

**GENERAL SESSION MINUTES
BOARD OF GOVERNORS MEETING
March 26 - 27, 2008
ISO Headquarters
Folsom, California**

March 26, 2008

Mason Willrich, Chair of the Board of Governors, called the meeting to order at approximately 1:45 p.m. 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
Linda Capuano
Tom Page
Laura Doll

The following members of the officer team were present: Yakout Mansour, Nancy Saracino, Karen Edson, Bill Regan, Steve Berberich, Armie Perez, Jim Detmers and Anjali Sheffrin on behalf of Market Development and Program Management.

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

Sue Mara, Alliance for Retail Energy Markets (AREM), requested that the California ISO take action on developing tariff changes to implement a standardized capacity product for Resource Adequacy. Copies of a joint letter regarding the same were provided as a handout.

Anjali Sheffrin, Director of Market and Product Development, noted that the ISO would be working very hard on the standardized capacity product effort and requested that Ms. Mara participate in the ISO's roadmap process.

DECISION ON MINUTES

Governor Doll noted a typographical error. Governor Gage, subject to the above modification, moved for the approval of the Board of Governors general session minutes for January 28-29, 2008. Motion seconded by Governor Capuano, and approved 5-0-0.

Note for the record: On page 9, "Devi" will be corrected to "Debi" in the final minutes.

CEO REPORT

Yakout Mansour, President and CEO, reported on highlights of events that have affected the California ISO since the last Board meeting. Mr. Mansour provided an update on the status of the MRTU project, including the recent market simulations. Mr. Mansour stated that the MRTU Go-Live date would not be prior to summer and noted that a fall Go-Live was a reasonable estimate. Mr. Mansour acknowledged that market participants would need at least 3 months of testing after the ISO markets were ready and stated that a new Go Live date would be announced in July.

Mr. Mansour provided an update on the Integrated Balancing Authority Area (IBAA) proposal and noted that additional stakeholder involvement was needed. Mr. Mansour stated that the IBAA proposal would go to the Board at the May 21-22, 2008 meeting.

Mr. Mansour announced the impending retirement of Bill Regan, CFO and Vice President, and the upcoming retirement of Armie Perez, Vice President of Transmission Planning. Mr. Mansour provided an overview of recent changes to the corporate structure.

Resolution:

Governor Gage:

WHEREAS, Bill Regan was appointed Vice President of Corporate Services and Chief Financial Officer of the California Independent System Operator in 1999; and

WHEREAS, Mr. Regan's experience, acumen and fiscal responsibility helped guide the California ISO through the energy crisis and helped it emerge as a financially strong and nimble organization; and

WHEREAS, Mr. Regan has led the effort to determine the best possible facility for the long-term future of the California ISO, its employees and management, and that effort results this week in a presentation to this Board; and

WHEREAS, Mr. Regan, through his personal demeanor, professional conduct, demonstrated leadership abilities and his mentoring of other California ISO employees has won the respect, admiration and gratitude of those around him; and

WHEREAS, Mr. Regan has announced his retirement from the California ISO; and

WHEREAS, Mr. Regan leaves the California ISO well positioned to build on the strengths of its history, the power of the present, and the promise of the future; now, therefore be it

MOVED, that the California ISO Board of Governors hereby expresses its gratitude to Mr. Regan for a job well done in every respect; and be it further

MOVED, that the ISO Board of Governors hereby presents Mr. Regan with a copy of this resolution.

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

DECISION ON 2008-2012 STRATEGIC PLAN

Yakout Mansour, President and CEO, provided an overview of the strategic planning process that began with extensive consultation with policy makers, electricity industry leaders, and consumer representatives in California and the West. Mr. Mansour noted his appreciation for the Board's participation throughout the planning process. Mr. Mansour stated that the 2008-2012 Strategic Plan focused on Organization Effectiveness in order to achieve its key objectives. Mr. Mansour provided an overview of the objectives including, excellence in grid and market operations, transparent market prices to drive efficient utilization and development of grid resources – including demand, supply and transmission, alignment with state and federal policies and priorities, open and non-discriminatory grid access and improved service to customers.

Discussion followed. The Board commended the extensive interaction between the Board and Management during the strategic planning process and noted strong support for the plan.

