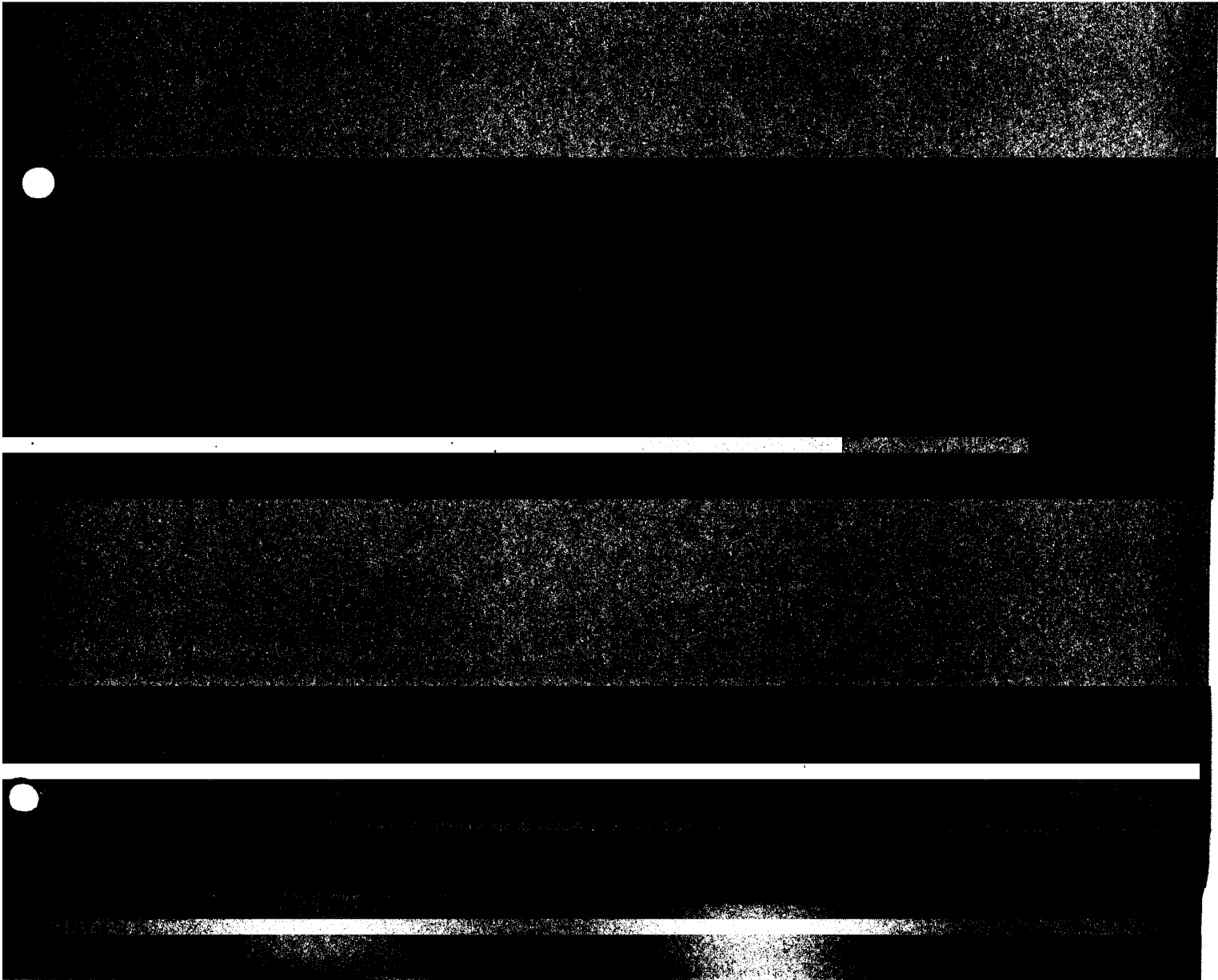


March 25, 1999

ISO BOARD OF GOVERNORS MEETING





PUBLIC NOTICE OF ISO BOARD OF GOVERNORS MEETING

The Board of Governors of the California Independent System Operator will meet:

Date: March 25, 1999
Time: 1:00 p.m. – 6:00 p.m.
Location: Capitol Plaza Halls
1025 9th Street

During the above-noticed meeting, the Board will discuss and possibly take action on the following agenda items:

GENERAL SESSION

- 1) Public Comment
- 2) Management Report
 - Executive Summary of Performance Data
 - Y2K Brochure
 - Web Site Award
 - FERC Litigation Status
 - Work Culture Assessment
- 3) Request from Governor Barbara Barkovich: Restructuring Legislation
- 4) Committee Reports
 - a) Audit
 - Committee Report
 - Grid Management Charge Settlement Filing Options
 - b) Finance
 - Committee Report
 - Grid Management Charge Settlement Filing Options
 - Extension of Temporary Debt Limit
 - c) Governance
 - Committee Report
 - Executive Committee
 - Legislative Proposals (S.B. 96, et al.)
 - Executive Sessions Policy
 - d) Grid Reliability / Operations
 - Committee Report
 - New Generator Interconnection Policy

All public documents, notices, and information are posted to the Web site as they are provided to the Board of Governors. The California ISO Web site address is: <http://www.caiso.com>

