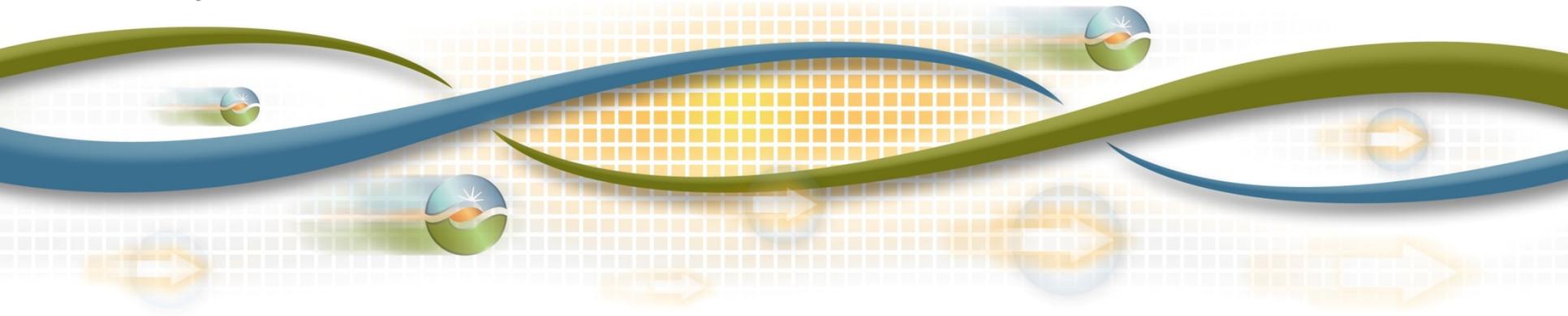


Briefing on Scope of Operations Audit

Nancy Traweek
Director, System Operations

Audit Committee Meeting
General Session
May 15, 2013



Operations Audit Background

- Independent audit review required by tariff
- Second year conducting full audit versus review
- Compliance with operations policies, procedures
- Scope determined generally by stakeholder feedback, PwC input, Management
- Scope is set to ensure broad range of operations processes from year to year
- Solicited stakeholder input to 2013 audit processes
- PwC to conduct the 2013 audit

Validation of the pre-scheduling and real-time scheduling processes selected as the audit scope.

- Interchange transactions supply approximately 30% of California demand
- Pre and real-time scheduling processes ensure accurate and timely interchange transactions
- Accurate interchange schedules are critical to maintaining reliability throughout the western interconnection

The following processes will be tested as part of the audit scope:

- Confirm net scheduled interchange for pre-schedule day checkout
- Validate approval of tags within the allowed evaluation period
- Confirm interchange and market schedule correlation
- Review and validate e-tag curtailment process
- Validate final schedule and net actual interchange comparison totals
- Validate checkout process with adjacent balancing authorities

2013 Audit Schedule

Target Date	
May	Scheduling process data provided to PwC
June	Audit parameters finalized
July	First on-site audit conducted
September	Second on-site audit conducted
December	Audit results presented to the Audit Committee