

**GENERAL SESSION MINUTES
ADR/AUDIT COMMITTEE MEETING
May 18, 2009
ISO Headquarters
Folsom, California**

May 18, 2009

Tom Page, Chair of the ADR/Audit Committee of the ISO Board of Governors, called the general session meeting to order at approximately 3:00 p.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:

Tom Page, Chair
Linda Capuano

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

The following members of the officer team were present: Yakout Mansour, Laura Manz, Steve Berberich, Jim Detmers, 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 Capuano moved for the approval of the ADR/Audit Committee general session minutes for February 10 - 11, 2009. The motion was seconded by Governor Page, and approved 2-0-0.

ACCEPTANCE OF AUDIT OF 2008 FINANCIAL STATEMENTS & FERC FORM 1

Mike Epstein, Controller, provided the Committee with an overview of the 2008 financial statements. Mr. Epstein stated that Management's discussion and analysis serves two important roles: it provides a description of the major topics and it provides a financial analysis by comparing 2008 and 2007. Mr. Epstein noted that highlights from the three core

financial statements (balance sheet, income statement and cash flows) reflected continued stability. Mr. Epstein provided an overview of the reconciliation report and reviewed the major footnote disclosures. Mr. Epstein stated that the Federal Energy Regulatory Commission (FERC) requires all jurisdictional entities to file a Form 1. Mr. Epstein informed the Committee that PricewaterhouseCoopers's audit of the Form 1 was substantially complete and that no material changes were anticipated. Mr. Epstein noted that if there were any material changes to the draft report, Management would bring it back to the Committee for acceptance. Mr. Epstein concluded his presentation by describing the major differences between the FERC Form 1 and the Governmental Accounting Standards Board (GASB) requirements.

Margaret Lundberg, with PricewaterhouseCoopers, provided the Committee with an overview of the results of the 2008 financial audit. Ms. Lundberg stated the audit was complete and that the April 3 audit opinion was unqualified. Ms. Lundberg noted that Management's discussion and analysis was unaudited information. Ms. Lundberg reviewed the key audit areas including generator noncompliance fines, MRTU, contingencies, adoption of a new accounting standard, and credit and finance issues. Ms. Lundberg provided an overview of the FERC Form 1 findings and noted the audit was substantially complete. Ms. Lundberg concluded her presentation by reviewing the required communication areas and stated that no issues came up during the audit that required a report to the Audit Committee. Chairman Page inquired as to whether Ms. Lundberg was impeded from access to information or personnel at the ISO during the audit process. Ms. Lundberg responded that she was provided full and unrestricted access to the company and the information she needed.

Motion

Governor Capuano:

Moved, that the ADR/Audit Committee recommends that the ISO Board of Governors (1) accept the ISO's financial statements for the years ended December 31, 2008 and 2007 audited by PricewaterhouseCoopers, and (2) accept the FERC Form 1 for 2008 and 2007, provided there are no material changes from the FERC Form 1 as proposed at the May 18, 2009 meeting.

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

INFORMATIONAL REPORTS – Briefing on Scheduling Coordinators' Self Audit

There were no comments regarding the informational report.

ADJOURNED

There being no additional general session items to discuss, the general session of the ADR/Audit Committee meeting was adjourned at approximately 3:15 p.m.