

# QUARTERLY FINANCIAL REPORT

## June 30, 2015

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
QUARTERLY FINANCIAL REPORT - June 30, 2015**

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# **CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY**

For the quarter ended June 30, 2015

## **Results of Operations**

### ***Revenues***

Through the second quarter ending June 30, 2015, operating revenues were lower by \$0.5 million compared to the budgeted amounts. Unseasonably cool weather in May led to lower GMC revenues, although the deficit was partly reduced by a warmer June and stronger other revenues (EIM, interconnection, etc.). 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 \$3.2 million under budget through the second quarter of the year. All expense categories, with the exception of 'other expenses', are running under budget year to date partly due to the timing of expenses and to the effect of cost savings efforts. 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 half of the year.

### **Capital Projects**

Through the quarter ending June 30, 2015, the Corporate Management Committee has approved \$12.9 million in projects against the annual budget of \$20.0 million. Actual spending on these projects and prior years' projects totals \$4.9 million year to date.

On June 30, 2015, the Board approved a separate capital project budget of \$30.4 million related to the Lincoln Operations Center. This budget will allow for the construction and implementation of a new operations and data backup facility.

### **Collateral Held Report**

As of July 7, 2015 the ISO maintained \$1.8 billion in collateral from market participants to support \$290.3 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 \$437.0 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 June 30, 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	\$ 47,983	\$ 48,758	\$ 92,104	\$ 93,022	\$ 93,211
Other revenues	1,471	2,262	4,339	3,443	3,700
Total operating revenues	49,454	51,020	96,443	96,465	96,911
<u>Operating expenses:</u>					
Salaries and benefits	30,791	30,070	58,156	56,259	58,498
Building, leases and facility	769	914	1,368	1,439	1,638
Insurance	311	298	719	707	756
Third party vendor contracts	4,023	4,205	7,356	7,755	8,040
Consulting and contracting services	4,189	4,496	7,597	7,385	8,125
Legal and audit	859	1,127	1,012	1,888	2,358
Training, travel and professional dues	1,153	921	1,862	1,607	2,278
Other	842	1,031	1,448	1,649	988
Total operating expenses	42,937	43,062	79,518	78,689	82,681
Operating income before depreciation and amortization	6,517	7,958	16,925	17,776	14,230
<u>Depreciation and amortization</u>	6,189	9,976	12,302	28,453	12,000
Net operating income (loss)	328	(2,018)	4,623	(10,677)	2,230
<u>Other income (expenses)</u>					
Interest income & other	73	589	1,015	987	1,000
Interest expense	(2,283)	(1,944)	(4,585)	(4,349)	(4,588)
Total other income (expenses)	(2,210)	(1,355)	(3,570)	(3,362)	(3,588)
Excess (deficiency) of revenues over expenses	\$ (1,882)	\$ (3,373)	\$ 1,053	\$ (14,039)	\$ (1,358)
<b>Number of full-time employees</b>			582	583	593

**CALIFORNIA ISO  
BALANCE SHEET**

As of June 30, 2015

(dollars in thousands)

	Q2-15 6/30/2015	Q1-15 03/31/2015	Q4-14 12/31/2014
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents, including restricted amounts	\$ 338,461	\$ 329,951	\$ 429,324
Accounts receivable	36,004	36,013	31,415
Short-term investments, including restricted amounts	39,643	48,784	63,919
Other current assets	6,726	7,164	8,630
<b>Total current Assets</b>	<b>420,834</b>	<b>421,912</b>	<b>533,288</b>
<b>NONCURRENT ASSETS</b>			
Long-term investments, including restricted amounts	116,370	104,776	120,539
Fixed assets, net	174,204	177,936	180,296
Other assets	11,534	12,406	12,918
<b>Total noncurrent assets</b>	<b>302,108</b>	<b>295,118</b>	<b>313,753</b>
<b>TOTAL ASSETS</b>	<b>\$ 722,942</b>	<b>\$ 717,030</b>	<b>\$ 847,041</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 10,237	\$ 6,884	\$ 11,924
Accrued salaries and compensated absences	18,174	11,535	29,909
Current portion of long-term debt	4,500	4,500	4,415
Due to market participants	359,876	361,775	468,085
Generator noncompliance fines refund obligation	2,029	2,010	1,981
<b>Total current liabilities</b>	<b>394,816</b>	<b>386,704</b>	<b>516,314</b>
<b>NONCURRENT LIABILITIES</b>			
Long-term debt, net of current portion	192,370	192,535	197,202
Employee retirement plan obligations	22,434	22,038	22,073
<b>Total noncurrent liabilities</b>	<b>214,804</b>	<b>214,573</b>	<b>219,275</b>
<b>TOTAL LIABILITIES</b>	<b>609,620</b>	<b>601,277</b>	<b>735,590</b>
<b>TOTAL NET ASSETS</b>	<b>113,322</b>	<b>115,753</b>	<b>111,452</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 722,942</b>	<b>\$ 717,030</b>	<b>\$ 847,041</b>

