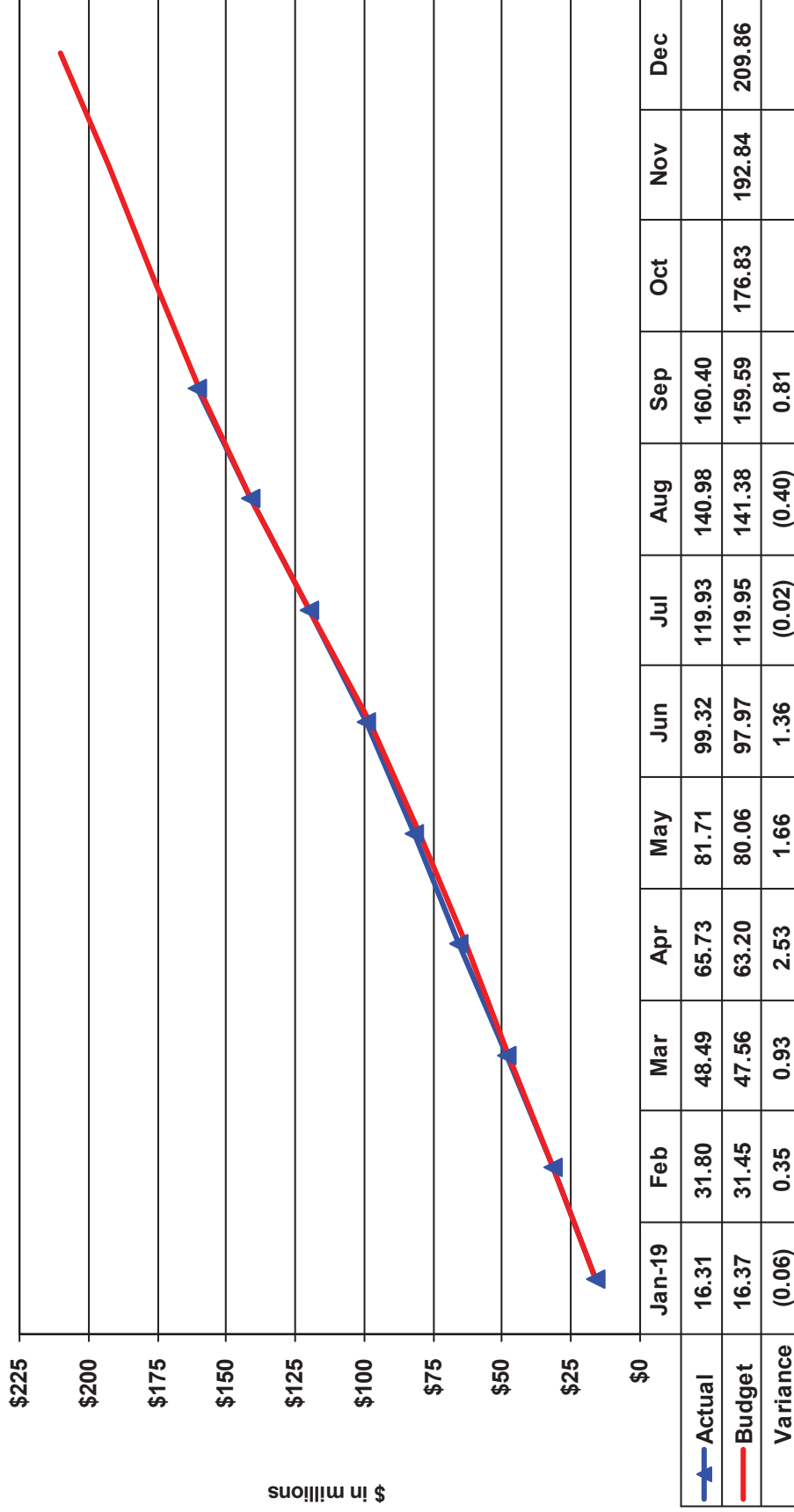
CALIFORNIA ISO
Balance Sheet

As of September 30, 2019
(dollars in thousands)

