



# INVESTMENT POLICY

(Amended June 2005)

**DELEGATION OF AUTHORITY**

Consistent with the Delegation of Authority from the Chief Executive Officer("CEO") to the Officers and Authorized Persons, initial investments with a particular broker/dealer or financial institution shall be authorized by the CEO. Thereafter, purchases and redemptions of Authorized Investments through that entity may be made by the Chief Financial Officer ("CFO") and his or her designees ("Investment Directors.") under the authority granted for repetitive electronic transfers.

**SCOPE**

The Policy applies to the investment activities of the California ISO. This policy applies to the following funds:

**This policy will not apply to investments of 401k employee retirement funds.**

- ◇ California ISO Operating Reserve Funds;
- ◇ Operating Funds;
- ◇ Restricted Funds;
- ◇ Bond Proceed Funds;
- ◇ Debt Service Reserve Funds;
- ◇ Funds held by the ISO on behalf of the ISO Market or specific market participants, subject to the following: such funds will typically be invested only in high-quality money market mutual funds (as defined in this document) with the following potential exceptions:
  1. With respect to funds held by the ISO from a single-entity (such as a collateral account), if that entity requests or authorizes in writing an investment in another investment permissible under this ISO investment policy, the ISO may agree to such an investment at its discretion and with the approval of the ISO CFO or CEO.
  2. With respect to market related funds that potentially relate to more than one market participant, if the ISO determines that the funds are likely to be held for an extended time period, the ISO may invest such funds in a "AAA" rated U.S. Government Treasury or Agency Security of an appropriate maturity with the approval of the ISO CFO and CEO.

**OBJECTIVES**

Safety: Safety of principal is the foremost objective of the investment policies and practices. It is the responsibility of the Chief Financial Officer and any Investment Directors to ensure that all investments are made in accordance with existing laws, this Investment Policy, established departmental procedures, and any other restrictive agreements such as ISO bond agreements.

**LIQUIDITY:** Adequate cash to meet all payment requirements will be maintained. This objective will typically be made by matching the maturity dates of investments with planned disbursements and by maintaining adequate levels of liquid securities to meet unforeseen disbursement requirements.

**EARNINGS:** Investment Directors will seek to maximize returns on CAISO financial assets within the parameters this Investment Policy, and after the objectives of safety and liquidity have been met.

**PRUDENT INVESTOR**

Investments will be made with the same standard of care under the circumstances then prevailing that reasonable persons acting in a like capacity and familiarity would use in the conduct of the funds to safeguard principal and maintain liquidity.

**INTERNAL CONTROLS AND REPORTS**

Investment Directors will maintain a system of internal investment controls which shall be subject to review by CAISO's external financial auditor in connection with CAISO's annual financial statement audit.

**DIVERSIFICATION AND PORTFOLIO MIX**

CAISO will maintain a portfolio of authorized investments, as defined in this policy, with diversified maturities, issuers, and security types in order to avoid risks inherent in over-investing in any one sector. Portfolio holdings are limited as specified in the "Authorized Investments" section of this document.

Within the parameters defined in this policy, the CFO may establish and revise further guidelines or objectives for the portfolio mix.

**MATURITY SCHEDULING**

Investment maturities may be coordinated to meet projected cash flow needs, taking into account large routine disbursements as well as considering sizable receipts of funds.

**COMPETITIVE BIDDING**

Where appropriate, the Investment Director may obtain competitive bids or offers for a particular security.

**SAFEKEEPING**

All investment securities purchased by CAISO shall be held in safekeeping by CAISO or by an institution designated by the CAISO. The safekeeping institution(s) will be required to issue timely confirmation to CAISO listing the specific instrument, rate, maturity and other pertinent information. Payment for securities should normally be "Delivery Versus Payment".

**SALE OF  
SECURITIES  
PRIOR TO  
MATURITY**

Securities may be sold prior to maturity to meet CAISO cash needs, to realize profits, or to shift into alternative investments.

Losses on the sale of securities are acceptable under certain circumstances. For example, when the reinvested proceeds from the sale will provide income with greater present value than that of the instrument sold; when credit deterioration or decreasing market value is a concern; or when funds are needed to meet CAISO cash requirements. In all cases, the Investment Director will act in accordance with the prudent investor clause of this policy. Any losses on the sale of securities will be reported in the monthly financial report.

**PORTFOLIO RISK  
MANAGEMENT**

It is the responsibility of the CFO to anticipate and develop appropriate safeguards to address various types of investment-related risks:

Risks:

Safeguards:

Credit risk

- Credit rating agencies
- Minimum rating levels
- Credit analysis
- Government regulations

Market exposure

- Diversification of maturities, security type, industry segments, and issuers

Regional/Industry exposure

- Analysis of regional and industry trends

Sovereign risk

- Analysis of international and political trends
- Diversified foreign investments

Counter-party risk

- Approved and licensed dealers
- Appropriate documentation

**LEGAL  
COMPLIANCE**

The CFO will ensure that all investment transactions are in compliance with this Investment Policy, and any bond indenture terms.

**REPORTING**

Annually, the CFO will submit a report to the Board of Governors providing the following:

- a). A list identifying the type of investment, issuer, date of maturity, par and dollar amount invested on all securities. The market value and source of the market value information will also be provided.
- b). A statement that the portfolio is in compliance with the Investment Policy or manner in which the portfolio is not in compliance.

