August 27, 2010

PricewaterhouseCoopers LLP
ATTN: Jennifer Jackson
400 Capitol Mall, Suite 600
Sacramento, CA 95814

We are providing this letter in connection with your audit of the financial statements of the California ISO Retirement Savings Plan (the "Plan") as of December 31, 2009 and 2008 and for the years then ended with scope limited as permitted by 29 CFR 2520.103-8 of the Department of Labor's ("DOL") Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 ("ERISA"). We understand that, at our instruction, you did not perform any audit procedures with respect to information prepared and certified to us by Charles Schwab Trust Company, the trustee, in accordance with DOL Regulation 2520.103-5, other than comparing such information to the financial statements and supplemental schedules. Because of the significance of the information you did not audit, we understand that you will not express an opinion on the financial statements and supplemental schedules taken as a whole. We confirm that we are responsible for the fair presentation in the financial statements of net assets available for benefits and changes in net assets available for benefits in conformity with accounting principles generally accepted in the United States of America and for the fair presentation of the accompanying supplemental schedules in conformity with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA, including the appropriate selection and application of accounting policies.

References to generally accepted accounting principles in this letter include Statements of Government Accounting Standards (GAS), Statements of Financial Accounting Standards (FAS), Emerging Issues Task Force Issues (EITF), AICPA Statements of Position (SOP), Accounting Principles Board Opinions (APB), Financial Accounting Standards Board Staff Positions (FSP), and Financial Accounting Standards Board Interpretations (FIN).
Certain representations in this letter are described as being limited to those matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement. Materiality used for purposes of this letter is $370,000.

We confirm, to the best of our knowledge and belief, as of August 27, 2010, the date of your report, the following representations made to you during your audits:

1. The financial statements and appended notes are fairly presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and include all disclosures necessary for a fair presentation of the net assets available for benefits

and changes in net assets available for benefits of the Plan in accordance with accounting principles generally accepted in the United States of America, and disclosures otherwise required to be included therein by ERISA and other laws and the DOL and other regulations to which the Plan is subject. We have prepared the Plan's financial statements on the basis that the Plan is able to continue as a going concern, including to meet its obligations in the ordinary course of business, and we are not aware of any significant information to the contrary.

2. We have made available to you:
   a. All financial records and related data;
   b. Unconditional access to persons within the entity from whom you have requested audit evidence;
   c. All minutes of the meetings of trustees and committees of trustees and summaries of actions of recent meetings for which minutes have not yet been prepared. The most recent meetings held were: Board of Governors on July 26, 2010;
   d. Amendments made to the Plan instrument, the trust agreement and custodial agreement, or insurance contracts during the year, including amendments to comply with applicable law; and
   e. Contracts or other agreements with the Plan's service providers.

3. We have appropriately reconciled our books and records (e.g., trustees/custodian reports) underlying the financial statements to their related supporting information (e.g., sub ledger or third-party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements, as necessary. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a net assets account, which should have been written off to a changes in net assets account and vice versa.

4. There have been no communications, written or oral, from or to regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or the operation of the Plan.

5. All required filings of the Plan and/or trust documents with the appropriate agency have been made.

6. There are no material transactions, agreements or accounts that have not been properly recorded in the accounting records underlying the financial statements.

7. The effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

8. We are not aware of any deficiencies in the design or operation of internal control over financial reporting. We are not aware of any internal control issues at the Plan's service

providers that would have a material effect on the financial statements. We have also disclosed to you which of these deficiencies we believe are significant deficiencies or material weaknesses in internal control over financial reporting.

9. All liabilities of the Plan of which we are aware of are included in the financial statements at statement of net assets dates. There are no federal or state tax liabilities. There are no other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Accounting Standards Codification (ASC) 450, *Contingencies* and no unasserted claims or assessments that our legal counsel has advised us are probable of assertion and required to be disclosed in accordance with that accounting Statement.