Motion:

Governor Gage:

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

Whereas, the ISO Board of Governors has received periodic updates concerning the nature and scope of this planning effort and the ISO's progress on that effort; and

Whereas, the ISO Board of Governors participated in a preliminary review of the ISO's plans with regard to corporate strategic objectives and initiatives, including the ISO's focus on organizational effectiveness for improving processes and gaining new efficiencies to achieve there goals; and

Whereas, Management, based on this planning effort, has developed a comprehensive strategy to guide its operations and functions in the next five years;

Moved, that the ISO Board of Governors approves the California ISO Five-Year Strategic Plan for 2008-2012, dated March 18, 2008, and directs Management to proceed with implementation of the Plan.

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

BRIEFING ON MRTU

BRIEFING

Steve Berberich, Vice President of Information Technology, provided the Board with a status update of the MRTU program and provided an overview of recent market simulation results. Mr. Berberich thanked the market participants for their continued involvement in the simulations.

Debi LeVine, Director of Market Services and MRTU Program Manager, continued the presentation by providing an overview of MRTU schedule. Ms. LeVine discussed the upcoming market simulation and noted that the simulation was targeted to begin on April 7th and that market participants would be notified of the actual start date on April 1st. Ms. Levine concluded her presentation by providing an overview of key MRTU trends that had been observed over the last five weeks.

PUBLIC COMMENT

Doug Parker, with Southern California Edison, provided supporting comments on management's decision for a fall MRTU Go-Live date. Mr. Parker supported management's decision to leave the determination of the exact fall Go-Live date ambiguous at this time.

Veronica Andrews, with Pacific Gas & Electric Company, provided supporting comments on management's decision for a fall MRTU Go-Live date and emphasized the importance of knowing the actual date as soon as it has been determined.

Discussion followed. Governor Page inquired about budget pressure and MRTU costs. Mr. Berberich responded that the project was currently on track to meet the MRTU budget. Bill Regan, Vice President and Chief Financial Officer, explained how MRTU debt would be retired over the next five years through the Grid Management Charge. Discussion followed.

DECISION ON DESIGN DEVELOPMENT PHASE OF PROPOSED NEW FACILITY

Steve Berberich, Vice President of Information Technology, provided a historical overview of steps taken to date with regards to the New Facility project, including the July 2006 – July 2007 Real estate feasibility study. Mr. Berberich noted that the ISO was currently at the conclusion of the schematic design phase. Mr. Berberich provided an overview of the following guiding design principles: high level of security, community context, cost efficiency, productive work environment, utilitarian, as well as the importance of the design of a "green" building.

Mr. Berberich continued his presentation by reviewing preliminary cost estimates for the project with the total cost at approximately \$150M. Mr. Berberich concluded his presentation by reviewing next steps and requested Board approval to move forward on the design development stage. Mr. Berberich stated that management would report back to the Board on a regular basis regarding the status of the project.

Governor Gage inquired as to whether the existing site could be renovated from a security standpoint. Mr. Berberich responded that modifying the existing site would cost as much as a new facility and that it would still not meet the proper level of security.

Discussion followed regarding the Board's involvement to date on the project. Nancy Saracino, Vice President, General Counsel and Corporate Secretary, noted that in compliance with the Open Meeting Policy, the referenced prior Board discussions were held in executive session due to discussions pertaining to sensitive security issues. Discussion followed pertaining to Leadership in Energy and Environmental Design (LEEDS) requirements.

PUBLIC COMMENT

There was no public comment at this time.

Motion

Governor Capuano:

WHEREAS, the ISO Board of Governors has engaged extensively with ISO Management to evaluate the appropriateness and cost effectiveness of proceeding with developing plans to construct a long-term facility in Folsom to house the ISO, its critical infrastructure and staff; and

WHEREAS, the ISO Board of Governors directed ISO Management to review the ISO's essential business functions and needs and develop preliminary design principles to meet these needs;

MOVED, that the ISO Board of Governors approves funding for the design development and cost finalization of the proposed new ISO facility planned for construction at the Iron Point site, in an amount not to exceed \$10 million dollars, and consistent with the design criteria discussed in the memorandum dated March 18, 2008; and

MOVED, that the ISO Board of Governors instructs Management to report to the Board periodically on progress and as cost estimates are developed so the Board can provide direction to Management as the design development progresses and choices affecting cost are made.