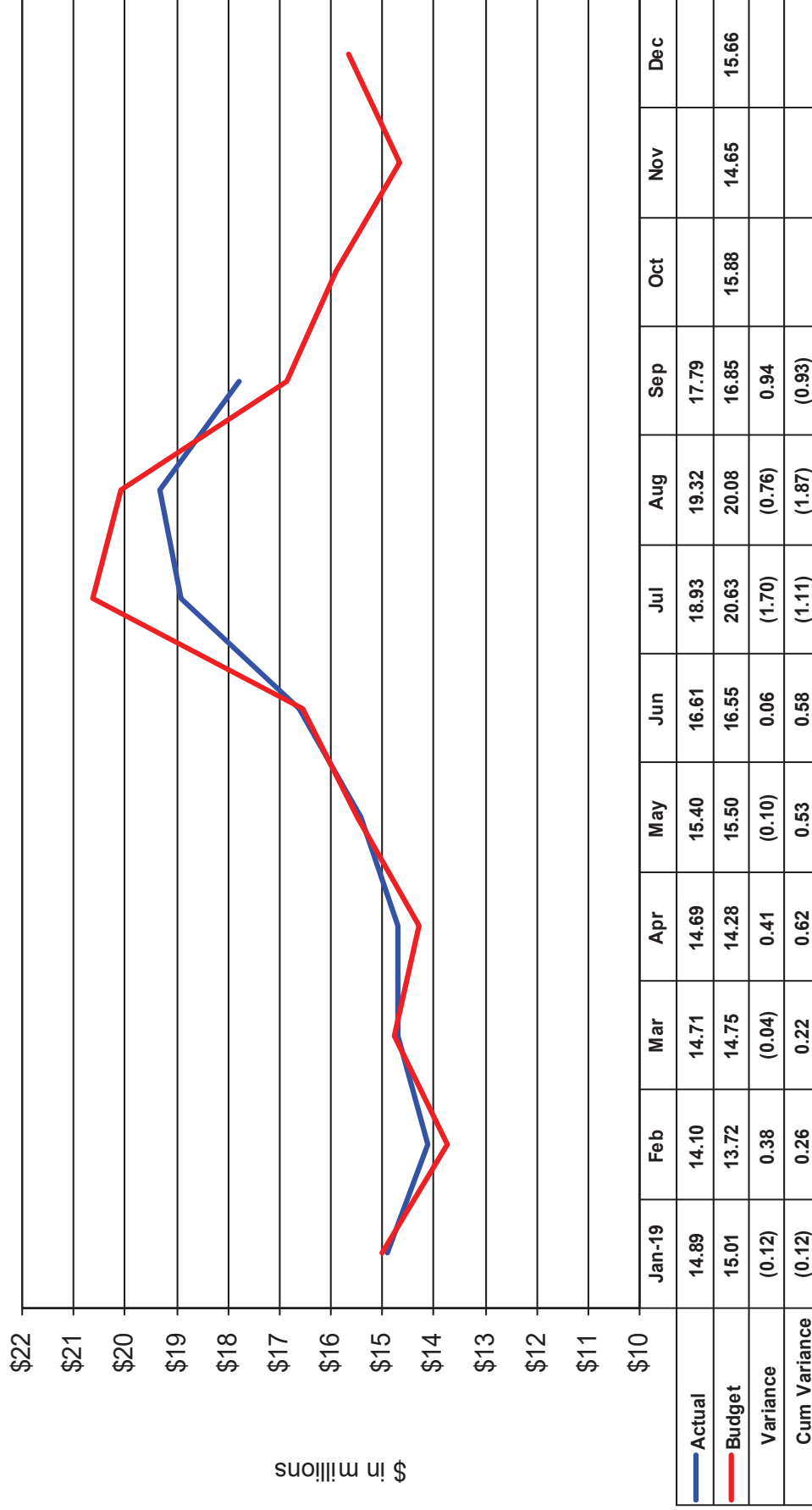
	Current Quarter 9/30/2019	Prior Year 12/31/2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, including restricted amounts	\$ 332,360	\$ 324,901
Accounts receivable	28,329	22,383
Short-term Investments, including restricted amounts	58,625	69,927
Other current assets	5,795	6,437
Total current Assets	<u>425,109</u>	<u>423,648</u>
NONCURRENT ASSETS		
Long-term investments, including restricted amounts	188,346	159,012
Fixed assets, net	165,118	167,080
Other assets	6,829	10,366
Total noncurrent assets	<u>360,293</u>	<u>336,458</u>
TOTAL ASSETS	<u>\$ 785,402</u>	<u>\$ 760,106</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	5,553	12,126
Accrued salaries and compensated absences	33,166	34,861
Current portion of long-term debt	5,165	4,970
Due to market participants	375,404	345,182
Generator noncompliance fines refund obligation	1,891	1,805
Total current liabilities	<u>421,179</u>	<u>398,944</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	170,176	175,788
Employee retirement plan obligations	15,715	19,067
Total noncurrent liabilities	<u>185,891</u>	<u>194,855</u>
TOTAL LIABILITIES	<u>607,070</u>	<u>593,799</u>
TOTAL NET ASSETS	<u>178,332</u>	<u>166,307</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 785,402</u>	<u>\$ 760,106</u>