10. We are responsible for all significant estimates and judgments affecting the financial statements. Significant estimates and judgments and their underlying assumptions, methods, procedures and the source and reliability of supporting data are reasonable and based on applicable guidance, and are appropriately disclosed in the financial statements. The procedures and methods utilized in developing assumptions, estimates and judgments are appropriate and have been consistently applied in the periods presented.

11. There are no other matters (e.g., breach of fiduciary responsibilities, nonexempt transactions, loans or loans in default, events reportable to the PBGC, or events that may jeopardize the tax status) that legal counsel has advised us that must be disclosed.

12. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.

13. We have no knowledge of any fraud or suspected fraud affecting the Plan involving:
    a. Management,
    b. Employees who have significant roles in internal control over financial reporting, or
    c. Others where the fraud could have a material effect on the Plan's financial statements.

14. We have no knowledge of any allegations of fraud or suspected fraud affecting the Plan received in communications from employees, former employees, participants, regulators, beneficiaries, service providers, third party administrators, or others.
    (With respect to items 12, 13 and 14, we understand the term "fraud" to mean those matters described in Statement on Auditing Standards No. 99.)

15. There have been no non-exempt transactions (e.g., prohibited transactions) or other violations or possible violations of ERISA or other laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

16. The Plan has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

17. We have no intention to terminate the Plan.

18. The Plan, either by design or operation, does not discriminate in favor of highly compensated employees as to eligibility to participate in the Plan, contributions to the Plan, benefits under the Plan or benefits, rights or features available to the Plan.

19. The Plan and the trust established under the Plan are qualified under the appropriate section of the Internal Revenue Code and the trust is intended to continue as a qualified trust. Current versions of the Plan and/or trust documents have been appropriately filed. The Plan continues to operate in accordance with the terms of the Plan document, as amended, in a manner that does not jeopardize its tax status.

20. The Plan has complied with the fidelity bonding requirements of ERISA.

21. The following, if material, have been properly recorded or disclosed in the financial statements:
    a. Relationships and transactions with related parties, as described in ASC 850, *Related Party Disclosures*, including transactions with parties-in-interest, as defined in ERISA Section 3(14) and regulations thereunder, including sales, expenses, purchases, loans, transfers, leasing arrangements, and guarantees and amounts receivable from or payable to related parties;
    b. Significant estimates and material concentrations known to management that are to be disclosed in accordance with ASC 275, *Risks and Uncertainties*, 275-10-50. (Significant estimates are estimates at the statement of net assets date that could change materially within the next year. Concentrations refer to the nature and type of investments held by the Plan or markets for which events could occur which would significantly disrupt normal finances within the next year);
    c. Amendments to the Plan document.

22. There are no:
    a. Leases in default or considered to be uncollectible;
    b. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line of credit or similar arrangements;
    c. Guarantees, whether written or oral, under which the Plan is contingently liable to a bank or other lending institution;
    d. Agreements to repurchase assets previously sold;
    e. Commitments to purchase or sell securities;
    f. Transactions on margin or selling short;
    g. Securities lending activities;
    h. Other agreements not in the ordinary course of business.

23. The Plan has satisfactory title to all owned assets, and there are no liens or encumbrances or security interests on such assets nor has any asset been pledged as collateral.

24. All cash and bank accounts and all other properties and assets of the Plan of which we are aware of are included in the financial statements.

25. With respect to Plan investments recorded in the financial statements at statement of net assets dates (including investments other than securities, such as derivatives):
    a. Investments are stated at fair value and related disclosures are complete and accurate;
    b. Plan investments are included in the Plan's financial statements at statement of net assets dates as determined by us in accordance with the valuation method set forth in the notes to the financial statements. Management of the Plan understands and agrees with the valuation methodologies used by the Charles Schwab Trust Company, the trustee and, management is responsible for the appropriateness of the resulting investment values;
    c. The valuation principles used for securities whose fair values have been estimated by management of the Plan are appropriate and have been consistently applied and documented. The methods and significant assumptions used to estimate fair values of financial instruments are generally based on quoted prices on a recognized securities exchange. All investments are marketable and no restricted securities or derivatives are held;
    d. There are no investments in default or considered uncollectible;
    e. Provision has been made for any material loss to be sustained in the fulfillment of, or from inability to fulfill, any investment-related or other purchase or sales commitments.

