

## DOCKETED

<b>Docket Number:</b>	16-RGO-01
<b>Project Title:</b>	Regional Grid Operator and Governance
<b>TN #:</b>	214260
<b>Document Title:</b>	Transcript of 10-17-16 Regional Grid Operator and Governance Workshop
<b>Description:</b>	N/A
<b>Filer:</b>	Misa Milliron
<b>Organization:</b>	California Energy Commission
<b>Submitter Role:</b>	Commission Staff
<b>Submission Date:</b>	10/31/2016 10:48:28 AM
<b>Docketed Date:</b>	10/31/2016

## Transcript of the October 17, 2016 Regional Grid Operator and Governance Workshop

Kevin Barker: Thanks again, everyone, for joining us for, I should have counted, our fourth Energy Commission workshop on this, plus we've also had joint agency workshop on the regional ISO. Just to let folks know, the workshop is being recorded. A copy of the recording will be available on the Regional Grid Operator and Governance website a few days after the workshop. A notice will be sent out to the listserv.

For those of you in the room and online who haven't seen the new landing page for this website, I'd like to just show you quickly here. We have it now on our front page carousel, so you can quickly find the webpages by clicking on Regional ISO. We have an updated background on the work. And then, feel free ... This is where you subscribe, right here where the cursor is ... where you subscribe to the listserv. Then you can find all the documents located here.

I did also want to recognize, as of this morning, we do have posted ... and you can see it here ... the Summary of Stakeholder comments from the previous revised proposal. I wanted to highlight that for you. Information about the proceedings, I sent to those who have joined the Energy Commission's Regional Grid Operator and Governance listserv. There's a handout on the table just outside of the auditorium with instructions on how to join the listserv. Only this listserv will receive emails on the topic.

For those of you in the auditorium, if you would like to make public comments at the workshop, please fill out a blue speaker card ... again, at the front entrance. Please, hand deliver the card to Alana Matthews, who is our public advisor in the back. We plan to take public comment towards the end of the workshop. Speakers will be called up to the microphone stand at each side here in the aisle ways. Please introduce yourself and organization. Speak directly into the podium microphone, so those on the web conference can be able to hear you.

During the public comment period, after stakeholders in the room have made their comments, we will call on remote participants. For those remote participants, please hit #2 on your phone to enter into the call queue. If your comment already gets mentioned, or you would like to exit the queue, hit #2 again. A 3-minute timer will be on the screen for all commenters, and we ask that each organization send only one representative per public comment.

Finally, we would appreciate you signing in at the sheet, again, at the front of the room next to the handouts. I do apologize, we do not have a court reporter here with us. However, we will be able to have a transcript produced from the recording of this. I'd also like to note, the women's restroom on the first floor right as you exit the room and to the left, is not working today. You can find restrooms on the second and third floor. The men's restroom here is working.

To go over the agenda for today ... We plan to hear opening remarks from Chair Weisenmiller and Cliff Rechtschaffen from the Governor's office. We'll get a presentation on the second revised proposal, called *Principles of Governance of a Regional ISO* from Stacey Crowley. We will also hear from Burt Gross on their discussion paper, a draft proposal called *Potential Topics Within the Primary Authority of the Western States Committee*. We'll then hear additional questions and comments from the Dais, at which point we will turn it over to a joint presentation from the Senate and Assembly. That would be Sue Kateley and Jay Dickenson, both chief consultants in their houses.

We'll take a 15 minute short break at which time, it would be great if we could use some of that 15 minutes for our moderators to come up to the stage. Excuse me ... for our panelists to come up to the stage, and our moderator, so we can get you situated so we can start right after the 15 minute window break is over. We then plan to hear from various stakeholders on ideas, mostly the changes to the proposal, but also any ideas or reflections they have on the Western States Committee paper. At which point, we will get an update from Greg Cook from the ISO on regional stakeholder initiatives, and turn it over to public comment with a goal of closing around 5 pm today.

With that, I'd like to turn it over to Chair Weisenmiller for opening remarks and Cliff Rechtschaffen.

Bob Weisenmiller: Thank you. I'd like to again thank Kevin and the rest of the staff for organizing this event today, and indicate that I'm looking forward to comments. Obviously one of the key issues on regional markets is governance. At so this point, we have a revised governance proposal. We're looking for feedback on that proposal. We have a panel set up to discuss that. Certainly the public comment we'll take public comments generally on stuff, but again encourage people in the panel and written comments to really focus on the governance issues, per se. Also, be good in your comments to think about next steps. We've had ... Kevin has indicated this is our fourth workshop. Most of those have been in Sacramento. Trying to figure out, in terms of how we can help illuminate this issue and to continue the conversation, be it something in December, be it Sacramento or elsewhere. Again, getting some thinking from folks on next steps would be good. With that ... Cliff?

Cliff Rechtschaffen: Thank you very much, Bob. This group does deserve ... or it's earning some commendations for fortitude since it's the fourth meeting and we still have a number of innings to play. I don't know if it's baseball, football ... what's the best season to provide the metaphor. But I will say we're way ahead of the federal schedule. The average piece of legislation in Congress, other than naming a Post Office, takes 7 years to enact. We're only in our eighth or ninth month. And we will get there.

I want to highlight, as Bob mentioned ... We're really looking for comments about what to do next. I think this draft tries to respond in detail the 30-odd

stakeholder comments that we've got, and provide an explanation as well as a red-lined version of the changes. And I also want to try and set the context for the legislative discussions that are happening as well. And you'll hear from Sue Kateley and Jay Dickenson, as Kevin mentioned. Governance is one part of a larger discussion about what needs to happen in order for the California legislature to make the necessary changes to move toward regionalization, and there's a companion set of issues, some of which have drifted in and out of our discussions on governance that stakeholders are grappling with now and will continue to discuss over the next year or so over the legislative process. One big issue is the treatment of GHG emissions ... how to track and account for those, and make sure that emissions don't increase as a result of regionalization, and the ISO and CARB are engaged in a joint stakeholder process about that.

Another big issue is the impact on rates and rate payers, and that is also influenced by complimentary policies that the ISOs conducting through its transmission access charge proceedings. There are issues about the impact on localized emissions, the dispatch of local gas plants, the impact on jobs in generation and production within California that we will be discussing. There's a set of issues around ... Should there be compensation in this field by what bodies or public interest groups rate their advocates or other consumer organizations through the state Public Utilities Commission, or through the Regional ISOs.

Those are some of the big issues that people have raised, and stakeholders have continued to discuss as we move forward. The focus, here again, is governance, which is of course critical, and touches on quite a number of those issues. But, it's not the entire piece of the discussion. With that, I'll turn it back to Kevin, and we'll get right into the specifics.

Stacey Crowley:

Good afternoon, everybody. Thank you so much for coming today or listening in on the phone or via the web. We appreciate the engagement of the stakeholders around the West, and here in California as we discuss this important topic related to transforming the ISO into a regional energy market. I appreciate that, and look forward to the rest of the day. I appreciate the panelists making time to either come here from out of town or over a snowy pass or whatever the case may be, and thank everybody for their thoughtful comments throughout the process.

I'm here today, again Stacey Crowley, the Vice President of Regional and Federal Affairs at the ISO, to walk through the second revised proposal on the *Principles for Governance of a Regional ISO*. This has been a process that has been underway, as Cliff said, for the past eight or nine months. I think we've gone a real long way just trying to find a set of principles that we can bring to the governor that can be included in legislation.

I first wanted to just briefly highlight, again, what we were asked to do through Senate Bill 350, which was enacted last year. That really stemmed from the notion that the ISO would need to transform itself into regional market if there was benefit to California and its rate payers. As we look at that, the senate bill asked us to conduct some studies, which we did over the spring and summer, and presented those studies at a workshop on July 26th. That was a joint agency workshop with the California Energy Commission, the Public Utilities Commission, and the Air Resources Board. We submitted those studies to the governor in September, and are still receiving questions. We are happy to take any questions on those as it goes forward.

In addition to that, this transformation necessarily requires modification to the ISO's governance, and so that's what we've been working on in a parallel process--to work with stakeholders from California and around the west to look at the basic key principles that would help inform legislation to make that transformation happen. Again, and as Chair Weisenmiller had mentioned as did Cliff, there was a series of conversations and workshops, public dialogue, and a process to get from where we started, which was essentially just a conversation about what are the key principles associated with changing the governance for an ISO, to something where we are now, which is what I would consider, near a final set of principles that we have called the Second Revised Proposal. That included conversations with stakeholders and state energy leadership from around the west, including utility commissioners, energy advisers, the governor's offices, and others, consumer advocates, staff from utilities commission, and others, as well as, stakeholders that were engaged from an environmental perspective, renewable energy developments, conventional energy developers. You name it. Labor, and others.

And I think that has brought a lot of perspective to bear. Hopefully, we reflected a set of principles that generally can be supported by all the groups. The list here on slide three is just to identify [inaudible 00:13:22] process that occurred with respect to [inaudible]. We are here today, October 17th, to continue that discussion.

The second revised proposal does retain the eight principles that we had listed in the revised proposal. But it also provides refinements, changes, and contains modifications reflected because of the comments that we received, both at the joint agency workshop on July 26th, as well as the written comments that were received, I think by August 3rd, and continued discussions with the other states. In addition, Governor Jerry Brown, [inaudible] us to [inaudible 00:14:04] to legislative leadership.

I apologize for the delay. I'll continue on. I'm on slide four. Just again to note that with the letter from Governor Brown, he submitted to folks on August 8<sup>th</sup>, that it really allows the ISO to take more time and work on some of the details that were still outstanding or need some more details with regards to governance. I think it's a good opportunity, in addition, and the reason why

you'll have Greg Cook from the ISO here later. The other thing that letter did was allow us to sort of put all of these pieces together a little bit more comprehensively. You're going to hear from Greg on where we are with the other issues as to Cliff's point that they're all sort of intertwined with the discussion that we're having here on governance today. That letter did go a long way to providing that time, as well as the direction to work toward January to get to a proposal.

What I'm going to do is walk through each of the principles just to give folks a sense of the high-level indication of what those principles are. Then go into the modifications that occurred between the revised proposal and the second revised proposal. I'll try to do this as quickly as possible to gain back some time.

