

# QUARTERLY FINANCIAL REPORT

## June 30, 2018

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**  
**QUARTERLY FINANCIAL REPORT - June 30, 2018**

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

For the quarter ended June 30, 2018

## **Results of Operations**

### ***Revenues***

Through the second quarter ending June 30, 2018, operating revenues were higher by \$1.0 million compared to the budgeted amounts. The overall increase in revenues was primarily due to higher other revenues of \$3.1 million due to the recognition of EIM implementation fees and to higher EIM administrative revenues. This increase was partially offset by lower GMC revenues of \$2.1 million. The Company monitors changes in GMC revenues and will adjust rates, if necessary, to align actual GMC revenues closer to budget, as required by the Tariff. Due to the under recovery of certain GMC rate components, slight rate increases are planned to take effect in August, 2018.

### ***Expenses***

Operating expenses are \$4.7 million under budget through the second quarter of the year, largely due to timing of expenses and to a company-wide cost containment effort .

Interest income and other are lower than budget through the second quarter due to unrecognized losses on the value of 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 through the second quarter.

## **Capital Projects**

Through the end of the second quarter of 2018, \$11.2 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 July 2, 2018, the ISO maintained \$2.0 billion in collateral from market participants to support \$407.5 million in aggregate liabilities due in the market. Approximately \$1.5 billion of the collateral is from unsecured sources (i.e., unsecured credit limits and parent guarantees) with investment grade or equivalent ratings, and \$0.4 billion is from secured forms (i.e., cash and letters of credit). This collateral is predominantly invested in AAA-rated money market funds or backed by A rated or better financial institutions.

**CALIFORNIA ISO**  
**Statement of Operations**

For the quarter ended June 30, 2018  
*(dollars in thousands)*

	Quarter		Year to Date		Year to Date Budget
	Actual	Prior Year	Actual	Prior Year	
<u>Operating revenues:</u>					
Grid management charge	\$ 46,753	\$ 48,668	\$ 90,821	\$ 93,285	\$ 92,882
Other revenues	5,714	4,798	9,795	7,663	6,695
Total operating revenues	52,467	53,466	100,616	100,948	99,577
<u>Operating expenses:</u>					
Salaries and benefits	33,727	32,147	63,673	60,690	63,746
Building, leases and facility	472	675	966	1,021	1,211
Insurance	313	393	680	707	726
Third party vendor contracts	3,697	3,889	7,144	7,198	8,018
Consulting and contracting services	3,665	3,487	6,136	6,315	8,302
Legal and audit	1,158	624	1,253	774	1,605
Training, travel and professional dues	584	428	1,217	982	2,057
Other	635	418	1,063	776	1,164
Total operating expenses	44,251	42,061	82,132	78,463	86,829
Operating income before depreciation and amortization	8,216	11,405	18,484	22,485	12,748
<u>Depreciation and amortization</u>	9,031	7,047	16,270	13,337	14,000
Net operating income (loss)	(815)	4,358	2,214	9,148	(1,252)
<u>Other income (expenses)</u>					
Interest income & other	563	804	443	1,838	1,250
Interest expense	(2,183)	(2,231)	(4,379)	(4,471)	(4,314)
Total other income (expenses)	(1,620)	(1,427)	(3,936)	(2,633)	(3,064)
Excess (deficiency) of revenues over expenses	\$ (2,435)	\$ 2,931	\$ (1,722)	\$ 6,515	\$ (4,316)
<b>Number of full-time employees</b>			611	589	600

# CALIFORNIA ISO

## Balance Sheet

As of June 30, 2018

(dollars in thousands)

	Current Quarter 6/30/2018	Prior Year 12/31/2017
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents, including restricted amounts	273,725	\$ 332,767
Accounts receivable	50,429	16,404
Short-term Investments, including restricted amounts	51,653	49,050
Other current assets	6,653	5,708
Total current Assets	<u>382,460</u>	<u>403,929</u>
NONCURRENT ASSETS		
Long-term investments, including restricted amounts	151,244	143,281
Fixed assets, net	174,617	178,898
Other assets	11,949	14,579
Total noncurrent assets	<u>337,810</u>	<u>336,758</u>
<b>TOTAL ASSETS</b>	<u>\$ 720,270</u>	<u>\$ 740,687</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	25,153	10,186
Accrued salaries and compensated absences	19,865	32,700
Current portion of long-term debt	4,970	4,765
Due to market participants	313,310	330,381
Generator noncompliance fines refund obligation	2,232	2,167
Total current liabilities	<u>365,530</u>	<u>380,199</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	176,094	181,372
Employee retirement plan obligations	18,566	17,218
Total noncurrent liabilities	<u>194,660</u>	<u>198,590</u>
TOTAL LIABILITIES	<u>560,190</u>	<u>578,789</u>
TOTAL NET ASSETS	<u>160,080</u>	<u>161,898</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 720,270</u>	<u>\$ 740,687</u>

