

**GENERAL SESSION MINUTES  
ISO BOARD OF GOVERNORS MEETING  
March 26-27, 2009  
ISO Headquarters  
Folsom, California**

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March 26, 2009

Mason Willrich, Chair of the ISO Board of Governors, called the general session meeting to order at approximately 1:10 p.m. Roll call was taken and the presence of a quorum was established.

**ATTENDANCE**

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

Mason Willrich, Chair  
Tom Page  
Linda Capuano  
Laura Doll

The following members of the officer team were present: Yakout Mansour, Karen Edson, Laura Manz, Steve Berberich, Jim Detmers, 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 MINUTES**

Governor Capuano moved for the approval of the ISO Board of Governors general session minutes for February 10 – 12, 2009. The motion was seconded by Governor Doll, and approved 4-0-0.

**APPOINTMENT OF ADR/AUDIT COMMITTEE CHAIR AND MEMBER**

Governor Willrich stated that in light of Tim Gage's departure from the Board, a new ADR/Audit Committee Chair and member were needed. Governor Doll nominated Governor Capuano to serve as a member of the ADR/Audit Committee. Governor Capuano nominated Governor Page to serve as chair of the ADR/Audit Committee.

## **Motion**

### **Governor Doll:**

*Moved that the ISO Board of Governors appoints Tom Page to serve as chair of the ADR/Audit Committee and elects Linda Capuano to serve as member of the ADR/Audit Committee in accordance with Article IV, Section 1, of the bylaws.*

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

## **CEO REPORT**

Yakout Mansour, President and CEO, provided the Board with an MRTU program update. Mr. Mansour addressed FERC's March 13, 2009 order that certified readiness of MRTU to go live on March 31, 2009. Mr. Mansour noted appreciation to the ISO team and market participants.

Mr. Mansour continued his report by discussing the ISO's five-year strategic plan. Mr. Mansour noted that the plan established high-level objectives and that the annual corporate goals helped drive the organization towards the plan. Mr. Mansour provided highlights of 2008 accomplishments in the areas of excellence in grid and market operations, grid resource development and organizational effectiveness.

Mr. Mansour commented on the Infrastructure Development section of his report and noted that a complete briefing on the 2009 ISO Transmission Plan would be addressed later in the meeting.

Mr. Mansour concluded his report by providing appreciation and gratitude to Tim Gage for his years of service on the ISO Board. Mr. Mansour also acknowledged the April 1 departure of Phil Leiber, Chief Financial Officer.

## **DECISION ON STANDARD RESOURCE ADEQUACY CAPACITY PRODUCT AND RESOURCE ADEQUACY MUST OFFER OBLIGATION**

### **Proposal**

Greg Cook, Manager – Market Design and Regulatory Policy, provided the Board with an overview of Management's proposal regarding a standard resource adequacy capacity product and resource adequacy must offer obligation. Mr. Cook provided an overview of the significant momentum from the ISO, stakeholders, and regulatory agencies leading up to the proposal. Mr. Cook reviewed the four principles that were used to develop the proposed resource adequacy enhancements and noted that a standard capacity product was a key element in developing a centralized capacity market. Mr. Cook noted that the ISO worked closely with stakeholders on the development of the key elements of the proposal. Mr. Cook

reviewed the timeline and noted the goal was to have the product in place for the 2010 capacity showing deadline. Mr. Cook concluded his presentation by addressing the benefits of the proposal.

### Public Comment

Mark Smith, with Calpine, provided comments in support of Management's proposal as well as the stakeholder process. Mr. Smith also provided comments regarding the motion language surrounding the timing of the FERC filing for the 'Decision on Payment Acceleration' agenda item.

Doug Parker, with Southern California Edison, provided supportive comments on the stakeholder process. Mr. Parker also noted support for the proposal with the exception to the January date pertaining to grandfathering of elements of existing contracts signed before January 1, 2009. Mr. Parker also commented on the product exemptions in the proposal.

Discussion followed and members of Board provided comments regarding the grandfathering of contracts matter addressed by Mr. Parker. Mr. Parker noted that he was only looking at SCE and was not sure about the impact to other market participants.

Matt Barmack, with Pacific, Gas & Electric Company, provided supportive comments on the stakeholder process. Mr. Barmack provided generally supportive comments on the proposal and noted a few concerns regarding the treatment of outages. In response to a Board member inquiry, Mr. Barmack stated that PG&E did not have an opinion regarding how the proposal addressed grandfathering of contracts.