**CALIFORNIA ISO  
CAPITAL PROJECTS REPORT**

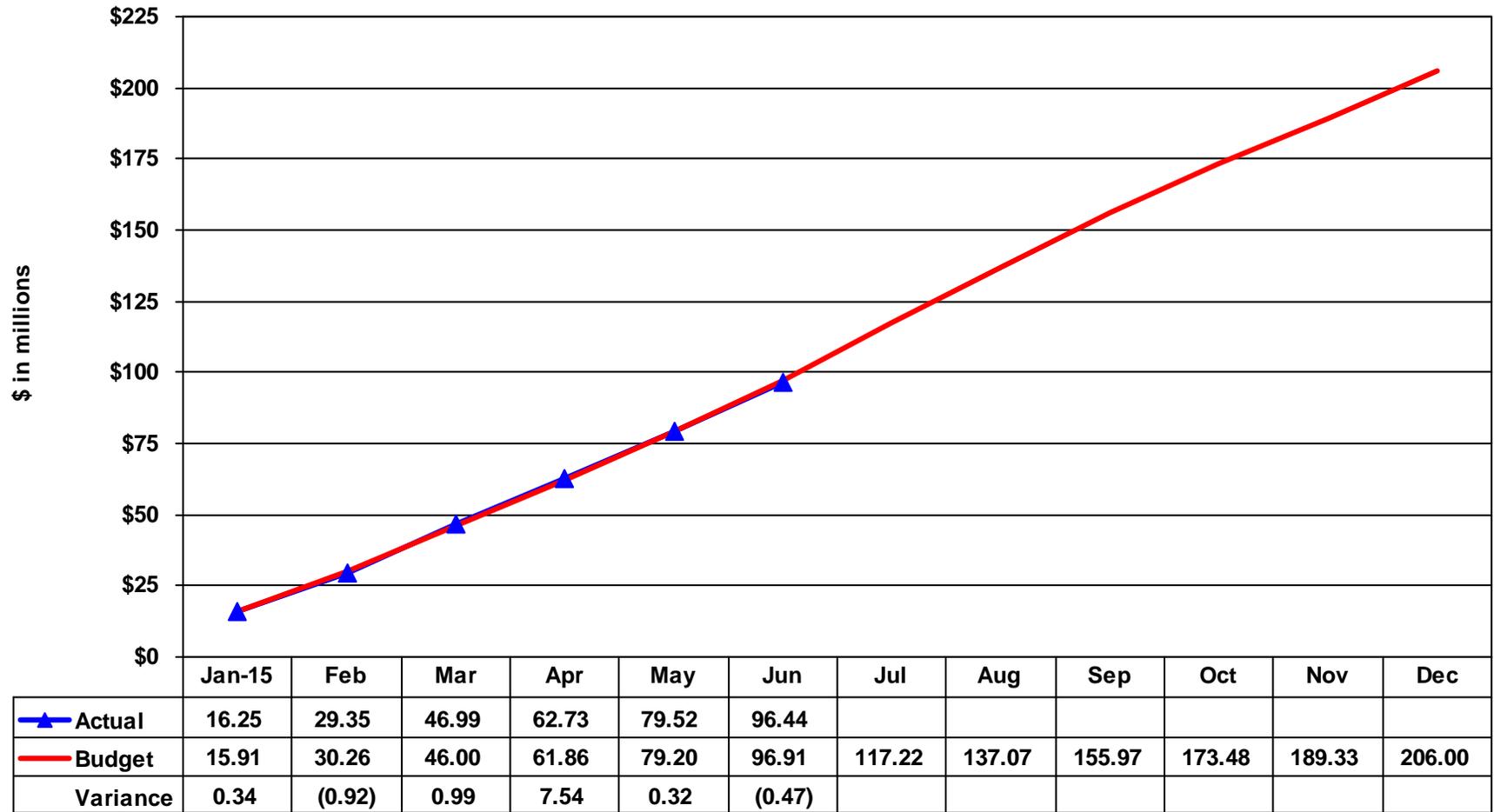
For the quarter ended June 30, 2015

(dollars in thousands)