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

BRIEFING ON 2007 CLIENT SURVEY RESULTS

Tom Doughty, Manager – Stakeholder Affairs, began his presentation by thanking the stakeholders for their participation in the process. Mr. Doughty provided an overview of the client survey process and

noted it was key to the continuous improvement process. Mr. Doughty stated that all market sectors had been represented in the survey and that 300 stakeholders had been invited to participate. Mr. Doughty reviewed a sampling of survey responses and noted that 79% participated by phone and 36% participated by web surveys. Mr. Doughty provided an overview of areas that were still in need of improvement, including the stakeholder process, customer access to systems and various areas pertaining to MRTU. Mr. Doughty concluded his presentation by reviewing next steps, including implementation of action plans. Discussion followed regarding the structure of the survey questions and the context of the responses. Further discussion followed regarding the relation of the roadmap process to the client survey.

DECISION ON PARTICIPATING TRANSMISSION OWNER APPLICATION

Proposal

Phil Pettingill, Manager – Infrastructure Policy and Contracts, began his presentation by stating that Startrans had submitted an application to the ISO to become a Participating Transmission Owner (PTO). Mr. Pettingill stated that Startrans had satisfied the criteria for an ISO PTO application acceptance. Mr. Pettingill noted that conditional acceptance was being requested pending acceptance by the Federal Energy Regulatory Commission.

Mr. Pettingill provided an overview of several stakeholder concerns. In response to a concern pertaining to liability, Mr. Pettingill noted the ISO has entered into an assumption agreement with Startrans and the City of Vernon. In response to an inquiry from Governor Capuano, Ms. Saracino further described the terms of the assumption agreement and noted that the ISO was neutral in light of its clearinghouse role in the process. Mr. Pettingill noted that Management felt it had the authority to move forward with the application acceptance and then provided an overview of the FERC proceeding pertaining to Startrans.

Mr. Pettingill concluded his presentation by explaining that the proposed motion language had been modified to add a third condition for Vernon to file a revised Transmission Revenue Requirement with FERC that removed the Mead Projects from its TRR. Discussion followed.

Public Comment

Dennis Ehling, on behalf of City of Vernon, provided supportive comments on management's proposal. Mr. Ehling further described what the City of Vernon has done to address stakeholder concerns. Mr. Ehling provided an overview of the status of the City of Vernon's TRR process underway.

Steve Zaminski, on behalf of Starwood Energy, provided supportive comments on management's proposal. In response to Board inquiry, Mr. Zaminski provided an overview of the Starwood Energy Group and its parent company. Mr. Zaminski discussed a Starwood Energy Group handout entitled "Why We're Here – Solar Energy" and provided an overview of upcoming projects.

Brian Hitson, on behalf of PG&E, provided generally supportive comments on management's proposal. Mr. Hitson commented on the conditions contained in the proposed resolution and noted that remaining issues could be resolved at FERC.

Board Decision

Motion

Governor Page:

Moved, that the ISO Board of Governors approve the CAISO's acceptance of the application of Startrans IO, L.L.C. for Participating Transmission Owner status, conditioned on (1) Startrans executing the Transmission Control Agreement, (2) the Federal Energy Regulatory Commission accepting a Transmission Owner Tariff and Transmission Revenue Requirement for Startrans, and (3) Vernon filing a revised Transmission Revenue Requirement with the Federal Energy Regulatory Commission removing the Mead Projects from its Transmission Revenue Requirement consistent with the Vernon city council resolution of March 24, 2008, to be effective contemporaneously with the effective date of the Startrans Transmission Owner Tariff and Transmission Revenue Requirement.

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

BRIEFING ON GENERATION INTERCONNECTION PROCESS

Briefing

Dennis Peters, External Affairs Manager, began his presentation by providing an overview of the existing Generation Interconnection Process as set forth by FERC Order 2003. Mr. Peters reviewed the key objectives of Order 2003 and noted that some underlying assumptions were no longer valid. Mr. Peters stated that the active projects in the queue currently exceeded the all-time system peak at the ISO and noted that interconnection for renewable projects continued to grow. Mr. Peters stated that FERC held a nationwide technical conference last December that acknowledged challenges with the current process. FERC requested that the CAISO file a reformed proposal by Spring 2008.

Mr. Peters provided an overview of several process reform goals including addressing the queue backlog, efficiencies, cost and timing certainty, better relation with CAISO Transmission Planning Process, and to allow for integration of state efforts to identify transmission needs for Energy Resource Areas. Mr. Peters concluded by providing an overview of the stakeholder process schedule and discussing next steps. Discussion followed pertaining to the financial viability thresholds and the role of the stakeholder process in managing expectations. Mr. Peters concluded by stating that the proposal would be brought before the Board for decision at the May meeting.

