

Operations Highlights Report

Notable Events

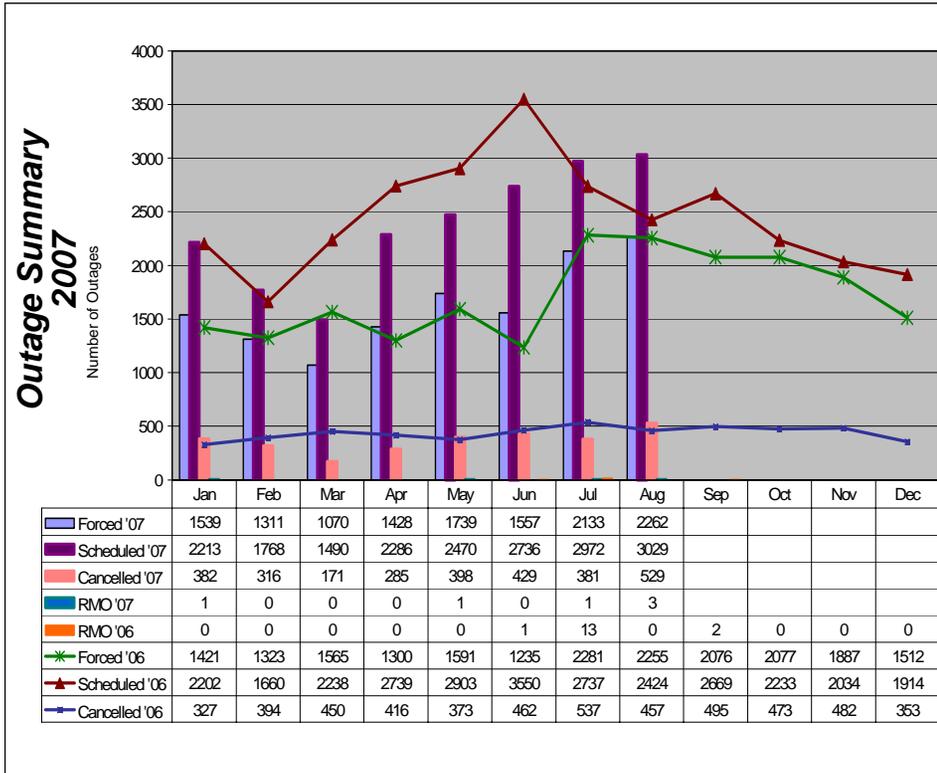
Unannounced Ancillary Services Compliance Testing

Per our Tariff and NERC/WECC requirements, Operations Support and Grid Operations began Unannounced Ancillary Services (A/S) Compliance Testing during the month of September per the new G-214 procedure. Testing is continuing.

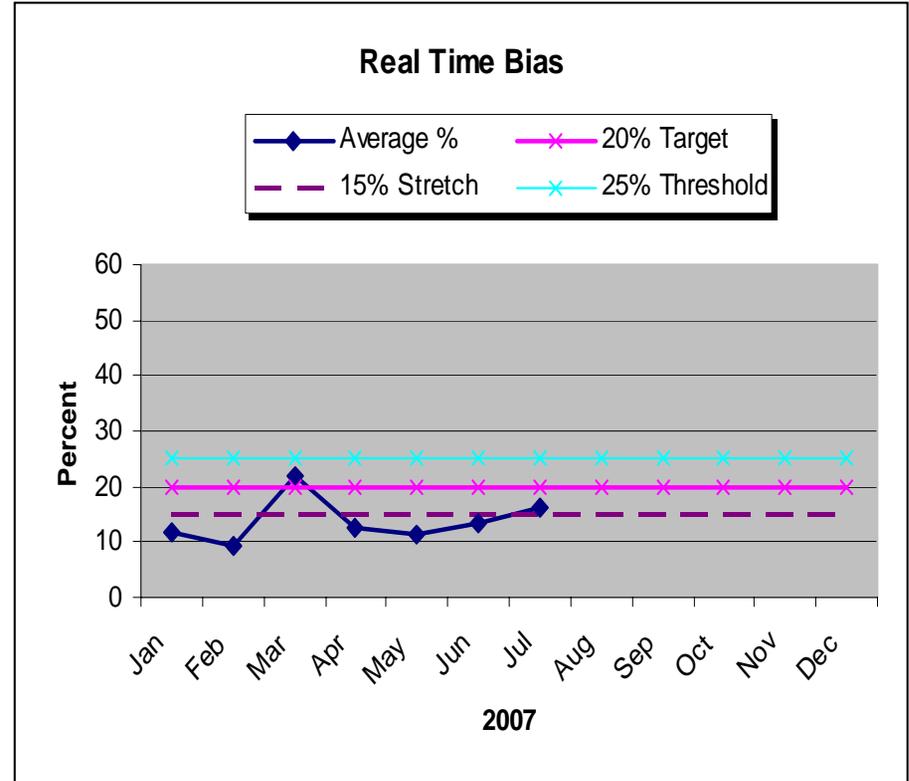
A warning notice will be sent to the resource owner and the resource SC for those that have failed an Unannounced Compliance Test. A resource that fails an additional Unannounced Compliance Test within six months after issuance of the warning notice will be decertified from providing A/S.

