



Memorandum

To: Audit Committee of the Board of Governors
From: Michael K. Epstein, Controller and Dennis Estrada, Manager of Financial Reporting
Cc: Board of Governors; ISO Officers
Date: June 8, 2005
Re: *Acceptance of Audit of Financial Statements and FERC Form 1 for 2004 and 2003*

Management has prepared the financial statements of the ISO and FERC Form 1 in accordance with generally accepted accounting principles (GAAP) for the years ending December 31, 2004 and 2003 and PricewaterhouseCoopers has completed their audit. The financial statements of the ISO and FERC Form 1 with the auditor's opinions are attached for your review.

The Federal Energy Regulatory Commission (FERC) requires regulated entities to submit annual financial reports on Form 1. The FERC Form 1 is the same as the GAAP financial statements except for the classification of accounts, which is in accordance with the FERC chart of accounts, and additional supplemental information.

Management recommends the following motion:

MOVED, that the Committee recommends that the Board accept the Company's financial statements and FERC Form 1 for the years ended December 31, 2004 and 2003, as audited by PricewaterhouseCoopers and attached to Management's memorandum to the Committee dated June 8, 2005.