26. Management has no intention of terminating benefit responsive investment contracts.

27. For any non-readily marketable securities, we are in agreement with the methods used to estimate fair value.

28. Contributions and other receivables represent bona fide receivables arising on or before the statement of net assets dates. No losses are expected to be sustained on realization of the receivables.

29. The Plan has complied with all aspects of debt and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

30. The Plan has complied with the Department of Labor's regulations concerning the timely remittance of participants' contributions to trusts containing assets of the Plan.

31. The supplemental schedule of assets (held at year end) is fairly stated in all material respects in relation to the basic financial statements, taken as a whole, and complies with the DOL Rules and Regulations for Reporting and Disclosure under ERISA.

32. We have obtained and reviewed all SAS No. 70 reports (if available) for service organizations used by the Plan, and are performing the applicable user controls.

33. We are responsible for, and have obtained a certified report from a chartered bank or regulated insurance company addressing both accuracy and completeness of investment-related amounts.

34. We are aware of certain errors relating to the allocation of contributions for four participants for the year ended December 31, 2009 and confirm correction of those errors on December 22, 2009. We believe the errors to be immaterial to the financial statements taken as a whole.

35. There are no:
    a. Non-exempt party-in-interest transactions (as defined in ERISA section 406(a) and (b) and regulations under that section) that were not disclosed in the supplemental schedules or financial statements;
    b. Investments in default or considered to be uncollectible that were not disclosed in the supplemental schedules;
    c. Reportable transactions (as defined in ERISA section 103(b)(3)(H) and regulations under that section) that were not disclosed in the supplemental schedules.

To the best of our knowledge and belief, no events have occurred subsequent to December 31, 2009 and through the date of this letter that would materially affect the aforementioned financial statements and related disclosures, including the supplemental schedule.

Brenda Thomas

Brenda Thomas, Vice President of Human Resources

Ryan Seghesio, Interim Chief Financial Officer

Summary of Uncorrected Misstatements

		Impact of Adjustments on Financial Statement Captions - Increase (Decrease)						
		Statement of Net Assets Available for Benefits			Statement of Changes in Net Assets Available for Benefits			
	Description	Assets	Liabilities	Net Assets Available for Benefits	Known	Estimated	Projected	Total
	Adjustments:							
#1	To record the Plan's investment in stable value fund at fair value							
	DR. Investments at fair value	132,670						
	CR. Net appreciation of investments					(132,670)		
	Prior year recurring adjustment:							
	To record the Plan's investment in stable value fund at fair value							
	DR. Net appreciation of investments	(270,958)						
	CR. Investments at fair value					270,958		
Total adjustments		(138,288)				138,288		
Financial statement amounts		103,405,770	155,469	103,250,301				27,646,105
Impact as a percentage of f/s amounts		-0.13%						0.50%

California ISO
Retirement Savings Benefits Plan
Financial Statements and Supplemental Schedule
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* Other schedules required by 29 CFR 2520.103-10 of the Department of Labor's Rules and Regulations for reporting and disclosure under ERISA have been omitted because they are not applicable.

