Operations Highlights Report

Notable Events

Hydro-Electric Picture for 2008

May saw a large shift in the hydro-electric picture for 2008 with dismal April precipitation following a very dry March. What looked like a normal year ended up just over 50% of normal for much of California and many Northern California reservoirs were well below 2007 levels for the Memorial Day weekend.

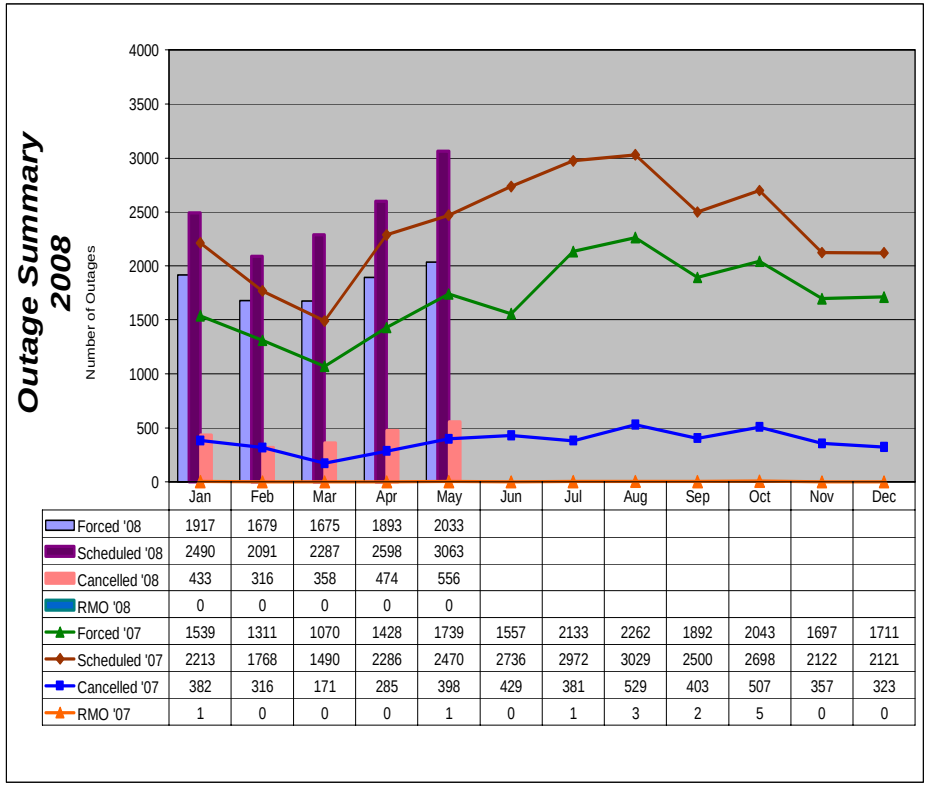
Normally a month of high maintenance activity in preparation for summer, May brought some unusually warm weather and near record loads for the month with 2 days of CAISO loads above the 40,000MW level. On May 16 loads topped 41,500MW, nearing the 1:10 load forecast for the month.

Update on Transitional Capacity Payment Mechanism (TCPM)

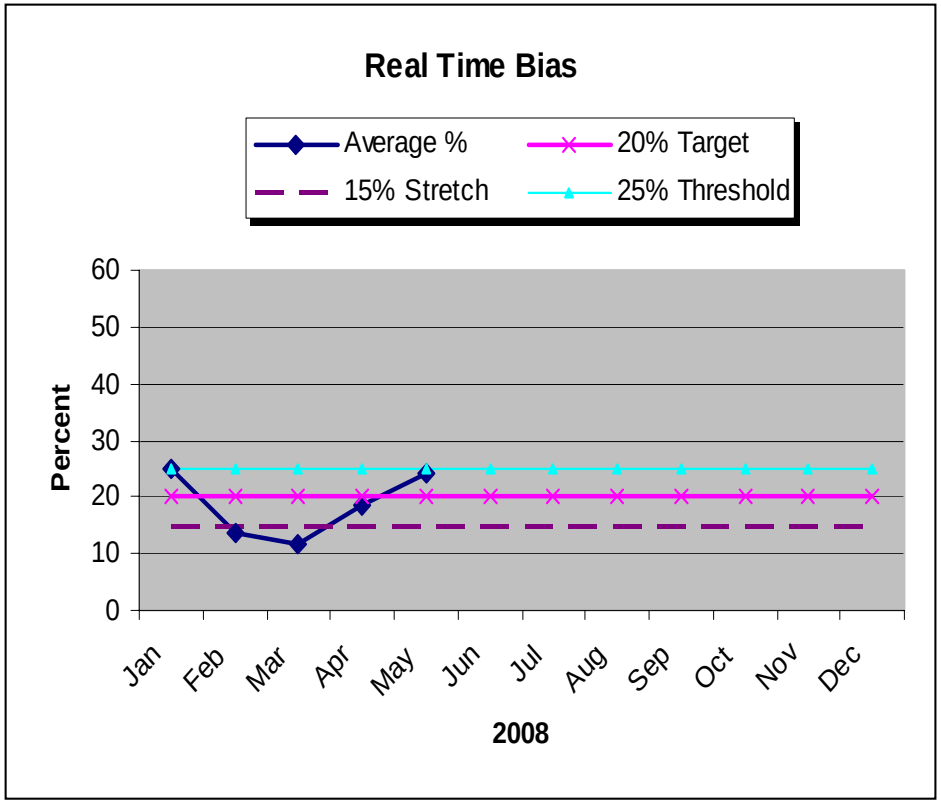
The Transitional Capacity Payment Mechanism (TCPM) was approved by FERC on May 30 for implementation June 1, 2008. The TCPM, a temporary capacity payment program replacing the Reliability Capacity Services Tariff (RCST), will be effective until the start of MRTU. This program is intended to pay for capacity of resources used for reliability but not already paid capacity payments under the Resource Adequacy or the Reliability-Must-Run programs. TCPM is similar to RCST with the following major changes:

