

California Independent System Operator Corporation

**Code of Conduct Certification Process
Report of Independent Accountants
February 5, 2014**





Report of Independent Accountants

To the Board of Governors of the
California Independent System Operator Corporation

We have performed the procedures described in this report, which were agreed to by the California Independent System Operator Corporation (“ISO”), solely to assist you in assessing your process of obtaining certifications and other compliance procedures for employees, contractors and your Board of Governors related to the ISO Code of Conduct. The ISO is responsible for compliance with its Code of Conduct. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and findings

The procedures we performed and our findings are described at Exhibit I. Such procedures relate to three classes of ISO constituents as of December 1, 2013:

- Employees
- Selected Contractors (see description in Exhibit I)
- Members of the Board of Governors

The date was selected by management to conform with the timing of ISO’s annual process of obtaining certifications of compliance from these constituents.

Matter for your attention

In connection with the performance of our procedures over the annual compliance certification process, we were advised by management that they were aware of eight instances where individual annual certifications were prepared in error as these certifications did not disclose that the employee held prohibited investment(s) in their self-directed 401k accounts. These issues were outside the execution of our procedures and were addressed by the Legal department while we were conducting our procedures. Management has represented to us that they have completed their assessment of the prohibited investments they identified.

Since the existence of these prohibited investments was not identified on the employee’s certification forms subject to our procedures, the scope of our procedures did not include management’s assessment of such matters.

Report limitations

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the level of ISO’s compliance with its Code of Conduct. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.



This report is intended solely for the information and use of the Board of Governors and management of the ISO, and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

February 5, 2014

California Independent System Operator Corporation

Agreed-Upon Procedures and Findings

Exhibit I

The procedures we performed and our findings are described below:

1.) For employees

Procedures performed:

- a.) We obtained the ISO payroll register dated December 6, 2013, for the payroll period ending December 1, 2013.
- b.) For all employees included on the payroll register obtained above:
 - i) We inspected the ISO report titled "OLM Employee Required Training" and determined that the status of "Completed" as referenced to the criteria Class Name of "All Employee Required Training - Acknowledgement" was indicated for all employees on the report.
 - ii) We obtained their Conflicts of Interest Disclosure Form and inspected the form for signature and whether they contained any written indication of disclosed conflicts. For all forms with disclosed conflicts, we reviewed the "Analysis of 2013 Annual Code of Conduct Disclosure" list for evidence that the ISO legal department performed an assessment of the disclosed conflicts.
- c.) For a haphazardly selected sample of 30 employees, performed an independent confirmation of the employees' responses on the Conflict of Interest Confirmation form as follows:
 - i) Obtained a Conflict of Interest Confirmation form from the ISO, for distribution by PricewaterhouseCoopers LLP
 - ii) Distributed the Conflict of Interest Confirmation form to each employee
 - iii) Obtained the completed confirmation form and determined if any of the employees noted any exceptions to the confirmation or did not sign the confirmation.

Management has advised us that for those employees on a leave of absence, as identified by the ISO Human Resources Department, certifications are not required until the employee returns. Accordingly, any employee on a leave of absence was excluded from our procedures.

Management has advised us that for those employees identified with a status code of "Term" on the payroll register, certifications are not required as these employees had terminated employment prior to December 1, 2013. Accordingly, those employees were excluded from our procedures.

Findings - no exceptions were noted with respect to these procedures except for procedure b. ii) wherein the Analysis of 2013 Annual Code of Conduct Disclosure list did not include two potential conflicts of interest that were indicated on two separate employee's Conflicts of Interest Disclosure forms.

After the above exceptions were brought to the attention of management, an updated Analysis of 2013 Annual Code of Conduct Disclosures listing was prepared to include the missing items identified in the above finding.

2.) For contractors

Procedures performed:

- a.) We obtained a list of all contractors as of December 1, 2013 (provided to us through the ISO Human Resources Department), that are considered by ISO management to be substantially full-time contractors subject to the certification requirement.
- b.) For all contractors included on this contractor list, we obtained their certifications to determine if they were signed and if they contained any written indication of exception to ISO requirements.

Findings - We performed the above procedures without exception.

3.) For Board members

Procedures performed:

- a.) We obtained a list of all members of the Board of Governors of the ISO as of December 1, 2013. This list was obtained from the ISO website and was last updated on June 6, 2013.
- b.) For all board members included on the list, we obtained their certifications to determine if they were signed and if they contained any written indication of exception to ISO requirements.

Findings – We performed the above procedures without exception.