

**GENERAL SESSION MINUTES
ISO BOARD OF GOVERNORS MEETING
December 18-19, 2013
ISO Headquarters
Folsom, California**

December 18, 2013

The ISO Board of Governors convened the general session meeting at approximately 11:10 a.m. and the presence of a quorum was established.

ATTENDANCE

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

Bob Foster, Chair
Ash Bhagwat
Richard Maullin
David Olsen

The following members of the executive team were present: Eric Schmitt, Keith Casey, Petar Ristanovic, Mark Rothleder, Karen Edson, Becky Regan and Nancy Saracino

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

No public comment was offered at this time.

DECISION ON GENERAL SESSION MINUTES

Governor Foster moved for approval of the Board of Governors general session minutes for the November 7-8, 2013 meeting. The motion was seconded by Governor Olsen and approved 4-0-0.

CEO REPORT

Governor Angelina Galiteva joined the meeting.

Karen Edson, Vice President of Policy and Client Services, provided an overview of the CEO report. Ms. Edson further discussed the significant evolution of the grid section that covered the following areas: rapid growth of renewables, market adaption, loss of SONGS, once-through cooling compliance, and regionalism. Ms. Edson further discussed the joint reliability framework section of the report and noted the importance of the Board's decisions on the Joint Reliability Plan and energy imbalance market governance proposal scheduled for later in the day.

DECISION ON ENERGY IMBALANCE MARKET GOVERNANCE PROPOSAL

Don Fuller, Director – Strategic Alliances, provided an overview of the energy imbalance market governance proposal and noted it would establish a transitional advisory committee to the ISO Board made up of stakeholders. He stated the committee would advise the Board on energy imbalance market start-up matters and would develop an independent energy imbalance market governance proposal. Mr. Fuller noted that stakeholder participation was key to the candidate nomination and ranking process. He provided an overview of the seven stakeholder sectors as well as the qualifying criteria for committee candidates.

Mr. Fuller stated that the Board would appoint the transitional committee members and that the committee would begin work in mid-2014. He noted the charter would guide the operation of the transitional committee along with the ISO open meeting policy. Mr. Fuller provided an overview of the stakeholder process and noted that participants generally supported the proposal. Discussion followed regarding the composition and functions of the transitional committee, with Governor Olsen raising the question whether California load should have a guaranteed seat on the committee. Mr. Fuller confirmed that the transitional committee would be involved with energy imbalance market implementation issues as well as development of the longer-term governance structure. Discussion followed regarding the possibility of expanding committee membership.

Public comment

Nancy Saracino, Vice President, General Counsel and Chief Administrative Officer, acknowledged receipt of the following public comment letters: The Regional PUC-EIM Group and California Public Utilities Commission, California Energy Commission, Nevada Public Utilities Commission, PacifiCorp, NV Energy, Valley Electric Association, XcelEnergy, American Wind Energy Association, Renewable Northwest Project, Iberdrola Renewables, and Western Resource Advocates.

Marcelo Poirier, on behalf of the California Public Utilities Commission, provided comments in support of Management's energy imbalance market governance proposal and acknowledged the letter of support provided to the Board. Drew Bohan, on behalf of the California Energy Commission, provided comments in support of Management's energy imbalance market governance proposal and acknowledged the letter of support provided to the Board.

Stefan Bird, on behalf of PacifiCorp, provided comments in support of Management's energy imbalance market governance proposal and commended the efforts of the ISO throughout the stakeholder process.

Tony Braun, on behalf of California Municipal Utilities Association, provided comments on Management's energy imbalance proposal and noted concerns regarding the selection process and scope of the committee. Mr. Braun emphasized the importance of California load serving entities having a seat on the transitional committee.

Roy Kuga, on behalf of Pacific, Gas and Electric Company, provided comments in support of Management's energy imbalance market governance proposal and acknowledged the efforts of the ISO team throughout the process. Mr. Kuga emphasized the importance of California load serving entities being represented on the transitional committee.

Catherine Hackney, on behalf of Southern California Edison, provided comments on Management's energy imbalance proposal and emphasized the importance of California load serving entities being represented on the transitional committee.

Larry Chaset, on behalf of Interstate Renewable Energy Council, provided comments in support of Management's energy imbalance market governance proposal, particularly the nomination and ranking process as well as the separation of governmental entities and public interest sectors. Mr. Chaset emphasized the importance of each sector having representation on the committee.

