

**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
December 13, 2018
ISO Headquarters
Folsom, California**

December 13, 2018

The ISO Board of Governors convened the general session meeting at approximately 8:30 a.m. and the presence of a quorum was established.

ATTENDANCE

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

Dave Olsen, Chair
Angelina Galiteva, Vice Chair
Ash Bhagwat
Mark Ferron

The following members of the executive team were present: Steve Berberich, Keith Casey, Petar Ristanovic, Roger Collanton, Tom Doughty, Mark Rothleder, Ryan Seghesio, Eric Schmitt, and Jodi Ziemathis

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

There was no public comment offered at this time.

DECISION ON GENERAL SESSION MINUTES

Governor Galiteva moved for approval of the Board of Governors general session minutes for the November 14, 2018 meeting. The motion was seconded by Governor Ferron and approved 4-0.

CEO REPORT

Steve Berberich, President and Chief Executive Officer, provided an overview of the overall operation conditions and noted there was low solar output in the middle of the day on

December 6 due to weather conditions. He stated there were no new renewable records. Next, Mr. Berberich and the Board members noted their appreciation and sincerest gratitude to Governor Maullin and Governor Ferron for their service on the Board and dedication to the ISO, its stakeholders and the consumers of California.

Richard Maullin Resolution

Governor Olsen:

WHEREAS, Richard Maullin, PhD, was appointed to the Board of Governors of the California Independent System Operator Corporation in April 2011 and provided guidance, strategic insight, and wisdom to the Board and management team; and

WHEREAS, Dr. Maullin's career, has spanned over 50 years, and has included high-level positions in state government and corporate leadership; he served as California Deputy Secretary of State from 1971 to 1974, and Chairman of the California Energy Commission from 1975 to 1979, as well as consulting on public utility regulation, alternative energy development, and issues such as local government and education finance measures; and

WHEREAS, Dr. Maullin's vast experience included successfully managing gubernatorial campaigns and providing strategic consulting to candidates for governor, mayor and other state and local elective offices; and

WHEREAS, Dr. Maullin, in his roles with the California ISO Board of Governors as a member, on the Audit Committee and as Chair, called upon his many years of experience, insight and keen intellect to help shape the ISO through the development of the Western Energy Imbalance Market, regionalization efforts, and as the ISO continues to support state energy and environmental policies to further integrate clean energy on the grid; and

WHEREAS, Dr. Maullin's gentle nature, wit and wisdom were appreciated by fellow board members and executive management;

BE IT RESOLVED, that the California ISO Board of Governors hereby expresses its utmost appreciation and sincerest gratitude to Dr. Maullin for his years of service and dedication to the ISO, its stakeholders and the consumers of California.

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

Mark Ferron Resolution

Governor Galiteva:

WHEREAS, Mark Ferron was appointed to the Board of Governors of the California Independent System Operator Corporation in June 2015 and provided guidance, strategic insight, and wisdom to the Board and management team; and

WHEREAS, Mr. Ferron served as a member of the California Public Utilities Commission from 2011 to 2014, and has a career spanning over 30 years including in banking, financial markets and public service; and

WHEREAS, Mr. Ferron is a well-known advocate for clean energy and clean transportation, and has also served on the Board of Trustees of the Rocky Mountain Institute, and on the Public Policy Board of Veloz.org, a nonprofit focused on advancing electric car adoption in California; and

WHEREAS, Mr. Ferron utilized his significant experience and keen and progressive thinking to help shape the ISO through the development of the Western Energy Imbalance Market, regionalization efforts, and as the ISO continues to support state energy and environmental policies to further integrate clean energy on the grid; and

WHEREAS, Mr. Ferron's wit and wisdom were appreciated by fellow board members and executive management;

BE IT RESOLVED, that the California ISO Board of Governors hereby expresses its utmost appreciation and sincerest gratitude to Mr. Ferron for his years of service and dedication to the ISO, its stakeholders and the consumers of California.

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

EIM GOVERNING BODY CHAIR REPORT

Carl Linvill, EIM Governing Body member, provided remarks in appreciation to Governor Maullin and Governor Ferron for their service on the Board. Mr. Linvill also noted the Governing Body's appreciation to ISO staff for their work on operating the energy imbalance market. He provided an overview of the last EIM Governing Body meeting and recent outreach effort by the members. He noted the Governing Body's appreciation for the efforts made on the default energy bid and market mitigation initiative. Mr. Linvill also stated that the Governing Body has received good feedback from the stakeholders pertaining to EIM governance. Brief discussion followed.