- Minimum designation period changed from 90 days to 30 days
- Annual capacity payment increased from $73/kW-year to $77.89/kW-year
- Units are entitled to the minimum 30 day designation period if the unit's Must-Offer waiver is denied for any reason. Under RCST the unit would be eligible for a payment of 1/17 of the monthly payment and would be designated for 90 days only if it was determined that an enduring Significant Event had occurred.
- The real-time unit commitment algorithm (aka the RTC application) now considers the approximate costs of the capacity payment and energy costs if a non-RA, non-RMR unit is committed. In effect, the computer program will more likely commit RA and RMR units before non-RA, non-RMR units as CAISO operators are required to do when they manually commit units on-line.

As of June 18, CAISO operators denied two non-RA, non-RMR units' Must-Offer waivers and as a result were designated under the TCPM. These units are located in the southern Bay Area and were committed for local transmission issues in that area.

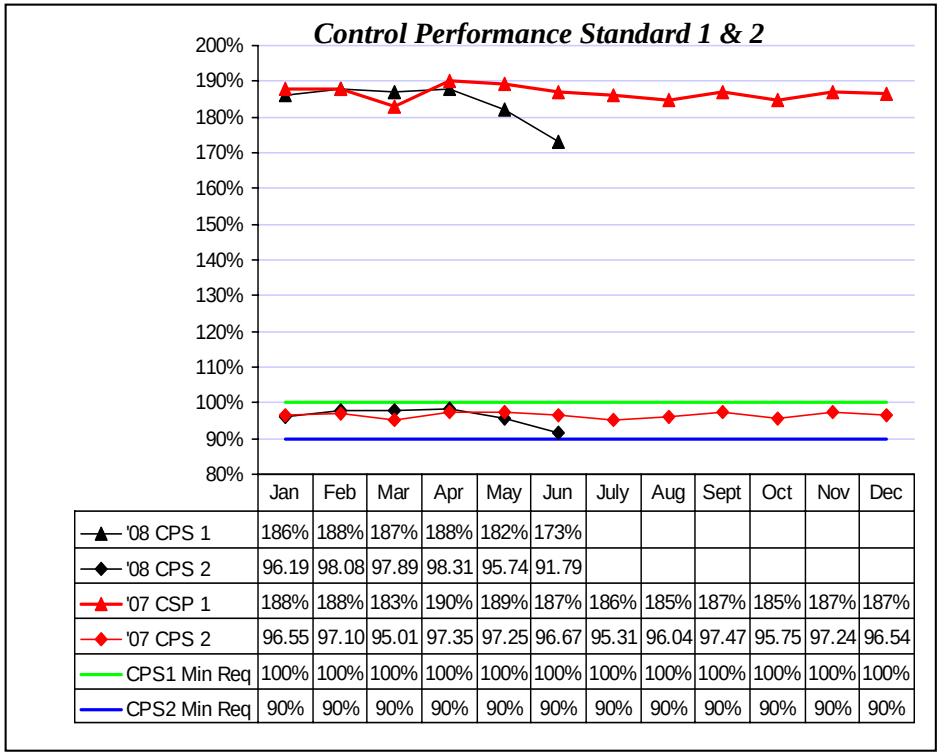


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Forced '08	1917	1679	1675	1893	2033							
Scheduled '08	2490	2091	2287	2598	3063							
Cancelled '08	433	316	358	474	556							
RMO '08	0	0	0	0	0							
Forced '07	1539	1311	1070	1428	1739	1557	2133	2262	1892	2043	1697	1711
Scheduled '07	2213	1768	1490	2286	2470	2736	2972	3029	2500	2698	2122	2121
Cancelled '07	382	316	171	285	398	429	381	529	403	507	357	323
RMO '07	1	0	0	0	1	0	1	3	2	5	0	0

