
QUARTERLY FINANCIAL REPORT

December 31, 2015

Preliminary and Unaudited

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
QUARTERLY FINANCIAL REPORT - December 31, 2015 (Preliminary and Unaudited)

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CALIFORNIA ISO

SUMMARY, DISCUSSION AND COMMENTARY (Preliminary and Unaudited)

For the quarter ended December 31, 2015

Results of Operations

Revenues

Year to date, total operating revenues were slightly higher by \$0.2 million compared to budget. The increase is primarily due to higher other revenues of \$2.2 million (EIM charges and forecasting fees), partially offset by lower GMC revenues of \$2.0 million. Unseasonably cool weather in May and July led to lower GMC revenues, although the deficit was partly reduced by warmer weather in August and September.

Expenses

Year-to-date operating expenses are \$1.5 million under budget largely due to a decrease in outside legal and audit expenses, partially off set by increases in consulting and other expenses. Depreciation is lower compared to the same period last year as most of the market systems are now fully depreciated.

Interest income and other are lower than budget during the 4th quarter and year to date due to unrealized losses on investments as a result of rising interest rates.

Material Changes to Assets and Liabilities

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

Capital Projects

Through the end of the fourth quarter of 2015, the Corporate Management Committee has approved \$15.9 million in projects against the annual budget of \$20.0 million. Year-to-date actual spending on these and prior years' projects total \$8.3 million and \$4.7 million, respectively.

On June 30, 2015, the Board approved a separate capital project budget of \$30.4 million related to the Lincoln Operations Center. The budget is for the construction of the new operations and data backup facility, which is scheduled for completion in 2017. Actual spending on this project is \$4.2 million year to date

Collateral Held Report

As of January 8, 2016 the ISO maintained \$1.9 billion in collateral from market participants to support \$253.8 million in aggregate liabilities due in the market. Approximately \$1.4 billion of the collateral is from unsecured sources (i.e., unsecured credit limits and parent guarantees) with investment grade or equivalent ratings, and \$504.5 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 (Preliminary and Unaudited)

For the quarter ended December 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	\$ 47,342	\$ 47,678	\$ 196,661	\$ 197,649	\$ 198,598
Other revenues	1,377	3,892	9,583	9,383	7,400
Total operating revenues	48,719	51,570	206,244	207,032	205,998
<u>Operating expenses:</u>					
Salaries and benefits	31,678	32,240	116,619	114,550	117,485
Building, leases and facility	815	752	2,952	2,901	3,276
Insurance	313	756	1,976	1,761	2,125
Third party vendor contracts	3,922	3,389	14,361	14,172	14,153
Consulting and contracting services	5,328	6,625	16,981	19,277	16,407
Legal and audit	1,064	1,674	2,931	4,762	5,235
Training, travel and professional dues	1,633	1,426	4,344	3,430	4,523
Other	1,124	1,688	3,461	4,254	1,928
Total operating expenses	45,877	48,550	163,625	165,107	165,132
Operating income before depreciation and amortization	2,842	3,020	42,619	41,925	40,866
<u>Depreciation and amortization</u>	5,877	5,680	24,409	39,654	24,000
Net operating income (loss)	(3,035)	(2,660)	18,210	2,271	16,866
<u>Other income (expenses)</u>					
Interest income & other	7	536	913	1,208	2,000
Interest expense	(2,265)	(2,141)	(9,132)	(8,903)	(9,168)
Total other income (expenses)	(2,258)	(1,605)	(8,219)	(7,695)	(7,168)
Excess (deficiency) of revenues over expenses	\$ (5,293)	\$ (4,265)	\$ 9,991	\$ (5,424)	\$ 9,698
Number of full-time employees			588	587	593

CALIFORNIA ISO
BALANCE SHEET (Preliminary and Unaudited)

As of December 31, 2015

(dollars in thousands)