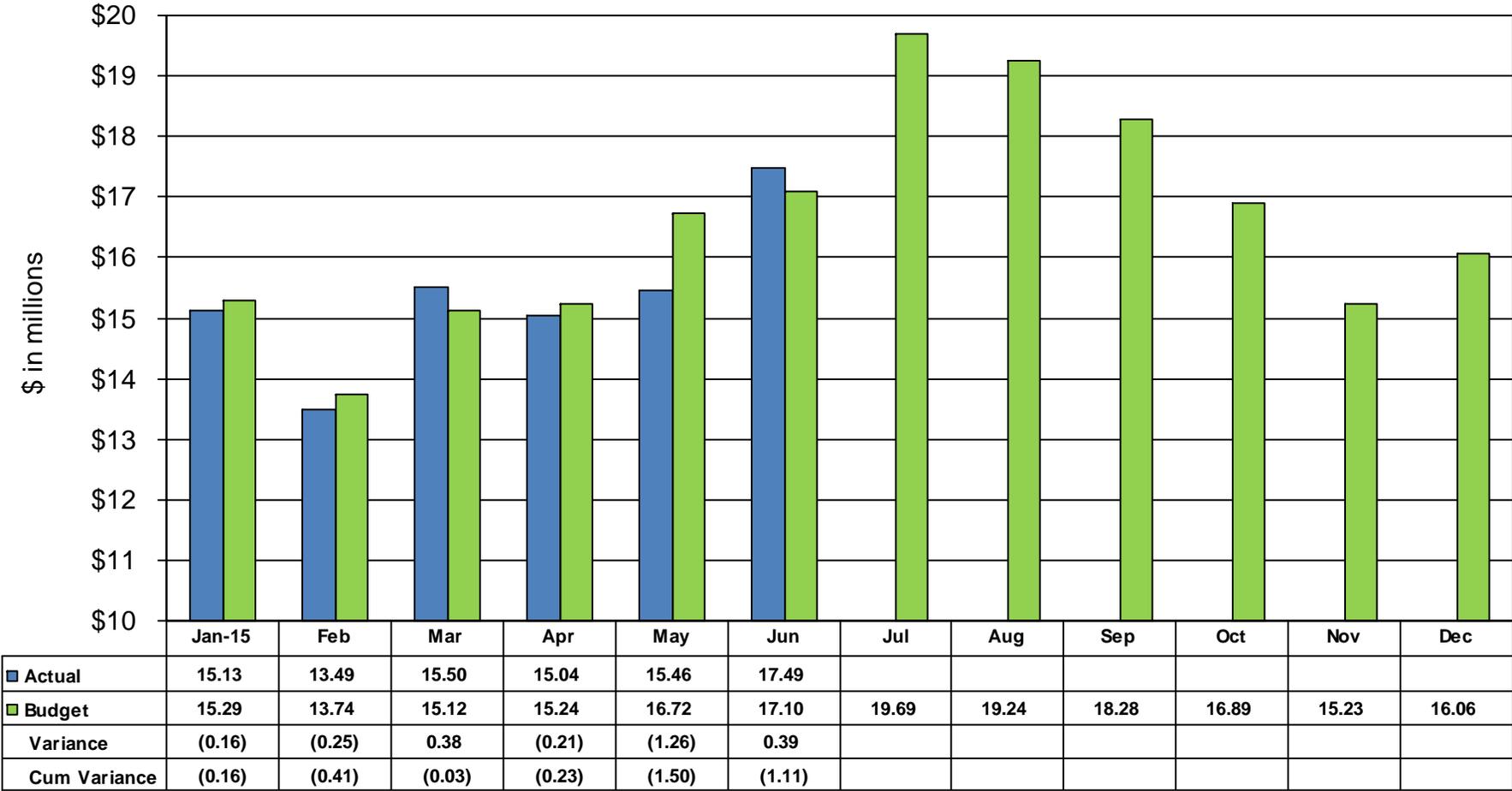
	<b>Approved Projects</b>				
	Q2 Actual	YTD Actual	2015 Approved Projects	Projected Costs for Approved Projects	Original/ Current Budget
Implement Systems, Tools and Forecasting	\$ 292	\$ 454	\$ 3,598	\$ 3,598	\$ 6,625
Enhance Markets & Performance	1,233	1,312	6,759	6,759	8,875
Compliance Culture	-	-	-	-	-
Infrastructure Improvements	1,068	1,094	2,584	2,584	4,500
<b>Total 2015 Capital Spending</b>	<b>2,593</b>	<b>2,860</b>	<b>12,941</b>	<b>12,941</b>	<b>20,000</b>
Prior Year Capital Projects	797	2,055	-	11,449	-
<b>Total Capital</b>	<b>\$ 3,390</b>	<b>\$ 4,915</b>	<b>\$ 12,941</b>	<b>\$ 24,390</b>	<b>\$ 20,000</b>

