

# **California Independent System Operator Corporation**

**Financial Statements**

**December 31, 2025 and 2024**

**California Independent System Operator Corporation**  
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**December 31, 2025 and 2024**

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## **Report of Independent Auditors**

The Board of Directors and Management  
California Independent System Operator Corporation

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of California Independent System Operator Corporation, which comprise the statements of net position as of December 31, 2025 and 2024, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of California Independent System Operator Corporation as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of California Independent System Operator Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about California Independent System Operator Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of California Independent System Operator Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about California Independent System Operator Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, and the schedule of changes in the net OPEB liability and related ratios on page 42, and schedule of employer contributions to the OPEB plan on page 43 be presented to supplement the financial statements. Such information is the responsibility of management and, 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 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 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.

*Baker Tilly US, LLP*

Portland, Oregon  
April 16, 2026

# California Independent System Operator Corporation

## Management's Discussion and Analysis (Unaudited)

### December 31, 2025 and 2024

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The following discussion and analysis of the California Independent System Operator Corporation (the "Company") provides an overview of the Company's financial activities for the years ended December 31, 2025 and 2024. This discussion and analysis should be read in conjunction with the Company's financial statements and accompanying notes, which follow this section.

#### **Background**

The Company, a nonprofit public benefit corporation, is responsible for the reliable and efficient use of the transmission grid in most of California and a part of Nevada. The Company operates this grid, which is one of the largest and most modern power grids in the world, as a balancing authority within the Western Electricity Coordinating Council. The Company conducts comprehensive planning for the future development of this grid.

In addition, the Company administers a competitive energy market that matches supply with demand, procures operating reserves and allocates space on transmission lines for delivering electricity efficiently, all of which ultimately benefits consumers. This market provides open and nondiscriminatory access to the transmission grid for more than two hundred market participants. The Company also administers the Western Energy Imbalance Market ("WEIM"), as part of the Company's regionalization effort. This extension of the Company's real-time energy market facilitates transactions with and among several balancing authority areas in the western interconnection that are not a part of the grid the Company operates.

The company plans to launch its Enhanced Day Ahead Market ("EDAM") in 2026. Similar to WEIM's extension of the real-time market, EDAM will extend the company's day-ahead energy market to balancing authority areas in the western interconnection that have elected to participate. EDAM will deliver additional participant benefits and further support the company's regionalization goals.

The Company's markets and its grid operations are regulated by the Federal Energy Regulatory Commission and comply with standards set by the North American Electric Reliability Corporation and the Western Electricity Coordinating Council. A five-member Board of Governors (the "Board") appointed by the Governor of California and confirmed by the California State Senate governs the Company.

#### **Financial Reporting**

The Company's accounting records are maintained in accordance with generally accepted accounting principles for proprietary funds as prescribed by the Governmental Accounting Standards Board ("GASB").

Cash held by the Company on behalf of market participants is recorded in a restricted asset account with a corresponding liability due to market participants in the Statements of Net Position. Except for the retention of restricted assets noted above, the financial statements reflect a net reporting of market activities wherein the financial statements do not include the revenues and expenses, cash flows, or assets and liabilities associated with the market transactions the Company facilitates.

#### **Revenue**

The Company charges a Grid Management Charge ("GMC") to market participants to recover the Company's operating costs, capital expenditures, debt service costs, and to provide for an operating reserve. The GMC is comprised of the following three service categories: market services, system operations, and congestion revenue rights services.

The Company receives other revenues outside of its GMC charges including but not limited to: fees paid for participation in the Western Energy Imbalance Market, Reliability Coordinator services, generator interconnection studies, and for operation of the California-Oregon Intertie Path.

# California Independent System Operator Corporation

## Management's Discussion and Analysis (Unaudited)

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After accounting for other revenues, the Company establishes its annual net revenue requirement, which is allocated to the three GMC service categories based on percentages established in the tariff. Category costs are then divided by forecasted volumes to establish the annual rates.

#### **Liquidity**

The Company's tariff allows for GMC rates to be adjusted to ensure collection of the revenue requirement. During a year, if forecasted revenues from any of the three GMC service categories are materially different, as defined in the tariff, from budgeted revenues, the Company may adjust the rate for the affected category to realign the forecast revenue with the budgeted revenue.

Per the tariff, the revenue requirement includes an operating reserve, which is 15% of the current year's operating and maintenance budget, and a debt service reserve, which is 25% of the debt service to be paid during the year. The Company's operating and debt service reserves were fully funded in 2025 and 2024. Furthermore, the Company maintains capital reserves in its unrestricted funds, which consist of funds collected through the revenue requirement for future capital expenditures.

#### **The Market and Reliability Coordinator Service**

The Company's wholesale energy market is the vehicle for providing open-access transmission service to users of the transmission grid. It includes a day-ahead market for all twenty-four hours of the next operating day, and a real-time market that schedules resources in 15-minute intervals and dispatches them in 5-minute intervals. The day-ahead market clears supply and demand offers for short-term energy purchases and sales. The real-time market clears supply offers and the Company's forecast of demand. Together, these enable the economic scheduling and dispatch of generating resources to maintain reliable operation of the grid through continuous balance of supply and demand, along with management of congestion. The market also procures reserve capacity or ancillary services to maintain reliable operation under unexpected changes in grid conditions. In addition, the Company performs a settlement and clearing function by charging and collecting payments from users of these services and paying providers of such services.

The market prices energy at the points it enters and leaves the grid, which increases transparency and sends signals for competitive investments in transmission and generation. The market operates on an advanced and flexible platform helping to integrate renewable resources as well as demand response. These enhancements increase the functionality and flexibility of the market system to meet the on-going needs of market participants. The Company continues to develop enhancements to increase reliability, efficiency, and the accuracy of market results.

The Company also operates the Western Energy Imbalance Market. This extension of the Company's real-time energy market facilitates transactions with and among several balancing authority areas in the western interconnection that are not a part of the grid the Company operates. The WEIM provides reliability, efficiency and renewable integration benefits to the West while also providing economic benefits to participants. The broader footprint for the real-time market provides more opportunities to integrate cleaner sources of energy, such as wind and solar, that may be produced in one area but needed in another. The Company and twenty-one other balancing authorities are participating in the WEIM as of the end of 2025. In addition, the Enhanced Day Ahead Market (EDAM), which builds on the WEIM, is expected to launch in 2026. EDAM is expected to deliver additional participant benefits and support the company's regionalization goals. The Company serves as the Reliability Coordinator for entities within its footprint and for most of the balancing authorities and transmission operators in the West. As the Reliability Coordinator (known externally as "RC West"), the Company has the highest level

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of authority and responsibility for the reliable operation of the power grid and has a wide-area view of the bulk electricity system. In compliance with federal and regional grid standards, it can authorize measures to prevent or mitigate system emergencies. The Company is currently the Reliability Coordinator of record for twenty-four balancing authorities and forty transmission operators in the West.

**Financial Highlights**

***Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position***

The financial statements provide both short-term and long-term information about the Company’s financial status. The *Statements of Net Position* include all of the Company’s assets and liabilities, and deferred inflows and outflows, using the accrual method of accounting, and identify any assets, which are restricted because of bond covenants or external commitments. These Statements also provide information about the nature and amount of resources and obligations at specific points in time.

The *Statements of Revenues, Expenses and Changes in Net Position* report all of the Company’s revenues and expenses during the year.

The *Statements of Cash Flows* report the cash provided and used during the year by operating activities, as well as other cash sources such as investment income and debt financing, and other cash used such as payments for bond principal and capital additions.

**Condensed Statements of Net Position (in millions)**

|  | <b>2025</b>       | <b>2024</b>       | <b>2023</b>       |
|--|-------------------|-------------------|-------------------|
| <b>Assets and deferred outflows</b>                  |                   |                   |                   |
| Current assets                                       | \$ 963.3          | \$ 1,127.6        | \$ 1,056.4        |
| Fixed assets, net                                    | 168.3             | 143.9             | 127.7             |
| Other noncurrent assets                              | 236.1             | 239.8             | 264.8             |
| Deferred outflows                                    | 10.2              | 12.0              | 14.4              |
| Total assets and deferred outflows                   | <u>\$ 1,377.9</u> | <u>\$ 1,523.3</u> | <u>\$ 1,463.3</u> |
| <b>Liabilities and net position</b>                  |                   |                   |                   |
| Current liabilities                                  | \$ 1,005.1        | \$ 1,165.4        | \$ 1,091.3        |
| Long-term debt, net of current portion               | 130.2             | 139.1             | 147.9             |
| Other noncurrent liabilities                         | 12.5              | 11.5              | 6.8               |
| Deferred inflows                                     | 6.3               | 6.5               | 8.3               |
| Net position   | <u>223.8</u>      | <u>200.8</u>      | <u>209.0</u>      |
| Total liabilities, deferred inflows and net position | <u>\$ 1,377.9</u> | <u>\$ 1,523.3</u> | <u>\$ 1,463.3</u> |

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**Assets**

***Current Assets (in millions)***

|                                      | <b>2025</b>     | <b>2024</b>       | <b>2023</b>       |
|--------------------------------------|-----------------|-------------------|-------------------|
| Cash and cash equivalents            | \$ 877.2        | \$ 1,057.7        | \$ 1,002.6        |
| Short-term investments               | 23.4            | 30.4              | 18.1              |
| Accounts receivable and other assets | <u>62.7</u>     | <u>39.5</u>       | <u>35.7</u>       |
| Total current assets                 | <u>\$ 963.3</u> | <u>\$ 1,127.6</u> | <u>\$ 1,056.4</u> |

***2025 Compared to 2024***

As of December 31, 2025, current assets decreased by \$164.3 million during the year. This net decrease is largely due to lower deposits for generator interconnection project studies and other market accounts held for market participants. This was offset by higher accounts receivable balances due to the timing of the settlement of market invoices at year-end and higher balances related to the generator interconnection process.

***2024 Compared to 2023***

As of December 31, 2024, current assets increased by \$71.2 million during the year. This net increase is largely due to higher deposits for generator interconnection project studies and other market accounts held for market participants. Additionally, accounts receivable is higher because of the timing of the settlement of market invoices at year-end and to higher outstanding balances for forfeiture invoices.

***Fixed Assets, Net (in millions)***

|                              | <b>2025</b>     | <b>2024</b>     | <b>2023</b>     |
|------------------------------|-----------------|-----------------|-----------------|
| Fixed assets in service, net | \$ 128.2        | \$ 116.2        | \$ 114.2        |
| Work-in-progress             | <u>40.1</u>     | <u>27.7</u>     | <u>13.5</u>     |
| Total fixed assets, net      | <u>\$ 168.3</u> | <u>\$ 143.9</u> | <u>\$ 127.7</u> |

***2025 Compared to 2024***

Total fixed assets, net of accumulated depreciation, increased in 2025 by \$24.4 million compared to 2024. The increase is primarily due to higher net fixed assets in service of \$12.0 million, as a result of new net assets placed-in-service of \$33.3 million partially offset by the current year depreciation and amortization expenses of \$21.3 million. Work in-progress increased by \$12.4 million compared to 2024, due to the addition of new projects during the year. Subscription assets are included in the fixed assets in service.

***2024 Compared to 2023***

Total fixed assets, net of accumulated depreciation, increased in 2024 by \$16.2 million compared to 2023. The increase is primarily due to higher net fixed assets in service of \$2.0 million, as a result of new net assets placed-in-service of \$24.1 million partially offset by the current year depreciation and amortization expenses of \$22.1 million. Work in-progress increased by \$14.2 million compared to 2023, due to the addition of new projects during the year. Newly recognized subscription assets are included in the fixed assets in service.

