

**THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.**  
**FINAL MINUTES OF ANNUAL BOARD OF DIRECTOR'S MEETING**  
**REGULAR SESSION – APRIL 20, 2010**

The Board of Directors of the New York Independent System Operator (NYISO) met at NYISO headquarters in Rensselaer, NY on April 20, 2010. Chairman Antion chaired the meeting, and all Board members were present. Ms. Egan, Ms. McGarvey, and Messrs. Bailey, Dewey, Fernandez, Gonzales, Mukerji and Rumsey were also present. Mr. Bill Heinrich of the Public Service Commission was also in attendance.

**I. Approval of Board Meeting Minutes**

Upon motion duly made and seconded, the Board approved the February 9, 2010 Board meeting minutes, and deferred approval of the March 16, 2010 Board meeting minutes until the next meeting.

**II. Nominees for Re-Election to the Board of Directors**

Mr. Schuler made a motion for Board approval to re-elect Mr. Alfred Boschulte and Mr. Robert Hiney as Directors for another four-year term on the Board. Mr. Boschulte and Mr. Hiney recused themselves from the vote. The Board approved the motion.

**III. Election of Board Chair and Vice Chair**

The Board concluded that the objectives of the Working Chair role had been accomplished and commended Ms. Antion for a job well done.

Mr. Schuler made a motion for Board approval to elect Ms. Karen Antion as Board Chair for another one-year term. Ms. Antion recused herself from the vote. The Board approved the motion. Mr. Schuler made a motion to elect Mr. Robert Hiney as Board Vice Chair for a one-year term. Mr. Hiney recused himself from the vote. The Board approved the motion.

**IV. Membership for Board Committees**

Mr. Schuler reported that the Governance Committee met on April 19<sup>th</sup> and reviewed, and consistent with Board policies for providing Board members broad experience by rotating committee assignments and Chairs, approved the recommended Board Committee structure. Mr. Bemis will succeed Mr. Kailbourne as Chair of the Commerce & Compensation Committee, and Mr. Mahoney will succeed Mr. Boschulte as Chair of the Audit & Compliance Committee. Mr. Schuler reported that Mr. Hiney will remain as Chair of the Reliability & Markets Committee, and that Mr. Schuler will remain as Chair of the Governance Committee for one more year. Mr. Schuler made a motion for approval of the recommended Board Committee structure, which will become effective on April 20, 2010. The Board approved the motion. Ms. Antion thanked Mr. Kailbourne and Mr. Boschulte for their great leadership on both the Commerce & Compensation Committee and Audit & Compliance Committee, and welcomed Mr. Bemis and Mr. Mahoney in their new roles.

## **V. Consent Agenda**

There were no items on the Consent Agenda this month.

## **VI. Report of Board Chair**

Chairman Antion reviewed a number of the NYISO's accomplishments in 2009.

Chairman Antion reported that the Board met in Executive Session on April 19<sup>th</sup> at which time they reviewed and accepted The Analysis Group Report regarding the performance of the restructured energy market in the State, the results of that restructuring, and the NYISO's performance. The Board authorized NYISO management to post The Analysis Group Report and NYISO Management Response on the NYISO website in advance of the Management Committee meeting being held on April 21<sup>st</sup>. Dr. Susan Tierney will be at the April 21<sup>st</sup> Management Committee meeting to discuss the findings in the report and answer questions.

## **VII. Committee Reports**

### **A. Reliability & Markets**

Mr. Hiney reported that the Reliability & Markets Committee met on April 19, 2010 and discussed the following:

- 1) Dr. Patton's State of the Market Report. NYISO management will prepare responses to the recommendations outlined in Dr. Patton's report.
- 2) Dr. Patton's Preliminary Analysis of Broader Regional Markets Potential Benefits – this presentation will be presented to the Management Committee on April 21<sup>st</sup>.
- 3) Reliability/Uplift Metrics.

### **B. Audit & Compliance**

Mr. Boschulte reported that the Audit & Compliance Committee met jointly with the Commerce & Compensation Committee on April 19<sup>th</sup>, and addressed the following:

- 1) Presentation on 2009 Financial Statements – representatives of KPMG reported that they audited the financial statements of the NYISO for the year ended December 31, 2009, and issued an unqualified opinion dated March 17, 2010. KPMG reported the following:
  - a) They have not identified any instances of fraud that would require an expansion of their audit procedures or adjustment to the financial statements.
  - b) They have not identified any significant audit adjustments that were required to be made by the NYISO to the financial statements.
  - c) There were no disagreements with NYISO management on financial accounting and reporting matters which, if not satisfactorily resolved, would have caused a modification of their report on the financial statements.

- d) They have not identified any significant financial misstatements that have not been corrected in the NYISO's books and records as of and for the year ended December 31, 2009, and have communicated that finding to management.
- e) No difficulties were encountered in dealing with NYISO management in performing the audit.
- f) KPMG did not identify any significant deficiencies or material weaknesses in the NYISO's internal controls.

Mr. Boschulte made a motion for Board approval of the 2009 Financial Audit. The Board approved the motion.

Mr. Boschulte reported that the results of the 2009 Financial Audit would be provided to the NYISO's lenders and included in the Annual Report, as well as in the IRS Form 990.

