

**GENERAL SESSION MINUTES
AUDIT COMMITTEE MEETING
May 15, 2013
ISO Headquarters
Folsom, California**

May 15, 2013

The Audit Committee of the ISO Board of Governors convened the general session meeting at approximately 1:30 p.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 at times throughout the meeting: Steve Berberich, Eric Schmitt, Keith Casey, Petar Ristanovic, Mark Rothleder, Karen Edson and Nancy Saracino

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

No public comment was provided.

DECISION ON GENERAL SESSION MINUTES

Governor Olsen moved for approval of the Audit Committee's general session minutes for the March 20-21, 2013 meeting. The motion was seconded by Governor Bhagwat and approved 2-0-0.

ACCEPTANCE OF AUDIT OF FINANCIAL STATEMENTS AND FERC FORM 1

Ryan Seghesio, Chief Financial Officer and Treasurer, informed the Committee that Management had completed the annual financial process that included the

annual audited financial statements and the annual FERC Form 1. Mr. Seghesio provided highlights of the 2012 audited financial statements and further discussed key components of the balance sheet.

Sean Barry, with PricewaterhouseCoopers, provided the Committee with an overview of the results of the 2012 financial audit and noted that the audit opinions were unqualified. Mr. Barry provided an overview of the general purposes and statutory requirements surrounding the two audits. He also provided an overview of FERC (FASB) vs. GASB reporting. Mr. Barry provided the Committee with an overview of key audit areas and advised that PwC's independence was a key element of the audit relationship. He concluded his presentation by reviewing the external auditor required communications and encouraged communication and feedback from the Committee. Brief discussion followed regarding the audit of financial market transactions, and Management noted those transactions were covered in the SSAE 16 audit.

Motion

Governor Bhagwat:

Moved, that the Audit Committee of the ISO Board of Governors accepts the financial statements of the ISO for the years ended December 31, 2012 and 2011, as audited by PricewaterhouseCoopers, and as attached to the memorandum dated May 8, 2013; and

Moved, that the Audit Committee of the ISO Board of Governors accepts the FERC Form No. 1 for the years ended December 31, 2012 and 2011, as audited by PricewaterhouseCoopers, and as attached to the memorandum dated May 8, 2013.

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

BRIEFING ON SCOPE OF 2013 OPERATIONS AUDIT

Nancy Traweek, Director – System Operations, provided the Committee with a historical overview of the operations audit and noted that it was an independent audit review that was required by the tariff. Ms. Traweek informed the Committee that this was the second year a full audit was being conducted, as opposed to using agreed-upon procedures, which are also permitted under the tariff. Ms. Traweek noted that PricewaterhouseCoopers would be conducting the 2013 audit. Ms. Traweek stated that the scope was determined generally by Management using stakeholder feedback and input by PricewaterhouseCoopers. She informed the Board that the audit scope would be the validation of the pre-scheduling and real-time scheduling processes and further discussed the processes that would be

tested as part of the audit scope. Ms. Traweek concluded her presentation by reviewing the audit schedule and noted that the results would be presented to the Committee at the December meeting.

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 2:00 p.m.