

**GENERAL SESSION MINUTES
ADR/AUDIT COMMITTEE MEETING
July 20, 2009
ISO Headquarters
Folsom, California**

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Tom Page, Chair of the ADR/Audit Committee of the ISO Board of Governors, called the general session meeting to order at approximately 1:15 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, Karen Edson, Laura Manz, Steve Berberich, Jim Detmers, and Nancy Saracino.

GENERAL SESSION

The following agenda items were discussed in executive session:

DECISION ON MINUTES

Governor Capuano moved for the approval of the ADR/Audit Committee general session minutes for May 18, 2009. The motion was seconded by Governor Page, and approved 2-0-0.

**ACCEPTANCE OF AUDIT OF THE CALIFORNIA ISO RETIREMENT SAVINGS
BENEFITS PLAN FOR 2008 & 2007**

Mike Epstein, Director of Financial Planning, provided the Committee with an overview of the U.S. Department of Labor Standards. Mr. Epstein noted that employee benefit plans were required to file audited financial statements. Mr. Epstein concluded his portion of the presentation by providing an overview of the 2008 employee retirement plan activity during 2008 and noted there was a net annual decrease in assets of \$17.8 million.

Sean Barry, with PricewaterhouseCoopers, described an adjustment that was made to add clarity to the income statement and noted it was a change in presentation only. Mr. Barry also described a non-material reconciling matter. Mr. Barry provided an overview of auditor communications that were required as part of the rules of professional responsibility.

Discussion followed regarding the types of risks associated with audits of retirement savings benefit plans. Mr. Barry responded that plan administration, compliance and tax-exempt laws would be key areas of risk focus.

Motion:

Governor Capuano:

MOVED, that the ADR/Audit Committee accepts the audited financial statements of the California ISO Retirement Savings Benefits Plan for the years ended December 31, 2008 and 2007, as audited by PricewaterhouseCoopers LLP and as attached to the memorandum dated July 10, 2009.

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

BRIEFING ON ISSUANCE OF SAS 70 AUDIT ON ISO BID-TO-BILL PROCESS

Steve Berberich, Vice President of Corporate Services and Interim CFO and Treasurer, introduced the topic by explaining that this was a ‘point in time’ Type 1 SAS 70 Audit that was performed at the request of Management coincident with the opening of new market. Margaret Lundberg, with PricewaterhouseCoopers, provided the Committee with a background overview of the SAS 70 report. Ms. Lundberg stated the purpose was to report on the ISO’s internal controls relating primarily to its market operations and settlements activities. Ms. Lundberg noted the report was required by some market participants and their auditors to comply with Sarbanes-Oxley. Ms. Lundberg stated the report was issued on July 17, 2009, and that the opinion was unqualified. Ms. Lundberg reviewed the 12 control objectives that were included in the scope of the report. Ms. Lundberg discussed the scope of the next audit and noted it would be similar to the current audit. Brief discussion followed and Chairman Page extended his compliments to everyone involved.

BRIEFING ON THE 2007 AND 2008 OPERATIONS REVIEW AND THE 2009 REVIEW SCOPE

Glen Perez, Operations Support Manager, provided the Board with an overview of ISO tariff requirements regarding the operations audit. Mr. Perez discussed the previous operations audit and reviewed two actions that the ISO took to address communication errors: specifically, the ISO re-wrote the existing transmission contract calculator and implemented the technical upgrade that automated the market closure notification. Mr. Perez noted that process improvements were needed in the following areas: exceptional dispatch, transmission limit biasing, pre-market validation, and constraint management. Mr. Perez stated that future audit areas of focus were being identified and that exceptional dispatch information was the recommended audit focus for the current year.

ADJOURNED

There being no additional general session items to discuss, the general session of the ADR/Audit Committee meeting was adjourned at approximately 1:30 p.m.