Public Comment

Susan Schneider, with Phoenix Consulting on behalf of the Wind and Solar Coalition, provided generally supporting comments on management's proposal and noted it was preferred to work out the issues prior to FERC. Ms. Schneider noted some concerns pertaining to the credit posting requirement in the proposal.

Eric Eisenman, with Pacific Gas and Electric Company, provided generally supportive comments on management's proposal and noted that a few substantive matters were still being worked out. Mr. Eisenman noted concerns pertaining to cost recovery and cost estimates.

RECESSED

There being additional general session items to discuss, the general session of the Board of Governors was recessed at approximately 5:00 p.m.

March 27, 2008

RECONVENED

Mason Willrich, Chair of the Board of Governors, reconvened the general session of the Board of Governors at approximately 10:00 a.m.

ATTENDANCE

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

Mason Willrich, Chair
Tim Gage
Linda Capuano
Tom Page
Laura Doll

The following members of the officer team were present: Yakout Mansour, Nancy Saracino, Karen Edson, Bill Regan, Steve Berberich, Armie Perez, Jim Detmers and Anjali Sheffrin on behalf of Market Development and Program Management.

DECISION ON 2008 BOND ISSUANCE AND FACILITY REIMBURSEMENT RESOLUTION

PROPOSAL

Phil Leiber, Treasurer and Director – Financial Planning, began his presentation by providing an update on the status of the bond transaction. Mr. Leiber provided an overview of the ISO's funding needs and the types of available bonds. Mr. Leiber stated that the Bond offering would provide funding for capital expenditure needs and would propose to fund up to \$70 million to be paid back over a 6-year amortization to provide for a stable Grid Management Charge. Mr. Leiber stated that there was also a potential need to refinance existing debt and further discussed associated risks. Mr. Leiber provided

an overview of the two types of bonds that were considered: variable rate demand bonds and fixed rate bonds. Mr. Leiber noted that fixed rate bonds were preferred at this time. Mr. Leiber requested that the Board approve the refinancing option and that Management would monitor the situation over the next few weeks to determine if refinancing was still the preferred option and would provide an update to the in mid-April.

PUBLIC COMMENT

There was no public comment offered at this time.

BOARD DECISION

Mr. Leiber noted that the proposed motions were modified from the motions provided in the Board materials to reflect the recommendation for fixed rate bonds rather than variable rate demand bonds. Mr. Leiber noted that the motions pertaining to the new money and refinance were drafted as separate motions should it be decided to not go forward with the refinancing option. Mr. Leiber provided an overview of the third motion pertaining to the reimbursement resolution.

Governor Willrich commented on the extensive ongoing involvement between the Board and Management on the bond matter. Discussion followed pertaining to the rating agencies, costs associated with swap arrangements and the types of analyses that will be used to determine if refinancing is the preferred option.

Motion (1)

Governor Page:

NEW MONEY BORROWING RESOLUTION (2008-03-26)

MOVED, that the ISO Board of Governors authorizes and empowers the Chief Executive Officer or the Chief Financial Officer of the California Independent System Operator Corporation (the "Corporation") in the name and on the behalf of the Corporation, to perform the following:

Issue fixed rate bonds in an amount not to exceed \$70,000,000 through the California Infrastructure and Economic Development Bank (Bond Offering);

Borrow money, incur other obligations and guarantee the obligations of the Corporation in an amount not to exceed \$70,000,000, and in furtherance thereof to execute and deliver from time to time any note or other instrument evidencing indebtedness or other obligations of the Corporation, including related agreements and documents and guarantees of obligations or endorsements of notes, when deemed to be in the best interests of the Corporation, at a rate or rates of interest, and upon such other term or terms as shall be agreed upon by such officers;

Procure bond insurance to secure such bonds to the extent determined advantageous by such officers and to enter into agreements related thereto; and

MOVED, that the Board authorizes and directs Management to take any and all actions necessary and appropriate to execute an interest rate swap to partially hedge the bonds; and

MOVED, that the Board authorizes the Chief Executive Officer or the Chief Financial Officer of the Corporation to take any and all other action necessary to effectuate the Bond Offering, and further authorizes any other agent(s) of the Corporation to whom the Chief Executive Officer or the Chief Financial Officer may delegate such necessary actions in writing.