## Capital Projects Report

For the quarter ended June 30, 2018

(\$ in thousands)

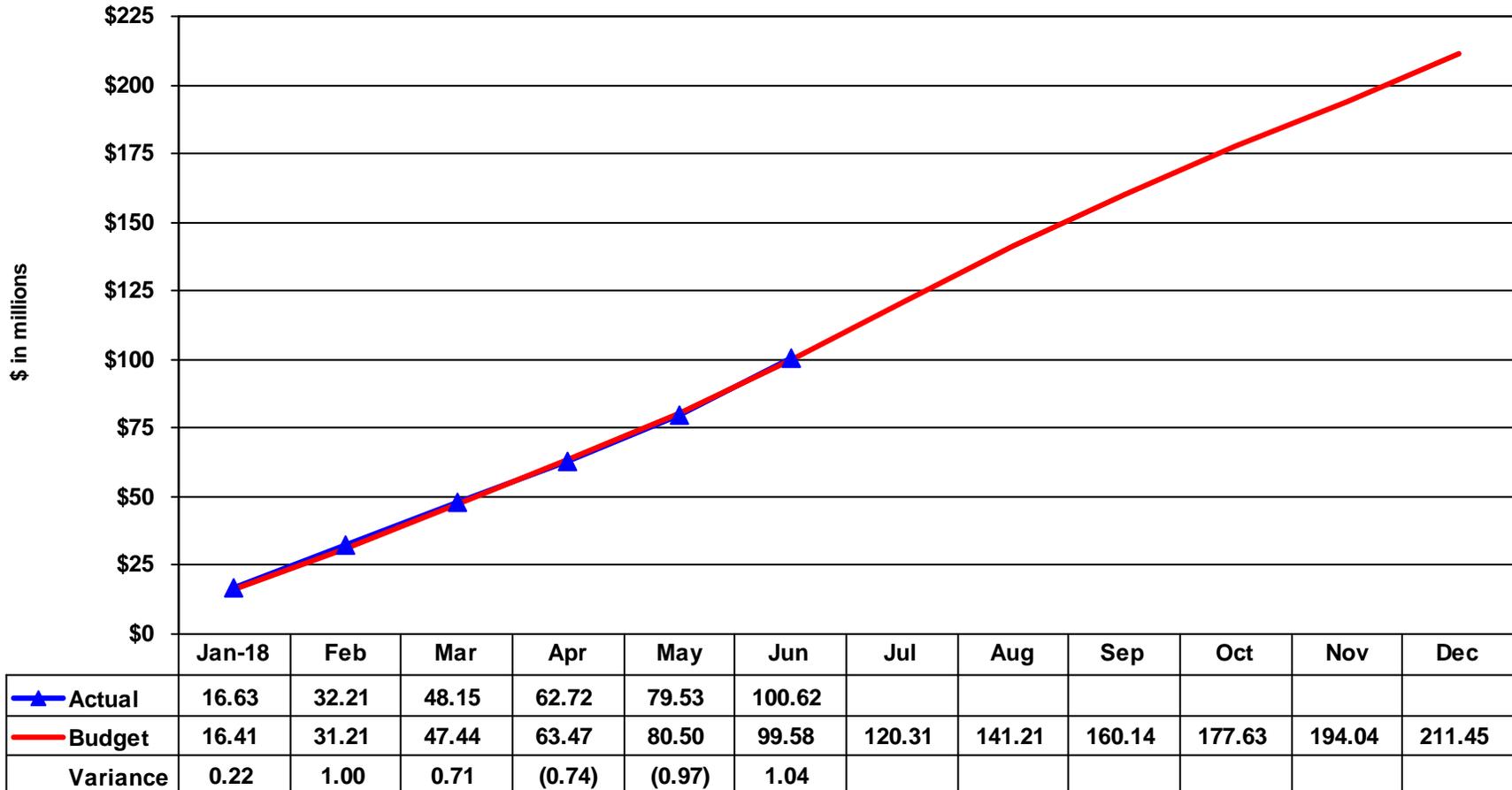
<b>Project Classification</b>	<b>2018 Capital and Project Budget<sup>1</sup></b>	<b>Projects Approved YTD</b>	<b>Remaining Budget</b>	<b>Expenditures YTD</b>
Market and Operational Excellence	\$ 10,050	\$ 8,848	\$ 1,202	\$ 1,086
Enhance the Technology Foundation	6,050	1,672	4,378	513
Focus on Customer Service and Other Costs	1,150	650	500	-
Grid Evolution Readiness and Regional Innovation Opportunities	750	-	750	-
	<b>\$ 18,000</b>	<b>\$ 11,170</b>	<b>\$ 6,830</b>	<b>\$ 1,599</b>
			Expenditures on projects approved prior to 2018 <sup>2</sup> :	8,589
				<b>\$ 10,188</b>