**PUBLIC NOTICE OF ISO BOARD OF GOVERNORS MEETING -
(Page Two)**

- e) Market Issues / ADR
 - Committee Report
- f) HR / Compensation
 - Committee Report
 - New Generator Interconnection Policy
- 5) New Business and Future Agenda Items

EXECUTIVE SESSION

- 1) Approval of Executive Session Minutes
- 2) Litigation
 - Grid Management Charge Settlement Filing Options
 - RMR Settlement
- 3) Committee Reports
 - a) Market Issues / ADR Committee
 - b) HR / Compensation
- 4) New Executive Session Business and Future Executive Session Agenda Items

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PUBLIC NOTICE: AUDIT COMMITTEE MEETING

The Audit Committee of the California Independent System Operator will meet:

Date: March 25, 1999
Time: 10:00 a.m. – 12:00 a.m.
Location: Hyatt Regency at Capitol Park

During the above-noticed meeting, the Audit Committee will discuss and possibly take action on the following agenda items:

*****JOINT SESSION WITH FINANCE COMMITTEE*****

EXECUTIVE SESSION

10:00 – 10:15

- 1) Litigation
 - Grid Management Charge Settlement Filing Options
- 2) New Business Issues and Future Agenda Items

GENERAL SESSION

10:15 – 11:00

- 1) Public Comment
- 2) Grid Management Charge Settlement Filing Options
- 3) FERC Form 1
- 4) Financial Audit
- 5) New Business Issues and Future Agenda Items

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**PUBLIC NOTICE:
AUDIT COMMITTEE MEETING - (Page Two)**

*****AUDIT COMMITTEE*****

GENERAL SESSION

11:00 – 12:00

- 1) Public Comment
- 2) Approval of Minutes
- 3) Operational Audit – Phase II
- 4) SAS 70 Audit
- 5) New Business Issues and Future Agenda Items

EXECUTIVE SESSION

- 1) Approval of Executive Session Minutes

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PUBLIC NOTICE: FINANCE COMMITTEE MEETING

The Finance Committee of the California Independent System Operator will meet:

Date: March 25, 1999
Time: 9:00 a.m. – 11:00 a.m.
Location: Hyatt Regency at Capitol Park

During the above-noticed meeting, the Finance Committee will discuss and possibly take action on the following agenda items:

*****FINANCE COMMITTEE*****

GENERAL SESSION 9:00 – 9:30

- 1) Public Comment
- 2) Approval of Minutes
- 3) Extension of Temporary Debt Limit
- 4) Generator Communication Project
- 5) Monthly Financial Report
- 6) New Business Issues and Future Agenda Items

EXECUTIVE SESSION 9:30 – 10:00

- 1) Approval of Executive Session Minutes
- 2) Litigation
 - Pay When Paid Update
 - Financing Update
- 3) New Business Issues and Future Agenda Items

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PUBLIC NOTICE:
FINANCE COMMITTEE MEETING - (Page Two)

******JOINT SESSION WITH AUDIT COMMITTEE******

EXECUTIVE SESSION

10:00 - 10:15

- 1) Litigation
 - Grid Management Charge Settlement Filing Options
- 2) New Business Issues and Future Agenda Items

GENERAL SESSION

9:15 - 10:00

- 1) Public Comment
- 2) Grid Management Charge Settlement Filing Options
- 3) FERC Form 1
- 4) Financial Audit
- 5) New Business Issues and Future Agenda Items

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Memorandum

To: Audit and Finance Committees

From: Susan Schneider, Vice President Client Services
N. Beth Emery, Vice President & General Counsel
Michael Epstein, Controller

Cc: ISO Board; ISO Officers

Date: March 18, 1999

Re: ***GMC Filing Alternatives***

The current GMC rate structure is the result of an extension of a settlement reached at the startup of the ISO. FERC treated the settlement extension as a Section 205 filing, subject to refund. It expires July 1, 1999.

Therefore, the ISO must file, by April 30, a proposal for a GMC effective July 1. The Board decided at the February meeting to continue the existing settlement rate structure in some form, in lieu of a simplified unbundling proposal that was put forth as an alternative.

Management understood the Board to have directed two courses of action:

- determine through discussions with Market Participants whether there is any support for altering slightly the discount percentages for any of the current rate treatment groups; and
- prepare for the Board's consideration options and a recommendation regarding the form of filing at FERC for continuation of the current rate structure, with any modifications that might result from the above stakeholder discussion.

In discussions with Market Participants we have determined that at least some of those present at the Board meeting did not feel that the first element was part of the Board's decision. Given our understanding of the Board's direction, we proceeded with stakeholder discussions on discount percentages.

The issue of changing discount percentages was discussed at the March Market Issues Forum meeting, both on its merits and in the context of strengthening the cost basis for the filing and possibly increasing chances of FERC adoption. However, of the vast majority of stakeholders who

in favor of continuing the current rate structure, none favored any change in the discount percentages. Likewise, of the few that had opposed continuing the existing settlement structure, none argued in favor of any discount change.

Therefore, unless the Board wishes to direct otherwise, Management intends to proceed with filing the existing rate structure exactly as is, with the only open issue being the filing strategy.

The issue of filing strategy is addressed in a separate, confidential memo that will be discussed in Executive Session. Committee votes on the filing strategy will take place in the public session immediately following, so that Market Participants can offer their opinions on that issue for Committee consideration before the vote.