

QUARTERLY FINANCIAL REPORT

March 31, 2015

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
QUARTERLY FINANCIAL REPORT - March 31, 2015

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CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the quarter ended March 31, 2015

Results of Operations

Revenues

Through the first quarter ending March 31, 2015, operating revenues were higher by \$0.2 million compared to the budgeted amounts. The overall increase in revenues was primarily due to higher other revenues, partially offset by slightly lower GMC revenues. The Company is monitoring changes in GMC revenues and will adjust rates, if necessary, to align actual GMC revenues closer to budget, as required by the Tariff.

Expenses

Operating expenses are \$2.9 million under budget through the first quarter of the year, largely due to timing of expenses. Depreciation is lower compared to the same period last year as most of the market systems were fully depreciated as of April 2014.

Material Changes to Assets and Liabilities

Debt service, market collateral transactions, incentive compensation payouts and annual 401k contributions were the primary contributors to the changes in company assets and liabilities during the the first quarter.

Capital Projects

Through the end of the first quarter of 2015, \$7.5 million in projects were approved by the Corporate Management Committee. These projects will enhance the current systems' performance and effectiveness in meeting future challenges and FERC mandates.

Collateral Held Report

As of April 7, 2015 the ISO maintained \$1.8 billion in collateral from market participants to support \$253.5 million in aggregate liabilities due in the market. Approximately \$1.3 billion of the collateral is from unsecured sources (i.e., unsecured credit limits and parent guarantees) with investment grade or equivalent ratings, and \$435.5 million is from secured forms (i.e., cash and letters of credit). This collateral is predominantly invested in AAA-rated money market funds or backed by A rated or better financial institutions.

CALIFORNIA ISO
Statement of Operations

For the quarter ended March 31, 2015
(dollars in thousands)

	Quarter		Year to Date		Year to Date Budget
	Actual	Prior Year	Actual	Prior Year	
<u>Operating revenues:</u>					
Grid management charge	\$ 44,110	\$ 44,264	\$ 44,110	\$ 44,264	\$ 44,148
Other revenues	2,061	1,181	2,061	1,181	1,850
Total operating revenues	46,171	45,445	46,171	45,445	45,998
<u>Operating expenses:</u>					
Salaries and benefits	27,334	26,190	27,334	26,190	27,285
Building, leases and facility	599	525	599	525	819
Insurance	408	408	408	408	438
Third party vendor contracts	3,348	3,551	3,348	3,551	4,019
Consulting and contracting services	3,396	2,889	3,396	2,889	4,035
Legal and audit	153	761	153	761	1,179
Training, travel and professional dues	711	686	711	686	1,178
Other	593	618	593	618	521
Total operating expenses	36,542	35,628	36,542	35,628	39,474
Operating income before depreciation and amortization	9,629	9,817	9,629	9,817	6,524
<u>Depreciation and amortization</u>	6,076	18,477	6,076	18,477	6,000
Net operating income (loss)	3,553	(8,660)	3,553	(8,660)	524
<u>Other income (expenses)</u>					
Interest income & other	941	398	941	398	500
Interest expense	(2,302)	(2,374)	(2,302)	(2,374)	(1,690)
Total other income (expenses)	(1,361)	(1,976)	(1,361)	(1,976)	(1,190)
Excess (deficiency) of revenues over expenses	\$ 2,192	\$ (10,636)	\$ 2,192	\$ (10,636)	\$ (666)
Number of full-time employees			588	577	593

CALIFORNIA ISO**Balance Sheet**

As of March 31, 2015

(dollars in thousands)

	Current Quarter 3/31/2015	Prior Year 12/31/2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, including restricted amounts	\$ 329,951	\$ 429,324
Accounts receivable	36,013	31,415
Short-term Investments, including restricted amounts	48,784	63,919
Other current assets	7,164	8,630
Total current Assets	<u>421,912</u>	<u>533,288</u>
NONCURRENT ASSETS		
Long-term investments, including restricted amounts	104,776	120,539
Fixed assets, net	177,936	180,296
Other assets	12,406	12,918
Total noncurrent assets	<u>295,118</u>	<u>313,753</u>
TOTAL ASSETS	<u><u>\$ 717,030</u></u>	<u><u>\$ 847,041</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 6,884	\$ 11,924
Accrued salaries and compensated absences	11,535	29,909
Current portion of long-term debt	4,500	4,415
Due to market participants	361,775	468,085
Generator noncompliance fines refund obligation	2,010	1,981
Total current liabilities	<u>386,704</u>	<u>516,314</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	192,535	197,202
Employee retirement plan obligations	22,038	22,073
Total noncurrent liabilities	<u>214,573</u>	<u>219,275</u>
TOTAL LIABILITIES	<u>601,277</u>	<u>735,590</u>
TOTAL NET ASSETS	<u>115,753</u>	<u>111,452</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 717,030</u></u>	<u><u>\$ 847,041</u></u>

