

**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
December 14-15, 2016
ISO Headquarters
Folsom, California**

December 15, 2016

The ISO Board of Governors convened the general session meeting at approximately 1:00 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
Mark Ferron
Angelina Galiteva
Dave Olsen

The following members of the executive team were also present at times throughout the meeting: Steve Berberich, Petar Ristanovic, Mark Rothleder, Eric Schmitt, Roger Collanton, Tom Doughty, Stacey Crowley, Ryan Seghesio and Jodi Ziemathis

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

Roger Collanton, Vice President and General Counsel, acknowledged receipt of a public comment letter from Justine Burt, which had been provided to the Board of Governors. There was no other general public comment.

DECISION ON GENERAL SESSION MINUTES

Governor Ferron moved for approval of the Board of Governors general session minutes for the October 26-27, 2016 meeting. The motion was seconded by Governor Galiteva and approved 5-0.

CEO REPORT

Steve Berberich, President and CEO, provided an overview of the following sections of his report: Overall system conditions, November 9, 2016 low frequency event, metering rules enhancements proposal, Moody's ISO credit rating and renewable energy production peaks.

EIM GOVERNING BODY BRIEFING

Kristine Schmidt, Chair of the EIM Governing Body, provided the Board an update on recent EIM Governing Body activities and provided highlights of the November EIM Governing Body and Regional Issues Forum meetings, which took place in Phoenix, Arizona. Ms. Schmidt noted the Regional Issues Forum would begin its self-evaluation in early 2017 per the EIM Governing Body Charter. She provided an overview of the November EIM Governing Body meeting and stated that they voted on two decisional items at the November meeting, and that she would speak to them later this meeting during the applicable agenda items. Ms. Schmidt provided highlights of recent activities of the Body of State Regulators and noted they would be forming a staff advisory group. She concluded by providing an overview of upcoming meetings and activities. Brief discussion followed.

DECISION ON PROPOSED ENERGY IMBALANCE MARKET GOVERNANCE GUIDANCE DOCUMENT

Dan Shonkwiler, Lead Counsel, provided an overview of the proposed energy imbalance market governance guidance document, and described how it would establish a process for policy initiatives that may fall within the decisional authority of the EIM Governing Body. Mr. Shonkwiler provided an overview of how the process would work and described how it will facilitate feedback on the tentative decisional designation for each matter. He stated the proposed guidance document was provided to stakeholders for review and noted supportive comments were received.

Kristine Schmidt, Chair of the EIM Governing Body, provided comments in support of the proposed energy imbalance market governance document and noted her appreciation to the ISO for incorporating feedback from the EIM Governing Body during the review process. She stated the EIM Governing Body voted to endorse the document at its November meeting.

There was no additional public comment on this item.

Motion

Governor Olsen:

Moved, that the ISO Board of Governors adopts the proposed guidance document for EIM governance, attached to the memorandum dated

December 7, 2016, as the procedures to guide ISO employees as required by Article IV, Section 1(c) of the ISO's corporate bylaws.

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

DECISION ON METERING RULES ENHANCEMENTS PROPOSAL

Tom Flynn, Storage and Distributed Energy Resource Policy Manager, provided an overview of Management's proposal on metering rules enhancements. Mr. Flynn described how the proposal will provide additional metering flexibility to market participants and will reduce costs associated with participation in the ISO market. He described how the scheduling coordinator metered entities would be required to develop and submit a settlement-quality meter data plan that would be a means to ensure that the quality and integrity of meter data used in settlements is maintained. Mr. Flynn provided an overview of the changes and impacts the proposal would have on the energy imbalance market, and noted that existing EIM entities would have the option to retain current metering requirements and maintain their status quo. He provided an overview of the stakeholder process and noted there was broad support for the proposed enhancements. Mr. Flynn stated the EIM Governing Body determined that it would exercise its advisory role on this initiative and was supportive. Mr. Flynn concluded his presentation by providing highlights of the proposal's benefits.

Kristine Schmidt, Chair of the EIM Governing Body, noted this was the first initiative where the EIM Governing Body elected to exercise its advisory role and provided further comments expressing the EIM Governing Body's support of the metering rules enhancements proposal.

There was no additional public comment on this item.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the proposal for metering rules enhancements, as described in the memorandum dated December 7, 2016; 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 Bhagwat and approved 5-0.

DECISION ON FY2017 BUDGET

April Gordon, Director, Financial Planning and Procurement, provided an overview of the 2017 budget, and stated that the stakeholder budget process began in June 2016. She described how the proposed revenue requirement remained flat despite upward cost pressures, and that Management remains committed to a stable revenue requirement. She explained that the decreases in the forecasted transmission volume resulted in a minimal increase to the grid management charge rates. She stated that the proposed O&M budget slightly increased from \$169.3 million to \$173.6 million. Ms. Gordon explained that the ISO is leveraging an activity-based costing structure for further transparency. She reviewed a graph that depicted the annual debt service requirement and noted that it would remain at \$16.9 million for 2017, and noted that the capital project budget for 2017 is currently targeted at \$20 million. She concluded her presentation by providing an overview of the grid management charge rates. Brief discussion followed, and Mr. Berberich noted his appreciation to the Board for its input throughout the budget process.