Report on RMR/Black Start/Dual Fuel Extensions for 2008 Calendar Year

In conjunction with the 2008 Resource Adequacy process, on September 28, 2007, the CAISO sent letters to all Owners with RMR Units in effect during the 2007 calendar year to notify them of their extension status for the 2008 calendar year. As described in the memo to the board from Gary DeShazo and Armie Perez titled "Update on Conditional Approval to Extend/Release Existing RMR Contracts for 2008", the Alameda units 1 & 2 and the Contra Costa units 4 & 5 were released and all others were extended. In addition, the CAISO sent letters to the extend both the Interim Black Start Agreement and the Dual Fuel Agreement with Pacific Gas and Electric Company to retain these critical reliability services for the 2008 Calendar Year.

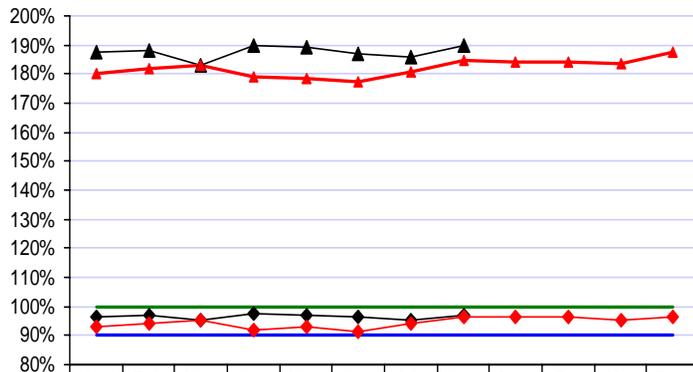


The Outage Activity Summary graph shows the number forced, scheduled, and cancelled generation and transmission outages processed per month by the Outage Coordination office. Included in the graph is the number of Restricted Maintenance Operations (RMO), RMO accommodates additional transmission or other maintenance on the grid.



Bias numbers for July, August, and September were 16.3%, 27.6%, and 15.9%, respectively. August was higher for a variety of reasons, including operators using bias for path management and data errors causing an incorrect imbalance energy calculation. These issues were largely resolved with the result being that the biasing level went significantly lower in September. For the year to date, biasing is 15.5%, which is better than our internal target of 20% and just missing our stretch goal of 15%.