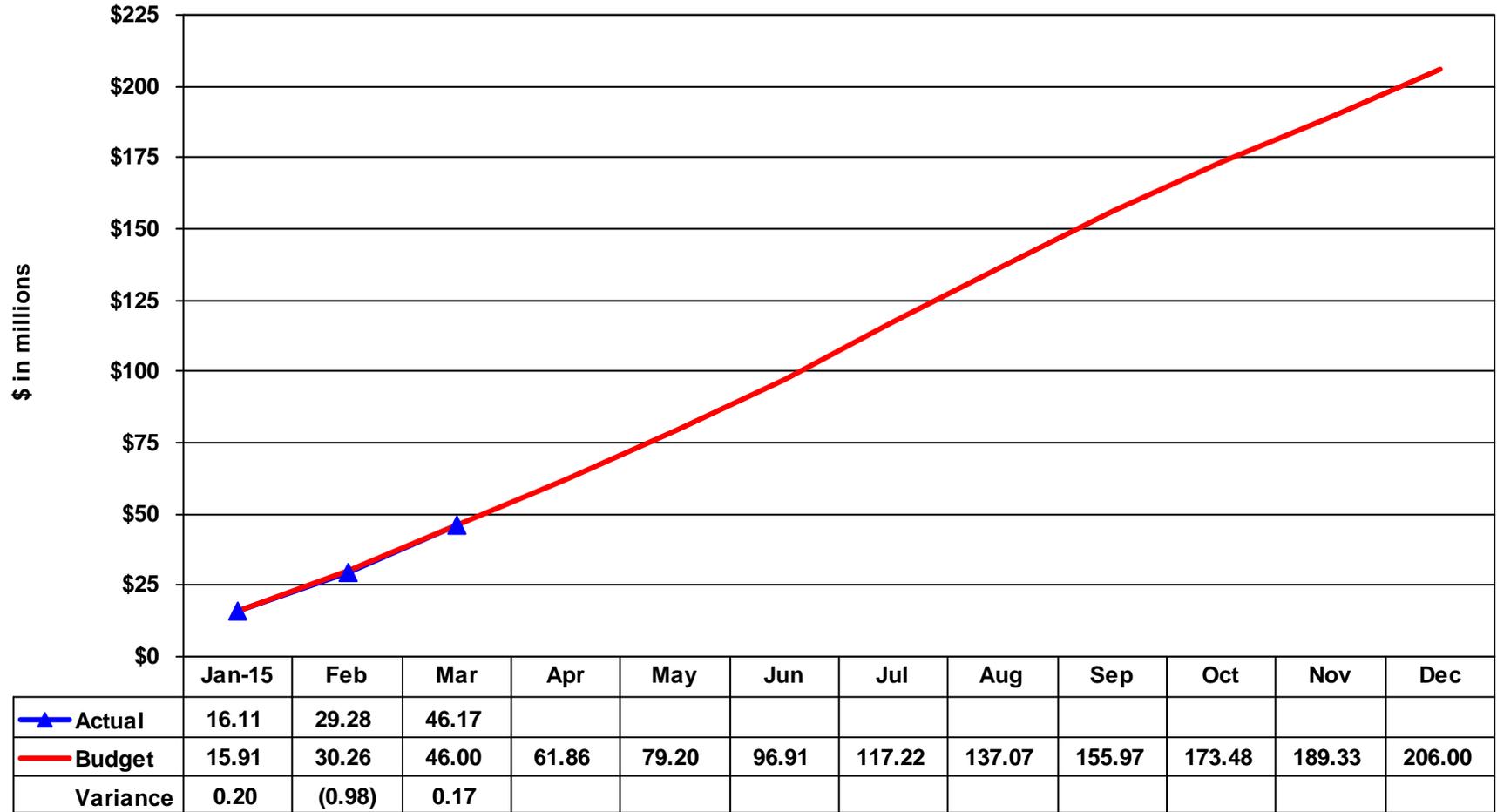
CALIFORNIA ISO
Capital Projects Report

For the quarter ended March 31, 2015
(dollars in thousands)