	Q4-15 12/31/2015	Q3-15 9/30/2015	Q2-15 6/30/2015	Q1-15 03/31/2015	Q4-14 12/31/2014
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents, including restricted amounts	\$ 325,764	\$ 361,060	\$ 338,461	\$ 329,951	\$ 429,324
Accounts receivable	37,745	35,023	36,004	36,013	31,415
Short-term investments, including restricted amounts	52,072	43,517	39,643	48,784	63,919
Other current assets	6,541	6,883	6,726	7,164	8,630
Total current Assets	422,122	446,483	420,834	421,912	533,288
NONCURRENT ASSETS					
Long-term investments, including restricted amounts	138,265	115,341	116,370	104,776	120,539
Fixed assets, net	175,387	172,953	174,204	177,936	180,296
Other assets	9,703	10,242	11,534	12,406	12,918
Total noncurrent assets	323,355	298,536	302,108	295,118	313,753
TOTAL ASSETS	\$ 745,477	\$ 745,019	\$ 722,942	\$ 717,030	\$ 847,041
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$ 10,806	\$ 9,349	\$ 10,237	\$ 6,884	\$ 11,924
Accrued salaries and compensated absences	28,655	22,232	18,174	11,535	29,909
Current portion of long-term debt	4,500	4,500	4,500	4,500	4,415
Due to market participants	359,964	364,288	359,876	361,775	468,085
Generator noncompliance fines refund obligation	2,046	2,046	2,029	2,010	1,981
Total current liabilities	405,971	402,415	394,816	386,704	516,314
NONCURRENT LIABILITIES					
Long-term debt, net of current portion	192,039	192,205	192,370	192,535	197,202
Employee retirement plan obligations	21,994	22,385	22,434	22,038	22,073
Total noncurrent liabilities	214,033	214,590	214,804	214,573	219,275
TOTAL LIABILITIES	620,004	617,005	609,620	601,277	735,590
TOTAL NET ASSETS	125,473	128,014	113,322	115,753	111,452
TOTAL LIABILITIES AND NET ASSETS	\$ 745,477	\$ 745,019	\$ 722,942	\$ 717,030	\$ 847,041

CALIFORNIA ISO
CAPITAL PROJECTS REPORT (Preliminary and Unaudited)

For the quarter ended December 31, 2015

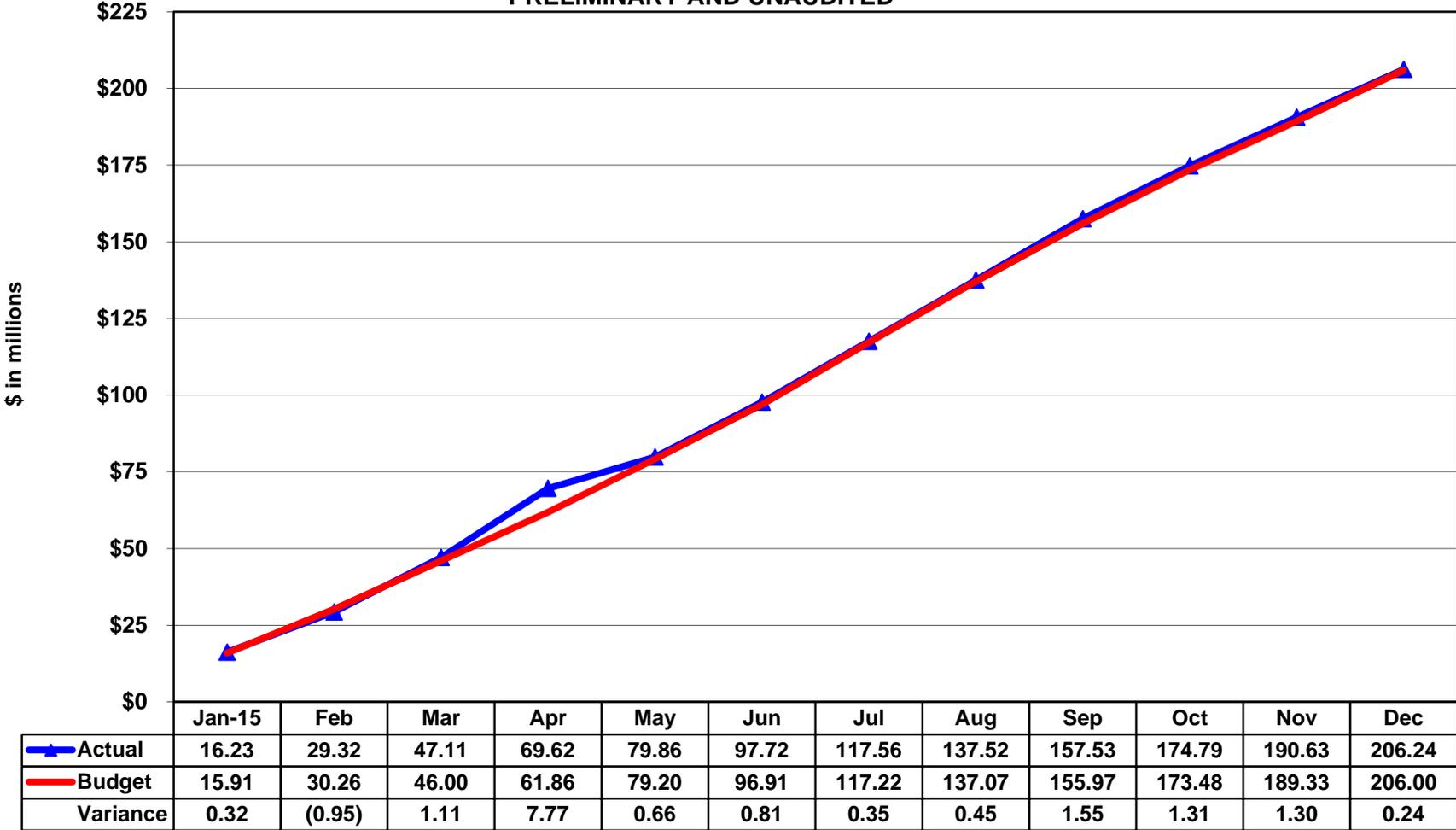
(dollars in thousands)