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***Other Noncurrent Assets (in millions)***

|                               | <b>2025</b>     | <b>2024</b>     | <b>2023</b>     |
|-------------------------------|-----------------|-----------------|-----------------|
| Long-term investments         | \$ 223.5        | \$ 226.2        | \$ 252.2        |
| Other assets                  | <u>12.6</u>     | <u>13.6</u>     | <u>12.6</u>     |
| Total other noncurrent assets | <u>\$ 236.1</u> | <u>\$ 239.8</u> | <u>\$ 264.8</u> |

***2025 Compared to 2024***

Other noncurrent assets decreased by \$3.7 million in 2024. This change is largely attributable to decreased long-term investments amounting to \$2.7 million during the year due to lower corporate reserves. Other assets decreased by \$1.0 million primarily as a result of lower long-term prepaid balances.

***2024 Compared to 2023***

Other noncurrent assets decreased by \$25.0 million in 2024. This change is largely attributable to decreased long-term investments amounting to \$26.0 million during the year due to lower corporate reserves and to investing in short-term fixed income mutual funds. Other assets increased by \$1.0 million primarily as a result of higher executive benefit plans trust account balances and higher prepaid balances.

***Deferred Outflows (in millions)***

|  | <b>2025</b>    | <b>2024</b>    | <b>2023</b>    |
|--|----------------|----------------|----------------|
| Unamortized other postemployment benefit costs | \$ 1.7         | \$ 2.2         | \$ 3.3         |
| Unamortized loss on refunding of bonds         | <u>8.5</u>     | <u>9.8</u>     | <u>11.1</u>    |
| Total deferred outflows                        | <u>\$ 10.2</u> | <u>\$ 12.0</u> | <u>\$ 14.4</u> |

***2025 Compared to 2024***

The decrease in the deferred outflows balance of \$1.8 million is due to the current year amortization of the unamortized loss on refunding of bonds of \$1.3 million and to lower unamortized other employment benefit costs of \$0.5 million.

***2024 Compared to 2023***

The decrease in the deferred outflows balance of \$2.4 million is due to the current year amortization of the unamortized loss on refunding of bonds of \$1.3 million and to lower unamortized other employment benefit costs of \$1.1 million.

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**Liabilities**

***Current Liabilities (in millions)***

|   | <b>2025</b>       | <b>2024</b>       | <b>2023</b>       |
|---|-------------------|-------------------|-------------------|
| Accounts payable and accrued expenses     | \$ 21.0           | \$ 14.3           | \$ 14.4           |
| Accrued salaries and compensated absences | 55.5              | 59.8              | 53.5              |
| Current portion of long-term debt         | 8.9               | 8.8               | 8.8               |
| Due to market participants                | <u>919.7</u>      | <u>1,082.5</u>    | <u>1,014.6</u>    |
| Total current liabilities                 | <u>\$ 1,005.1</u> | <u>\$ 1,165.4</u> | <u>\$ 1,091.3</u> |

***2025 Compared to 2024***

Current liabilities as of December 31, 2025, decreased by \$160.3 million during the year. This decrease is due to lower amounts due to market participants of \$162.8 million and lower accrued salaries and compensated absences of \$4.3 million, partially offset by an increase in the year-end balance for accounts payable and accrued expenses of \$6.7 million and a slightly higher current position of the long-term debt of \$0.1 million.

The decrease in the market participant accounts is primarily the result of refunds of generation interconnection process (GIP) deposit for projects that were not accepted in the study process or were completed. This resulted in the net decrease in the transmission deposit account of \$195.6 million. In addition, market funds decreased by \$4.0 million as a result of market clearing activities during the period. These were offset by increases in the deposits for the Extended Day Ahead Market (EDAM) onboarding of \$1.8 million and the GIP power purchase agreement of \$20.4 million. Additionally, nonrefundable GIP deposits pending distribution increased by \$14.6 million.

***2024 Compared to 2023***

Current liabilities as of December 31, 2024, increased by \$74.1 million during the year. This increase is due to higher amounts due to market participants of \$67.9 million and higher accrued salaries and compensated absences of \$6.3 million, partially offset by a decrease in the year-end balance for accounts payable and accrued expenses of \$0.1 million.

The increase in the market participants’ accounts is a result of newly implemented deposit requirements related to the generation interconnection process totaling \$49.7 million and increases in the balances of nonrefundable interconnection deposits pending distribution of \$14.8 million, interconnection study deposits of 1.0 million, and market funds pending settlement and pass thru fees of \$56.5 million. The interconnection study deposits are higher due to an increased number of projects in the interconnection queue and market funds were higher due to the timing of market clearing at the end of the year. Additionally, \$1.5 million of onboarding cost deposits was received for future participation in the EDAM. These increases were partially offset by a \$55.6 million decrease in the amount of collateral held due to lower participant liabilities.

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**Long-Term Debt (in millions)**

Summarized activity of long-term debt for the year ended December 31, 2025, is as follows:

|   | <b>Beginning<br/>of Year</b> | <b>Issuances<br/>(Payments/<br/>Amortization)</b> | <b>End of Year</b> |
|---|------------------------------|---|--------------------|
| CSCDA Taxable Refunding Revenue Bonds,<br>Series 2021 bonds | \$ 147.9                     | \$ (8.8)  | \$ 139.1           |
| Total long-term debt  | 147.9                        | (8.8)   | 139.1              |
| Less: Current portion                                       | 8.8                          | 0.1   | 8.9                |
| Total long-term debt, net of current portion                | <u>\$ 139.1</u>              | <u>\$ (8.9)</u>                                   | <u>\$ 130.2</u>    |

Summarized activity of long-term debt for the year ended December 31, 2024, is as follows:

|   | <b>Beginning<br/>of Year</b> | <b>Issuances<br/>(Payments/<br/>Amortization)</b> | <b>End of Year</b> |
|---|------------------------------|---|--------------------|
| CSCDA Taxable Refunding Revenue Bonds,<br>Series 2021 bonds | \$ 156.7                     | \$ (8.8)  | \$ 147.9           |
| Total long-term debt  | 156.7                        | (8.8)   | 147.9              |
| Less: Current portion                                       | 8.8                          | -   | 8.8                |
| Total long-term debt, net of current portion                | <u>\$ 147.9</u>              | <u>\$ (8.8)</u>                                   | <u>\$ 139.1</u>    |

As of December 31, 2025, the Company had an underlying rating of A+ from S&P, A1 by Moody’s and A+ by Fitch.

*2025 Compared to 2024*

At December 31, 2025, the Company had \$139.1 million of outstanding bonds issued through the California Statewide Communities Development Authority (CSCDA). The decrease in long-term debt is due to a principal payment made during the year.

*2024 Compared to 2023*

At December 31, 2024, the Company had \$147.9 million of outstanding bonds issued through the California Statewide Communities Development Authority (CSCDA). The decrease in long-term debt is due to a principal payment made during the year.

**Other Noncurrent Liabilities (in millions)**

|                                      | <b>2025</b>    | <b>2024</b>    | <b>2023</b>   |
|--------------------------------------|----------------|----------------|---------------|
| Employee retirement plan obligations | \$ 6.8         | \$ 7.2         | \$ 6.8        |
| Other liabilities                    | 5.7            | 4.3            | -             |
| Total other noncurrent liabilities   | <u>\$ 12.5</u> | <u>\$ 11.5</u> | <u>\$ 6.8</u> |

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*2025 Compared to 2024*

Other noncurrent liabilities at December 31, 2025, were slightly higher by \$1.0 million. The increase is primarily due to the increase in noncurrent portion of the liability associated with subscription assets of \$1.3 million (refer to Note 4). In addition, balances in the executive benefit plans were higher by \$2.2 million but the liability associated with the postemployment medical benefit plan decreased by \$2.5 million, due to changes in actuarial assumptions and to a lesser number of eligible participants.

*2024 Compared to 2023*

Other noncurrent liabilities at December 31, 2024, were higher by \$4.7 million. The increase is primarily due to the liability associated with subscription assets (refer to Note 4), which was recorded in 2024. No subscription liability was recognized in 2023. The noncurrent portion of the subscription liability amounted to \$4.3 million at December 31, 2024. In addition, balances in the executive benefit plans were higher by \$2.0 million, but was partially offset by a decrease in the liability associated with the postemployment medical benefit plan of \$1.6 million, due to changes in actuarial assumptions.

**Deferred Inflows (in millions)**

|  | <b>2025</b>   | <b>2024</b>   | <b>2023</b>   |
|--|---------------|---------------|---------------|
| Unamortized other postemployment benefit costs | \$ 6.3        | \$ 6.5        | \$ 8.4        |
| Total deferred inflows                         | <u>\$ 6.3</u> | <u>\$ 6.5</u> | <u>\$ 8.4</u> |

*2025 Compared to 2024*

The decrease of \$0.2 million in the deferred inflows balance is due to the decrease in the costs associated with differences between expected and actual experience of \$0.6 million and to the decrease in the changes in assumptions of \$1.5 million of the postemployment benefit plan, partially offset by the increase of the net difference between projected and actual earnings on the plan investments of \$1.9 million.

*2024 Compared to 2023*

The decrease of \$1.9 million in the deferred inflows balance is due to the decrease in the costs associated with differences between expected and actual experience of \$0.3 million and to the decrease in the changes in assumptions of \$1.6 million of the postemployment benefit plan.

**Net Position (in millions)**

|                                | <b>2025</b>     | <b>2024</b>     | <b>2023</b>     |
|--------------------------------|-----------------|-----------------|-----------------|
| Net investment in fixed assets | \$ 75.6         | \$ 37.0         | \$ 20.3         |
| Unrestricted                   | <u>148.2</u>    | <u>163.8</u>    | <u>188.6</u>    |
| Total net position             | <u>\$ 223.8</u> | <u>\$ 200.8</u> | <u>\$ 208.9</u> |

*2025 Compared to 2024*

Net investment in fixed assets at December 31, 2025, increased by \$38.6 million during the year. This increase is primarily attributable to increased commitment of funds for capital projects, partially offset by normal depreciation and amortization during the year. The unrestricted

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component of the net position at December 31, 2025, decreased by \$15.6 million during the year primarily as a result of the designation of unrestricted funds for capital expenditures.

*2024 Compared to 2023*

Net investment in fixed assets at December 31, 2024, increased by \$16.7 million during the year. This increase is primarily attributable to increased commitment of funds for capital projects, partially offset by normal depreciation and amortization during the year. The unrestricted component of the net position at December 31, 2024, decreased by \$24.8 million during the year primarily as a result of the designation of unrestricted funds for capital expenditures.

**Changes in Net Position**

***Condensed Statements of Revenues, Expenses and Changes in Net Position (in millions)***

|                              | <b>2025</b>    | <b>2024</b>     | <b>2023</b>   |
|------------------------------|----------------|-----------------|---------------|
| Operating revenues           | \$ 305.1       | \$ 272.2        | \$ 262.4      |
| Operating expenses           | <u>297.3</u>   | <u>288.5</u>    | <u>273.6</u>  |
| Operating income (loss)      | 7.8            | (16.3)          | (11.2)        |
| Other income (expenses), net | <u>15.3</u>    | <u>8.1</u>      | <u>12.3</u>   |
| Change in net position       | <u>\$ 23.1</u> | <u>\$ (8.2)</u> | <u>\$ 1.1</u> |

**Operating Revenues**

*2025 Compared to 2024*

Total operating revenues increased during the year by \$32.9 million. This is primarily due to increases in GMC revenues of \$32.1 million due to a higher revenue requirement, and to other revenues of \$0.8 million. Increases in other revenues were primarily due to offsetting increases and decreases in various miscellaneous revenue categories.

*2024 Compared to 2023*

Total operating revenues increased during the year by \$9.8 million. This is primarily due to increases in GMC revenues of \$9.2 million due to a higher revenue requirement, and to other revenues of \$0.6 million. Increases in other revenues were primarily due to offsetting increases and decreases in various miscellaneous revenue categories.