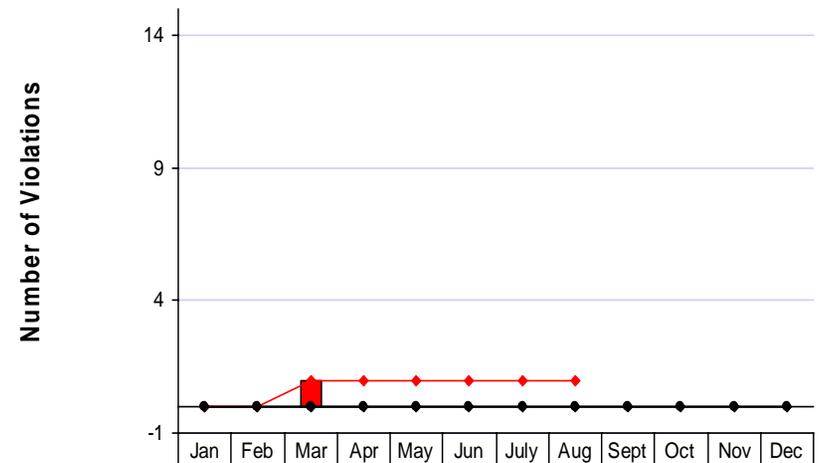
Control Performance Standard 1 & 2



	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec
▲ '07 CPS 1	188%	188%	183%	190%	189%	187%	186%	190%				
◆ '07 CPS 2	96.55	97.10	95.01	97.35	97.25	96.67	95.31	97.08				
▲ '06 CSP 1	180%	182%	183%	179%	179%	177%	181%	185%	184%	184%	183%	188%
◆ '06 CPS 2	92.94	93.88	95.20	92.05	92.74	91.45	94.18	96.59	96.68	96.42	95.33	96.55
— CPS1 Min Req	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
— CPS2 Min Req	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%

WECC Minimum Operating Reliability Criteria for CPS1 is 100%. The CPS1 Target and Stretch Goal are to attain a score of 100% 12 of 12 months during the calendar year. WECC Minimum Operating Reliability Criteria for CPS2 is 90%. The CPS2 Target and Stretch Goal are to attain a score of 90% 12 of 12 months during the calendar year. Our YTD results are on track to meet the Stretch objective of attaining a score of 100% for CPS1 and 90% for CSP2 of 12 months for 2007.

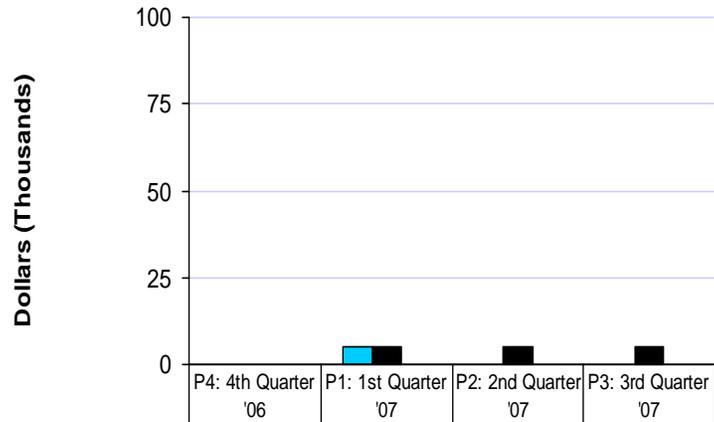
Operational Transfer Capability Violations



	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec
■ '07 Violations	0	0	1	0	0	0	0	0				
◆ '07 YTD Violations	0	0	1	1	1	1	1	1				
◆ '06 YTD Violations	0	0	0	0	0	0	0	0	0	0	0	0
◆ '06 Violations	0	0	0	0	0	0	0	0	0	0	0	0

The OTC Violation Target Goal is not to exceed 2 violations, with the Stretch goal of zero violations for the calendar year. Our YTD results are on track to meet the Target Goal for 2007.