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

Motion (2)

Governor Page:

REFINANCING RESOLUTION (2008-03-26)

MOVED, that the ISO Board of Governors authorizes and empowers the Chief Executive Officer or the Chief Financial Officer of the California Independent System Operator Corporation (the "Corporation") in the name and on the behalf of the Corporation, to perform the following:

Retire the Corporation's existing debt, consisting of Series 2000, Series 2004 and Series 2007 bonds with an outstanding amount of \$139,000,000 as of April 2, 2008, through the issuance of new fixed rate bonds in an amount not to exceed \$145,000,000 through the California Infrastructure and Economic Development Bank (the "Refinancing");

In order to effectuate the refinancing: borrow money, incur other obligations and guarantee the obligations of the Corporation in an amount not to exceed \$145,000,000, and in furtherance thereof to execute and deliver from time to time any note or other instrument evidencing indebtedness or other obligations of the Corporation, 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 Corporation, at a rate or rates of interest, and upon such other term or terms as shall be agreed upon by such officers;

Procure bond insurance to secure such bonds to the extent determined advantageous by such officers and to enter into agreements related thereto; and

MOVED, that the Board authorizes and directs Management to take any and all actions necessary and appropriate to terminate or modify existing interest rate swaps relating to any bonds refunded, or procure new off- setting interest rate swaps as Management shall determine necessary or appropriate in connection with the refunding of the bonds; and



MOVED, that the Board authorizes the Chief Executive Officer or the Chief Financial Officer of the Corporation to take any and all other action necessary to effectuate the Bond Offering, and further authorizes any other agent(s) of the Corporation to whom the Chief Executive Officer or the Chief Financial Officer may delegate such necessary actions in writing.

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

MOTION (3)

Governor Page:

Reimbursement Resolution (2008-03-26)

RESOLUTION DECLARING OFFICIAL INTENT OF CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION TO REIMBURSE CERTAIN EXPENDITURES FROM PROCEEDS OF INDEBTEDNESS AND TO USE 2008 BORROWINGS ON AN INTERIM BASIS PRIOR TO THE AVAILABILITY OF PROCEEDS FROM SUBSEQUENT FACILITY RELATED FINANCING ADOPTED MARCH 26, 2008

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

WHEREAS, the Corporation intends to fund such Expenditures on an interim basis with either general corporate funds, or the proceeds from the planned mid- 2008 bond issuance;

WHEREAS, the Corporation reasonably expects that debt obligations will be issued during 2009 in one or more series and that certain of the proceeds of such debt obligations will be issued to pay or reimburse either general corporate funds or the mid- 2008 bond construction fund the Expenditures for the Project in an amount not to exceed \$18,000,000;

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:

- *The Corporation finds and determines that the foregoing recitals are true and correct.*
- *The Corporation hereby declares its official intent to use proceeds of the facility indebtedness to be incurred in 2009 to pay or reimburse itself or the 2008 bond offering construction fund for Expenditures in an amount not expected to exceed \$18,000,000.*

This Resolution shall take effect from and after its adoption.

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

DECISION ON TRANSITIONAL CAPACITY PROCUREMENT MECHANISM

PROPOSAL

Keith Johnson, Senior Market and Product Developer, provided a brief background on the Transitional Capacity Procurement Mechanism (TCPM) proposal and its transitional role between Reliability Capacity Services Tariff (RCST) and the Interim Capacity Procurement Mechanism. Mr. Johnson noted that RCST would expire on May 31st and that TCPM would fill the gap between the summer and the implementation of MRTU in the fall. Mr. Johnson stated that upon Board decision, the TCPM proposal could be implemented on June 1, 2008. Mr. Johnson provided an overview of the stakeholder process and noted that price had been the most challenging issue. Mr. Johnson discussed additional stakeholder concerns and stated that the proposal balanced the widely divergent views.

PUBLIC COMMENT

Brian Theaker, on behalf of Dynegy, provided comments in opposition of management's proposal and further described four areas of concern pertaining to: the process, the formula, payment for the product and the unilateral discretion of the ISO. Mr. Mansour provided comments in response to Mr. Theaker's statements. Discussion followed.

Brian Hitson, on behalf of Pacific Gas and Electric Company, provided supporting comments on management's proposal and noted that it was a reasonable compromise.