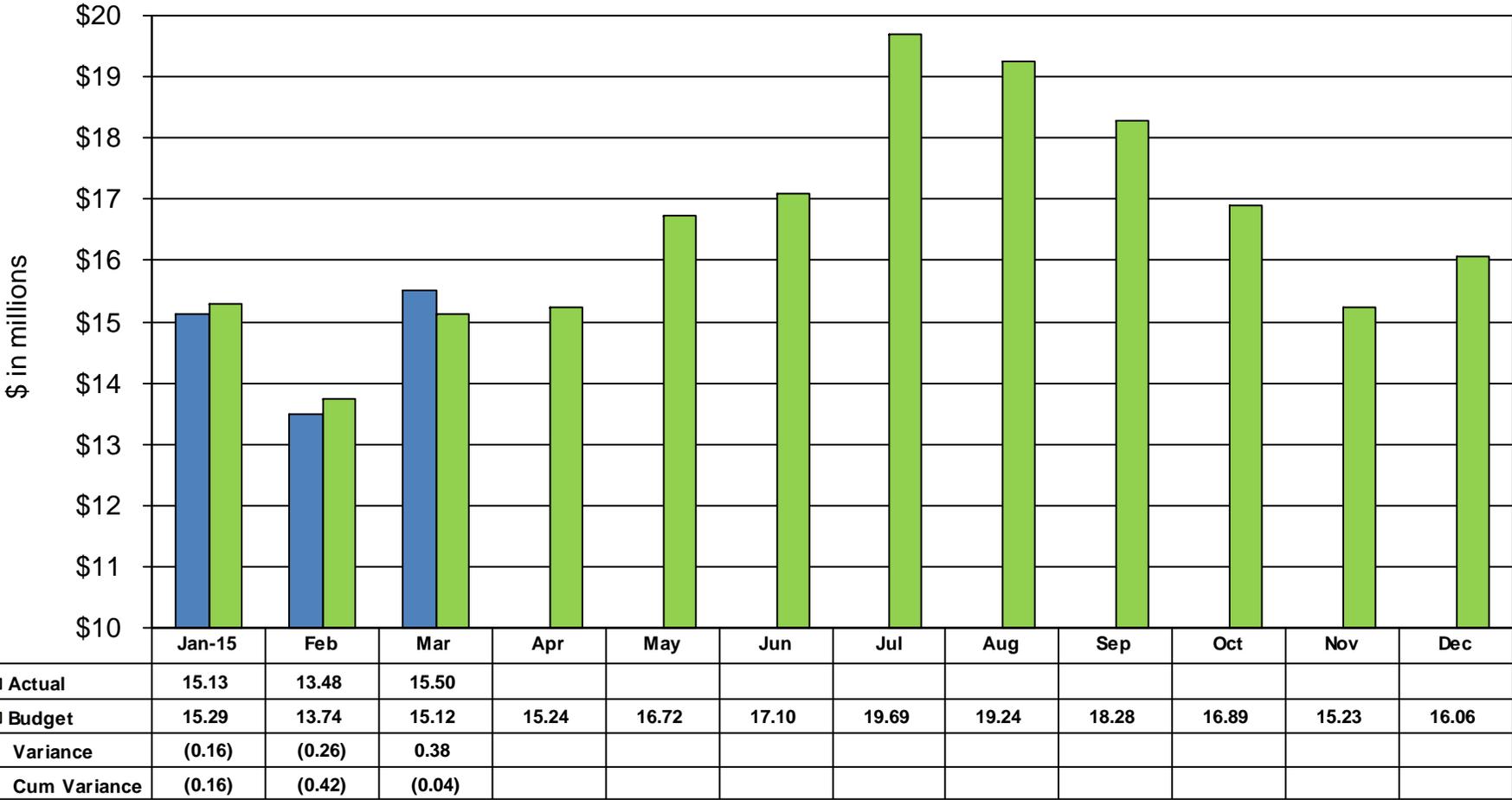
	Approved Projects				
	Q1 Actual	YTD Actual	2015 Approved Projects	Projected Costs for Approved Projects	Original/ Current Budget
Implement Systems, Tools and Forecasting	\$ 162	\$ 162	\$ 1,877	\$ 1,877	\$ 6,625
Enhance Markets & Performance	79	79	3,137	3,137	8,875
Compliance Culture	-	-	-	-	-
Infrastructure Improvements	26	26	2,490	2,490	4,500
Total 2015 Capital Spending	<u>267</u>	<u>267</u>	<u>7,504</u>	<u>7,504</u>	<u>20,000</u>
Prior Year Capital Projects	<u>1,258</u>	<u>1,258</u>	<u>-</u>	<u>11,449</u>	<u>-</u>
Total Capital	<u><u>\$ 1,525</u></u>	<u><u>\$ 1,525</u></u>	<u><u>\$ 7,504</u></u>	<u><u>\$ 18,953</u></u>	<u><u>\$ 20,000</u></u>

