



**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
April 18-19, 2007
ISO Headquarters
Folsom, California**

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:

PUBLIC COMMENT

Governor Willrich commented on recent modifications to the public comment process and noted that the public would have the opportunity to comment at the commencement of the meeting as well as after Management's presentation on designated key topics.

No public comment made at this time.

DECISION ON GENERAL SESSION MINUTES

Governor Page moved for the approval of the Board of Governors General Session minutes for the March 7, 2007 meeting. The motion was seconded by Governor Gage and approved 5-0-0.

CEO REPORT

Yakout Mansour, President and CEO, reported on highlights of events that have affected the CAISO since the last Board meeting. Mr. Mansour provided an update on the status of MRTU program and highlighted recent operational issues, including the finalization of the Summer 2007 Supply and Demand Operational Outlook. Mr. Mansour provided an update on events surrounding the April 15 – 16, 2007 event and expressed sincere appreciation for the work all of the agencies involved. Mr. Mansour stated that a formal investigation would be conducted. Mr. Mansour referenced the planning project section of



the CEO Report on the Sunrise, Tehachapi and Trans Bay Cable projects and provided a further update on the Trans Bay Cable project. Mr. Mansour noted that FERC recently approved the CAISO Declaratory Order on the 3rd category of transmission. Mr. Mansour concluded his presentation by providing highlights of the 2006 Annual Report on Market Performance.

DECISION ON FIVE-YEAR PLAN

Yakout Mansour, President and CEO, provided an overview of the five-year business plan and noted the change from a three-year to a five-year plan. Mr. Mansour discussed the planning process, key assumptions, Corporate strategic objectives, and reviewed the key initiatives associated with those objectives. Mr. Mansour concluded his presentation by describing the actions underway that would integrate the plan into day-to-day operations.

Governor Capuano requested that business plan be voted on as a stand-alone document and reserve consideration of the metrics for a later time. John Anders, Acting Corporate Secretary, responded that the motion language would be revised to reflect the request.

Chairman Willrich noted that the Board had spent considerable time discussing the five-year business plan during the meeting on March 8-9, 2007.

The Board commended Management on the process and effort that went into creating the five-year business plan.

Motion:

Governor Gage:

MOVED: Whereas, Management and employees of the Company have conducted a comprehensive assessment of external drivers and internal capabilities, objectives, opportunities and challenges in the next five years;

Whereas the ISO Board of Governors has received periodic updates concerning the nature and scope of this planning effort, and the Company's progress on that effort; Whereas the ISO Board of Governors participated in a preliminary review of the Company's plans with regard to corporate strategic objectives and initiatives, including the recruitment, retention and training of personnel, technology gaps and vendor relationships, legal and regulatory objectives, and other issues; and

***Whereas Management, based on this planning effort, has developed a comprehensive strategy to guide its operations and functions in the next five years
Now, therefore, it is Moved,***

That the ISO Board of Governors approve the California ISO Five-Year Business Plan, 2007 – 2011, dated April 19, 2007, and directs Management to proceed with implementation of the Plan.

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

DECISION ON RESPONSE TO FERC ORDER ON RATE TREATMENT FOR THE LAKE ELSINORE ADVANCED PUMPED STORAGE PROJECT

Proposal

Phil Pettingill, Manager – Infrastructure Policy, began his presentation by providing an overview of the reasons why CAISO needed to respond to the FERC’s November 17, 2006 Order by May 1, 2007. Mr. Pettingill reviewed the positions provided in stakeholder comments and concluded by reviewing the key policy principles that were before the Board for decision.

Public Comment

David Kates, on behalf of the Nevada Hydro Company, provided an overview of the Nevada Hydro Company’s stakeholder proposal. Mr. Kates stated the project was a needed resource for the grid, but did not agree with Management’s recommended proposal that was before the Board.

Discussion followed regarding the stakeholder process, the type of project that had been submitted to CAISO, the nature in which the three key projects were originally to be submitted to the Board, as well as other background information.

Eric Eisenman, on behalf of Pacific Gas & Electric Company, provided comments in support of Management’s proposal.

Tony Braun, on behalf of California Municipal Utilities Association, provided comments in support of Management’s proposal.

Pamela Mills, on behalf of San Diego Gas & Electric Company, provided comments in support of Management’s proposal.

Ali Amirali, on behalf of Dynegy, provided comments in support of Management’s proposal and commended staff on its efforts to facilitate competitive markets.