The first principal is the preservation of state authority, and that's one of the key issues, as I said before. In our discussion with the other states, as well as California stakeholders, to really be able to preserve the authority that states have now on things such as the procurement policies they have, the resource planning processes that they all go through. Recognizing that they all go through a different process, but that all that would feed into then what the ISO ultimately does, and that's dispatch energy in the most optimized way. That is kind of a bedrock principle that we've used all the way along. The first principle essentially states that, to note that we would preserve the authority over matters currently regulated by the states or even to the extent that states take on additional authorities over time. In that, it also notes the issue of capacity markets, and that the ISO shouldn't recommend or endorse capacity markets, without the full unanimous approval of a Western States Committee, which is a committee that we've developed here with these principles to really recognize the role of the states in a regional ISO. That principle did not change from the original proposal.

Second, amendments to any bylaws or any governing documents that sort of set forth this protection and preservation, would need a unanimous approval from both the ISO board in its new make-up, as well as Western States Committee to make that change. Again, that goes to the protection of states' interest over time and really gets to the point of states having their self-determinant role to be able to make these decisions themselves.

The third principle on this piece or point, is folks really don't see a process for determining an ISO initiative down the road would potentially diminish the authority that states have. I think was another protection that states want to see. In the comments that we received over the past couple months, that needed some more detail. We needed to really flesh out what that means and what a process could be. So you'll see ... next slide please ... that in the modifications of principle one, we really spent some more time detailing a process by which an issue or an initiative could be deemed, or go through a process where it could be potentially be deemed, to diminish state authority.

We use the example of how we developed this conversation, and really collaboration, between the EIM governing body and our current ISO board. That is to say that, we're suggesting that if there is a concern raised by the state or local authority, that concern could be raised to ISO staff. That could happen anytime along the way. If that matter, throughout our stakeholder process, didn't get resolved ... a way that didn't diminish that concern, then the ISO board and the Western State Committee would start a collaboration, a collaborative process. If either body concluded that a proposed policy would materially diminish or impair state or local authority, it could be resolved through a combined vote of both the ISO board and the Western States Committee. If that actually ... If there was a determination that that was the case, it would go back through the stakeholder process and be changed. I think that was a way to describe, similar to what we've done already, to ensure that states and stakeholders would really have a role in determining whether that did diminish state authority.

Next slide please.

Slide number seven. This principle number two is the transition owner withdraw. We received a few comments on this, but none of those comments really warranted any change to this principle, so it's left as it was in the revised proposal. That is to say that the regional governance plan shall ensure the right of all participating transmission owners to unilaterally withdraw from the ISO regardless of the reason, whether that was voluntary or in light of an order by a state or regulatory authority. That is similar to how things occur in the ISO today with our participating transmission owners. Next slide please.

Principle number three, the establishment of a transitional committee of stakeholders and state representatives. There were many comments on this, but I'll first just go over the basic outline of what this principle was trying to do. Essentially it was just create a body that could help with the details around some of these governance issues that we knew could not have occurred between when we started this discussion. Originally it was August, but with this additional time that we have now through the governor's letter, we think that some of those things that a transitional committee might do, we could accomplish. There are still some remaining issues that we think could be well-suited for a transitional committee made up of state representatives and stakeholders to take on.

We provided some updates to this proposal, but essentially the basic makeup is that it would be comprised of one representative from each state in the expanded footprint. It would also include a cross-section of stakeholders. We did modify several points about the makeup of that transitional committee, which I'll go over in a minute. The fact is that the ISO board would adapt a charter so that this group could move through its process expeditiously and really work by consensus to get to a [inaudible 00:21:49] regional governance

plan. Next slide please.

Slide nine. We did modify the set of sectors, in large part based on the comments that we received. The comments were around the idea that there were too many industry sectors and maybe not enough representing end-use consumers. We did add an end-use consumer advocate group sector, and we combined two of the industry sectors. You now have eight sectors included in this list that you see here on slide nine. Next slide please.

Other modifications included the details around this. One, the board may appoint additional members to this body to ensure that there is some geographic diversity. We also changed it so that sectors themselves could select the representatives. We originally had stated that the sectors should bring two members forward for the board to consider, and after reading stakeholder comments and considering those, we now allow the sectors to select their own representatives.

We did more fully define the voting and submittal process of the proposal to the board for final review. We do propose that it receive a majority through consensus in terms of bringing any ideas. If there were a dissenting agreement, that that could certainly come in the form of writing. Next slide please.

The fourth principle is the transition period. This essentially says that there will be a transition from our current board made up of five members to this new regional ISO board, which we have proposed to be nine members. We are proposing now through comments that we received, essentially that we had originally set a starting date for this to occur, for the transition to occur, but after we read the comments and thought more about it, really what folks were looking for is an endpoint so that they could know when a new board would be fully seated.

We made some modifications to eliminate the deadline for starting the transition but essentially established a three-year timeframe by which to complete the transition. That is in line with how we now reconfirm our current board members and they have staggered three-year terms, and so we could get to a new process within three years. It provides flexibility to seat ISO board members during this time. It doesn't detail out all of the process, but I think we wanted to just make sure the principle had the key elements in it. It also clarifies that our current sitting board members may be appointed through this regional process. It's a nominating committee [inaudible 00:25:02] should be. It provides some flexibility within this process.

Next principle is principle five. This is the composition and selection of a regional ISO board. This is slide thirteen here. The members appointed, we had described it just generally, that it would be a two-step process where a stakeholder-based nominating committee would create a slate of nominees assisted by executive search firms, and that a approval committee,



compromising of the voting members of the Western States Committee, would confirm the slate up or down. We did largely just refine this process in the second revised proposal. We did suggest a super-majority voting process whereby the nominating committee would need to bring a slate forward if it had approval from or agreement by at least seventy-five percent of the voting members of that committee.

In addition, we provide a little bit of detail about the nominating committee itself. We suggest that it should contain nine sectors, and that up to seven of those sectors should be participants in the ISO market, with two sectors representing public interest or consumer advocacy groups, and that the transitional committee would help develop a proposal that defines each of the voting sectors that would participate in more detail. Next slide please.

In addition, we detail out that the approval committee again consists of the voting members of the Western States Committee, which we'll go over here in a minute, and that they vote on the slate that they hold, so an up or down vote, and that that agreement must come through at least seventy-five percent of the voting members, representing at least seventy-five percent of the total load within the ISO footprint. So, this is a further detail that we did not have in the revised proposal. You'll also see the same voting structure in the Western States Committee proposal piece.

The next principle is number six, the establishment of the Western States Committee. I'm going to leave much of this to the discussion that Burt Gross is going to lead in terms of their role and scope of authority authority, but I'll just go through the general makeup of the Western States Committee and talk a little bit about where we made some modifications. First, to establish the committee, they would have primary authority over certain matters, and that's what Burt will discuss in the discussion paper. It will be a separate nonprofit entity incorporated, and it will contain one voting representative from each state in the regional ISO footprint as well as three non-voting roles. Two in the publicly-owned utility sector and one in the federal power marketing administration sector.

The three non-voting members, we did just clarify that they should not have day-to-day work responsibilities that are directly related to market transactions, and that goes with the sense that sometimes the publicly-owned utilities have a different governance structure. We just wanted to make that clarification there. We also made some refinements about and just clarifications that the Western States Committee would be subject to open meeting rules and they would provide public notice of meetings and welcome others to attend. We're just going to get to slide sixteen now. Burt will get to the primary authority over specific topics on the subject areas of transition cost allocation and regional resource adequacy.

Again, we are proposing that on those areas just within their primary authority,

that this body would need approval for something to go through of at least seventy-five percent of the voting members, representing at least seventy-five percent of the load in the ISO footprint. It also contains instances where the ISO can file a provision without Western States Committee approval, and those are really three instances that have not changed from the previous proposal. One, on a temporary basis should reliability be imminently threatened. Two, if there was a proposal approved by the committee, but the ISO board thought an alternate proposal should be submitted. If a super-majority of the ISO board concludes that a proposal approved by the committee would severely undermine reliable operations. Three, if after a sustained period of inaction by the Western States Committee, a super-majority of the board concluded that filing is necessary to satisfy FERC requirements, or remedy a market flaw that proposes material risk to rate payers.

And one final slide on this, we also added some language about what a sustained period of inaction could mean. And we made some other modifications. I'm sorry there's two more slides. Slide seventeen continues on to discuss some of the areas of modification. We increased the publicly owned utilities represented from one to two. We clarify that we did not mean to limit attendance at the WSC meeting. And we've made some modifications to remove the role the transitional committee because we expect some of this work can be done between now and January.

Slide eighteen again introduces the load-based weighting voting rule. We also know that it does not apply to decisions that are outside of that primary authority. And that voting structure could take on a different shape all together, depending on the issues at hand. There was a paper brought to us by Western Resource Advocates that described some options that could be a thing, and that is posted on the CEC website as well. And as I said we did define the sustained period of inaction, and that would be after the Western States Committee has failed to reach a resolution for a period of at least ninety days.

Sorry I'm going kind of quickly through this, but I want to get to the rest of the discussion. Slide nineteen, principle seven that is stakeholder process, and stakeholder participation. We did receive quite a few comments on this and we recognize this is an important topic to many of you. And we believe It deserves further discussion.

We want to have that discussion, and I think it's important to have, and we're still suggesting the transitional committee, that would be made of of stakeholders, would be an appropriate place for that discussion to occur. We can look at the full set of issues, and options associated with reviving, or looking at altering our stakeholder process. At the moment our principle remains the same, but we reiterate our commitment to having that discussion through the transitional committee.

Slide twenty, principle eight, the final principle. Describes the requirements for

the plan to become effective. And we made only one modification that again reflected the role of the transitional committee. And removed that piece of the proposal, the principle, but essentially that we understand that there is a process that we need to go through. We need to develop the governance plan. We need to get that approved by the ISO Board. We need to develop the necessary documents to support that change, and we also need to get approval from folks like FERC. And then only then can it become effective if approved by the Governor as we are proposing.

And the Governor would approve that plan by certifying that the final governance proposal complies with the principles that make it through legislation. Changing the ISO governance, and that it would be in the best interest of California and its rate payers.

On slide twenty-one, I just wanted to summarize by talking about the next steps as we know them. First, we would really appreciate your comments by October thirty-first on both this paper, and the discussion paper on the primary authority of the Western States Committee. If necessary we would make provisions to this second revised proposal, but we are expecting this might be the last iteration, but that will depend on comments of course.

The ISO would present the proposed governance modification, and submit that to the governor at some point in order for him to develop a proposal in January.

