



**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
January 24, 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
Elizabeth Lowe
Ed Cazalet
Ken Wiseman

GENERAL SESSION

The following agenda items were discussed in General Session:

PUBLIC COMMENT

Tom Flynn, on behalf of the CPUC, provided comments supporting the Tehachapi project noting that Board approval would clear the way for Southern California Edison "SCE" to file in June at the CPUC.

Ron Litzinger, Senior Vice President - Transmission & Distribution with SCE, provided supporting comments for Tehachapi as one of the project sponsors. Mr. Litzinger stated that he believed the stakeholder process facilitated the development of the project.

Commissioner John Geesman, on behalf of the California Energy Commission, provided supporting comments noting that the Tehachapi project has been a priority for the CEC.

Greg Blue, on behalf of EnXco, provided supporting comments on the Tehachapi project and requested additional follow-up pertaining to substation number 5.

Nancy Rader, on behalf of California Wind Energy Association, provided supporting comments on the Tehachapi project.

Rich Ferguson, Research Director with the Center for Energy Efficiency and Renewable Technology, provided supporting comments on the Tehachapi project. Mr. Ferguson provided an overview of a presentation entitled "The Tehachapi Wind Energy Project and the California Global Warming Solutions Act".

Pam Mills, on behalf of San Diego Gas & Electric, provided overall supporting comments on the Long-term Congestion Revenue Rights decisional item. Ms. Mills noted concern about the historical allocation period element.

Karen Shea, on behalf of CPUC, provided supporting comments on the Long-term Congestion Revenue Rights decisional item noting that the revised proposal was appreciated.

Eric Little, on behalf of Southern California Edison, provided supporting comments in general on the Long-term Congestion Revenue Rights decisional item and noted that there were still areas that needed to be worked out.

Tony Braun, on behalf of California Municipal Utilities Association, provided supporting comments in general on the Long-term Congestion Revenue Rights decisional item and noted some areas of concern. Mr. Braun also commented on the transmission planning process.

Carolyn Kehrein, on behalf of California Manufactures & Technology Association, provided comments on the Long-term Congestion Revenue Rights decisional item and noted concerns. Ms. Kehrein noted that CMUA would support the staff recommendation if the concerns were addressed.

Glenn Golbeck, of behalf of Pacific Gas & Electric Company, provided comments on the Long-term Congestion Revenue Rights decisional item, noting support for most aspects, and then reviewed two areas of concern.

Hal Romanowitz, on behalf of Oak Creek Energy and others, provided supporting comments on the Tehachapi project and noted that Oak Creek has approximately 40% of the cluster associated with the project.

APPROVAL OF MINUTES

December 12, 2006 - General Session Minutes

Governor Wiseman moved for the approval of the Board of Governors General Session minutes for December 12, 2006. Motion seconded by Governor Lowe and approved, 4-0-0.

December 19, 2006 - General Session Minutes

Governor Lowe moved for the approval of the Board of Governors General Session minutes for December 19, 2006. Motion seconded by Governor Cazalet and approved, 4-0-0.

CEO REPORT

Yakout Mansour, President and Chief Executive Officer, reported on highlights of events that have affected CAISO since the last Board meeting. Mr. Mansour highlighted MRTU, recent Operational Issues, Planning and Infrastructure Development, financial highlights, regulatory/government highlights



and provided an employee update. Mr. Mansour's report recognized the efforts of the Long-Term Congestion Revenue Rights team.

BRIEFING ON CAISO TRANSMISSION PLAN

Gary DeShazo, Director of Regional Transmission North, provided an overview of the CAISO Transmission plan and described what the plan contained. Mr. DeShazo reviewed highlights in the transmission and deliverability areas and described an excerpt from the 2006 Operating Guide.

Governor Willrich inquired as to how many projects came in on the target/service date and how many did not. Governor Lowe inquired as to the status of the projects with regards to upcoming dates and noted an interest in seeing the 2007 project status information. Mr. DeShazo responded that he would report back to the Board with the information requested.

