



**GENERAL SESSION MINUTES  
BOARD OF GOVERNORS MEETING  
March 7, 2007  
ISO Headquarters  
Folsom, California**

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Mason Willrich, Chair of the Board of Governors, called the meeting to order. Roll call was taken and the presence of a quorum was determined.

**ATTENDANCE**

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

Mason Willrich, Chair  
Tim Gage  
Elizabeth Lowe  
Linda Capuano  
Tom Page

**GENERAL SESSION**

The following agenda items were discussed in General Session:

**WELCOME TO NEW BOARD MEMBERS**

Chairman Willrich provided introductory comments welcoming three new Board members: Governor Tim Gage, Governor Linda Capuano and Governor Tom Page. Chairman Willrich also provided thanks to the stakeholders that participated in the independent stakeholder board selection process.

**RECOGNITION OF DEPARTING GOVERNORS**

Tim Haines, Deputy Director of California Department of Water Resources, provided public comment and acknowledged the appreciation of the ongoing efforts of both the Board and Management. Mr. Haines also provided comments acknowledging the contributions made by former Governors Ed Cazalet and Ken Wiseman.

Governor Lowe presented Mr. Cazalet with a MRTU poster signed by members of the ISO.

Mr. Cazalet provided departing comments and acknowledged the efforts of ISO support staff, senior staff and the Management team.



Resolution – Ed Cazalet:

Governor Gage:

*WHEREAS, Edward Cazalet was appointed to ISO Board of Governors beginning in October 2004 by Governor Arnold Schwarzenegger and served a three year term as a Member of the Board and Chairman of the Operations Committee; and  
WHEREAS, Dr. Cazalet's board participation included overseeing the regulatory initiatives and technological requirements of the Market Redesign and Technology Upgrade program, approval of \$4.8 billion in transmission and infrastructure improvements including the Sunrise and Tehachapi projects, which will help renewable resources gain access to the grid, and the development of an innovative new mechanism for financing links to the grid that bring additional green power to consumers; and  
WHEREAS, Dr. Cazalet continually exhibited dedication to the California ISO, the stakeholders, and the people of California, which helped foster credibility in the organization that is its stock in trade today; and  
WHEREAS, Dr. Cazalet supported management and staff in their efforts to make the California ISO a world class organization; and, now, it is therefore  
MOVED, that the Board of Governors hereby expresses its gratitude to Dr. Cazalet for his pursuit of excellence as well as the commitment and dedication he displayed; and be it further  
MOVED, that ISO Board of Governors hereby present Dr. Cazalet with a copy of this resolution.*

The Resolution was seconded by Governor Lowe and approved 5-0-0.

Resolution – Ken Wiseman:

Governor Gage:

*WHEREAS, Ken Wiseman was appointed to ISO Board of Governors by Governor Arnold Schwarzenegger beginning in October 2004 and served his three year term as a Member and as Chairman of the Board from February 2005 until June 2006, and Chairman of the Human Resources Compensation Committee; and  
WHEREAS, Mr. Wiseman also served as Vice Chairman of the organization's original stakeholder Board from 1997 to 2000 as a consumer representative for agriculture and water electricity end users; and  
WHEREAS, Mr. Wiseman's board participation included overseeing the regulatory initiatives and technological requirements of the Market Redesign and Technology Upgrade program, approval of \$4.8 billion in transmission and infrastructure improvements including the Sunrise and Tehachapi projects, which will help renewable resources gain access to the grid, and the development of an innovative new mechanism for financing links to the grid that bring additional green power to consumers; and*



***WHEREAS, Mr. Wiseman continually exhibited dedication to the California ISO, the stakeholders, and the people of California, which helped foster credibility in the organization that is its stock in trade; and  
WHEREAS, Mr. Wiseman supported management and staff in their efforts to make the California ISO a world class organization; and, now, it is therefore  
MOVED, that the Board of Governors hereby expresses its gratitude to Mr. Wiseman for his pursuit of excellence as well as the commitment and dedication he displayed; and be it further  
MOVED, that ISO Board of Governors hereby present Mr. Wiseman with a copy of this resolution.***

**The Resolution was seconded by Governor Lowe and approved 5-0-0.**

Governor Gage, Governor Lowe and Governor Willrich provided comments that acknowledged the contributions made by the departing Governors.