And on the last slide we just have a page of resources. This where you can track the activity regarding the governance both on the CEC docket, as well as a link on the ISO's webpage to the CEC docket as well, and it has our documents posted there as well. We also link to Senate Bill 350 to help describe the process we have been going through. So with that I will stop ... and we will hear here from Burt, or I'll take questions.

Robert Weisenmiller: Let's go to Burt.

Burt Gross: Good afternoon, as Stacey mentions my name is Burt Gross and I am here today to present the discussion paper that the ISO has developed on potential topics for the Western States Committee, its primary authority.

What I would like to do is talk a little about the background about why we are doing this paper, what we are hoping to accomplish through it. And then go through the key components of the paper. Can you advance the next slide please?

As Stacey mentioned principle 6.6 of the governance proposal establishes that there will be a Western States Committee that will have primary authority over certain topics. Specifically within the broader subject areas of transmission cost allocation and resource adequacy. It refers, in that proposal, to specific topics

but does not further identify, or define or discuss what those topics would necessarily be. The reason for that is because at the time, this principle actually goes back to one of the earlier iterations of the paper when we were not sure of how much time we would have to actually develop that topic, and at that time what was contemplated was what would happen is that the transitional committee would actually address that topic.

In light of the governor's letter and the additional time that we have for this process, in advance we thought it would be advisable, wise, and perhaps helpful to everybody to try and identify to see if we could establish a consensus around what specific topics within resource adequacy and transmission cost allocation should be within that body's primary approval authority.

But we realize we need stakeholder input on that issue, and we also need to begin to frame that issue. So that's really what this paper is designed to do, it's designed to frame the issues, start talking about them, make some proposals on topics that seem to us to be ones that would be appropriate for the Western States Committee to have primary approval authority over. But also to really begin a discussion that will continue on that topic, and to that end, as Stacey mentioned, we do want comments by October thirty-first. If folks have any comments before then that would be great too. But by October thirty-first so that we can use those to inform a second draft of the paper. So unlike the principles on this, we definitely contemplate that there will be one more draft possibly two, of the paper.

Turning to the next slide, the paper basically has three parts to it. We provide in one place some more background on the Western States Committee; its structure and membership roles. Then we talk about some factors, at least in our internal discussions with ISO seem to be useful factors in thinking about which factors will be within primary authority. Then we go on to present two proposals for specific topics within each of the two categories.

With respect to the Western States Committee I'm going to highlight, as you know Stacey has addressed some of these issues, but I want to highlight I think some of the key ones, or the key aspects of the Western States Committee as they pertain to this particular issue.

First, as Stacey mentioned but I want to highlight, the Western States Committee is designed to be a wholly separate, independent entity from the ISO. It would be incorporated as its own non-profit entity, and the membership of that body would not be anybody at the ISO, but rather the members of the Western States Committee, the states and the [inaudible 00:38:45] PMA representatives, and the POU representatives.

It would be funded however through ISO funding. That structure that I just described is basically the structure that's used for each of the various states committees that other regional ISOs or RTOs have. There are some minor

variations across them, but that's the basic structure, and the one that we are proposing here.

As Stacey mentioned, there would be one voting member from each state that would serve on the Western States Committee, and those members, depending on the state, they could be any number of different types of people. It could be perhaps in some states that it would be a regulator from the state PUC, but not necessarily. It could also be another public official who is involved in energy or somebody else, and some other type of state representative that's been appointed.

We didn't want to prescribe that specifically, recognizing that different states could have different needs or desires in terms of how they would want to establish their membership on that committee. And then as Stacey mentioned there would be three non voting members to provide an advisory role. I would call it a strong advisory role, two of which it would be non-voting POU members and then one non-voting

PMA member, and they would participate in all of the proceedings of the committee. They just would not have a formal vote. In terms of the roles the Western States Committee there really four roles that are identified and Stacey I think touched on all of them in one way or another but I'll just highlight them quickly here.

One is the voting members of the Western States Committee would serve as the approval committee for candidates that are nominated by the stakeholder committee to the ISO board. And that structure is actually different from other ISOs and RTOs in that it gives a greater degree of involvement for the states committee, that it would be the case in others and in our thinking behind that was that we wanted to be sure that the ISO board as a whole is responsive to all stakeholders but also to the stakeholders for those individual states that have allowed their utilities to join the ISO. Stacey talked about principal one point three which is role involved in all addressing issues where there's a question about whether ISOs policy properly preserves state authority.

I'm not going to go into detail on that one, but that's another role of another that the Western States Committee would have is to provide advisory input on any and all issues of collective state interest. And there's been some question about this one; when we use the term collective state interest in the in the principles we weren't intending in any way for that to form some type of a limitation that's really meant to be descriptive of what we would expect the Western States to do, which is to collaborate and identify those issues that rise to the level where they want to provide advisory input. And we contemplate that they would provide advisory input pretty much in the same way as those states committee do in other ISOs and RTOs, which is could be through stakeholder process, it could be through taking positions when matters come to the board for approval, and it can also be taking positions in formal FERC proceedings where if the Western States Committee feels that FERC needs to

hear their views then they could do that as well.

And then the last role is the primary authority or primary approval authority role that really is the primary focus of this paper.

Go to the next slide please.

So as Stacey mentioned the primary approval role is difference in that area with certain limited exceptions the ISO cannot go forward either with FERC or otherwise without securing the approval of the Western States Committee. And to do that it would need as Stacey referred to meet a pretty high standard, it would need to actually get an affirmative vote in favor of whatever the policy is, that's within the primary authority by at least 75 percent of the voting members representing at least 75 percent of total load within the ISO. What that means is, if you take for example, if you assume there were seven member ISO, a regional ISO that has seven states in it, that would mean in effect, that for anything to be approved you would need at least six states because would be more than 75 percent. And in those six states would also need to account for at least 75 percent of overall load with the ISO. Or to put it another way, if any two states of any size disagree with the proposal, it would not be able to go forward or at any one state with more than 25 percent of the load disagree with that, it would not be able to go forward.

So I think the thinking behind that approach was that we envision this to be a highly consensus-oriented and collaborative body especially on those issues that are within it, within its primary approval authority. And we really want there to be a high degree of consensus in favor of approving them which also of course means that a small minority, small amount of load can block a proposal. I dwell on that a little bit just because it seems to me likely that the voting rule could have some impact on what issues are properly within, or viewed to be properly within the primary authority of the Western States Committee. A highly consensus-oriented voting role may, for example, that there the primary approval authority should be reserved for those topics where there is actually a broad consensus among the states that their formal approval should be required.

And so I guess that's also plug in a way for me to say well we want input from from all the stakeholders on this issue. We also really are hoping that we'll get good input from state actors about what types of topics rise to that level of policy concern.

Next slide please.

So as the ISOs started looking at that issue and trying to think in terms of that that way we tried to first identify whether there were any principle some sort of overarching principle or set of principles that would really be to determinative of about what should be within the primary authority of the

Western States Committee. And we were not actually able to reach anything quite so concrete as that. And I think as we talk about it internally, we felt there are a lot of, there's lots of subjectivity around that issue. It really will depend a lot upon what they call stakeholders and states think are the most important issues. But we did start to try and identify certain factors that seem they might be useful and not determinative perhaps but useful when considering that issue and those factors are identified and discussed briefly at Page 5 of the Western States paper and are on this slide as well.

The first two are really topics that would probably cut more in the direction of putting something within the Westerner States' primary approval authority. And those are whether the topic involves an overarching and region-wide policy issue that all the states are already deeply involved in or feel to be deeply involved in, those would be, you know the types of things that where the resources that the Western States Committee would be appropriate to use for that.

Also are there, are there any topics where the ability to balance competing state interests with these states who are now sitting around the table addressing these issues where that's particularly important. I say particularly because to a certain extent I think a large numbers of ISOs issues involve balancing competing interests and they often sometimes about balancing competing interests that states care about. But the question is, is it something that rises to that level where the different states are going feel the need to wade in on that all together and make a determination.

Kind of on the other side of the ledger, if a topic is more localized in nature or it involves an interest that only maybe one or two states are particularly focused on and not others that might be less appropriate for the primary authority role. Likewise if it's a topic that involves everyday operational functions it might be kind of difficult for those sorts of issues to get, to get through, a very consensus-oriented body that will need a lot of process around the issues.

And last seemed to us there could be issues where there are fairly prescriptive rules, either FERC regulation or perhaps more likely and these areas are very prescriptive NERC reliability standards or other regulations. And if there really isn't much policy discretion that can be exercised in light of those rules that would seem to be an area where we would think using the resources of the Western States Committee to decide the matter might be less important than it needed the advisory role of being more appropriate in that context.

Turn to the next for me please. Next slide.

Now we sort of looked at, those other factors that we looked at when we turned to the two categories, resource adequacy and transmission cost allocation. And as you can see from the paper that the topic it sort of jumped out at us from the resource adequacy perspective that seemed to most fit into

those factors, it was system-wide planning reserve margin target.

And I'll get into that a little bit but first I just want to make sure because we have different people with different backgrounds that we talk a little bit as the paper does about what the overall structure is of the ISO's resource adequacy program. It's a fairly complex program. It's spelled out in some detail in Section 20 of the ISO's tariff but its goal is fairly simple which is to ensure sufficient capacity for reliable operation of the grid and specifically its goal is to ensure that there is sufficient system-level capacity, as well as local capacity, and flexible capacity to meet those needs.

So the way that occurs is that the ISO spells out its resource adequacy requirements in its tariff, and then all the loads serving energies within the ISO system are required to meet those requirements and do so and submit their demonstrations that they are meeting those requirements, through annual and monthly submissions to the ISO that we can review and validate. Any resource that is brought forward by a load-serving entity as a resource adequacy resource, is one that has a must offer obligation to offer its capacity into the ISO market for dispatch. There is also a process that is involved for identifying any shortcomings and then turning those shortcomings that's spelled out within tariffs and then also there is a limited backstop of authority for the ISO to procure resources when there is liability that hasn't been addressed.

Now turning to the system wide planning reserve margin target, that's a planning margin and it's the planning margin that is used to ensure that the overall reserves of the ISO are sufficient to meet overall system needs. To come up with that amount you have to account for, obviously, all American WECC planning standards including contingencies and look at all the contingencies that may occur within the market within any given time such as outages, forced outages, also taking into account issues such as load forecast error and the like.