**California Independent System Operator Corporation**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2025 and 2024**

**Operating Expenses and Percentages (in millions)**

|   | <b>2025</b>     | <b>2024</b>     | <b>2023</b>     |
|---|-----------------|-----------------|-----------------|
| Salaries and related benefits                     | \$ 203.8        | \$ 188.0        | \$ 173.5        |
| Communication and technology costs                | 29.6            | 26.4            | 23.1            |
| Legal and consulting costs                        | 26.7            | 29.7            | 32.7            |
| Leases, facilities and other administrative costs | 15.9            | 17.0            | 15.6            |
| Depreciation and amortization                     | 21.3            | 27.4            | 28.7            |
| Total operating expenses                          | <u>\$ 297.3</u> | <u>\$ 288.5</u> | <u>\$ 273.6</u> |
| Salaries and related benefits                     | 65 %            | 65 %            | 63 %            |
| Communication and technology costs                | 9               | 9               | 8               |
| Legal and consulting costs                        | 10              | 10              | 12              |
| Leases, facilities and other administrative costs | 6               | 6               | 6               |
| Depreciation and amortization                     | 10              | 10              | 11              |
| Total operating expenses (%)                      | <u>100 %</u>    | <u>100 %</u>    | <u>100 %</u>    |

*2025 Compared to 2024*

Operating expenses were \$8.8 million higher for the year ended December 31, 2025, compared to the year ended December 31, 2024. The increase was primarily due to higher salaries and related benefits of \$15.8 million and higher communication and technology costs of \$3.2 million, partially offset by lower leases, facilities and other administrative costs of \$1.1 million, lower legal and consulting costs of \$3.0 million, and lower depreciation and amortization of \$6.1 million. Salaries and related benefits were higher due to increased headcount, merit promotion increases and other benefit costs. Communication and technology costs were higher due to increased network services costs and to higher costs for temporary staffing. Leases, facilities and other administrative costs were lower due to decreased non-capitalizable software and hardware purchases and leasehold improvements. Legal and consulting costs were lower due to a reduction in GIP outside contract costs. Depreciation was lower in 2025 due to a lower depreciable base.

*2024 Compared to 2023*

Operating expenses were \$14.9 million higher for the year ended December 31, 2024, compared to the year ended December 31, 2023. The increase was primarily due to higher salaries and related benefits of \$14.5 million, higher communication and technology costs of \$3.3 million, and higher leases, facilities and other administrative costs of \$1.4 million, partially offset by lower legal and consulting costs of \$3.0 million, and lower depreciation and amortization of 1.3 million. Salaries and wages were higher due to increased headcount and to cost of living and merit increases. Communication and technology costs were higher due to increased software maintenance costs and to higher costs for temporary staffing. Leases, facilities and other administrative costs were higher due to increased non-capitalizable software and hardware purchases. Legal and consulting costs were lower due to a reduced need for outside legal services. Depreciation was lower in 2024 due to a lower depreciable base.

**California Independent System Operator Corporation**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2025 and 2024**

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**Other Income (Expense), Net (in millions)**

|                                   | <b>2025</b>    | <b>2024</b>   | <b>2023</b>    |
|-----------------------------------|----------------|---------------|----------------|
| Interest income (loss)            | \$ 19.7        | \$ 12.4       | \$ 16.7        |
| Interest expense                  | <u>(4.5)</u>   | <u>(4.3)</u>  | <u>(4.4)</u>   |
| Total other income (expense), net | <u>\$ 15.3</u> | <u>\$ 8.1</u> | <u>\$ 12.3</u> |

*2025 Compared to 2024*

Total other income increased by \$7.2 million for the year ended December 31, 2025, compared to the year ended December 31, 2024. The increase is attributable to higher unrealized gains on investments of \$6.3 million and higher capitalized interest of \$1.5 million, partially offset by lower interest income of \$0.4 million. Additionally, interest expense was higher by \$0.2 million in 2025 compared to 2024 due primarily to higher SBITA-related liabilities.

*2024 Compared to 2023*

Total other income decreased by \$4.2 million for the year ended December 31, 2024, compared to the year ended December 31, 2023. The decrease is attributable to lower unrealized gains on investments of \$6.2 million, partially offset by higher interest income of \$1.7 million and higher miscellaneous non-operating income of \$0.2 million. Additionally, interest expense was lower by \$0.1 million in 2024 compared to 2023 due to a lower long-term debt balance.

**California Independent System Operator Corporation**  
**Statements of Net Position**  
**December 31, 2025 and 2024**

|   | 2025                  | 2024         |
|---|-----------------------|--------------|
|   | <i>(in thousands)</i> |              |
| <b>Assets and deferred outflows</b>                     |                       |              |
| Current assets  |                       |              |
| Cash and cash equivalents, including restricted amounts | \$ 877,178            | \$ 1,057,694 |
| Accounts receivable                                     | 51,443                | 32,147       |
| Short-term investments, including restricted amounts    | 23,429                | 30,371       |
| Other current assets                                    | 11,223                | 7,402        |
| Total current assets                                    | 963,273               | 1,127,614    |
| Noncurrent assets                                       |                       |              |
| Long-term investments, including restricted amounts     | 223,453               | 226,222      |
| Fixed assets, net                                       | 168,303               | 143,851      |
| Other assets  | 12,600                | 13,568       |
| Total noncurrent assets                                 | 404,356               | 383,641      |
| Total assets  | 1,367,629             | 1,511,255    |
| <b>Deferred outflows</b>                                |                       |              |
| Unamortized other post employment benefit costs         | 1,682                 | 2,194        |
| Unamortized loss on refunding of bonds                  | 8,562                 | 9,808        |
| Total deferred outflows                                 | 10,244                | 12,002       |
| Total assets and deferred outflows                      | \$ 1,377,873          | \$ 1,523,257 |
| <b>Liabilities, deferred inflows and net position</b>   |                       |              |
| Current liabilities                                     |                       |              |
| Accounts payable and accrued expenses                   | \$ 21,008             | \$ 14,265    |
| Accrued salaries and compensated absences               | 55,540                | 59,788       |
| Current portion of long-term debt                       | 8,875                 | 8,805        |
| Due to market participants                              | 919,703               | 1,082,486    |
| Total current liabilities                               | 1,005,126             | 1,165,344    |
| Noncurrent liabilities                                  |                       |              |
| Long-term debt, net of current portion                  | 130,200               | 139,085      |
| Employee retirement plan obligations                    | 6,775                 | 7,216        |
| Other liabilities                                       | 5,687                 | 4,323        |
| Total noncurrent liabilities                            | 142,662               | 150,624      |
| Total liabilities                                       | 1,147,788             | 1,315,968    |
| <b>Deferred inflows</b>                                 |                       |              |
| Unamortized other post employment benefit costs         | 6,252                 | 6,541        |
| Total deferred inflows                                  | 6,252                 | 6,541        |
| <b>Commitments and contingencies (See Notes 8-9)</b>    |                       |              |
| <b>Net position</b>                                     |                       |              |
| Net investment in fixed assets                          | 75,609                | 36,963       |
| Unrestricted  | 148,224               | 163,785      |
| Total net position                                      | 223,833               | 200,748      |
| Total liabilities, deferred inflows and net position    | \$ 1,377,873          | \$ 1,523,257 |

The accompanying notes are an integral part of these financial statements.

**California Independent System Operator Corporation**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended December 31, 2025 and 2024**

|   | <b>2025</b>           | <b>2024</b>       |
|---|-----------------------|-------------------|
|   | <i>(in thousands)</i> |                   |
| <b>Operating revenues</b>                                   |                       |                   |
| GMC revenue   | \$ 238,500            | \$ 206,408        |
| Other revenues  | 66,618                | 65,808            |
| Total operating revenues                                    | <u>305,118</u>        | <u>272,216</u>    |
| <b>Operating expenses</b>                                   |                       |                   |
| Salaries and related benefits                               | 203,760               | 188,016           |
| Equipment leases and facility costs                         | 2,860                 | 2,618             |
| Communications, technology and temporary staffing contracts | 29,615                | 26,365            |
| Legal and consulting services                               | 26,705                | 29,669            |
| Training, travel and professional dues                      | 3,813                 | 3,539             |
| Insurance, administrative and other expenses                | 9,234                 | 10,840            |
| Depreciation and amortization                               | 21,307                | 27,410            |
| Total operating expenses                                    | <u>297,294</u>        | <u>288,457</u>    |
| Operating (loss) income from operations                     | <u>7,824</u>          | <u>(16,241)</u>   |
| Other income (expense)                                      |                       |                   |
| Interest income   | 19,722                | 12,374            |
| Interest expense  | (4,461)               | (4,307)           |
| Total other income (expense), net                           | <u>15,261</u>         | <u>8,067</u>      |
| Change in net position                                      | 23,085                | (8,174)           |
| <b>Net position</b>   |                       |                   |
| Beginning of year   | <u>200,748</u>        | <u>208,922</u>    |
| End of year   | <u>\$ 223,833</u>     | <u>\$ 200,748</u> |

The accompanying notes are an integral part of these financial statements.

**California Independent System Operator Corporation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

|   | <b>2025</b>           | <b>2024</b>         |
|---|-----------------------|---------------------|
|   | <i>(in thousands)</i> |                     |
| <b>Cash flows from operating activities</b>                             |                       |                     |
| Receipts from scheduling coordinators for GMC                           | \$ 240,091            | \$ 204,456          |
| Other receipts  | 45,731                | 64,592              |
| Payments to employees and to others for related benefits                | (210,888)             | (182,572)           |
| Payments to vendors others  | (67,245)              | (77,156)            |
| Receipts from market participants                                       | 566,089               | 690,891             |
| Payments to market participants   | <u>(728,872)</u>      | <u>(623,096)</u>    |
| Net cash provided by (used in) operating activities                     | <u>(155,094)</u>      | <u>77,115</u>       |
| <b>Cash flows from capital and related financing activities</b>         |                       |                     |
| Repayment of bonds  | (8,815)               | (8,770)             |
| Purchases and development of fixed assets                               | (40,789)              | (35,144)            |
| Interest on debt  | <u>(3,208)</u>        | <u>(2,965)</u>      |
| Net cash used in capital financing activities                           | <u>(52,812)</u>       | <u>(46,879)</u>     |
| <b>Cash flows from investing activities</b>                             |                       |                     |
| Purchases of investments  | (1,532)               | (31,555)            |
| Sales and maturities of investments                                     | 17,754                | 51,830              |
| Interest received   | <u>11,168</u>         | <u>4,711</u>        |
| Net cash provided by investing activities                               | <u>27,390</u>         | <u>24,986</u>       |
| Net change in cash and cash equivalents,<br>restricted and unrestricted | (180,516)             | 55,222              |
| <b>Cash and cash equivalents, restricted and unrestricted</b>           |                       |                     |
| Beginning of year   | <u>1,057,694</u>      | <u>1,002,472</u>    |
| End of year   | <u>\$ 877,178</u>     | <u>\$ 1,057,694</u> |

The accompanying notes are an integral part of these financial statements.

**California Independent System Operator Corporation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

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|  | <b>2025</b>           | <b>2024</b>      |
|--|-----------------------|------------------|
|  | <i>(in thousands)</i> |                  |
| <b>Reconciliation of income from operations to net cash provided by (used in) operating activities</b> |                       |                  |
| Operating loss (income) from operations  | \$ 7,824              | \$ (16,241)      |
| Adjustments to reconcile income from operations to net cash provided by operating activities           |                       |                  |
| Depreciation and amortization  | 21,307                | 27,410           |
| Changes in operating assets, deferred outflows and liabilities   |                       |                  |
| Accounts receivable and other assets   | (19,295)              | (3,167)          |
| Deferred inflows/outflows  | (2,670)               | (1,769)          |
| Accounts payable and other accrued expenses  | 523                   | 3,087            |
| Due to market participants   | (162,783)             | 67,795           |
| Net cash provided by (used in) operating activities  | <u>\$ (155,094)</u>   | <u>\$ 77,115</u> |
| <b>Supplemental disclosure of noncash financing and investing activities</b>                           |                       |                  |
| Amortization of loss on refunding  | \$ (1,246)            | \$ (1,324)       |
| Change in purchases and development of fixed assets included in accounts payable and accrued expenses  | (2,259)               | (2,259)          |
| Deferred in inflows/outflows related to postemployment benefit plan and loss on refunding of bonds     | (1,468)               | (1,769)          |
| Change in subscription-based IT contracts  | (629)                 | (5,554)          |

The accompanying notes are an integral part of these financial statements.