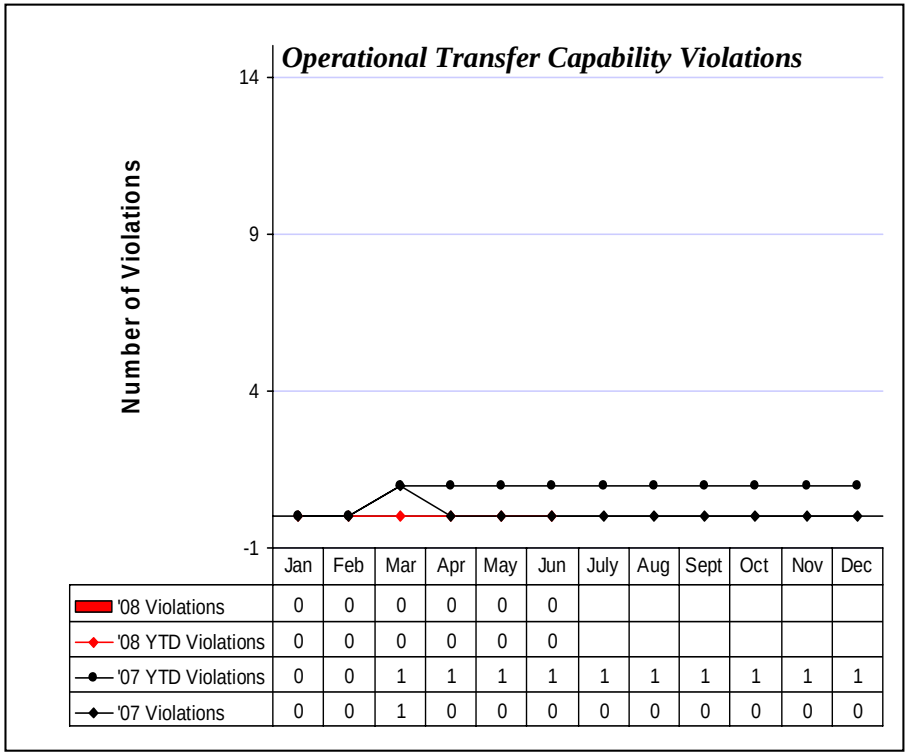


The Outage Activity Summary graph shows the number forced, scheduled, and cancelled generation and transmission outages processed per month by the Outage Coordination office. Included in the graph is the number of Restricted Maintenance Operations (RMO). RMO accommodates additional transmission or other maintenance on the grid.

Bias numbers for March, April and May were 11.5%, 18.54%, and 24.15% respectively. Bias levels have increased due to a high level of loop flow and real-time congestion in the system this spring. The loop flow and congestion issues should die down by summer and bias levels should return to historic levels.



	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec
'08 CPS 1	186%	188%	187%	188%	182%	173%						
'08 CPS 2	96.19	98.08	97.89	98.31	95.74	91.79						
'07 CSP 1	188%	188%	183%	190%	189%	187%	186%	185%	187%	185%	187%	187%
'07 CPS 2	96.55	97.10	95.01	97.35	97.25	96.67	95.31	96.04	97.47	95.75	97.24	96.54
CPS1 Min Req	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
CPS2 Min Req	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%



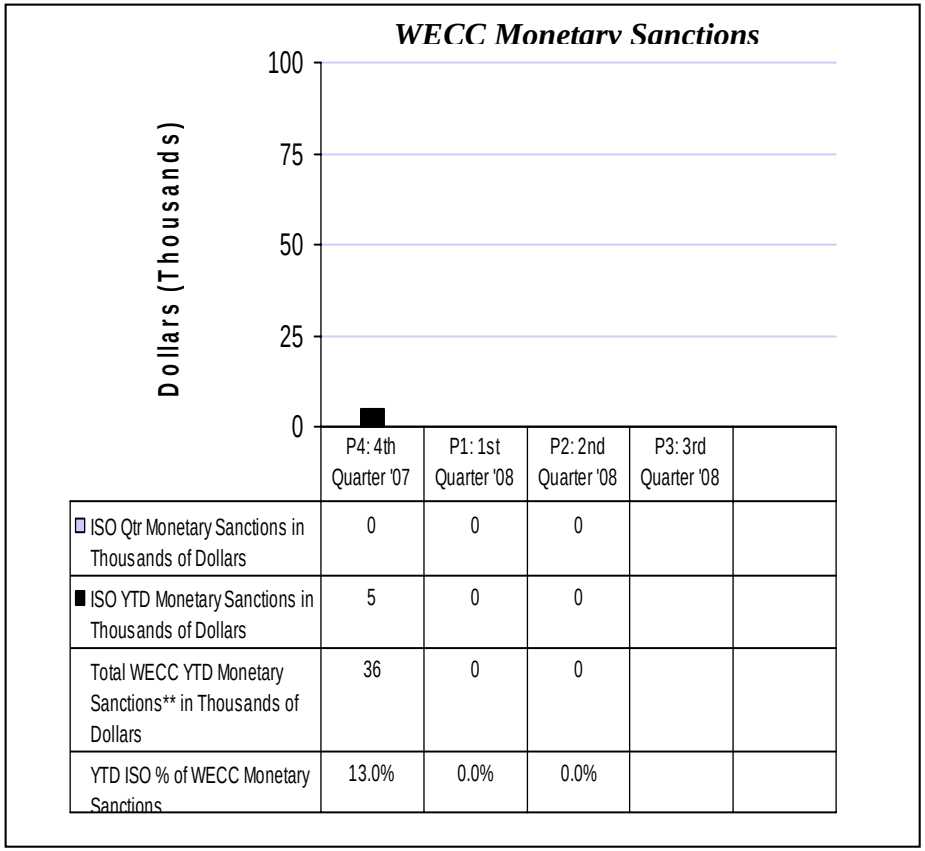
	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec
'08 Violations	0	0	0	0	0	0						
'08 YTD Violations	0	0	0	0	0	0						
'07 YTD Violations	0	0	1	1	1	1	1	1	1	1	1	1
'07 Violations	0	0	1	0	0	0	0	0	0	0	0	0

