

**California Independent System
Operator Corporation**
Code of Conduct Certification Process
Report of Independent Accountants
January 23, 2006

Report of Independent Accountants

To the Board of Governors of the
California Independent System Operator Corporation

We have performed the procedures described in this report, which were agreed to by the California Independent System Operator Corporation (the “CAISO”), solely to assist you in assessing your process of obtaining certification by employees, contractors and your Board of Governors that they are complying with the CAISO Code of Conduct. CAISO is responsible for compliance with its Code of Conduct. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and findings

The procedures we performed and our findings are described at Exhibit I. Such procedures principally consist of our comparison of signed certifications obtained by CAISO management to listings of three classes of CAISO constituents as of December 2, 2005:

- Employees
- Selected Contractors (see description in Exhibit I)
- Members of the Board of Governors

The date was selected by management to conform with the timing of CAISO’s annual processes of obtaining such certifications.

Certification forms

Sample copies of the certification forms completed by these constituents are included at Exhibits II, III, IV and V. The sample forms are used by the following:

Employees	Exhibits II and III
Contractors	Exhibits IV
Members of the Board of Governors	Exhibit V

Report limitations

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the level of CAISO's compliance with its Code of Conduct. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Governors and management of the CAISO, and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

January 23, 2006

The procedures we performed, and our findings, are described below.

1.) For employees

Procedures performed:

- a.) We obtained a list of all employees of the CAISO as of December 2, 2005.
- b.) We obtained the CAISO payroll register dated December 2, 2005.
- c.) We compared the employee list and the payroll register to determine if there were any differences between the employees listed in each.
- d.) For all employees included on the employee list obtained above we obtained their certifications to determine if they were signed and if they contained any written indication of exception to CAISO requirements.

Management has advised us that for those employees on a leave of absence, as identified by the CAISO Human Resources Department, certifications are not required until the employee returns. Five employees met this criterion, and accordingly, those employees were excluded from our procedures.

Management has also advised us that for those employees identified with a status code of "T" on the payroll register, certifications are not required as these employees had terminated employment prior to December 2, 2005. 162 employees met this criterion, and accordingly, those employees were excluded from our procedures.

Findings - We performed the above procedures without exception.

2.) For contractors

Procedures performed:

- a.) We obtained a list of all contractors as of December 2, 2005 (provided to us through the CAISO Human Resources Department), that are considered by CAISO management to be substantially full-time contractors subject to the certification requirement.
- b.) For all contractors included on this contractor list, we obtained their certifications to determine if they were signed and if they contained any written indication of exception to CAISO requirements.

Findings - We performed the above procedures without exception.

3.) For Board members

Procedures performed:

- a.) We obtained a list of all members of the Board of Governors of the CAISO as of December 2, 2005. This list was obtained from the CAISO website.
- b.) For all board members included on the list, we obtained their certifications to determine if they were signed and if they contained any written indication of exception to CAISO requirements.

Findings – We performed the above procedures without exception.

2005 Employee Acknowledgment Form

The Employee Handbook describes important information about my employment with California ISO, and I understand that it is my responsibility to consult the Human Resources Department regarding any questions not answered in the handbook.

I have entered into my employment relationship with California ISO voluntarily and acknowledge that there is no specified length of employment. Accordingly, I understand and agree that my relationship with California ISO is “at-will,” which means that either I or California ISO can terminate the relationship at will, with or without cause, at any time and without notice, so long as there is no violation of any applicable federal or state law. Nothing in this handbook shall limit the right of California ISO to terminate my employment at will.

Since the information, policies, and benefits described in the handbook are necessarily subject to change, I acknowledge that revisions to the handbook may occur. Only the Chief Executive Officer of California ISO has the ability to adopt any revisions to the policies in this handbook. Any such changes will be communicated in writing through official notices, which may be delivered by e-mail or via the California ISO’s intranet site <http://home.caiso.ecn/eCurrent/ec.cgi>. Revised information may supersede, modify or eliminate existing policies.

I have been advised that a copy of the handbook is available for review and printing on the California ISO intranet site. I understand it is my responsibility to read and comply with the policies contained in this handbook and any revisions made to it.

I hereby acknowledge that I have received copies of and have read the following materials, and agree to comply in full with all of the requirements set forth therein:

- California ISO Employees Code of Conduct;
- California ISO Information Security Policy; and
- California ISO Fitness for Duty Policy.

It is California ISO’s policy to require all employees to execute and return this acknowledgement not less than once each year. Please sign and return this form to the Human Resources Department no later than October 14, 2005.

EMPLOYEE’S NAME (printed): _____

EMPLOYEE’S SIGNATURE: _____

DATE: _____

Policy Agreement and Acknowledgement

I, _____, hereby acknowledge that I have received copies of
(Print full name)
and have read the following materials.

- California Independent System Operator Corporation (“ISO”) Employees Code of Conduct (“Code of Conduct”)
- California ISO Information Security Policy (“Security Policy”)
- California ISO Fitness For Duty Policy (“Fitness for Duty Policy”)

I hereby agree to comply in full with all requirements of the Code of Conduct, the Security Policy, and Fitness for Duty Policy.

Signature

Date

Print Name

Policy Agreement and Acknowledgement

I, _____, hereby acknowledge that I have received copies of and have read the following materials:

- California Independent System Operator Corporation (“ISO”) Employees Code of Conduct (“Code of Conduct”)
- California ISO Information Security Policy (“Security Policy”)
- California ISO Fitness for Duty Policy (“Fitness for Duty Policy”)

I hereby agree to comply in full with all requirements of the Code of Conduct, the Security Policy, and Fitness for Duty Policy. I have read and understand the Fitness for Duty Policy. I understand that performing services for the ISO is contingent upon passing a drug screening test (if so designated in the Contract). I understand that I may be required to undergo drug screening upon reasonable suspicion of actions which violate this policy.

Signature

Date

Print Name

Governor Acknowledgement Form

I, _____, a Governor of California Independent System Operator Corporation, hereby acknowledge that I have received a copy of and have read the Governors Code of Conduct, as amended through February 25, 1999, and do hereby agree to comply in full with all of the requirements set forth therein.

GOVERNOR NAME: _____

SIGNATURE: _____

DATE: _____