	Approved Projects				
	Q4 Actual	YTD Actual	2015 Approved Projects	Projected Costs for Approved Projects	Original/ Current Budget
Implement Systems, Tools and Forecasting	\$ 551	\$ 1,831	\$ 5,591	\$ 5,544	\$ 6,625
Enhance Markets & Performance	1,674	4,864	7,581	7,604	8,875
Compliance Culture	-	-	-	-	-
Infrastructure Improvements	(95)	1,619	2,764	2,764	4,500
Total 2015 Capital Spending	2,130	8,314	15,936	15,912	20,000
Lincoln Operations Center	2,701	4,241	30,400	30,400	-
Prior Year Capital Projects	1,115	4,727	-	7,204	-
Total Capital	\$ 5,946	\$ 17,282	\$ 46,336	\$ 53,516	\$ 20,000

Cumulative Operating Revenues

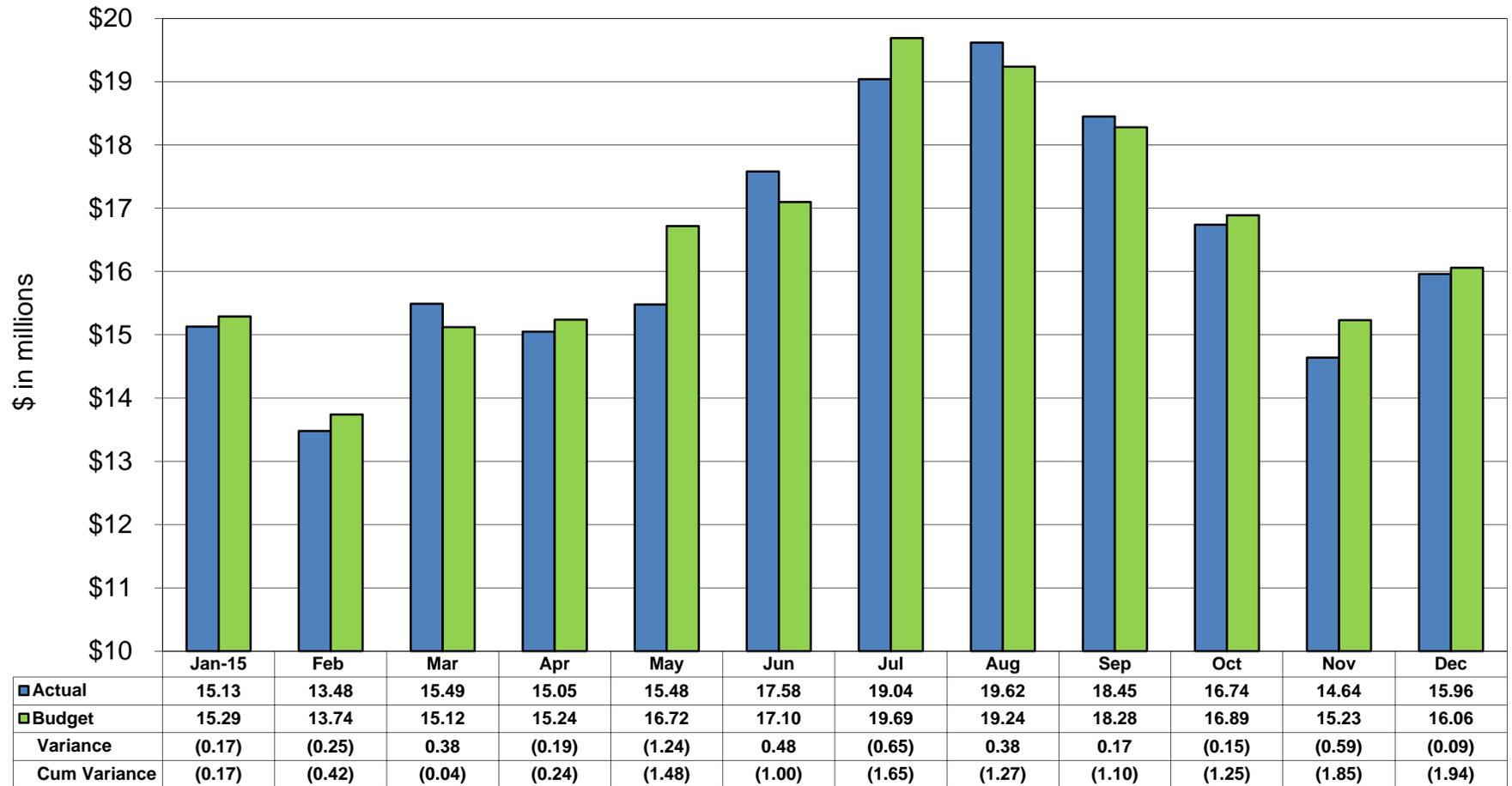
Revenues = GMC & Other Revenues

PRELIMINARY AND UNAUDITED



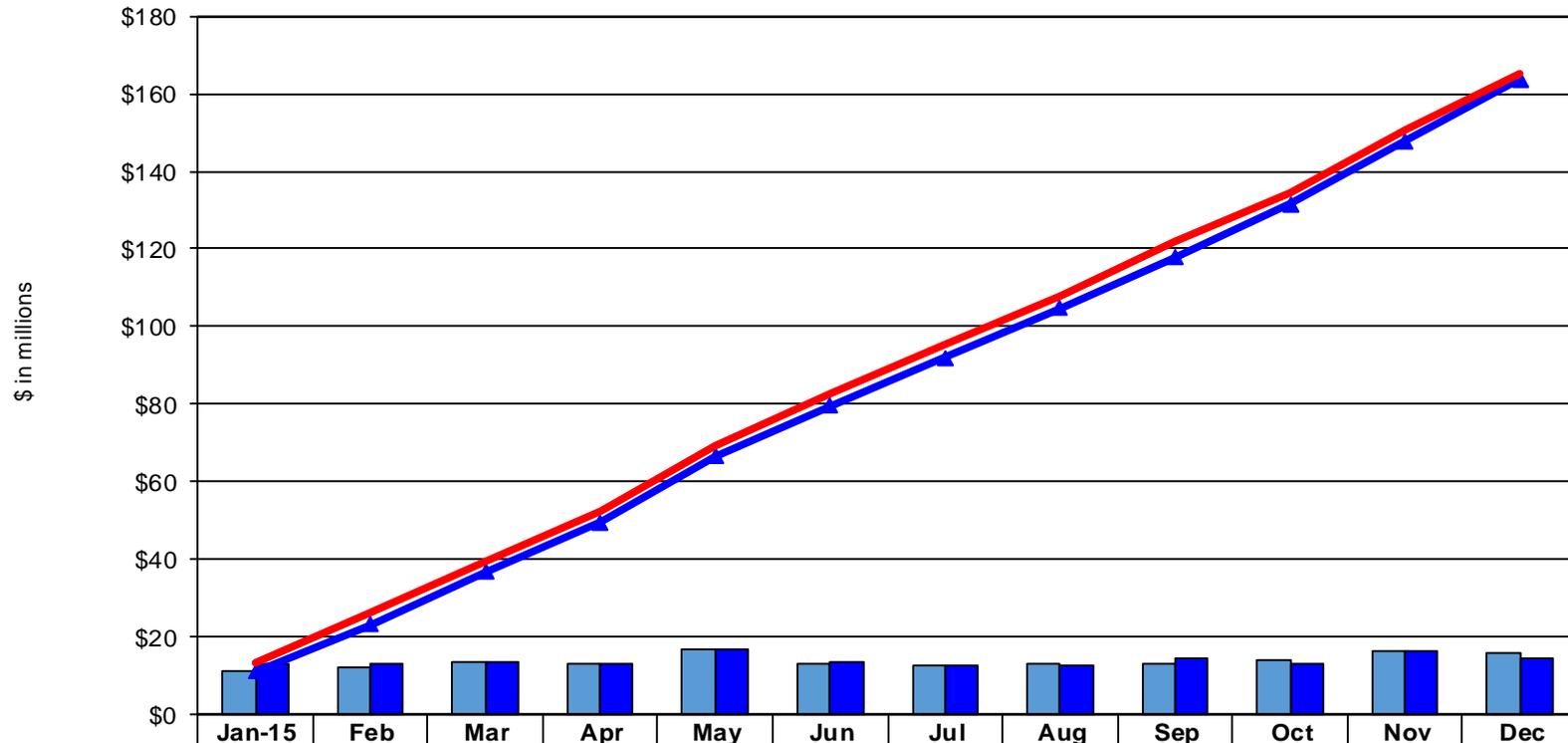
Monthly GMC Revenues

PRELIMINARY AND UNAUDITED



Operating and Maintenance Expenses (O&M)