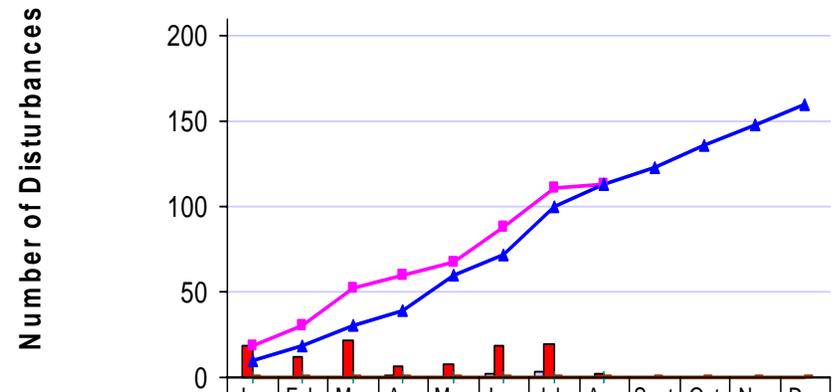
WECC Monetary Sanctions



	P4: 4th Quarter '06	P1: 1st Quarter '07	P2: 2nd Quarter '07	P3: 3rd Quarter '07
ISO Qtr Monetary Sanctions in Thousands of Dollars	0	5	0	0
ISO YTD Monetary Sanctions in Thousands of Dollars	0	5	5	5
Total WECC YTD Monetary Sanctions** in Thousands of Dollars	4	13	46	46
YTD ISO % of WECC Monetary Sanctions	0.0%	37.0%	10.0%	10.0%

*Chart begins with 4th Quarter 2006 to allow for delay in finalization and receipt of year-end WECC sanction data, and to enable analysis of Performance goals based on a full year.

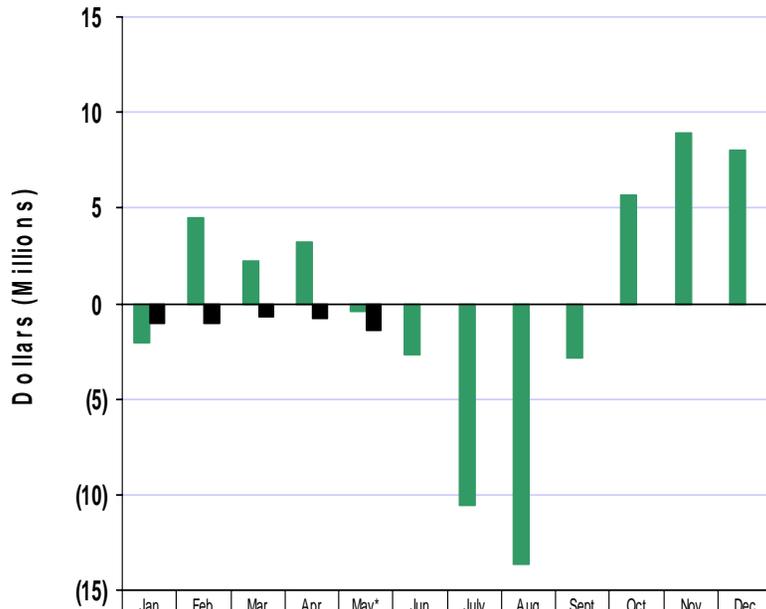
Frequency Disturbances



	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Inside ISO '07	0	0	0	1	0	2	3	0				
Outside ISO '07	18	12	22	7	8	19	20	2				
Inside ISO '06	3	0	0	1	2	1	5	1	2	1	4	1
Outside ISO '06	7	9	11	8	19	11	23	12	8	12	8	11
'07 YTD Total	18	30	52	60	68	88	111	113				
'06 YTD Total	10	19	30	39	60	72	100	113	123	136	148	160
ISO DCS Violations '07	0	0	0	0	0	0	0	0				

Frequency Disturbances are results of a sudden loss of load or generation. ISO DCS Violations are those losses of generation greater than 35% of our most severe single contingency (currently 399 MW), where the ACE is not recovered within 15 minutes. The DCS Violation Target Goal is not to exceed 2 ISO DCS violations, with the Stretch goal of zero violations for the calendar year. Our YTD results are on track to meet the Stretch objective to have zero DCS Violations for 2007.