## **PROHIBITED INVESTMENTS**

- Any security which could result in an interest accrual of zero or less if held to maturity such as: a) inverse floaters; b) range notes, or c) interest-only strips derived from a pool of mortgages;
- Investments in equity securities;
- Investments in derivative securities (exclude interest rate swap agreements on California ISO debt approved by the ISO Governing Board.)
- Securities which are ineligible to CAISO employees under the CAISO code of conduct.

These prohibitions exclude:

- (a) investments in mutual funds which may contain investments in these securities, if such securities constitute less than 5% of the net asset value of such funds.
- (b) Investments in money market/mutual funds managed by affiliates of market participants, or investments procured from affiliates of market participants otherwise permissible under this investment policy that are procured through a competitive bidding process.

## **EXCEPTIONS**

Exceptions to the dollar limits in these investment guidelines, which may become necessary due to special business circumstances, may not exceed an additional 5% of the portfolio limits specified in this policy, and must be approved in advance by the CEO and Finance Committee Chair with subsequent notice to the Governing Board. (For example, with such approval, the 45% limitation on GICs could be increased to 50%.)

Other exceptions which might be warranted by special business circumstances shall require the written consent of the ISO Finance Committee Chair or Chair of the ISO Governing Board.

The percent of portfolio limitations for investments set forth in the subsequent section of this document are "as of the date of the purchase of the investment". Such limitations shall not require (but do not preclude) subsequent rebalancing of the portfolio and the liquidation of investments due to a decrease in the overall size of the portfolio.

**AUTHORIZED INVESTMENTS**

The following is a list of the currently approved securities, and any applicable restrictions:

<u>Security Type</u>	<u>Restrictions</u>
U.S. Treasury Bills and Notes	No Limit
Federal Agency Securities (i.e. FNMA, FHLB, Freddie Mac, Sallie Mae, Farm Credit, TVA, World Bank, etc.)	No Limit
Bankers Acceptances	<ul style="list-style-type: none"> <li>• Banks with total assets of \$1 billion or more and a credit rating within the top three ratings (without regard to modifiers) of a nationally recognized statistical rating organization "NRSRO" as defined by the Securities and Exchange Commission..</li> </ul>
Commercial Paper (C.P.), Variable Rate Demand Obligations/Auction Rate Securities Medium Term Corporate Notes, and Asset-Backed Securities	<p>For Commercial Paper (C.P.) / Variable Rate Demand Obligations/ (VRDO)/Auction Rate Securities</p> <ul style="list-style-type: none"> <li>• U.S.-Based issuers; minimum assets of \$500 million</li> <li>• Credit rating of A1 and/or P1 or equivalent rating, or better,.</li> <li>• Not more than 10% of outstanding C.P. or VRDO of any single issuer. Other debt of the issuer, if any, must have a credit rating within the top three ratings (without regard to modifiers) of a nationally recognized statistical rating organization.</li> </ul> <p>For Medium Term Corporate Notes, VRDOs/Auction Rate Securities and Asset-Backed Securities:</p> <ul style="list-style-type: none"> <li>• Maximum maturity of 5 years (from date of purchase by ISO)</li> <li>• A credit rating within the top three ratings (without regard to modifiers) of a nationally recognized statistical rating organization.</li> </ul> <p>For C.P., VRDOs, Auction Rate Securities, Medium Term Corporate Notes and Asset-Backed Securities</p> <ul style="list-style-type: none"> <li>• On a combined basis, C.P., VRDOs, Auction Rate Securities, Medium Term Corporate Notes and Asset-Backed Securities shall not exceed 45% of the total portfolio. Allocation between the instruments may be based on funding requirements.</li> </ul> <p>The five year maturity limit noted above shall not apply to (1) variable rate securities with a periodic interest rate reset and a "put" feature for investors or (2) auction rate securities with a periodic interest rate set through an auction process. Such securities are equivalent to a liquid, short-term security for the investor.</p>
Interest Bearing Demand or Time Deposits (including Negotiable Certificates of Deposit ("C.D."s)	<ul style="list-style-type: none"> <li>• Issued by a national or state chartered bank, or state or federal Savings Association, or state-licensed branch of a foreign bank (1) with combined capital and surplus of at least \$100 million dollars, or (2) fully insured by the Federal Deposit Insurance Corporation, or (3) secured at all times by collateral security consisting of U.S. Government Obligations or Federal Agency Securities.</li> </ul>

- Repurchase Agreements
- Third party safekeeping
  - Maximum term of one year
  - Collateral will be valued at least at 100% and adjusted at least quarterly.
  - Counterparty must be a primary dealer of the Federal Reserve Bank of New York.

- Collateralized or uncollateralized investment agreements or other contractual arrangements (such as Guaranteed Investment Contracts-“GICs”) With banks, insurance companies, or broker-dealers.
- Not more than 45% of total portfolio
  - Credit rating of senior long term debt of such bank, broker-dealer, or insurance company is rated within the top three rating categories (without regard to modifiers) by a nationally recognized statistical rating organization.