CPS1 is a statistical measure of Area Control Error (ACE) variability. It measures ACE in combination with the interconnection frequency. The CPS1 formula was developed on a conformance scale, therefore values over 100% are not only desired, but also expected. **CPS2** is a statistical measure of ACE magnitude. It is designed to limit a Control Area's unscheduled (or inadvertent) power flows that could result from large ACE values.

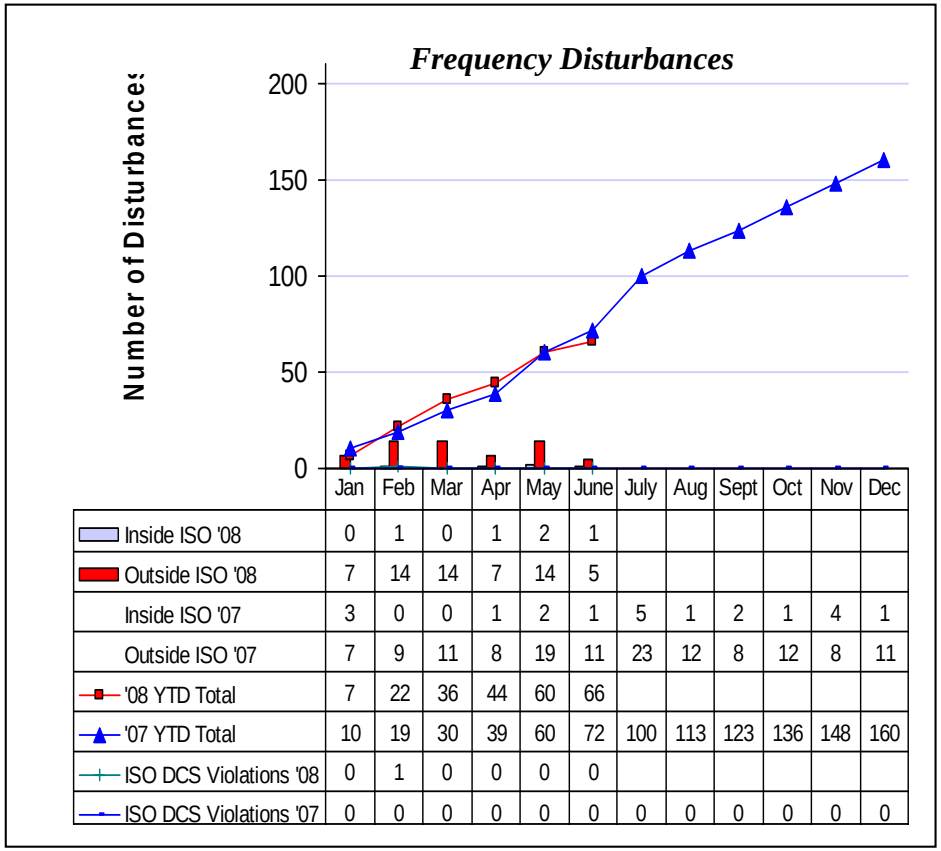
* WECC Minimum Operating Reliability Criteria for CPS1 is 100%. The CPS1 Target and Stretch Goal is to attain a score of 100% 12 of 12 months during the calendar year. WECC Minimum Operating Reliability Criteria for CPS2 is 90%. The CPS2 Target and Stretch Goal is to attain a score of 90% 12 of 12 months during the calendar year. Our YTD results are on track to meet the Stretch objective of attaining a score of 100% for CPS1 and 90% for CPS2 12 of 12 months for 2008.

OTC Violations are defined as path overloads that exceed WECC allowable time limits for both stability-rated and thermally-rated paths.

The OTC Violation Target Goal is not to exceed 2 violations, with the Stretch goal of zero violations for the calendar year. Our YTD results are on track to meet the Target Goal for 2008.