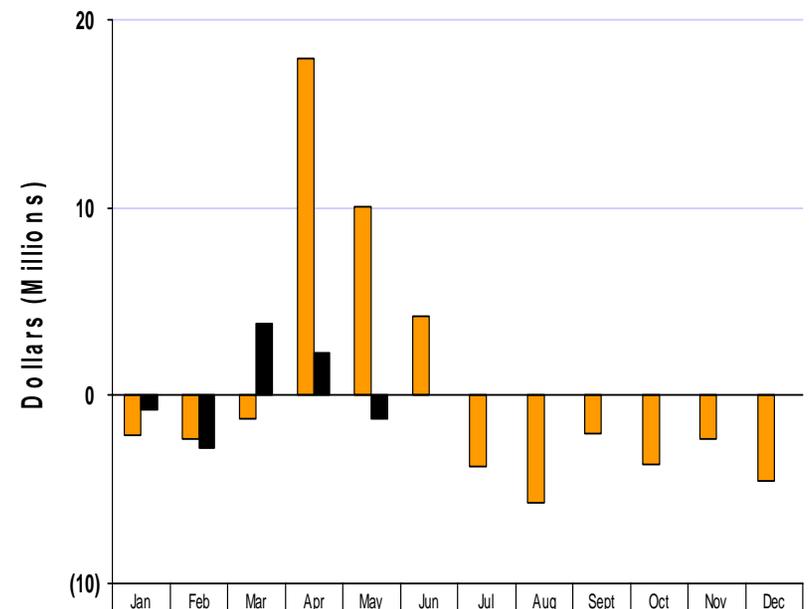
System Unaccounted For Energy (UFE)



	Jan	Feb	Mar	Apr	May*	Jun	July	Aug	Sept	Oct	Nov	Dec
2006 UFE Dollars	-2.0	4.5	2.2	3.2	-0.4	-2.7	-10.6	-13.6	-2.9	5.7	8.9	8.0
2007 UFE Dollars	-1.0	-1.1	-0.7	-0.8	-1.4							
2006 Control Area UFE %	-0.64%	0.30%	-0.11%	-0.19%	-0.65%	-0.81%	-0.64%	-1.23%	-0.38%	0.39%	0.77%	0.58%
2007 Control Area UFE %	-0.51%	-0.48%	-0.36%	-0.34%	-0.36%							

•Amounts estimated for May 2007. There is a 75 day time lag before actual UFE data becomes available. This chart represents the total UFE Dollars in a given month, which is calculated on a settlement interval basis and the UFE the overall average of UFE

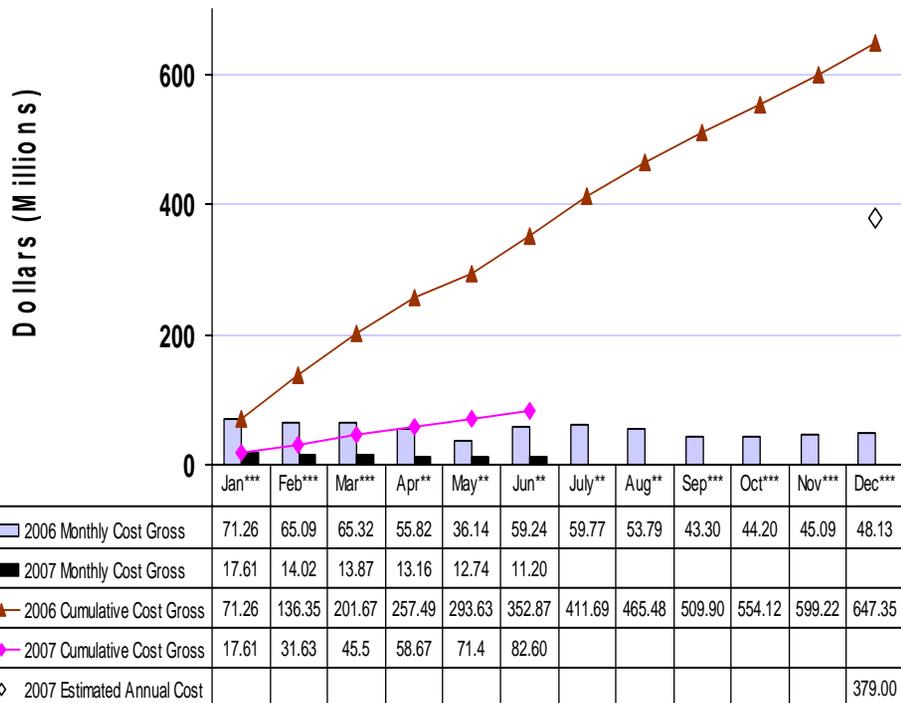
Neutrality



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2006 Monthly Amount	-2.1	-2.3	-1.2	18.0	10.1	4.2	-3.8	-5.7	-2.0	-3.7	-2.3	-4.5
2007 Monthly Amount	-0.8	-2.8	3.8	2.3	-1.2							