Governor Willrich acknowledged receipt of the letter received from the Elsinore Valley Municipal Water District.

Board Decision

Discussion followed regarding cost recovery, creative solutions and the need for infrastructure. Governor Lowe provided comments addressing the role of the Board and the ISO.

Motion:

Governor Lowe:

MOVED, That the ISO Board of Governors approve the policy principles related to the rate treatment, interconnection and operation for the Lake Elsinore Advanced Pumped Storage project described in this memorandum dated April 12, 2007, and related attachments; and

That the ISO Board of Governors authorizes management to make all appropriate and necessary filings with the FERC in support of such policy proposals.

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

DECISION ON TARIFF CHANGES TO ENHANCE RULES FOR THE CONGESTION REVENUE RIGHTS “CRR” RELEASE PROCESS

Proposal

Lorenzo Kristov, Principal Market Architect, began his presentation by stating that MRTU would create financial rights to enable participants to manage congestion charges and then reviewed why Management was seeking to change the filed rules for releasing CRRs. Mr. Kristov provided an overview of the differences between the existing and proposed process and concluded by reviewing the impact of the proposed changes.

Public Comment

Don Garber and Laura Manz, on behalf of San Diego Gas & Electric Company, provided comments on Management’s proposal. Mr. Garber commended the efforts of staff on their work on the CRR issue. Mr. Garber stated that an acceptable solution to SDG&E had not yet been reached, but not due to the lack of staff efforts. Mr. Garber reviewed his concerns with the proposal and requested that proposal return back to the stakeholder process. Mr. Garber concluded by noting he was a big CAISO supporter and wanted to see MRTU implemented on time, but that a better solution was needed. Ms. Manz provided additional background information and discussed the recently available dry run results. Ms. Manz requested that the stakeholder process continue for a few more weeks.

Discussion followed regarding the CRR timeline and the request to re-open the stakeholder process.

Brian Hitson, on behalf of Pacific Gas & Electric Company, provided generally supporting comments on Management’s proposal and noted a few areas in which the ISO needed to improve.

Eric Little, on behalf of Southern California Edison, provided comments in support of Management's proposal and noted that a delay in Board approval could result in a delay in the MRTU schedule.

Carolyn Kehrein, on behalf of California Manufactures & Technology Association, Energy Users Forum, and California Large Energy Consumers Association, provided comments on Management's proposal and reviewed various excerpts from the April 12, 2007 Market Surveillance Committee Opinion.

Elizabeth Dorman, on behalf of the California Public Utilities Commission, provided generally supportive comments to Management's proposal and noted that the CPUC would prefer that the SDG&E and SCE would come to an agreement and file joint comments for the May FERC filing.

Discussion followed regarding the status of negotiations between the parties and the potential deferral of a Board decision in order to facilitate the negotiations between the parties.

MSC Opinion

Frank Wolak, Chairman of the Market Surveillance Committee, provided an overview of the April 12, 2007 MSC Opinion on Recent Changes to the ISO Congestion Revenue Rights Proposal.

Further discussion followed regarding the potential deferral of the decision to allow for further negotiations between SDG&E and SCE.

Board Decision

The Board deferred decision on the matter until a later date in time, but in advance of the May 2nd filing, in order to allow additional time for SDG&E, SCE and the CPUC to try and work out a mutually agreeable solution.

DECISION ON AUTHORIZATION TO FILE TARIFF AMENDMENT TO ENABLE BUSINESS PRACTICE MANUALS "BPMs" CHANGE MANAGEMENT PROCESS

Proposal

Don Fuller, Director of Customer Services & Industry Affairs, began his presentation by reviewing the need for a new BPM Change Process. Mr. Fuller provided a review of the process and stated that a systematic and transparent approach for change management had been designed. Mr. Fuller provided an overview of the stakeholder feedback and noted how the process had been improved based on the feedback. Mr. Fuller concluded his presentation by reviewing the next steps that would lead up to a February 2008 launch.

Public Comment

Ellen Wolfe, on behalf of Western Power Trading Forum, provided comments on Management's proposal and noted areas of concern, including that the process itself was not being incorporated into the MRTU Tariff.

Governor Lowe requested regular BPM updates to the Board.

Brian Hitson, on behalf of Pacific Gas & Electric, provided generally supporting comments on Management's proposal in addition to noting one concern regarding the ISO having unilateral authority of the final decision.

Ali Amirali, on behalf of Dynegy, provided comments on Management's proposal and noted some concerns, including that the process should be incorporated into the ISO Tariff language.