- Mutual Funds (Debt only)
- Not more than 25% of total portfolio in short to intermediate-term bond funds holding investment grade or better securities. (the 25% dollar limitation does not apply to short to intermediate-term funds which are restricted to U.S. Treasury and Agency securities which may be purchased without limitation)
  - Fund must have been in existence for at least two years with assets of at least \$1 billion.
  - Mutual funds investing in equities shall not be purchased.
  - Long-term bond funds are not Authorized Investments given the potential for fluctuation of fund share price with changes in interest rates.

Money Market Funds

Unlimited investments in “high-quality money market funds” are permissible. “High-quality money market funds” is defined as a money fund that:

- Is limited to investments in US Treasury and Agency securities OR:
- Meets the following criteria: (i) seeks to maintain a stable share price of \$1.00. (ii) invests in only “eligible securities” as defined by Rule 2a-7 of the Investment Company Act of 1940 (which among other restrictions permits only securities with remaining maturities of 397 calendar days or less.) (iii) purchases only “first-tier securities” (per Rule 2a-7) that present minimal credit risk. (iv) is a fund approved by the National Association of Insurance Commissioners (NAIC) as a permitted investment. (v) has minimum fund assets of \$2 billion.

- Municipal and State Obligations or Tax-Exempt Obligations
- Acceptable investments include: commercial paper, variable rate demand note or bonds, project and anticipation notes, notes, bonds, and warrants.
  - Credit rating within the top three ratings of a nationally recognized statistical rating organization.
  - Not more than 10% of total portfolio in single issuer.
  - Not more than 10% of outstanding debt of any single issuer

Other Permitted Investments

The following investments shall be permitted without regard to any dollar limitation noted in the remainder of the policy:

**ACCOUNTS RELATED TO SERIES 2004 BONDS**

- Construction Fund Investment on Series 2004A/B bonds. Gauranted Investment Contract with FSA in an initial amount of \$109,959,613.55 on December 23, 2004.

- Forward delivery/forward purchase agreement on Series 2004A/B debt service reserve fund with Morgan Stanley Capital Services/Morgan Stanley & Co. dated 12/29/2004 , with stated interest rate of 3.661%.
- Forward delivery/forward purchase agreement on Series 2004A/B bond fund with JPMorgan dated 12/29/2004, with stated interest rate of 3.821%.

**ACCOUNTS RELATED TO SERIES 2000 BONDS**

- Any forward/delivery purchase agreement on the Series 2000ABC bond fund (comparable to the 2004AB fund noted above) and structured subsequent to the approval of this revised policy.
- Guaranteed Investment Contract with JPMorgan Chase Bank dated June 1, 2000 in an initial amount of \$2,823,000 at an interest rate of 6.79203%.

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California ISO  
151 Blue Ravine Road  
Folsom, CA, 95630

**CAISO Corporate Investments  
Portfolio Management  
Portfolio Summary  
December 31, 2007**

Asset Class	Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 365 Equiv.
1	Passbook/Checking Accounts	220,000	220,000	220,000	0.09	1	1	
Note 3	Group Captive Insurance Investment	564,563	564,563	564,563	0.24	1	1	
5	Medium Term Notes	21,132,000	21,165,271	21,043,164	8.96	1,408	1,229	5.366
3	Federal Agency Coupon Securities	46,500,000	46,696,170	46,516,166	19.80	1,477	1,184	5.279
6	GIC	418,126	418,126	418,126	0.18	731	274	6.792
7	Forward Delivery Agreement	12,410,000	12,410,000	12,410,000	5.28	1,888	762	3.662
7	Forward Agreement - Multiple Pay	7,750,000	7,750,000	7,750,000	3.30	199	31	3.821
6	GIC - (Rolling Repo Agmt.)	40,435,471	40,435,471	40,435,471	17.21	825	561	5.169
4a	High Quality Money Fund- (FRA)	105,529,772	105,529,772	105,529,772	44.93	1	1	
	<b>Investments</b>	<b>234,959,931</b>	<b>235,189,372</b>	<b>234,887,261</b>	<b>100.00%</b>	<b>669</b>	<b>478</b>	
	<b>Cash and Accrued Interest</b>							
	(not included in yield calculations)	3,033,266	3,033,266	3,033,266		1	1	0.000
	Accrued Interest at Purchase		52,010	52,010				
	Subtotal		3,085,276	3,085,276				
	<b>Total Cash and Investments</b>	<b>237,993,197</b>	<b>238,274,648</b>	<b>237,972,537</b>		<b>669</b>	<b>483</b>	

**Total Earnings**  
 Year Ending 12/31/2007 10,910,623  
 Current Year 221,724,885  
 Average Daily Balance 4.92%  
 Effective Rate of Return

Investment Policy Asset Classes and Limitations:

Asset Class	Description	Limits	Min. Rating
1	Cash	No Limits	
2	Treasury Money Funds	No Limits	
3	US Treasury/Agency	No Limits	
4	Mutual Funds-Debt	25%	
4a	High Quality Money Market	No Limits	
5	CP/Asset Backed/MTCN/VRDOs	45%	A1-P1 for CP, A-/A3
7	Repurchase Agreements	No Limits	
8	Municipal/State Obligations	No Limits	A-/A3

*3/13/2008*

*William Regan*  
 Chief Financial Officer

*3/13/2008*

The holdings of the CAISO corporate investment portfolio are described above. The holdings comply with the Investment Policy as Amended by CAISO Board in June 2005.