Brian Theaker, with Dynegy, provided supportive comments on the stakeholder process. Mr. Theaker stated that Dynegy fundamentally supported the proposal and noted that Dynegy did not support deferral as requested in earlier comments. Discussion followed regarding a related California Public Utilities Commission proceeding.

Mary Lynch, with Constellation, and speaking on behalf of Alliance for Retail Energy Markets, provided supporting comments to Management's proposal. Ms. Lynch noted her concern was addressed in Management's presentation as product implementation would occur in advance of 2010 compliance. Ms. Lynch requested that the FERC filing be made in early April 2009.

Ms. Saracino acknowledged a public comment letter from Alliance for Retail Energy Markets as well as the Market Surveillance Committee Opinion.

Mr. Cook addressed issues raised during public comment, including the January 1 date in the grandfathering proposal. Mr. Cook further described the process and rationale used to reach the proposed grandfathering date. Discussion followed and members of the Board inquired further about elements of the grandfathering proposal as related to SCE's concerns. Mr. Parker provided additional comments regarding contract negotiations.

Frank Wolak, Chair of the Market Surveillance Committee, provided highlights of the MSC Opinion and noted the proposal was an improvement that moved in the right policy direction. Discussion followed.

Board Decision

Motion

**Governor Capuano:**

*Moved, that the ISO Board of Governors approves the policy to implement the standard resource adequacy capacity product and enhance the resource adequacy must offer obligation to include ancillary services, as detailed in the memorandum dated March 18, 2009, 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 these changes.*

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

**BRIEFING ON MARKET REDESIGN & TECHNOLOGY UPGRADE**

Steve Berberich, Vice President of Corporate Services, provided the Board with a status of MRTU *go-live* and noted that the ISO was as ready as possible for and April 1 *go-live*. Mr. Berberich provided highlights of readiness achievements and noted that post *go-live* support team had been tested and was ready to proactively monitor the systems, prices and markets. Mr. Berberich stated that audits to confirm functionality were either complete or nearly complete and provided highlights of the PricewaterhouseCoopers audit of the settlement system.

Sean Barry, with PricewaterhouseCoopers, provided further comments regarding the status of PwC's audit of the settlement system and the four relatively minor issues. Mr. Barry stated that the PwC report would be issued on March 31 and expected that it would agree with Management's assertions regarding the four instances.

Mr. Berberich continued his presentation by providing an overview of recent Federal Energy Regulatory Commission orders. Mr. Berberich stated that a proactive monitoring and support plan was in place, including 24/7 support. Mr. Berberich noted that the ISO would carefully monitor a number of critical items post *go-live* that fall under the following categories: reliability, critical to market, and availability. Mr. Berberich concluded his presentation by providing a timeline overview of cutover activities for March 31, 2009 and providing comments of appreciation to various staff members and market participants.

Yakout Mansour, President and CEO, provided comments of appreciation to ISO staff, market participants and Mr. Berberich as executive sponsor of the project.

Members of the Board provided comments of appreciation to ISO staff and market participants.

Doug Parker, with Southern California Edison, provided comments in support of an April 1 *go-live* and acknowledged the efforts of the ISO.

Veronica Andrews, with Pacific Gas & Electric Company, provided comments in support of an April 1 *go-live* and acknowledged the efforts of the ISO.

Tiff Nelson, with San Diego Gas and Electric Company, provided comments in support of an April 1 *go-live* and acknowledged the efforts of the ISO.

Colette Kersten, with the California Public Utilities Commission, acknowledged the tremendous progress made on MRTU and acknowledged the March 13, 2009 FERC Order as well as the CPUC's ongoing commitment to the project.

Chairman Willrich provided the public with an overview of the preparedness efforts of the Board for *go-live*. Members of the Board provided additional supportive comments to Mr. Mansour, ISO staff and management as well as market participants. Mr. Berberich provided additional acknowledgement and thanks to various market participants.

## **DECISION ON STRATEGIC PLAN**

John Anders, Director of Organizational Effectiveness, provided the Board with an overview of the Five-Year Strategic Plan for 2009 – 2013. Mr. Anders stated that the ISO's strategic planning process set the direction of the organization for the next five years. Mr. Anders noted that Management thoroughly tested the plan and validated prior assumptions and direction. Mr. Anders stated that the plan points in the right direction in the face of a changing corporate and policy environment. Mr. Anders noted that the ISO's objectives and initiatives focus on leadership and highlighted the following plan areas: Excellence in Grid and Market Operations, Effective and Timely Resource Development, and Organizational Effectiveness.