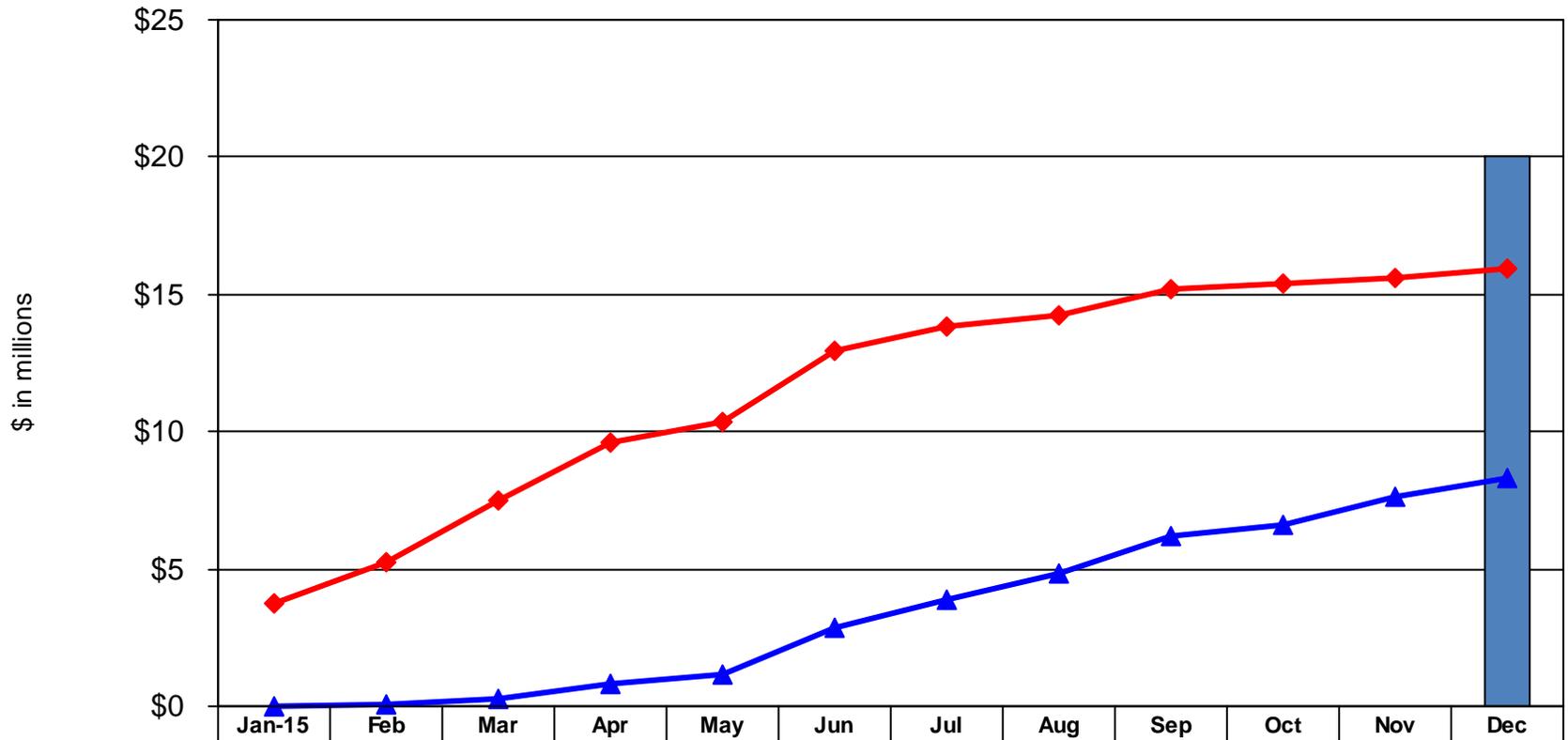
PRELIMINARY AND UNAUDITED



	Jan-15	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	10.87	12.14	13.58	12.93	16.86	13.14	12.48	12.84	12.98	13.74	16.35	15.74
Monthly Budget	13.03	13.10	13.37	12.96	16.88	13.15	12.58	12.62	14.09	12.86	16.24	14.26
Cum Actual	10.87	23.01	36.59	49.51	66.37	79.51	91.99	104.83	117.81	131.55	147.89	163.63
Cum Budget	13.03	26.13	39.50	52.47	69.34	82.49	95.07	107.69	121.78	134.63	150.87	165.13
Cum Variance	2.16	3.12	2.92	2.95	2.97	2.98	3.08	2.86	3.96	3.08	2.98	1.50