# California Independent System Operator Corporation

## Notes to Financial Statements

### December 31, 2025 and 2024

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#### 1. Organization and Operations

California Independent System Operator Corporation (“Company”), a nonprofit public benefit corporation, is responsible for ensuring the reliable and efficient use of the transmission grid in most of California and a part of Nevada. The Company operates this grid, which is one of the largest and most modern power grids in the world, as a balancing authority within the Western Electricity Coordinating Council.

The Company is regulated by the Federal Energy Regulatory Commission (“FERC”) and complies with standards set by the North American Electric Reliability Corporation and the Western Electricity Coordinating Council. A five-member Board of Governors (the “Board”) appointed by the Governor of California and confirmed by the California State Senate governs the Company.

The Company’s wholesale energy market is the vehicle for providing open-access transmission service to users of the transmission grid. It includes a day-ahead market for all twenty-four hours of the next operating day, and a real-time market that schedules resources in 15-minute intervals and dispatches them in 5-minute intervals. The day-ahead market clears supply and demand offers for short-term energy purchases and sales. The real-time market clears supply offers and the Company’s forecast of demand. Together, these enable the economic scheduling and dispatch of generating resources to maintain continuous balance of supply and demand and management of congestion on the grid. The market also procures reserve capacity or ancillary services to maintain reliable operation under unexpected changes in grid conditions. The market prices energy at the points it enters and leaves the grid, which increases transparency and sends signals for competitive investments in transmission and generation. The market operates on an advanced flexible platform that helps to integrate renewable resources as well as demand response.

The Company also operates the Western Energy Imbalance Market (“WEIM”). This extension of the Company’s real-time energy market facilitates transactions with and among several balancing authority areas in the western interconnection that are not a part of the grid the Company operates. The WEIM provides reliability, efficiency and renewable integration benefits to the West while also providing economic benefits to participants. The broader footprint for the real-time market provides more opportunities to integrate cleaner sources of energy, such as wind and solar, that may be produced in one area but needed in another. The Company and twenty-one other balancing authorities are participating in the WEIM as of the end of 2025. In 2026, the Company is expected to launch the Extended Day Ahead Market (“EDAM”), which will enable balancing authority areas outside California to participate in the Company’s day ahead market. EDAM is intended to retain WEIM participants and further reduce costs for participants in California.

The Company continues to develop enhancements to increase reliability, efficiency and the accuracy of market results. These on-going enhancements increase the functionality and flexibility of the market system to meet the needs of market participants and to further support the company’s regionalization goals. Market participants and stakeholders across the market footprint have a voice in proposed enhancements and other changes to market rules through the Western Energy Markets Governing Body, which is a five-member body selected by market participants and other stakeholders. The Governing Body provides independent regional governance for market rules that is exercised jointly with the Board. The Governing Body must approve certain enhancements and advises the Board on other enhancements.

# California Independent System Operator Corporation

## Notes to Financial Statements

### December 31, 2025 and 2024

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The Company also performs a settlement and clearing function by charging and collecting payments from users of these services and paying providers of such services. Cash held by the Company on behalf of market participants is recorded in a restricted asset account with a corresponding liability due to market participants in the statements of net position. Except for the retention of restricted assets noted above, the Company's financial statements reflect a net reporting of market activities wherein the financial statements do not include the revenues and expenses, cash flows, or assets and liabilities associated with the market transactions it facilitates. Any losses resulting from market defaults are allocated to market participants.

The Company is the central counterparty to market participant transactions, which include Congestion Revenue Rights ("CRR"). CRRs are financial instruments that enable market participants to reduce their congestion-related price risk when delivering or selling energy on the grid. A CRR provides an economic hedging mechanism against congestion charges that can be transacted by market participants separately from transmission service. Consistent with its role in facilitating other market transactions, the Company facilitates the allocation, auctioning and ultimate settlement of CRRs in its market, but does not have economic risks and rewards associated with these financial instruments. Any market defaults are allocated to market participants. As such, they are not recognized as assets and liabilities in the Company's Statements of Net Position. However, unlike other market transactions administered by the Company, CRRs can be outstanding for extended periods. At December 31, 2025, the average life of the Company's CRRs was 2.66 years and there was a total of 118 CRR holders, compared to 2.65 years and 116 CRR holders at December 31, 2024.

In addition, the Company is the Reliability Coordinator for twenty-four balancing authorities and forty transmission operators in the West, including the entities within its market footprint and most of the balancing authorities and transmission operators in the West. As the Reliability Coordinator (a business unit known externally as "RC West"), the Company has the highest level of authority and responsibility for the reliable operation of the power grid. As authorized in federal regulations, it can direct measures to prevent or mitigate system emergencies in day-ahead or real-time operations.

## 2. Summary of Significant Accounting Policies

### Method of Accounting

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles for proprietary funds as prescribed by the Government Accounting Standards Board ("GASB"). The Company uses the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

# California Independent System Operator Corporation

## Notes to Financial Statements

### December 31, 2025 and 2024

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#### **Net Presentation of Market Activity**

The Company is a central counterparty to the market transactions that it financially settles, with certain limited exceptions. The Company is a buyer to every seller and a seller to every buyer, but market participants are responsible for supplying electricity and other services to their customers. The Company's market participants are the primary obligors with respect to those obligations. In the event of a market default, the defaulted amount is allocated among market participants, in accordance with the tariff. Market participants continue to bear the credit risk associated with any financial defaults by other market participants. Accordingly, the Company's financial statements continue to reflect net reporting of market activities and exclude the revenues and expenses, cash flows and assets and liabilities associated with the market transactions the Company facilitates.

#### **Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

#### **Cash and Cash Equivalents**

Cash and cash equivalents, restricted and unrestricted, include cash in bank accounts, money market funds and other highly liquid investments with original maturities of three months or less. Cash and cash equivalents are unrestricted unless specifically restricted by bond indentures or the tariff.

#### **Accounts Receivable and Revenue Recognition**

The GMC is based on rates filed with the Federal Energy Regulatory Commission and is designed to recover the Company's operating costs, capital expenditures, debt service costs, and to provide for an operating reserve. The GMC billings are recognized as revenue. The initial billings are based on actual meter data submitted by market participants or estimated meter data and therefore may be subject to adjustment over time to reflect the difference between actual meter data and initial estimates.

The GMC comprised the following three service categories: market services, system operations and congestion revenue rights services.

The Operating Cost Reserve (OCR) represents the level of reserves established in accordance with the tariff to support ongoing operations. The OCR is budgeted annually for each GMC service category and accumulates until the reserve becomes fully funded at 15% of budgeted annual operating expenses for each rate service category. At December 31, 2025, the OCR for each service category was fully funded. In accordance with the tariff, the OCR is considered fully funded when the reserve balance equals the targeted reserve level, and any amounts in excess of the targeted reserve balance are used to offset future-year GMC revenue requirements. The Company's tariff allows for GMC rates to be adjusted during the year to ensure collection of the revenue requirement. During a year, if forecasted revenues from any of the three GMC service categories are materially different, as defined in the tariff, from budgeted revenues, the Company may adjust the rate for the affected category to realign the forecasted revenue with the budgeted revenue. No rate adjustments were necessary in 2025 or 2024.

# California Independent System Operator Corporation

## Notes to Financial Statements

### December 31, 2025 and 2024

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In addition, the Company bills the participants of the WEIM an administrative charge based on gross imbalance WEIM volumes and at a rate that is calculated annually to recover the ongoing costs of operating the WEIM. The WEIM administrative charge is included in other revenues of the Company.

The Company also bills the balancing authorities and transmission owners that use the services of RC West based on net energy loads and at a rate that is developed annually to recover the ongoing costs of the service. Participants with no load are charged a predetermined fixed amount. The Reliability Coordinator charge is included in other revenues of the Company.

#### **Generator Interconnection Studies**

The Company is responsible for conducting generator interconnection studies at the request of project sponsors who are developing generating plants that would become connected to the transmission grid operated by the Company. The project sponsors are required to make a deposit before any studies are performed. Sponsors may withdraw their projects from the studies at any time.

In accordance with the tariff, the Company charges the project sponsors the actual costs of the studies. Related study costs include both internal costs and external costs and are recorded, when incurred, as operating expenses. As costs are incurred, the Company recognizes revenue for the same amount, which is recorded as a component of other revenues. The Company applies the deposits against the related receivable as costs are incurred. Certain deposits related to projects abandoned by the project sponsors are retained by the Company and distributed in accordance with the tariff. These distributions do not result in revenues or expenses recognized by the Company.

#### **Investments**

Investments, unrestricted or restricted, include instruments with original maturities of greater than three months or instruments that have no stated maturity and the holding period is intended to be long-term in nature. These investments primarily consist of fixed income mutual funds. Income on investments and the gain or loss on the fair value of investments is recorded as a component of interest income.

#### **Fixed Assets**

Fixed assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of assets. Most of the Company's investment in fixed assets consists of the headquarters building and the backup facility, both of which are being depreciated over twenty to thirty years, and information systems, which are being depreciated over three to seven years. The cost of improvements to or replacement of fixed assets is capitalized. When assets are retired or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is reflected in the Company's Statement of Changes in Revenues, Expenses and Changes in Net Position for the period. Repair and maintenance costs are expensed when incurred. The Company capitalizes direct costs of salaries and certain indirect costs to develop or obtain software for internal use. Costs related to software development during the preliminary stage of a project and training and maintenance costs are expensed as incurred. Costs related to abandoned projects are expensed when the decision to abandon is made.

Subscription-Based Information Technology Arrangements (SBITA) are reported at the present value as subscription assets and liabilities using the U.S. Department of the Treasury daily par yield rate which is equivalent to their incremental borrowing rate. The subscription assets, which are classified as fixed assets, are amortized over the shorter length of the contract term or the

# California Independent System Operator Corporation

## Notes to Financial Statements

### December 31, 2025 and 2024

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useful life of the underlying IT assets. The discount of the SBITA contract is amortized in the Statements of Net Position and offset by interest expense. (see Note 4).

#### **Other Assets**

Other assets include certain employee retirement plan trust accounts.

#### **Compensated Absences**

The Company accrues vacation leave when the employee becomes eligible for the benefit. The calculation of this liability was changed in accordance with the Company's adoption of GASB 101 *Compensated Absences* on December 31, 2024 (refer to the New GASB Guidance section of this footnote). The Company does not accrue for sick time as benefit does not roll forward from year to year. At December 31, 2025 and 2024, the total accrued liability for vacation was \$21.4 million and \$19.2 million, at the end of each year, respectively.

#### **Income Taxes**

The Company is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Service (IRS) Code and is exempt from California State franchise income taxes.

#### **Net Position**

The Company classifies its net position into three components:

- **Net investment in fixed assets** - This component consists of fixed assets, net of accumulated depreciation reduced by the outstanding debt balances, net of unamortized debt expenses.
- **Restricted** - This component consists of net assets with constraints placed on their use. Constraints include those imposed by debt covenants (excluding amounts considered in net capital, above) and by the Company's tariff and agreements with external parties.
- **Unrestricted** - This component consists of net assets that do not meet the definition of "invested in capital, net of related debt" or "restricted".

The Company had no restricted component of the net position at December 31, 2025 or 2024.

#### **Concentration of Credit Risk**

Financial instruments that subject the Company to credit risk consist primarily of accounts receivable relating to GMC billings due from market participants and cash and cash equivalents and investments.

Most of the Company's receivables are due from entities in the energy industry, including utilities, generation owners and other electricity market participants. For the years ended December 31, 2025 and 2024, approximately 27% and 28% of modified revenues, respectively, were from two market participants. Modified revenues include all operating revenues except for incidental pass-through fees paid by various parties.