The reason why we thought that the system wide planning reserve margin would be a good topic for the Western States Committee is because it really is a fundamental starting point and it's also a key driver for what the overall system resource needs are going to be. Those resource needs, obviously, have to be procured by the load serving entities and they have to be approved by the various regulators who regulate those load serving entities. They also to a certain extent, that value, the margin target, reflects a basic policy determination about the level of the liability that the ISO is attempting to accomplish and the amount of procurement that will occur in order to do so.

So, that, to us, seemed like it did fall within those first two factors. It was something that would be system wide, it's a regional concern, it's something that the states are already focused on and already concerned with and that has a broad policy issue and dimension to it, where having the Western States Committee be the approval body seemed appropriate to us. The way that that



would work under the regional resource adequacy proceeding that's ongoing, we contemplate that the system-wide planning reserve margin would be subject to modification on a periodic basis, at least as frequently as any time with there's significant change to the ISO footprint.

If a new participating transmission owner were to join, for example, what would happen in that situation is we would undertake a study process that would first involve a stakeholder process for establishing the inputs and assumptions that would be used to identify, to do the study that would be necessary to come up with the planning reserve margin. In that process, we would envision that the Western States Committee would be actively involved in providing input into what some of those key assumptions would be.

For example, as the paper points out, a key assumption is the loss of load expectation that is used for that study purposes. We would get that input, then the ISO would actually perform the study and that would produce a value that would be the system-wide planning reserve margin target. That would then come back to the Western States Committee for approval. The Western States Committee could either approve it or they could identify ways that they want us to revise the assumptions or inputs in order to develop a different system-wide planning reserve margin target.

In that way, they would be exercising the policy determination regarding, effectively, the level of the reliability that we are seeking to establish system-wide. That's the one that we identified as being something that would clearly, we thought pretty clearly, be within the interests of the Western States Committee to decide, rather than to just have input on. There certainly could be others.

One of the things we really want to do is make sure that we get comment both on the proposal that we have here, but also comment on other topics that could potentially be included. I'll now turn, I guess, to the next category, which is the transmission cost allocation. Next slide, please.

In transmission cost allocation we did the same thing. We looked at the various topics and we identified what we thought was a key policy issue where there's potentially a lot of competing state interests that we would need to balance. That is primary approval authority for cost allocation between sub-regions for policy driven projects that support the policy mandates of or that provide benefits to more than one sub-region within the regional ISO.

To unpack that a little bit, I probably need to talk a little bit, as the paper does, about what the different types of transmission projects are that can come out of the ISO's annual transmission planning process. There are several phases to annual transmission planning thought process. The first two phases are most relevant here. We envisioned that this process would, in large part, occur as well in a regional ISO.

In the first phase the ISO's transmission planning staff looks at and develops planning assumptions and a study plan, and does that in the process, an iterative process with stakeholder input, to identify the key assumptions that would be used for doing the transmission plan for that year. In that process, a key component of it is to identify any federal, state, or local public policy mandates that potentially could drive the need for new transmission in this transmission planning cycle.

Phase two is the actual performance of the study and the study work. That actually proceeds in three iterative steps. The first step the ISO looks at reliability issues, pure reliability issues where there's a need to then identify cost effective transmission solutions that are to address those reliability issues. Those are typically referred to as reliability solutions or reliability projects.

In the second phase, the ISO assumes that those reliability projects are in place and then undertakes to look at whether, in light of those and in light of the federal, state, and local policy mandates that have been identified, whether there are any additional transmission projects or solutions that are necessary. If there are such projects, those are what we call public policy solutions or public policy projects.

Then, the third step of the process is basically to assume that the reliability solutions and the public policy projects that we've identified, if there are any, are in place and then look to whether or not there are any additional economic projects that should be approved. Those would be projects where, in light of the other two categories, if there were a project that would provide additional economic benefits and not exceed the economic cost of it, that would be that type of project.

Looking at those three categories, it seemed to us, again, that the area that would require the greatest degree of collaboration and consensus building among the states would be in that policy-driven project area. Particularly in the area of cases where you have a policy-driven project and it's not a purely localized policy-driven project, where it's either a policy-driven project where the drivers cut across more than one sub-region of the ISO or the benefits cut across more than one region of the ISO. That was the topic that we identified for the Western States Committee's primary authority in this area.

In terms of how that would work, we contemplate that after the transmission planning process has identified those projects, if there are any of those projects, and there may not be any of those projects in a given year. But, if there are projects that fall within that category, they would then come to the Western States Committee for cost allocation determination of how the costs would be shared between the different sub-regions of the ISO. There would be a set of default cost allocation rules that would exist in the tariff that would apply unless the Western States Committee identifies a different cost

allocation.

I should mention that under FERC Order 1000 there's a requirement that regional transmission providers have a set of default cost allocation rules for regional cost allocation, so that would be required in any event. The Western States Committee would then decide whether to apply that cost allocation or whether the nature of the project was such as to warrant some different cost allocation than the default. If they were to identify and decide to go with a default cost allocation, that would be the approval necessary to go forward with that. Most likely there would not need to be an additional FERC filing. If, however, the Western States Committee approved a different cost allocation, most likely that would require, under the Federal Power Act, that we make a section 205 filing on behalf of that, presenting that proposal to FERC for consideration and hopefully for approval. That's what we identified.

Again, as with resource adequacy, we're very interested in hearing comments on that particular proposal and also on whether there are other aspects of the overall transmission cost allocation process that would be properly within the Western States Committee's primary authority, as opposed to its general advisory input. I should mention I am not a subject matter expert on the various components of transmission cost allocations or get into the details or resource adequacy. Fortunately I do have here today, or we have here today, two of our policy experts who are well positioned if we end up discussing any of those issues. We have Greg Cook, our director of the market and infrastructure policy group as well as Lorenzo Kristov. Both of them or each of them are involved heavily in those issues and with Greg focused on resource adequacy and Lorenzo on transmission cost allocation. Can you move forward to the last? So that pretty much comprises my substantive presentation. In terms of next step as Stacey mentioned, we're hoping for comments by October 31st. We are hoping to have 2 iterations of this paper between now and December 6th. We're targeting November 11th for a revised paper, then we were hoping to have a webinar in mid-November and then comments on that paper due on November 28th with a final draft hopefully on December 6th. Those dates are, I think at this point, tentative so I would call them target dates but I wanted you to have them so that you can at least see where we're heading towards and we'll obviously let you know if things change. That ends my presentation, thank you.

Robert Weisenmiller: Burt I've got two questions and both of these are of the nature of which you may want to just submit stuff later. One is a thoughtful perspective (it'd be useful to have a ballpark on) what are typically the number of issues that the ISO Board deals with in a year and then the other one is (again ballpark) typically what are the number of transmission projects that the ISO deals with in a year, realizing that a single year could, you know, not just saying flat, look at the last two years, I'm not asking for twenty years of history here ...

Burt Gross: Right. Yeah, I would definitely need to do a little bit of research to address that

issue. I doubt that if there's others who have thought about that here who could share, but I can definitely look into that and let you know. [crosstalk 01:01:57] Right I'd be [inaudible].

Cliff Rechtschaffen: A couple of quick questions, comments. One, Burt, can you elaborate a little bit more on alternative weighted voting structures that you considered other than the 75% which of vote load and numerical majority, but some people, they'll get 50%, 50%, 65, 65, and those years we talked about desire to promote a stronger [inaudible 01:02:23]. Have you looked at other models, and what was your determination about those other models?

Burt Gross: We did look at other models and we looked at other percentages. We looked at whether you might have a different percentage for certain types of issues rather than others. We looked at whether or not you would want to have some sort of a different percentage for load vs. for the number of states.

Ultimately I think the reason that we came to this one though is because we felt that what it does is it does give some degree of power to the weight of the vote. In other words, if you have more load, you have a greater and more easier ability to block. But at the same time, it gives all parties some degree of authority and ability to do that. We thought that that was better than a process, like for example, the 50% WIRAB rule that people talked about before, because it really does drive consensus and force consensus as the way forward.

It is true we looked at a lot of different issues. I'd have to frankly go back and refresh my recollection to identify all of them. We certainly thought about supermajorities that are not quite as high as that. You could make arguments for a two-thirds, because then you wouldn't have quite as much of a concern about having just a small number create an untenable situation where even though a lot of folks want something, it's blocked. There really could be a lot of different ways to do it.

Cliff Rechtschaffen: Okay thanks. And then, the scope of the Western States Committee, that's the subsector of the paper, which your [inaudible] is still evolving ... Would that be spelled out specifically in legislation, or in governing documents, because the principles say the Western States Committee shall have primary authority over certain areas ... you could put in those areas in more detail, you could leave them more general. You could specify who actually determines ultimately what the details are about the scope of that authority. Have you ever thought about that?

Burt Gross: Actually, I think a lot of that will depend on how strongly folks feel about these issues as we'll find out through comments. But my operating assumption was that what we would do is we would further refine those issues in this paper, and then what that would produce is a revision to the principle. So no longer would the principle say, "certain issues", it would say, "issues A, B, C", whatever those issues are. They would be spelled out in the principles, and of course,

that would then ultimately carry forward into the bylaws of the ISO as well as the governing documents of the Western States Committee itself.

Cliff Rechtschaffen: I think you'll hear, as we have already heard from some other states about the scope of the resource adequacy decisions that are delegated to the primary authority of the Western States Committee. I'm not going to talk about that much because I think we'll probably get comments from some of the panelists later on. I know one of the issue that's come up is what counts for resource adequacy, not just what the system-wide margins should be. Because I've already heard... I'm interested in ISO's response about why shouldn't that also be something that's within the jurisdiction of this Western States Committee. It can matter a great deal what counts and what doesn't count.

Burt Gross: Right. I think on that topic I would probably want to have Greg Cook offer some thoughts about it, but at a general level, what I'll say... I think we were concerned about ensuring that we know what topics most or all of the states feel are important because that seems to us to be really an important starting point to ensure that this is not a dysfunctional committee but rather a well-functioning committee. There needs to be a great deal of consensus on that. So I do think that if that topic turns out to be one where across the states it's perceived to be very important that would, I'm sure, play a significant role in whether or not that would that end up in the primary authority of the body. I don't know, Greg, if you have anything specific to resource adequacy or to counting rules that you would want to add on that, or not, but ...