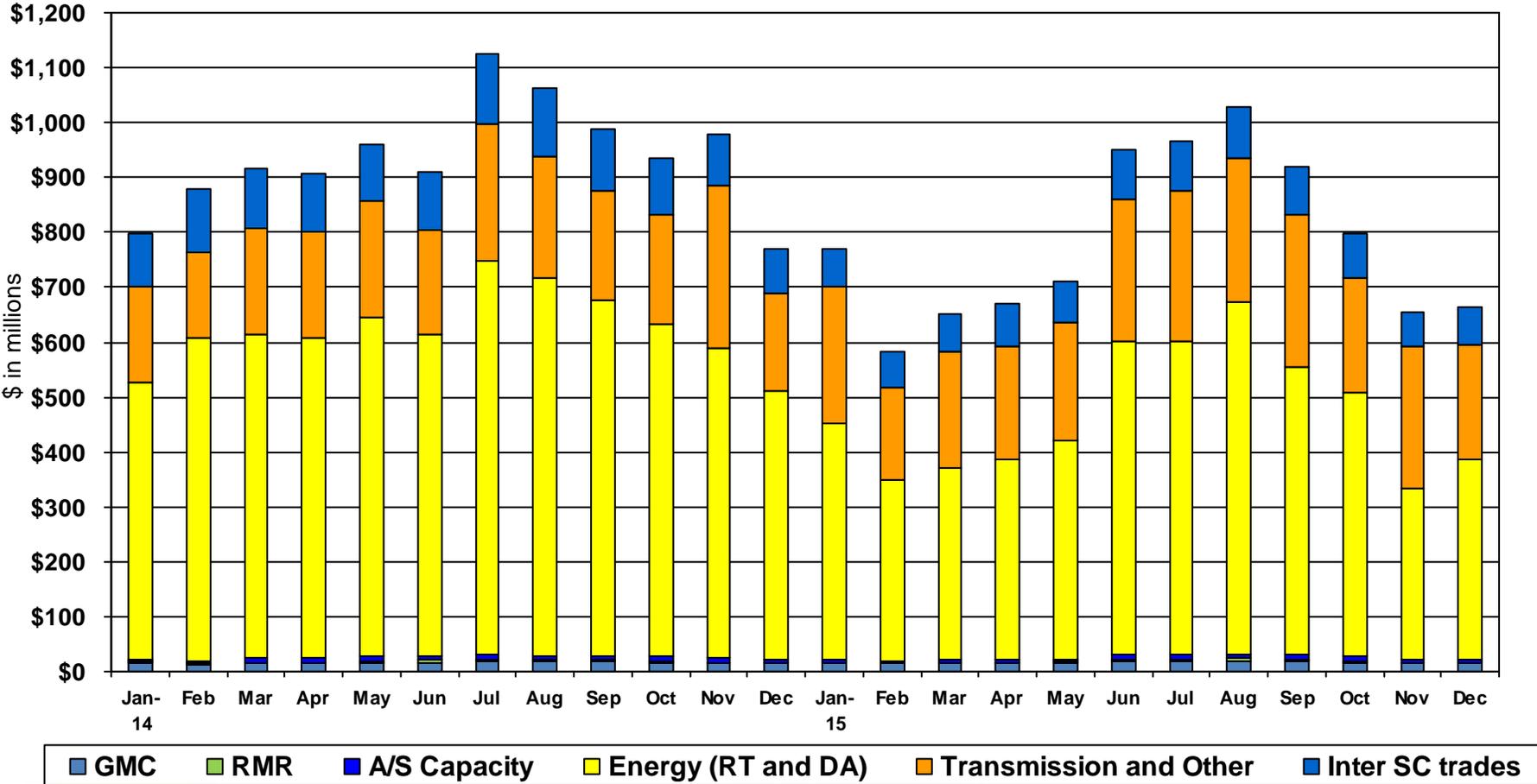
Cumulative Capital Expenditures

PRELIMINARY AND UNAUDITED



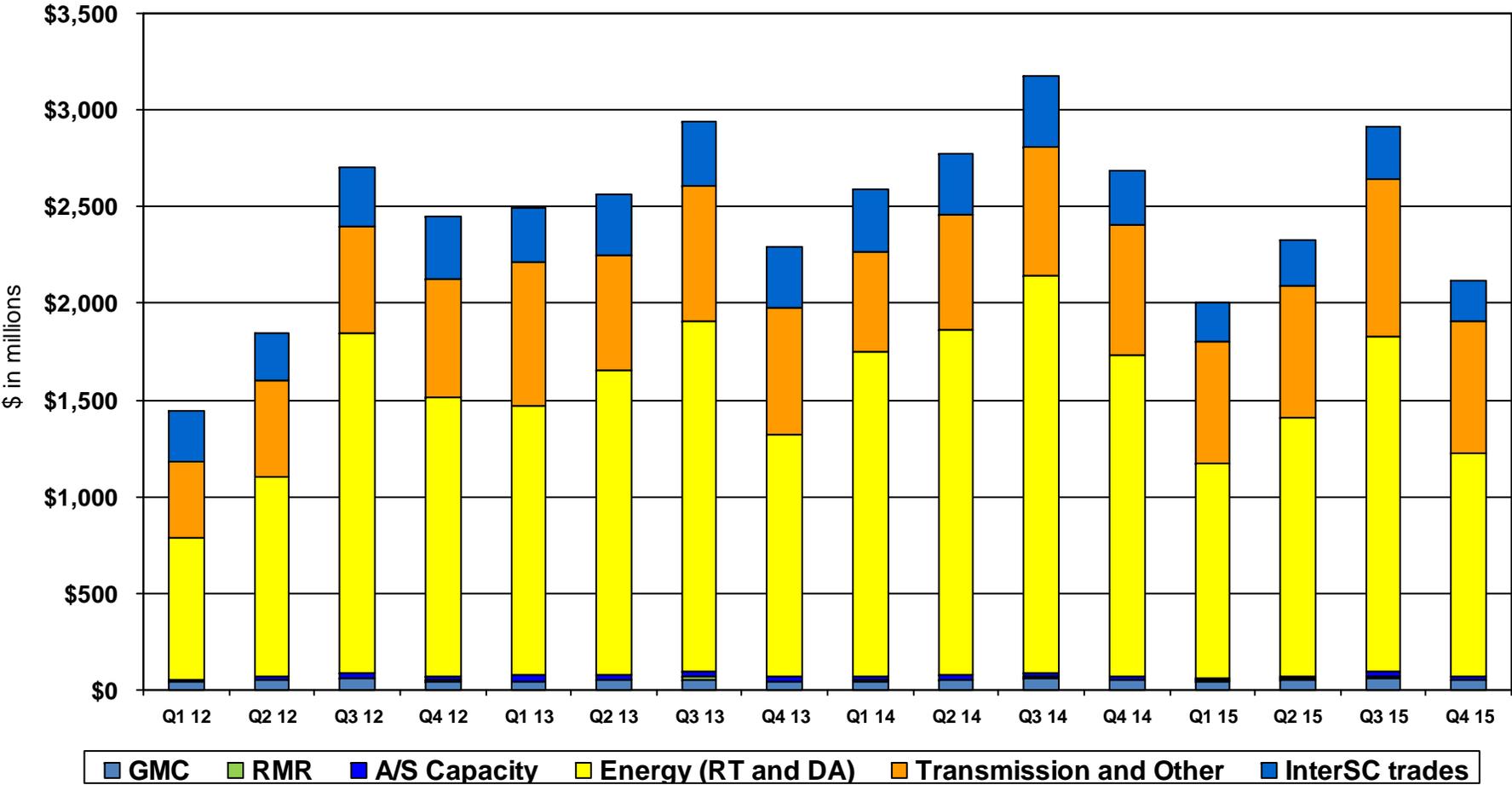
Budgeted capital												20.00
Cumulative Expenditures	0.01	0.07	0.27	0.80	1.18	2.86	3.85	4.84	6.19	6.59	7.61	8.31
Approved projects	3.75	5.22	7.50	9.61	10.33	12.94	13.82	14.24	15.21	15.41	15.61	15.94