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Report of Independent Auditors

To the Participants and Administrator of
California ISO Retirement Savings Benefits Plan

We were engaged to audit the financial statements and supplemental schedule of California ISO Retirement Savings Benefits Plan (the "Plan") as of and for the year ended December 31, 2009 and 2008, as listed in the accompanying index. These financial statements and schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 4, which was certified by The Charles Schwab Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedule. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of December 31, 2009 and 2008 and for the year ended, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and schedule taken as a whole. The form and content of the information included in the financial statements and schedule, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

The Management's Discussion and Analysis, presented on pages 2 and 3, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

PricewaterhouseCoopers LLP

Sacramento, California
August 27, 2010

The following discussion and analysis of the Retirement Savings Benefits Plan (the Plan) of the California Independent System Operator Corporation (the Company) provides an overview of the Plan's financial activities for the years ended December 31, 2009 and 2008. This discussion and analysis should be read in conjunction with the Plan's financial statements and accompanying notes, which follow this section.

BACKGROUND

The Plan is a defined contribution plan and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Substantially all employees of the Company are eligible to participate in the Plan. Participants are eligible to participate in the Plan on the first day of the month coinciding with or following date of hire.

The Company is the Plan's named fiduciary and plan administrator and has designated an advisory committee and retained the services of a third party to assist in the administration of the Plan. The advisory committee is appointed by the Company and has the responsibility of making discretionary determinations under the Plan and providing distribution directions to the trustee. The Company has appointed The Charles Schwab Trust Company (Schwab or Trustee) as the Plan's Trustee and has retained the services of Milliman, Inc. (Milliman) to assist in the administration of the Plan.

FINANCIAL HIGHLIGHTS

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Plan's financial statements, which are comprised of the following:

- Statements of Fiduciary Net Assets
- Statements of Changes in Fiduciary Net Assets
- Notes to Financial Statements

The Statements of Fiduciary Net Assets present information on the Plan's assets and liabilities and the resulting fiduciary net assets as of December 31, 2009 and 2008. These Statements reflect the Plan's investments at fair value, receivables and liabilities.

The Statements of Changes in Fiduciary Net Assets present information showing how the Plan's fiduciary net assets held in trust for pension benefits changed during the years ended December 31, 2009 and 2008. These Statements reflect contributions by participants and the Company along with investment income (or losses) during the period from investing activities. Deductions for benefit payments to participants and administrative expenses are also presented.

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The supplemental information on page 13 details the schedule of assets held at December 31, 2009. It is the same schedule that is submitted with the Plan's Internal Revenue Service/U.S. Department of Labor Form 5500 Schedule H. This information is presented for the purposes of additional analysis and is not a required part of the financial statements.

Financial Analysis

The Plan's investments as of December 31, 2009 amounted to $98.9 million, compared to $71.5 million at December 31, 2008 and $89.8 million at December 31, 2007.

Additions to the Plan's net assets held in trust for pension benefits include contributions, rollovers, net appreciation in fair value and any investment income. Participant contributions and rollovers for the 2009 plan year amounted to $6.6 million, compared to $6.4 million in 2008 and $6.7 million in 2007. Employer contributions in 2009 amounted to $8.1 million, compared to $7.6 million in 2008 and $6.8 million in 2007. The increase in employee contributions in 2009 is attributable to employee reaction to increasing stability in the financial markets. The decrease in employee contributions in 2008 as compared to 2007 was primarily attributable to employee reaction to the uncertainty in the financial markets, while the increase in employer contributions were primarily due to increased staffing levels and to additional years of credited service under the employer's service-based contribution formula.

The Plan recognized net investment income of $17.5 million in 2009, compared to net investment losses of $25.9 million in 2008 and net investment income of $5.4 million in 2007. The investment gain in 2009 is primarily attributable to the recovery of the financial markets. The investment loss in 2008 was due to the turbulent economic and financial market conditions during the year.

Deductions from the Plan's net assets held in trust for pension benefits include benefit payments to participants and administrative expenses. For 2009, deductions amounted to $4.5 million compared to $5.9 million in 2008 and $6.2 million in 2007. The decrease in deductions in 2009 as compared to 2008 is primarily due to decreased withdrawals by participants as a result of increasing confidence in the financial markets. The decrease in deductions in 2008 compared to 2007 was primarily due to the erosion of investment values of the funds that were withdrawn by participants from the Plan.

