

**GENERAL SESSION MINUTES
ADR/AUDIT COMMITTEE MEETING
May 18, 2010
ISO Headquarters
Folsom, California**

May 18, 2010

Kristine Hafner, Chair of the ADR/Audit Committee of the ISO Board of Governors, called the general session meeting to order at approximately 9:00 a.m. Roll call was taken and the presence of a quorum was established.

ATTENDANCE

The following members of the ADR/Audit Committee were in attendance:

Kristine Hafner, Chair
Tom Habashi

The following Board members were in attendance: Mason Willrich and Laura Doll.

The following members of the officer team were present: Yakout Mansour, Steve Berberich, Jim Detmers, Karen Edson, Keith Casey, Brenda Thomas and Nancy Saracino.

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

No public comment was offered at this time.

DECISION ON MINUTES

Governor Habashi moved for the approval of the ADR/Audit Committee general session minutes for March 26, 2010. The motion was seconded by Governor Hafner, and approved 2-0-0.

**ACCEPTANCE OF AUDIT OF FINANCIAL STATEMENTS
AND FERC FORM 1 FOR 2009**

Steve Berberich, Vice President, Technology and Corporate Services and Chief Financial Officer, provided the Committee with highlights from the 2009 Financial Statements. Mr. Berberich noted that full details and the prior year's analysis were included in the Management's discussion and analysis section. Mr. Berberich discussed the balance sheet and income statement and noted that grid management charge rates remained stable through 2009. Mr. Berberich concluded his presentation by reviewing the following major footnote disclosures: current assets, fixed assets, current liabilities, long-term debt, employee benefit programs, and contingencies and settlements.

Roger Mills, with PricewaterhouseCoopers, provided the Committee with an overview of the results of the 2009 financial statements audit and noted that April 5, 2010 audit opinion was unqualified. Mr. Mills provided an overview of the following key audit areas: generator noncompliance fines, new market systems, new headquarters building, and contingencies. Mr. Mills stated that reporting and accounting follows the Federal Energy Regulatory Commission (and generally FASB) requirements. Mr. Mills noted the significant differences between corporate and FERC notes regarding the FERC Form 1. Mr. Mills concluded by providing the Committee an overview of the required communications for external auditors. Brief discussion followed.

MOTION

Governor Habashi:

Moved, that the ADR/Audit Committee (1) accepts the California Independent System Operator Corporation's financial statements for the years ended December 31, 2009 as audited by PricewaterhouseCoopers, and (2) accepts the corresponding Federal Energy Regulatory Commission's Form 1 as attached to the memorandum dated May 10, 2010.

The motion was seconded by Governor Hafner, and approved 2-0-0.

BRIEFING ON 2010 OPERATIONS REVIEW

Greg Van Pelt, Director, Operations Process, Quality and Compliance, provided the Committee with an overview of the operations review and noted that the ISO tariff required an annual review of compliance with our operation policies and procedures. Mr. Van Pelt reviewed the criteria used in selecting the scope of the review and noted the following were review candidates: transmission line biasing, pre-market validation, constraint management, and multi-stage generation. Mr. Van Pelt discussed the reasons for Management's decision to select transmission line biasing for the scope of the 2010 operations review. Mr. Van Pelt concluded his presentation by addressing compliance and stated that the review would assess the process and quality of transmission line biasing. Discussion ensued regarding the effect of real time signals as well as the need for consistent decision making by operators.

ADJOURNED

There being no additional general session items to discuss, the general session of the ADR/Audit Committee meeting was adjourned at approximately 9:30 a.m.