Cumulative Operating Revenues

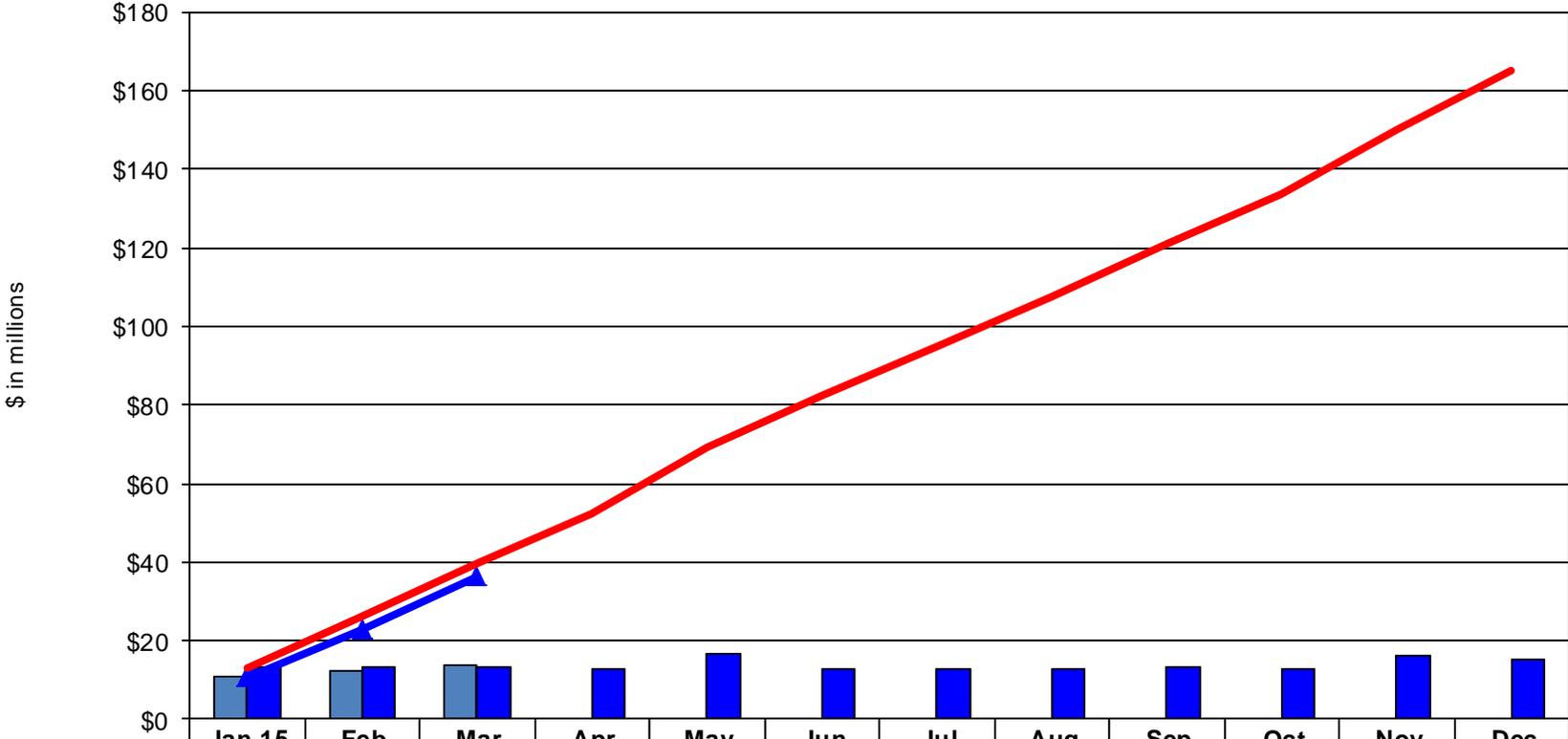
Revenues = GMC & Other Revenues