**Notes:**

- Market Values of investments are per investment brokers (UBS and Wells Fargo). Market value of money funds are at par values. Market value for other investments are deemed to be par.
- Investment report excludes 41 shares of Portland General Electric Company at 12/31/2007 that was distributed to CAISO during 2007 in connection with the Emron bankruptcy, for which CAISO was a general creditor). The value of this stock was \$27.78 per share, for a total value of \$1138.98. This position was liquidated in January 2008.
- CAISO procures workers compensation insurance through a group captive insurance company for which it is a part-owner. CAISO's required purchase of \$36,000 in common stock is listed here, as is a security deposit posted with the insurance company and invested in a collective investment pool. CAISO will receive dividends representing an excess of premium payments over incurred costs. These anticipated dividends are recorded in CAISO's balance sheet as a deferred asset, and are recognized as an offset to insurance expense.

Reporting period 01/01/2007-12/31/2007

Run Date: 3/11/2008 - 08:50

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CAISO Corporate Investments  
 Portfolio Management  
 Portfolio Details - Investments  
 December 31, 2007

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	Moody's	Days to Maturity	Maturity Date
<b>Passbook/Checking Accounts</b>												
14994-20225	10099	Bank of America		12/31/2006	220,000	220,000	220,000				1	
		<b>Subtotal and Average</b>	<b>1,078,055</b>		<b>220,000</b>	<b>220,000</b>	<b>220,000</b>				<b>1</b>	
<b>Group Captive Insurance Investment</b>												
007	10097	Affinity 500 Insurance		03/01/2003	564,563	564,563	564,563				1	
		<b>Subtotal and Average</b>	<b>912,201</b>		<b>564,563</b>	<b>564,563</b>	<b>564,563</b>				<b>1</b>	
<b>Medium Term Notes</b>												
02635PTJ2	10172	American General Finance (AIG)		09/25/2007	2,865,000	2,848,755	2,819,935	5.200	A	A	1444	12/15/2011
459745FN0	10174	AIG International Lease Finance		10/01/2007	3,616,000	3,567,184	3,506,837	4.750	AA	A	1473	01/13/2012
38141GEV2	10095	Goldman Sachs Group INC		02/14/2007	2,500,000	2,528,475	2,499,986	5.300	AA	Aa	1505	02/14/2012
40429CFQ0	10176	HSBC Finance Corp		10/16/2007	2,651,000	2,665,766	2,675,187	5.700	AA	Aa	1247	06/01/2011
74977EPA5	10089	Rabobank Ned NY		02/05/2007	3,502,135	3,502,135	3,500,000	5.320	AAA	Aaa	401	02/05/2009
89233PB70	10088	Toyota Motor Credit		01/26/2007	2,500,000	2,494,750	2,500,000	5.375	AAA	Aaa	758	01/28/2010
94974BNW7	10180	Wells Fargo Bank N.A.		11/16/2007	3,500,000	3,558,205	3,541,209	5.250	AA	Aa	1757	10/23/2012
		<b>Subtotal and Average</b>	<b>24,099,092</b>		<b>21,132,000</b>	<b>21,165,271</b>	<b>21,043,164</b>				<b>1,229</b>	
<b>Federal Agency Coupon Securities</b>												
31331XNU	10090	Federal Farm Credit Bank		02/12/2007	5,000,000	5,007,800	5,000,000	5.350	AAA	Aaa	773	02/12/2010
31331YAS9	10177	Federal Farm Credit Bank		10/22/2007	3,000,000	3,021,570	3,000,000	5.000	AAA	Aaa	1025	10/22/2010
3133XKAE5	10101	Federal Home Loan Bank		04/02/2007	2,500,000	2,510,150	2,500,000	5.375	AAA	Aaa	1548	03/28/2012
3133XHV66	10179	Federal Home Loan Bank		10/30/2007	7,000,000	7,043,750	7,016,166	5.450	AAA	Aaa	1420	11/21/2011
3128X5M8	10103	Federal Home Loan Mig Corp		04/16/2007	8,000,000	8,039,360	8,000,000	5.550	AAA	Aaa	1567	04/16/2012
3128X54V7	10175	Federal Home Loan Mig Corp		09/27/2007	2,000,000	2,010,880	2,000,000	5.500	AAA	Aaa	1582	05/01/2012
31359MG49	10008	Federal National Mig Assn		02/27/2006	3,500,000	3,502,205	3,500,000	5.000	AAA	Aaa	57	02/27/2008
ED3627467	10010	Federal National Mig Assn		03/16/2004	2,500,000	2,499,225	2,500,000	4.040	AAA	Aaa	440	03/16/2009
31336F74P9	10032	Federal National Mig Assn		10/16/2006	4,000,000	4,016,240	4,000,000	5.300	AAA	Aaa	654	10/16/2009
3136F8HT5	10173	Federal National Mig Assn		09/25/2007	5,000,000	5,018,750	5,000,000	5.500	AAA	Aaa	1541	03/21/2012
31396AHR6	10178	Federal National Mig Assn		10/15/2007	4,000,000	4,026,240	4,000,000	5.230	AAA	Aaa	1749	10/15/2012
		<b>Subtotal and Average</b>	<b>49,083,564</b>		<b>46,500,000.00</b>	<b>46,695,170</b>	<b>46,516,166</b>				<b>1,184</b>	
<b>GIC</b>												
890187	10199	JPMorgan Chase Bank		10/01/2006	418,126	418,126	418,126	6.792		Aaa	274	10/01/2008
		<b>Subtotal and Average</b>	<b>565,443</b>		<b>418,126</b>	<b>418,126</b>	<b>418,126</b>				<b>274</b>	

