

**GENERAL SESSION MINUTES  
AUDIT COMMITTEE MEETING  
December 18-19, 2013  
ISO Headquarters  
Folsom, California**

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**December 18, 2013**

The Audit Committee of the ISO Board of Governors convened the general session meeting at approximately 10:00 a.m. and the presence of a quorum was established.

**ATTENDANCE**

The following members of the Audit Committee were in attendance:

Ash Bhagwat, Chair  
Dave Olsen

The following members of the executive team were present at times throughout the meeting: Eric Schmitt, Petar Ristanovic, Mark Rothleder, Keith Casey, Karen Edson, Becky Regan and Nancy Saracino

**GENERAL SESSION**

The following agenda items were discussed in general session:

**DECISION ON GENERAL SESSION MINUTES**

Governor Olsen moved for approval of the Audit Committee's general session minutes for the November 7-8, 2013 meeting. The motion was seconded by Governor Bhagwat and approved 2-0-0.

**ACCEPTANCE OF ISO RETIREE MEDICAL PLAN AUDIT**

Ryan Seghesio, Chief Financial Officer and Treasurer, provided introductory remarks about the ISO's Retiree Medical Plan and described how it helped eligible retirees with ongoing medical costs. He noted that Management had voluntarily elected to perform an audit every three years with the current audit covering 2010, 2011 and 2012.

Brad Wall, on behalf of Moss Adams, then provided an overview of the plan's highlights and noted the total plan assets held in trust for benefits was \$6.6 million. He stated there were 67 total participants, including 29 retirees and 38 fully eligible employees. Mr. Wall stated the financial statements were prepared in accordance with Governmental Accounting Standards Board and that the auditor's opinion was modified in accordance with the Department of Labor. Mr. Wall provided an overview of the scope of the audit as well as the audit procedures that would be tested, including retiree and employer contributions to the plan, premiums paid to participants and participant data. Mr. Wall concluded by reviewing the required auditor communications under the rules of professional responsibility. Discussion followed regarding funding guidelines, actual rate of return and retiree forecast.

### **Motion**

**Governor Bhagwat:**

***Moved, that the Audit Committee of the ISO Board of Governors accepts the financial statements and supplementary information of the California ISO Retiree Medical Plan for the years ended December 31, 2012, 2011, and 2010, as audited by Moss Adams LLP Certified Public Accountants, and as attached to the memorandum dated December 12, 2013.***

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

### **ACCEPTANCE OF 2013 OPERATIONS AUDIT**

Sean Barry, with PricewaterhouseCoopers, provided a background overview of the annual operational compliance audit and noted that the assessment was performed under attestation standards which resulted in an audit opinion. Mr. Barry stated that the subject of the assessment was the real-time scheduling function. He noted the audit covered over 60 hours of on-site observations and data inspections in both the Folsom and Alhambra locations. Mr. Barry provided an overview of the scope and findings, and noted there were no exceptions and that an unqualified opinion was issued on December 6, 2013. Discussion followed and the Committee emphasized the importance of this type of audit. Discussion followed and Eric Schmitt, Vice President of Operations, further discussed lessons learned associated with the operations audit. Mr. Barry further discussed how procedures and processes were refined as a result of the audit process. Brief discussion followed regarding the background training of external auditors new to the ISO.

## Motion

Governor Olsen:

***Moved, that the Audit Committee of the ISO Board of Governors accepts the audit opinion issued on December 6, 2013 by PricewaterhouseCoopers LLC for the testing of specified control room operational processes for 2013, as attached to the memorandum dated December 11, 2013.***

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

## **BRIEFING ON ISSUANCE OF 2013 SSAE 16 AUDIT AND SCOPE OF 2014 SSAE 16 AUDIT**

Ryan Kelly, with PricewaterhouseCoopers, provided an overview of the issuance of the 2013 SSAE 16 audit report, including its purpose and expected use. Mr. Kelly stated that the PwC opinion and report was issued on December 6, 2013, and that the opinion was unqualified. He provided a scope overview of the processes that were covered under the audit. Mr. Kelly described two exceptions that were identified in the following areas: meter setup and initiation process and change control monitoring process. He then provided an overview of various audit process improvements. Mr. Kelly concluded by discussing next steps and noted the next attestation period had already commenced on October 1, 2013. He informed the Committee that the ISO continued to demonstrate a high level of ownership for the control environment and ownership of the controls report. Discussion followed regarding the two exceptions and the steps underway to address them. Eric Schmitt, Vice President of Operations, further discussed remedial steps and the importance defining controls.

## **INFORMATIONAL REPORT**

There were no questions on the informational report titled "Compliance Committee update".

## **ADJOURNED**

There being no additional general session matters to discuss, the general session was adjourned at approximately 10:50 a.m.