Carl Zichella, on behalf of the Natural Resources Defense Council, provided comments in support of Management's energy imbalance market governance proposal, and noted the importance of making the public interest group a separate sector.

Chairman Foster provided comments regarding the requests made for California load serving entities to have a guaranteed seat on the transitional committee. Chairman Foster noted support with Management's position on the matter and emphasized the importance of getting the right people on the committee as a priority. Fellow Board members provided concurring comments and discussion followed regarding upcoming challenges associated with development of a longer-term governance structure.

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors approves the creation of the proposed energy imbalance market transitional committee, and the transitional committee charter, as described in, and attached as Attachment 2 to, the memorandum dated December 11, 2013.

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

RECESSED

There being additional general session items to discuss, the general session of the Board of Governors was recessed at approximately 12:15 p.m.

RECONVENED

The ISO Board of Governors reconvened 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:

Bob Foster, Chair
Ash Bhagwat
Angelina Galiteva
Richard Maullin
David Olsen

The following members of the executive team were present: Eric Schmitt, Keith Casey, Petar Ristanovic, Mark Rothleder, Karen Edson, Becky Regan and Nancy Saracino

GENERAL SESSION

The following agenda items were discussed in general session:

DECISION ON JOINT RELIABILITY PLAN

Keith Casey, Vice President of Market and Infrastructure Development, provided introductory remarks and stated that the Joint Reliability Plan committed the California Public Utilities Commission and the California ISO to continue their inter-organizational cooperation for future resource and reliability planning. He noted

that the CPUC voted unanimously to adopt the Joint Reliability Plan at its November 14, 2013 business meeting.

Phil Pettingill, Director – State Regulatory Strategy, provided an overview of the four guiding principles contained in the Joint Reliability Plan. Mr. Pettingill then provided an overview of the following three design initiatives contained in the plan: multi-year resource adequacy requirements, a market-based capacity procurement mechanism, and a unified long-term reliability planning assessment. He concluded his presentation by reviewing the development and implementation for the plan's initiatives. Discussion followed regarding the duration of the reliability services auction.

Public comment

Eric Eisenman, on behalf of Pacific, Gas and Electric Company, provided comments in support of the Board's adoption of the Joint Reliability Plan and commended the collaboration efforts of the CPUC and ISO.

Motion

Governor Maullin:

Moved, that the ISO Board of Governors adopts the Joint Reliability Plan attached to the memorandum dated December 11, 2013; and

Moved, that the Board authorizes ISO staff to continue its work and inter-organizational cooperation with the CPUC in developing the details of the initiatives described in the Joint Reliability Plan.

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

DECISION ON COMPETITIVE TRANSMISSION PROCESS IMPROVEMENTS PROPOSAL

Tom Flynn, Infrastructure Policy Development Manager, provided an overview of the competitive transmission process improvements proposal. Mr. Flynn stated that Management was proposing two clarifications and two policy changes to further support the competitive transmission process. He provided an overview of the two clarifications and then further discussed the following two policy changes: allow approved project sponsors to recover FERC-authorized pre-participating transmission owner costs, and establish a project sponsor application deposit. Mr. Flynn requested Board approval of the proposal as it provided non-discriminatory opportunities for incumbents and non-incumbents alike and facilitated greater participation in the competitive solicitation process.

Public comment

Les Guliasi, on behalf of Trans Bay Cable, provided comments in support of Management's proposal but expressed some concerns regarding the application deposit requirement. Mr. Guliasi requested that a stakeholder initiative be commenced at the conclusion of the next solicitation process to evaluate the process.

Discussion followed regarding the application fee process including the overage and refund provisions. Discussion followed regarding the types of costs covered by the application fee and what types of entities would be able to spread the cost to ratepayers. Discussion followed regarding the importance of the FERC review that takes place at the end of the process.

Eric Eisenman, on behalf of Pacific, Gas and Electric Company, provided comments regarding PG&E's process with regards to recovery of the project application fee and project costs estimates. Mr. Eisenman provided comments in support of proposal but requested that a stakeholder initiative be commenced at the conclusion of the next solicitation process to evaluate the process. Mr. Eisenman provided additional comments regarding proposed process improvements.

