

**GENERAL SESSION MINUTES
AUDIT COMMITTEE MEETING
May 14, 2015
ISO Headquarters
Folsom, California**

May 14, 2015

The Audit Committee of the ISO Board of Governors convened the general session meeting at approximately 1:00 p.m. and the presence of a quorum was established.

ATTENDANCE

The following members of the Audit Committee were in attendance:

Ash Bhagwat, Chair
Dave Olsen

The following members of the executive team were present at times throughout the meeting: Steve Berberich, Keith Casey, Eric Schmitt, Petar Ristanovic, Roger Collanton and Becky Regan

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

There was no public comment offered at this time.

DECISION ON GENERAL SESSION MINUTES

Governor Olsen moved for approval of the Audit Committee's general session minutes for the February 5, 2015 meeting. The motion was seconded by Governor Bhagwat and approved 2-0.

**ACCEPTANCE OF CODE OF CONDUCT CERTIFICATION PROCESS
REPORT FOR 2014**

Mark Niehaus, with PricewaterhouseCoopers, provided the Audit Committee with an overview of the scope of the audit and stated the ISO tariff required an independent review of the ISO's code of conduct compliance. Mr. Niehaus stated the report was

issued on March 13, 2015. He further reviewed three administrative exceptions and noted they were promptly corrected as soon as they were brought to management's attention. Mr. Niehaus noted his appreciation for the high level of commitment and cooperation of ISO staff throughout the process. Brief discussion followed.

Motion

Governor Bhagwat:

Moved, that the Audit Committee of the ISO Board of Governors accepts the Code of Conduct Certification Process Report issued on March 19, 2015 by PricewaterhouseCoopers LLP for the testing of the ISO's code of conduct certification procedures for 2014, as attached to the memorandum dated May 7, 2015.

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

ACCEPTANCE OF 2014 FINANCIAL STATEMENTS AND FERC FORM No. 1 AUDIT REPORTS

Denise Walsh, Controller, informed the Audit Committee that Management had completed the annual financial statement process. Ms. Walsh provided highlights of the 2014 financial statements and further discussed the key components of statements of net position as well as changes in net position.

Mark Niehaus, with PricewaterhouseCoopers, provided the Audit Committee with an overview of the results of the audit and stated the audit opinions were standard and unqualified. He reviewed the components of corporate financial statements and FERC Form No. 1 financial statements. He reviewed the difference between accounting required for the FERC Form 1, and the GASB reporting required for the ISO's annual financial statements, and provided an overview of the key audit areas. Mr. Niehaus concluded his presentation by reviewing required communications. Mr. Niehaus noted his appreciation for the high level of commitment and cooperation of ISO staff throughout the process. Brief discussion followed.

Motion

Governor Olsen:

Moved, that the Audit Committee of the ISO Board of Governors accepts the financial statements audit report issued on April 10, 2015 by PricewaterhouseCoopers, as attached to the memorandum dated May 7, 2015; and

Moved, that the Audit Committee of the ISO Board of Governors accepts the FERC Form No. 1 audit report, issued on April 17, 2015 by PricewaterhouseCoopers, as attached to the memorandum dated May 7, 2015.

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

BRIEFING ON SCOPE OF OPERATIONS AUDIT

Nancy Traweek, Executive Director – System Operations, provided the Audit Committee with a background overview of the operations audit. Ms. Traweek stated that an independent audit review was required by the ISO tariff. She noted that the scope was generally determined by ISO Management with input by PricewaterhouseCoopers and stakeholder feedback. She provided an overview of stakeholder feedback received for the 2015 audit and stated the audit scope criteria would include procedures related to the energy imbalance market, FERC Order No. 764 (fifteen minute market & intra-hour transmission scheduling) and FERC Order No. 789 (new contingency reserve requirements) implementations. She also stated that procedures related to tool and task changes on the interchange scheduling desk would also be reviewed. Brief discussion followed regarding the scope of the operations audit and Ms. Traweek clarified that it was limited to internal operations to ensure procedures are being followed.

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 1:30 p.m.