	P4: 4th Quarter '07	P1: 1st Quarter '08	P2: 2nd Quarter '08	P3: 3rd Quarter '08	
ISO Qtr Monetary Sanctions in Thousands of Dollars	0	0	0		
ISO YTD Monetary Sanctions in Thousands of Dollars	5	0	0		
Total WECC YTD Monetary Sanctions** in Thousands of Dollars	36	0	0		
YTD ISO % of WECC Monetary Sanctions	13.0%	0.0%	0.0%		

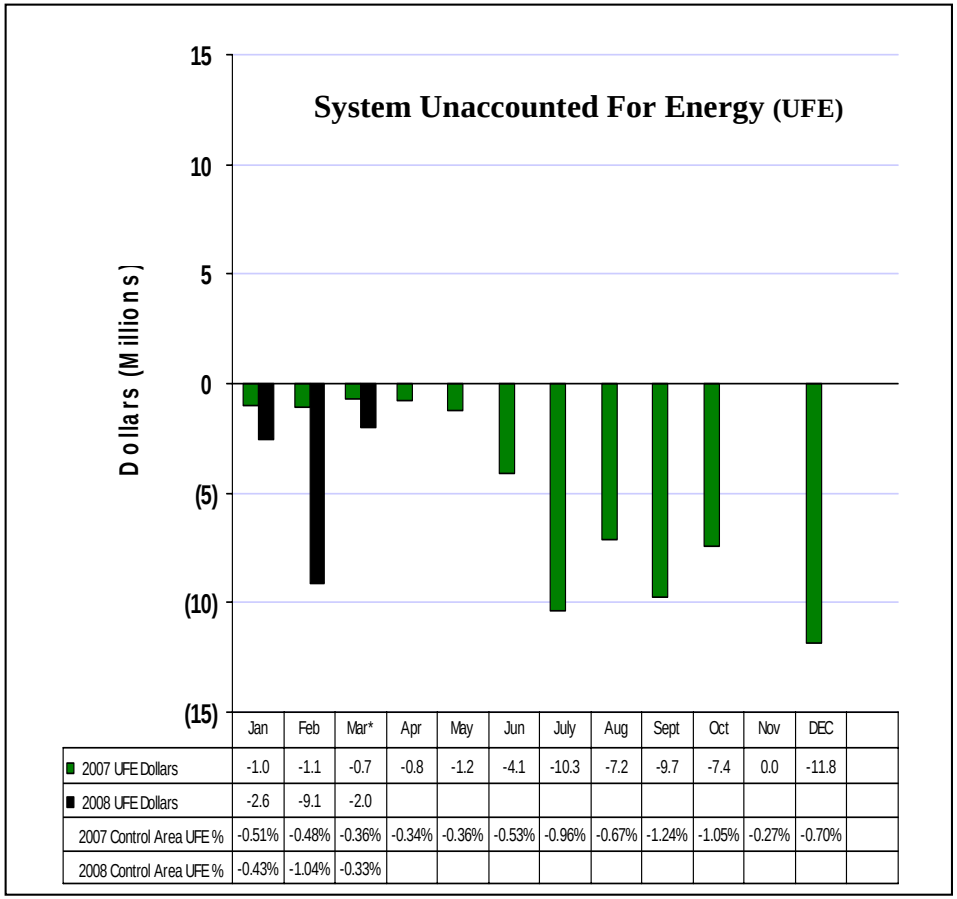


	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Inside ISO '08	0	1	0	1	2	1						
Outside ISO '08	7	14	14	7	14	5						
Inside ISO '07	3	0	0	1	2	1	5	1	2	1	4	1
Outside ISO '07	7	9	11	8	19	11	23	12	8	12	8	11
'08 YTD Total	7	22	36	44	60	66						
'07 YTD Total	10	19	30	39	60	72	100	113	123	136	148	160
ISO DCS Violations '08	0	1	0	0	0	0						
ISO DCS Violations '07	0	0	0	0	0	0	0	0	0	0	0	0