There was no public comment on this item.

Motion

Governor Ferron:

Moved, that the ISO Board of Governors approves the 2017 revenue requirement and capital/project budgets as set forth in Attachment A to this memorandum dated December 7, 2016; and

Moved, the ISO Board of Governors authorizes Management to take all necessary and appropriate actions to implement the 2017 grid management charge rates reflected in the 2017 budget.

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

DECISION ON PARTICIPATING TRANSMISSION OWNER APPLICATION

Daune Kirrene, Senior Contracts Negotiator, provided an overview of the proposed participating transmission owner application for GridLiance West, and discussed the application process. She noted the application was posted for public comment, and that two comments were received which were outside the scope of the ISO's authority. She described how a participating transmission owner agreement with GridLiance West would re-enforce the ISO's interconnection with GridLiance West and Valley Electric at the Eldorado substation. Ms. Kirrene described how GridLiance West met the application requirements and requested that the Board approve the application.

Public comment

Tom Husted, on behalf of Valley Electric Association, provided comments in support of the application and requested the Board approve the proposed participating transmission owner application.

Ed Rahill, on behalf of GridLiance West, provided comments in support of the application and requested the Board approve the proposed participating transmission owner application.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the ISO's acceptance of the application of GridLiance West Transco LLC for participating transmission owner status, conditioned on (1) GridLiance West executing the Transmission Control Agreement and (2) the Federal Energy Regulatory Commission accepting a transmission owner tariff and transmission revenue requirement for GridLiance West.

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

BRIEFING ON COMMITMENT COSTS ENHANCEMENTS PHASE 3

Greg Cook, Director, Market & Infrastructure Policy, provided an overview of Management's commitment cost enhancements proposal. Mr. Cook provided a background overview and noted the Board approved in March 2016 Management's proposal for new provisions designed to more efficiently dispatch use-limited resources. He described how the Board directed Management to provide additional considerations for preferred resources. He stated that the ISO held subsequent workshops and developed an Action Plan to address stakeholder concerns. He stated the Action Plan would provide for a transition period and identify issues to address through the tariff and business practice manual development process.

AUDIT COMMITTEE UPDATE

Governor Bhagwat provided the Board an overview of the following items that went before the Audit Committee earlier in the day: (1) briefing on scope of financial audit, (2) briefing on issuance of the 2016 market controls audit and scope of the 2017 market controls audit, (3) acceptance of the audit of the ISO Retirees Medical Plan, and (4) acceptance of the operations audit. Governor Bhagwat stated the Audit Committee accepted the ISO Retirees Medical Plan audit and the operations audit and requested that the Board accept the two audits as recommended by the Audit Committee.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors accepts, as recommended by the Audit Committee, the financial statements and supplementary information of the California ISO Retirees Medical Plan for the years ended December 31, 2015, 2014, and 2013, as audited by Moss Adams LLP Certified Public Accountants, and as attached to the memorandum dated December 9, 2016.

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

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors accepts, as recommended by the Audit Committee, the audit opinion issued on November 28, 2016 by PricewaterhouseCoopers LLC for the testing of specified control room operational processes for 2016, as attached to the memorandum dated December 7, 2016.

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

BRIEFING ON USING RENEWABLES TO INTEGRATE RENEWABLES

Clyde Loutan, Senior Advisor – Renewable Energy Integration, provided a briefing on using renewables to integrate renewables. Mr. Loutan discussed how variable energy resources can provide essential reliability services to aid in the reliable operation of the grid. He provided an in-depth overview of the results of tests conducted by the ISO, NREL and First Solar on a 300 MW solar PV plant to demonstrate its operating flexibility. He explained that the voltage control test demonstrated the plant's capability to control system voltage at night. Mr. Loutan explained that the solar plant's frequency responsiveness was similar to or better than those of conventional resources. Mr. Loutan concluded his presentation by discussing next steps, and noted the final report was on track for issuance during the 4th quarter of 2016. Discussion ensued and the Board noted its appreciation for the efforts on this initiative and suggested some terminology changes given the positive impact of renewables on reliability and ancillary services. Brief discussion followed.

INFORMATIONAL REPORTS

There were no comments or questions on the following informational reports: regulatory report, state, regional and federal affairs update, business practice manual change

management report, Department of Market Monitoring update, Market Surveillance Committee update, and master stakeholder engagement and release plans.

ADJOURNED

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