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CAISO Corporate Investments  
 Portfolio Management  
 Portfolio Details - Investments  
 December 31, 2007

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	Moody's	Days to Maturity	Maturity Date
<b>Forward Delivery Agreement</b>												
FORWARD	10055	Morgan Stanley	12,410,000.00	12/01/2004	12,410,000	12,410,000	12,410,000	3.661	AA	Aa	762	02/01/2010
		Subtotal and Average	12,410,000.00		12,410,000	12,410,000					762	
<b>Forward Agreement - Multiple Pay</b>												
FRWD-08-02	20025	JPMorgan Chase Bank	-	03/01/2007	525,000	525,000	525,000	3.821	AA	Aa	31	02/01/2008
FRWD-08-03	20026	JPMorgan Chase Bank		04/01/2007	525,000	525,000	525,000	3.821	AA	Aa	31	02/01/2008
FRWD-08-04	20027	JPMorgan Chase Bank		05/01/2007	525,000	525,000	525,000	3.821	AA	Aa	31	02/01/2008
FRWD-08-05	20028	JPMorgan Chase Bank		06/01/2007	525,000	525,000	525,000	3.821	AA	Aa	31	02/01/2008
FRWD-08-06	20029	JPMorgan Chase Bank		07/01/2007	525,000	525,000	525,000	3.821	AA	Aa	31	02/01/2008
FRWD-08-07	20030	JPMorgan Chase Bank		08/01/2007	525,000	525,000	525,000	3.821	AA	Aa	31	02/01/2008
FRWD-08-08	20031	JPMorgan Chase Bank		09/01/2007	525,000	525,000	525,000	3.821	AA	Aa	31	02/01/2008
FRWD-08-09	20032	JPMorgan Chase Bank		10/01/2007	525,000	525,000	525,000	3.821	AA	Aa	31	02/01/2008
FRWD-08-10	20033	JPMorgan Chase Bank		11/01/2007	525,000	525,000	525,000	3.821	AA	Aa	31	02/01/2008
FRWD-08-11	20034	JPMorgan Chase Bank		12/01/2007	525,000	525,000	525,000	3.821	AA	Aa	31	02/01/2008
FRWD-08-02B	20037	JPMorgan Chase Bank		03/01/2007	250,000	250,000	250,000	3.821	AA	Aa	31	02/01/2008
FRWD-08-03B	20038	JPMorgan Chase Bank		04/01/2007	250,000	250,000	250,000	3.821	AA	Aa	31	02/01/2008
FRWD-08-04B	20039	JPMorgan Chase Bank		05/01/2007	250,000	250,000	250,000	3.821	AA	Aa	31	02/01/2008
FRWD-08-05B	20040	JPMorgan Chase Bank		06/01/2007	250,000	250,000	250,000	3.821	AA	Aa	31	02/01/2008
FRWD-08-06B	20041	JPMorgan Chase Bank		07/01/2007	250,000	250,000	250,000	3.821	AA	Aa	31	02/01/2008
FRWD-08-07B	20042	JPMorgan Chase Bank		08/01/2007	250,000	250,000	250,000	3.821	AA	Aa	31	02/01/2008
FRWD-08-08B	20043	JPMorgan Chase Bank		09/01/2007	250,000	250,000	250,000	3.821	AA	Aa	31	02/01/2008
FRWD-08-09B	20044	JPMorgan Chase Bank		10/01/2007	250,000	250,000	250,000	3.821	AA	Aa	31	02/01/2008
FRWD-08-10B	20045	JPMorgan Chase Bank		11/01/2007	250,000	250,000	250,000	3.821	AA	Aa	31	02/01/2008
FRWD-08-11B	20046	JPMorgan Chase Bank		12/01/2007	250,000	250,000	250,000	3.821	AA	Aa	31	02/01/2008
		Subtotal and Average	5,895,000.67		7,750,000	7,750,000					31	
<b>GIC - (Rolling Repo Agmt.)</b>												
SYS10036	10036	FSA Capital Mgmt. Services		12/23/2004	-	-	-	2.980				
19758	25003	MBIA Global Funding		04/12/2007	6,000,000	6,000,000	6,000,000	4.772	AAA	Aaa	1858	02/01/2013
181392	25001	Wells Fargo Bank N.A.		04/12/2007	34,435,471	34,435,471	34,435,471	5.155	AAA	Aaa	335	12/01/2008
		Subtotal and Average	40,022,791.51		40,435,471	40,435,471					561	
<b>High Quality Money Fund - (RRA)</b>												
02368W101	10046	American Beacon Mon Mkt Select		09/08/2006	0	-	0		AAA	Aaa	1	
19765K688	10045	Columbia Money Market Reserves		06/30/2006	0	-	0		AAA	Aaa	1	

