

Exhibit No. ISO 2(5)

June 10, 1998

**STEERING COMMITTEE CONFERENCE CALL**

GMC Unbundling Steering Committee Conference Call

June 10, 1998

Participants:

Mike Werner, Don Fuller, Barbara Barkovich, Cheryl Beach, Brian Jobson, David Cohen, Steve Greenleaf, Ron Knecht, Debi Deetz, Ed Lucero, Ray Czahar, Ellen Banaghan, Roger Johnson.

This discussion was called because of a recent shift by Rudden to a much simplified group or 3 or 4 functions (vs. the 23 items from the study group, and the 10-12 previously discussed by Rudden).

Cheryl Beach started with some background discussion and premises: Trying to distinguish between full-service use and occasional use. Those that self-provide shouldn't pay the same as people who use the grid regularly. Dispatching a station that is 2000 MW is more expensive than dispatching 200 MW but probably not 10 times as expensive.

Proposing 4 Functions

Billing and Metering – Transaction based, (must look at revenue sufficiency, what information is available, is there a simple way to implement without adding undue administrative burden.

Market Facilitation – A/S Auction, Bidding, etc.

Dispatch and Grid Management – Transmission

Handling of Existing contracts – not sure about this one, not sure how to collect costs, may not meet materiality criteria.

The group commented on a need in the report to carefully delineate what's in each category.

A concern expressed for a better definition of the "transmission" piece in Dispatch and Grid Management – a concern over existing contracts that don't rely on the ISO grid. I.e. There is a congestion management function in the grid that doesn't apply to existing contracts.

Comment that Reliability and Planning should be in grid coordination but the CONG should be handled separately.

What's in dispatch function?

Answer – Scheduling, dispatch, real-time, reliability, control area operations, what a power pool would have to do; control area, wheeling, reliability.

Question - If you separate CONG, is it material?

Comments about charging existing contract schedules to IOU – extent to which services can be passed through from IOU will be litigated at FERC.

SMUD wants to be an SC – need correct allocation of cost so that becoming an SC won't be bad financially.

If GMC doesn't unbundle CONG from Grid Management – How will PG&E know what it is to charge or not charge accordingly. (to existing rightsholders)

Comments that team is encouraged since mid-term report.

Perhaps ISO could split bill to PG&E, those MW using CONG and those MW not using CONG

Comment – We will spend money to unbundle, in terms of software change.

Discussion on need for precise split in definition of billing determinants. Also how are apportionment decisions being made. Approximately 10 buckets with joint cost. Looking at each item separately.

Likely billing determinants:

- Grid Management – KWHr volume
- Market – equivalent KWHr
- Billing and Metering – Transaction

Study will look at impact on SCs and also at customer impacts.

On topic of self-providing A/S vs. obtaining in market – a comment that while some self-provide and some don't; all depend on A/S for reliability and stability. Any SC has the opportunity to use the auction. Maybe we should have a charge for opportunity and a charge for usage.

Discussion of revenue sufficiency and implementation of quarterly adjustment. A question of whether to go after each category separately or establish a residual to spread across MWHr volume.

Discussion on outline of the report provided a week ago. Important to highlight what is recommended vs. stakeholder inputs: i.e. We considered this, we adopted this because.... We rejected this because .....

Discussion that specific stakeholder meeting notes need not be in report because report will go to FERC and possibly would be a part of litigation.

#### Upcoming Schedule

June 22<sup>nd</sup> – Draft report issued to Stakeholders.

July 1<sup>st</sup> 10 AM – GMC Steering Committee conference call

July 9<sup>th</sup> - Stakeholder meeting in Sacramento/Folsom area to present, review, debate the report.