

QUARTERLY FINANCIAL REPORT

September 30, 2022

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
QUARTERLY FINANCIAL REPORT - September 30, 2022**

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CALIFORNIA ISO SUMMARY, DISCUSSION AND COMMENTARY

For the quarter ended September 30, 2022

Results of Operations

Revenues

Through the third quarter ending September 30, 2022, operating revenues were higher by \$6.2 million compared to the budgeted amounts, primarily due to higher GMC revenues. The Tariff requires the Company to monitor actual collections of GMC revenues compared to the current forecast and make changes to the rates if outside of the established range. As a result, the Company decreased the rate for Market Services effective August 1, 2022 and decreased the rate for System Operations effective November 1, 2022. Other revenues were also higher than budget through the third quarter, primarily due to higher than expected forecasting fees collections.

Expenses

Operating expenses are \$1.1 million under budget through the third quarter of the year, largely due to lower expenses for training and travel, legal and audit, and consulting and contracting, partially offset by higher salaries and wages and higher software maintenance costs.

Interest income and other are lower than budget during the third quarter due to unrealized losses on the value of investments as a result of increasingly higher interest rates. Interest expense is slightly lower than budgeted primarily due to the difference in the actual recognition of the expense.

Material Changes to Assets and Liabilities

Cash and amounts due market participants increased at the end of the third quarter, as a result of the collateral requirements imposed by the Company to cover higher than usual participant liabilities associated with the western states heat wave that occurred during the first week of September. Collateral funds in excess of the requirement were eventually returned to the market participants in October, as the liabilities were settled.

Capital Projects

Through the end of the third quarter of 2022, \$13.5 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.

CALIFORNIA ISO

Statement of Operations

For the quarter ended September 30, 2022
(dollars in thousands)

	Quarter		Year to Date		Year to Date Budget
	Actual	Prior Year	Actual	Prior Year	
<u>Operating revenues:</u>					
Grid management charge	\$ 54,993	\$ 54,898	\$ 144,265	\$ 141,335	\$ 139,124
Other revenues	13,559	13,441	38,061	38,774	37,008
Total operating revenues	68,552	68,339	182,326	180,109	176,132
<u>Operating expenses:</u>					
Salaries and benefits	41,034	38,454	115,720	111,515	113,351
Building, leases and facility	651	608	1,609	1,459	1,694
Insurance	436	389	2,038	1,128	2,106
Third party vendor contracts	3,015	2,688	10,343	9,803	10,446
Consulting and contracting services	5,121	4,354	15,033	12,846	16,166
Legal and audit	742	525	1,265	1,367	2,585
Training, travel and professional dues	401	120	1,026	572	2,956
Other	1,069	1,674	3,181	3,640	2,007
Total operating expenses	52,469	48,812	150,215	142,330	151,311
Operating income before depreciation and amortization	16,083	19,527	32,111	37,779	24,821
<u>Depreciation and amortization</u>	9,988	7,919	27,616	22,538	27,600
Net operating income (loss)	6,095	11,608	4,495	15,241	(2,779)
<u>Other income (expenses)</u>					
Interest income & other	(4,957)	432	(22,612)	1,619	2,807
Interest expense	(1,122)	(1,805)	(3,374)	(3,783)	(3,508)
Total other income (expenses)	(6,079)	(1,373)	(25,986)	(2,164)	(701)
Excess (deficiency) of revenues over expenses	\$ 16	\$ 10,235	\$ (21,491)	\$ 13,077	\$ (3,480)
Number of full-time employees			654	626	694

CALIFORNIA ISO

Balance Sheet

As of September 30, 2022
(dollars in thousands)

	Current Quarter 9/30/2022	Prior Year 12/31/2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, including restricted amounts	\$ 991,308	\$ 598,970
Accounts receivable	33,847	23,057
Short-term Investments, including restricted amounts	22,305	51,874
Other current assets	10,951	6,618
Total current Assets	<u>1,058,411</u>	<u>680,519</u>
NONCURRENT ASSETS		
Long-term investments, including restricted amounts	254,971	242,296
Fixed assets, net	137,055	150,950
Other assets	3,336	10,110
Total noncurrent assets	<u>395,362</u>	<u>403,356</u>
TOTAL ASSETS	<u>\$ 1,453,773</u>	<u>\$ 1,083,875</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	6,783	11,684
Accrued salaries and compensated absences	32,993	43,273
Current portion of long-term debt	8,735	9,050
Due to market participants	1,033,529	617,937
Total current liabilities	<u>1,082,040</u>	<u>681,944</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	156,660	165,395
Employee retirement plan obligations	1,519	4,112
Total noncurrent liabilities	<u>158,179</u>	<u>169,507</u>
TOTAL LIABILITIES	<u>1,240,219</u>	<u>851,451</u>
TOTAL NET ASSETS	<u>213,555</u>	<u>232,424</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,453,774</u>	<u>\$ 1,083,875</u>

Capital Projects Report

For the quarter ended September 30, 2022

(\$ in thousands)