Condensed Statements of Fiduciary Net Assets (millions):

	2009	2008	2007
Assets:			
Investments	$ 98.9	$ 71.5	$ 89.8
Employer contributions receivable	4.4	4.1	3.6
Net assets held in trust for pension benefits	$ 103.3	$ 75.6	$ 93.4

Condensed Statements of Changes in Fiduciary Net Assets (millions):

	2009	2008	2007
Additions:			
Investment income (loss)	$ 17.5	$ (25.9)	$ 5.4
Contributions	14.7	14.0	13.5
Total additions, net of loss on investments	32.2	(11.9)	18.9
Deductions:			
Benefits paid to participants and administrative expenses	4.5	5.9	6.2
Net increase (decrease) in net assets held in trust for pension benefits	27.7	(17.8)	12.7
Net assets held in trust for pension benefits, beginning of year	75.6	93.4	80.7
Net assets held in trust for pension benefits, end of year	$ 103.3	$ 75.6	$ 93.4

California ISO
Retirement Savings Benefits Plan
Statements of Fiduciary Net Assets
December 31, 2009 and 2008

	2009	2008
Assets		
Cash	$ 155,469	$ 25,495
Investments at fair value (Note 3)	98,897,067	71,540,504
Employer contributions receivable	4,353,234	4,062,865
Total assets	103,405,770	75,628,864
Liabilities		
Accrued liabilities	155,469	24,668
Net assets held in trust for pension benefits	$ 103,250,301	$ 75,604,196

The accompanying notes are an integral part of these financial statements.

California ISO
Retirement Savings Benefits Plan
Statements of Changes in Fiduciary Net Assets
For the years ended December 31, 2009 and 2008

	2009	2008
Additions:		
Investment gains (losses) and income:		
Interest and dividends	$ 202,034	$ 723,833
Dividends and capital gain distributions from mutual funds	1,436,038	2,593,097
Net appreciation (depreciation) in fair value of investments (Note 3)	15,860,719	(29,169,644)
	17,498,791	(25,852,714)
Contributions:		
Participant	6,656,860	6,389,092
Employer	8,073,072	7,567,167
	14,729,932	13,956,259
Total additions, net of loss on investments	32,228,723	(11,896,455)
Deductions:		
Benefits paid to participants	4,513,458	5,829,589
Administrative expenses	69,160	42,780
Total deductions	4,582,618	5,872,369
Net increase (decrease) in net assets held in trust for pension benefits	27,646,105	(17,768,824)
Net assets held in trust for pension benefits, beginning of year	75,604,196	93,373,020
Net assets held in trust for pension benefits, end of year	$ 103,250,301	$ 75,604,196

The accompanying notes are an integral part of these financial statements.

1. Description of the Plan

The following brief description of the California ISO Retirement Savings Benefits Plan (the Plan) provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions.

General
The Plan is a defined contribution plan and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Substantially all employees of the California Independent System Operator Corporation (the Company) are eligible to participate in the Plan. Participants are eligible to participate in the Plan on the first day of the month coinciding with or following date of hire.

The Company is the Plan's named fiduciary and plan administrator and has designated an advisory committee and retained the services of a third party to assist in the administration of the Plan. The advisory committee is appointed by the Company and has the responsibility of making discretionary determinations under the Plan and providing distribution directions to the trustee. The Company has appointed The Charles Schwab Trust Company (Schwab or Trustee) as the Plan's Trustee and has retained the services of Milliman, Inc. (Milliman) to assist in the administration of the Plan.

