

**GENERAL SESSION MINUTES
AUDIT COMMITTEE MEETING
March 20-21, 2013
ISO Headquarters
Folsom, California**

March 20, 2013

The Audit Committee of the ISO Board of Governors convened the general session meeting at approximately 11:00 a.m. and the presence of a quorum was established.

ATTENDANCE

The following members of the Audit Committee were in attendance:

Ash Bhagwat, Chair
David Olsen

The following members of the officer team were present: Keith Casey, Petar Ristanovic, Karen Edson, Nancy Saracino and Greg Fisher, Corporate Secretary

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

No public comment was provided.

DECISION ON GENERAL SESSION MINUTES

Governor Bhagwat moved for approval of the Audit Committee's general session minutes for the December 13-14, 2012 meeting. The motion was seconded by Governor Olsen and approved 2-0-0.

ACCEPTANCE OF ISO CODE OF CONDUCT CERTIFICATION PROCEDURES REVIEW

Laura Coletti, with PricewaterhouseCoopers, provided the Committee with an overview of the scope of the ISO code of conduct certification procedures review. Ms. Coletti stated that the ISO tariff required an independent review of code of

conduct compliance. She informed the Committee that the report was issued on January 31, 2013 and that all planned procedures were performed without exception. Ms. Coletti noted that the high level of commitment and cooperation of the ISO staff was greatly appreciated.

Motion

Governor Olsen:

Moved, that the Audit Committee of the ISO Board of Governors accepts the report issued on January 31, 2013 by PricewaterhouseCoopers LLP for the testing of the ISO's 2012 code of conduct certification procedures, as attached to the memorandum dated March 13, 2013.

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

DECISION ON INVESTMENT STRATEGY OF THE RETIREES MEDICAL PLAN ASSETS

Ryan Seghesio, Chief Financial Officer and Treasurer, provided the Committee with an overview of the ISO's retirees medical plan and noted it helped eligible retirees with ongoing medical benefit costs. Mr. Seghesio stated that strict accounting rules governed the calculation of the liabilities and annual expenses of the plan. He further described how there was currently a mismatch of the asset strategy in comparison to the growing liabilities. Mr. Seghesio stated that Management was proposing a new investment strategy of the designated assets to better match the liabilities. He also described how inserting the Employee Pension Benefits Committee into the process would add more structure and due diligence to the investment strategy of the assets. Discussion followed regarding plan funding and vesting periods.

Motion

Governor Olsen:

Moved, that the Audit Committee of the ISO Board of Governors approves the new investment strategy, as outlined in the memorandum dated March 13, 2013, pertaining to the assets associated with the present value of the liabilities, defined as the Accumulated Postretirement Benefit Obligation of the ISO Retirees Medical Plan; and

Moved, that the Audit Committee of the ISO Board of Governors authorizes the ISO Employee Pension Benefits Committee to approve the specific

language of the investment policy and to monitor the investment strategy of the assets.

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

INFORMATIONAL REPORTS

There were no questions on the following informational reports: Annual Investment Report and Compliance Update.

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 11:30 a.m.