Mr. DeShazo concluded his presentation by reviewing the plan highlights including area assessments and provided a preview of what to expect from future transmission plans.

DECISION ON TEHACHAPI PROJECT

Grant Rosenblum, Senior Counsel, informed the Board that the Request for Waiver of the tariff provisions necessary to implement the proposed motion were filed on January 19, 2007.

Amie Perez, Vice President Planning & Infrastructure Development, provided a background of the project noting that Tehachapi was one of three projects that the CAISO had been asked to assess in Southern California. The other two projects being the LEAPS and Sun Path Projects. Mr. Perez reviewed the status of the CAISO South Regional Transmission Plan for 2006 "CSRTP-2006", including the level of public participation in the CSRTP-2006 Process and the Tehachapi project. Mr. Perez reviewed the Plan of Service timelines and discussed how the proposed project was compliant with Large Generation Interconnection Procedure requirements. Brief discussion followed regarding the planned in-service dates.

Motion:

Governor Lowe:

Moved, That the ISO Board of Governors approve the Tehachapi Transmission Project as the Network Upgrades necessary to allow Generating Facilities in the Tehachapi Wind Resource Area to deliver their output and reliably interconnect to the ISO Controlled Grid in conformance with the ISO's Large Generator Interconnection Procedures (LGIP) and direct Southern California Edison Company (Project Sponsor) to proceed with the permitting and construction of the transmission project, as detailed in the memorandum to the ISO Governing Board dated January 18, 2007. This approval shall be contingent upon FERC approval of the waiver of the LGIP provision as requested by the California Independent System Operator Corporation in FERC Docket No. ER07-447, as filed with FERC on January 19, 2007.

Motion seconded by Governor Cazalet, and approved 4-0-0.

MARKET SURVEILLANCE COMMITTEE UPDATE

Jim Bushnell, MSC Committee member, provided a summary of the findings of the Market Surveillance Committee with regards to Long-Term Firm Transmission Rights stating that it was a good proposal that balanced many competing interest.

DECISION ON LONG-TERM CONGESTION REVENUE RIGHTS "LT-CRR" COMPLIANCE FILING

Lorenzo Kristov, Principal Market Architect, presented Management's recommendation on Long-term Congestion Revenue Rights. Mr. Kristov stated that the proposal was in prepared compliance to FERC's July 2006 Final Rule on Long-Term Firm Transmission Rights (FERC Order 681). Mr. Kristov revised the accomplishments of the proposal and provided an overview of the key characteristics of Long-Term Congestion Revenue Rights. Mr. Kristov reviewed the process for releasing LT-CRRs and provided the Board with an overview of recent revisions that had been made to the proposal to address stakeholder concerns. Further discussion followed.

Governor Lowe requested regular reports to the Board on the status of planning through the implementation process.

Motion:

Governor Cazalet:

***Moved, That the ISO Board of Governors approve the Long Term Congestion Revenue Rights proposal, as outlined in the memorandum dated January 18, 2007, and related attachments; and
That the ISO Board of Governors authorize Management to make all the necessary and appropriate filings with the Federal Energy Regulatory Commission to implement this proposal.***

Motion seconded by Governor Lowe, and approved 4-0-0.

RECESS

There being additional general session business items, the general session of the Board of Governors was recessed until the next morning.

RECONVENED – January 25, 2007

ATTENDANCE

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

Mason Willrich, Chair
Elizabeth Lowe
Ed Cazalet
Ken Wiseman

PUBLIC COMMENT

Eric Eisenman, on behalf of the Pacific Gas & Electric Company, commented on the decisional item regarding refinements to load scheduling requirements.

Andrew Ulmer, on behalf of California Department of Water Resources State Water Project, provided comments on the decisional item regarding refinements to load scheduling requirements. Written comments provided.