David Schiada, on behalf of Southern California Edison, provided comments on Management's proposal and noted some areas of concern. Mr. Schiada recommended one amendment that would require Board approval for any subsequent changes to the change management process.

Ms. Edson responded by stating that Management would make the requested change to the motion language.

Elizabeth Dorman, on behalf of the California Public Utilities Commission, provided comments on Management's proposal and noted some areas of concern.

Further discussion followed regarding the process and the level of detail that should go to the Board.

Governor Lowe requested Management to streamline the existing stakeholder matrix and to organize it by issue with bullet points.

Board Decision

Motion:

Governor Lowe:

Moved, That the ISO Board of Governors approve the proposal for the CAISO to implement the Business Practice Manual change management process as described in this memorandum dated April 12, 2007, including clarification that Board approval is required for changes to the change management process as presented on April 19, 2007; and

That the ISO Board of Governors authorize Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement this proposal.

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

RECESSED

There being additional business 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 meeting. 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:

BRIEFING ON TRANS BAY CABLE

Briefing

David Parquet, with Babcock & Brown, provided the Board with an update on the status of the Trans Bay Cable Project, including a change in technology and an increase in costs. Mr. Parquet reviewed the key milestones and noted that considerable progress had been made and that the development phase of the project was nearly complete. Mr. Parquet provided an overview of the project schedule and provided a status on the contracts, agreements, discretionary permits and approvals. Mr. Parquet requested that the Board consider its earlier motion on the matter and grant an extension from April 30, 2007 to June, 30, 2007 in order for the financing to take place. Further discussion followed.

Yakout Mansour, President and CEO, stated that Management would need to assess the impact and then commented on the September 2006 counter proposal. Mr. Mansour stated that as part of due diligence, the ISO needed to be sure that the right technology was in place. Mr. Mansour stated that the due diligence process would be expedited and that a report on the technology would be provided to the Board at the May meeting.

John Anders, Acting Corporate Secretary, commented on the request for extension and circumstances surrounding the need for Board action.



Public Comment

Barry Flynn, on behalf of the San Francisco Public Utilities Commission and the San Francisco City Attorney's office, expressed appreciation on the ISO staff and urged support for continued participation in the process.

DECISION ON TARIFF PROPOSAL TO BILL WESTERN ELECTRICITY COORDINATING COUNCIL "WECC" RELIABILITY COSTS

Proposal

Mike Epstein, Controller, began his presentation by stating why billing of reliability costs would require a Tariff amendment. Mr. Epstein stated that the ISO was proposing to sign an agreement with WECC and file a Tariff amendment to bill Scheduling Coordinators.

Governor Capuano left the Board of Governors meeting at approximately 3:00 p.m.

Mr. Epstein concluded his presentation by providing an overview of stakeholder comments and noted that the comments were generally supportive.

Board Decision

Governor Gage:

MOVED, That the ISO Board of Governors approve the proposal for the CAISO to bill and collect ERO and Regional Entity Reliability Costs as described in this memorandum dated April 12, 2007 and the related attachments; and

That the ISO Board of Governors authorize Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement this proposal.

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

ADR/AUDIT COMMITTEE UPDATE

Governor Gage, Chair of the ADR/Audit Committee, provided the Board with a brief committee update and noted that the October 18, 2006 General Session minutes had been approved.

MARKET PERFORMANCE REPORT BRIEFING

Alan Isemonger, Manager – Market Information, provided highlights related to market performance in January and February, 2007. Mr. Isemonger provided comments on the January cold snap in addition to a brief market overview including a review of system load comparison, Inc and Dec Capacity Utilization, real time balancing



energy prices, ancillary services markets, FERC MOO Unit Commitment Costs, OOS Dispatch, RA Unit Commitment Costs and the Market Impact of Balancing Energy Prices.

DEPARTMENT OF MARKET MONITORING REPORT

Jeff McDonald, Manager – Market Monitoring and Reporting, provided highlights of the 2006 Annual Report on Market Performance. Mr. McDonald reviewed Market Performance, Generation and Load Growth, Revenue Adequacy, and Significant 2006 Market Events. Brief discussion followed. Mr. McDonald concluded his presentation by reviewing the impact of a March 2007 market software issue. Brief discussion followed.

POTENTIAL DISCUSSION REGARDING INFORMATIONAL REPORTS

There was no discussion of the informational reports.

ADJOURNED

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