<sup>1</sup> The Board approved a maximum level of \$18.0 million in capital and project commitments for 2018 at their December 2017 meeting. The sub-amounts allocated to the project classifications will vary as actual projects are approved during the year by the Corporate Management Committee.

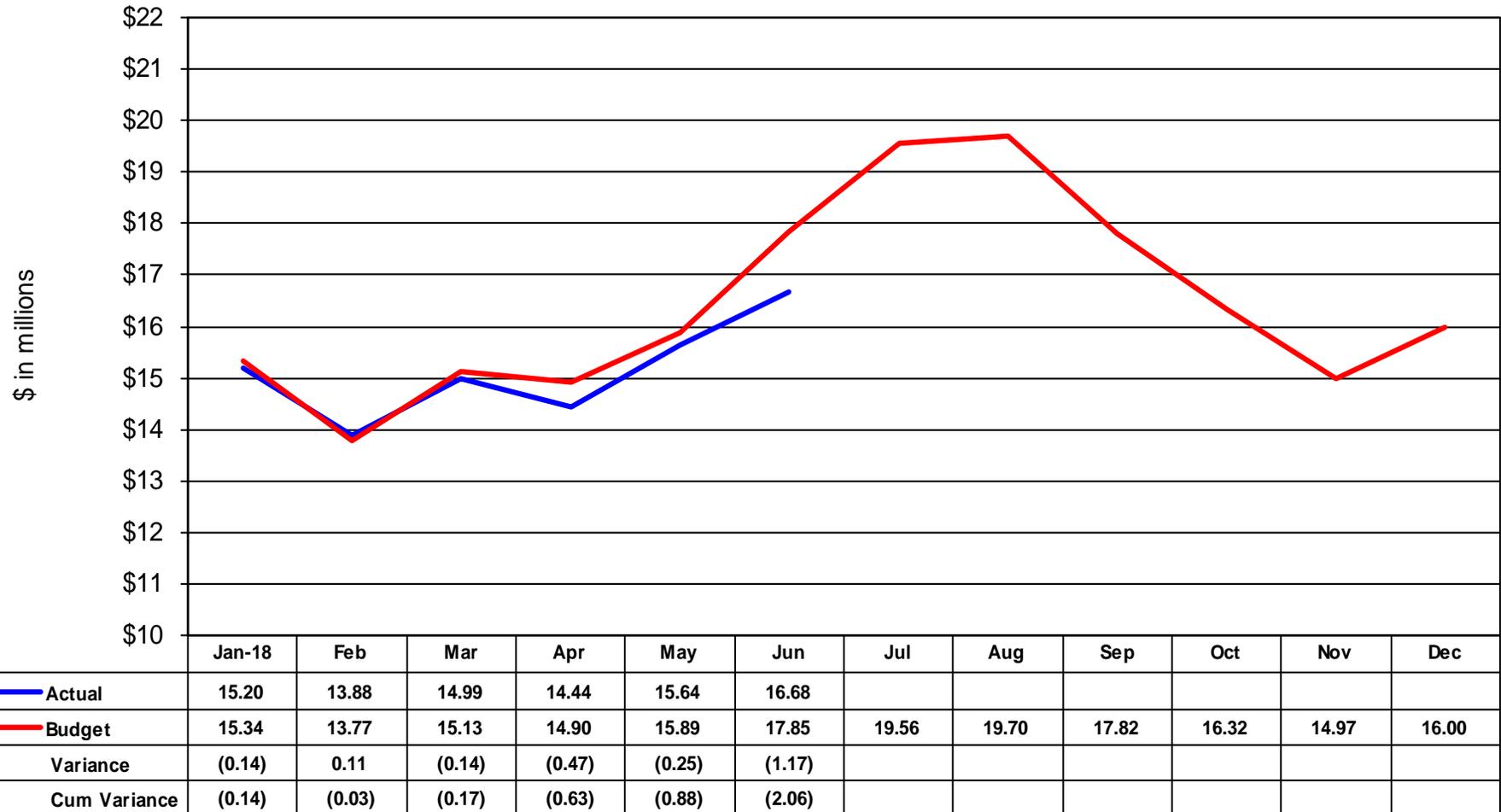
<sup>2</sup> Expenditures on projects approved in a prior budget year. Does not include EIM Implementation projects as those expenditures are reimbursed by the EIM entity.