#### **PUBLIC COMMENT**

Carolyn Kehrein, on behalf of California Manufactures & Technology Association, provided an update from the last Board meeting pertaining to Congestion Revenue Rights.

Eric Eisenman, PG&E Director of ISO Relations and FERC Policy, provided comments on agenda item 9: Briefing on PG&E's 3<sup>rd</sup> Martin-Hunters Point Project. Mr. Eisenman noted that Matt Stephens, PG&E Manager of Transmission Planning, was available should the Board have any inquiries at the time of the presentation.

#### **DECISION ON GENERAL SESSION MINUTES**

Governor Lowe noted two corrections to the minutes: Page 1: change Bleu to Blue and Page 5: change Eiseman to Eisenman.

Governor Lowe moved for the approval of the Board of Governors General Session minutes for March 7, 2007, as noted above. Motion seconded by Governor Willrich and approves 2-0-3, with Governor Gage, Governor Capuano and Governor Page recusing.

#### **APPOINTMENT OF ADR/AUDIT COMMITTEE CHAIR AND MEMBER**

Chairman Willrich noted that after consultation with the Board, Governor Gage agreed to Chair the ADR/Audit Committee and that Governor Page agreed to serve as a member on the ADR/Audit Committee.

#### **Motion:**

**Governor Capuano:**



***Moved, that the ISO Board of Governors appoint Governor Gage to serve as chair of the ADR/Audit Committee and Governor Page to serve as member of the ADR/Audit Committee in accordance with Article IV, Section 1, of the bylaws.***

**Motion seconded by Governor Lowe, and approved 5-0-0.**

## **CEO REPORT**

Yakout Mansour, President and Chief Executive Officer, provided comments, on behalf of Management and staff, that acknowledged the contributions made by the departing Governors. Mr. Mansour also provided comments welcoming the three new Board members. Mr. Mansour reported on highlights of events that have affected the CAISO since the last Board meeting. Mr. Mansour highlighted 2006 Scorecard Achievements, MRTU, Summer Assessment Report update, financial highlights, regulatory/government highlights and provided an employee update. Mr. Mansour's report recognized the change in role for Steve Greenleaf in his new position as Director of Regional Market Initiatives and welcomed Denise Antoniadis as Director of Strategic Planning and Executive Operations.

## **PUBLIC COMMENT ON MRTU RESOURCE ADEQUACY IMPORT CAPACITY**

Sue Mara, with Alliance for Retail Energy Markets, provided supporting comments on Management's MRTU Resource Adequacy Import Capacity proposal.

Pamela Mills, Regulatory Policy Manager with SDG&E, provided supporting comments on Management's MRTU Resource Adequacy Import Capacity proposal, noting that the mechanism should be revisited for use in 2009 and beyond.

Brian Hitson, with PG&E, provided generally supporting comments on Management's MRTU Resource Adequacy Import Capacity proposal. Mr. Hitson addressed two elements of concern that PG&E believes should be addressed in the future.

David Schiada, with SCE, provided generally supporting comments on Management's MRTU Resource Adequacy Import Capacity proposal. Mr. Schiada noted a few areas that SCE believes should be addressed in the future.

Mary Lynch, Vice-President Regulatory and Legislative Affairs for Constellation Energy Commodities Group, provided supporting comments on Management's MRTU Resource Adequacy Import Capacity proposal. Ms. Lynch provided additional comments pertaining to the grandfathering clauses in existing transmission contracts.

Bob Strauss, with the California Public Utilities Commission, provided supporting comments on Management's MRTU Resource Adequacy Import Capacity proposal. Mr. Strauss noted that the yearly program approach was very much supported.