# Cumulative Operating Revenues

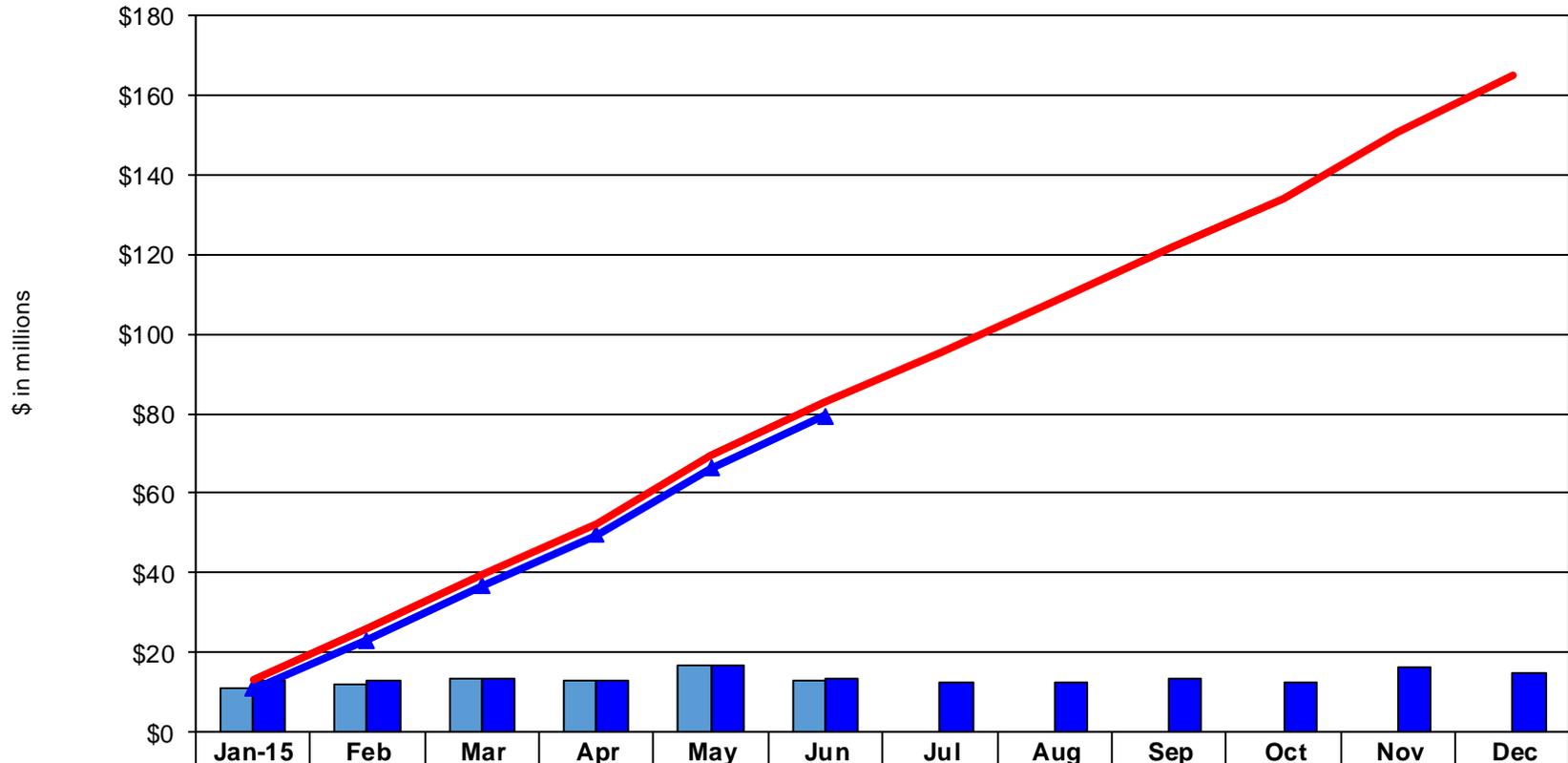
Revenues = GMC & Other Revenues



# Monthly GMC Revenues

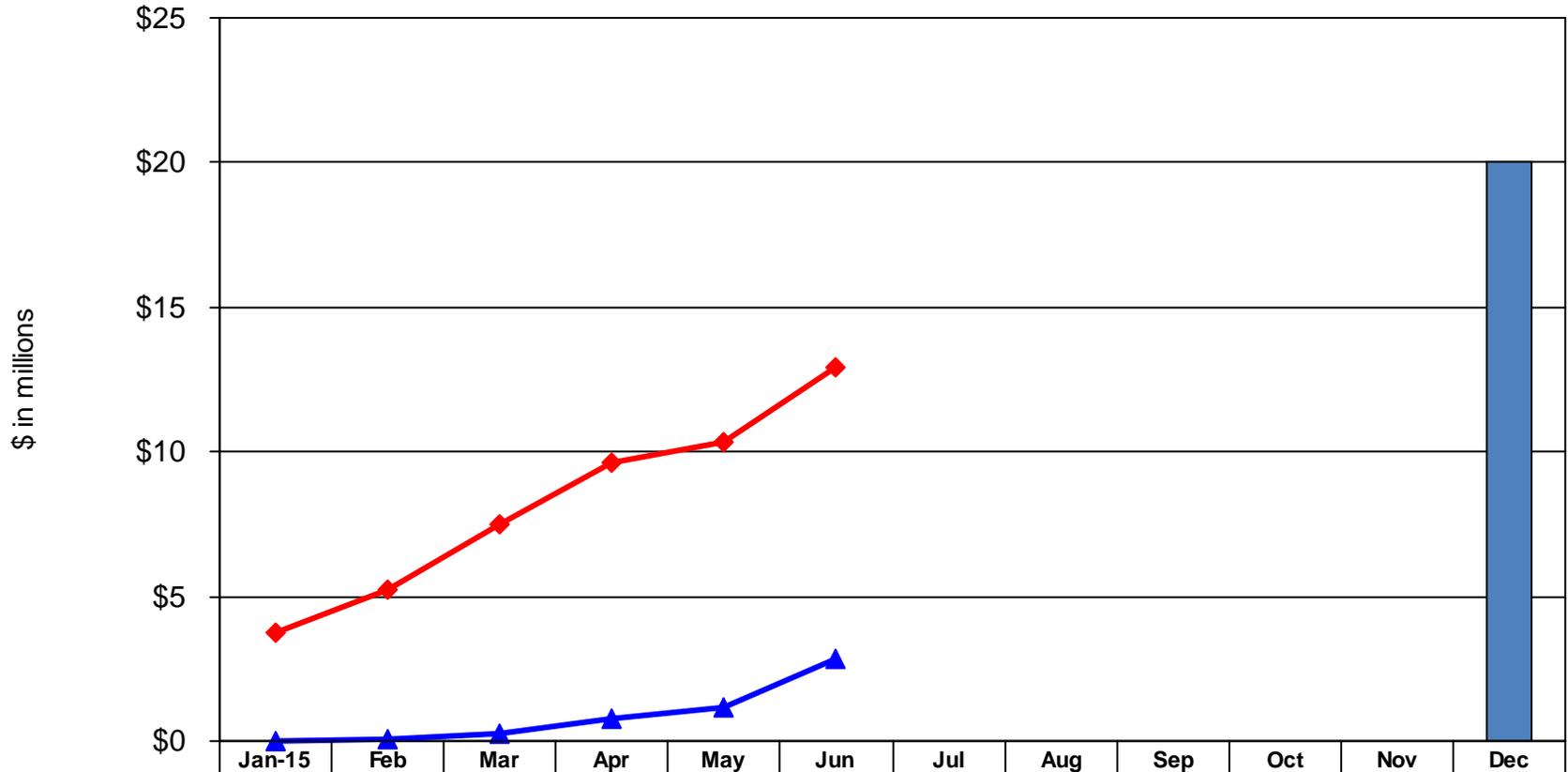


# Operating and Maintenance Expenses (O&M)



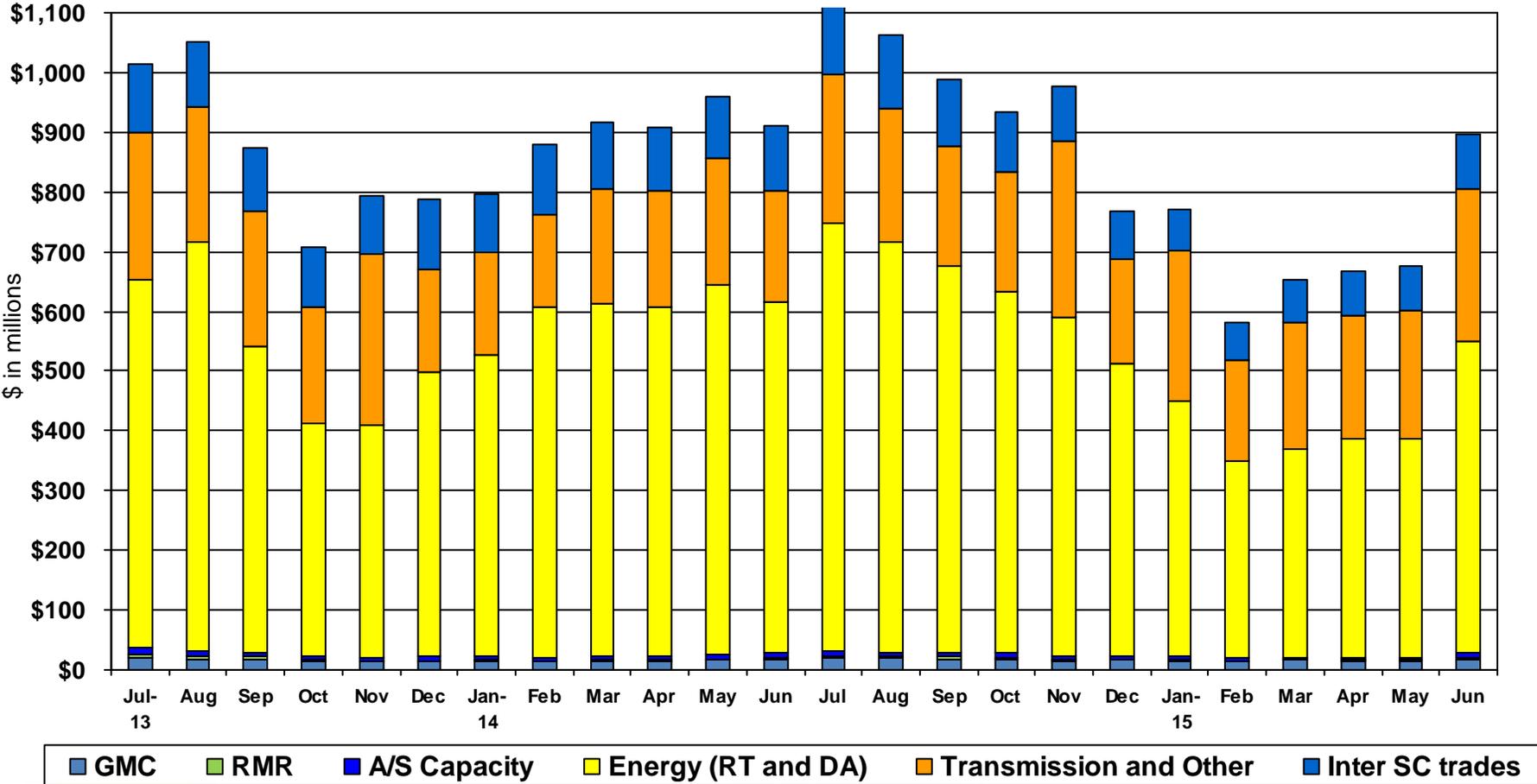
	Jan-15	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	10.87	12.12	13.59	12.93	16.87	13.14						
Monthly Budget	13.09	13.07	13.31	13.02	16.91	13.29	12.67	12.64	13.36	12.62	16.45	14.71
Cum Actual	10.87	22.99	36.58	49.51	66.38	79.52						
Cum Budget	13.09	26.16	39.47	52.49	69.39	82.68	95.35	108.00	121.36	133.98	150.43	165.13
Cum Variance	2.22	3.17	2.89	2.98	3.02	3.16						