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

### Board Decision

#### Motion

#### **Governor Capuano:**

*Whereas, Management and employees of the ISO have conducted a comprehensive assessment of external drivers and internal capabilities, objectives, risks and opportunities 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; and*

*Whereas, Management, based on this planning effort and feedback from the ISO Board of Governors, 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 2009-2013, dated March 18, 2009, and directs Management to proceed with implementation of the Plan.*

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

#### **DECISION ON MARKET SURVEILLANCE COMMITTEE APPOINTMENT**

Yakout Mansour, President and CEO, provided the Board an overview of the qualifications of Dr. James Bushnell. Mr. Mansour described Dr. Bushnell's tenure while serving as a member of the Market Surveillance Committee and requested that the Board reappoint Dr. Bushnell as a member of the Committee. Brief discussion followed.

#### **Motion**

**Governor Doll:**

*Moved, that the Board reappoint Dr. James Bushnell to the ISO Market Surveillance Committee for a term to end March 31, 2012; and*

*Moved, that the Chief Executive Officer is authorized and directed to enter into an appropriate Consulting Agreement with Dr. James Bushnell to compensate him for his participation on the ISO Market Surveillance Committee, as detailed in the memorandum dated March 18, 2009.*

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

#### **DECISION ON PAYMENT ACCELERATION**

Steve Berberich, Vice President of Corporate Services, provided the Board with an overview of Management's proposal regarding payment acceleration. Mr. Berberich stated that in December 2008, the Board previously authorized a resolution directing that Management file a payment acceleration tariff amendment on May 1, 2009. Mr. Berberich provided an overview of stakeholder activities over the last few months and noted that a deferral to October 1 was the preference. Mr. Berberich stated that Management requested flexibility to defer the Board authorized May 1, 2009 filing. Discussion followed regarding the settlement statement and cash flow process. Debi LeVine, Director of Market Services and MRTU Project Manager, provided clarifying comments regarding the settlement statement and cash flow process. Discussion followed.

### Public Comment

Ellen Wolfe, with the Western Power Trading Forum, provided comments in support of Management's payment acceleration proposal and recommended that the Board replace the May 1 filing date as opposed to removing it for full discretion as to the timing of the filing.

Brian Hitson, with Pacific Gas & Electric Company, provided comments in support of Management's payment acceleration proposal.

Mark Smith, with Calpine, provided comments in support of Management's payment acceleration proposal and recommended that the Board replace the May 1 filing date as opposed to removing it for full discretion as to the timing of the filing.

Discussion followed regarding adding a FERC filing date to the proposed motion language. Ms. Saracino read the revised motion language. Members of the Board made inquiries regarding the timing of the FERC filing and Mr. Berberich noted that June 1 was reasonable.

### Board Decision

#### Motion

#### **Governor Page:**

*Moved, that the ISO Board of Governors modifies its resolution of December 17, 2008, regarding acceleration of the settlement schedule, such that Management is authorized to make the necessary and appropriate filings no later than June 1, 2009 with the Federal Energy Regulatory Commission to implement the tariff changes as detailed in the memorandum dated March 18, 2009, and as modified by the Board at the March 26, 2009 meeting.*

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

### **DECISION ON TRANSMISSION MAINTENANCE COORDINATION COMMITTEE APPOINTMENTS**

Laura Manz, Vice President of Market and Infrastructure Development, provided the Board with an overview of the primary duties of the Transmission Maintenance Coordination Committee (TMCC) as an advisory subcommittee to the Board. Ms. Manz reviewed the 2009 initiatives to be addressed by the TMCC. Ms. Manz noted that the TMCC charter required twelve voting members and that a qualified applicant must have large industrial equipment expertise in four specified areas. Ms. Manz reviewed membership selection timeline and requested that the Board reappoint the following five candidates to serve for two-year terms beginning April 1, 2009: Michael Palusso, Landis Marttila, Jesse Ante, Jamie Patterson, and Steve Mendoza. Brief discussion followed. Jim Detmers, Vice President of Operations, provided additional comments regarding the value of the TMCC.