# Cumulative Operating Revenues

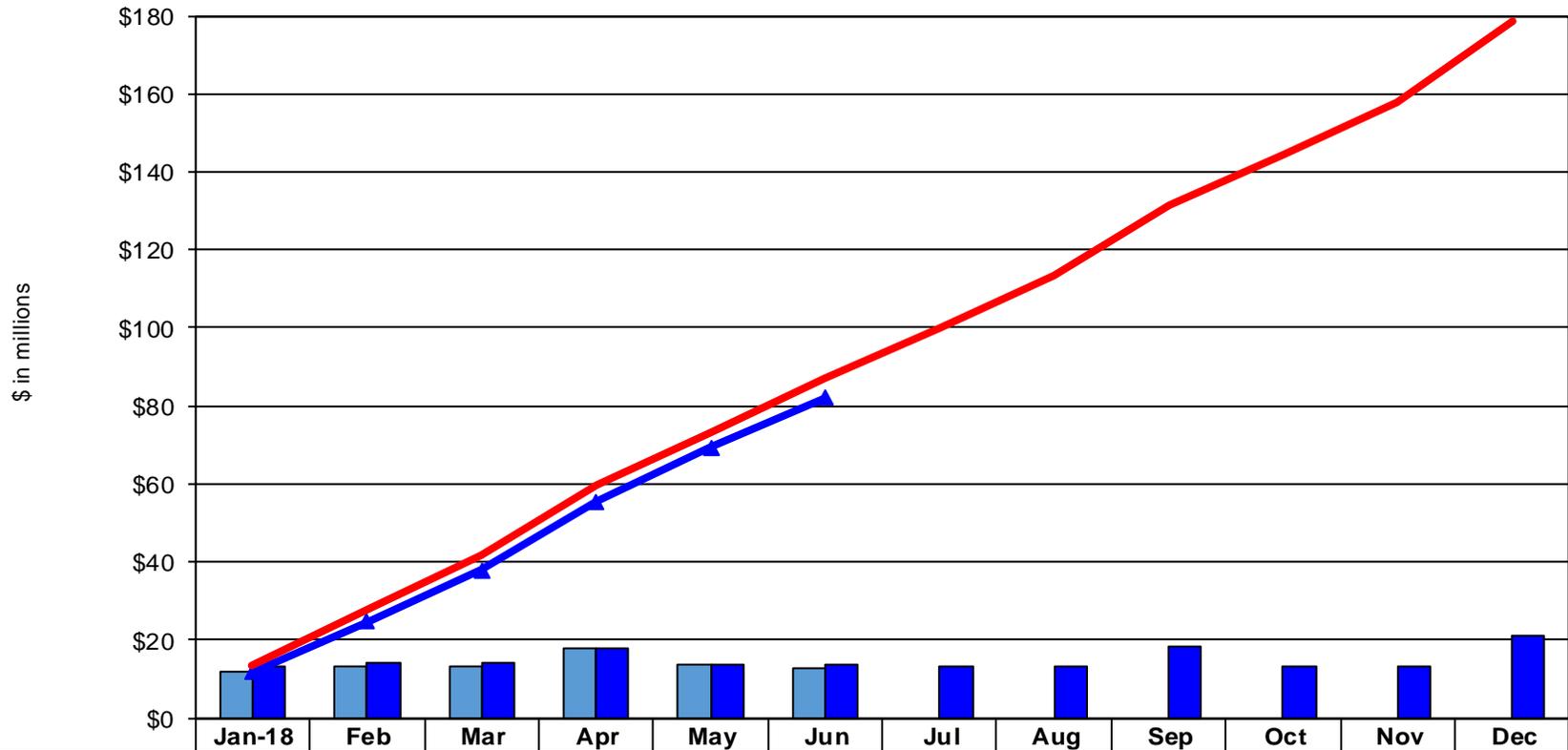
Revenues = GMC & Other Revenues



# Monthly GMC Revenues

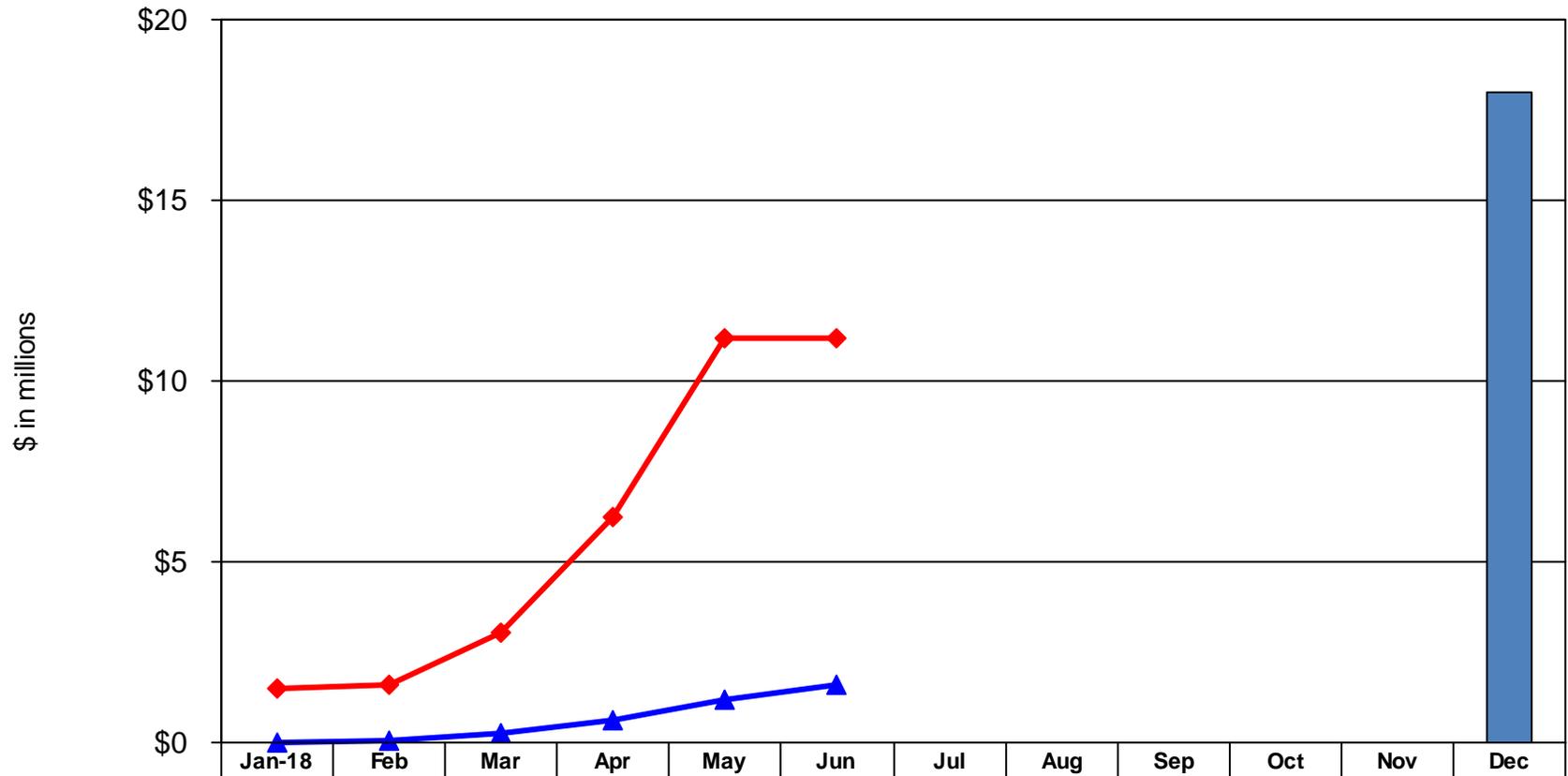


## Operating and Maintenance Expenses (O&M)



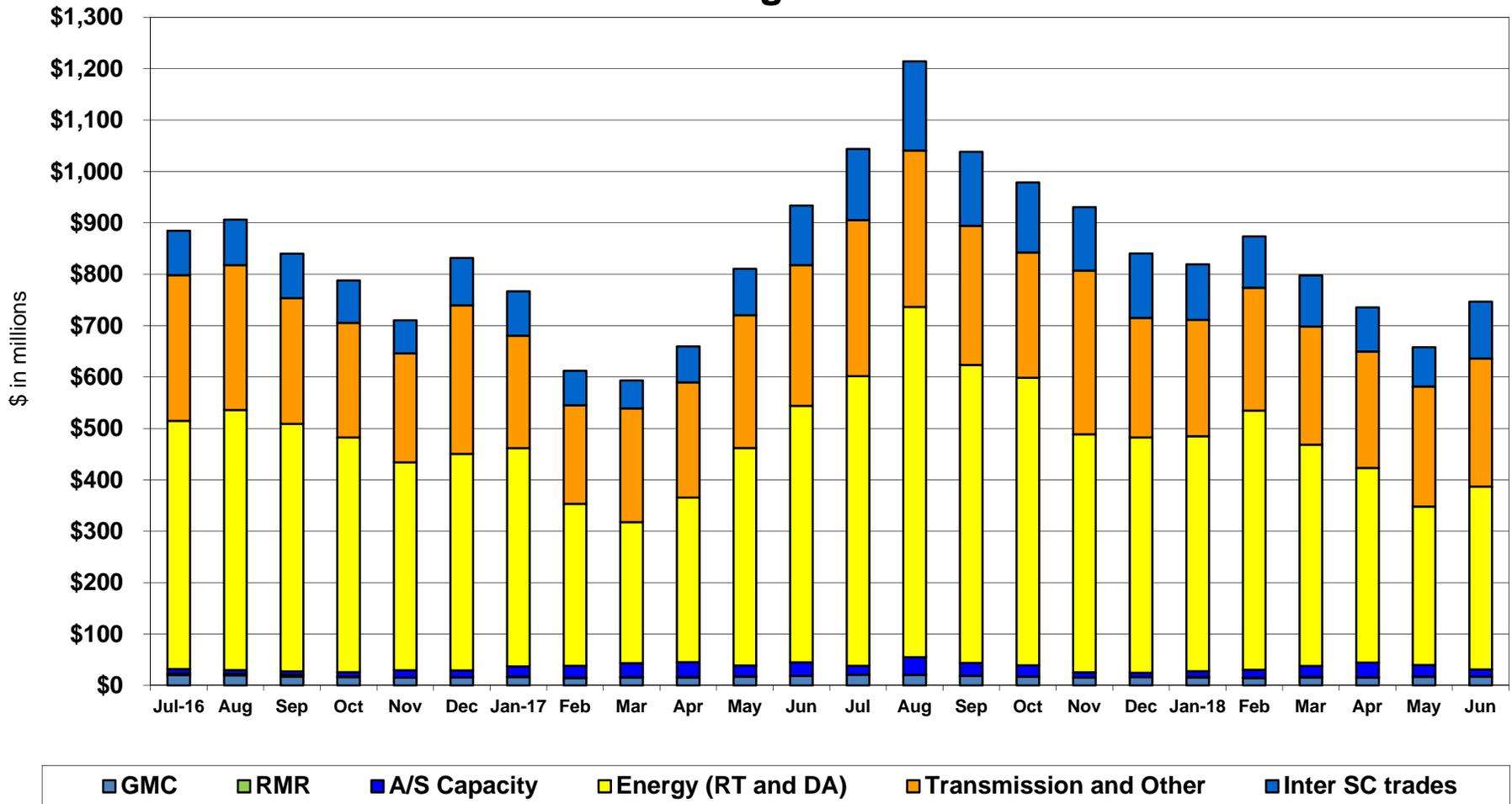
	Jan-18	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Actual	11.64	13.07	13.18	17.59	13.78	12.88						
Monthly Budget	13.37	14.29	14.00	17.83	13.62	13.73	13.23	13.19	18.20	13.08	13.08	20.92
Cum Actual	11.64	24.70	37.88	55.48	69.26	82.13						
Cum Budget	13.37	27.65	41.65	59.48	73.11	86.83	100.06	113.25	131.45	144.52	157.60	178.51
Cum Variance	1.73	2.95	3.77	4.01	3.85	4.70						