Membership
At December 31, 2009, the Plan's membership consisted of:

Active members	581
Inactive members	140
Retired members	2
Survivors and beneficiaries	1
Total	724

Contributions
Beginning in 2007, participants may contribute up to 100% of their eligible compensation, as defined in the Plan, subject to the maximum allowed by the Internal Revenue Code (IRC). These contributions may be made either on a pre-tax basis or on an after-tax (Roth) basis. Participants may also contribute amounts representing rollovers from other qualified defined benefit or defined contribution plans. Total rollover contributions during the years ended December 31, 2009 and 2008, were $223,327 and $224,338, respectively. The Company makes matching contributions equal to 100% of the first 6% of eligible compensation that a participant contributes to the Plan. Additionally, regardless of a participant's elective contributions, the Company may make an Annual Retirement Contribution based on years of credited service with the Company.

The years of credited service used to determine each participant's Annual Retirement Contribution is as follows:

Years of Credited Service	Retirement Contribution (% of Eligible Compensation)
0 to 5	5%
6 to 10	7%
11 to 15	8%
16 to 19	9%
20 or more	10%

To receive the Annual Retirement Contribution, participants must complete one hour of service during the plan year and be employed by the Company on the last day of the plan year.

Participant contributions, Company matching contributions, and the annual retirement contributions are recorded in the period the related payroll is paid by the Company. Participant contributions and Company matching contributions are funded each payroll period. The Annual Retirement Contribution is funded annually, subsequent to the Plan's year end.

Participant accounts
Each participant's account is credited with the participant's contributions, the Company's contributions, and an allocation of plan earnings. Allocations are based on participant compensation or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Participants direct the investment of their accounts into two types of investment options offered by the Plan. The Plan currently offers the core option investment account, consisting of eleven mutual funds, one common collective trust and one money market fund, or the personal choice investment account, which is a self-directed brokerage account.

Vesting
Participants are vested immediately in their contributions plus actual earnings thereon. Participants vest in Company contributions and earnings thereon ratably over four years at 25% per year. Upon death, disability, or reaching normal retirement age of 60 years old, participants are immediately vested in all Company contributions.

Payment of benefits
On termination of service due to death, disability, retirement, or upon termination of employment, a participant or their beneficiary may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, or installments over a fixed period.

Forfeited accounts
In the event participants terminate their employment for reasons other than death, disability, or retirement, forfeitures of the unvested portion of their employer contribution accounts are used to reduce the Company's contributions for the plan year in which the forfeiture occurs. Forfeitures during the years ended December 31, 2009 and 2008, were $50,693 and $102,415, respectively, and were used to reduce Company contributions.

Participant notes receivable
Participants may borrow from their account a minimum of $1,000 up to a maximum equal to the lesser of $50,000 or 50% of their vested account balance. The loans are collateralized by the vested balance in the participant's account and bear interest at rates ranging from 4.25% to 9.25% at December 31, 2009. Principal and interest is paid ratably through biweekly payroll deductions. Loan terms generally range from one to five years or up to 15 years if the proceeds are to be used for the purchase of a primary residence. Participant notes receivable amounted to $2,114,288 and $1,721,262 at December 31, 2009 and 2008, respectively.

Administrative expenses
Administrative expenses of the Plan, other than fees for participant-initiated transactions, are generally paid by the Company. Investment transaction charges are paid by the Plan.

Plan amendments
In 2009, the advisory committee adopted the following Plan amendments:

- Non-spousal beneficiary rollovers are allowed effective for distributions made after December 31, 2006.
- Hardship distributions for expenses of a beneficiary are allowed effective as of August 17, 2006.
- The option to permit in-service distributions at age 62 (with respect to amounts attributable to a money purchase pension plan, target benefit plan, or any other defined contribution plan that has received a transfer of assets from a pension plan) is allowed effective January 1, 2009.

2. Summary of Significant Accounting Policies

Financial Reporting Entity and Basis of Accounting
The Plan is governed by the same board as the Company. The Company's five-member board is currently appointed by the California governor and subject to confirmation by the California state senate. The Plan uses the economic resources measurement focus and the accrual basis of accounting in accordance with standards of the Governmental Accounting Standards Board (GASB).