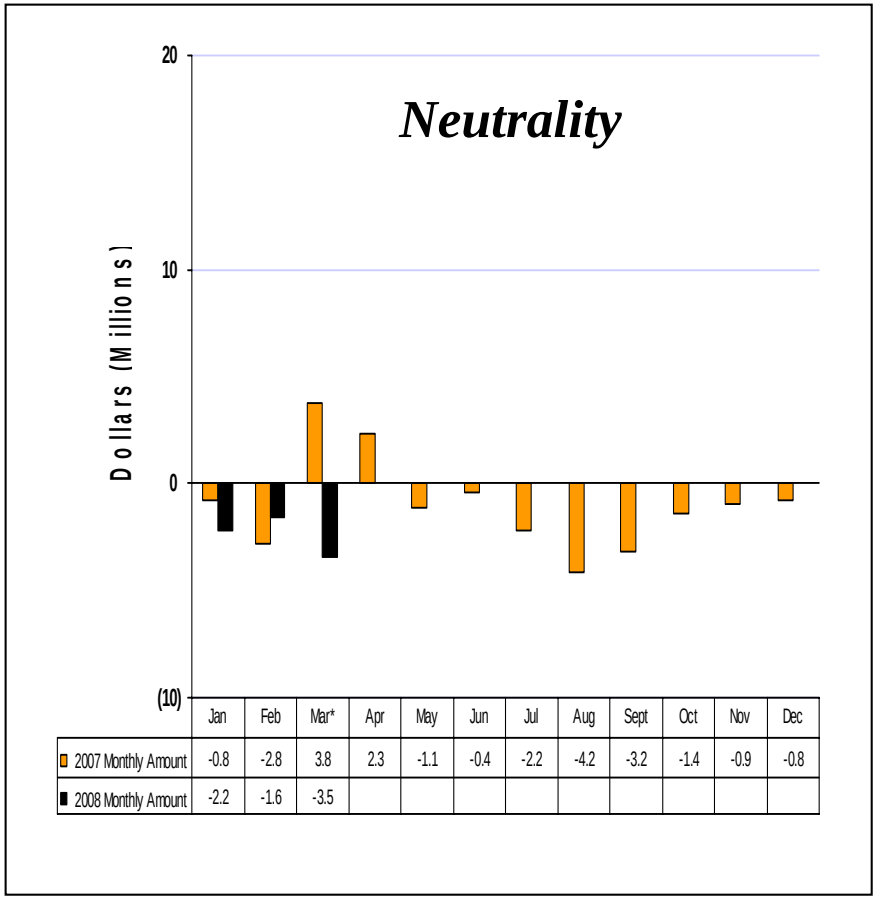
* Due to a 2/20/2008 DCS violation, we anticipate a fine that may range between $6,000 - $200,000. Actual fine will be communicated once the final determination has been made by WECC.
* Chart begins with 4th Quarter 2007 to allow for delay in finalization and receipt of year-end WECC sanction data, and to enable analysis of Performance goals based on a full year.

Frequency Disturbances are result of a sudden loss of load or generation. ISO DCS Violations are those losses of generation greater than 35% of our most severe single contingency (currently 392 MW), where the ACE is not recovered within 15 minutes.

The DCS Violation Target Goal is not to exceed 1 ISO DCS violations, with the Stretch goal of zero violations for the calendar year. Our YTD results are on track to meet the Target objective to have no more than one DCS Violation for 2008.



	Jan	Feb	Mar*	Apr	May	Jun	July	Aug	Sept	Oct	Nov	DEC
2007 UFE Dollars	-1.0	-1.1	-0.7	-0.8	-1.2	-4.1	-10.3	-7.2	-9.7	-7.4	0.0	-11.8
2008 UFE Dollars	-2.6	-9.1	-2.0									
2007 Control Area UFE %	-0.51%	-0.48%	-0.36%	-0.34%	-0.36%	-0.53%	-0.96%	-0.67%	-1.24%	-1.05%	-0.27%	-0.70%
2008 Control Area UFE %	-0.43%	-1.04%	-0.33%									



	Jan	Feb	Mar*	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2007 Monthly Amount	-0.8	-2.8	3.8	2.3	-1.1	-0.4	-2.2	-4.2	-3.2	-1.4	-0.9	-0.8
2008 Monthly Amount	-2.2	-1.6	-3.5									

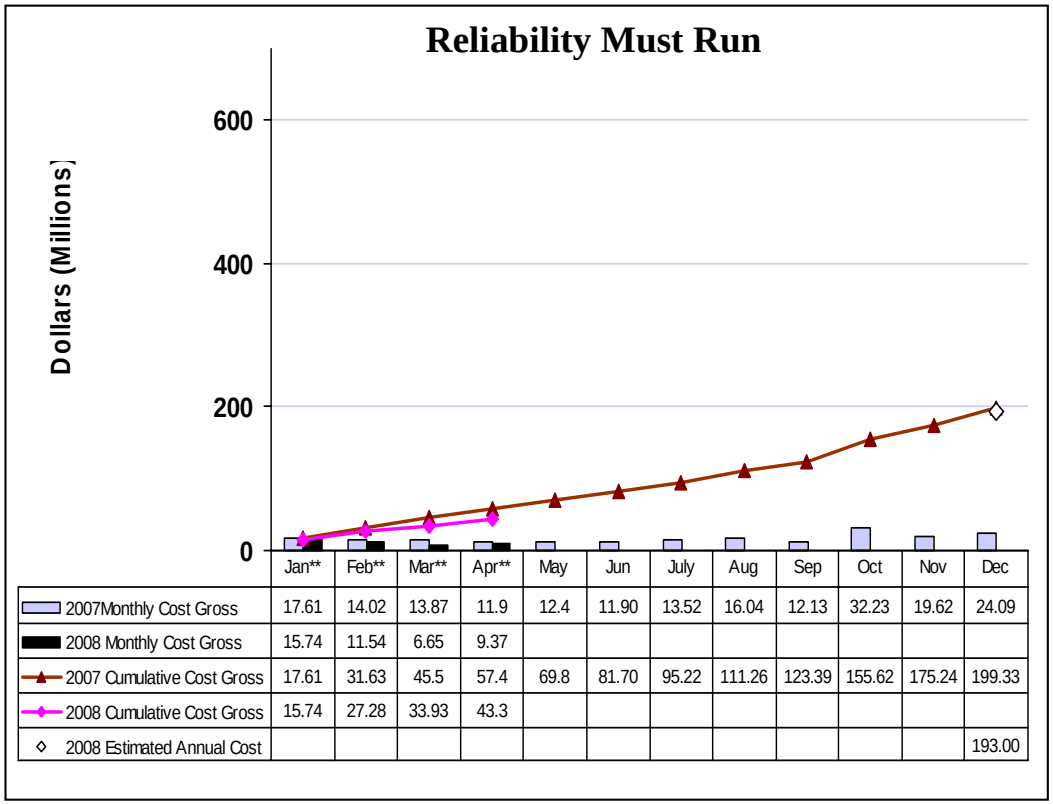
*.Operations Support continues to monitor changes in trends (both positive and negative) of Unaccounted for Energy (UFE) prior to and after Preliminary Settlement Statements. For the month of February, Operations Support did not identify any outstanding issues. The graph shows the amount of system Unaccounted for Energy

