

**GENERAL SESSION MINUTES
ISO BOARD OF GOVERNORS MEETING
July 15-16, 2014
ISO Headquarters
Folsom, California**

July 15, 2014

The ISO Board of Governors convened the general session meeting at approximately 9:30 a.m. and the presence of a quorum was established.

ATTENDANCE

The following members of the ISO Board of Governors were in attendance:

Bob Foster, Chair
Angelina Galiteva
Richard Maullin
David Olsen

The following members of the executive team were present at times throughout the meeting: Steve Berberich, Petar Ristanovic, Eric Schmitt, Keith Casey, Mark Rothleder, Karen Edson, Roger Collanton and Becky Regan

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, acknowledged a public comment letter submitted to the Board by Large-Scale Solar Association.

DECISION ON GENERAL SESSION MINUTES

Governor Olsen moved for approval of the Board of Governors general session minutes for the May 28-29, 2014 meeting. The motion was seconded by Governor Galiteva and approved 4-0-0.

CEO REPORT

Governor Bhagwat joined the meeting.

Steve Berberich, President and CEO, provided an overview of the following sections of his report: overall operating conditions, EIM Transitional Committee, transmission project update, interconnection process enhancements, FERC Order 745 appeal, and renewable generation.

CONFIRMATION OF EIM TRANSITIONAL COMMITTEE CHAIR

Steve Berberich, President and CEO, informed the Board that the EIM Transitional Committee, a committee comprised of a broad and diverse range of regional experts on energy matters, met for the first time on July 1. He stated that the committee was unanimous in its support for Rebecca Wagner, a commissioner for the Public Utilities Commission of Nevada, as Chair of the committee. Mr. Berberich further described her qualifications and stated she was a committed leader on regional energy issues. Mr. Berberich informed the Board that Management was in full support of Ms. Wagner as Chair of the committee. Brief discussion followed.

Public comment

Carl Zichella, member of the EIM Transitional Committee, provided comments in support of Rebecca Wagner as Chair of the EIM Transitional Committee.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors confirms Rebecca Wagner as the ISO Energy Imbalance Market Transitional Committee Chair, as described in the memorandum dated July 8, 2014.

The motion was seconded by Governor Foster and approved 5-0-0.

DECISION ON ENERGY IMBALANCE MARKET GO-LIVE ENHANCEMENTS

Greg Cook, Director – Market and Infrastructure Policy, informed the Board that Management had identified the following two energy imbalance market design changes needed for go-live on October 1, 2014: (1) subject EIM transfer limits into EIM balancing authority areas to the market power mitigation process, and (2) allow negotiated transition costs for non-gas resources to use multi-stage generation functionality. Mr. Cook next described two graphs that depicted illustrative examples of structurally competitive and non-competitive markets. He next discussed the Department of Market Monitoring's structural competitive

assessment of PacifiCorp's balancing authority area. He noted PacifiCorp East was not likely to be structurally competitive during most hours, whereas PacifiCorp West was likely to be structurally competitive during most hours, but could be uncompetitive if ISO scheduling limits were reduced. Mr. Cook also stated that non-gas units had recently requested to use multi-stage generation functionality and that the proposal would also need to allow a negotiated rate for transition costs when the fuel source was not natural gas. He described the stakeholder process and noted that stakeholders generally supported the proposed changes.

Public comment

Jeffrey Nelsen, on behalf of Southern California Edison, provided comments in support of Management's proposal, Department of Market Monitoring's analysis, and the opinion of the Market Surveillance Committee. Mr. Nelsen also commended the stakeholder process.

Market Surveillance Committee comment

Jim Bushnell, member of the Market Surveillance Committee, discussed the Market Surveillance Committee's opinion titled "LMPM Implementation in the Energy Imbalance Market" and noted that the committee supported Management's proposal and the analysis performed by the Department of Market Monitoring.

Department of Market Monitoring comment

Keith Collins, Manager – Monitoring and Reporting, discussed the analysis performed by the Department of Market Monitoring. He noted that DMM supported Management's proposal and that DMM would continue to work with Management in this area.

Motion

Governor Bhagwat:

Moved, that the ISO Board of Governors approves Management's proposal to include energy imbalance market transfer limits into an energy imbalance market balancing authority area in the market power mitigation process, as described in the memorandum dated July 8, 2014; and

Moved, that the ISO Board of Governors approves Management's proposal regarding the establishment of transition costs for non-gas multi-stage generation resources, as described in the memorandum dated July 8, 2014; and

Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the proposed tariff change.

The motion was seconded by Governor Olsen and approved 5-0-0.