Cumulative Operating Revenues

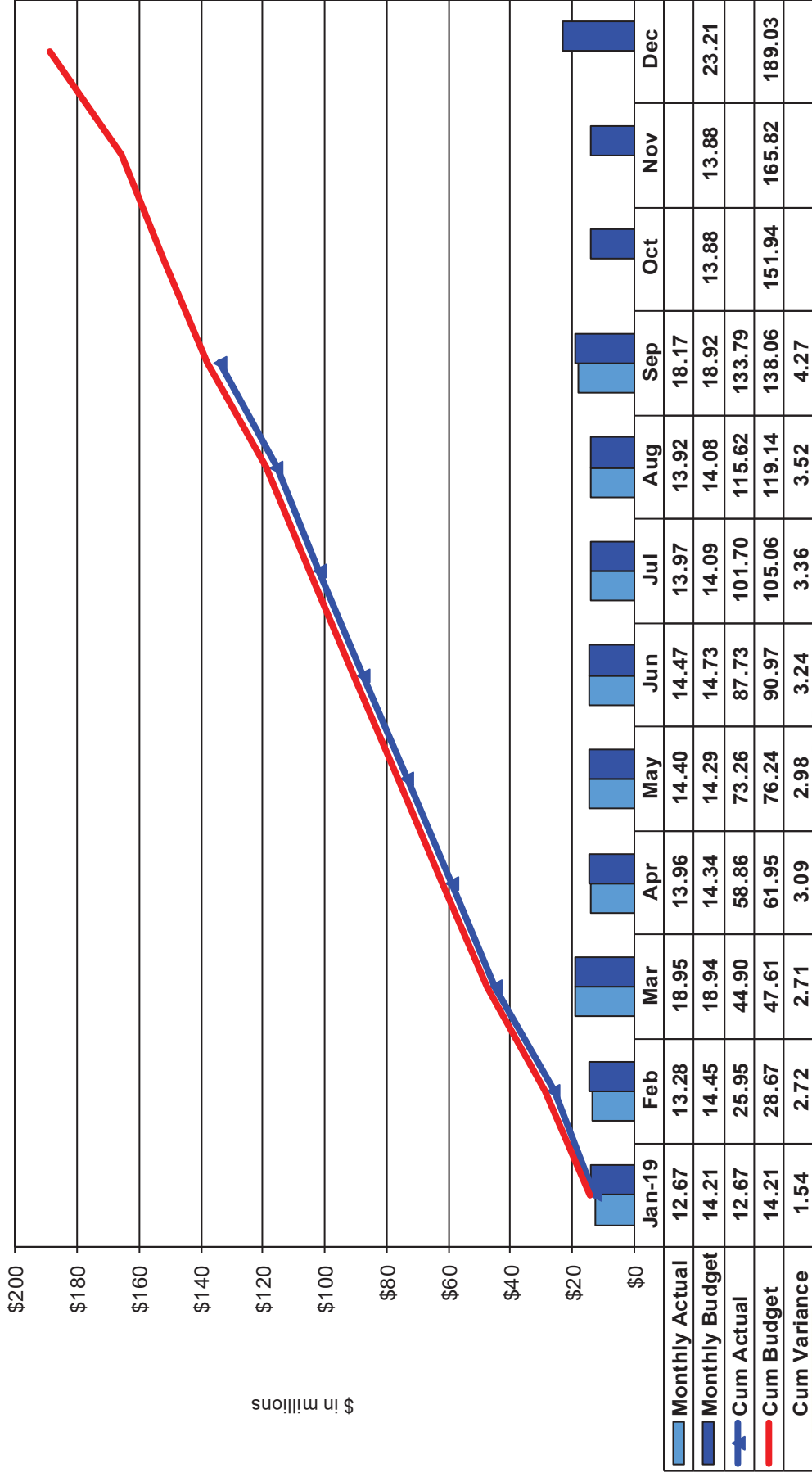
Revenues = GMC & Other Revenues



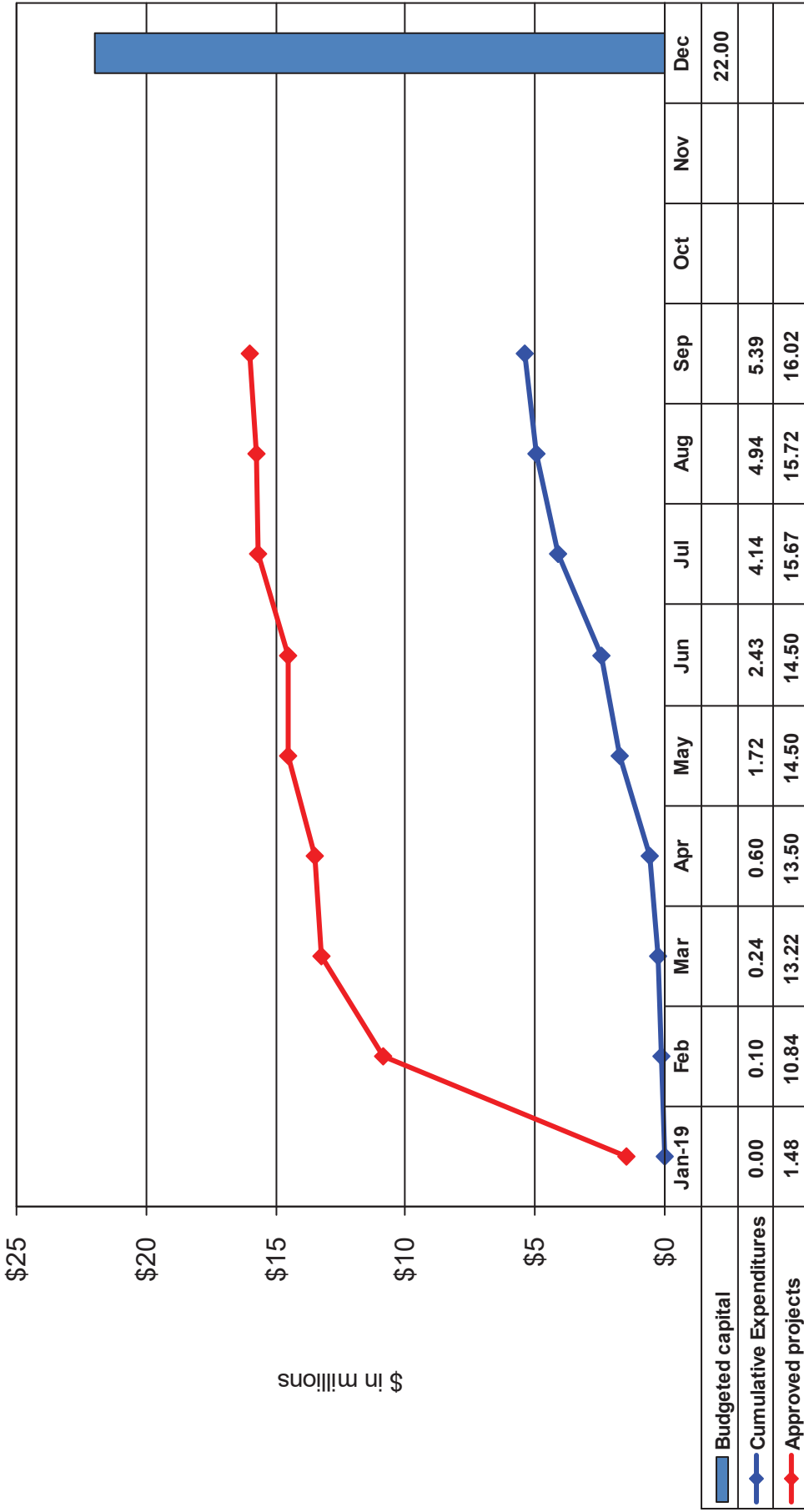
Monthly GMC Revenues