**Motion**

**Governor Capuano:**

*Moved, that the ISO Board of Governors approves the five candidates presented by Management to serve two-year terms on the Transmission Maintenance Coordination Committee beginning April 1, 2009, as detailed in the memorandum dated March 18, 2009.*

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

**ADR/AUDIT COMMITTEE UPDATE**

Governor Page, Chair of the ADR/Audit Committee, recommended the following two motions for approval by the Board as recommended by the ADR/Audit Committee:

Acceptance of Review of 2008 Code of Conduct Certification Procedures

**Motion**

**Governor Page:**

*Moved, that the ISO Board of Governors accepts the report issued on January 20, 2009 by PricewaterhouseCoopers LLP about their testing of the ISO 2008 code of conduct certification process, as recommended by the ADR/Audit Committee.*

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

Acceptance of Operations Review of 2007-08

**Motion**

**Governor Page:**

*Moved, that the ISO Board of Governors accepts the "Report on Compliance Assessment Relating to Specified Control Room Operational Processes" for 2007 and 2008 issued by PricewaterhouseCoopers on January 29, 2009, as recommended by the ADR/Audit Committee.*

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

**INFORMATIONAL REPORTS**

Brief discussion occurred regarding the legislative report and the status of Assembly Bill 64 pertaining to California's Renewable Portfolio Standard.



## **RECESSED**

There being additional general session items to discuss, the general session of the ISO Board of Governors meeting was recessed at approximately 4:30 p.m. for a short break.

## **RECONVENED**

March 26, 2009

Mason Willrich, Chair of the ISO Board of Governors, reconvened the general session meeting to order at approximately 4:50 a.m. The presence of a quorum was established.

## **RECOGNITION OF DEPARTING GOVERNOR**

Chairman Willrich provided departing comments and acknowledged the contributions made by former Governor Tim Gage. Chairman Willrich read the Board resolution and presented Mr. Gage with framed resolution language.

### **Resolution:**

#### **Governor Doll:**

*WHEREAS, Mr. Gage was first appointed to the Board of Governors of the California Independent System Operator Corporation in 2003, and has helped guide the ISO through many challenges over the years, including the aftermath of the energy crisis; and*

*WHEREAS, his knowledge and expertise in fiscal and budget matters are renown, as is his understanding of California's government structure and the people who make it work; and*

*WHEREAS, Mr. Gage has brought tremendous benefit and service to this organization, guiding the ISO in important financial matters as well as the many through the varied policy decisions he considered during his service to the ISO; and*

*WHEREAS, he devoted countless hours overseeing the ISO's preparation for implementation of the market redesign and technology upgrade, insisting on the highest level of accountability and care as he worked with the Governing Board to evaluate the ISO's readiness; and*

*WHEREAS, through his diligent work, vast expertise, acknowledged credibility and steady hand, Mr. Gage helped position the California ISO to be a thought-leader and subject-matter expert in many of the issues and policies that are currently confronting the energy industry; and*

*WHEREAS, Mr. Gage is known to possess an affable nature, a remarkable ability to relate to people, and other fine qualities that have endeared him to the California ISO staff and management, as well as to stakeholders, regulators and others who have come before the California ISO Board;*

***THEREFORE, be it resolved that the California ISO Board of Governors heartily commends, thanks and congratulates Mr. Gage for his exemplary service to the California Independent System Operator Corporation and to the people of California.***

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

Mr. Mansour provided comments of appreciation and presented Mr. Gage with departing gifts. Mr. Gage provided departing comments and acknowledged his appreciation of the efforts and dedication of the ISO.

### **RECESSED**

There being additional general session items to discuss, the general session of the ISO Board of Governors meeting was recessed at approximately 5:15 p.m.

### **RECONVENED**

March 27, 2009

Mason Willrich, Chair of the ISO Board of Governors, reconvened the general session meeting to order at approximately 9:00 a.m. Roll call was taken and the presence of a quorum was established.

### **ATTENDANCE**

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

Mason Willrich, Chair  
Tom Page  
Linda Capuano  
Laura Doll

The following members of the officer team were present: Yakout Mansour, Karen Edson, Laura Manz, Steve Berberich, Jim Detmers, and Nancy Saracino.

### **GENERAL SESSION**

The following agenda items were discussed in general session:

### **BRIEFING ON TRANSMISSION PLAN**

Laura Manz, Vice President of Market and Infrastructure Development, provided the Board with highlights of the overall framework of the long-term transmission planning process. Gary DeShazo, Director of Regional Transmission North, provided an overview of the planning process and described the evolution of the transmission plan over the last few

years. Mr. DeShazo noted the importance of FERC Order 890 compliance and stated the ISO was ready to incorporate market drivers into infrastructure planning. Mr. DeShazo stated the planning process was built around the following three stages: assumptions, analysis, and documentation. Mr. DeShazo commented on the ISO staff assessment and noted it was comprehensive and consistent with North American Electric Reliability Corporation's compliance requirements. Mr. DeShazo provided an overview of the request window process and the resulting proposals. Mr. DeShazo stated the transmission plan demonstrated how the ISO is ensuring compliance with FERC Order 890. Mr. DeShazo concluded by noting that future iterations of the transmission plan would reflect market drivers as a consideration for grid enhancement.

