

**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
GENERAL SESSION
June 28, 2016
ISO Headquarters, Folsom, CA**

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The ISO Board of Governors convened the general session meeting at approximately 2:25 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 present: Steve Berberich, Mark Rothleder, Keith Casey, Petar Ristanovic, Eric Schmitt, Stacey Crowley, Tom Doughty, Roger Collanton, Ryan Seghesio and Becky Regan.

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

Reyad Fezzani, on behalf of Regenerate Power, provided comments in support of the strategic transmission expansion project (STEP). Mr. Fezzani provided an overview of the STEP project and its benefits, including an opportunity to improve the relationship between the ISO and the Imperial Irrigation District. Discussion followed regarding Mr. Fezzani's request for the ISO to broaden evaluation parameters in its next transmission planning process.

DECISION ON GENERAL SESSION MINUTES

Governor Galiteva moved for approval of the Board of Governors general session minutes for the March 24-25, 2016 and May 4, 2016 meetings. The motion was seconded by Governor Ferron and approved 5-0.

CEO REPORT

Steve Berberich, President and CEO, provided an overview of the following sections of his report: Overall system conditions, summer reliability, regionalizing the grid, energy imbalance market governing body nominating committee, and renewable generation.

DECISION ON ENERGY IMBALANCE MARKET GOVERNING BODY

Stacey Crowley, Vice President – Regional and Federal Affairs, commended the work of the energy imbalance market nominating committee thanking each for his or her service. She also expressed thanks to ISO staff for facilitating the nominating committee's efforts.

Sarah Edmonds, Vice President and General Counsel, PacifiCorp, provided an overview of the selection policy and nominating process for the Energy Imbalance Market Governing Body on behalf of the nominating committee. Ms. Edmonds expressed thanks to her fellow committee members for their hard work, support and passion for achieving the committee's ultimate objective. She next presented the initial slate of candidates for the Energy Imbalance Market Governing Body, providing a brief overview of their broad expertise and experience: Val Fong, Doug Howe, Carl Linvill, John Prescott, and Kristine Schmidt. Governor Galiteva, provided comments in support of the committee's efforts in connection with the selection of an initial slate of candidates. She noted that the committee's process was consensus-driven and she thanked the committee for its work. Brief discussion followed and the Board thanked the nominating committee for its service.

Public comment

Eric Little, on behalf of Southern California Edison and as a member of the energy imbalance market nominating committee, provided comments in support of the proposed slate of candidates for the Energy Imbalance Market Governing Body. Mr. Little also acknowledged and thanked Peter Colussy for the assistance he provided to the committee.

There being no further comments regarding the proposed slate of candidates, Roger Collanton, Vice President – General Counsel and Corporate Secretary, explained that a drawing would be held to ensure staggered terms were assigned by random selection as recommended by the energy imbalance market transitional committee's final proposal. Chair Maullin next drew candidate names assigning a term of one year to the first name drawn, terms of two years to the second and third names drawn, and terms of three years to the fourth and fifth names drawn.

Motion**Governor Galiteva:**

Moved, that the ISO Board of Governors appoints the following slate of five candidates to the Energy Imbalance Market Governing Body, subject to entering into the services agreement, for a term beginning July 1, 2016, for staggered terms which has been determined by the ISO Board of Governors, as follows:

- ***Valerie Fong for a term beginning July 1, 2016 through June 30, 2019;***
- ***Doug Howe for a term beginning July 1, 2016 through June 30, 2018;***
- ***Carl Linvill for a term beginning July 1, 2016 through June 30, 2018;***
- ***John Prescott for a term beginning July 1, 2016 through June 30, 2019;***
and
- ***Kristine Schmidt for a term beginning July 1, 2016 through June 30, 2017.***

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

Mr. Berberich thanked Sarah Edmonds and the nominating committee for their service. Governor Olsen expressed appreciation on behalf of the Board to the transitional committee for setting a strong example of hard work and dedication and to the nominating committee for demonstrating thorough consideration and thoughtful deliberations in developing an excellent slate of candidates.