Monthly GMC Revenues

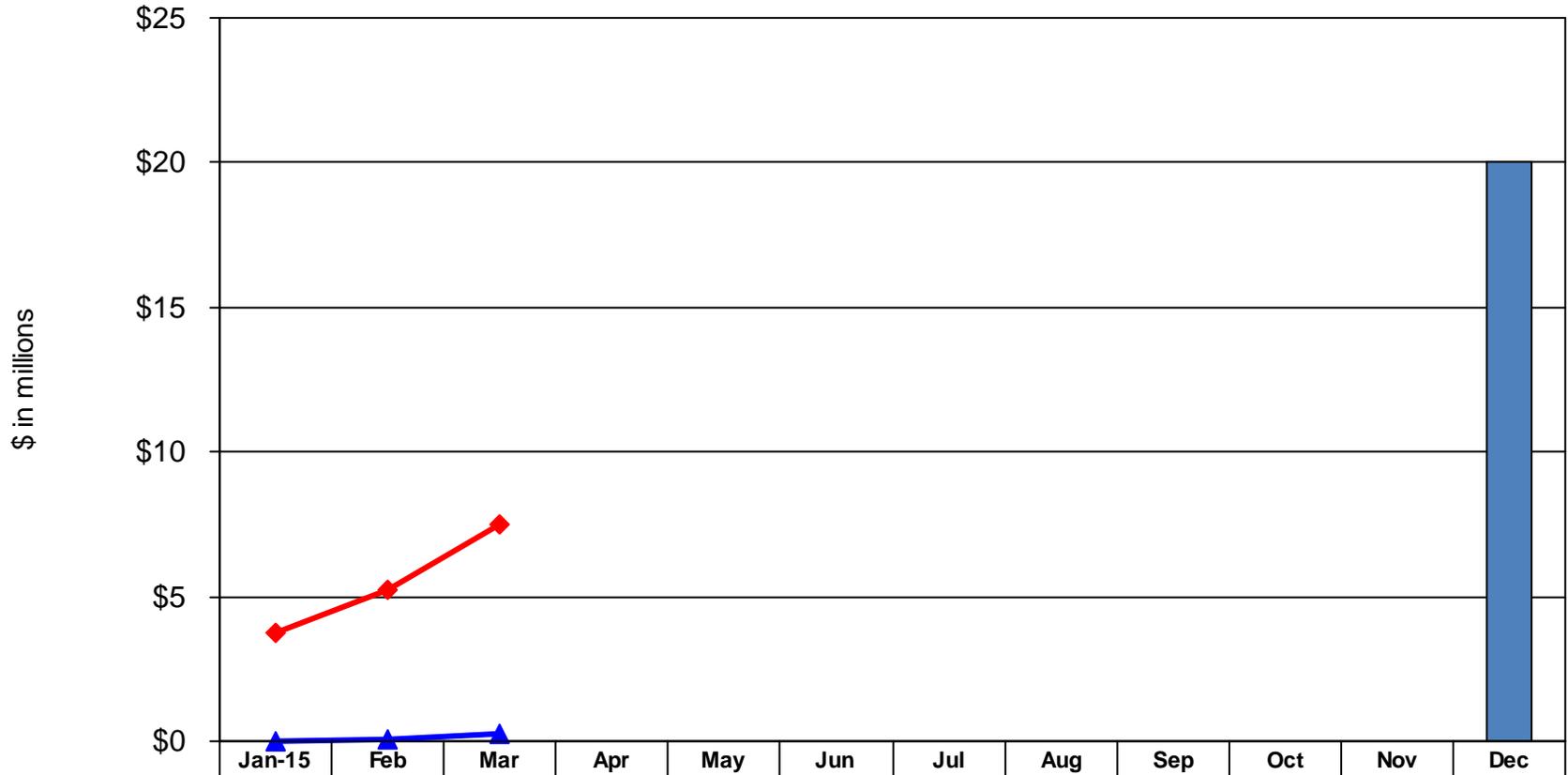


Operating and Maintenance Expenses (O&M)