DECISION ON FY2019 BUDGET

April Gordon, Director – Financial Planning and Procurement, provided the Board with an overview of the draft 2019 budget. She described the budget development timeline and noted it began in July, with the Board decision scheduled to occur in December. She stated that despite increasing operating costs, higher offsets led to a lower projected revenue requirement. She noted the \$193.5 million proposed revenue requirement was \$3.7 million less than the 2018 revenue requirement. Ms. Gordon stated that Management remains committed to having a stable revenue requirement. She stated the proposed O&M budget increased by \$10.5 million for a total of \$189 million.

Ms. Gordon next discussed the debt service requirement and stated it remained at \$16.9 million due to the level debt service of the 2013 bonds. She informed the Board that the planned capital/project budget is currently targeted at \$22 million. She provided an overview of other costs and revenues that would reduce the revenue requirement, including new revenue for reliability coordinator services. She noted that the operating cost reserve adjustment would reduce the revenue requirement by \$13.5 million. Ms. Gordon concluded her presentation by providing an overview of the proposed rates for 2019. Brief discussion followed.

Motion

Governor Olsen:

Moved, that the ISO Board of Governors approves the 2019 revenue requirement, capital/project budget, and resulting rates as set forth in Attachment A to the memorandum dated December 5, 2018.

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

AUDIT COMMITTEE UPDATE

Governor Ferron, Chair of the Audit Committee, provided the Board with highlights of the Audit Committee meeting held earlier in the day and requested that the Board accept the Operations audit as recommended by the Audit Committee.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors, as recommended by the Audit Committee, accepts the audit opinion issued on December 6, 2018 by PricewaterhouseCoopers LLC for the testing of specified control room operational processes for 2018, as attached to the memorandum dated December 6, 2018.

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

DECISION ON AUDIT COMMITTEE MEMBERSHIP

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, described how that due to upcoming changes in the Board's membership as a result of term expirations, the current Audit Committee will soon lack sufficient membership. Mr. Collanton stated that in order to comply with the bylaws, and to provide the Audit Committee with continuity moving forward until a full Board has been appointed, Management recommends that the Board appoint all current Governors to serve as the Audit Committee. Brief discussion followed.

Motion

Governor Bhagwat:

Moved, that the ISO Board of Governors appoints its entire membership to serve as the Audit Committee, effective December 14, 2018; and

Moved that the Board will serve simultaneously as the Audit Committee and will address all audit matters during duly noted Board meetings; and

Moved that this motion applies to the current Governors in office and any other Governors duly appointed at a future date, as detailed in the memorandum dated December 5, 2018.

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

BRIEFING ON POLICY INITIATIVES TO ENHANCE VIABILITY OF FLEXIBLE RESOURCES

Greg Cook, Executive Director – Market and Infrastructure Policy, provided the Board a briefing on policy initiatives to enhance viability of flexible resources. Mr. Cook described how there were several policy initiatives planned for implementation over the next three years that will enhance the viability of flexible resources. Mr. Cook next provided highlights of the following initiatives: generator contingency and remedial action scheme modeling, commitment cost enhancements phase 3, imbalance conformance enhancements, commitment cost and default energy bids / FERC Order 831, intertie deviation settlement, local market power mitigation enhancements, day-ahead market enhancements, contingency modeling enhancements, resource adequacy enhancements, and reliability must-run and capacity procurement mechanism enhancements. Brief discussion followed. Mr. Cook concluded his presentation by

providing an overview of longer-term initiatives, including frequency response and regulation pay-for-performance.

BRIEFING ON 2019 POLICY INITIATIVES ROADMAP AND ANNUAL PLAN

Greg Cook, Executive Director – Market and Infrastructure Policy, provided the Board an overview of the 2019 policy initiatives roadmap and annual plan process. Mr. Cook stated that the final roadmap would post following this general session briefing to the Board. He next outlined the primary drivers of the proposed three-year roadmap and described how extending the day-ahead market to the energy imbalance market would provide additional regional benefits. He provided an overview of the scope of the stakeholder initiative to extend the day-ahead market to EIM entities. Mr. Cook reviewed a graph that depicted the initiative milestones throughout 2019 – 2021. He concluded his presentation by discussing the stakeholder process and noted that stakeholders supported the proposed three-year roadmap and annual plan. Brief discussion followed.

INFORMATIONAL REPORTS

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

FUTURE AGENDA ITEMS

There were no items to discuss.

ADJOURNED

There being no additional general session matters to discuss, the session was adjourned at approximately 9:50 a.m.