Tony Braun, with California Municipal Utilities Association, provided generally supporting comments on Management's MRTU Resource Adequacy Import Capacity proposal. Mr. Braun commented on the trading process in the proposal and how it would be governed in the future.

## **DECISION ON MRTU RESOURCE ADEQUACY IMPORT CAPACITY**

Keith Johnson, Senior Market and Product Developer, presented Management's recommendation for a decision on MRTU Resource Adequacy Import Capacity Tariff filing. Mr. Johnson reviewed the elements as to why a Board decision was required and explained the need for a methodology and the rationale for the proposal. Brief discussion followed.

Mr. Johnson provided an overview of recent revisions made to the proposal to address stakeholder concerns. Mr. Johnson concluded his presentation by reviewing the key elements of the proposal and provided an overview of illustrative examples. Brief discussion followed.

### **Motion:**

#### **Governor Lowe:**

***MOVED, That the ISO Board of Governors approve the Market Redesign and Technology Upgrade resource adequacy import capacity policy proposals, as described in this memorandum dated March 1, 2007, and related attachments; and That the ISO Board of Governors authorize management to make all appropriate and necessary filings with FERC in support of tariff provisions to implement the Market Redesign and Technology Upgrade resource adequacy import capacity policy proposals, as described in this memorandum dated March 1, 2007.***

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

## **BRIEFING ON PG&E'S 3<sup>RD</sup> MARTIN-HUNTERS POINT PROJECT**

Gary DeShazo, Director of Regional Transmission North, presented a status briefing on Third Martin-Hunters Point 115kV Underground Cable Project. Mr. DeShazo informed the Board that the project scope and the need for the project remained unchanged and noted that the project remained the preferred alternative. Brief discussion followed.

Matt Stephens, with PG&E – Transmission Planning, provided a brief overview and reviewed the three primary drivers that factored into the cost increase of the project: Hazardous waste / Environmental mitigation costs, the rising cost of the cable, and the half-mile increase in length of the project. Brief discussion followed.

Mr. DeShazo concluded his presentation by reviewing the action plan going forward.

## **BRIEFING ON UPCOMING CONGESTION REVENUE RIGHTS TARIFF FILINGS**

Anna McKenna, Counsel, presented an informational briefing on upcoming Congestion Revenue Rights ("CRR") Tariff filings. Ms. McKenna noted that there were no policy changes in the upcoming filings



therefore, Board approval was not required. Ms. McKenna provided an overview of CRRs and reviewed the upcoming Tariff changes, including changes to Transmission Rights and Transmission Curtailment Instructions and changes for Registration and Qualification of Candidate CRR Holders. Ms. McKenna concluded her presentation by providing an overview of the stakeholder process associated with the upcoming March 9<sup>th</sup> Tariff filing with FERC, noting that comments were due the day prior. Brief discussion followed.

Governor Lowe requested the stakeholder matrix as a reference point.

### **BRIEFING ON CRR DRY RUN AND CRR FINANCIAL ANALYSIS**

Jim McClain, Senior Market Design Specialist, presented the Board with highlights of the CRR Dry Run and noted that the Dry Run was completed five weeks early. Mr. McClain reviewed the Aggregated Allocation Results.

Jim Price, Lead Engineering Specialist, presented the Board with highlights of the CRR Financial Analysis and provided an overview of the scenarios for CRR Revenue & Congestion Costs. Mr. Price reviewed the preliminary aggregated results and noted that the individual Load Serving Entities would be provided their individual results separately due to the confidential nature of the information.

### **RECESSED**

There being additional general session items to discuss, the general session of the Board of Governors was recessed until later in the day.

### **RECONVENED**

Mason Willrich, Chair of the Board of Governors, reconvened the general session of the Board of Governors.