# Cumulative Capital Expenditures

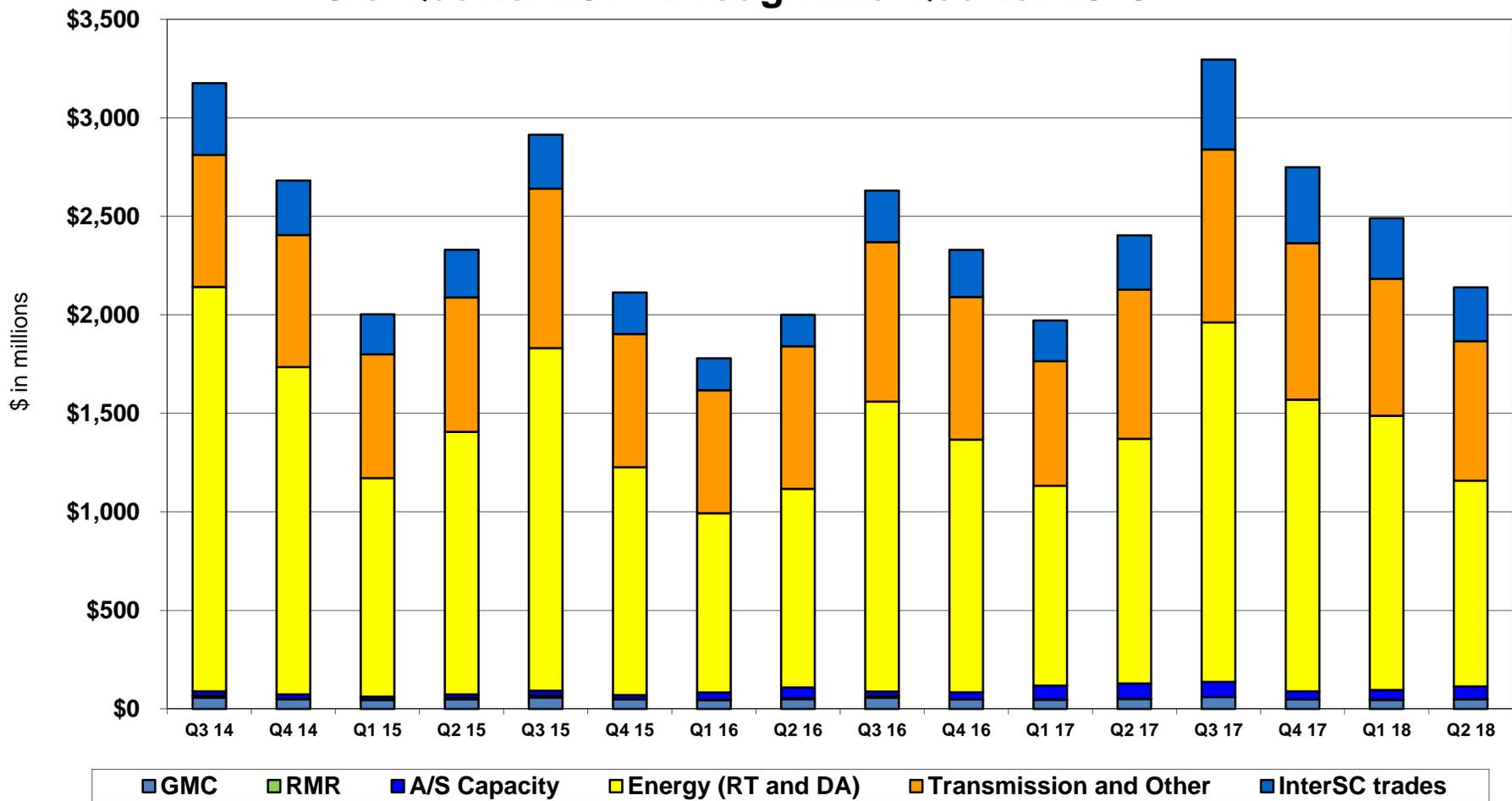


Budgeted capital												18.00
Cumulative Expenditures	0.00	0.03	0.28	0.61	1.18	1.60						
Approved projects	1.48	1.59	3.03	6.25	11.17	11.17						