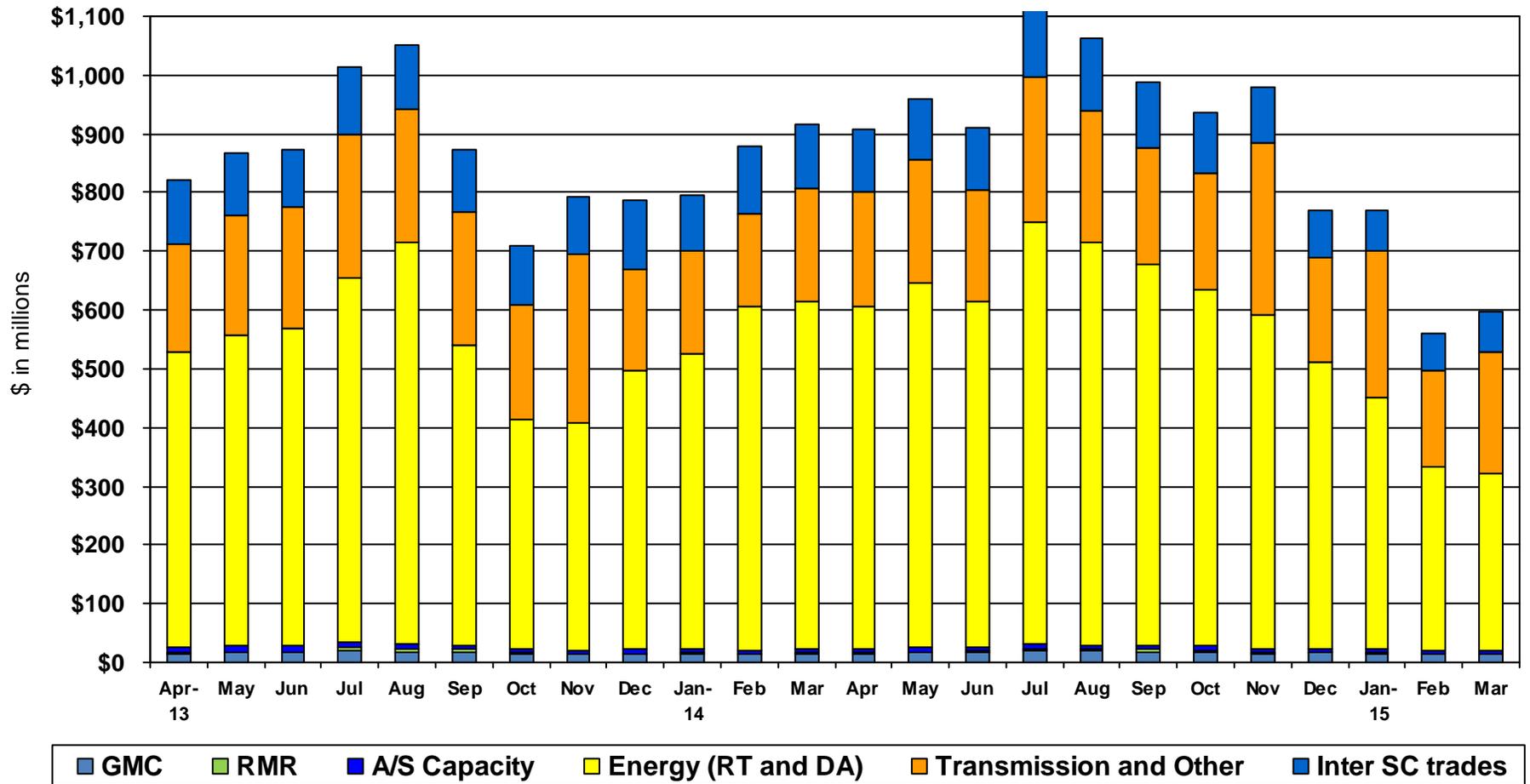
	Jan-15	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	10.84	12.12	13.58									
Monthly Budget	13.10	13.08	13.30	13.01	16.89	13.03	12.64	12.64	13.36	12.62	16.45	15.03
Cum Actual	10.84	22.97	36.54									
Cum Budget	13.10	26.18	39.48	52.48	69.38	82.41	95.04	107.68	121.04	133.66	150.11	165.14
Cum Variance	2.26	3.22	2.93									

