

Steve Berberich
President & Chief Executive Officer

September 15, 2016

The Honorable Edmund G. Brown
Governor, State of California
Office of the Governor
State Capitol, Suite 1173
Sacramento, CA 95814

Dear Governor Brown:

The California Independent System Operator (“ISO”) is pleased to formally transmit to you the completed detailed studies examining the economic and environmental impacts of regionalization as required for Senate Bill No. 350 – the Clean Energy and Pollution Reduction Act of 2015. The ISO wishes to thank you, legislative staff, your energy advisors and the energy agency leadership for the support and engagement throughout the process.

We also appreciate your recognition that the studies we conducted over the last eight months have been completed. As a result, accompanying this letter are the documents associated with these studies that identify significant benefits to California and its ratepayers from a regional market.

To conduct the studies set forth in SB 350, the ISO retained a group of internationally recognized consultants. The comprehensive process included numerous opportunities for public engagement and comment, which yielded significant value and input into the study work. The study evaluated:

- Overall benefits to California ratepayers;
- Emissions of greenhouse gases and other air pollutants;
- The creation or retention of jobs and other benefits to the California economy;
- Environmental impacts in California and elsewhere;
- Impacts in disadvantaged communities in California; and
- Reliability and integration of renewable energy resources.

Consistent with the requirements in SB 350, the ISO has made the modeling and all assumptions underlying the modeling available for public review.¹

Finally, the Joint State Agency Workshop on the Proposed Regional Grid Operator was held on July 26 where almost 400 persons participated. The California Energy Commission received

¹ California Senate Bill 350, Clean Energy and Pollution Reduction Act of 2015, Article 5.5, Section 359.5.(e)(1).

written comments on the workshop from 32 participants with the majority of comments focused on the design of an ISO regional governance. The presentations from the workshop and the comments received from stakeholders on August 2 are attached and are also available within the Energy Commission's docket on this subject (16-RGO-01).

We acknowledge your recent statement of August 8 in a letter to the California State Legislature regarding the regionalization of the ISO and appreciate your request to continue the important work necessary to transform the ISO into a regional organization. The ISO stands ready to support your request by continuing to work with your agencies, the Legislature, other states and interested parties to develop a strong governance proposal by January 2017. We will also continue the public processes of resolving market design elements that support a regional energy market, including transmission costs, resource adequacy, and GHG tracking.

We look forward to working closely with you as we move forward with this important initiative. Please let us know if you have any questions regarding the attached information.

Sincerely,



Steve Berberich
President and Chief Executive Officer

Attachment A: Senate Bill 350 Study: The Impacts of a Regional ISO-Operated Power Market on California

http://www.caiso.com/Documents/SB350Study_AggregatedReport.pdf

Attachment B: Senate Bill 350 Study Addendum

<http://www.caiso.com/Documents/SB350Study-AddendumReport.pdf>

Attachment C: Joint Agency Workshop Presentations

http://www.caiso.com/Documents/Presentation-SenateBill350Study-Jul26_2016.pdf

Attachment D: Comments received from the Joint Agency Workshop

http://energy.ca.gov/sb350/regional_grid/documents/2016-07-26_comments.php

Cc: The Honorable Kevin de León, Senate President pro Tempore
The Honorable Jean Fuller, Senate Minority Leader
The Honorable Anthony Rendon, Speaker of the Assembly
The Honorable Chad Mayes, Assembly Minority Leader
The Honorable Ben Hueso, Chair, Senate Energy, Utilities and Communications Committee

Ccs cont'd:

The Honorable Mike Morrell, Vice Chair, Senate Energy, Utilities and Communications Committee
The Honorable Bob Wieckowski, Chair, Senate Environmental Quality Committee
The Honorable Ted Gaines, Vice Chair, Senate Environmental Quality Committee
The Honorable Mike Gatto, Chair, Assembly Utilities and Commerce Committee
The Honorable Jim Patterson, Vice Chair, Assembly Utilities and Commerce Committee
The Honorable Das Williams, Chair, Assembly Natural Resources Committee
Mary Nichols, Chair, California Air Resources Board
Michael Picker, President, California Public Utilities Commission
Robert Weisenmiller, Chair, California Energy Commission
Cliff Rechtschaffen, Senior Advisor, Governor's Office
Kip Lipper, Executive Staff Director, Senate President Pro Tempore Office
Jay Dickenson, Chief Consultant, Senate Energy, Utilities & Communications
Nidia Bautista, Consultant, Senate Energy, Utilities & Communications
Rachel Wagoner, Chief Consultant, Senate Environmental Quality
Kerry Yoshida, Principal Consultant, Assembly Republican Policy Consultants
Gabrielle Zeps, Principal Consultant, Assembly Democratic Caucus
Marie Liu, Principal Consultant, Assembly Democratic Caucus
Sue Kateley, Chief Consultant, Assembly Utilities & Commerce
Lawrence Lingbloom, Chief Consultant, Assembly Natural Resources
Daryl Thomas, Principal Consultant, Senate Republican Caucus