### Public Comment

Susan Schneider, with California Wind Energy Association (CalWEA), provided supportive comments on the transmission planning process. Ms. Schneider provided comments on two SCE transmission projects proposed for inclusion in the transmission plan, as referenced in the CalWEA handout provided to the Board.

Mark Esguerra, with Pacific Gas & Electric Company, provided comments and thanked ISO staff for the approval of thirty-five PG&E projects within the transmission plan. Mr. Esguerra further commented on areas for improvement for the transmission planning process.

Ms. Manz addressed the concerns raised by CalWEA and PG&E regarding the transmission planning process. Discussion followed regarding the importance of the transmission planning schedule. Mr. Mansour provided additional comments regarding the renewables portfolio requirements.

### **BRIEFING ON CLIENT SURVEY AND 2009 BUSINESS IMPROVEMENT PLANS**

Tom Doughty, Manager of Stakeholder Affairs, provided the Board with an overview of the 2008 corporate survey. Mr. Doughty stated the corporate survey included nine focused surveys. Mr. Doughty noted that cross-functional teams were put in place and that all ISO divisions were represented in the survey. Mr. Doughty provided highlights of the key areas needing improvement and discussed the impact of MRTU on the survey. Mr. Doughty concluded by providing an overview of 2009 improvement concepts. Brief discussion followed.

### **BRIEFING ON CORPORATE GOVERNANCE**

Nancy Saracino, Vice President, General Counsel & Corporate Secretary, provided the Board with an overview on corporate governance and stated that the Board fulfills its corporate responsibilities with public access and input. Ms. Saracino stated that FERC Order 719 requires ISO and RTO boards to consider the needs of customers and stakeholders. Ms. Saracino reviewed the eight areas of Board duties and responsibilities as specified in the ISO Corporate Governance Principles. Ms. Saracino stated that the

Corporate Governance Principles also require the Board to consider stakeholder interests. Ms. Saracino described the following three areas of opportunities for stakeholder engagement at the ISO: Board candidate selection, Board-endorsed stakeholder process and the Open Meeting Policy. Ms. Saracino concluded by reviewing historical samples of the Board's engagement in the stakeholder process. Discussion followed. Board members emphasized the importance of timely written stakeholder views in addition to the importance of stakeholder positions being accurately reflected in the stakeholder matrix.

### **DECISION ON APPEAL REGARDING RESPONSE UNDER INFORMATION AVAILABILITY POLICY**

Nancy Saracino, Vice President, General Counsel & Corporate Secretary, provided the Board with an overview of Management's position opposing a March 23, 2009 appeal by Ms. Julie Ann Sarale under the ISO's Information Availability Policy. Ms. Saracino noted the appeal alleged that the ISO failed to respond to requests for records. Ms. Saracino noted that while the ISO did not timely respond to the requests, all of the requested documents that could be disclosed under the Information Availability Policy had since been provided. Accordingly, Ms. Saracino recommended that the Board deny the appeal. She explained that (1) certain documents were exempt from disclosure under the Information Availability Policy and were properly withheld; (2) with the exception of certain maintenance practices documents prepared by PG&E and SDG&E, considered by these entities to be confidential, Ms. Sarale received all non-exempt ISO documents; and (3) consistent with the Information Availability Policy, PG&E and SDG&E authorized release of redacted versions of the requested maintenance practices documents.

#### Public Comment

Julie Ann Sarale, provided comments in support of the March 23 appeal under the ISO's Information Availability Policy. Ms. Sarale described her prior efforts made with the ISO and PG&E to locate tree trimming rules or guidelines. Discussion followed.

#### Motion

##### **Governor Doll:**

*Moved, that having considered the appeal submitted by Ms. Sarale on March 23, 2009, the supplement submitted by Ms. Sarale on March 25, 2009, the Memorandum dated March 26, 2009, and the information presented to the Board on March 27, 2009, Board of Governors denies the appeal submitted by Ms. Sarale.*

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

#### **ADJOURNED**

There being no additional general session items to discuss, the general session of the ISO Board of Governors meeting was adjourned at approximately 11:10 a.m.