# Cumulative Capital Expenditures



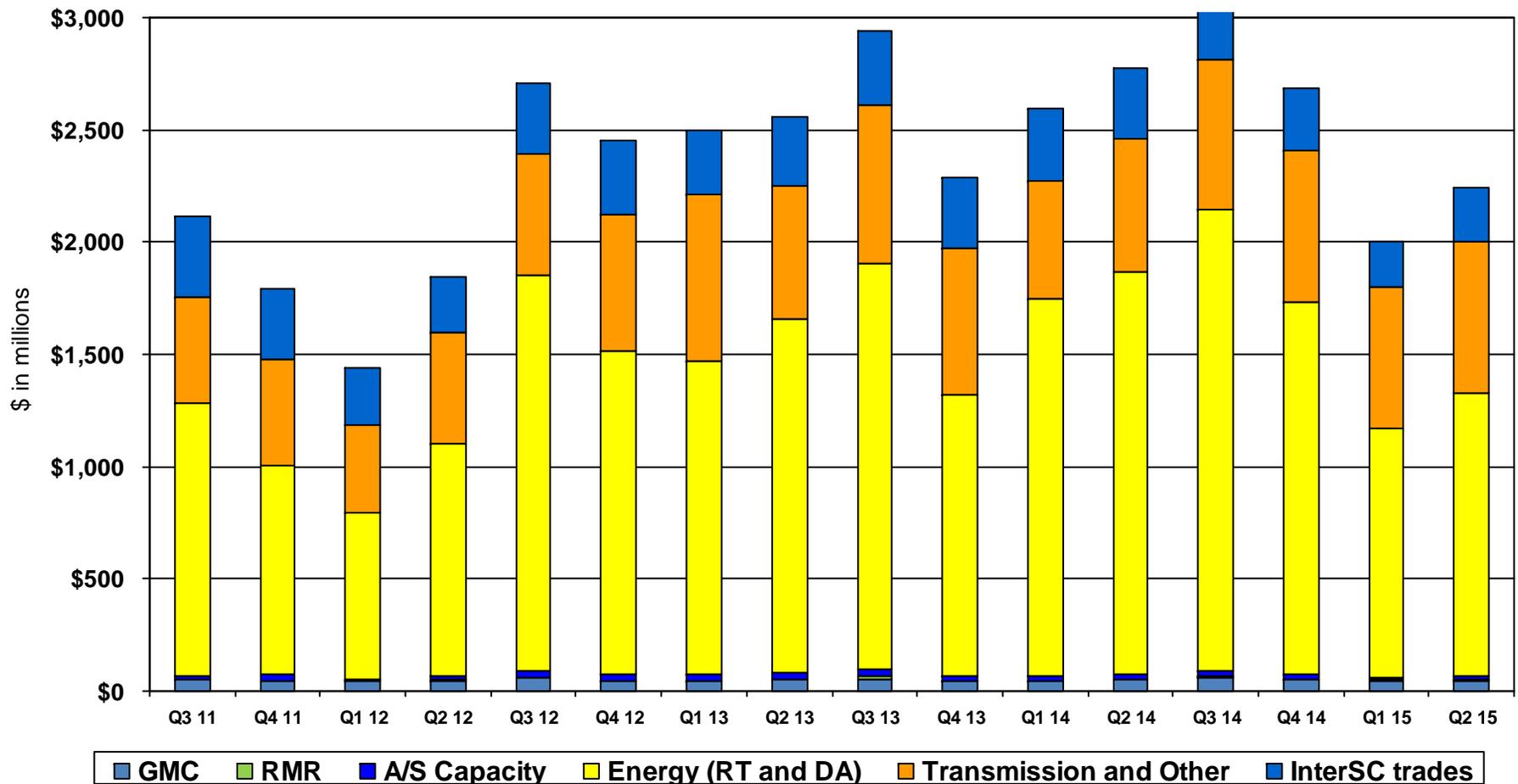
Budgeted capital												20.00
Cumulative Expenditures	0.01	0.07	0.27	0.80	1.18	2.86						
Approved projects	3.75	5.22	7.50	9.61	10.33	12.94						