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**CAISO Corporate Investments  
Portfolio Management  
Portfolio Details - Investments  
December 31, 2007**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	Moody's	Days to Maturity	Maturity Date
<b>High Quality Money Fund- (RRA)</b>												
19765K290	10043	Columbia Treasury Resvne Sweep		12/01/2006	2,494,652	2,494,652	2,494,652		AAAm	Aaa	1	
19765K290	10182	Columbia Treasury Resvne Sweep		12/07/2007	33,387,443	33,387,443	33,387,443		AAAm	Aaa	1	
19765K290	10183	Columbia Treasury Resvne Sweep		12/07/2007	10,395,387	10,395,387	10,395,387		AAAm	Aaa	1	
22544MA05	10047	Credit Suisse Prime Portfolio		10/11/2006	64,143	64,143	64,143		AAAm	Aaa	1	
261934301	10086	Dreyfus Cash Management Plus A		12/01/2006	76,504	76,504	76,504		N/A	N/A	1	
23339C 818	10050	Deutsche Asset Management		10/01/2006	30,392,168	30,392,168	30,392,168		AAAm	Aaa	1	
23339C 818	10059	Deutsche Asset Management		10/01/2006	806,786	806,786	806,786		AAAm	Aaa	1	
23339C 818	10061	Deutsche Asset Management		10/02/2006	1,121,234	1,121,234	1,121,234		AAAm	Aaa	1	
23339C 818	25000	Deutsche Asset Management		04/05/2007	2,050,425	2,050,425	2,050,425		AAAm	Aaa	1	
23339C 818	25004	Deutsche Asset Management		04/05/2007	43,714	43,714	43,714		AAAm	Aaa	1	
23339C 818	25006	Deutsche Asset Management		05/09/2007	301,654	301,654	301,654		AAAm	Aaa	1	
38142Y716	10181	Goldman Sachs Fin Square Govt		12/28/2007	17,626,674	17,626,674	17,626,674		AAAm	Aaa	1	
90282Y505	10048	UBS Select Money Market Fund		10/31/2006	6,768,988	6,768,988	6,768,988		AAAm	Aaa	1	
Subtotal and Average			71,276,621		105,529,772	105,529,772	105,529,772				1	
Total and Average					234,959,931	235,189,372	234,887,261				483	

**Portfolio Details - Cash**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	Days to Maturity
<b>Passbook/Checking Accounts</b>										
12384-25417	10042	Bank of America		11/01/2006	2,685,628	2,685,628	2,685,628			1
<b>Group Captive Insurance Investment</b>										
CASHSECURITY	10098	Affinity 500 Insurance		12/31/2006	347,638	347,638	347,638			1
Average Balance			0.00		Accrued Interest at	52,010	52,010			1
Subtotal					3,085,276	3,085,276	3,085,276			
Total Cash and Investments					237,993,197	238,274,648	237,972,537			483



**Attachment 3a**

California ISO  
151 Blue Ravine Road  
Folsom, CA, 95630

**CAISO Corporate Investments  
Investment Classification  
Sorted by Fund - Investment Number  
December 31, 2007**

CUSIP	Fund	Issuer	Investment Class	Par Value	Maturity Date	Market Value	Book Value	Reported Value
<b>Operations Related Funds</b>								
<b>Bank of America Operating</b>								
19765K290	10043	Columbia Treasury Resv	Amort	2,494,652		2,494,652	2,494,652	2,494,652
19765K506	10044	Columbia Cash Reserves	Amort	-		-	-	-
19765K290	10182	Columbia Treasury Resv	Amort	33,387,443		33,387,443	33,387,443	33,387,443
12334-25417	10042	Bank of America	Amort	2,685,628		2,685,628	2,685,628	2,685,628
		<b>Subtotal</b>		<b>38,567,723</b>		<b>38,567,723</b>	<b>38,567,723</b>	<b>38,567,723</b>
<b>Bank of America LGIP</b>								
19765K688	10045	Columbia Money Market Reserves	Amort	-		-	-	-
19765K506	10096	Columbia Cash Reserves	Amort	-		-	-	-
14994-20225	10099	Bank of America	Amort	220,000		220,000	220,000	220,000
19765K290	10183	Columbia Treasury Resv	Amort	10,395,387		10,395,387	10,395,387	10,395,387
		<b>Subtotal</b>		<b>10,615,387</b>		<b>10,615,387</b>	<b>10,615,387</b>	<b>10,615,387</b>
<b>Insurance Investment</b>								
CASHSECURITY	10098	Affinity 500 Insurance	Amort	347,648		347,648	347,648	347,648
007	10097	Affinity 500 Insurance	Amort	564,563		564,563	564,563	564,563
		<b>Subtotal</b>		<b>912,211</b>		<b>912,211</b>	<b>912,211</b>	<b>912,211</b>
<b>JPMorgan Chase</b>								
890187	10199	JPMorgan Chase Bank	Fair	418,126	10/01/2008	418,126	418,126	418,126
		<b>Subtotal</b>		<b>418,126</b>		<b>418,126</b>	<b>418,126</b>	<b>418,126</b>
<b>Mellon Bank Operating</b>								
02368W101	10046	American Beacon Mon Mkt Select	Amort	-		-	-	-
22544M405	10047	Credit Suisse Prime Portfolio	Amort	64,143		64,143	64,143	64,143
61747C715	10056	Morgan Stanley Prime Portfolio	Amort	-		-	-	-
38142Y716	10181	Goldman Sachs Fin Square Govt	Amort	17,626,674		17,626,674	17,626,674	17,626,674
		<b>Subtotal</b>		<b>17,690,817</b>		<b>17,690,817</b>	<b>17,690,817</b>	<b>17,690,817</b>
<b>UBS Operating</b>								
31359MG49	10008	Federal National Mtg Assn	Fair	35,000,000	02/27/2008	3,502,205	3,500,000	3,502,205
ED366Z467	10010	Federal National Mtg Assn	Fair	2,500,000	03/16/2009	2,499,225	2,500,000	2,499,225
31336F74P9	10032	Federal National Mtg Assn	Fair	4,000,000	10/16/2009	4,016,240	4,000,000	4,016,240

