

GENERAL SESSION MINUTES
ISO BOARD OF GOVERNORS MEETING
September 9, 2010
ISO Headquarters
Folsom, California

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Mason Willrich, Chair of the ISO Board of Governors, convened the general session meeting at approximately 2:00 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
Laura Doll
Kristine Hafner
Tom Habashi
Bob Foster

The following members of the officer team were present: Yakout Mansour, Steve Berberich, Karen Edson, Keith Casey, Brenda Thomas and Nancy Saracino.

GENERAL SESSION

The following agenda items were discussed in general session:

PUBLIC COMMENT

Ellen Wolfe, on behalf of Western Power Trading Forum, provided comments regarding the capacity procurement mechanism proposal scheduled for Board decision at its November meeting. Ms. Wolfe also requested that the Market Surveillance Committee provide an opinion on the matter.

Keith Casey, Vice President – Market and Infrastructure Development, provided responding comments regarding the proposal and noted the Market Surveillance Committee would be adopting an opinion on the capacity procurement mechanism proposal.

DECISION ON MINUTES

Governor Doll moved for the approval of Board of Governors general session minutes for July 26, 2010. The motion was seconded by Governor Hafner, and approved 5-0-0.

CEO REPORT

Yakout Mansour, President and CEO, provided the Board with an update on renewable integration and associated transmission infrastructure in the following areas: completion of a 20% renewable portfolio standard operational assessment report, completion of generation interconnection studies, temporary waiver of financial security deposits, partial deliverability of new generation resources, and transmission development.

Mr. Mansour informed the Board that Moody's Investor Service upgraded the ISO's credit rating to A1 from A2, and assigned a "stable" outlook to the rating. Mr. Mansour provided an operations update and discussed the summer operating conditions, including updates on the recent fires. Mr. Mansour concluded his report by announcing the recent organizational changes at the executive level and referenced a July 29, 2010 news release on the topic.

AUDIT COMMITTEE UPATE

Governor Foster recommended that the Board accept the audit of the California ISO Retirement Savings Benefits Plan as already accepted by the Audit Committee.

Motion

Governor Foster:

MOVED, that the ISO Board of Governors accepts the audited financial statements of the California ISO Retirement Savings Benefits Plan for the years ended December 31, 2009 and 2008, as audited by PricewaterhouseCoopers LLP, and as attached to the memorandum dated September 1, 2010, and as recommended by the Audit Committee.

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

DECISION ON CONDITIONAL APPROVAL TO EXTEND EXISTING RELIABILITY MUST-RUN CONTRACTS FOR 2011

Nancy Saracino, Vice President, General Counsel and Chief Administrative Officer, acknowledged the following public comment letters: Environmental Health Coalition, City and County of San Francisco, and a joint community letter signed by the following six entities: Sierra Club, SF Community Power, Greenaction, Brightline, SF Green Party, and Bayview-Hunters Point.

Proposal

Gary DeShazo, Director of Regional Transmission North, provided the Board with an overview of the request for reliability must-run contract approval and noted that the reliability must-run contracts ensured adequate capacity and required services not already covered by the resource adequacy contracts. Mr. DeShazo reviewed the primary characteristics of resource

adequacy contracts and reliability must-run contracts. Mr. DeShazo noted that resource adequacy contracts provided for the bulk of local reliability needs and that the total number of reliability must-run contracts continued to decrease each year. Mr. DeShazo provided an overview of circumstances when reliability must-run designation are extended, and concluded his presentation by reviewing the timeline leading up to October 1, 2010, the date that letters for reliability must-run extensions or terminations were scheduled to be sent to resource owners.

Dr. Casey provided the Board with a background overview and an update regarding the Potrero Power Plant in San Francisco and South Bay Power Plant in Chula Vista.

Dr. Casey stated it was Management's recommendation to renew the Potrero reliability must-run contact as the following two transmission projects would not be completed by October 1, 2010: the TransBay Cable project and PG&E ongoing cabling work.

