

Memorandum

To: ISO Board of Governors

From: Steve Berberich, Vice President Corporate Services, Interim Chief Financial Officer and Treasurer

Date: July 10, 2009

Re: *Acceptance of ISO's 2008 and 2007 Financial Statements and Acceptance of FERC Form 1 for 2008 and 2007*

This memorandum requires Board action.

At its May 18, 2009 meeting, the ADR/Audit Committee accepted (1) the audited financial statements of the California Independent System Operator Corporation (the ISO), prepared in accordance with generally accepted accounting standards applicable for state and local governmental entities (GASB) for the years ended December 31, 2008 and 2007, as well as (2) the ISO's *FERC Form 1* for 2008 and 2007, which was accepted in draft form on the condition that there would be no material changes. Acceptance by the Board was scheduled for the July meeting. PricewaterhouseCoopers issued its opinion on the *FERC Form 1* on May 22, 2009, and the final *FERC Form 1* contained no material changes from the draft accepted by the committee. Copies of the final *FERC Form 1* for 2008 and 2007 is attached for reference.

Therefore, Management recommends the following motion:

Moved, that the ISO Board of Governors accept (1) the ISO's financial statements for the years ended December 31, 2008 and 2007, and (2) the FERC Form 1 for 2008 and 2007, both audited by PricewaterhouseCoopers, as recommended by the ADR/Audit Committee.