Robert Weisenmiller: While, we're teeing up, I'll raise a question for both of you: Is 75% ... is that peak? Is that sales? Have you guys thought about the...[crosstalk 01:07:06].

Burt Gross: We have not defined that yet. We would certainly appreciate input on that. I would say it's a challenging number to develop. There are probably only limited sources for that. One possibility would be the WECC numbers, the WECC net-energy per load type numbers, but we have not gotten to that level of detail.

Greg Cook: The question with counting rules...We've looked into this, and from the ISO's perspective it's very closely related to operational needs. We need to be able to discern how specific resource types actually have attributes to provide what we need to operate the system. For example, we have several different market models there [inaudible 01:07:54]. We have to take into account the knowledge of how those market models work, as well as our knowledge of operating the grid, how well those resources actually contribute to the operation of the grid. So that's one point, the other point is we recognize that you really have to have consistent counting rules across the entire regional system or you have a lot of unintended potential consequences. You may have, for instance, one resource that is worth significantly more to one state than another which is going to cause some market inefficiencies as well and complications as well about how we can implement the resource adequacy program itself.

So when we took into account those kinds of issues, really we believe it's the system operator's responsibility to come up with how these resources actually count toward meeting operational needs whether that be peaking needs, local needs, which here we have to do transmission studies and contingency studies to define what the local reliability requirements are, as well as flexible needs -- how resources can help meet the ramp, minimum operating levels and those types of issues.

Robert Weisenmiller: Okay. Next up.

Kevin Barker: Can we have Jay and Sue come up?

Jay Dickenson: I'm Jay Dickenson, I'm chief consultant for the senate energy, utilities, and communications committee.

Sue Kateley: I'm Sue Kateley. I'm the chief of the state assembly committee on utilities and commerce.

Jay Dickenson: We're to an extent, but not greatly - we've been asked to describe these stakeholders meetings and what we've been hearing from them, and we both agree that we don't have a tremendous amount to say, to that extent we're in agreement.

I think I'll start. I find it a little difficult to speak on the perspective of the legislature. The legislature is obviously 120 members, 80 in the assembly and 40 in the senate who have very different perspective on things, or no perspective whatsoever: and that would include this topic.

I think there's some members who've given this quite a bit of thought, and some who've given it very little thought since the passage of SB 350. There were a couple of times when the legislature did express what its views are on this, and one is in the bill itself, where it says that the intent of the legislature, that the ISO shall [inaudible 01:11:06] regional body. Seems like a pretty clear statement, and the vote was on party line votes.

Some background on how that passed: that was language inserted towards the end of the process through the assistance of administration. It's true that the legislator did vote to approve that language, but that's how it came about. But, there were a lot of caveats that the legislature put in, in that bill itself, but subsequently- and least in my mind more importantly- in a letter that the legislature released in February of the following year.

I just want to go through the things that certain members of the legislature spelled out in that letter. I think, to both of us, it's important who those members were. It was the pro tem, who is still the pro tem, it was senator Hueso who was the Chair of the committee I work for, and is still the Chair of the committee I work for; Senator Leno will soon be out of the senate: on the

assembly side; it was the Speaker, who is still the Speaker; Senator Williams and Senator Gato who are both leaving soon.

There is a bit of a vacuum, but I think it's a good statement of the leadership at the time and probably still on...

Sue Kateley: But the committee staff will probably be there.

Jay Dickenson: Probably, yeah.

I think that the pro tem and the Speaker and the Chair will probably still be there too, but once again, we don't take any bets.

Let me just go through really quickly, the things that they spelled out, in that letter, that were important to them. This does get to the meetings we're having. This is a backdrop, at least from my perspective.

One, and this is something we've heard said by other states as well: no preemption or weakening of California's clean energy and climate laws. There's concern in a couple of ways, with legislature, that we're going to have to give up something to get something. We're not sure what we're getting and we're not sure what we're willing to give up. A number of the other states we're thinking about partnering with, don't share our same goals, or in some cases oppose some of our goals, and that's a concern from California. [inaudible] there's concern from those other states.

There's also concern that maybe FERC would need to become more active, if we were to enter into a regional market: and there's some nervousness about what that would do-- preserving our ability to, and not weaken our clean energy and climate laws.

Another principle was that air and greenhouse gas production- should be reduced, and that was region-wide and localized. The language we used in that letter, take a look at it -- I guarantee, I don't know how solid a guarantee we can get, but that is the language that the legislative leadership used as a guarantee.

They want to protect California's renewable portfolio standard. That may seem obvious enough, that we have a law that says, we need to get a certain amount of our energy from renewables. Part of that has always been with the goal of displacing in-state fossil fuel generation. That's another aspect that leg has been looking for.

Lower cost to California rate payers.

Maintain public transparency and access: that one's important, because the CAISO is not a public body, and we wouldn't necessarily have that access and

that transparency without specifying that.

Support new state targets for low cost charging electric vehicles. The concern with that, is that if there's development of renewables outside the state, and that electricity's not flowing to California, than there's not that abundance of energy, which our plan is to use for electric vehicles.

Last one is to promote economic growth and job creation.

We've had these series of meetings, around 12 I think, or so?

Sue Kateley: At least every other week since the middle of February.

Jay Dickenson: 50 or 60 people, seems like it's everyone who's here, for the most part, and probably some other people.

The main takeaway, in those meetings- at the end of the letter, it said we're also going to need the input of other stakeholders in reviewing whatever proposals come forward. That's what I see those meetings as being: is hearing from the other stakeholders. I take my role in those meetings largely as listening to what everyone else has to say.

There are a number of specifics that we can get into, but I'll say overall, I've heard nobody contradict these principles, and nobody say these are the wrong principles that are laid out in these letters. That's been sort of heartening to me. I'd say there's more uncertainty than disagreement about whether or not regionalization will get us to these goals. So in that sense [inaudible 01:15:16] a lot of the legislature, as far as the uncertainty goes.

Sue Kateley: I liked the phrase that you used: that you're not sure what we're getting and what we're giving up. And I think that that is the impression that I'm getting from the stakeholder meetings, where we continue to discuss the same issues over and over again: greenhouse gas, distributed energy resources, resource adequacy, transmission access charges, jobs in state, RPS, all of these things keep coming up. What's happening is that, at this point in the regionalization conversation, there isn't enough detail to know what we're getting and what we're giving up.

One of the key provisions in SB 350 is that, is has to be in the best interest of California and the rate payers. If we don't know, it's hard to know whether or not we're meeting that threshold at this point.

The one other thing I'd have to comment on, is the regionalization studies. When our friend Stacey presented the things that they've accomplished, and they completed the studies-- and this is not going to be something new that I'm going to say--is that- even though the studies have been completed, it doesn't mean that they're settled: there are people who continue to raise concerns



about the assumptions that were used and the results of the studies. Yes, it's delivered, but it doesn't necessarily give us that assurance of: is this in the best interest of rate payers, is this in the best interest of California?

We'll continue to hold stakeholder meetings. It was our hope to have them done by November 15<sup>th</sup>, but at this point, I suspect we'll continue through the holidays.

That's all I have to say.

Jay Dickenson:

A couple of things.

One, this can't take place, regionalization unless the legislature takes some action. There has to be something given to the legislature: they have to approve. In that sense, we're pretty passive about this. I think that maybe in some frustration, that we're not putting forth our own proposals: we don't see that as something we need to do right now, at least, and not our role right now. We're responding to proposals that others are suggesting.

Imagining members of legislature, when they get to consider this, and how difficult it's going to be for them. There will be a lot of these very important questions that won't be resolved. There'll be open questions. I think, a lot of time, when legislators face that, they look to trusted sources. On some of the questions, trusted sources disagree: like on the greenhouse gas effects, for example. I can't tell members of the legislature, here's what environmentalist think about this; they think different things about the effect it's going to have on greenhouse gases. The idea of the benefit that California rate payers...

There's the benefit study, and there's these assumptions that are made. According to studies, there'll be a benefit for all of Californians mainly through lower rates. The members of legislature, there's going to be 120 different views on that, they're going to look at that from the district level and from the neighborhood level. I think of my own chair, for example, who has a district that stretches from urban San Diego all the way over to the Arizona border. In the Imperial Valley, he has lots of low-income constituents who get electric service from IID and pay fairly low electric rates for that rate, and don't use a lot of electricity- for some of them- the prospect for them having cheaper electric rates doesn't necessarily mean that much to them. There's not a lot of industrial or commercial activity in that area, generally speaking. So, it might be that he looks at -- What's the effect of that? Trading off the potential for more development in the Imperial Valley, in exchange for potentially lower rates, might not be that much of a deal for him.

Other members will look at it very differently, and how it effects their district and parts of their districts. It's really hard to say what they're going to view as being benefits to California rate payers.

Sue Kateley: In this case, it's one where the details count.

If we see a language that's got these things spelled out, then we can explain them to the members. Without the details, it's anybody's guess.

Jay Dickenson: I do appreciate -- the delay though- [crosstalk 01:19:27] I tried to explain this at the end of August, in a few days' or weeks' time, that made me very nervous. I do appreciate the delay adding more time, but more time is not going to get an answer to all the questions that are out there.

Sue Kateley: Thank you.

Robert Weisenmiller: Again, I want to thank both of you for coming over, and certainly for sharing your perspective and also your human duties on [inaudible 01:19:52] these meetings.

Sue Kateley: Thank you.

Kevin Barker: I would just note, we're actually close to being back on time, even with all the sound difficulties.

We're going to still go ahead and take a break. Let's do a 10 minute break instead of 15, and let's all meet back here at 2:45. And for those that are on the panel, if you don't mind coming up to the front and then Rebecca also. We can talk about this.

Rebecca Wagner: Okay, for those folks on the phone we are reconvening. My name is Rebecca Wagner, I was the chair of the energy in Dallas market. And I just can't seem to get enough of all things related to governance in California.

We'll start with a quick introduction of our panelists so that we can ensure that their mics are working and that you who's up here with us. And I'll start at the far end.

Robert Cromwell: Robert Cromwell, Seattle City Light.

Nora Sheriff: Nora Sheriff, The California Large Energy Consumers Association or CLECA.

Rachel Gold: Rachel Gold, with the Large Scale Solar Association or LSA.

Mark Gendron: Mark Gendron, the Bonneville Power Administration.

Jennifer Gardner: Jennifer Gardner, Western Resource Advocates.

Jan Smutny-Jones: Jan Smutny-Jones, the Independent Energy Producers Association.