CAISO Corporate Investments  
Investment Classification  
December 31, 2007

CUSIP	Fund	Issuer	Investment Class	Par Value	Maturity Date	Market Value	Book Value	Reported Value
<b>UBS Operating</b>								
90262Y505	UBS1	UBS Select Money Market Fund	Amort	6,768,988		6,768,988	6,768,988	6,768,988
31331XNU	UBS1	Federal Farm Credit Bank	Fair	5,000,000	02/12/2010	5,007,800	5,000,000	5,007,800
3129X53M8	UBS1	Federal Home Loan Mfg Corp	Fair	8,000,000	04/16/2012	8,039,360	8,000,000	8,039,360
3136F8HT5	UBS1	Federal National Mfg Assn	Fair	5,000,000	03/21/2012	5,018,750	5,000,000	5,018,750
3129X54V7	UBS1	Federal Home Loan Mfg Corp	Fair	2,010,880	05/01/2012	2,010,880	2,000,000	2,010,880
31331YAS9	UBS1	Federal Farm Credit Bank	Fair	3,000,000	10/22/2010	3,021,570	3,000,000	3,021,570
31398AHR6	UBS1	Federal National Mfg Assn	Fair	4,000,000	10/15/2012	4,026,240	4,000,000	4,026,240
3133XHV66	UBS1	Federal Home Loan Bank	Fair	7,000,000	11/21/2011	7,043,750	7,016,166	7,043,750
			<b>Subtotal</b>	<b>50,768,988</b>		<b>50,955,008</b>	<b>50,768,153</b>	<b>50,955,008</b>
<b>Wells Fargo Operating</b>								
261934301	WF1	Dreyfus Cash Management Plus A	Amort	76,504		76,504	76,504	76,504
89233PB70	WF1	Toyota Motor Credit	Fair	2,500,000	01/28/2010	2,494,750	2,500,000	2,494,750
74977EPA5	WF1	Rabobank Ned NY	Fair	3,500,000	02/05/2009	3,502,135	3,500,000	3,502,135
38141GEV2	WF1	Goldman Sachs Group INC	Fair	2,500,000	02/14/2012	2,528,475	2,499,996	2,528,475
3133XKAE5	WF1	Federal Home Loan Bank	Fair	2,500,000	03/28/2012	2,510,150	2,500,000	2,510,150
02635PTJ2	WF1	American General Finance (AIG)	Fair	2,865,000	12/15/2011	2,848,755	2,819,935	2,848,755
459745FN0	WF1	AIG International Lease Financ	Fair	3,616,000	01/13/2012	3,567,184	3,506,837	3,567,184
40429CFQ0	WF1	HSBC Finance Corp	Fair	2,651,000	06/01/2011	2,665,766	2,675,187	2,665,766
949746NW7	WF1	Wells Fargo Bank N.A.	Fair	3,500,000	10/23/2012	3,558,205	3,541,209	3,558,205
			<b>Subtotal</b>	<b>23,708,504</b>		<b>23,751,925</b>	<b>23,619,668</b>	<b>23,751,925</b>
<b>Miscellaneous Accrued Interest</b>								
Various investments		Various brokers	Amort			52,010	52,010	52,010
			% of total portfolio	60%		142,963,206	142,661,095	142,963,206
						60%	60%	60%