Stacey Crowley, Vice President – Regional and Federal Affairs, proposed the following Board resolution in recognition of the energy imbalance market nominating committee's service:

WHEREAS, the ISO established the Nominating Committee to identify a slate of nominees for positions on the Energy Imbalance Market Governing Body;

WHEREAS, committee members voluntarily represented their respective sectors, working diligently toward a consensus on an initial slate of nominees;

WHEREAS, committee members considered numerous well-qualified candidates with a proven reputation for excellence in their areas of expertise;

WHEREAS, committee members selected candidates with broad experience, who reflect diverse backgrounds and viewpoints;

WHEREAS, committee members engaged in thoughtful and respectful dialogue with each other, the executive search firm, and the ISO throughout the selection process; and now, therefore, be it

RESOLVED, that the Board of Governors hereby expresses its utmost

gratitude and sincerest appreciation to the EIM Governing Body Nominating Committee members for their service to the California ISO, the State of California, and the West.

Ms. Crowley next proposed the following Board resolution in recognition of the energy imbalance market transitional committee's service:

WHEREAS, in 2014, the ISO established the Energy Imbalance Market (EIM) Transitional Committee to serve as an advisory committee to the Board of Governors;

WHEREAS, in advising the Board of Governors on matters related to final testing and early operations, the EIM Transitional Committee contributed greatly to the development and successful implementation of the western energy imbalance market;

WHEREAS, committee members served voluntarily and diligently toward a consensus proposal for a governance structure for the western energy imbalance market;

WHEREAS, committee members spent long hours and traveled extensively to craft the governance proposal;

WHEREAS, committee members developed a comprehensive and well vetted governance proposal;

WHEREAS, committee members inspired ISO leadership with their commitment and collaboration throughout the process;

WHEREAS, committee members have completed their service; and now, therefore, be it

RESOLVED, that the Board of Governors hereby expresses its upmost gratitude and sincerest appreciation to the EIM Transitional Committee members for their service to the California ISO, the State of California, and the West; and be it

FURTHER RESOLVED, that the Board of Governors hereby dissolves the EIM Transitional Committee.

Mr. Berberich next presented plaques in gratitude for their service to the following transitional committee members who were in attendance: Rebecca Wagner, EIM Transitional Committee Chair; Sarah Edmonds, and Mark Smith.

Greg Fisher, Senior Counsel – Corporate, provided an overview of the nominating committee's recommended compensation rate and structure for the Energy Imbalance

Market Governing Body. Mr. Fisher next provided an overview of the services agreement ISO staff prepared pursuant to the ISO bylaws, which must be executed by each member of the Energy Imbalance Market Governing Body and which establishes the legal duties and protections that apply to members consistent with those that apply to members of the Board.

Motion

Governor Bhagwat:

Moved that the ISO Board of Governors hereby approves the nominating committee's recommendation for compensation to EIM Governing Body members for their service to the California ISO effective July 1, 2016, as follows:

- ***The standard annual retainer paid to an EIM Governing Body member shall be \$20,000, paid in accrued quarterly installments;***
- ***A fee of \$750 shall be paid for each day of participation at a noticed in-person meeting, and a fee of \$500 shall be paid for each day of participation in a noticed teleconference meeting;***
- ***A fee of \$750 for each meeting day shall be paid for time spent preparing for a noticed in-person meeting, and a fee of \$500 for each meeting day shall be paid for time spent preparing for a noticed teleconference meeting;***
- ***A fee of \$750 shall be paid to the EIM Governing Body Chair or his or her designee for each day of participation at a noticed ISO Board of Governors in-person meeting, and a fee of \$500 shall be paid for each day of participation in a noticed ISO Board of Governors teleconference meeting;***
- ***A fee of \$750 shall be paid for each day of in-person participation at ISO-sponsored stakeholder events where the Chief Executive Officer or the Chair of the ISO Board of Governors specifically requests EIM Governing Body member attendance;***
- ***A fee of \$750 shall be paid to new EIM Governing Body members for each day of participation in the ISO's EIM Governing Body member orientation process;***
- ***A fee of \$750 shall be paid to new EIM Governing Body members for time spent preparing for each day of participation in the ISO's EIM Governing Body member orientation process;***
- ***EIM Governing Body members who attend meetings or events as representatives of the EIM Governing Body, including ISO/RTO Council meetings and other electric utility or power industry meetings, at the request of the Chair of the EIM Governing Body or ISO Management in consultation with the Chair, are not eligible for compensation but shall be eligible for reimbursement of reasonable expenses, as deemed appropriate and approved by the Chair of the EIM Governing Body;***
- ***EIM Governing Body members shall be eligible for conference fees***

and reasonable expenses associated with seminars, training and conferences related to corporate governance or best practices for Governing Boards, deemed appropriate and approved by the Chair of the EIM Governing Body; and