Dede Hapner: Dede Hapner, PG&E.

Sarah Edmonds: Sarah Edmonds, PacifiCorp.

Mike Florio: Mike Florio, California Public Utilities Commission.

Rebecca Wagner: All right, thank you all. Based on the presentation that we heard earlier this afternoon from Stacey Crowley, I think we'll jump right into comments and responses on the revised, 2nd revised governance proposal or principles. And I think this is a pretty familiar document to all of us now. There's been opportunity one to comment on it, both publicly and written comment. So I think so that we can get into the heat of the matter, which is taking first impressions and responses to the Western States Committee primary authority documents. I've got to think of a better acronym or some better way to say that. We'll spend more time on that.

So I'm going to start, I'm going to just be nice this time and not pick and choose who I'm going to call on, because half of you can't even see me, and it's kind of an awkward angle. So, Robert, I'll start with you, just comments, reflections, anything you'd like to add on the second revised principles document.

Robert Cromwell: Sure, thank you Rebecca. Thank you Chair Weisenmiller and Cliff for hosting this meeting, I appreciate that continued fostering of a robust dialogue here. I should give the disclaimer that I am the Director of Regional Affairs and Contracts for Seattle City Light, but in the hopes that I will be tomorrow, my comments are my own and should not be attributed to the mayor or the city council of my city. I do have a number of specific comments I'll provide in sections 6 and 7 of the principles document, and section 3.2.1 of the Western States Committee document, but I'll do that in writing so we can save a little time here today.

There are a few points that I think need to be made, and that is the pace of change in our industry is accelerating, and that time is really not your friend. At this point, we spent several years in the North West, attempting to establish a market, and we thought that we had the luxury of deliberation, and we found to our chagrin, we were mistaken. I think that in this context, if you do not find a requisite political solution to the domestic California concerns about allowing the ISO to be a regional entity, you may very well find that other regional initiatives will overtake you, and leave you with fewer choices in the future.

I think also recognizing the Californian legislation as we've discussed today, is a prerequisite to the ISO's transformation, and you need to consider a few factors in that context. First, I believe only a federalist model, where the ISO is a neutral facilitator of differing state policy choices will allow it to successfully grow beyond this current state that it's in. I believe that any political conditions that arise in the legislative context of regionalizing the ISO need to be conditions that remain within the 4 corners of this state. Conditions that would place the ISO in some sort of non-neutral role regarding policy choices would almost certainly be viewed as a poison pill by other states, regions and entities,

not to mention the FERC. And frankly, with my personal background as having been an attorney for 14 years before going into utility management, I would respectfully assert that your domestic political goal should not be to try and make all your stakeholders and your legislative process happy, but rather everyone should be equally disgruntled. If you're going to find a political compromise that's durable, it has to be equally despised but begrudgingly embraced by all.

And finally, I reiterate comments I've made previously, that for the ISO to be successful in regionalizing, it really needs to do so through a very serious and intentional culture change as part of its transformation. That's including that its market design is going to need to evolve over time. I believe that a market advisory- I'm sorry --a member's advisory committee for a newly independent board of directors of a regional ISO would be representative of the type of transformative change that the ISO's going to need to embrace if it's going to be ultimately successful. Thank you.

Rebecca Wagner: Thank you Robert, and I'll just note that as we go through these, there's robust stakeholder processes going on, on different components of this, but it is all tied together. So, I'm not saying that you were wandering off Robert, I was just merely trying to keep us concise in our comments because we are working on a compressed time frame. Sorry, Nora, go ahead.

Nora Sheriff: Thank you, Nora Sheriff for CLECA. I'll be to the point. CLECA's an end use customer group and I really appreciated the change in section 3.3 on the transitional committee, which was to include a specific sector for the end use customer. I think it's incredibly valuable for end use customers to have a voice in this process that's distinct and separate from other sectors, and that's why I think you need to also make a change to section 5.2, the nominating committee. The nominating committee is going to help choose the leaders of the new regional ISO, and right now, that nominating committee does not have a clear, separate, distinct sector for end use customers -- [inaudible 01:27:00] that there could be up to two sectors for both end use customers and public interest. Now while CLECA may sometimes agree with the Sierra Club or NRDC or Western Resource Advocates, we don't always agree. And I think we need to keep those two distinct voices separate, and I think that will ensure broader stakeholder buy-in and ensure that we have a voice, the end use customers, while paying for everything that this regional ISO will be doing. We'll have a voice both in the transitional committee process, and in the nominating committee process. And I have other comments, but I'll wait as we move on.

Rebecca Wagner: Thanks Nora. Rachel?

Rachel Gold: Rachel Gold, with the Large Scale Solar Association. Thanks again for the opportunity to be here this afternoon, and to take a look at this revised proposal. I really want to commend the ISO staff and management for being really thoughtful in how they looked at the many comments they received.

When we, our initial take on the revised proposal is that it's much improved and we particularly appreciated the change in how stakeholders are going to be able to select their own representatives, I think that was a good step forward.

At this point, we're trying to get a better understanding of how all these different pieces are going to work together, and one of the things I was thinking about based on the presentation earlier today was through the timing and sequencing of the different dependencies in this proposal, so those are some of my questions going forward and this is some of the things I'd like to dig into, particularly when the transitional committee will be seated, at what point will the Western Committee be formed, and how that will relate to any California approval of the overall plan. And the reason I think that's going to be important for us to understand is we want to make sure that as we move forward, not only are the concerns within California addressed, but that we are truly bringing all the other states along, so that this is a successful effort.

Rebecca Wagner: Thank you Rachel, really good points. I think some sort of even visual diagram that depicts how these all go together, the sequences, would be really really helpful. I tried to draw one out when I was reviewing this, so I agree with your comments and I'll not jump into the panelists' time. Mark?

Mark Gendron: Thank you, I appreciate how Robert Cromwell defined I think collaboration, meaning everyone is disgruntled, I thought that was fantastic. So, really quickly, as always, Bonneville really greatly appreciates the opportunity to participate in this process thus far, and I'll be brief, just as an overview I think that the second revised principles then have moved in a positive direction in particular where they are focused on clarification of state and regional roles, and the membership associated with the transitional committee, and also the Western States Committee. Specifically, as efforts continue to seek reconciliation of all of the myriad of jurisdictional issues that we're dealing with, we also look at our many statutory obligations and policies that as a part of the Department of Energy and being a power marketing administration must be dealt with. For example, an obligation to serve load with their own power delivered to 140 wholesale customers in the Pacific Northwest, one half who are served across intervening transmission systems, many of whom are on PacifiCorp systems, I think that's an example of some of the challenges and complexities associated with Bonneville's role in this process.

We fully support the representation proposal for the transition committee. We think that changes there were great. In particular, including the PMAs as one sector in allowing for those sectors to make selection of their representatives. Also, we support changes with the western states committee including the PMAs having a non-voting role, and appreciate the addition of an additional publicly-owned utility into the mix, and just offer that it may be appropriate to consider one of those utilities being adjacent to the footprint of an expanded ISO as opposed to exclusively within the footprint, just a suggestion that may be

worthwhile.

Lastly, we also appreciate that the transitional committee would consider changes and improvements just very generally to the stakeholder process. That speaks, I think, to what Robert Cromwell mentioned specifically, but I just think assigning that responsibility to the transitional committee is appropriate and worthwhile.

Rebecca Wagner: Thanks Mark. Jennifer?

Jennifer Gardner: All right. First of all, I want to apologize for delaying our panel, but I did make it. Sorry. Thank you for the time. I guess the first thing I'd start by saying is that I think that the second iteration of the governance proposal is an improvement upon our first iteration. From Western Resource Advocates' perspective, we were pleased to see clarification provided surrounding the nominating committee in terms of its membership and its model. We have repeatedly requested that environmental advocates and consumer advocates be separated and that they be each given one vote on that nominating committee. We can see from the proposal that our recommendation was taken into account, so I'd like to thank CAISO for taking our concern seriously.

I have similar concerns as to that some of the other panelists should do regarding the process and procedure for moving forward as well as the timeline. As Rebecca mentioned, I also tried to diagram this out and figure out what the next steps are and how long this truly takes, and I'm still a little bit fuzzy on all those details, so that would be really helpful to have that visual from CAISO so that stakeholders can understand that. I also think we need some additional clarification surrounding the actual authority of the transitional committee. Now that we have a more clear governance document, we now know what has been decided upfront and what needs to be decided going forward. Presumably what needs to be decided going forward will be in the purview of the transitional committee. I think we still need that clarified possibly at the outset of the transitional committee section of the governance document -- what decisions exactly that body will be making. I will hold my very specific comments for the Western States Committee for that part of our discussion. Thanks, Rebecca.

Rebecca Wagner: Thank you Jennifer. Moving on to Jan.

Jan Smutny-Jones: Thank you. Jan Smutny-Jones, and thank you for asking me to participate here and carry with me the observations that we have from our sector, but also is formally serving on the Cal ISO with Dede Hapner and actually Mike Florio as well. I'm trying to carry what potentially we've learned from past experience up forward. First of all, the ISO is a reliability corporation and not a government entity. Its job is to keep the system operating at 60 hertz with is pretty boring, or should be. If you're reading about the ISO it probably means they've had a very bad day. In order to accomplish that, our primary issue has been one that

it's independent and it can efficaciously make decisions -- that when it needs to it can act. We do believe the second version of this principles have moved generally in the correct direction in terms of making it happen.

We do have what I'd would classify more as an institutional observation more than anything else. There is this apparently prohibition about forming a capacity market that's going to be built into the bylaws. Our perspective on this is generally you don't bind future commissions, you don't bind future legislatures. We're not quite certain why this specific issue keeps boiling to the surface as original sin. It may well be that a capacity market in the future is a good idea. I know I won't be spending any of my time on it because I've already wasted 3-5 years on it, so we're basically done with the topic. We assume that our PUC will be moving forward with a multi-year RA as indicated they will. You may want to consider looking at perhaps the ability in various stages to opt out of the capacity market should a future board come up with one so they bring their own capacity to the table. We'll just leave that out there and I'm not going to fall on my sword over that, but it's just an observation.

I think what's important is I think one of the things that should happen, too, is an articulation of what the open meeting process is. At the current ISO and how they carry that forward, it was very important at our inception of what's in that. Generally, it was a kind of typical personnel issues you don't talk about in public. You don't talk [inaudible 01:36:49]. An increasing issue is security. There's no point in having Julian Assange participate in determining your passwords. I don't know what the word that popped in a slide "consensus majority" means. That may be disgruntled majority as Robert coined, and I kind of like that. I'm not exactly sure what that is, but you might want to define that a little further.