- 2) Met in Executive Session with KPMG.
- 3) 2009 Sarbanes-Oxley Results – the Internal Audit department found no deficiencies in the NYISO's controls. NYISO management will determine if the Sarbanes-Oxley audit should be performed going forward and report back to the Audit & Compliance Committee with a recommendation

Mr. Boschulte reported that the Audit & Compliance Committee met on April 19<sup>th</sup> and discussed/approved the following:

- 1) Approved Minutes from 1/11/10 Audit & Compliance Committee meeting, and 1/11/10 and 2/8/10 Joint Audit & Compliance/Commerce & Compensation Committee meetings.
- 2) Internal Audit Plan – July 2010-June 2011 – Approved.
- 3) Internal Audit Status Report
  - a) Renewal of the NYISO's SAS 70 contract with KPMG – KPMG has been with the NYISO for eight years and has historical knowledge of the organization as it relates to SAS 70. Internal Audit has renegotiated the proposed cost with KPMG at favorable rates. The Audit & Compliance Committee approved the renewal of the contract with KPMG for the next three years. Mr. Boschulte made a motion for Board approval of the three year renewal of the contract with KPMG. The Board approved the motion.
  - b) SGIG Project – Grant Administration Audit – Internal Audit issued an RFP to six firms and four replied. Based on the criteria, NYISO management recommended approval to retain UHY, LLP to conduct the periodic review of the NYISO's compliance with Federal Grant requirements for the SGIG project. The Audit & Compliance Committee approved the recommendation of NYISO management to retain UHY, LLP to conduct the periodic review of the NYISO's compliance with Federal Grant requirements for the SGIG project. Mr. Boschulte made a motion for Board approval authorizing NYISO management to retain UHY, LLP. The Board approved the motion.
  - c) Construction Audit/Co-sourcing for Critical Facilities Upgrade Project – Internal Audit has determined that a co-sourcing relationship with an

outside vendor experienced in construction auditing would be the best avenue to ensure the project costs are appropriate and accurate. Internal Audit will select the vendor, coordinate and oversee the vendor's work, and participate in the construction audits as appropriate. The Audit & Compliance Committee approved the recommendation of NYISO management to retain CCC, Inc. as the NYISO's construction auditor. Mr. Boschulte made a motion for Board approval authorizing NYISO management to retain CCC, Inc. as the NYISO's construction auditor. The Board approved the motion.

- 4) ERM Report – Mr. Bailey responded to questions from the Board.
- 5) Semi-Annual State of Compliance – The NYISO committed to the FERC to complete an external assessment of the NYISO's compliance initiatives, which is underway and expected to be finalized by August 2010.

### **C. Commerce & Compensation**

Mr. Kailbourne reported that the Commerce & Compensation Committee met on April 19th and discussed the following:

- 1) Disposition of Funds Remaining from 2009 Budget Cycle - \$1.1 million remains from the 2009 budget cycle, due largely to greater than expected Rate Schedule 1 recoveries in late December 2009. Following discussion, the Commerce & Compensation Committee instructed NYISO management to evaluate the 2010 Rate Schedule 1 recoveries for the 2<sup>nd</sup> quarter before finalizing a recommendation for disposition of the remaining funds.
- 2) 2010 Business Plan – NYISO management provided an update on the project commitments outlined in the 2010 Business Plan.
- 3) New Control Center – No additional municipal approvals are required for the project to move forward, with the exception of the building permits. NYISO management is hopeful that the NYISO's financing proposal will be on the PSC's agenda in May.
- 4) DOE Stimulus Fund – NYISO management provided an update to the Commerce & Compensation Committee, and reported that the project is progressing well.
- 5) HR Items – discussed and approved by the Board during Executive Session.

### **D. Governance**

Mr. Schuler reported that the Governance Committee met on April 19<sup>th</sup> and discussed/approved the following:

- 1) Charters of the Commerce & Compensation, Governance and Reliability & Markets Committee Charters were approved. Mr. Schuler reported that the Audit & Compliance Committee Charter was revised and approved in July 2009 due to a change in functionality. To be consistent with the other Board committees, the Audit & Compliance Committee will review and approve their Charter in 2011 in the same timeframe as the other committees.
- 2) Board Self-Assessments – to ensure confidentiality, all completed Board Self-Assessment forms were completed and returned to Mr. Schuler. Mr. Schuler

reported that no concerns were raised regarding the Board as a whole or regarding individual directors.

### **VIII. Report of President & CEO**

Mr. Whitley reported on the following:

- 1) The NYISO has established a new Sr. Vice President & COO position and Mr. Rick Gonzales has been promoted to this position. Mr. Gonzales will be responsible for System Operations, System Planning and IT.

Mr. Rich Dewey has been promoted to Sr. Vice President & CIO with additional responsibility for the DOE Stimulus Project and IT. For 18 months, Mr. Dewey will be rotated over to the Power Control Center to run System Operations, reporting to Mr. Gonzales. After the 18 month rotation, Mr. Dewey will return to his permanent position of Sr. Vice President & CIO.

Mr. Rana Mukerji has been promoted to Sr. Vice President – Market Structures with full responsibility for the Broader Regional Markets initiative.

- 2) Interview with CNN on April 9<sup>th</sup> regarding reliability and the potential impacts of the Indian Point shutdown.

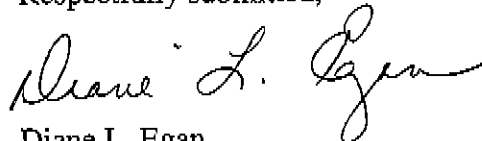
### **IX. Other Business**

There was no other business to discuss at this time.

### **X. Next Meeting**

The next meeting of the Board has been scheduled for May 17, 2010 at Hunton & Williams' offices in NYC.

Respectfully submitted,



Diane L. Egan  
Corp. Secretary & Secretary to the Board