- ***Reasonable expenses associated with in-person or teleconference meetings, orientation, seminars, training and conferences, as set forth above, shall be reimbursed in compliance with the ISO Travel Policy for Governors.***

Moved, that the ISO Board of Governors approves the form of the proposed services agreement for members of the EIM Governing Body.

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

BRIEFING ON WESTERN ENERGY IMBALANCE MARKET

Mark Rothleder, Vice President – Market Quality and Renewable Integration, provided an update on the western energy imbalance market, including the respective implementation progress of Arizona Public Service and Puget Sound Energy. Mr. Rothleder reported that Idaho Power will join the energy imbalance market in spring of 2018. He reported that Los Angeles District of Water and Power has announced its intent to explore participation in the energy imbalance market. Mr. Rothleder next provided an update on the first quarter benefits of the energy imbalance market, noting that the total benefits since October 2014 are \$64.6 million and that avoided curtailment of 112,948 Mwh occurred in the first quarter, displacing 48,342 metric tons of CO₂. Discussion followed regarding coal exports prior to the start of the energy imbalance market.

BRIEFING ON PACIFICORP INTEGRATION

Phil Pettingill, Director – Regional Integration, provided an overview of the policy design expected to be completed by year end 2016 in connection with the potential integration with PacifiCorp, including transmission access charge options, regional resource adequacy, and metering rules enhancements. Mr. Pettingill next provided an overview of the PacifiCorp integration schedule. Brief discussion followed.

BRIEFING ON CALIFORNIA SENATE BILL 350 FOLLOW-UP

Keith Casey, Vice President – Market and Infrastructure Development, provided an overview of the progress made in connection with studies mandated by California Senate Bill 350. Mr. Casey stated that preliminary study results were presented at workshops held on May 24-25, 2016. He stated that the ISO held two stakeholder calls to review the analysis and the data the ISO published. Mr. Casey stated that the ISO provided written responses to numerous questions received regarding the analysis and data. Mr. Casey next reported that the ISO was in the process of reviewing comments, drafting final reports, and determining what additional analysis is needed. Mr. Casey noted that a joint agency

workshop would be held on July 26, 2016 to present study results and an update on the governance proposal.

Stacey Crowley, Vice President – Regional and Federal Affairs, provided a summary of the work being done in connection with governance modifications mandated by Senate Bill 350. Ms. Crowley stated that there has been dialogue between the western states, primarily those in the PacifiCorp footprint, around governance principles. She reported that at least four governance proposals were written by interested parties and these proposals were the subject of a California Energy Commission workshop held on May 6, 2016. Ms. Crowley next noted that the CEC received comments on the governance proposals through its associated docket. Ms. Crowley reported that the dialogue between western states and the governance proposals culminated in the governance principles published by the ISO on June 9, 2016. She reported that the CEC followed with two public workshops to allow for discussion of the proposed governance principles. Ms. Crowley noted that the first of these workshops was held on June 16, 2016 in Sacramento, California, and the second was held on June 20, 2016 in Denver, Colorado. Ms. Crowley next provided an overview of the proposed governance principles and a summary of stakeholder comments received in response to the principles.

DECISION ON CONGESTION REVENUE RIGHTS SETTLEMENT MODIFICATIONS

Greg Cook, Director – Market & Infrastructure Policy, provided an overview of Management’s congestion revenue rights settlement rule proposal. Mr. Cook described how the current market design provided a disincentive to market participants to re-bid their import and export schedules into the real-time market. He discussed how the proposal would improve flexibility and liquidity in the real-time market and include cleared convergence bids at trading hubs and load aggregation points, treating all cleared convergence bids consistently when calculating impact to congestion revenue rights holdings.