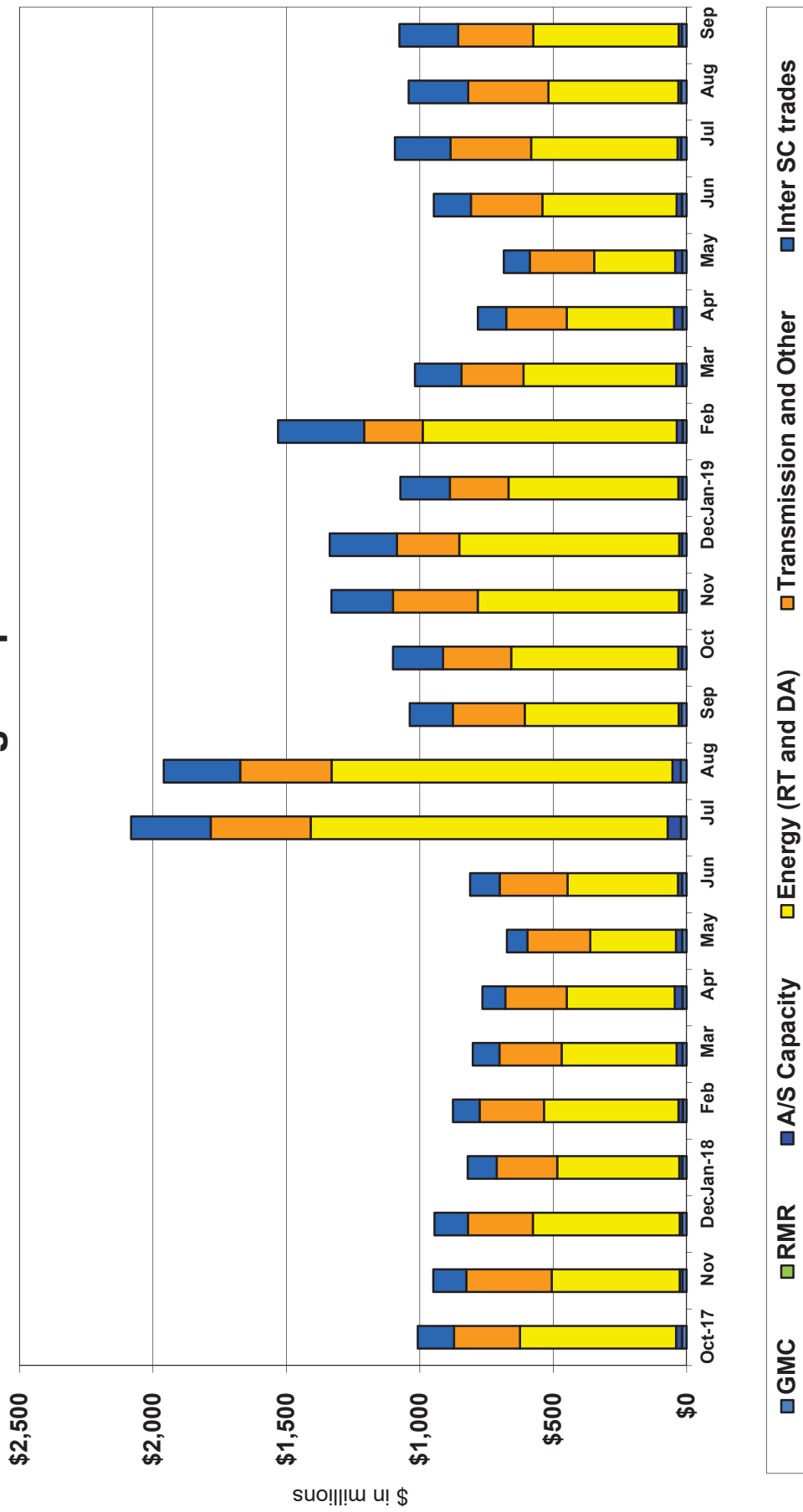
Operating and Maintenance Expenses (O&M)