•. Amounts estimated for MAR. 2008. There is a 75 day time lag before actual UFE data becomes available.

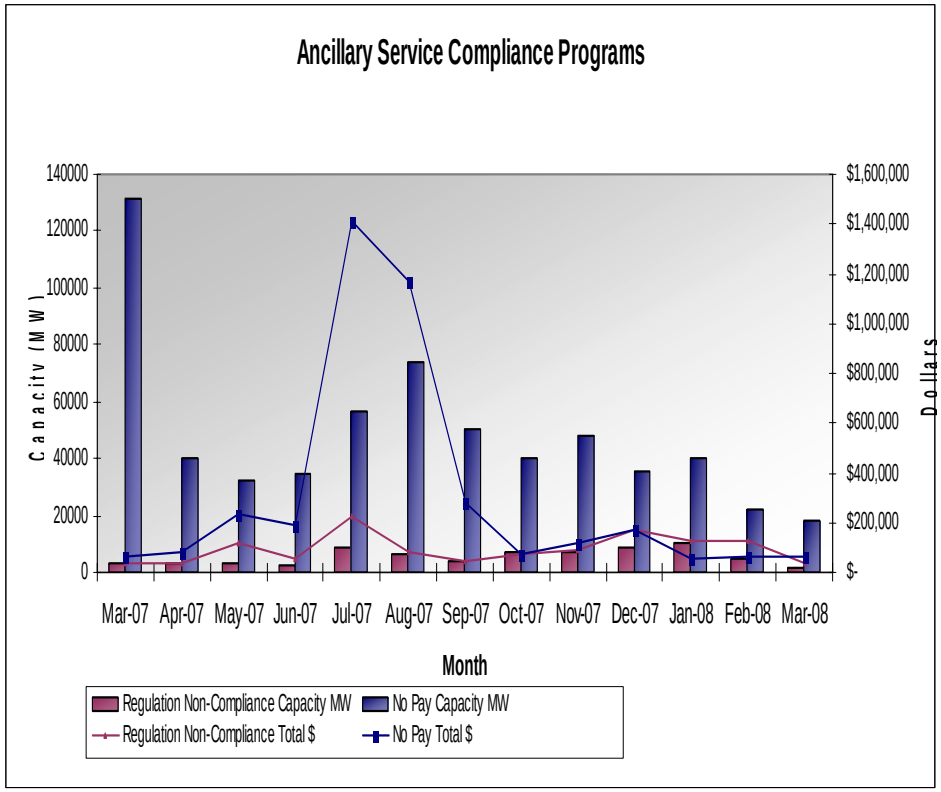
NOTE: UFE% is estimated at this time

Neutrality number includes both the Neutrality Adjustment (CT-1010, CT-1401) & Existing Contract Charge/Adjustment (CT-1210)

*There is a 75 day time lag before actual Neutrality data becomes available.