Use of estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment valuation and income recognition
The Plan's investments are stated at fair value, generally as quoted on a recognized securities exchange. Participant notes receivable are valued at cost, which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date.

The net appreciation or depreciation in the fair value of investments consists of the realized gains and losses and the unrealized appreciation or depreciation on the Plan's investments.

Risks and uncertainties
The Plan invests in various investment securities. Market values of investments may decline for a number of reasons, including changes in prevailing market and interest rates, increases in defaults and credit rating downgrades. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of fiduciary net assets.

Contributions
Contributions are recognized as revenues in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

Benefits
Benefits paid to participants are recorded as deductions from net assets held in trust for pension benefits when approved and paid by the Plan.

3. Investments

Investments at fair value as of December 31, 2009 and 2008 are as follows:

	2009	2008
Pooled mutual funds	$ 61,699,674	$ 39,832,331
Money market funds	18,842,062	18,042,833
Common collective trust	6,539,294	5,715,584
Self-directed brokerage accounts	9,701,749	6,228,494
Participant notes receivable	2,114,288	1,721,262
	$ 98,897,067	$ 71,540,504

The pooled mutual funds, money market funds, and the common collective trust (collectively, the funds) offered by the Plan are initially selected based on criteria including risk and relative performance versus similar funds within an investment category, the level of expense ratios, and consistency/tenure of the fund's management. After a fund has been selected, the advisory committee (the Committee) reviews the fund for continued conformance with these criteria. If a fund does not conform to these retention criteria, it is flagged for continued attention and placed on a "watch" list, or removed as a continuing investment option for Plan participants. The Committee reviews quarterly and annual performance of funds versus benchmarks. The Committee also reviews funds for potential departures from the investment styles that were in place at the time of fund selection.

The Plan also permits participants to establish self-directed brokerage accounts, which provide participants with the ability to purchase most legally permissible investments for a retirement account. Neither the Company nor the Committee will monitor investments made within the brokerage account (other than such review as may be necessary to ensure that the investment is permitted by ERISA).

Credit risk
Credit risk for investments is the risk that an issuer or other counterparty will not fulfill its obligations to the Plan and custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The Plan does not have an investment policy that would limit its investment choices to address credit risk.

Concentration of credit risk
This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. In 2009 and 2008, investments that represent 5% or more of the Plan's net assets held in trust for pension benefits at December 31, are as follows:

	2009	2008
Schwab Value Advantage Money Fund	$ 18,842,062	$ 18,042,833
Vanguard Institutional Index	10,625,278	7,500,092
Templeton Institutional Emerging Markets	9,896,665	5,071,500
PIMCO Total Return Fund	7,940,025	5,387,005
American Beacon International Equity	6,893,053	5,020,041
INVESCO Retirement Trust Stable Value Fund	6,539,294	5,715,584
DFA U.S. Small Cap	5,810,090	3,857,522
Vanguard Windsor II Admiral	5,461,230	3,892,610

Interest rate risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. The Plan has direct investments in debt instruments, such as certificates of deposit and corporate bonds, and indirect investments, such as fixed income mutual funds other than money market funds, exchange-traded funds and common collective trusts that are subject to interest rate risk. The Plan attempts to mitigate interest rate risk through portfolio diversification. The Plan's investments include the following fixed income investments:

	2009	2008
Mutual funds	$ 9,600,766	$ 6,170,602
Participant notes receivable	2,114,288	1,721,262
Certificates of deposit	142,528	278,465
Corporate and government bonds	10,687	3,510
	$ 11,868,270	$ 8,173,839

Foreign currency risk
Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Plan invests in exchange-traded funds that are specifically identified as having an investment focus outside the United States, international equity mutual funds and American Depository Receipts (ADRs) and preferred stocks of foreign corporations. The Plan attempts to mitigate foreign currency risk through portfolio diversification. The Plan's investments include the following foreign investments:

