

**GENERAL SESSION MINUTES
AUDIT COMMITTEE MEETING
December 17-18, 2015
ISO Headquarters
Folsom, California**

December 18, 2015

The Audit Committee of the ISO Board of Governors convened the general session meeting at approximately 8:15 a.m. and the presence of a quorum was established.

ATTENDANCE

The following members of the Audit Committee were in attendance:

Ash Bhagwat
Dave Olsen, Acting Chair

Also present: Mark Ferron

The following members of the executive team were also present: Steve Berberich, Keith Casey, Mark Rothleder, Eric Schmitt, Karen Edson, 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 Bhagwat moved for approval of the Audit Committee's general session minutes for the September 17, 2015 meeting. The motion was seconded by Governor Olsen and approved 2-0.

BRIEFING ON SCOPE OF FINANCIAL AUDIT

Mark Niehaus, on behalf of PricewaterhouseCoopers, provided an overview of the objectives for the 2015 financial statements audit and reviewed a graph that depicted PwC's communications framework. Mr. Niehaus described PwC's audit

strategy as based on a top-down, risk-based approach for planning and conducting the audit. He next provided a summary overview of the key audit areas, and the procedures that were planned to address them. He explained that PwC would be utilizing functional experts to evaluate key areas. He further noted that PwC considered both quantitative and qualitative factors in their assessment of materiality. He provided an overview of the timing of the audit and stated that they are targeting May 2016 to present the final report to the Audit Committee.

Mr. Niehaus reviewed the perspectives on fraud risk and responsibilities as well as other required auditor communications. He also discussed the upcoming Code of Conduct Agreed Upon Procedures process and stated that they are on track to provide the final report to the Audit Committee in March 2016.

BRIEFING ON ISSUANCE OF 2015 MARKET CONTROLS AUDIT AND SCOPE OF 2016 MARKET CONTROLS AUDIT

Jon Lomeli, on behalf of PricewaterhouseCoopers, provided an overview of the 2015 market controls audit. Mr. Lomeli stated the purpose of the audit is to report on the ISO's internal controls relating primarily to its market operations and settlements activities. He noted that the report provided assurance to market participants who rely on the ISO's controls related to the ISO's market settlements.

Mr. Lomeli explained that the opinion is unqualified and further described the testing exceptions noted in the report for the full network model maintenance control activity. He further described the scope of the report and noted that processes were not included. He stated that over 60 different control activities and over 1600 transactions were tested. He discussed audit process improvements and discussed next steps. He stated that PwC and ISO staff have already begun planning for next year's internal controls audit. Mr. Lomeli stated that the ISO continued to demonstrate a high level of ownership for the control environment and ownership of the controls report.

ACCEPTANCE OF OPERATIONS AUDIT

Mark Niehaus, on behalf of PricewaterhouseCoopers, provided an overview of the scope of the operations audit and noted that the assessment of management assertion related to 28 procedure elements related to the ISO's real-time operations processes. He stated the procedure elements are publicly available and objectively verifiable. Mr. Niehaus informed the Committee that the opinion issued on December 1, 2015 is unqualified and that no compliance deviations were identified.

Motion

Governor Bhagwat:

Moved, that the Audit Committee of the ISO Board of Governors accepts the audit opinion issued on December 1, 2015 by PricewaterhouseCoopers LLC for the testing of specified control

room operational processes for 2015, as attached to the memorandum dated December 10, 2015.

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

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 9:00 a.m.