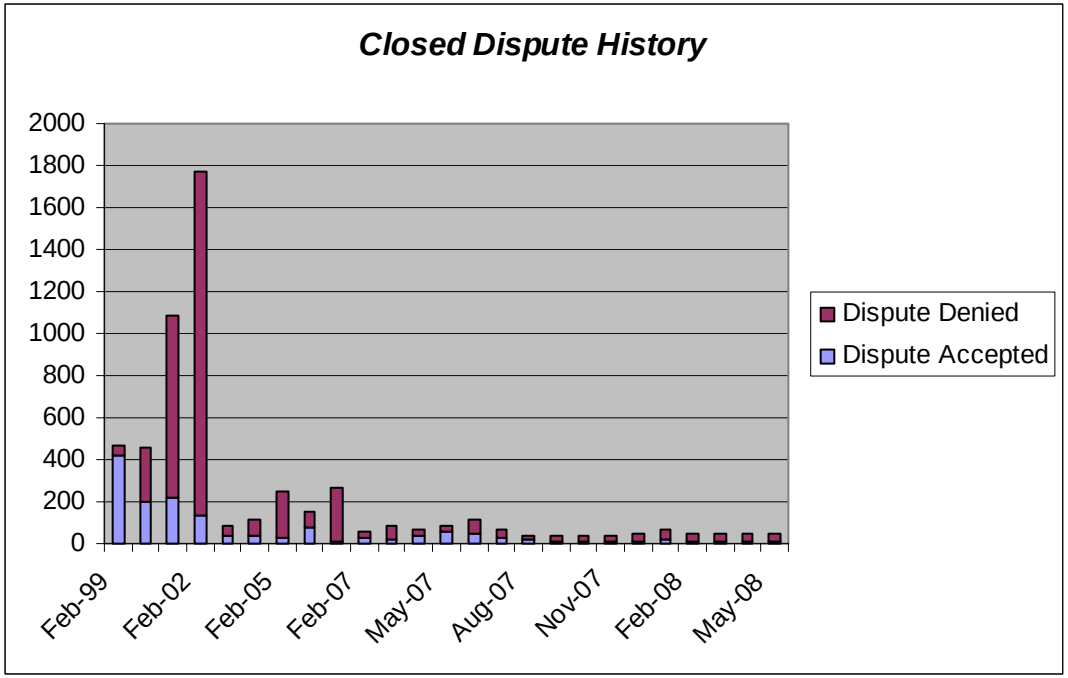
	Jan**	Feb**	Mar**	Apr**	May	Jun	July	Aug	Sep	Oct	Nov	Dec
2007Monthly Cost Gross	17.61	14.02	13.87	11.9	12.4	11.90	13.52	16.04	12.13	32.23	19.62	24.09
2008 Monthly Cost Gross	15.74	11.54	6.65	9.37								
2007 Cumulative Cost Gross	17.61	31.63	45.5	57.4	69.8	81.70	95.22	111.26	123.39	155.62	175.24	199.33
2008 Cumulative Cost Gross	15.74	27.28	33.93	43.3								
2008 Estimated Annual Cost												193.00



RMR decreased in 2008 to 10 facilities consisting of 23 units; down from 13 facilities consisting of 35 units in 2007.
* There is a 120 day lag time before final actual RMR data becomes available.
** January Adjusted invoices not yet received by Borders, El Cajon and Enterprise.

Operations Support monitors suppliers of Ancillary Services to ensure that Ancillary Service capacity awarded in the ISO markets is available in real-time. In February 2008, 99 percent of scheduled Regulation was available and an average of 98 percent of scheduled Spinning Reserve and Non-Spinning Reserve was available. The total value of rescinded payments was approximately $186,717 for February. In March 2008, 99 percent of scheduled Regulation was available and an average of 98 percent of scheduled Spinning Reserve and Non-Spinning Reserve was available. The total value of rescinded payments was approximately $100,065 for March.

The graph shows the monthly totals of non-compliant Ancillary Service capacity (MW) for twelve months.



The graph above shows the volume of disputes from February 1999 through May 2008.

Definitions

The following are definitions of the items and or systems covered in the Operations Performance Scorecard section of this report:

Operations Performance Scorecard:

WECC Monetary Sanctions - Measures through WECC's Reliability Management System (RMS) criteria. The RMS criteria include items such as Operating Reserve (OR), Operational Transfer Capability (OTC), Disturbance Control Standard (DCS), System Operator certification, and compliance with the WECC Unscheduled Flow Reduction Procedure.

Control Performance Standards 1 & 2. **-** Control Performance Standard 1 (CPS1) is intended to provide a control area with a frequency sensitive evaluation of how well it is meeting its demand requirements. CPS1 is a statistical measure of Area Control Error (ACE) variability. Control Performance Standard 2 (CPS2) is a statistical measure of ACE magnitude. It is designed to limit a Control Area's unscheduled (or inadvertent) power flows that could result from large ACE values.

Operating Transfer Capability Violations - OTC Violations are defined as those transmission path overloads that exceed WECC allowable time limits for stability rated (20 min.) and thermally rated (30 min.) paths.

ISO Control Area Frequency - The ISO Control Area Frequency figures report internal and external system disturbances and include violations of the Disturbance Control Standard (DCS) resulting from ISO Control Area internal disturbances, such as loss of a large generating unit or transmission line. WECC allowable time limit for disturbance recovery is 15 minutes. Per WECC criteria, qualifying disturbances are defined as those greater than 35% of our maximum generation loss from our most severe single contingency. The California ISO's most severe single generation contingency is a nuclear unit with maximum generation output 1120 MW, 35% of which is the 392 MW thresholds used herein.

Real Time Bias - The number entered manually by the ISO operator into Real Time Market application (RTMA) to adjust for the energy deviation between RTMA and the Energy Management System (EMS).