State issues at likely to be in flux. There's a lot of jurisprudence on state and federal jurisdiction and interstate kind of squabbles, so I imagine that there will be issues popping up over time that we do not, at this point, foresee. I think that the resource adequacy issue, which clearly has a state angle to it, and the issue of the transmission access charge with my understanding of this now is specifically focused on those policy-driven transmission issues is a positive first step.

I think, I'm just going to run through my entire list here. The nominating committee. I think it's important that other folks understand that part of what this process involves is trying to identify people with expertise and experience in an area plus coming up with a balanced board. There is a long process of trying to identify those three people either through a head hunter or with other names put forward by the governor's office, or others that they basically through a screening process now. Doing that on a regional basis will be important, but, I think, articulating exactly how that works and what that should look like would be helpful, I think, in getting people more comfortable with how that works.

All-in-all, I think we've made some very good progress here. I think it's a good job. I think you heard earlier of identifying what are some of the issues out there. I don't know that all of them get resolved between now and the end of the year, but I do think that we've got principles on the table. I do think it's trying to get this thing buttoned up. The real process in that, there's several of you that are tired of hearing me saying words on paper, but we do need to come up with a bill that basically the legislature has something they can look at and actually decide whether to move forward on this. I think we're close to that. We will continue to have issues, but we'll be okay with that because there's a lot of things that need to be done as we move forward on this. Thank you.

Rebecca Wagner: Thanks, Jan. Dede?

Dede Hapner: Thank you again for hosting these events and for being on the panel. I definitely saw some real improvements in this draft. There's a shorter transition to the full board. I think that's important. I think that was a concern of a lot of the states. I think addressing how conflicts will be resolved through consensus, I'm not exactly sure what that means. I think Jan spoke to that as well, but I do think there is some recognition and some attempt to move forward on how to navigate through this. I thought that the sector distribution was very responsive to the stakeholder concerns and I thought that was an improvement. Also, as Mark mentioned, both for the board voting and non-voting, I thought that was much more clear and helpful. I thought that putting in the process and certification by the governor, once thresholds are met, is important to articulate. I think that's the right way to go.

In terms of areas where more work needs to be done, I think we still need a fair amount of clarification on the role of the Western States Committee. They seem to have a larger role in this iteration. The planning reserve margin is one area and I suspect that that will be fairly contentious across all the different states. We all have a very different approach to that. I think that we need to really separate out some of the discussion about transmission planning on policy projects and the cost allocation. We do have a very well-defined process in California. It's not necessarily transferable on a wider, multi-state basis. It might and that would be great. It's a very methodical, proven way of going about analyzing these projects. It's also a very vibrant process. Things change over time and adapt based on conditions on this system. I think that's all very positive, but I think we need to get much more clear on the very specific roles between the ISO Board and the Western States Committee and versus the Western States Committee. That, to me, leads the questions about just how far on both in the transition to a board, but frankly more specifically with the Western States Committee and their primary authority, how much will be acceptable to the FERC.

There were a couple of places where 100% majority of the Western States



Committee trumped the ISO Board. I think we need to really think about that, see how it works, et cetera, in other places where there really is meant to be a drive toward consensus. I appreciate that. I think I'll stop there.

Rebecca Wagner: Thanks Dede. Sarah?

Sarah Edmonds: It's good to be here. Thank you very much to ISO staff and all of their contributors, stakeholders across the region who've helped get us to where we are today. PacifiCorp is in a process of making outreach with its' various state public utility commissions and other state officials about their views on the second revised proposal. Because we're in that process, I am able today to sort of provide a reflection of where I think our states might be at or a range of potential views on that. My views do not represent or purport to represent all of our six states. There are PacifiCorp's views on this.

Overall, I agreed with the characterization in the revised proposal, that these were by and large refinements on the substance that already was in there in the prior versions. I also think that they are largely improvements. They are stepped forward in the right direction. For example, there are definitely some key areas where the role of the existing ISO Board appears to be lessened. I think for our states that is a concern and an issue they're watching closely. Because obviously the preference for a multi-state, multi-jurisdictional regional ISO would be for an independent board to weighing in on these matters as much as possible. I would observe at that same place, that there certainly appears to be some role for the ISO Board as it sits today or in some various form of transition over the thirty-six month process that's contemplated. I would certainly agree with Rebecca, that a timeline would be helpful, so that we can identify where those potential overlaps might be and make our judgments about whether or not that is acceptable.

There were less design details deferred to the transitional committee and I think that's directly responsive to Governor Brown's letter about the details that needed to be adjusted. I think that's a good thing. I also agree with Dede about the consensus process in general being an improvement, but also agree with Jan, that we may need a little further definition about how that's exactly going to work.

I also agree with Jennifer, that we need a little bit more detail now that the transitional committee's scope has been more clearly defined on specifically what they're going to be doing. Glad to see that the independent board is well in place. There were other versions that talked about different ways to do this. I think the independent board model seems to be the resonance across the region. Definitely supportive of utilization of a nominating committee and also an approval committee. This kind of connects to comments about the Western States Committee, most of which I'll hold for the later discussion. The current second revised proposal does seem to shift more responsibility to states, both in terms of roles and responsibilities they would play on the Western States

Committee, and I know that our states are paying close attention to this. Also, in terms of the role they would play on the approval committee that's contemplated for slating the ISO Board.

A couple of different concerns ... I appreciate and I think it's a move in the right direction ultimately that transitional committee, nominating committee, are sector based and the ISO Board is not weighing in or deciding on what's the appropriate mix of sectors. I do hope that that is a workable structure for it to be sector based, particularly when, for example, a prior version had two representatives contemplating that there might be different sector consensus on different sector groups, because of how we're coming to this, California versus the rest of the world that is not California. I hope that it's a workable framework. I hope that these different sectors can get there, can come together and identify these individuals to play these very important roles.

My last comment is ... Whether you knew it or not, ultimately, PacifiCorp, when it's in a position to do so, puts applications before each of its six state public utility commissions and asks the question whether or not we've met the public interest, whether or not we've demonstrated that there's a net benefit for their customers in approving our handing over of operational control of our transmission assets to a regional ISO. Each of those states have also a vote in this. Governance framework among all of the other initiatives that are being looked at have to be ultimately acceptable to those different public utility commissions for this to go forward with PacifiCorp as the first major participating transmission owner, entrance in a regional ISO. Thanks. Sorry for the back feed.

Rebecca Wagner: Commissioner Florio.

Mike Florio: Thank you. I think we've made a lot of progress on the basic governance document. I think we're getting very close. If there are folks out there that have very strong objections, I think it would behoove them to make that known by the 31st. I think we are coalescing around, at least the major points. One thing, and I'm glad Sarah mentioned it, is we do have to have approval for someone to actually join. That isn't really talked about anywhere in the governance document, in terms of where does that step fit in? It would seem to me, that even if all the California steps go forward, any approval would be subject to someone actually joining. Because absent that, I don't think California would make this change on its own initiative if it didn't attract anybody in. Somewhere that nuance has to be reflected I think. The timeline has to include an actual willing participant that has the approvals they need.

I don't have a lot to say about the governance document. I do have significant concerns about the scope of Western States Committee authority. I think all I'll say for right now is I think we have a problem because California Public Utilities Code Section 380 says that the CPUC in consultation with the ISO shall adapt a resource adequacy program. That's how it's very much worked up to now. We

have a regular proceeding that takes suggestions for changes. The ISO often brings those changes. I think, almost without exception, some form of what the ISO initially proposed ended up being adopted, but often with significant discussion and sometimes some reshaping. I don't see in this structure ... I mean it really looks to me like a substantial Federalization of the whole resource adequacy program. I don't see what role the state still has, other than setting the planning reserve margin. I think we're going to have some challenging work to figure out how we can square this kind of structure with the requirements of 380 or else consider amending 380. As it stands now, I think we've got kind of a head-on collision. We can talk further about that in the next round.

Rebecca Wagner: Thank you, Commissioner. I'll turn back to the panelists. If anyone thought of something that they really wanted to say that they didn't get to ... [crosstalk 01:52:09]. OK.

Sarah Edmonds: There's one item I should have added. It's an item that I suspect is on the radar for Pacificorp States. It's taken different forms. It has to do with he waiting. I want to address it now. I know we're going to move into Western States Committee, but the voting rules show up in different places throughout the principles, and sometimes, I have felt in these regional dialogues, that sometimes issues can be more of a, sort of an appearance issue, more than an actual substance issue. How the voting works is certainly immediate in that category. In a sense that our states are very sensitive to a perception that California by itself can swing an effective veto. I do acknowledge that the proposal has iterated on this. I think they've sought to improve this. I also understand that this is an important issue from the California side of the equation. That's why the proposal is how it is today. In our outreach efforts of Pacificorp goes to get feedback from its states and state officials, this is one area that we'll certainly be speaking in detail about.

Rebecca Wagner: Thank you, Sarah. Anyone else? Cliff, Bob, did you have any questions?

Robert Cromwell: I would just add to what Sarah said. In terms of considering the effective detail or the CAL plus one voting if you want to look at it positively. I think it's worth carefully considering how the FERC, and particularly the Steve Rodgers' group, are going to look at a future filing at the commissions that would give one state of many essentially a pre-eminent role, which is at least something that hasn't been broached in this nation with the other multi-state RTOs to this point.

Rebecca Wagner: Thank you. I'm going to reverse the order because I suspect Commissioner Florio has a lot to say on the Western States Committee and the proposal. Again, this is our opportunity, first impression on what our thoughts are. There's some specific requests in the document, just to note for everyone, where they're seeking clarification. Anytime you put something out for the first time, there are going to be things that you miss. I know that ISO will want to hear those from all of you on the panel, as well as those listening, whether in

comments today or in written comments. This is our opportunity to jump into that. I'll turn to you, Commissioner Florio.

Mike Florio:

Thank you and I should caveat that the PUC has not taken any position on these things. I'm giving my own reaction, informed by some discussion with our staff and limited discussion with folks from other states. This is my own opinion. One of the things that I think is implied, if not explicitly stated, is that the role of the Western States Committee only kicks in for changes to the initial RA and TAC rules that are being developed in the parallel stakeholder process. I think a number of us were hoping and expecting that the Western States Committee would have a role as to the initial RA and TAC and not just subsequent changes to them.