Dr. Casey noted that once the cabling is completed and TransBay Cable becomes operational, Management could cease dispatching Potrero and start the reliability must-run contract termination process. Dr. Casey noted that Management needed two or three months of successful testing of the TransBay Cable once it becomes operational. Mr. Mansour provided additional remarks regarding the status of the TransBay Cable project and commended the current project managers for their diligence.

Dr. Casey then provided an update on the South Bay power plant and noted that Management was working with SDG&E to identify the various transmission upgrades and additional resources that would enable the release of Potrero from its reliability must-run designation prior to the completion of the Sunrise Power Link project, currently projected for June 2012.

Dr. Casey stated that the South Bay power plant reliability must-run designation would need to be extended for 2011 but that there was a possibility it could be released early depending on the status of the Sunrise project and the status of other system upgrades.

Public Comment – South Bay

Jonathan Bishop, with the State Water Resources Control Board, provided comments regarding State Water Resources Control Board once-through cooling policy and noted the policy called for the phase out of the South Bay plant by the end of 2010. Mr. Bishop stated the permit to phase out the plant by December 31, 2010 would be extended to December 31, 2011, and noted this would be the only extension.

Laura Hunter, with the Environmental Health Coalition, provided comments regarding the South Bay power plant and requested that the Board not extend the reliability must-run contract with the South Bay power plant. Ms. Hunter commented on efforts made to date to get the power plant closed and referenced the handout provided to the Board.

Allison Rolfe, with Pacifica Companies, provided comments regarding the South Bay power plant and requested that the Board not extend the reliability must-run contract with the South Bay power plant. Ms. Rolfe stated that their development project could not break ground until the power plant is closed.

Pamela Bensoussan, with the City of Chula Vista, provided comments regarding the South Bay power plant and requested that the Board not extend the reliability must-run contract for the plant. Ms. Bensoussan provided further comments regarding the letter submitted to the Board from the City of Chula Vista.

Governor Foster provided comments regarding the South Bay power plant and acknowledged the efforts of the communities and the importance of closing the plant. Governor Foster provided further comments regarding the ISO's responsibility to maintain grid reliability. Governor Foster committed to personally monitor the status to ensure the plant could be released from its reliability must-run contract at the earliest date possible.

Mr. Mansour provided comments regarding the importance of local generation for reliability. Discussion followed regarding obligations for generator unit owners under reliability must-run contracts as well as loads and resources need in 2011 for the San Diego area and the status of the Sunrise Power Link project.

Public Comment – Potrero

Theresa Mueller, with the City and County of San Francisco, provided comments regarding the Potrero power plant and acknowledged the efforts by all interested parties to close the plant. Ms. Mueller addressed delays associated with the TransBay Cable project and requested the Board direct staff to modify the termination terms of the contract. Ms. Mueller provided highlights of the letter submitted to the Board on the matter.

Joshua Arce, with Brightline Defense Project, provided comments regarding the Potrero power plant and acknowledged the ISO's efforts in working with Brightline and others to close the power plant. Mr. Arce provided highlights of the joint communities' letter submitted to the Board on the matter. Mr. Arce requested that the plant be closed as soon as possible.

Steve Berberich, Vice President and Chief Operating Officer, stated that the ISO would commit to not dispatching the Potrero power plant once the TransBay Cable project was deemed to be operational and stable.

Marie Harrison, with Green Action, provided comments regarding the Potrero power plant and acknowledged the comments made by Governor Foster regarding closure of the South Bay plant. Ms. Harrison requested that the Board not renew the Potrero plant reliability must-run contract.

Dr. Casey provided comments in response to the public remarks. Dr. Casey commented on the ninety-day notice provision in the reliability must-run contract. Sidney Davies, Assistant General Counsel for the ISO, provided further comments regarding regulatory requirements surrounding the need to renew the contracts without delay. Discussion followed regarding the reliability must-run contract terms and the community's desire to close the Potrero plant.