GMC revenues have a priority claim against any market-related receipts, which means that even if a market participant defaults on an invoice containing a GMC charge, the Company receives the full GMC so long as sufficient funds were received on other market invoices to fund the GMC due to the Company.

# California Independent System Operator Corporation

## Notes to Financial Statements

### December 31, 2025 and 2024

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The Company's concentration of credit risk related to cash and cash equivalents, and investments is described in Note 3.

#### ***New Accounting Pronouncements***

In December 2023, GASB issued Statement No. 102 Certain Risk Disclosures, to provide users of an entity's financial statements with essential information about risks related to an entity's vulnerabilities due to certain concentrations or constraints. The Company adopted this statement for the year ended December 31, 2025 and as a result, has conducted numerous internal inquiries to identify possible risks and, assessed any identified risks that may be subject to this pronouncement. As of the end of December 31, 2025, there were no reportable vulnerabilities or constraints.

### **3. Cash and Cash Equivalents and Investments**

#### **Investment Policy**

The Company maintains an investment policy approved by its Board of Governors, which provides investment guidelines for the majority of the Company's unrestricted funds. The policy guidelines address permissible investment types, credit risk, concentration of credit risk, interest rate risk, custodial credit risk and other investment portfolio parameters.

Restricted funds, such as generation interconnection deposits and market collateral, are invested according to the tariff, which is more restrictive than the investment policy. A portion of the Company's unrestricted funds, \$4.2 million as of December 31, 2025, has been designated by the Company as assets related to the liabilities associated with the Company's Retiree Medical Plan. These assets are governed by a separate investment policy approved by the Board of Governors, which is aligned with the Company's long-term pension obligations to fund postretirement health benefits.

#### **Credit Risk**

The Company primarily invests all unrestricted and restricted funds in broadly diversified money market funds and other fixed income mutual funds. Credit risk within these funds is largely mitigated due to the broad diversification of the fund and any negative credit events would be reflected in the fund's net asset value. The investment policy contains minimum credit rating standards if the Company chooses to invest in direct securities and includes exceptions that allow the Company to invest in certificates of deposit issued by lower rated banks up to the FDIC insured limit and to hold investments that have been downgraded below the policy rating minimums if approved to do so by the Company's internal investment committee.

Money Market Fund rules require the use of a floating net asset (NAV) for institutional prime money market. Under normal circumstances, a floating NAV money market fund investment would continue to meet the definition of a cash equivalent. However, in the event credit or liquidity issues arise, causing a meaningful decrease in the money market investments below \$1.0000 per share the classification of such investments as cash equivalents may not be appropriate. There were no credit or liquidity issues that resulted in meaningful decreases in the Company's money market investments in 2025 or 2024. Therefore, amounts invested in money market funds remain classified as cash equivalents.

# California Independent System Operator Corporation

## Notes to Financial Statements

### December 31, 2025 and 2024

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#### **Concentration of Credit Risk**

This is the risk of loss associated with the percentage of an entity's investment in a single issuer. The Company's investment policy limits investments in any single issuer to no more than 5% of the portfolio, with exceptions relating to obligations issued by or fully guaranteed as to principal and interest by the United States, federal agencies or United States government sponsored enterprises, pooled investments such as money market funds, and fixed income mutual funds, and investments procured in connection with Company bond offerings. As of December 31, 2025, other than the security exceptions described above, the Company had no investment in any issuer representing more than 5% of total cash and cash equivalents and investments.

#### **Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution or counterparty, the Company will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party.

The Company may maintain balances in bank accounts exceeding the FDIC insured level of \$250,000. In the event of a bank default, the Company's deposits may not be returned. The Company had no unrestricted non-interest-bearing bank deposits at December 31, 2025 and 2024. Additionally, the Company had no restricted non-interest-bearing bank deposits at December 31, 2025 and 2024. All other investments purchased by the Company, by policy, are held in custodial accounts by third-party custodians and are registered in the Company's name, thereby minimizing any custodial credit risk.

#### **Interest Rate Risk**

Changes in interest rates may adversely affect the fair value of the Company's investments and its cash flows. A sharp rise in market interest rates could have a material adverse impact on the fair value of our fixed income investment portfolio. Conversely, declines in interest rates could have a material adverse impact on interest income for our investment portfolio. The Company's investment policy attempts to mitigate this risk by limiting the maximum maturity of any direct investment to five years except for bond proceeds and the assets associated with the Retiree Medical Plan liabilities. The fixed income mutual funds that the Company invests in also have similar duration targets.

**California Independent System Operator Corporation**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

**Summary of Balances**

At December 31, 2025, the Company's cash, cash equivalents and investments consist of the following (in thousands):

| Description                                  | Credit Rating* | Remaining Maturities (in Years) |                   |              | Total               |
|--|----------------|---------------------------------|-------------------|--------------|---------------------|
|  |                | Less than 1                     | 1 - 5             | More than 5  |                     |
| Cash and cash equivalents - unrestricted     |                |                                 |                   |              |                     |
| Deposits                                     |                | \$ (3,236)                      | \$ -              | \$ -         | \$ (3,236)          |
| Money Market Funds                           | AAAm           | 18,844                          | -                 | -            | 18,844              |
|  |                | <u>15,608</u>                   | <u>-</u>          | <u>-</u>     | <u>15,608</u>       |
| Cash and cash equivalents - restricted       |                |                                 |                   |              |                     |
| Money Market Funds                           | AAAm           | 861,570                         | -                 | -            | 861,570             |
|  |                | <u>861,570</u>                  | <u>-</u>          | <u>-</u>     | <u>861,570</u>      |
| Total cash and cash equivalents              |                | <u>877,178</u>                  | <u>-</u>          | <u>-</u>     | <u>877,178</u>      |
| Short term investments - unrestricted        |                |                                 |                   |              |                     |
| Mutual Funds                                 | Unrated        | 7,132                           | -                 | -            | 7,132               |
|  |                | <u>7,132</u>                    | <u>-</u>          | <u>-</u>     | <u>7,132</u>        |
| Short term investments - restricted          |                |                                 |                   |              |                     |
| Certificate of Deposits                      | FDIC Insured   | 16,297                          | -                 | -            | 16,297              |
|  |                | <u>16,297</u>                   | <u>-</u>          | <u>-</u>     | <u>16,297</u>       |
| Total short-term investments                 |                | <u>23,429</u>                   | <u>-</u>          | <u>-</u>     | <u>23,429</u>       |
| Long-term investments - unrestricted         |                |                                 |                   |              |                     |
| Affinity Insurance Ltd.                      | Unrated        | -                               | -                 | 37           | 37                  |
| Mutual Funds                                 | Unrated        | -                               | 210,641           | -            | 210,641             |
|  |                | <u>-</u>                        | <u>210,641</u>    | <u>37</u>    | <u>210,678</u>      |
| Long-term investments - restricted           |                |                                 |                   |              |                     |
| Certificate of Deposits                      | FDIC Insured   | -                               | 12,775            | -            | 12,775              |
| Total long-term investments                  |                | <u>-</u>                        | <u>223,416</u>    | <u>37</u>    | <u>223,453</u>      |
| Total cash, cash equivalents and investments |                | <u>\$ 900,607</u>               | <u>\$ 223,416</u> | <u>\$ 37</u> | <u>\$ 1,124,060</u> |

\*Represents S&P rating.

# California Independent System Operator Corporation

## Notes to Financial Statements

### December 31, 2025 and 2024

At December 31, 2024, the Company's cash, cash equivalents and investments consist of the following (in thousands):

| Description                                  | Credit Rating* | Remaining Maturities (in Years) |                   |              | Total               |
|--|----------------|---------------------------------|-------------------|--------------|---------------------|
|  |                | Less than 1                     | 1 - 5             | More than 5  |                     |
| Cash and cash equivalents - unrestricted     |                |                                 |                   |              |                     |
| Deposits                                     |                | \$ (1,824)                      | \$ -              | \$ -         | \$ (1,824)          |
| Money Market Funds                           | AAAm           | 17,899                          | -                 | -            | 17,899              |
|  |                | <u>16,075</u>                   | <u>-</u>          | <u>-</u>     | <u>16,075</u>       |
| Cash and cash equivalents - restricted       |                |                                 |                   |              |                     |
| Money Market Funds                           | AAAm           | 1,041,618                       | -                 | -            | 1,041,618           |
|  |                | <u>1,041,618</u>                | <u>-</u>          | <u>-</u>     | <u>1,041,618</u>    |
| Total cash and cash equivalents              |                | <u>1,057,694</u>                | <u>-</u>          | <u>-</u>     | <u>1,057,694</u>    |
| Short term investments - unrestricted        |                |                                 |                   |              |                     |
| Mutual Funds                                 | Unrated        | 10,171                          | -                 | -            | 10,171              |
| Short term investments - restricted          |                |                                 |                   |              |                     |
| Certificate of Deposits                      | FDIC Insured   | 20,200                          | -                 | -            | 20,200              |
|  |                | <u>20,200</u>                   | <u>-</u>          | <u>-</u>     | <u>20,200</u>       |
| Total short-term investments                 |                | <u>30,371</u>                   | <u>-</u>          | <u>-</u>     | <u>30,371</u>       |
| Long-term investments - unrestricted         |                |                                 |                   |              |                     |
| Affinity Insurance Ltd.                      | Unrated        | -                               | -                 | 37           | 37                  |
| Mutual Funds                                 | Unrated        | -                               | 214,145           | -            | 214,145             |
|  |                | <u>-</u>                        | <u>214,145</u>    | <u>37</u>    | <u>214,182</u>      |
| Long-term investments - restricted           |                |                                 |                   |              |                     |
| Certificate of Deposits                      | FDIC Insured   | -                               | 12,040            | -            | 12,040              |
| Total long-term investments                  |                | <u>-</u>                        | <u>226,185</u>    | <u>37</u>    | <u>226,222</u>      |
| Total cash, cash equivalents and investments |                | <u>\$ 1,088,064</u>             | <u>\$ 226,185</u> | <u>\$ 37</u> | <u>\$ 1,314,286</u> |

\*Represents S&P rating.

The Company's cash, cash equivalents and investments at December 31 consist of unrestricted and restricted funds as follows (in thousands):

|  | 2025                | 2024                |
|--|---------------------|---------------------|
| Unrestricted funds, operating account        | \$ 233,418          | \$ 240,429          |
| Restricted funds, market participants        | <u>890,642</u>      | <u>1,073,857</u>    |
| Total cash, cash equivalents and investments | <u>\$ 1,124,060</u> | <u>\$ 1,314,286</u> |

**California Independent System Operator Corporation**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

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Cash, cash equivalents and investments restricted for market participants consist of the following at December 31 (in thousands):

|  | <b>2025</b>       | <b>2024</b>         |
|--|-------------------|---------------------|
| Security deposits                                | \$ 419,082        | \$ 450,545          |
| Market funds pending settlement                  | 176,267           | 147,851             |
| Pass-through fees due to others                  | 24,355            | 25,305              |
| Generator interconnection study deposits         | 263,990           | 436,516             |
| Non-refundable deposits pending distribution     | 6,948             | 13,640              |
| Total amounts restricted for market participants | <u>\$ 890,642</u> | <u>\$ 1,073,857</u> |

Cash, cash equivalents, and investments restricted for market participants consist of amounts held by the Company to be remitted to market participants or others on their behalf. Security deposits are amounts received from market participants who are required to post collateral for their transactions in the Company's markets. Market funds pending settlement consist of amounts collected during the settlement and clearing function that will be passed-through to market participants in subsequent periods. Pass-through fees due to others consist of amounts collected from market participants that subsequently will be paid to market participants for summer reliability, startup costs and emission costs. Generator interconnection study deposits are amounts collected for future studies. Nonrefundable deposits consist of interconnection amounts, which are nonrefundable to project sponsors in accordance with tariff requirements.