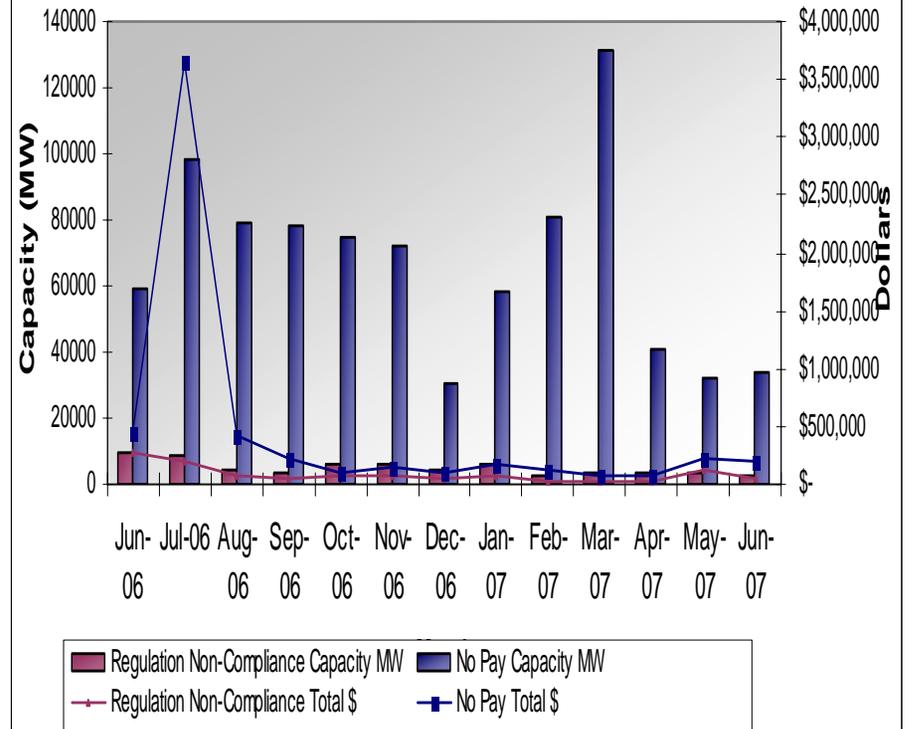
Neutrality number includes both the Neutrality Adjustment & Existing Contract Charge/Adjustment *There is a 75 day time lag before actual Neutrality data becomes available.

Reliability Must Run (RMR)