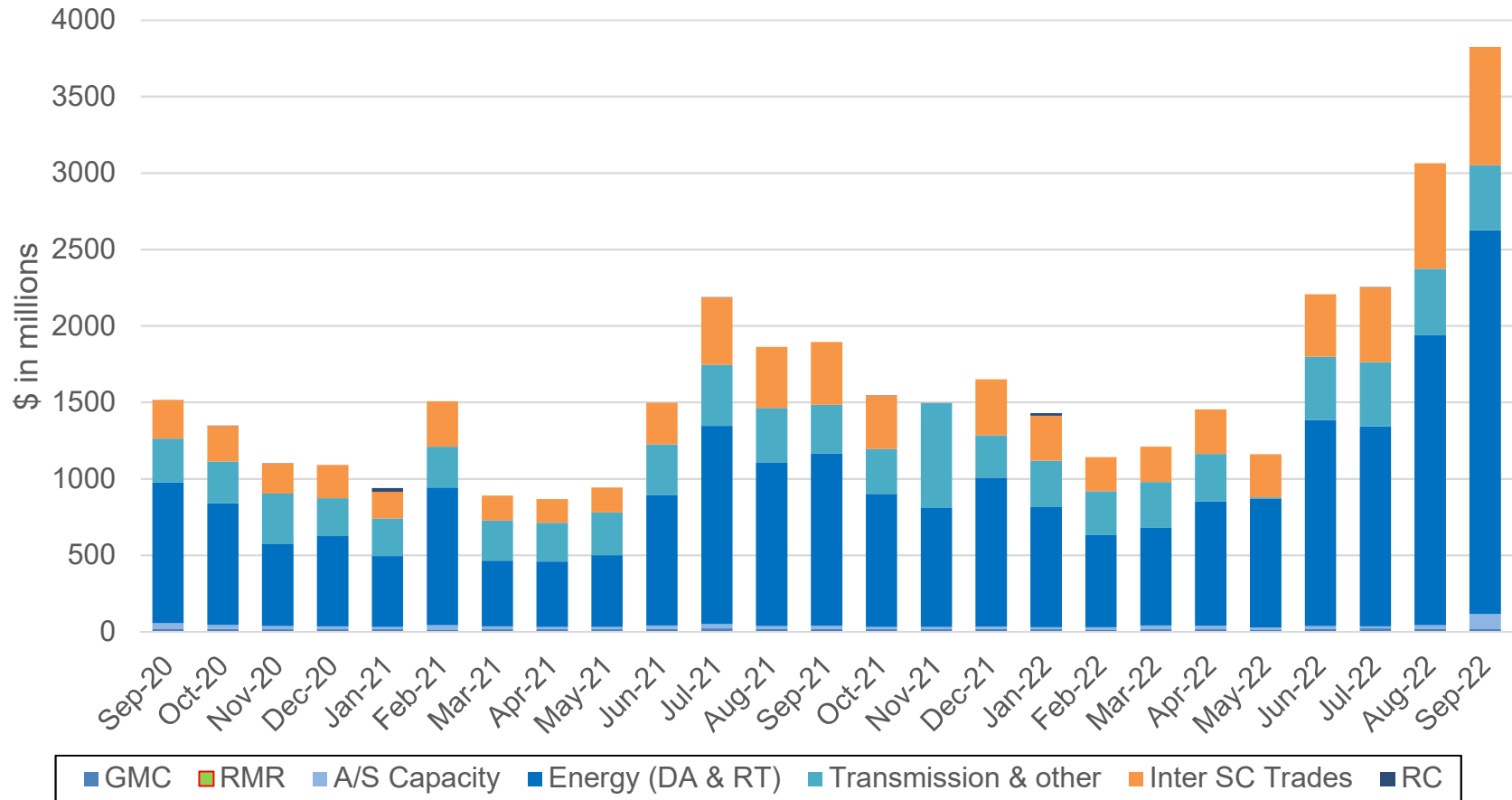
Project Classification	2022 Capital and Project Budget ¹	Projects Approved YTD	Remaining Budget	Expenditures YTD
Market and Operational Excellence	\$ 8,155	\$ 5,401	\$ 2,754	\$ 1,713
Enhance the Technology Foundation	7,495	5,504	1,991	2,034
Focus on Customer Service and Other Costs	2,950	1,770	1,180	123
Grid Evolution Readiness and Regional Innovation Opportunities	1,400	864	536	530
	\$ 20,000	\$ 13,539	\$ 6,461	\$ 4,399
			Expenditures on projects approved prior to 2022 ² :	8,841
				\$ 13,240

¹ The Board approved a maximum level of \$20.0 million in capital and project commitments for 2022 at their December 2021 meeting. The sub-amounts allocated to the project classifications will vary as actual projects are approved during the year by the Corporate Management Committee.

² Expenditures on projects approved in a prior budget year. Does not include WEIM Implementation projects as those expenditures are reimbursed by the WEIM entity.

ISO Market Revenues By Month

September 2020 through September 2022



ISO Market Revenues By Quarter

3rd Quarter 2020 through 3rd Quarter 2022