DECISION ON CONTINGENCY RESERVE COST ALLOCATION

Greg Cook, Director – Market and Infrastructure Policy, provided the Board with an overview of Management’s proposal on contingency reserve cost allocation. Mr. Cook described how WECC has modified the standard for determining balancing authority contingency reserve requirements and further described the current and proposed standards. He stated that cost allocation would be based on the scheduling coordinator’s portfolio impact on the ISO’s reserve requirement. Mr. Cook further discussed the following two additional modifications included in the proposal: (1) scheduling coordinators not being able to receive a credit if their self-provision exceeds their obligation, and; (2) the ISO would not accept imports with recallable energy. He next discussed the stakeholder process and noted that stakeholders generally supported the proposed changes.

Mr. Cook recommended that the Board approve the proposal, as it aligned cost allocation with the new requirements. Brief discussion followed regarding the treatment of dynamic transfers and the associated agreements. Mr. Cook stated that Management would continue to monitor the situation and seek out renegotiations if needed.

Public comment

Jeffrey Nelsen, on behalf of Southern California Edison, provided comments in support of Management’s proposal.

Motion

Governor Bhagwat:

Moved, that the ISO Board of Governors approves the contingency reserve cost allocation proposal, as described in the memorandum dated July 8, 2014; and

Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the proposed tariff change.

The motion was seconded by Governor Galiteva and approved 5-0-0.

DECISION ON DELANEY-COLORADO RIVER TRANSMISSION PROJECT

Keith Casey, Vice President of Market and Infrastructure Development, provided introductory remarks and noted that at the March Board meeting, the Board decision on the Delaney-Colorado River transmission project had been deferred as the Board directed Management to conduct further analysis. Mr. Casey stated that the further analysis had been conducted and the project was again before the Board for decision. He acknowledged a public comment letter to the Board in support of the project from the Center for Energy Efficiency and Renewable Technologies and also acknowledged a previously submitted letter in support from the March meeting on the project from Chair Weisenmiller of the California Energy Commission.

Neil Millar, Executive Director – Infrastructure Development, provided an overview of Management’s recommendation for the Board to approve the Delaney-Colorado River transmission project. Mr. Millar noted the Delaney Colorado River transmission project would complete a second circuit from Palo Verde to Devers. He further described the additional analysis performed since the March Board meeting and stated that Management had concluded that the project would complement the potential need for other transmission options to support deliverability of renewables from Imperial County. He stated that the IID-approved transmission upgrades were correctly modeled in the ISO studies and that NV Energy’s participation in the energy imbalance market would not adversely affect the project benefits. Mr. Millar described how a stakeholder process was underway to consider options for renewable generation deliverability from Imperial County.

Mr. Millar concluded his presentation by further discussing the benefits of the project and noted that, if approved, the competitive solicitation process would begin in August.

Public comment

John King, on behalf of LS Power, provided comments in support of the Harry Allen-Eldorado transmission project, discussed the Board’s deferral of the project at the March meeting, and then further discussed the economic study performed by the ISO. Mr. King noted the importance of ISO Management staying on track with the proposed schedule to complete its further analysis and bring the project back to the Board for decision at the November meeting.

Mr. Casey provided responsive comments and stated that Management was prepared to bring the Harry Allen project to the Board as soon as possible after the study work was complete. He noted that it was an aggressive schedule and that Management would continue to work towards the November date. Mr. Casey committed to working with LS Power on the study work along the way.

Randy Keller, on behalf of MidAmerican Geothermal, provided an overview of his company and provided comments in support of Management's recommendation to approve the Delaney-Colorado River transmission project.

John Cupparo, on behalf of MidAmerican Transmission, provided comments in support of Management's recommendation and commended ISO staff on its efforts to complete the additional studies in advance of the July Board meeting.

Daniel Froetscher, on behalf of Pinnacle West Capital and Arizona Public Service Company, provided comments in support of Management's recommendation to approve the Delaney-Colorado River transmission project. Mr. Froetscher commended ISO staff leading up to the March Board meeting as well as the subsequent study work conducted since the March meeting.

David Mead, on behalf of Southern California Edison, provided comments in support of Management's recommendation to approve the Delaney-Colorado River transmission project. Mr. Mead further described the policy and reliability benefits of the project.

Motion

Governor Foster:

Moved, that the ISO Board of Governors approves the Delaney-Colorado River transmission project as part of the ISO 2013-2014 Transmission Plan, and as described in the memorandum dated July 8, 2014.

The motion was seconded by Governor Maullin and approved 5-0-0.

