



Acceptance of Audit of California ISO Retirement Savings Benefits Plans for 2008 and 2007

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US Department of Labor (DOL) requires employee benefit plans to file audited financial statements.

- Covers the 401(k) plan including the annual company contribution
- Employees select and manage their own investments in the plan
- Prepared in accordance with Governmental Accounting Standards
- Scope of audit and opinion modified in accordance with DOL Standards

Below is a summary of the activity in the employee retirement plan during 2008:

Net assets beginning of year		\$93.4
Employee (\$6.4M) and CAISO (\$7.6M) contributions	\$14.0	
Investment (loss) of \$29.2M net of dividends and interest of \$3.3M	(25.9)	
Benefits paid and costs	<u>(5.9)</u>	
(Decrease) in net assets for year	<u>(17.8)</u>	
Net assets end of year		<u>\$75.6</u>

Amounts in millions

The following auditor communications are required as part of the rules of professional responsibility:

Communication	Response
Adjustments made	Separated dividends and capital gain distributions from mutual funds into separate line item; \$2.6M in 2008 and \$5.9M in 2007.
Adjustments not made	Did not reduce Stable Value Fund by \$270K to reflect market value of underlying assets as amount was immaterial
Management's judgments and estimates	Fair value of investments
Significant accounting policies	No changes since 2006
Deficiencies in internal controls	None identified

The following auditor communications are required as part of the rules of professional responsibility:

Communication	Response
Auditor responsibility	No change in scope since engagement letter
Fraud and illegal acts	None identified
Disagreements with management	None
Consultations with other accountants	None
Material uncertainties	None
Significant issues discussed prior to retention	None
Independence	No issues