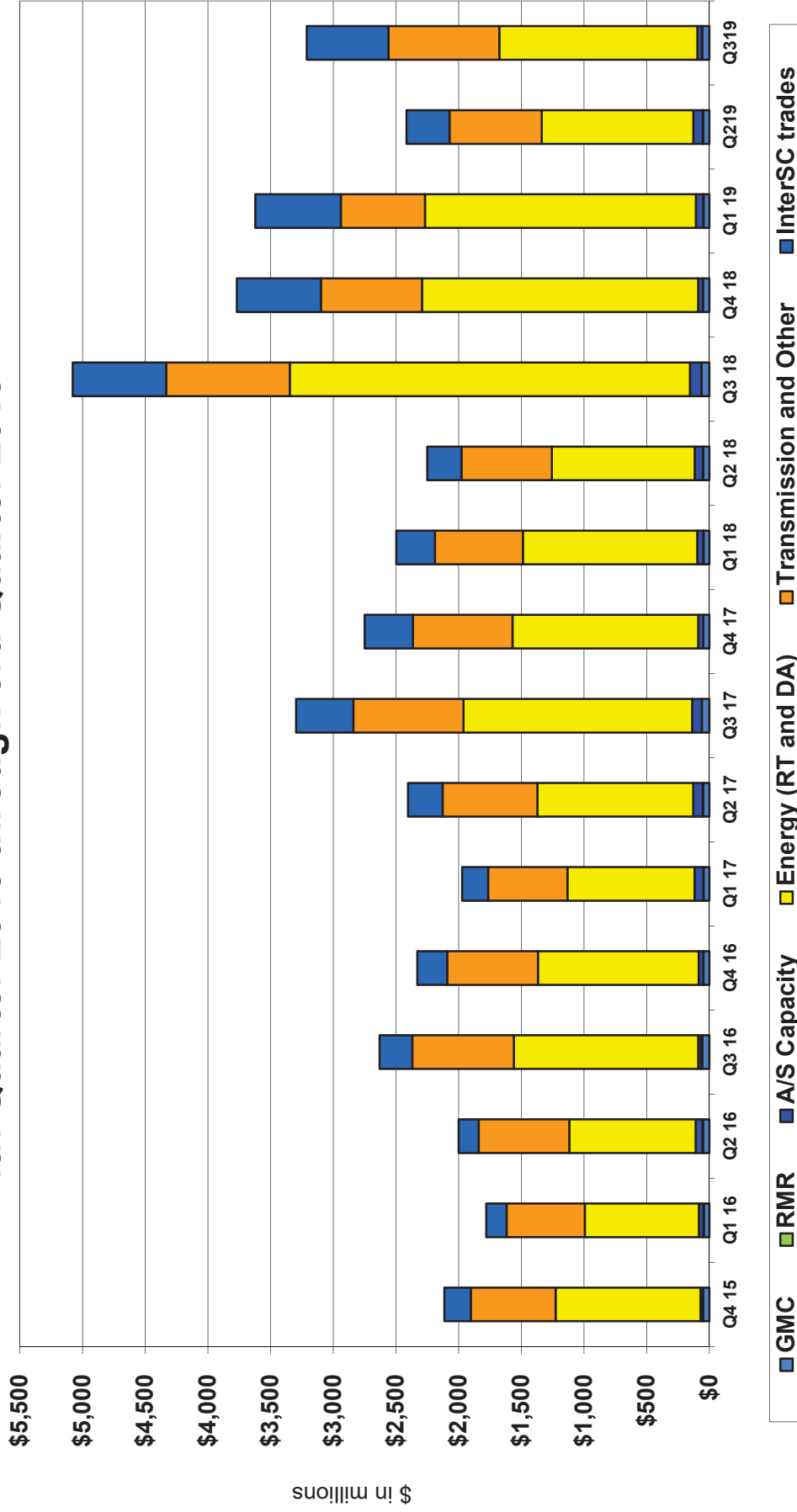
Cumulative Capital Expenditures



ISO Market Revenues By Month Oct 2017 through Sep 2019



ISO Market Revenues By Quarter 4th Quarter 2015 through 3rd Quarter 2019



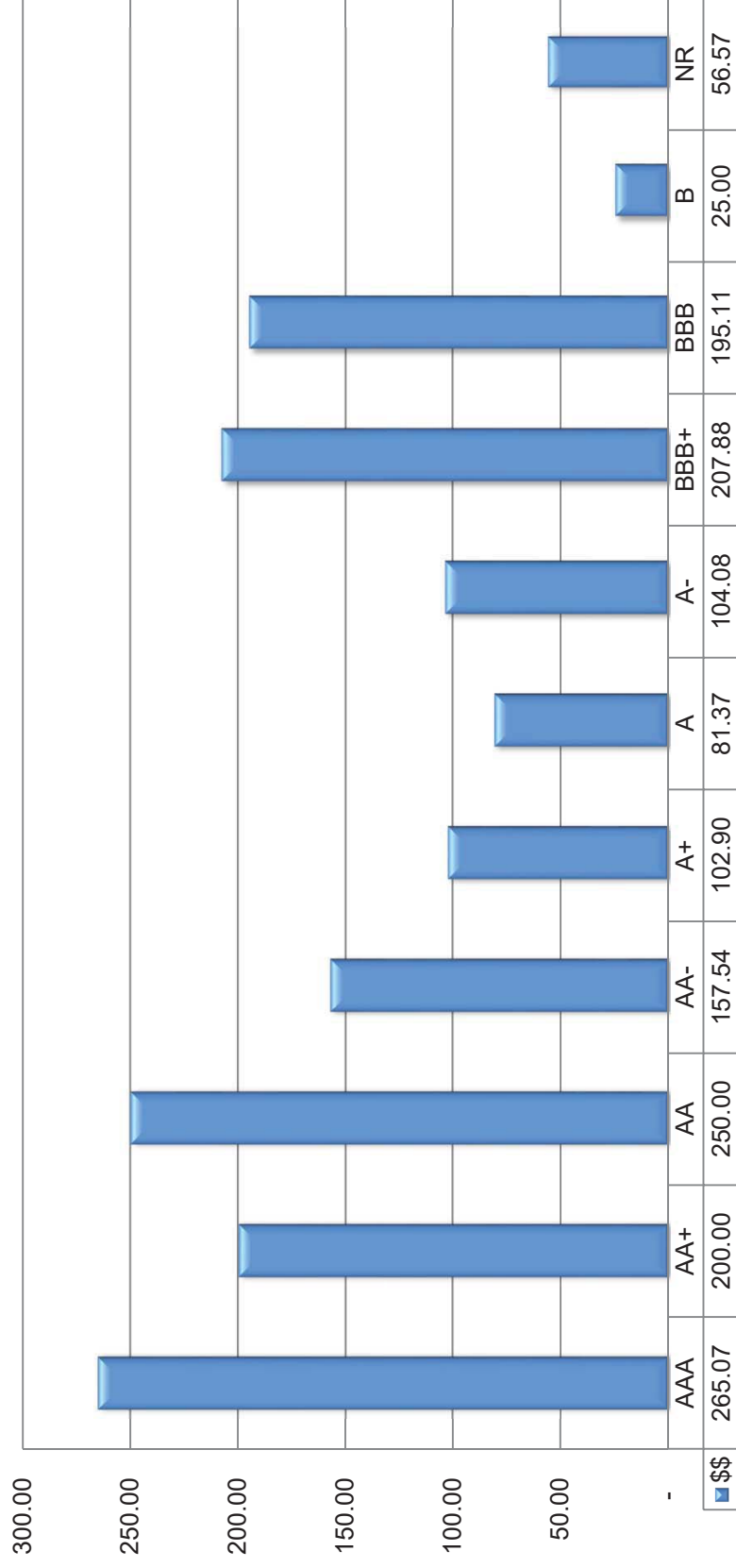
Collateral & Estimated Aggregate Liability (as of 10/07/2019)

Collateral Types	Amount
Unsecured	\$1,645,510,941
Secured	\$572,268,599
Total	\$2,217,779,540

Estimate Aggregate Liability	Amount
Positive EAL	\$295,048,487

Unsecured Collateral (as of 10/07/2019)

(in millions)



Secured Collateral (as of 10/07/2019)

(in millions)