Brief discussion followed and Management committed to keeping the Board apprised of the efforts surrounding the IID studies.

DECISION ON INTERCONNECTION PROCESS ENHANCEMENTS

Tom Flynn, Infrastructure Policy Development Manager, provided an overview of Management's proposal on two interconnection process enhancements and described how the initiative was a continuing effort to improve the generation interconnection process. First, Mr. Flynn described Management's recommendation of a new approach on the timing of reimbursement to interconnection customers for the cost of required upgrades. Next, he described the recommendation for a new approach for the redistribution of funds forfeited by withdrawn interconnection customers. Mr. Flynn described the stakeholder process and noted that while the proposal was broadly supported, a few stakeholder concerns remained regarding reimbursement of upgrades and use of

forfeited funds. He further described how Management responded to these concerns and recommended approval of the proposal, as it would enhance the generator interconnection process to better accommodate the needs of customers and was broadly supported by stakeholders.

Motion

Governor Maullin:

Moved, that the ISO Board of Governors approves the proposal for the timing of reimbursement to interconnection customers for the transmission upgrades that they have funded and redistribution of funds forfeited by interconnection customers, as described in the memorandum dated July 8, 2014; and

Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the proposed tariff change.

The motion was seconded by Governor Foster and approved 5-0-0.

DECISION ON GRID MANAGEMENT CHARGE

Ryan Seghesio, Chief Financial Officer and Treasurer, provided an overview of Management's proposal on the 2015 grid management charge and emphasized the proposal was a change in the grid management charge framework – not the annual budget process. Mr. Seghesio described how the grid management charge was the vehicle through which the ISO recovered all of its costs. He described the stakeholder process that commenced in April and noted the proposal was largely accepted by stakeholders. Mr. Seghesio stated that there were no proposed changes to the service categories or fee segments and stated the three main service categories were market services, system operations, and congestion revenue rights services. He provided an overview of the proposed minor adjustments to the formula rates that were based on an updated cost of service study.

Mr. Seghesio stated there was a proposed increase of the revenue requirement cap by \$3 million to \$202 million with no expiration. Mr. Seghesio noted that the new cap could last 5-7 years and explained that having no expiration date would encourage Management to stay under the maximum. He committed that Management would update the cost of service study every three years and file new formula rates.

Mr. Seghesio concluded his presentation by reviewing the timeline associated with implementation of the proposed grid management charge structure on January 1,

2015. Discussion followed regarding the proposed \$202 million cap and Mr. Seghesio confirmed it was a hard cap.

Public comment

Tony Braun, on behalf of California Municipal Utilities Association, provided comments in support of Management's proposal and commended the ISO on its efforts to control costs.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the proposed tariff changes regarding the 2015 GMC update, as described in the memorandum dated July 8, 2014; and

Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the proposed tariff change.

The motion was seconded by Governor Olsen and approved 5-0-0.

AUDIT COMMITTEE UPDATE

Governor Bhagwat, Chair of the Audit Committee, provided a brief overview of the general session held earlier in the day including an overview of the audit of the ISO Retirement Savings Benefits Plan and stated it was a clean audit.

Governor Bhagwat recommended that the Board approve the following motion:

Governor Foster:

Moved, that the ISO Board of Governors, as recommended by the Audit Committee, accepts the financial statements and supplementary information of the California ISO Retirement Savings Benefits Plan for the years ended December 31, 2013 and 2012, as audited by Moss Adams LLP Certified Public Accountants, and as attached to the memorandum dated July 8, 2014.

The motion was seconded by Governor Galiteva and approved 5-0-0.

BRIEFING ON RENEWABLES IN THE GENERATOR INTERCONNECTION QUEUE

Bob Emmert, Manager – Interconnection Resources, provided the Board with a briefing on renewable generation in the ISO generator interconnection queue. Mr. Emmert described a graph that depicted the change in renewable capacity in the ISO queue. He further described a graph that depicted the current and projected renewable generation capacity in operation within the ISO. Mr. Emmert next discussed the significant amount of energy storage projects that had entered the ISO generator interconnection queue in 2014. He noted that 2,320 MW of energy storage capacity was in queue cluster 7. He stated that out of the 39 storage projects, 27 were stand-alone energy storage and 12 were combined with other generation technologies. Brief discussion followed regarding the 33% renewables portfolio standard goal.

INFORMATIONAL REPORTS

There were no questions or comments on the following informational reports: regulatory update, state, regional and federal affairs update, business practice manual change management report, Department of Market Monitoring report, Market Surveillance Committee update, master stakeholder engagement and release plans, and market performance update.

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 11:15 a.m.