Eric Little, on behalf of Southern California Edison, provided comments on the decisional item regarding refinements to load scheduling requirements.

Thomas Corr, on behalf of Sempra Energy, provided comments on the decisional item regarding refinements to load scheduling requirements. Written comments provided.

Jeff Lam, on behalf of Powerex, provided comments on the decisional item regarding refinements to load scheduling requirements. Written comments provided.

DECISION ON COMPLIANCE PROGRAM

John Anders, Acting Corporate Secretary, provided an overview of the Compliance Program. Mr. Anders provided the reasoning behind the need for a compliance program and reviewed the elements associated with an effective compliance program. Mr. Anders provided an overview of the next steps as well as discussed the challenges. Mr. Anders concluded by providing a recap of the benefits to having a compliance program as part of best practices.

Brief discussion followed pertaining to the composition of the Management level compliance committee and the frequency of future reports to be provided to the Board.



Motion:

Governor Wiseman:

Moved, That the ISO Board of Governors approve the Compliance Program Policy included as Attachment A to this Memorandum.

That the ISO Board of Governors approve the enhancements to the Employees Code of Conduct and Ethical Principles included as Attachment B to this Memorandum.

That ISO Board of Governors approve amendment of the ADR/Audit Committee Charter as set forth in Attachment C to this Memorandum.

That in accordance with Article VI of the Bylaws of the California Independent System Operator Corporation (the "Corporation"), the ISO Board of Governors appoint a Chief Compliance Officer with responsibility for compliance activities with such powers and duties as are set forth in the Bylaws of the Corporation and such additional powers and duties as may be prescribed by the ISO Board of Governors.

That the ISO Board of Governors hereby appoint John Anders as Acting Chief Compliance Officer for the Corporation, effective immediately, and that the term of the officer shall continue until the Board removes the acting designation, appoint another individual to the position, or the effective date of any termination of employment.

Motion seconded by Governor Cazalet, and approved 4-0-0.

ACCEPTANCE OF REVIEW OF CODE OF CONDUCT AUDIT PROCEDURES

Dennis Estrada, Lead Financial Reporting, provided an overview of the results of the audit review that pertained to the Code of Conduct noting that the bylaws require an annual certification of compliance and that an annual audit is required by the Tariff. Mr. Estrada stated that no exceptions had been noted.

Motion:

Governor Wiseman:

Moved, That the ISO Board of Governors accept the report on the testing of the CAISO 2006 Code of Conduct Certification Process issued by PricewaterhouseCoopers on January 15, 2007.

Motion seconded by Governor Cazalet, and approved 4-0-0.

BRIEFING ON 2006 SAS 70 AUDIT

Sean Barry, with PriceWaterhouseCoopers, provided an overview of the 2006 SAS 70 Audit results. Mr. Barry stated that the purpose of the SAS 70 Audit was to report on the ISO's internal controls relating primarily to its



market operations and settlements activities. Mr. Barry reviewed the background, scope and processes surrounding the report. Mr. Barry stated that the opinion was unqualified.

DECISION ON MARKET SURVEILLANCE COMMITTEE REAPPOINTMENT

Yakout Mansour, President and Chief Executive Officer, provided the Board with a background of Dr. Benjamin Hobbs experience and noted his key contributions as an MSC member, in support of Management's recommendation to reappointment Dr. Hobbs to the Market Surveillance Committee.

Motion:

Governor Cazalet:

Moved, That the Board reappoint Dr. Benjamin Hobbs to the ISO Market Surveillance Committee for a three-year term to end March 31, 2010, and be it further MOVED, that the Chief Executive Officer is authorized and directed to enter into an appropriate Consulting Agreement with Dr. Benjamin Hobbs to compensate him at the current level for his participation on the ISO Market Surveillance Committee.

Motion seconded by Governor Wiseman, and approved 4-0-0.

