

Exhibit 10

Terry M. Winter
President and Chief Executive Officer

Memorandum

To: Officers, Directors, Managers and Budget Coordinators
From: Terry M. Winter
Date: 07/02/2001
Re: FY2002 Budgeting Process-Commencing July 9

In July, we will begin the budgeting process for FY 2002. I would like to share my thoughts with you on this important undertaking.

As our organization continues to respond to a very dynamic and challenging environment, we must again demonstrate financial discipline when developing our FY2002 budget. Due to mounting pressures from our stakeholders and regulators, it is now more important than ever to convey to our Board and others a compelling case for the resources we require. We have a new Board that will be seeing the ISO budget for the first time, we have an ongoing FERC rate case through which we have learned that our costs will be very closely scrutinized, and we are likely to have a Stakeholder Advisory Committee that will be involved throughout the budget development process and will closely review our budget proposal.

Accordingly, the initial guidance I will give for the first draft of the FY2001 O&M budget is that we develop a "base" budget which provides for the continuance of services offered in the approved FY 2001 budget. Under no circumstances should costs in this base budget exceed our current O&M budget of \$171 million. (The proposed 2002 base budget, absent salary & benefit adjustments, should be lower than \$171 million due to the elimination of expenditures that were included in the 2001 budget which we did not require due to changed circumstances.) Further, merely because a program was included and funded in the FY2001 budget is not sufficient justification for continuing it in 2002—we need to be prepared to justify all programs in the 2002 base budget.

However, we won't present a single budget that assumes we will continue forward without appropriately responding to changed circumstances. As we have done in the past, we will not ignore opportunities to increase the efficiency of our business or to respond to the need to provide additional services. New services, or services we are currently performing that were not anticipated in the 2001 budget should be presented using the "incremental opportunity" format used last year. It is critical that any cost increases proposed by the ISO are presented as discrete, stand-alone programs which represent clear value for the money. Additionally, I also ask that you develop alternative "decremental" programs which will permit us to present an O&M budget at least by 5-10% lower than the 2001 O&M budget of \$171 million. To assist in this objective, I will ask that each department document measures for consideration which could reduce its costs by 10-15%.

Our FY2001 capital budget was \$37 million. However, due to funding constraints, actual spending is not likely to exceed \$23 million. Any spending next year will have to be fully funded through the GMC as we are not currently in a position to obtain bond financing. Accordingly, our FY2002 capital budget will, by necessity, be limited, with each proposed project closely

scrutinized. The recently established Project Steering Committee will be closely involved in the development of the capital budget, and with ensuring that any impact of the capital budget is reflected in the O&M budget.

To assist in the budget development process, we will be implementing a new budgeting tool that will enable you to fully document your base budget request, additional programs, cost saving measures and their impact on the quality of ISO service. The budgeting tool will also require that you provide information necessary for segmenting ISO costs into the three unbundled services we offer. Finally, this tool will contain several features to allow each department to understand and respond to demands for service by other ISO departments so that we can accurately capture all required costs.

Our Finance Department will be releasing a budget development schedule shortly, and you will note that we will need to complete our budget one month ahead of the schedule in previous years. Accordingly, it will be critical to meet the deadlines set forth in that schedule. I also encourage you to participate in the budgeting meetings held throughout the summer. These meetings will enable you understand how plans in other departments may affect your service requirements and costs, and will keep you informed about the GMC litigation ongoing at FERC as it affects the budget.

In summary, please work closely with your counterparts across our organization to develop a budget that makes a strong case for our requested level of resources for next year. We also need to develop creative solutions for cost reductions. While it may seem impossible to do more with less, we must keep our budget from creeping ever higher. Overall, we want to present a budget to the Board, stakeholders, and regulators that is realistic and will convey the clear value we will deliver with these funds.