### **ATTENDANCE**

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

Mason Willrich, Chair  
Tim Gage  
Elizabeth Lowe  
Linda Capuano  
Tom Page

### **GENERAL SESSION**

The following agenda items were discussed in General Session:

**DECISION ON 2007 BOND ISSUANCE**

Phil Leiber, Treasurer and Director of Financial Planning, presented Management's recommendation for a decision on Authorization for 2007 Bond Issuance. Mr. Leiber reviewed the financing goals and proposed bond structure. Mr. Leiber noted one correction to the outstanding debt and debt service bar graphs: the debt will retire in 2013, not 2012 as shown on the graph. Mr. Leiber concluded his presentation by providing an overview of the financing team and the proposed financing timeline. Brief discussion followed.

**Motion:****Governor Gage:*****Borrowing Resolution (2007-03-07)***

***MOVED, that the Chief Executive Officer or the Chief Financial Officer of the California Independent System Operator Corporation (CAISO) be, and they hereby are, authorized and empowered, in the name and on the behalf of the CAISO, to perform the following:***

- ***Issue variable rate demand bonds in an amount not to exceed \$60,000,000 through the California Infrastructure and Economic Development Bank.***
- ***Borrow money, incur other obligations and guarantee the obligations of the CAISO in an amount not to exceed \$60,000,000, and in furtherance thereof to execute and deliver from time to time any note or other instrument evidencing indebtedness or other obligations of the CAISO, including related agreements and documents and guarantees of obligations or endorsements of notes, when deemed by them to be in the best interests of the CAISO, at a rate or rates of interest, and upon such other term or terms as shall be agreed upon by such officers.***
- ***Procure a standby bond purchase agreement for a term not to exceed three years at a cost not to exceed 18 basis points annually plus other associated expenses.***
- ***Procure a bond insurance policy at a cost not to exceed 50 basis points of principal and interest paid over the life of the bonds and other associated expenses.***

***MOVED FURTHER, that Management be authorized and directed to take any and all actions necessary and appropriate to execute an interest rate swap to partially hedge the bonds and provide for synthetic fixed rate debt for not less than 60% and up to 100% of the outstanding bond principal amount.***

***MOVED FURTHER, that with respect to any single transaction covered by the foregoing motions, the Chief Executive Officer or the Chief Financial Officer of the CAISO may delegate in writing to any one or more Officers of the CAISO the power to sign such instruments, agreements or other documents on his or her behalf as may be required to effectuate such transaction.***

**The motion was seconded by Governor Capuano, and approved 5-0-0.**

### **CPUC QUARTERLY UPDATE**

Bob Strauss, with the CPUC, provided an informational briefing to the Board on the CPUC Resource Adequacy Program. Mr. Strauss began his presentation by providing a Jurisdictional overview of the CPUC and discussed the procedural history of the CPUC Resource Adequacy proceedings. Mr. Strauss reviewed various aspects of the Resource Adequacy Requirement and discussed Resource Adequacy charts for Summer 2006 and 2007. Mr. Strauss concluded his presentation by providing an update on the current proceeding at CPUC (R.05-12-013) and discussed the Long-Term Resource Adequacy Program Issues.

### **DECISION ON TMCC APPOINTMENT RECOMMENDATIONS**

Steve Rutty, Interim Manager – Grid Assets, presented Management’s recommendation for a decision on Transmission Maintenance Coordination Committee (TMCC) Membership Appointments. Mr. Rutty provided a background of the TMCC, outlined the twelve formal voting positions, and reviewed the TMCC membership selection process. Mr. Rutty recommended the following TMCC candidates: Landis Marttila (IBEW Local 1245), Mike Gugerty (SCE), Jesse Ante (CPUC), Jamie Patterson (CEC), Lee Trevino (Silicon Valley Power), and Steve Mendoza (Western Wind Energy). Mr. Rutty concluded his presentation by providing a brief overview of current TMCC activities. Brief discussion followed, including discussion of the Transmission Maintenance Standards. In response to interest expressed from the Board, Mr. Rutty stated he would provide the Board with a Transmission Maintenance Standards program overview at a future Board meeting.