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**Restricted Bond Funds**

CUSIP	Fund	Issuer	Investment Class	Par Value	Maturity Date	Market Value	Book Value	Reported Value
<b>Deutsche Bank 2000 Bonds</b>								
23339C 818	Z-DB2000	Deutsche Asset Management	Amort	30,392,168	-	30,392,168	30,392,168	30,392,168
				<b>Subtotal</b>		<b>30,392,168</b>	<b>30,392,168</b>	<b>30,392,168</b>
<b>Deutsche Bank 2004 Bonds</b>								
SYS10036	Z-DB2004	FSA Capital Mgmt. Services	Amort	-	-	-	-	-
FORWARD	Z-DB2004	Morgan Stanley	Fair	12,410,000	02/01/2010	12,410,000	12,410,000	-
23339C 818	Z-DB2004	Deutsche Asset Management	Amort	-	-	-	-	-
23339C 818	Z-DB2004	Deutsche Asset Management	Amort	-	-	-	-	-
23339C 818	Z-DB2004	Deutsche Asset Management	Amort	806,786	-	806,786	806,786	806,786
23339C 818	Z-DB2004	Deutsche Asset Management	Amort	-	-	-	-	-
23339C 818	Z-DB2004	Deutsche Asset Management	Amort	1,121,234	-	1,121,234	1,121,234	1,121,234
FRWD-08-02	Z-DB2004	JPMorgan Chase Bank	Amort	525,000	02/01/2008	525,000	525,000	525,000
FRWD-08-03	Z-DB2004	JPMorgan Chase Bank	Amort	525,000	02/01/2008	525,000	525,000	525,000
FRWD-08-04	Z-DB2004	JPMorgan Chase Bank	Amort	525,000	02/01/2008	525,000	525,000	525,000
FRWD-08-05	Z-DB2004	JPMorgan Chase Bank	Amort	525,000	02/01/2008	525,000	525,000	525,000
FRWD-08-06	Z-DB2004	JPMorgan Chase Bank	Amort	525,000	02/01/2008	525,000	525,000	525,000
FRWD-08-07	Z-DB2004	JPMorgan Chase Bank	Amort	525,000	02/01/2008	525,000	525,000	525,000
FRWD-08-08	Z-DB2004	JPMorgan Chase Bank	Amort	525,000	02/01/2008	525,000	525,000	525,000
FRWD-08-09	Z-DB2004	JPMorgan Chase Bank	Amort	525,000	02/01/2008	525,000	525,000	525,000
FRWD-08-10	Z-DB2004	JPMorgan Chase Bank	Amort	525,000	02/01/2008	525,000	525,000	525,000
FRWD-08-11	Z-DB2004	JPMorgan Chase Bank	Amort	525,000	02/01/2008	525,000	525,000	525,000
FRWD-08-02B	Z-DB2004	JPMorgan Chase Bank	Amort	250,000	02/01/2008	250,000	250,000	250,000
FRWD-08-03B	Z-DB2004	JPMorgan Chase Bank	Amort	250,000	02/01/2008	250,000	250,000	250,000
FRWD-08-04B	Z-DB2004	JPMorgan Chase Bank	Amort	250,000	02/01/2008	250,000	250,000	250,000
FRWD-08-05B	Z-DB2004	JPMorgan Chase Bank	Amort	250,000	02/01/2008	250,000	250,000	250,000
FRWD-08-06B	Z-DB2004	JPMorgan Chase Bank	Amort	250,000	02/01/2008	250,000	250,000	250,000
FRWD-08-07B	Z-DB2004	JPMorgan Chase Bank	Amort	250,000	02/01/2008	250,000	250,000	250,000
FRWD-08-08B	Z-DB2004	JPMorgan Chase Bank	Amort	250,000	02/01/2008	250,000	250,000	250,000
FRWD-08-09B	Z-DB2004	JPMorgan Chase Bank	Amort	250,000	02/01/2008	250,000	250,000	250,000
FRWD-08-10B	Z-DB2004	JPMorgan Chase Bank	Amort	250,000	02/01/2008	250,000	250,000	250,000
FRWD-08-11B	Z-DB2004	JPMorgan Chase Bank	Amort	250,000	02/01/2008	250,000	250,000	250,000
				<b>Subtotal</b>		<b>22,088,020</b>	<b>22,088,020</b>	<b>22,088,020</b>
<b>Deutsche Bank 2007 Bonds</b>								
23339C 818	Z-DB2007	Deutsche Asset Management	Amort	2,050,425	-	2,050,425	2,050,425	2,050,425
181392	Z-DB2007	Wells Fargo Bank N.A.	Fair	34,435,471	12/01/2008	34,435,471	34,435,471	34,435,471
23339C 818	Z-DB2007	Deutsche Asset Management	Amort	-	-	-	-	-
19758	Z-DB2007	MBIA Global Funding	Fair	6,000,000	02/01/2013	6,000,000	6,000,000	6,000,000
23339C 818	Z-DB2007	Deutsche Asset Management	Amort	43,717	-	43,714	43,714	43,714
				<b>Subtotal</b>		<b>42,831,264</b>	<b>42,831,264</b>	<b>42,831,264</b>
<b>Deutsche Bank 2007 Bonds</b>								
23339C 818	Z-DB2007	Deutsche Asset Management	Amort	-	-	-	-	-
23339C 818	Z-DB2007	Deutsche Asset Management	Amort	301,654	-	301,654	301,654	301,654
				<b>Subtotal</b>		<b>42,831,264</b>	<b>42,831,264</b>	<b>42,831,264</b>
				<b>% of total portfolio</b>		<b>95,311,452</b>	<b>95,311,452</b>	<b>95,311,452</b>
						<b>40%</b>	<b>40%</b>	<b>40%</b>
				<b>Total Cash and Investments</b>		<b>237,993,207</b>	<b>237,972,547</b>	<b>238,274,658</b>
								<b>Portfolio CORP AP</b>

Total Investment Return in 2007  
(Unaudited)

