

**GENERAL SESSION MINUTES  
AUDIT COMMITTEE MEETING  
May 29, 2014  
ISO Headquarters  
Folsom, California**

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**May 29, 2014**

The Audit Committee of the ISO Board of Governors convened the general session meeting at approximately 10:30 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: Steve Berberich, Eric Schmitt, Mark Rothleder, Keith Casey, Karen Edson, Roger Collanton and Becky Regan.

**GENERAL SESSION**

The following agenda items were discussed in general session:

**DECISION ON GENERAL SESSION MINUTES**

Governor Bhagwat moved for approval of the Audit Committee's general session minutes for the March 19-20, 2014 meeting. The motion was seconded by Governor Olsen and approved 2-0-0.

**PUBLIC COMMENT**

There was no public comment offered at this time.

## ACCEPTANCE OF AUDIT OF 2013 FINANCIAL STATEMENTS AND FERC FORM No. 1

Ryan Seghesio, Chief Financial Officer and Treasurer, informed the Committee that Management had completed its review of the annual financial statement process, including the audited financial statements and FERC Form 1. He provided an overview of two graphs that summarized highlights and trends of the modified balance sheet and modified income statement. Discussion followed and Mr. Seghesio informed the Committee that the majority of the MRTU (market redesign and technology upgrade) project will be fully depreciated in 2014.

Laura Coletti, on behalf of PricewaterhouseCoopers, provided the Committee with an overview of the results of the 2013 financial audit and noted that the audit opinions were unqualified. Ms. Coletti provided an overview of the general purposes and statutory requirements surrounding the two audits. She also provided an overview of FASB (as required by FERC) vs. GASB reporting. She provided the Committee with an overview of key audit areas. She concluded her presentation by reviewing the external auditor required communications and encouraged communication and feedback from the Committee. Discussion followed regarding one audit adjustment to the financial statements that was identified related to an out-of-period correction to a depreciation expense. Discussion followed regarding the restatement process and Ms. Coletti stated that Management makes the decision on whether to pursue a restatement. She confirmed that PwC concurred with Management's decision not to file restated financial statements.

### Motion

**Governor Olsen:**

***Moved, that the Audit Committee of the ISO Board of Governors accepts the financial statements of the ISO for the years ended December 31, 2013 and 2012, as audited by PricewaterhouseCoopers, and as attached to the memorandum dated May 21, 2014.***

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

**Governor Bhagwat:**

***Moved, that the Audit Committee of the ISO Board of Governors accepts the FERC Form No. 1 for the years ended December 31, 2013 and 2012, as audited by PricewaterhouseCoopers, and as attached to the memorandum dated May 21, 2014.***

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

## **BRIEFING ON SCOPE OF 2014 OPERATIONS AUDIT**

Nancy Traweek, Executive Director – System Operations, provided the Committee with a background overview of the operations audit and noted that it was an independent audit review that was required by the tariff. Ms. Traweek stated that the scope was generally determined by feedback from stakeholders, PricewaterhouseCoopers and Management. She noted that no stakeholder input was received for the 2014 audit. Ms. Traweek informed the Committee that the scope of the 2014 operations audit would be congestion management. She concluded her presentation by providing an overview of the audit schedule. Brief discussion followed regarding transmission assets and how transmission limits are determined.

## **ADJOURNED**

There being no additional general session matters to discuss, the general session was adjourned at approximately 11:00 a.m.