## ISO Market Revenues By Month Jul 2016 through Jun 2018



## ISO Market Revenues By Quarter 3rd Quarter 2014 through 2nd Quarter 2018



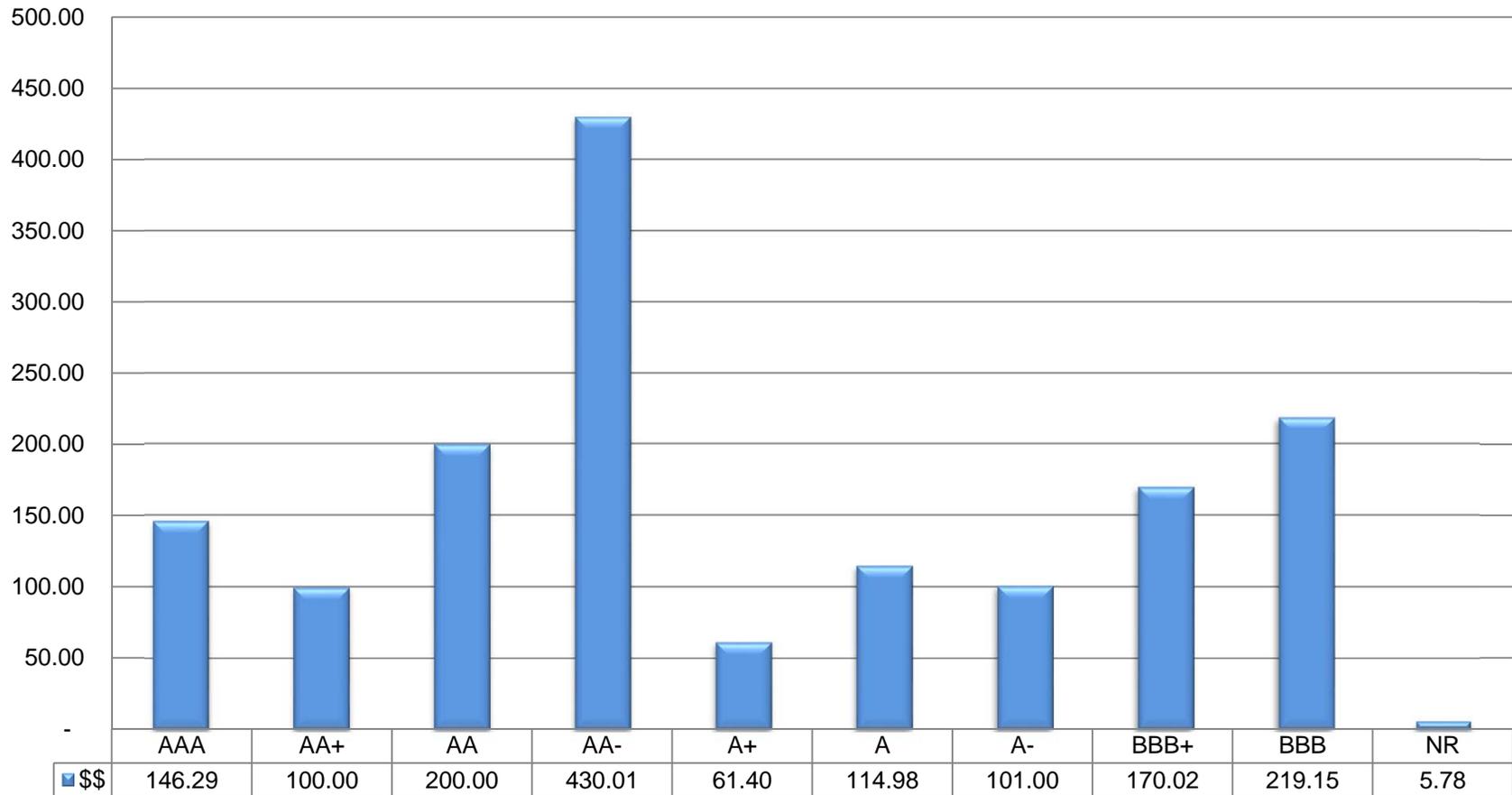
# Collateral & Estimated Aggregate Liability (as of 07/02/18)

<b>Collateral Types</b>	<b>Amount</b>
<b>Unsecured</b>	<b>\$1,548,634,778</b>
<b>Secured</b>	<b>\$407,464,068</b>
<b>Total</b>	<b>\$1,956,098,846</b>

<b>Estimate Aggregate Liability</b>	<b>Amount</b>
<b>Positive EAL</b>	<b>\$229,527,654</b>

# Unsecured Collateral (as of 07/02/18)

(in millions)



# Secured Collateral (as of 07/02/18)

(in millions)

