

**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
May 14, 2015
ISO Headquarters
Folsom, California**

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The ISO Board of Governors convened the general session meeting at approximately 1:30 p.m. and the presence of a quorum was established.

ATTENDANCE

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

Richard Maullin, Chair
Ash Bhagwat
Angelina Galiteva
Dave Olsen

The following members of the executive team were present at the meeting: Steve Berberich, Keith Casey, Eric Schmitt, Petar Ristanovic, Roger Collanton and Becky Regan.

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

No public comment was offered at this time.

DECISION ON GENERAL SESSION MINUTES

Governor Galiteva moved for approval of the ISO Board of Governors general session minutes for the March 26-27, 2015 meeting. The motion was seconded by Governor Olsen and approved 4-0-0.

Governor Galiteva moved for approval of the ISO Board of Governors general session minutes for the April 21, 2015 meeting. The motion was seconded by Governor Bhagwat and approved 4-0-0.

CEO REPORT

Steve Berberich, President and CEO, provided an overview of his report and noted operating conditions have been normal for the spring season with low loads and continued maintenance in preparation for summer peak operations. Mr. Berberich next discussed the recent announcement that PacifiCorp and the ISO had entered into a memorandum of understanding outlining PacifiCorp's intent to join the ISO's balancing authority as a full participating transmission owner. He next provided highlights of the first quarter energy imbalance market benefits report and noted the Board would be briefed on it in general session later that day. Mr. Berberich concluded his report and discussed renewable generation peaks.

EIM TRANSITIONAL COMMITTEE CHAIR REPORT

Rebecca Wagner, Chair of the EIM Transitional Committee, provided an overview of recent activities of the EIM Transitional Committee. Ms. Wagner stated the Committee posted the governance straw proposal on March 19, 2015 and received comments in April. She commented on the ISO-PacifiCorp memorandum of understanding and noted the announcement would not affect the Committee's work on the governance proposal unless the Board directed otherwise. She stated that the Committee decided to postpone the release of the next draft governance proposal to June 22, 2015, to better address stakeholder comments. Ms. Wagner discussed next steps, including a Committee meeting in Reno, Nevada on June 25, 2015 and concluded by discussing regional outreach efforts by the Committee.

ENERGY IMBALANCE MARKET UPDATE

Mark Rothleder, Vice President – Market Quality and Renewable Integration, provided an energy imbalance market operations update. Mr. Rothleder provided a summary of EIM gross benefits for the 1st quarter of 2015, which totaled \$5.26 million. He further described how the benefits reflected a more efficient dispatch, reduced renewable energy curtailment, and reduced flexibility reserves needed in PacifiCorp balancing authority areas. He provided an overview of graphs that depicted 15-minute and 5-minute price frequency in PACE and PACW as well as graphs that demonstrated how pricing performance improved in March and April. He next reviewed hourly average transfers from PacifiCorp and the ISO and noted hourly average transfers between PACE and PACW decreased in February but increased in May. Mr. Rothleder concluded his presentation by discussing a graph that depicted the number of 15-minute infeasibilities since April 22, 2015. Brief discussion followed regarding import capacity and quantifying optimized dispatch as part of the benefits study.

BRIEFING ON LINCOLN OPERATIONS CENTER

Matt Turner, Director – IT Enterprise Support and Campus Operations, provided an update on the status of the Lincoln operations center. Mr. Turner described how it will be difficult for the existing Alhambra backup facility to adequately meet future requirements, including upcoming versions of NERC's Critical Infrastructure Protection physical security requirements. He

provided an overview of some of the benefits associated with using a closer, more modern facility, including the opportunity to reduce operating costs. Mr. Turner stated that other ISO / RTO backup centers ranged between 15 and 50 miles and noted the new Lincoln location would decrease the ISO distance from 412 miles to about 25 miles from the Folsom campus. He provided an overview of the Lincoln building design and noted it would include an operations floor, data center and office space. Mr. Turner concluded his presentation by reviewing the project timeline and stated that completion of construction was estimated to be in December 2016. Brief discussion followed regarding transition plans and the Alhambra facility lease terms.

AUDIT COMMITTEE UPDATE

Governor Bhagwat, Chair of the Audit Committee, provided an update on the general session Audit Committee meeting held earlier in the day and noted the Committee acted on two items. He stated the first was the acceptance of the code of conduct certification process report for 2014 and noted there were a few minor exceptions that were quickly corrected. He stated the second action item was the acceptance of the 2014 financial statements and FERC Form No. 1 audit reports and noted there were no exceptions. He stated the Committee was also briefed on the scope of the operations audit and noted it would focus on the energy imbalance market and compliance with recent FERC orders.

Governor Bhagwat requested that the Board accept the following motions as recommended by the Audit Committee:

Motion – Acceptance of code of conduct certification process report for 2014

Governor Olsen:

Moved, that the ISO Board of Governors, as recommended by the Audit Committee, accepts the Code of Conduct Certification Process Report issued on March 19, 2015 by PricewaterhouseCoopers LLP for the testing of the ISO's code of conduct certification procedures for 2014, as attached to the memorandum dated May 7, 2015.

The motion was seconded by Governor Galiteva and approved 4-0-0.

Motion – Acceptance of 2014 financial statements and FERC Form No. 1 audit reports

Governor Galiteva:

Moved, that the ISO Board of Governors, as recommended by the Audit Committee, accepts the financial statements audit report issued on April 10, 2015

***by PricewaterhouseCoopers, as attached to the memorandum dated May 7, 2015;
and***

***Moved, that the ISO Board of Governors, as recommended by the Audit
Committee, accepts the FERC Form No. 1 audit report, issued on April 17, 2015
by PricewaterhouseCoopers, as attached to the memorandum dated May 7, 2015.***

The motion was seconded by Governor Bhagwat and approved 4-0-0.

BRIEFING ON DEPARTMENT OF MARKET MONITORING'S ANNUAL REPORT

Keith Collins, Manager – Monitoring and Reporting, briefed the Board on the 2014 Annual Report on Market Issues and Performance, and noted that the report was on track to be posted in a few weeks. Mr. Collins reviewed a graph that depicted how the 2014 total market costs were about the same as 2013 after accounting for natural gas and greenhouse gas price changes. He further discussed other factors that affected wholesale costs. Mr. Collins next reviewed a graph that demonstrated that a significant amount of solar capacity was added, which represented 93 percent of total new summer capacity in 2014. He discussed a graph that depicted how solar generation in 2014 has more than doubled since the prior year, whereas wind production remained about the same. He concluded his presentation by discussing the following key recommendations based on the report: full network model expansion analysis, congestion revenue rights, and bidding rules.

INFORMATIONAL REPORTS

There were no questions on the following informational reports: regulatory update, State, Regional and Federal affairs update, business practice manual change management report, Market Surveillance Committee update, master stakeholder engagement and release plans, market performance update, quarterly financial report, and the summer loads and resources assessment update.

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 2:30 p.m.