Doug Parker, on behalf of Southern California Edison, provided supporting comments on management's proposal. Mr. Parker noted that SCE had concerns pertaining to pricing but noted that those concerns would be more appropriately resolved by FERC.

BOARD DECISION

Discussion

Motion

Governor Doll:

Moved, that the ISO Board of Governors approves the Transitional Capacity Procurement Mechanism as outlined in the memorandum dated March 18, 2008, and related attachments; and

Moved, that the ISO Board of Governors authorizes Management to make all the necessary and appropriate filings with the Federal Energy Regulatory Commission to implement this proposal.

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

DECISION ON TRANSMISSION MAINTENANCE COORDINATION COMMITTEE

PROPOSAL

Steve Ruty, Manager of Grid Assets, provided the Board with an overview of the roles and responsibilities of the Transmission Maintenance Coordination Committee (TMCC). Mr. Ruty stated that there were 12 formal voting members on the TMCC that were selected from: the CAISO (Chair), Participating Transmission Owners (4 members), Labor Organizations (2 members), and other stakeholder organizations (5 members). Mr. Ruty provided an overview of the TMCC membership selection process and reviewed the list of recommended TMCC candidates. Mr. Ruty concluded his presentation by providing an overview of TMCC current activities.

PUBLIC COMMENT

There was no public comment.

BOARD DECISION

Motion

Governor Gage:

MOVED, that the ISO Board of Governors approves the seven candidates presented by Management in the Memorandum dated March 18, 2008, to serve on the Transmission Maintenance Coordination Committee.

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

DECISION ON MARKET SURVEILLANCE COMMITTEE (MSC) CHAIR APPOINTMENT

Yakout Mansour, President and CEO, informed the Board that the term of Dr. Frank Wolak, Chairman of the MSC, would expire on March 31, 2008. Mr. Mansour stated that Mr. Wolak has provided invaluable expertise and advice to the Board, Management and staff on many issues related to the operations of the CAISO, including the MRTU proposals. Mr. Mansour provided the Board with a background of Mr. Wolak's qualifications and recommended that the Board reappoint Mr. Wolak as Chairman of the MSC.

Motion

Governor Capuano:

MOVED, that the ISO Board of Governors reappoint Dr. Frank Wolak to the CAISO Market Surveillance Committee as chairman for a term to end March 31, 2011; and

MOVED, that the ISO Board of Governors authorize Management to enter into a contract with Dr. Frank Wolak for this purpose, with compensation as approved by the ISO Board of Governors.

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

DEPARTMENT OF MARKET MONITORING REPORT

Jeff McDonald, Manager – Market Monitoring and Reporting, provided the Board with highlights from the 2007 Annual Report on Market Issues and Performance. Mr. McDonald noted that wholesale markets were stable and competitive and that wholesale costs had increased slightly. Mr. McDonald stated ISO reliability costs decreased in 2007. Mr. McDonald discussed the two heat waves of 2007 as well as the October wildfires and noted that the ISO markets performed reasonably well during these periods of market stress. Mr. McDonald stated that while there was significant cumulative new generation investment, there remained little net-gain in the South region. Further discussion followed regarding the Southern California trend. Mr. McDonald concluded his presentation by discussing spot markets and noted that spot market revenues continued to be below the cost of new generation investments. Discussion followed regarding generator retirements and the effect of MRTU on market revenues.

MARKET PERFORMANCE REPORT – January and February 2008

Alan Isemonger, Manager – Market Information, provided a brief overview of January 2008 market highlights, noting it was generally a quiet month. Mr. Isemonger reviewed the monthly market performance metrics, real time balancing energy prices, cost of balancing energy, costs of out of sequence energy, ancillary services markets, resource adequacy unit commitment costs, and inter-zonal congestion costs.

Mr. Isemonger then provided a brief overview of February 2008 market highlights, noting it was also a quiet month. Mr. Isemonger reviewed the monthly market performance metrics through February 2008 and provided an update on the mountain snow pack as of March 1, 2008. Mr. Isemonger provided an overview of real time balancing energy prices, ancillary services markets, and inter-zonal congestion costs.

INFORMATIONAL REPORTS

There were no questions regarding the informational reports.

NEW GENERAL SESSION BUSINESS ISSUES AND FUTURE AGENDA ITEMS

There were no new general session business issues.

ADJOURNED

There being no additional general session items to discuss, the general session of the Board of Governors was adjourned at approximately 12:30 p.m.