Cumulative Capital Expenditures

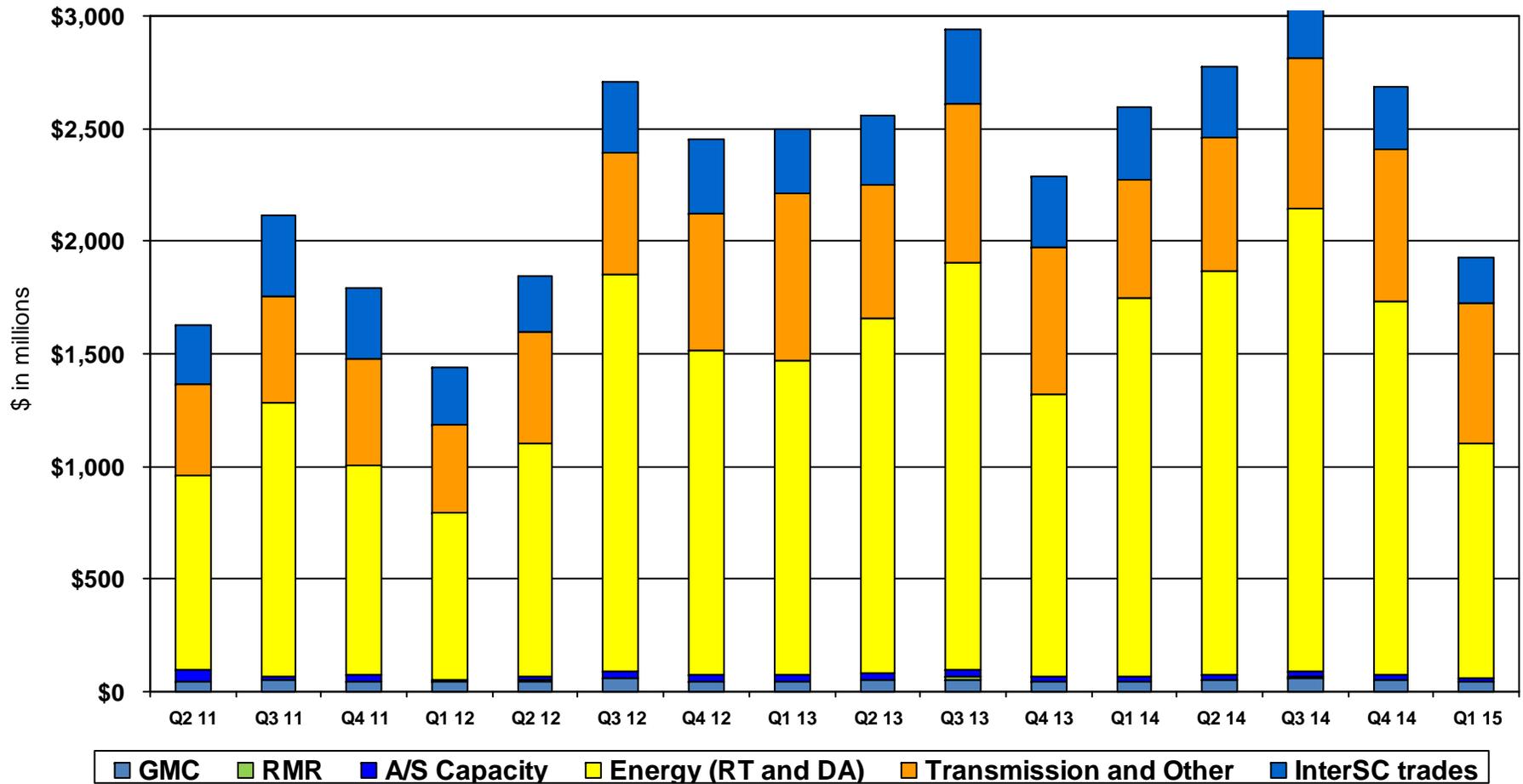


	Jan-15	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Budgeted capital												20.00
Cumulative Expenditures	0.01	0.07	0.27									
Approved projects	3.75	5.22	7.50									