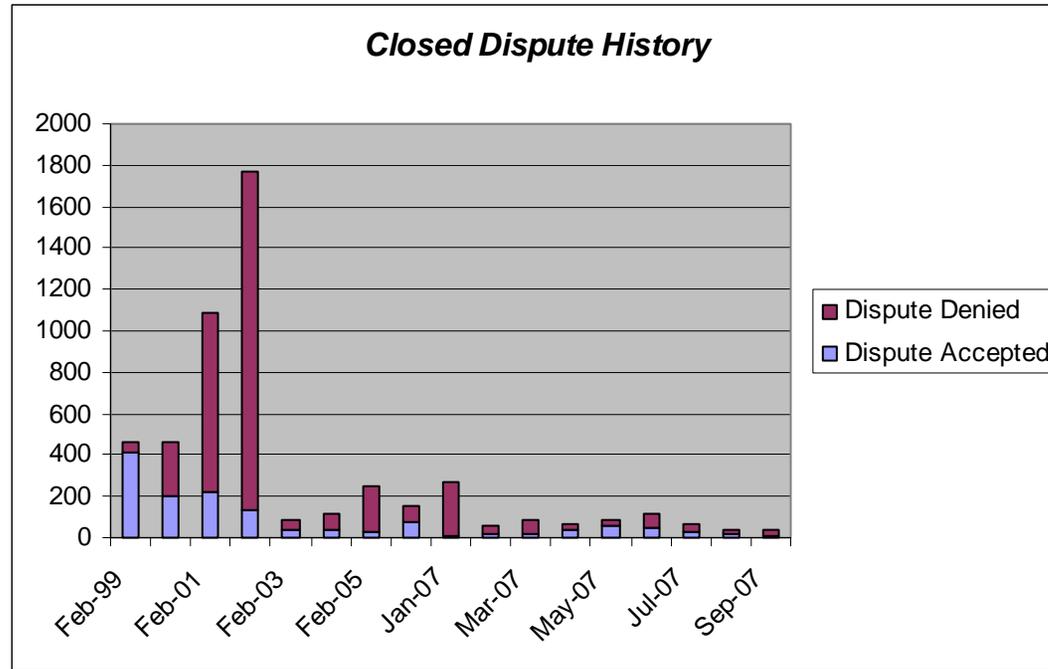


RMR decreased in 2007 to 13 facilities consisting of 35 units; down from 30 facilities consisting of 86 units in 2006. * There is a 120 day lag time before final actual RMR data becomes available. **January thru December 2006 RMR has not yet received adjusted invoices for Border, El Cajon, Enterprise, and VacaDixon. Adjusted invoices not yet received for Jan thru Feb 2007 are Enterprise, Border, and El Cajon. ***Jan 2006 thru Jun 2007 RMR has not received estimated invoices for Enterprise, Border, and El Cajon. Jan 2006 thru Apr 2007 month cost for the listed facilities are based on previous months' data.

Ancillary Service Compliance Programs



Operations Support monitors suppliers of Ancillary Services to ensure that Ancillary Service capacity awarded in the ISO markets is available in real-time. In June 2007, 99 percent of scheduled Regulation was available and an average of 97 percent of scheduled Spinning Reserve and Non-Spinning Reserve was available. The total value of rescinded payments was approximately \$241,570 for June. The chart shows the monthly totals of non-compliant Ancillary Service capacity (MW) for twelve months.



The graph above shows the volume of disputes from February 1999 through September 2007.

Definitions

The following are definitions of the items and or systems covered in the Operations Performance Scorecard section of this report:

Operations Performance Scorecard:

WECC Monetary Sanctions - Measures through WECC's Reliability Management System (RMS) criteria. The RMS criteria include items such as Operating Reserve (OR), Operational Transfer Capability (OTC), Disturbance Control Standard (DCS), System Operator certification, and compliance with the WECC Unscheduled Flow Reduction Procedure. The ISO's goal is to have zero monetary sanctions per quarter.

Control Performance Standards 1 & 2. - Control Performance Standard 1 (CPS1) is intended to provide a control area with a frequency sensitive evaluation of how well it is meeting its demand requirements. CPS1 is a statistical measure of Area Control Error (ACE) variability.

Control Performance Standard 2 (CPS2) is a statistical measure of ACE magnitude. It is designed to limit a Control Area's unscheduled (or inadvertent) power flows that could result from large ACE values.

Operating Transfer Capability Violations - OTC Violations are defined as those transmission path overloads that exceed WECC allowable time limits for stability rated (20 min.) and thermally rated (30 min.) paths.

ISO Control Area Frequency - The ISO Control Area Frequency figures report internal and external system disturbances and include violations of the Disturbance Control Standard (DCS) resulting from ISO Control Area internal disturbances, such as loss of a large generating unit or transmission line. WECC allowable time limit for disturbance recovery is 15 minutes. Per WECC criteria, qualifying disturbances are defined as those greater than 35% of our maximum generation loss from our most severe single contingency. The California ISO's most severe single generation contingency is a nuclear unit with maximum generation output 1120 MW, 35% of which is the 392 MW thresholds used herein.

Real Time Bias - The number entered manually by the ISO operator into Real Time Market application (RTMA) to adjust for the energy deviation between RTMA and the Energy Management System (EMS).