**California Independent System Operator Corporation**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

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**4. Fixed Assets**

Changes in the Company's fixed assets for the year ended December 31, 2025, are as follows (in thousands):

|  | 2024              | Additions<br>and<br>Transfers<br>In | Disposals<br>and<br>Transfers<br>Out | 2025              |
|--|-------------------|-------------------------------------|--------------------------------------|-------------------|
| Nondepreciable fixed assets                        |                   |                                     |                                      |                   |
| Land   | \$ 10,561         | \$ -                                | \$ -                                 | \$ 10,561         |
| Work-in-progress                                   | 27,653            | 41,714                              | (29,269)                             | 40,098            |
|  | <u>38,214</u>     | <u>41,714</u>                       | <u>(29,269)</u>                      | <u>50,659</u>     |
| Depreciable fixed assets                           |                   |                                     |                                      |                   |
| Regional transmission operator software            | 502,984           | 18,055                              | (4,728)                              | 516,311           |
| Regional transmission operator hardware            | 28,012            | 3,380                               | (801)                                | 30,591            |
| Communication equipment                            | 13,142            | 2,859                               | (864)                                | 15,137            |
| ISO Facilities (HQ and Lincoln)                    | 165,780           | 40                                  | -                                    | 165,820           |
| Furniture, fixtures and other                      | 22,623            | 1,807                               | -                                    | 24,430            |
|  | <u>732,541</u>    | <u>26,141</u>                       | <u>(6,393)</u>                       | <u>752,289</u>    |
| Subscription assets                                | 9,895             | 7,173                               | -                                    | 17,068            |
| Less: Accumulated depreciation<br>and amortization | <u>(636,799)</u>  | <u>(21,307)</u>                     | <u>6,393</u>                         | <u>(651,713)</u>  |
|  | <u>105,637</u>    | <u>12,007</u>                       | <u>-</u>                             | <u>117,644</u>    |
| Total fixed assets, net                            | <u>\$ 143,851</u> | <u>\$ 53,721</u>                    | <u>\$ (29,269)</u>                   | <u>\$ 168,303</u> |

**California Independent System Operator Corporation**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

Changes in the Company's fixed assets for the year ended December 31, 2024, are as follows (in thousands):

|  | 2023              | Additions<br>and<br>Transfers<br>In | Disposals<br>and<br>Transfers<br>Out | 2024              |
|--|-------------------|-------------------------------------|--------------------------------------|-------------------|
| Nondepreciable fixed assets                        |                   |                                     |                                      |                   |
| Land   | \$ 10,561         | \$ -                                | \$ -                                 | \$ 10,561         |
| Work-in-progress                                   | 13,536            | 33,646                              | (19,529)                             | 27,653            |
|  | <u>24,097</u>     | <u>33,646</u>                       | <u>(19,529)</u>                      | <u>38,214</u>     |
| Depreciable fixed assets                           |                   |                                     |                                      |                   |
| Regional transmission operator software            | 496,825           | 6,159                               | -                                    | 502,984           |
| Regional transmission operator hardware            | 24,922            | 4,410                               | (1,320)                              | 28,012            |
| Communication equipment                            | 13,094            | 1,609                               | (1,561)                              | 13,142            |
| ISO Facilities (HQ and Lincoln)                    | 162,251           | 3,529                               | -                                    | 165,780           |
| Furniture, fixtures and other                      | 21,229            | 3,821                               | (2,427)                              | 22,623            |
|  | <u>718,321</u>    | <u>19,528</u>                       | <u>(5,308)</u>                       | <u>732,541</u>    |
| Subscription assets                                | -                 | 9,895                               | -                                    | 9,895             |
| Less: Accumulated depreciation<br>and amortization | <u>(614,691)</u>  | <u>(27,410)</u>                     | <u>5,302</u>                         | <u>(636,799)</u>  |
|  | <u>103,630</u>    | <u>2,013</u>                        | <u>(6)</u>                           | <u>105,637</u>    |
| Total fixed assets, net                            | <u>\$ 127,727</u> | <u>\$ 35,659</u>                    | <u>\$ (19,535)</u>                   | <u>\$ 143,851</u> |

***Subscription Assets***

The Company has noncancellable subscription-based information technology arrangements (SBITAs) for the right to use information technology hardware and software. The subscription terms of the SBITA contracts range from five to ten years with fixed and variable charges, and they include options to extend the subscription term after completion of the initial contract term. The interest rates used are based on US Department of the Treasury daily par yield curve rates with the number of years to maturity that corresponds to the subscription term. As of December 31, 2025 and 2024, subscription assets recorded were \$17.1 million and \$9.9 million, respectively. For the years ended December 31, 2025 and 2024, the Company recognized amortization expense of \$2.3 million and \$0.4 million, which is reported as amortization on the Statements of Revenues, Expenses and Changes in Net Position. As of December 31, 2025 and 2024, subscription obligations included in current and noncurrent liabilities, were \$7.7 million and \$5.6 million, respectively. Interest expense for the subscription liabilities as of December 31, 2025 and 2024, was \$336 thousand and \$40 thousand, respectively.

**California Independent System Operator Corporation**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

The following are the future annual SBITA principal and interest payments as of December 31, 2025 (in thousands):

|                  | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |
|------------------|---------------------|-------------------|---------------------|
| 2026             | \$ 1,999,429        | \$ 282,947        | \$ 2,282,376        |
| 2027             | 2,079,705           | 201,544           | 2,281,249           |
| 2028             | 1,513,241           | 136,197           | 1,649,438           |
| 2029             | 317,537             | 80,571            | 398,108             |
| 2030             | 335,938             | 66,918            | 402,856             |
| 2031 - 2034      | 1,441,036           | 116,172           | 1,557,208           |
| Total commitment | <u>\$ 7,686,886</u> | <u>\$ 884,349</u> | <u>\$ 8,571,235</u> |

**5. Long-term Debt and Related Agreements**

Long-term debt consists of the following at December 31 (in thousands):

|   | <b>2025</b>       | <b>2024</b>       |
|---|-------------------|-------------------|
| CSCDA Taxable Refunding Revenue Bonds, Series 2021<br>Fixed interest rates of 0.25% - 2.68% with maturities<br>through 2039 | <u>\$ 139,075</u> | <u>\$ 147,890</u> |
| Total long-term debt  | 139,075           | 147,890           |
| Less: Current portion   | <u>(8,875)</u>    | <u>(8,815)</u>    |
| Total long-term debt, net of current portion  | <u>\$ 130,200</u> | <u>\$ 139,075</u> |

Summarized activity of long-term debt for the year ended December 31, 2025, is as follows (in thousands):

|   | <b>Beginning of<br/>Year</b> | <b>Issuances<br/>(Payments)</b> | <b>End of Year</b> |
|---|------------------------------|---------------------------------|--------------------|
| CSCDA Taxable Refunding Revenue Bonds,<br>Series 2021 | <u>\$ 147,890</u>            | <u>\$ (8,815)</u>               | <u>\$ 139,075</u>  |
| Total long-term debt                                  | <u>\$ 147,890</u>            | <u>\$ (8,815)</u>               | <u>\$ 139,075</u>  |

Summarized activity of long-term debt for the year ended December 31, 2024, is as follows (in thousands):

|   | <b>Beginning of<br/>Year</b> | <b>Issuances<br/>(Payments)</b> | <b>End of Year</b> |
|---|------------------------------|---------------------------------|--------------------|
| CSCDA Taxable Refunding Revenue Bonds,<br>Series 2021 | <u>\$ 156,660</u>            | <u>\$ (8,770)</u>               | <u>\$ 147,890</u>  |
| Total long-term debt                                  | <u>\$ 156,660</u>            | <u>\$ (8,770)</u>               | <u>\$ 147,890</u>  |

**California Independent System Operator Corporation**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

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Scheduled future debt service payments for these bonds as of December 31, 2025, are as follows (in thousands):

|                             | Principal  | Interest  | Total      |
|-----------------------------|------------|-----------|------------|
| 2026                        | \$ 8,875   | \$ 2,874  | \$ 11,749  |
| 2027                        | 8,960      | 2,791     | 11,751     |
| 2028                        | 9,065      | 2,682     | 11,747     |
| 2029                        | 9,205      | 2,550     | 11,755     |
| 2030                        | 9,355      | 2,395     | 11,750     |
| 2031 - 2035                 | 49,590     | 9,165     | 58,755     |
| 2036 - 2039                 | 44,025     | 2,968     | 46,993     |
| Total debt service payments | \$ 139,075 | \$ 25,425 | \$ 164,500 |

**6. Fair Value of Financial Instruments**

Accounting guidance for fair value measurement requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard establishes a three-tier fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is 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.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. Financial assets and liabilities are classified in their entirety based on the level of input that is considered most significant to the fair value measurement.

**California Independent System Operator Corporation**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

The Company's assets measured at fair value on a recurring basis at December 31, 2025, were as follows (in thousands):

|  | <b>Total</b>        | <b>Level 1</b>      | <b>Level 2</b>   | <b>Level 3</b> |
|--|---------------------|---------------------|------------------|----------------|
| Cash:  | \$ -                | \$ -                | \$ -             | \$ -           |
| Cash equivalents:                            |                     |                     |                  |                |
| Money market funds                           | 877,178             | 877,178             | -                | -              |
| Short-term investments:                      |                     |                     |                  |                |
| Publicly traded mutual funds                 | 7,132               | 7,132               | -                | -              |
| Negotiable certificates of deposit           | 16,298              | -                   | 16,298           | -              |
| Long-term investments:                       |                     |                     |                  |                |
| Negotiable certificates of deposit           | 12,775              | -                   | 12,775           | -              |
| Publicly traded mutual funds                 | 210,640             | 210,640             | -                | -              |
| Captive insurance investment                 | 37                  | -                   | -                | 37             |
| Total cash, cash equivalents and investments | <u>\$ 1,124,060</u> | <u>\$ 1,094,950</u> | <u>\$ 29,073</u> | <u>\$ 37</u>   |

The Company's assets measured at fair value on a recurring basis at December 31, 2024, were as follows (in thousands):

|  | <b>Total</b>        | <b>Level 1</b>      | <b>Level 2</b>   | <b>Level 3</b> |
|--|---------------------|---------------------|------------------|----------------|
| Cash:  | \$ -                | \$ -                | \$ -             | \$ -           |
| Cash equivalents:                            |                     |                     |                  |                |
| Money market funds                           | 1,057,694           | 1,057,694           | -                | -              |
| Short-term investments:                      |                     |                     |                  |                |
| Publicly traded mutual funds                 | 10,171              | 10,171              | -                | -              |
| Negotiable certificates of deposit           | 20,200              | -                   | 20,200           | -              |
| Long-term investments:                       |                     |                     |                  |                |
| Negotiable certificates of deposit           | 12,040              | -                   | 12,040           | -              |
| Publicly traded mutual funds                 | 214,144             | 214,144             | -                | -              |
| Captive insurance investment                 | 37                  | -                   | -                | 37             |
| Total cash, cash equivalents and investments | <u>\$ 1,314,286</u> | <u>\$ 1,282,009</u> | <u>\$ 32,240</u> | <u>\$ 37</u>   |

Level 1 money market funds and publicly traded mutual funds are determined by using quoted prices in active markets. Level 2 fixed income securities are priced using quoted market prices for similar instruments or nonbinding market prices that are corroborated by observable market data. Level 3 assets are nonnegotiable instruments that require the use of unobservable inputs in determining fair value.

The fair value of the employee retirement plan trust accounts at December 31, 2025 and 2024, was \$9.5 million and \$7.3 million, respectively. These accounts are invested in cash equivalents and publicly traded mutual funds and are classified as Level 1 assets.

The carrying values reported in the balance sheet for current assets and liabilities, excluding amounts discussed above, approximate fair value.

