

Memorandum

To: ADR/Audit Committee of the ISO Board of Governors
From: Michael K. Epstein, Controller
William J. Regan, Jr., CFO
Date: August 29, 2007
Re: *Acceptance of Audit of the CAISO Retirement Savings Benefits Plan for 2006 and 2005*

This memorandum requires Board action.

Management has prepared the financial statements of the CAISO Retirement Savings Benefits Plan in accordance with applicable reporting standards for the years ended December 31, 2006 and 2005. The Company's external auditor, PricewaterhouseCoopers, has completed their audit. The financial statements of the Plan are attached for your review. Management recommends the following motion:

MOVED, that the ADR/Audit Committee recommends that the Board of Governors accept the audited financial statements of the CAISO Retirement Savings Benefits Plan for the years ended December 31, 2006 and 2005.