#### **Motion:**

#### **Governor Page:**

***MOVED, that the ISO Board of Governors approve the six candidates presented by ISO Management in this Memorandum dated March 1, 2007 to serve on the Transmission Maintenance Coordination Committee in accordance with the terms referenced in this memo.***

**Motion seconded by Governor Gage, and approved 5-0-0.**

### **CLIENT SURVEY UPDATE**

Don Fuller, Director of Customer Services & Industry Affairs, provided an informational briefing on the 2006 Client Survey and 2007 Business Improvement Plans. Mr. Fuller began his presentation by expressing thanks to the stakeholders that participated in the survey, as over two-hundred responses had been received. Mr. Fuller reviewed the December 2006 Survey Design including the format and targeted focus aspects. Mr. Fuller reviewed a sampling of positive indicators extracted from the results and provided a high-level overview of the survey results. Mr. Fuller concluded his presentation by



reviewing the areas for improvement and outlining the action plans currently under development. Brief discussion followed.

### **BRIEFING ON CAISO 2007 SUMMER LOADS AND RESOURCES OPERATIONS ASSESSMENT**

Bob Emmert, Senior Loads and Resources Engineer, provided an informational briefing to the Board on the Summer 2007 Supply and Demand Operational Outlook. It was noted that the presentation and report had been revised and were posted to the web. Mr. Emmert began his presentation by providing an introduction and overview of the assessment process. Mr. Emmert reviewed the Demand and Supply of Summer 2006, and provided a load overview of CAISO historical and forecast peak demand. Brief discussion followed.

Mr. Emmert discussed the 2007 resource overview slide, provided an overview of the probability analysis and reviewed the 2007 operating reserve graphs. Mr. Emmert reviewed Summer 2007 adverse scenario planning for the CAISO Control Area and South of Path 26. Mr. Emmert concluded his presentation by reviewing preliminary summer preparedness actions. Brief discussion followed regarding the roll-out of the summer preparedness plan.

### **BRIEFING ON MARKET INITIATIVES RANKING METHODOLOGY**

Greg Cook, Manager – Tariff and Regulatory Policy Development, provided an informational briefing on the Market Initiatives Ranking Methodology. Mr. Cook began his presentation by explaining the need to implement a formal process for ranking proposed market design initiatives. Mr. Cook discussed the stakeholder engagement and input on the ranking criteria proposal. Mr. Cook provided an overview of the issue ranking process steps and the high level prioritization and criteria. Mr. Cook reviewed the detailed ranking benefit criteria and detailed ranking feasibility criteria and concluded his presentation by providing an overview of the ranking criteria matrix. Brief discussion followed. Mr. Cook noted that the next step would be to apply this methodology to the market initiatives road map. Brief discussion followed.

### **MRTU UPDATE**

Debi LeVine, Director of Market Services & MRTU Project Manager, provided the Board with a MRTU executive overview, covering the areas of Market Simulation and System Development.

Nancy Traweck, Director of Operations Support and MRTU Readiness Lead, provided the Board with a MRTU executive overview, covering the area of Internal and External Readiness.

### **MARKET PERFORMANCE REPORT BRIEFING**

Alan Isemonger, Manager – Market Information, provided highlights related to market performance in December 2006, noting it was a quiet month. Mr. Isemonger provided a brief market overview including a review of system load comparison, bilateral electricity prices, real time balancing energy prices, ancillary services markets, OOS dispatch and RA Unit Commitment Costs.

### **POTENTIAL DISCUSSION REGARDING INFORMATIONAL REPORTS**



## **LEGISLATIVE REPORT**

Terri Moreland, Director of Federal Affairs, provided a brief overview of recent activities in the House and Senate in the areas of greenhouse gas legislation.

## **ADJOURNED**

There being no additional business items to discuss, the general session of the Board of Governors was adjourned.