Discussion followed and Mr. Casey provided responsive comments and committed that the ISO would commence a lessons learned opportunity once the current solicitation process was complete. Discussion followed regarding whether the project application deposit could be a deterrent and Governor Galiteva requested follow-up regarding the passing along of rates.

Catherine Hackney, on behalf of Southern California Edison, provided comments in support of Management's proposal. Ms. Hackney also provided comments in support of the Joint Reliability Plan that was approved by the Board earlier in the day.

Motion

Governor Bhagwat:

Moved, that the ISO Board of Governors approves the proposal for competitive transmission process improvements, as described in the memorandum dated December 11, 2013; 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 Maullin and approved 5-0-0.

DECISION ON 2014 BUDGET

Ryan Seghesio, Chief Financial Officer and Treasurer, provided an overview of the 2014 budget and noted the proposed budget continued to reflect the ISO's focus on costs and efficiencies. Mr. Seghesio stated that the stakeholder budget process began in June 2013. He noted that while the proposed revenue requirement increased by \$2.0 million to \$198.0 million, volumes had increased slightly resulting in flat to lower grid management charge rates. He stated that the proposed O&M budget increased by \$1.5 million to \$164.4 million. Mr. Seghesio reviewed a graph that depicting collection of debt service, and described the effect of the 2013 bond refinancing. Mr. Seghesio stated that the capital project budget would continue to be funded through the revenue requirement. He concluded his presentation by providing an overview of the operating reserve credit and grid management charge rates. Discussion followed regarding consultant and contract staffing.

Public comment

There was no public comment on this item.

Motion

Governor Olsen:

Moved, that the ISO Board of Governors approves the 2014 revenue requirement and Capital/Project budgets as set forth in Attachment A to the memorandum dated December 11, 2013; and

Moved, the ISO Board of Governors authorizes Management to take all necessary and appropriate actions to implement the 2014 grid management charge rates reflecting the 2014 budget.

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

AUDIT COMMITTEE UPDATE

Governor Bhagwat provided a brief overview of the ISO Retiree Medical Plan audit and recommended that the Board approve the following motion:

Motion

Governor Foster:

Moved, that the ISO Board of Governors, as recommended by the Audit Committee of the ISO Board of Governors, accepts the financial statements and supplementary information of the California ISO Retiree Medical Plan for the years ended December 31, 2012, 2011, and 2010, as audited by Moss Adams LLP Certified Public Accountants, and as attached to the memorandum dated December 12, 2013.

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

Governor Bhagwat provided a brief overview of the 2013 operations audit and recommended that the Board approve the following motion:

Motion

Governor Galiteva:

Moved, that the ISO Board of Governors, as recommended by the Audit Committee of the ISO Board of Governors, accepts the audit opinion issued on December 6, 2013 by PricewaterhouseCoopers LLC for the testing of specified control room operational processes for 2013, as attached to the memorandum dated December 11, 2013.

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

Governor Bhagwat provided a brief overview of the 2013 SSAE 16 audit.

**BRIEFING ON PERFORMANCE EVALUATION OF TRANSMISSION
CONSTRAINT RELAXATION PARAMETER REVISION**

Nan Liu, Manager – Market Development and Analysis, provided the Board an overview of the performance evaluation of the transmission constraint relaxation parameter revision that was approved by the Board in December 2012. He stated that the parameter established a reasonable limit on the extent to which effective bids were used to resolve congestion. He noted that the market impact assessment was based on market results from May to September 2013 and further discussed the following three focus areas: real-time congestion offset costs, marginal cost for relaxing transmission constraints in market runs, and market flows and use of effective market bids to resolve congestion. Mr. Liu concluded by stating that the ISO was continuing to work on underlying causes to further reduce the real-time congestion offset costs.

INFORMATIONAL REPORTS

Nancy Saracino, Vice President and Chief Administrative Officer, highlighted the following two areas in the regulatory update: FERC Order 764 tariff filing that incorporated a fifteen-minute real-time market and the successful renegotiation of the participating load agreement with the California Department of Water Resources. The Board commended ISO staff on its work and collaboration efforts on both matters.

There were no questions or comments on the following informational reports: legislative and state regulatory update, business practice manual change management report, Market Surveillance Committee update, Department of Market Monitoring report, master stakeholder engagement and release plans, market performance report, and Transmission Maintenance Coordination Committee update.

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 2:45 p.m.