DECISION REGARDING REFINEMENTS TO LOAD SCHEDULING REQUIREMENTS

Eric Hildebrandt, Manager – Analysis and Mitigation, presented the Board with Management's recommendation regarding proposed refinements to Tariff Amendment 72 pertaining to Load Scheduling Requirements. Mr. Hildebrandt reviewed the background noting that in October 2005, CAISO filed Amendment 72 to establish 95% day-ahead scheduling requirement for all scheduling coordinators. Mr. Hildebrandt provided an overview of the key decision criteria as well as reviewed the stakeholder process and the proposed refinements that resulted. Brief discussion followed regarding penalties.

Mr. Hildebrandt stated that the proposed Amendment 72 scheduling requirements were only effective through implementation of MRTU. Brief discussion followed.

Jim Detmers, Vice President of Operations and Debi Le Vine, Director of Market Services, addressed public comment inquiries. Brief discussion followed.

Motion:

Governor Cazalet:

Moved, That the CAISO Board of Governors authorize CAISO Management to file a Tariff Amendment at FERC to modify Day Ahead Market scheduling and forecast submission requirements as described in this memorandum.

Motion seconded by Governor Wiseman, and approved 4-0-0.



BRIEFING ON 2007 PROPOSED BOND ISSUANCE AND DECISION ON REIMBURSEMENT RESOLUTION

Phil Leiber, Treasurer and Director of Financial Planning, provided the Board with briefing on the 2007 Proposed Bond Issuance and the proposed Decision on a Reimbursement Resolution. Mr. Leiber reviewed the financing goals, proposed structure and the next steps. Brief discussion followed.

Motion:

Governor Wiseman:

**RESOLUTION DECLARING OFFICIAL INTENT OF
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
TO REIMBURSE CERTAIN EXPENDITURES FROM PROCEEDS OF INDEBTEDNESS
ADOPTED JANUARY 25, 2007**

WHEREAS, California Independent System Operator Corporation (the "Corporation") expects to pay certain expenditures (the "Expenditures") in connection with the capital budget for its Market Redesign and Technology Upgrade program (collectively, the "Project") prior to and in anticipation of the issuance of indebtedness for the purpose of financing the capital expenditures on a long-term basis;

WHEREAS, the Corporation reasonably expects that debt obligations will be issued in one or more series and that certain of the proceeds of such debt obligations will be issued to pay or reimburse the Expenditures for the Project in the amount of \$55,000,000; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Corporation to declare its official intent to reimburse itself for prior expenditures for the Project with proceeds of debt obligations;

NOW, THEREFORE, THE CORPORATION hereby resolves:

- 1. The Corporation finds and determines that the foregoing recitals are true and correct.***
- 2. The Corporation hereby declares its official intent to use proceeds of indebtedness to pay or reimburse itself for Expenditures in an amount not expected to exceed \$55,000,000.***
- 3. This Resolution shall take effect from and after its adoption.***

Motion seconded by Governor Cazalet, and approved 4-0-0.

BRIEFING ON SEAMS

Chuck King, Vice President of Market Development and Program Management, provided the Board with a background of the Seams Issues. Mr. King then provided an overview of the activities surrounding the December 14-15, 2006 FERC Technical Conference that addressed concerns raised by Stakeholders with regard to the potential for MRTU implementation to create or exacerbate Seams Issues in the West.

BRIEFING ON THE MONTHLY MARKET PERFORMANCE REPORT

Debi Le Vine, Director of Market Services, provided highlights related to market performance in November 2006, noting it was a quiet month. Ms. Le Vine 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. Ms. Le Vine stated that the only incidents of note were a series of price spikes that occurred late in the month caused by system demand running significantly higher than the DA forecast, and compounded by generation outages and operational difficulties (temporary loss of EMS).

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 renewable energy and energy efficiency.

CLOSING

There being no further business items, the general session of the Board of Governors was adjourned.