**California Independent System Operator Corporation**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

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Additionally, the Company had \$26.0 million and \$22.1 million at December 31, 2025 and 2024, respectively, in trust related to the post-employment medical benefit plan (Note 7). At December 31, 2025 and 2024, these trust assets consist primarily of mutual funds and are classified as Level 1 within the fair value hierarchy.

**7. Employee Benefit Plans**

The Company maintains several employee benefit plans. A description of the Plans and key provisions is included below. Obligations included in the Company's Statements of Net Position related to these plans consist of the following at December 31 (in thousands):

|  | <b>2025</b>     | <b>2024</b>     |
|--|-----------------|-----------------|
| Post-employment medical benefit plan       | \$ (2,730)      | \$ (70)         |
| Executive pension restoration plan         | 6,853           | 5,219           |
| Executive savings plan                     | 2,652           | 2,067           |
| Total employee retirement plan obligations | <u>\$ 6,775</u> | <u>\$ 7,216</u> |

**Post-Employment Medical Benefit Plan**

***Plan Description***

The Company sponsors the California ISO Retirees Medical Plan, a single employer defined benefit plan, to provide post-employment health care benefits to all eligible employees who retire from the Company and meet certain eligibility requirements. The Plan was closed to new hires and rehires effective January 1, 2019.

Eligibility for retirement is age 55 with at least ten years of continuous service, whose combined age and years of continuous service equals or exceeds 70. For employees born after January 1, 1969, pre-65 spousal coverage ends on the participants' 75th birth date. A post-65 spouse who is removed from pre-65 coverage may obtain coverage once they reach age 65.

Depending on years of service, the Company pays between 60% and 70% of the premiums on the coverage elections made by the beneficiaries not to exceed \$8,000 per year for individual retiree coverage and \$16,000 per year for retiree plus spouse and/or dependent. Plan benefits are available to eligible retirees and to their spouses, domestic partners and eligible dependents, as provided for under the terms of the Plan. Current plan coverage extends for the lifetime of the participants and their beneficiaries, except for dependents, which generally terminates at age 25.

The Plan provides a monthly amount per post-65 retiree and eligible post-65 dependents towards the cost of enrolling in any of the Medicare supplemental programs, and at the Company's discretion, may increase the allowance annually. Supplemental program costs in excess of the provided monthly amount are the responsibility of the retirees and or dependents.

There are 334 active employees who could become eligible for benefits, of which 121 are fully eligible to retire and 129 retirees eligible to receive benefits pursuant to the Plan as of December 31, 2025.

# California Independent System Operator Corporation

## Notes to Financial Statements

### December 31, 2025 and 2024

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#### ***Funding and Investment Policy***

The Company has established a trust for the purposes of funding the Plan. The trust was established as a tax-exempt voluntary employees' beneficiary association. All assets of the trust are to be used for the exclusive benefit of the participants and beneficiaries of the Plan. Although the Company has fiscal accountability for these assets and holds them in a fiduciary capacity, the assets are not considered assets of the Company and are therefore not included in the Statements of Net Position of the Company. As of December 31, 2025 and 2024, the trust assets were \$26.0 million and \$22.1 million, respectively. The Plan issues audited trust financial statements annually, which are available upon request.

The Company's current funding policy is to annually contribute an amount such that the total amount in the trust approximates the actuarially determined liability attributable to retirees and their spouses and to active participants who are fully eligible to retire. Based on this current funding policy, the trust was fully funded at December 31, 2025. The Company does not provide funding into the trust related to future obligations associated with employees who have not become eligible to retire, although, as part of its rate structure, the Company collects annual amounts associated with future other post-employment benefit ("OPEB") obligations for all employees. As a result, assets equivalent to the actuarially determined liability attributable to employees not yet eligible to retire are segregated in a separate custody account. The amounts are adjusted annually to match the current actuarially determined liability. These segregated assets are reported in the Company's Statements of Net Position.

The assets of both the trust and the Company's segregated funds are invested in accordance with the Board approved California ISO Retirees Medical Plan Investment Policy. In general, the assets are invested in a mix of equity and fixed-income mutual funds.

The Company currently funds disbursements for the employer portion of the premiums based on the coverage elections made by the pre-65 beneficiaries and their qualified dependents. The annual contributions for the post-65 retirees and their post-65 dependents are funded from the segregated funds.

#### ***Net OPEB Liability (NOL)***

The Company's annual OPEB liabilities as of December 31, 2025 and 2024, respectively, were determined by an actuarial valuation as of those dates.

**California Independent System Operator Corporation**  
**Notes to Financial Statements**  
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The Company's Net OPEB Liability at December 31, 2025 and 2024, is as follows (in thousands):

|  | <b>2025</b>       | <b>2024</b>     |
|--|-------------------|-----------------|
| Total OPEB liability (TOL)                         |                   |                 |
| Service cost                                       | \$ 459            | \$ 492          |
| Interest cost                                      | 1,420             | 1,380           |
| Differences between expected and actual experience | (106)             | (456)           |
| Changes in assumptions                             | 298               | (77)            |
| Benefit payments                                   | <u>(875)</u>      | <u>(1,169)</u>  |
| Net change in TOL                                  | 1,196             | 170             |
| TOL - beginning                                    | <u>21,825</u>     | <u>21,655</u>   |
| TOL - ending                                       | <u>23,021</u>     | <u>21,825</u>   |
| Plan fiduciary net position (PFNP)                 |                   |                 |
| Employer contributions                             | 763               | 1,054           |
| Net investment income (loss)                       | 3,903             | 1,734           |
| Benefit payment                                    | (875)             | (1,169)         |
| Active subsidy                                     | <u>112</u>        | <u>115</u>      |
| Net change in PFNP                                 | 3,903             | 1,734           |
| PFNP - beginning                                   | <u>22,062</u>     | <u>20,328</u>   |
| PFNP - ending                                      | <u>25,965</u>     | <u>22,062</u>   |
| Net OPEB liability (asset)                         | <u>\$ (2,944)</u> | <u>\$ (237)</u> |
| PFNP as a percentage of TOL                        | 112.79 %          | 101.08 %        |
| Covered-employee payroll                           | \$ 67,783         | \$ 66,582       |
| NOL as a percentage of covered-employee payroll    | (4.34)%           | (0.36)%         |

**Actuarial Methods and Assumptions**

The total OPEB liability in the December 31, 2025 and 2024 actuarial valuations were determined using actuarial assumptions, applied to all respective periods included in the measurement. The following significant actuarial methods and assumptions were used in the calculation.

|  | <b>2025</b> | <b>2024</b> |
|--|-------------|-------------|
| Discount Rate                                    | 6.40%       | 6.50%       |
| Expected Long-term Rate of Return on Plan Assets | 6.40%       | 6.50%       |
| Rate of Compensation Increase                    | 3.50%       | 3.50%       |
| Current Health Care Cost Trend Rate              | 6.75%       | 6.75%       |
| Ultimate Health Care Cost Trend Rate             | 5.00%       | 5.00%       |
| Year of Ultimate Trend Rate                      | 2033        | 2031        |

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The mortality rates were based on the Pri-2012 mortality tables (Base mortality table year “2012”, Table type “Total”, Health type “Healthy”, Table weighing “Headcount”), with Scale MP-2021 for mortality improvements to reflect the most recent mortality experience published by the Society of Actuaries. Separate rates, based on the “Employee” table, were developed for annuitants and nonannuitants. Same rates also were developed for retirees, contingent annuitants, and contingent survivors.

The expected long-term return on assets assumption reflects the Company’s estimate of future experience for the trust asset returns reflecting the Plan’s current asset allocation and any expected changes during the current plan year, current market conditions and the Company’s expectations for future market conditions. The long-term rate of return was determined using a building-block method in which best estimate ranges of expected investment rates of return over the next 20 years are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the current asset allocation percentage. The current asset allocation and best estimates of the rates of return for each major asset class are summarized in the following table.

| <b>Asset Class</b>     | <b>Asset Allocation</b> | <b>Long-Term Expected Rate of Return</b> |
|------------------------|-------------------------|--|
| International stocks   | 28.0 %                  | 7.87 %                                   |
| BarCap aggregate funds | 25.0                    | 4.42                                     |
| Large-cap stocks       | 19.0                    | 7.60                                     |
| 10-year TIPS           | 10.0                    | 4.61                                     |
| Cash equivalents       | 10.0                    | 3.71                                     |
| Small cap stocks       | 4.0                     | 7.18                                     |
| Mid-cap stocks         | 4.0                     | 7.61                                     |
| Total                  | <u>100 %</u>            |  |

The expected long-term return on assets is also used as the discount rate for all periods of projected benefit payments to determine the total OPEB liability since the Company’s contributions to the Plan are made at rates equal to the actuarially determined contribution rates. Additionally, the Plan’s fiduciary net position is projected to be available to make all projected OPEB payments for all current and future retirees.

The actuarial assumptions employed in the development of the OPEB liability and other financial reporting have been selected in accordance with the Actuarial Standards of Practice, which required that each significant assumption is appropriate for the purpose of the measurement; takes into account historical and current economic data that is relevant as of the measurement date; reflects expected future experience, and has no significant bias (i.e., it is not significantly optimistic or pessimistic).

**California Independent System Operator Corporation**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

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***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The Company's annual OPEB expenses at December 31, 2025 and 2024, are as follows (in thousands):

|  | 2025              | 2024              |
|--|-------------------|-------------------|
| OPEB Expense   |                   |                   |
| Service cost   | \$ 459            | \$ 492            |
| Interest cost  | 1,420             | 1,380             |
| Differences between expected and actual experience       | (397)             | (309)             |
| Changes in assumptions                                   | (1,539)           | (1,474)           |
| Expected return on assets                                | (1,434)           | (1,301)           |
| Differences between expected and actual return on assets | (120)             | 116               |
| Annual OPEB expense                                      | <u>\$ (1,611)</u> | <u>\$ (1,096)</u> |

For the year ended December 31, 2025, the Company reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

|  | Outflows        | Inflows           |
|--|-----------------|-------------------|
| Differences between expected and actual experience                       | \$ 1,403        | \$ (1,528)        |
| Changes in assumptions   | 279             | (2,825)           |
| Net difference between projected and actual earnings on OPEB investments |                 | (1,899)           |
| Total deferred inflows (outflows)  | <u>\$ 1,682</u> | <u>\$ (6,252)</u> |

For the year ended December 31, 2024, the Company reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

|  | Outflows        | Inflows           |
|--|-----------------|-------------------|
| Differences between expected and actual experience                       | \$ 1,715        | \$ (2,129)        |
| Changes in assumptions   | 29              | (4,412)           |
| Net difference between projected and actual earnings on OPEB investments | 450             | -                 |
| Total deferred inflows (outflows)  | <u>\$ 2,194</u> | <u>\$ (6,541)</u> |

**California Independent System Operator Corporation**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

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Amounts reported as of December 31, 2025, as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

|   | <b>Amount</b>     |
|---|-------------------|
| During fiscal year ending 12/31/2026                      | \$ (1,632)        |
| During fiscal year ending 12/31/2027                      | (1,388)           |
| During fiscal year ending 12/31/2028                      | (909)             |
| During fiscal year ending 12/31/2029                      | (624)             |
| During fiscal year ending 12/31/2030                      | 45                |
| During fiscal year ending after 12/31/2031 and thereafter | (62)              |
| Total net deferred inflows                                | <u>\$ (4,570)</u> |

The following table presents the sensitivity of the net OPEB liability to changes in the discount rate and health care cost trend rates if it was separately calculated using a 1% lower or 1% higher than the current discount rate or health care cost trend rate.

|   | <b>2025</b> | <b>2024</b> |
|---|-------------|-------------|
| Change in NOL with 1.0% increase in discount rate           | \$ (1,932)  | \$ (1,870)  |
| Change in NOL with 1.0% decrease in discount rate           | 2,253       | 2,182       |
| Change in NOL with 1.0% increase in health care trend rates | 343         | 328         |
| Change in NOL with 1.0% decrease in health care trend rates | (311)       | (302)       |

**Executive Pension Restoration Plan**

The Company sponsors the Executive Pension Restoration Plan, a nonqualified defined contribution plan, which allows certain officers of the Company to contribute and receive Company contributions in excess of the 401(k) contribution limits set forth by IRS regulations as described in the retirement savings benefits plan below.

