

**GENERAL SESSION MINUTES
AUDIT COMMITTEE MEETING
December 13-14, 2012
ISO Headquarters
Folsom, California**

December 14, 2012

The Audit Committee of the ISO Board of Governors convened the general session meeting at approximately 9:00 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: Steve Berberich, Keith Casey, Petar Ristanovic, Brenda Thomas, Mark Rothleder, 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.

ACCEPTANCE OF 2012 OPERATIONS AUDIT

Tim Cherry, with PricewaterhouseCoopers, provided a background overview of the annual operational compliance assessment and noted that the assessment was performed under attestation standards and resulted in an audit opinion. Mr. Cherry stated that the subject of the assessment was the day-ahead market processes. Mr. Cherry provided an overview of the scope and findings, and noted there was one exception finding. Mr. Cherry further described the exception finding that involved ancillary service blocking. Discussion followed regarding the ancillary service blocking process.

Motion

Governor Olsen:

Moved, that the Audit Committee of the ISO Board of Governors accepts the compliance assessment issued on November 30, 2012 by PricewaterhouseCoopers LLC for the testing of specified control room operational processes for 2012, as attached to the memorandum dated December 6, 2012.

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

BRIEFING ON SCOPE OF 2012 FINANCIAL AUDIT

Laura Coletti, with PricewaterhouseCoopers, provided an overview of the scope of the 2012 financial audit objectives and further described the following key audit areas: universal counter-party, management override of controls, valuation of non-traded investments, contingencies – market and internal, and cash held for market participants and related liabilities. Ms. Coletti discussed perspectives on fraud risk and responsibilities and further described how PwC plans to fulfill their responsibilities. Ms. Coletti described how specialists in the areas of risk assurance and global human resource services would be utilized during the course of the audit. Ms. Coletti described PwC's independent role and provided an overview of other related assurance services.

BRIEFING ON ISSUANCE OF 2012 SSAE 16 AUDIT AND SCOPE OF 2013 SSAE 16 AUDIT

Ryan Kelly, with PricewaterhouseCoopers, provided an overview on the issuance of the 2012 SSAE 16 audit report, including its purpose and expected use. Mr. Kelly noted that the PwC opinion and report was expected to be issued this week, and that the opinion was unqualified. Mr. Kelly further discussed two exceptions that were identified during the testing and noted that it was determined that the exceptions did not impact the achievement of the control objectives, and therefore did not impact the opinion. Mr. Kelly described PwC's revised approach in testing the ISO meter initiation process. Mr. Kelly further discussed their review of the bid to bill process and noted that work on the next year's audit began in October 2012. Mr. Kelly concluded by noting that the ISO continues to demonstrate a high level of ownership for the control environment and ownership of the controls report.

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 9:30 a.m.