ISO Market Costs By Month January 2014 through December 2015



ISO Market Costs By Quarter

1st Quarter 2012 through 4th Quarter 2015



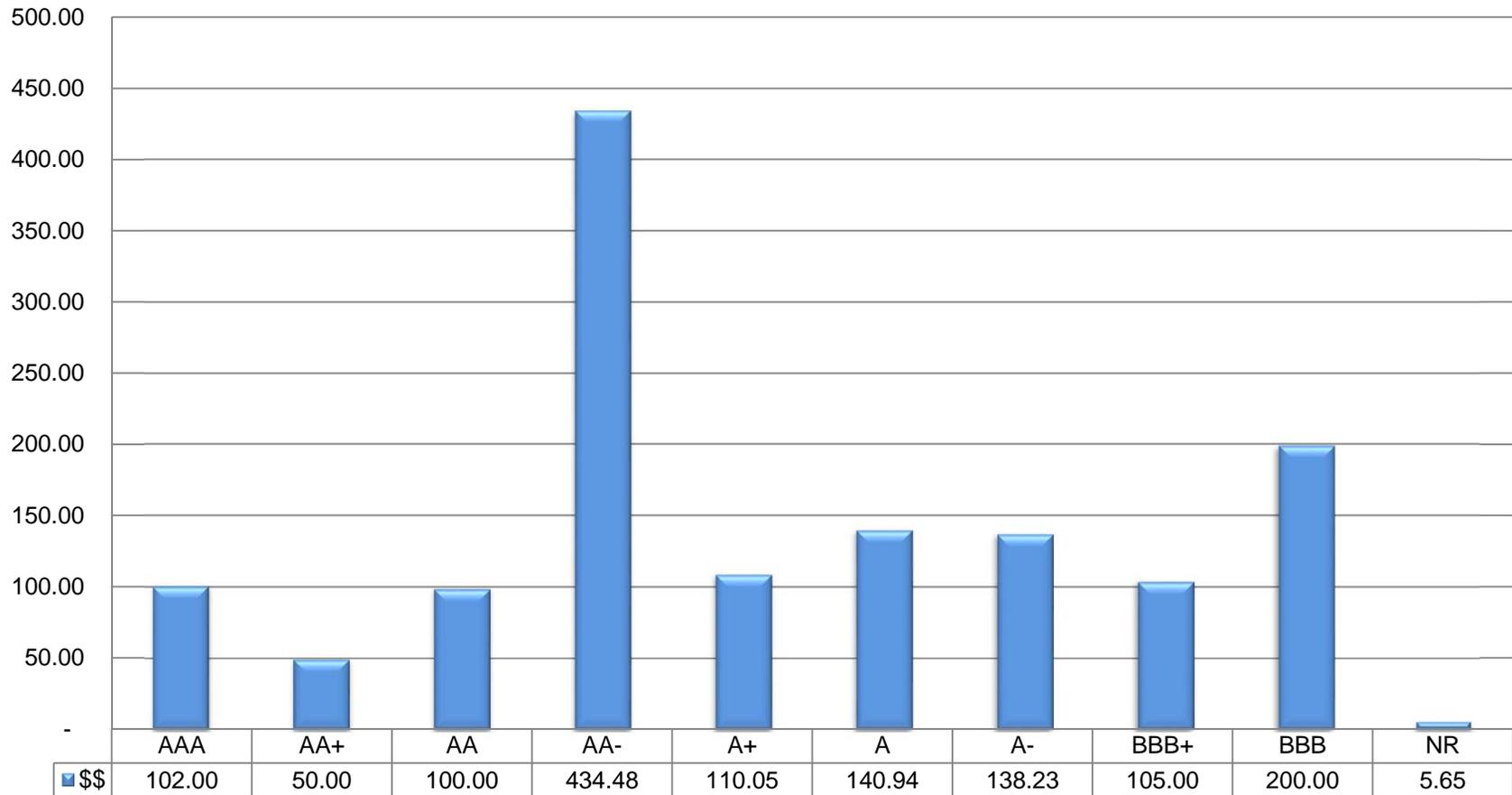
Collateral & Estimated Aggregate Liability (as of 01/08/16)

Collateral Types	Amount
Unsecured	\$1,386,347,258
Secured	\$504,461,908
Total	\$1,890,809,166

Estimate Aggregate Liability	Amount
Positive EAL	\$253,769,787

Unsecured Collateral (as of 01/08/16)

(in millions)



Secured Collateral (as of 01/08/16)

(in millions)