The contributions and earnings thereon are held in a trust and the balances as of December 31, 2025 and 2024, were \$6.9 million and \$5.2 million, respectively, and are included in Other Assets with a corresponding liability in Employee Retirement Plan Obligations. In connection with this plan, the Company recognized expenses for contributions of \$1.0 million and \$0.5 million in 2025 and 2024, respectively.

**Executive Savings Plan**

The Company sponsors the Executive Savings Plan, a nonqualified defined contribution plan under section 457(b) of the IRS Code. The Company contributes a percentage of each officer's annual base compensation to the Plan. Officers may elect to make voluntary contributions, subject to statutory limitations. The contributions and earnings thereon are held in a trust and the balance as of December 31, 2025 and 2024, was \$2.7 million and \$2.1 million, respectively, and are included in Other Assets, with a corresponding liability in Employee Retirement Plan Obligations. In connection with this plan, the Company recognized expenses of \$254,665 and \$207,827 in 2025 and 2024, respectively.

# California Independent System Operator Corporation

## Notes to Financial Statements

### December 31, 2025 and 2024

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#### **Retirement Savings Benefits Plan**

The Company sponsors a defined contribution retirement plan, the California ISO Retirement Savings Benefits Plan (the "Retirement Plan") that is subject to the provisions of the Employee Retirement Income Security Act of 1974 and covers substantially all employees. The Company administers the Retirement Plan with the assistance of a third party. The assets of the Plan are held separately from Company assets and are not combined with the assets in the Statements of Net Position.

Employees may elect to contribute up to fifty percent of their eligible compensation to the Retirement Plan, subject to statutory limitations. The Company matches contributions up to six percent of an employees' eligible compensation and an additional contribution equal to five percent of eligible compensation for employees with less than five years of service, or seven percent for employees who have at least five years but not more than ten years of service. An additional contribution of one percent of eligible compensation is also made by the Company for each five-year increment of service after an employees' ten-year anniversary.

Employee contributions to the Retirement Plan for 2025 and 2024 were \$14.5 million and \$14.9 million, respectively. The Company contributions to the Retirement Plan for 2025 and 2024 were \$16.3 and \$15.1 million, respectively.

#### **8. Insurance Programs and Claims**

The Company is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; nonperformance of duty; injuries to employees; and natural disasters. The Company maintains various commercial and mutual insurance plans that provide coverage for most claims in excess of specific dollar thresholds. Primary insurance policies have coverage limits set based on the Company's assessment of reasonable exposure within that risk category, with consideration of insurance types and coverage limits for comparable entities. Additionally, the Company maintains excess liability coverage that provides umbrella coverage for certain exposures. Losses incurred below insurance deductibles are expensed as incurred. In the last three years, the Company did not incur any claims in excess of the coverage described above.

The Company is a participant in a group captive insurance company for workers compensation insurance coverage. The Company's annual net insurance costs for such coverage vary based on claims incurred at the Company, and to a lesser extent, claims activity of other members of the captive insurance company. The Company's annual insurance expense is limited through reinsurance and risk sharing arrangements of the captive to an additional percentage of the initial base premium paid.

#### **9. Contingencies**

##### **Market Billing Disputes in Good Faith Negotiations**

As part of the tariff and applicable contracts, the Company has dispute resolution processes for market participants to register disagreements regarding information reflected in the settlement statements or billing amounts for market activity.

# California Independent System Operator Corporation

## Notes to Financial Statements

### December 31, 2025 and 2024

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Market disputes are addressed in the normal course of operations, some of which result in adjustments to previously issued settlement statements. When adjustments are made, the adjustment amounts are reallocated to market participants, with no net cost or credit being realized by the Company. With respect to pending market disputes at December 31, 2025, including those that have escalated to good faith negotiations, management believes that any settlements or market awards would be resettled against the market with no liability to the Company.

#### **Indemnifications**

The Company's bylaws require its annual financial statements to include disclosures about certain payments made by the Company related to indemnification of officers and Board members. There were no such payments in 2025 or 2024.

#### **Other Matters**

The Company, during the ordinary course of its operations, has been involved in various lawsuits and claims. In addition, the Company is subject to compliance with mandatory reliability standards promulgated by the North American Electric Reliability Corporation and approved by the Federal Energy Regulatory Commission, which if violated could result in penalties assessed to the Company.

There are currently some pending claims against the Company as well as matters related to alleged violations of the mandatory reliability standards. Management is of the opinion that none of these matters will have a material adverse impact on the financial position or results of the operations of the Company.

#### **10. Subsequent Events**

In September 2025, the California legislature approve Assembly Bill (AB) 825, titled the Independent System Operator: Independent Regional Organization Act, which would authorize the Company under certain conditions to permit an independent regional organization to govern the Company's energy markets.

A new organization known as the Regional Organization for Western Energy (ROWE) has been created, which is envisioned to be the independent, voluntary institution that would fulfill the requirements of the new statute. The Company will be working with ROWE in 2026 and beyond toward a possible arrangement that would be intended to facilitate further regional integration.

**California Independent System Operator Corporation**  
**Required Supplementary Information**  
**December 31, 2025 and 2024**

**Schedule of Changes in the Net OPEB Liability and Related Ratios**

The schedule below presents the Company's total OPEB liability, the Plan fiduciary position, net OPEB liability and related ratios (dollars in thousands):

|  | 2025       | 2024      | 2023      | 2022      | 2021      | 2020      | 2019      | 2018      | 2017      | 2016      |
|--|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total OPEB liability (TOL)                         |            |           |           |           |           |           |           |           |           |           |
| Service cost                                       | \$ 459     | \$ 492    | \$ 461    | \$ 575    | \$ 748    | \$ 811    | \$ 1,101  | \$ 1,366  | \$ 1,369  | \$ 1,166  |
| Interest cost                                      | 1,420      | 1,380     | 1,217     | 1,174     | 1,217     | 1,314     | 1,580     | 1,525     | 1,470     | 1,175     |
| Changes in benefit terms                           |            |           |           | -         | -         | -         | -         | 3,634     | -         | -         |
| Differences between expected and actual experience | (106)      | (456)     | 2,103     | (1,064)   | 313       | (1,883)   | (438)     | (1,326)   | (951)     | 1,593     |
| Changes in assumptions                             | 298        | (77)      | (315)     | (1,619)   | (2,468)   | 89        | (4,657)   | (3,699)   | (228)     | 1,380     |
| Benefit payments                                   | (875)      | (1,169)   | (1,335)   | (611)     | (1,050)   | (539)     | (606)     | (883)     | (587)     | (426)     |
| Net change in TOL                                  | 1,196      | 170       | 2,131     | (1,545)   | (1,240)   | (208)     | (3,020)   | 617       | 1,073     | 4,888     |
| TOL - beginning                                    | 21,825     | 21,655    | 19,524    | 21,069    | 22,309    | 22,517    | 25,537    | 24,920    | 23,847    | 18,959    |
| TOL - ending                                       | 23,021     | 21,825    | 21,655    | 19,524    | 21,069    | 22,309    | 22,517    | 25,537    | 24,920    | 23,847    |
| Plan fiduciary net position (PFNP)                 |            |           |           |           |           |           |           |           |           |           |
| Employer contributions                             | 763        | 1,054     | 1,231     | 555       | 986       | 461       | 4,987     | 841       | 384       | 269       |
| Net investment income                              | 3,903      | 1,734     | 2,555     | (3,388)   | 1,857     | 2,262     | 2,230     | (674)     | 1,522     | 534       |
| Benefit payment                                    | (875)      | (1,169)   | (1,334)   | (611)     | (1,050)   | (539)     | (606)     | (883)     | (587)     | (426)     |
| Active subsidy                                     | 112        | 115       | 105       | 56        | 64        | 78        | 56        | 42        | 203       | 157       |
| Net change in PFNP                                 | 3,903      | 1,734     | 2,557     | (3,388)   | 1,857     | 2,262     | 6,667     | (674)     | 1,522     | 534       |
| PFNP - beginning                                   | 22,062     | 20,328    | 17,771    | 21,159    | 19,302    | 17,040    | 10,373    | 11,047    | 9,525     | 8,991     |
| PFNP - ending                                      | 25,965     | 22,062    | 20,328    | 17,771    | 21,159    | 19,302    | 17,040    | 10,373    | 11,047    | 9,525     |
| Net OPEB liability (asset)                         | \$ (2,944) | \$ (237)  | \$ 1,327  | \$ 1,753  | \$ (90)   | \$ 3,007  | \$ 5,477  | \$ 15,164 | \$ 13,873 | \$ 14,322 |
| PFNP as a percentage of TOL                        | 112.79 %   | 101.08 %  | 93.87 %   | 91.02 %   | 100.42 %  | 86.52 %   | 75.67 %   | 40.62 %   | 44.33 %   | 39.94 %   |
| Covered-employee payroll                           | \$ 67,783  | \$ 66,582 | \$ 66,573 | \$ 64,079 | \$ 64,368 | \$ 69,598 | \$ 71,588 | \$ 72,478 | \$ 69,960 | \$ 68,984 |
| NOL as a percentage of covered-employee payroll    | (4.34)%    | (0.36)%   | 1.99 %    | 2.74 %    | (0.14)%   | 4.32 %    | 7.65 %    | 20.92 %   | 19.83 %   | 2.08 %    |

**California Independent System Operator Corporation**  
**Required Supplementary Information**  
**December 31, 2025 and 2024**

**Schedule of Employer Contributions to the OPEB Plan**

The schedule below reflects the Company's contributions relative to the actuarially determined contributions for the Plan (dollars in thousands):

|   | 2025            | 2024              | 2023              | 2022            | 2021            | 2020            | 2019            | 2018            | 2017            | 2016            |
|---|-----------------|-------------------|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Actuarially determined contribution                                 | \$ -            | \$ -              | \$ -              | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            |
| Contribution in relation to the actuarially determined contribution | 763             | 1,054             | 1,232             | 555             | 986             | 461             | 550             | 841             | 384             | 269             |
| Contribution deficiency (excess)                                    | <u>\$ (763)</u> | <u>\$ (1,054)</u> | <u>\$ (1,232)</u> | <u>\$ (555)</u> | <u>\$ (986)</u> | <u>\$ (461)</u> | <u>\$ (550)</u> | <u>\$ (841)</u> | <u>\$ (384)</u> | <u>\$ (269)</u> |
| Covered-employee payroll  | \$ 67,783       | \$ 66,582         | \$ 66,573         | \$ 64,079       | \$ 64,368       | \$ 69,598       | \$ 71,588       | \$ 72,478       | \$ 69,960       | \$ 68,984       |
| Contribution as a percentage of covered-employee payroll            | 1.1 %           | 1.6 %             | 1.9 %             | 0.9 %           | 1.5 %           | 0.7 %           | 0.8 %           | 1.2 %           | 0.5 %           | 0.4 %           |

*Note: The is intended to be a ten-year schedule in accordance with GASB Statement 75; however, the Company adopted the standard in 2018 and revalued the plan retroactively to 2016.*

**Notes to Schedule**

Valuation date:

Actuarially determined contribution rates are calculated as of December 31, 2025

Methods and assumptions used to determine contribution rates:

|                                |  |
|--------------------------------|--|
| Actuarial cost method:         | Entry age normal   |
| Amortization period            | Average future service for all participants as of 1/1/2026, where participants are assumed to have zero average future service |
| Asset valuation method         | Investments in the trust fund are valued on the basis of their fair value  |
| Inflation                      | 2.5%   |
| Salary increases               | 3.5%, average, including inflation   |
| Termination and retirement age | The termination and retirement rates have been updated to reflect current experience   |
| Discount rate                  | 6.40%  |