

California Independent System

Operator Corporation

**Code of Conduct Certification Process
Report of Independent Accountants**

March 19, 2015





Report of Independent Accountants

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

We have performed the procedures enumerated below, 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 November 30, 2014:

- 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 such certifications.

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.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

March 19, 2015

The procedures we performed and our findings are described below:

1.) For employees

Procedures performed:

- a.) We obtained the ISO payroll register dated December 5, 2014, for the payroll period ending November 30, 2014.
- 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 each employee's "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 2014 Annual Code of Conduct Disclosure" list for evidence that the ISO legal department performed an assessment of the disclosed conflict.
- c.) For a haphazardly selected sample of 30 employees, we performed an independent confirmation of the employees' responses on the "Conflict of Interest Confirmation" form as follows:
 - i) Obtained a "Conflicts of Interest Confirmation" form from the ISO, for distribution by PricewaterhouseCoopers LLP
 - ii) Distributed the "Conflicts of Interest Confirmation" form to each employee
 - iii) Obtained the completed "Conflicts of Interest Confirmation" form and determined if any of the employees noted exceptions to the confirmation or did not sign the confirmation
 - iv) Obtained all quarterly prohibited investment holding reports prepared by Charles Schwab and compared the list of employees included on each quarterly report to the "Analysis of 2014 Code of Conduct Disclosure."

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 November 30, 2014. Accordingly, those employees were excluded from our procedures.

Findings - no exceptions were noted with respect to these procedures except for the following:

- 1. Procedure b.) ii), wherein the "Analysis of 2014 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, and
- 2. Procedure c.) iv), wherein the "Analysis of 2014 Annual Code of Conduct Disclosure" list did not include a conflict of interest that was identified on the quarterly analysis of employees invested in prohibited investments performed by Charles Schwab.

After the above exceptions were brought to the attention of management, an updated “Analysis of 2014 Annual Code of Conduct Disclosures” listing was prepared to include the previously missing items identified in the above findings.

2.) For contractors

Procedures performed:

- a.) We obtained a list of all contractors as of November 30, 2014 (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 February 24, 2015 from the ISO website, which was last updated on February 2, 2015.
- 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.