Discussion followed regarding the proposed motion language and it was agreed to bifurcate the motion. The first motion is applicable to the South Bay only, and the second is applicable to the remaining units identified in Management's memo to the Board. The Board requested that

Ms. Saracino include language to affirm the Board's commitment regarding the need for an expeditious termination of the South Bay and Potrero power plants' reliability must-run contracts. Discussion followed regarding the importance to expedite the plant closures and the draft motion language. The Board requested that Management provide a status report at each Board meeting until the plant closures have been achieved.

Motion #1

Governor Doll:

Whereas, while the ISO's core mission is to operate a safe and reliable electric system, the Board recognizes that the location of certain generating plants historically needed for reliability must-run service can cause hardship on local communities; and

Whereas, the Board acknowledges the local communities' strong interest in ending the reliability must-run status of the Dynegy South Bay units, and has requested routine status reports from Management; and

Whereas, the Board urges Management to continue to assess the local reliability needs in the San Diego area and to work towards terminating the reliability must-run contracts with the Dynegy units as soon as the units are no longer needed for reliability must-run service;

Moved, that the ISO Board of Governors authorizes Management to extend the reliability must-run contracts for the Dynegy South Bay units listed on Attachment 1, consistent with the criteria described in the memorandum dated September 1, 2010.

The motion was seconded by Governor Habashi, and approved 4-1-0, with Governor Foster opposing.

Motion #2

Governor Hafner:

Whereas, while the ISO's core mission is to operate a safe and reliable electric system, the Board recognizes that the location of certain generating plants historically needed for reliability must-run service can cause hardship on local communities; and

Whereas, the Board acknowledges the local communities' strong interest in ending the reliability must-run status of the Mirant Potrero units, and has requested routine status reports from Management; and

Whereas, the Board urges Management to continue to assess the local reliability needs in the San Francisco peninsula and to work towards terminating the reliability must-run contracts with the Mirant Potrero units as soon as the units are no longer needed for reliability must-run service;

Moved, that the ISO Board of Governors authorizes Management to extend the reliability must-run contracts for any of the RMR units listed on Attachment 1, except for the Dynegy South Bay units, consistent with the criteria described in the memorandum dated September 1, 2010.

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

Ms. Saracino noted that the minutes for this meeting would not be final until the Board decision on the minutes at the next scheduled meeting. Ms. Saracino noted that this would also be an opportunity for the Board to review the proposed introductory motion language regarding the Board's commitment regarding the need for an expeditious termination of the South Bay and Potrero power plants reliability must-run contracts.

DECISION ON IMPROVEMENTS TO THE GENERATOR INTERCONNECTION PROCEDURES

Proposal

Steve Ruty, Manager of Grid Assets, provided the Board with an overview of Management's proposal to improve the generator interconnection procedures. Mr. Ruty stated that the ISO was required to ensure safe and reliable generator interconnections and then provided an overview of the interconnection processes current in place for small and large generators. Mr. Ruty noted that the ISO has experienced a recent surge in interconnection requests for small generators and that the state's renewable portfolio standard goals will continue to drive increases in interconnection requests. Mr. Ruty discussed the importance of considering the impacts of small and large projects together.

Mr. Ruty provided an overview of the primary issues identified in the stakeholder process and acknowledged efforts made by all throughout the process. Mr. Ruty stated that the proposal combines the small and large generator interconnection procedures and provided an overview of the following elements: annual cluster study track, alternative independent study process track and modified fast track. Mr. Ruty stated that while stakeholders supported major aspects of the proposal, some stakeholders still had concern about the proposal. Mr. Ruty provided an overview of the outstanding issues.

Mr. Ruty stated the proposal would enable more timely processing of interconnection requests to meet the state's renewable portfolio standard goals.