ISO Market Revenues By Month Apr 2013 through Mar 2015



ISO Market Revenues By Quarter 2nd Quarter 2011 through 1st Quarter 2015



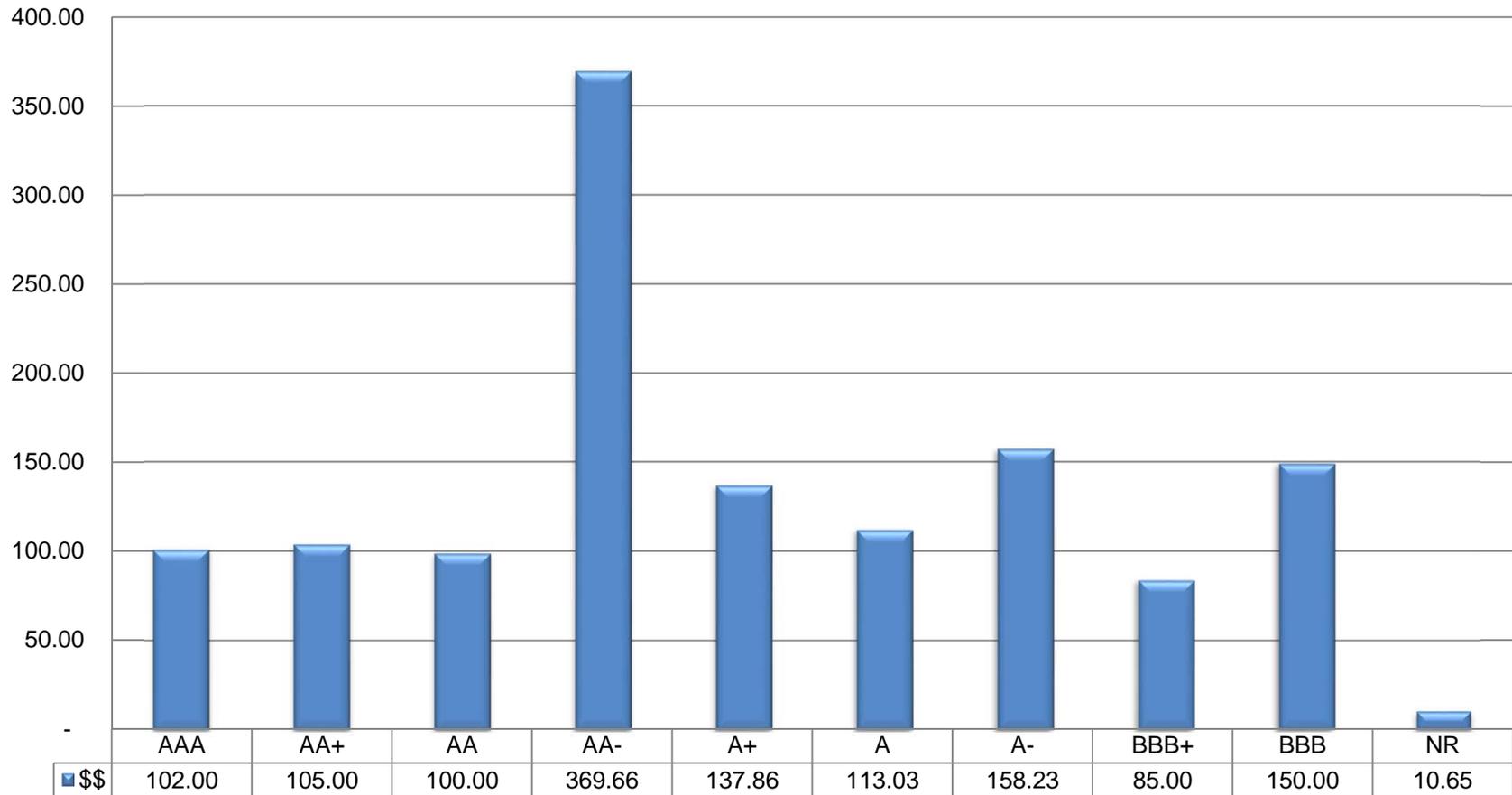
Collateral & Estimated Aggregate Liability (as of 04/07/15)

Collateral Types	Amount
Unsecured	\$1,331,423,293
Secured	\$435,536,929
Total	\$1,766,960,222

Estimate Aggregate Liability	Amount
Positive EAL	\$253,458,772

Unsecured Collateral (as of 04/07/15)

(in millions)



Secured Collateral (as of 04/07/15)

(in millions)