	2009	2008
Mutual funds	$ 17,283,218	$ 10,367,108
ADRs	569,796	266,377
Exchange-traded funds	69,642	77,259
Preferred stock	-	9,808
	$ 17,922,655	$ 10,720,552

Net appreciation (depreciation) in fair value of investments
During 2009 and 2008, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) changed in value as follows:

	2009	2008
Self-directed brokerage accounts	$ 1,905,525	$ (3,566,772)
Mutual funds	13,955,194	(25,602,872)
	$ 15,860,719	$ (29,169,644)

4. Financial Data Certified by The Charles Schwab Trust Company

The following information included in the financial statements and supplemental schedule is unaudited and is based on information supplied by the Trustee:

- Investments of $99,052,536 (including non-interest-bearing cash of $155,469) and $71,565,999 (including noninterest-bearing cash of $25,495) included in the statements of fiduciary net assets as of December 31, 2009 and 2008, respectively;
- Interest and dividend income of $202,034 and $723,833, dividend and capital gain distributions from mutual funds of $1,436,038 and $2,593,097, and net appreciation (depreciation) in the fair value of investments of $15,860,719 and $(29,169,644) included in the statements of changes in fiduciary net assets for the years ended December 31, 2009 and 2008, respectively; and
- All information in the supplemental Schedule of Assets (Held at End of Year).

The Plan's Trustee has certified that the information provided is complete and accurate.

5. Related Party Transactions

Certain plan investments are shares of funds managed by Schwab. Because Schwab is the trustee, these transactions qualify as party-in-interest transactions.

6. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants would become 100% vested in their employer contributions.

7. Tax Status

The Plan received a determination letter dated April 2003 from the Internal Revenue Service stating that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC). Although the Plan has been amended since receiving the determination letter, the plan administrator believes that the Plan is designed and is currently being operated in compliance with applicable requirements of the IRC.

8. Subsequent Events

In June 2010, the Plan changed its record-keeper from Milliman, Inc. to Schwab Retirement Plan Services, Inc. The change does not affect the financial position of the Plan.

California ISO
Retirement Savings Benefits Plan
Form 5500 - Schedule H, Line 4i
Schedule of Assets (Held at End of Year)
December 31, 2009

California ISO Retirement Savings Benefits Plan
EIN 94-3274043, Plan #001

(a)	(b) Identity of Issue, Borrower, Lessor or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(d) Cost**	(e) Current Value
*	Schwab Value Advantage Money Fund	Money market fund		$ 18,842,062
	Vanguard Institutional Index	Mutual fund		10,625,278
	Templeton Institutional Emerging Markets	Mutual fund		9,896,665
	PIMCO Total Return Fund	Mutual fund		7,940,025
	American Beacon International Equity	Mutual fund		6,893,053
	INVESCO Retirement Trust Stable Value Fund	Common collective trust		6,539,294
	DFA U.S. Small Cap	Mutual fund		5,810,090
	Vanguard Windsor II Admiral	Mutual fund		5,461,230
	Columbia Small Cap Val II	Mutual fund		4,814,716
	T. Rowe Price Growth Stock	Mutual fund		4,160,952
	Boston Company Large Cap	Mutual fund		3,315,808
	T. Rowe Price Real Estate Fund	Mutual fund		1,418,280
	Northeast Investors Trust	Mutual fund		1,363,006
	Lazard Emerging Markets	Mutual fund		571
*	Participant Notes Receivable	Interest rates from 4.25% - 9.25%		2,114,288
*	Self-Directed Brokerage Accounts (Personal Choice Investments)	Various		9,701,749
	Total investments			$ 98,897,067

* Party-in-Interest

** Not applicable for disclosure as investments are participant directed.

The information in this schedule has been certified as to its completeness and accuracy by The Charles Schwab Trust Company.