Public Comment

David Mead, with Southern California Edison, provided supporting comments on Management's proposal. Mr. Mead provided an overview of the elements of the proposal and noted that Southern California Edison would continue to work with stakeholders, SDG&E and PG&E on its wholesale distribution access tariff process.

Logan Winston, with California Wind Energy Association, provided generally supportive comments on Management's proposal and commended the stakeholder process. Mr. Winston provided further comments regarding the areas of concern.

Ted Ko, with FIT Coalition, provided comments on Management's proposal and commended the collaborative nature of the stakeholder process. Mr. Ko commented that the proposal was incomplete and needed further improvements.

Sue Kateley, with California Solar Energy Industries Association, provided comments on Management's proposal and commended ISO staff on moving in the right direction but noted that the proposal needed further improvements. Ms. Kateley provided further comments regarding the areas of concern.

Manho Yeung, with Pacific Gas and Electric Company, provided supporting comments on Management's proposal and highlighted key elements of the proposal.

David Branchcomb, with Sierra Pacific Industries, provided supporting comments on Management's proposal and noted it was a good step in approving the current process. Mr. Branchcomb commended the efforts of staff in the stakeholder process.

Shannon Eddy, with Large Scale Solar Association, provided supporting comments on Management's proposal and commended the fair and open stakeholder process. Ms. Eddy commented on a few outstanding concerns but was confident that ISO staff would work with them to address.

Roy Phillips, with REP Energy, provided comments regarding the stakeholder process and the lack of sufficient outreach to smaller generators throughout the process. Mr. Phillips provided comments on Management's proposal and commended the ISO on the proposal's direction.

Doug Davie, with Wellhead, provided generally supportive comments on Management's proposal and stated that it is a solution to the current interconnection process. Mr. Davie commented on concerns with the proposed independent study process.

Brian Weber, with CalEnergy, provided supporting comments on Management's proposal and commended ISO staff on the stakeholder process. Mr. Weber requested that ISO staff continue to work on ways to streamline the interconnection process.

Jim Filippi, with First Solar, provided supporting comments on Management's proposal and commended the stakeholder process. Mr. Filippi noted that the proposed changes were critical in improving the interconnection process.

Steve Williams, with San Diego Gas and Electric, provided supporting comments on Management's proposal and commended the stakeholder process.

Discussion followed and Mr. Rutty provided the Board with some background pertaining to the security deposit element of the proposal. Discussion followed regarding the increased size limit from 2MW to 5MW in order to qualify for the fast track study process.

Motion

Governor Foster:

Moved, that the ISO Board of Governors approves the proposed tariff change regarding the generator interconnection procedures, as detailed in the memorandum dated September 1, 2010; 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 Doll, and approved 5-0-0.

DECISION ON GRID MANAGEMENT CHARGE RATE EXTENSION

The Board acknowledged receipt and review of the Board materials pertaining to Management's proposal to extend the current grid management charge through December 31, 2011, and deemed that a verbal presentation was not necessary.

Motion

Governor Foster:

Moved, that the ISO Board of Governors approves the proposed tariff change regarding the extension of the grid management charge through December 31, 2011, as detailed in the memorandum dated September 1, 2010; 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 Doll, and approved 5-0-0.

BRIEFING ON 2010-11 MARKET INITIATIVES RELEASE PLAN

The Board acknowledged receipt of the market initiatives release plan update and it was determined that a verbal presentation was not necessary.

BRIEFING ON AMERICAN RECOVERY AND REINVESTMENT ACT PROJECTS

This item was deferred to the November Board meeting.

INFORMATIONAL REPORTS

There were no comments on the following informational reports: Regulatory Report, Operations Report, Monthly Financial Report, Status of State and Federal Legislative Matters, Market Performance Report, Business Practice Manuals Change Management Report, Department of Market Monitoring Report, Market Surveillance Committee Update, and Transmission Maintenance Coordination Committee Update.

ADJOURNED

There being no additional general session items to discuss, the general session of the ISO Board of Governors was adjourned at approximately 4:45 p.m.