Mr. Cook provided an overview of the stakeholder process and stated that while there is broad support among stakeholders for changes to the treatment of import and export bids, stakeholders remain somewhat divided on removing the exemption on cleared convergence bids at trading hubs and load aggregation points. He provided an overview of the concerns and concluded his presentation by providing an overview of the benefits of the proposal.

Public comment

Roger Collanton, Vice President, General Counsel and Chief Compliance Officer, acknowledged receipt of the following public comment letter: Powerex.

Eric Little, on behalf of Southern California Edison, provided comments in support of Management’s proposal. Mr. Little noted that Edison’s concern with the proposal was addressed by ISO staff and Edison is supportive of the proposal as presented.

Motion**Governor Ferron:**

Moved, that the ISO Board of Governors approves the congestion revenue right settlement modifications, as described in the memorandum dated June 21, 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 Galiteva and approved 5-0.

DECISION ON AMENDMENT TO CORPORATE POLICIES

Greg Fisher, Senior Counsel – Corporate, provided the Board with an overview of Management’s proposed modifications to the ISO Open Meeting Policy and the ISO Code of Conduct and Ethical Principles. He explained that proposed modifications to the Open Meeting Policy clarify that the policy applies to the Energy Imbalance Market Governing Body. Mr. Fisher next explained that the proposed modifications to the Code of Conduct and Ethical Principles allow the ISO to exempt certain low risk contractors who have no access to confidential or market information and no ability to influence the ISO’s independence from the conflict of interest disclosure requirement. He explained that the proposed modifications also include the addition of a provision that applies to employee interest in vendors and brief discussion followed regarding the provision.

There was no public comment on this item.

Motion**Governor Olsen:**

Moved, that the ISO Board of Governors approves the amendments to the ISO Code of Conduct and Ethical Principles and the ISO Open Meeting Policy, as described in the memorandum dated June 21, 2016.

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

DECISION ON AMENDMENT TO INVESTMENT POLICY

Ryan Seghesio, Chief Financial Officer and Treasurer, provided an overview of two proposed amendments to the Investment Policy, which were summarized in a memorandum to the Board.

There was no public comment on this item.

Motion**Governor Galiteva:**

Moved, that the ISO Board of Governors approves the amended Investment Policy as attached to the memorandum dated June 21, 2016.

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

AUDIT COMMITTEE UPDATE

Governor Bhagwat, Chair of the Audit Committee, provided an overview of the financial statements audit that went before the Audit Committee during its general session held earlier in the day. Governor Bhagwat recommended that the Board accept the audit as recommended by the Audit Committee.

Motion**Governor Galiteva:**

Moved, that the ISO Board of Governors, as recommended by the Audit Committee, accepts the FERC Form No. 1 audit report, issued on April 15, 2016 by PricewaterhouseCoopers, as attached to the memorandum dated June 21, 2016; and

Moved, that the ISO Board of Governors, as recommended by the Audit Committee, accepts the financial statements audit report issued on April 20, 2016 by PricewaterhouseCoopers, as attached to the memorandum dated June 21, 2016.

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

BRIEFING ON DEPARTMENT OF MARKET MONITORING'S ANNUAL REPORT

Eric Hildebrandt, Director – Department of Market Monitoring, provided an overview of the annual report on market issues and performance. He reported that market performance remains highly competitive, noting that total market costs are down by about 6 percent after accounting for natural gas and greenhouse gas prices. Mr. Hildebrandt concluded his presentation by providing recommendations on behalf of the Department of Market Monitoring in connection with congestion revenue rights, resource adequacy imports, and start-up and minimum load costs.

Discussion followed regarding the analysis and recommendations around congestion revenue rights auction revenues, resource adequacy imports, and start-up and minimum load costs.

Public comment

Mark Smith, on behalf of Calpine Corporation, provided comments on congestion revenue rights auction revenues and noted that Calpine looks forward to the discussion around potential policy changes.

INFORMATIONAL REPORTS

There were no questions on the following informational reports: regulatory update, state, regional and federal affairs update, business practice manual change management report, Department of Market Monitoring update, Market Surveillance Committee update, master stakeholder engagement and release plans, market performance report, and quarterly financial report.

ADJOURNED

There being no additional general session matters to discuss, the general session was adjourned at approximately 4:30 p.m.