# ISO Market Costs By Month July 2013 through June 2015



## ISO Market Costs By Quarter

### 3<sup>rd</sup> Quarter 2011 through 1<sup>st</sup> Quarter 2015



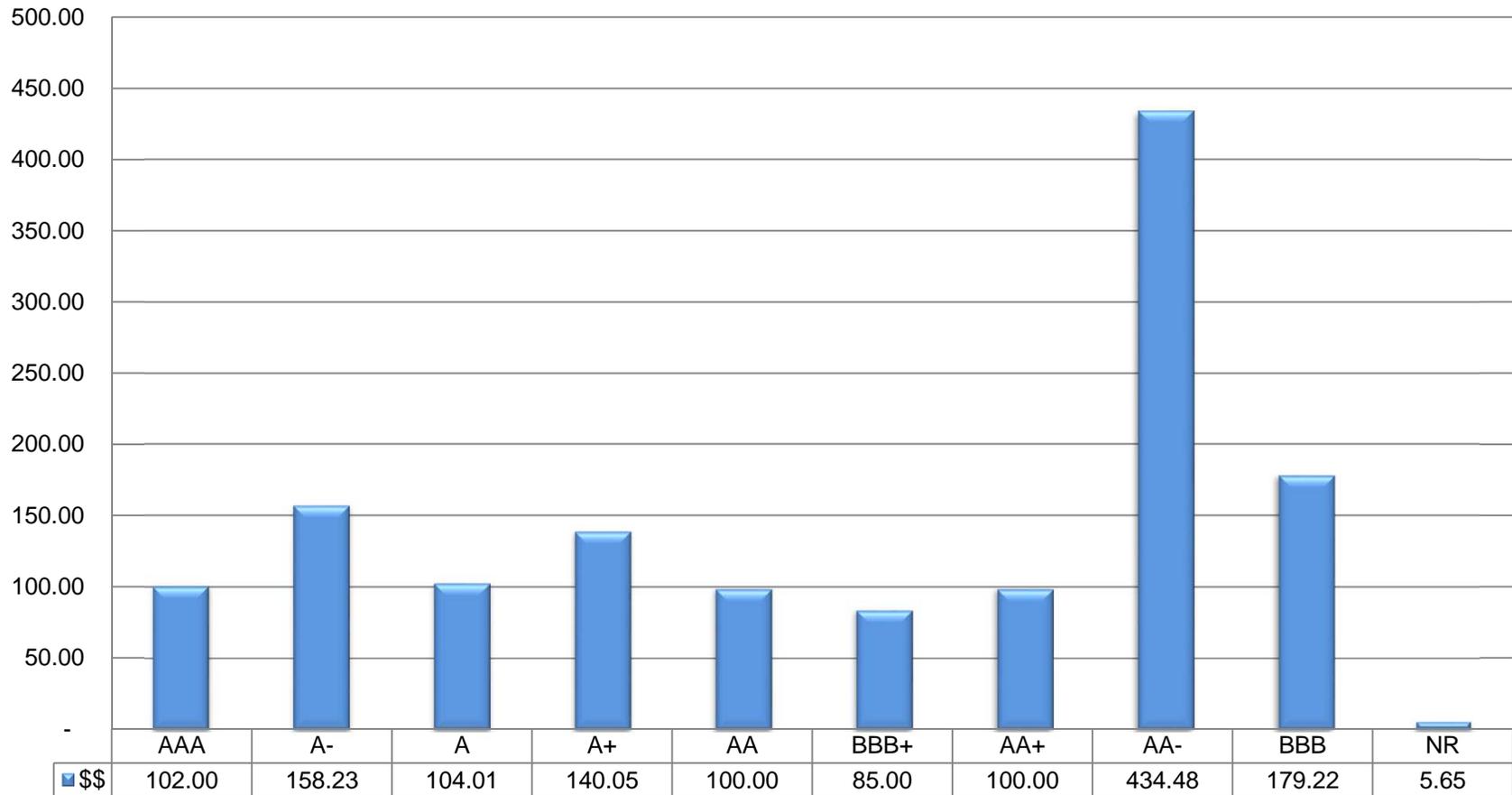
# Collateral & Estimated Aggregate Liability (as of 07/07/15)

<b>Collateral Types</b>	<b>Amount</b>
<b>Unsecured</b>	<b>\$1,408,629,333</b>
<b>Secured</b>	<b>\$436,986,086</b>
<b>Total</b>	<b>\$1,845,615,419</b>

<b>Estimate Aggregate Liability</b>	<b>Amount</b>
<b>Positive EAL</b>	<b>\$290,284,479</b>

# Unsecured Collateral (as of 07/07/15)

(in millions)



# Secured Collateral (as of 07/07/15)

(in millions)