I was actually a bit taken aback at how limited the role of the Western States Committee is in the paper. I realize it's a first cut and it's open-ended in a number of ways. The planning reserve margin is one issue, but if you don't also include the counting rules having ... Determining the PRM doesn't get you very far if the counting rules are something quite different from what you might have been assuming when you set the PRM. I think the counting rules ... granted they should be uniform for all of the states. I think that's why it's an issue that's tailor made for the Western States Committee. Currently we don't even have that. I mean, local regulatory authorities other than the CPUC can set different counting rules that the ISO tariff has a default that's used if a regulatory authority doesn't act, but the primary first step is with the state commission and the other regulatory agencies, not with the ISO itself.

There was discussion of using effective load-carrying capacity to set the capacity contribution of wind and solar. That's something we've working on in our resource adequacy docket for a number of years. It seemed that the ISO was proposing to take that over and make a decision instead of the PUC. That was also a bit concerning.

I think local resource adequacy has traditionally been the place where the ISO has had the strongest role, but on the issue of flexible capacity, while I think it clearly has to be addressed, all we have at this point in California is an interim policy that is undergoing review. I don't think there's even a firm proposal for what durable, flexible capacity product would look like. Again, I think there's the significant role for the states there that hasn't been outlined to date. I also think that the states would want to have at least a consultative role in certain types of backstop procurement. If there's an individual LSE is deficient, fine. The ISO would backstop that and allocate the cost. Some of the more expansive types of backstop procurement like different types of flexible capacity or the risk of retirement factor, I think we need at least consultation with the states on that. As I said before, we've got this problem with Section 380 saying the PUC moves first in this area. I think we're going to have to figure out some solution to that or we are going to hit impairment of state authority right off the bat and that would be an unfortunate outcome. That's a

quick overview, but I have some very significant concerns in this area.

On the transmission cost allocation, again, I think the role of the Western States Committee could be somewhat broader and look at economic as well as policy-driven projects. You may have projects that are both economically justified and policy driven, that is something we haven't really dealt with before. I don't have any problem with the reliability enhancements but I think when you get into economic and policy, there's definitely a role for the states there. It may not be a pleasant role, but it's one that we are going to have to tackle and sort out.

It really, I think, goes to this whole point of trying to achieve consensus is this exercise is only going to work if people approach it with the attitude of try and recognizing the need for compromise. Hard and fast positions are not going to work in an environment where we have to get multiple states and multiple stakeholders to reach some kind of consensus. I think the emphasis on a collaborative consensus-based process is appropriate and it's really a critical step if we're going to make this work.

Rebecca Wagner: Thank you, Commissioner Florio. Let's turn to Sarah Edmonds.

Sarah Edmonds: I would also share Commissioner Florio's concerns about the Western States Committee, their authority kicking in, not until the future. One point that is made again in this regional conversation that we've had is because of sort of how the ISO exists as we find them today. It's unclear what kind of approval, authority, if any, other regional voices will have in the approval of important initiatives that shape the future, like transmission access charge and resource adequacy. I also acknowledge that timing tension that exists in the current paper. But it is one of our chicken and egg problems. We have a handful of them and that's one of them and it's a hard one to solve, for sure.

Pacificorp is also very sensitive and very supportive of our states, if they desire to have a role on the Western States Committee. It's my assumption that, by and large, that's where they are at but, we are going to be having some detailed conversations over the next couple of weeks as Pacificorp formulates its comments and as it encourages our state officials to do the same. I would acknowledge, though, or point out that the proposal and the Western States Committee having primary authority, is unique, it is novel in terms of the state committees that exist in RTOs and ISOs across the country. The primary authority piece, the piece that would allow the Western States Committee to essentially prevent the ISO from making a filing under certain conditions and subject to certain backstop requirements, which I will note in a minute, is a new thing.

I would also acknowledge a comment that Dede made before and I think will make again. That how FERC feels about that is going to be an interesting question, because it's rather expansive in the scheme of things. Ultimately, of

course, on matters such as a transmission access charge cost allocation, naturally, it seems obvious, that it's going to have to be compliant with FERC Order 1000 and any other guiding principles that FERC has articulated about what makes transmission cost allocation just and reasonable.

In terms of resource adequacy, I have also heard comments among the states that this is an area where the paper may be overly prescribing, too narrowly defining that area of authority. We will be talking with our states about that. In this particular area of resource adequacy, the question I think has to be about, what's fair, what's the impact on cost, what's the resulting cost, that results from a particular decision? I appreciate in the principles document, but it doesn't connect that there's a little bit more detail around where the ISO has backstop authority to go ahead and make filings, including a period of inaction or inability to resolve from the Western States Committee. At least from a market participant perspective, that gives me some assurance that a deadlock or an inability to move forward has a remedy.

Thank you.

Rebecca Wagner: Thank you, Sarah. Dede?

Dede Hapner: Thanks, I really appreciated Commissioner Florio's, not only comments about RA but his depth of experience in this area. I do think that, we like many things with the Western States Committee, there's that conflict between enough details so that we and the other states know what we are signing up for and delaying legislation. I'd hope that we can figure out some time frames to resolve or at least discuss these issues. I agree I think I'm talking sooner, either as a formal or informal body of states or a transition Western States Committee or something so that these kinds of discussions are happening now and not once a particular bell goes off, makes a lot of sense.

I think with respect to the issues where we might be going into FERC's jurisdiction, I think we can resolve some of these questions, maybe not definitively but get a really clear sense, by having specific conversations with them on what might work, on what would be a non-stop position or a non-starter. If there is a transition, what would that look like, how many years would that be, how many months or whatever. I think it would be important for us to be able to then look at, okay, what's the reality of this situation. We're all talking in the abstract in terms of how this will be compliant. I think that's really helpful, because it unearths issues, but it doesn't necessarily show us where the red light is and the green light is.

With respect to the role of the Western States Committee on policy projects and/or economic projects or even reliability projects, we haven't really discussed those things. It really has been focused on policy because that's such a specific and very defined process in California, so to the extent we can have those conversations, so that at least everybody is grounded in what that might

look like, particularly with the other states, I think would be very helpful.

We do continue to have an issue with over-prescribing on some of the areas, as Sarah mentioned for the Western States Committee, around certain priority or primary authority versus secondary authority. Our preference would still be on equal authority, I don't think we are heading anymore in that direction than we were. I think it's really important to get on the discussions about primary and secondary and what all these things mean. With all these different topic areas, because I think they're all very different in terms of the role of the Western States Committee.

I think I will stop there.

Rebecca Wagner: Thank you, Dede. Jan?

Cliff Rechtshaffen: Can I just ask you, Dede? On that last comment, you don't want the Western States Committee to have primary authority as compared to the ISO, you just want to have equal filing rights, is that like [crosstalk 02:09:53] sort of been your position?

Dede: Well, it's been our position consistently on and as Sarah mentioned it is much more typical across the RTOs and the ISOs. This proposal goes even beyond the SPP, which has primary but equal, if you will, authority to file. But I think that ship has sailed. That's where I think clarity is important.

Rebecca Wagner: Jan.

Jan Smutny-Jones: Okay. First of all, I want to thank Commissioner Florio who has been working with Commissioner Jones from Washington State in an effort to hold these, a forum throughout the region or all the other states are invited and I think it's gone a long way in terms of I think of addressing a number of issues. That said, I'm not sure I see Section 380 in quite the dire light Commissioner Florio sees it. Of course, I'm not a commissioner, he is, so he's got to worry about that. I don't. But as someone who does supply RA and would actually like to supply more RA, we obviously don't want to get into a situation where we're basically working against ourselves.

We had approached this assuming that the Western Committee, this Western Group would basically be taking whatever requirements they have in individual states and carry them with them into this forum to basically sort out how the various resource plans that come up through their processes occur. None of these other states do have an IRP process. We have a number of different processes that address RA. I would discourage us from having to change the law, from the standpoint it was enacted at a very different time when obviously this effort was not foreseen, but that is a process that has worked relatively well amongst the various entities including the Energy Commission, which provides the supply plans and the forecast, the ISO's projections of what's

needed and the PUC's various procurement processes.

We kind of see that as going forward but within the context of that specific unique body and hopefully in a way that doesn't conflict ... I don't know how it would conflict with federal law, but in a way that I think makes sense. We probably would resist putting the ISO in charge of resource adequacy. All right, put it in a different ... I'm sure the others would have some other ideas. I think it's important to acknowledge, and this is going to be something that we're just going to have to talk about more, but it may well be that California decides that we want to put 5,000 electric batteries in the South Coast Air District because that makes sense in meeting local capacity needs. Then 4,000 in the peninsula here, just so Dede gets something too.

But as long as California is willing to absorb that cost as something that meets our RA requirements locally, fine. It may well be that the Utah Commission decides that that beautiful coal plant that sits along I-80 into town there in Salt Lake is necessary to keep the lights on in Salt Lake and the Greater Salt Lake Area. We may have to just accept that as, okay, that's what their state policy is. As far as I see this, I think trying to figure how to conform the activities of RA into existing requirements in all the states would be important within the construct of this committee. The second issue is on the transmission stuff, and we do have a concern frankly with this getting overly expensive. I think it does make sense from a policy perspective.

There are a number of people that I've encountered over the last several months questioning if we're building a transmission line to Wyoming to bring wind into Wyoming and their fully resourced here, they don't want to pay for it. I've actually heard Wyoming regulator basically say that the current transmission plans are private. They don't have to pay for anything and if it came out a public entity they would have a different problem. I'm not smart enough to figure out how any of that's going to work, but these are the kinds of public policy transmission issues that people have to struggle with.

Just to put another little issue on it, we in California, for example, we built a Tehachapi transmission to bring wind and solar in from the Tehachapis and the Western Mojave and at one point we decided it was our policy to underground that. Well, if I'm somebody sitting in Wyoming going, "What in the world are you doing?" That was a policy that we developed and that was good and probably need to figure a way of going forward if there were similar things that popped up. A way of rationalizing that and a way that ideas disproportionately impact other people that may not have an interest in those policies, so that's one on the transmission issue.

I would just also point out in getting Mr. Peabody's Wayback Machine on the economics issue and it brings us in a time that Commissioner Florio, you'll remember quite well called Path 15, where we basically had the interstate highway system running into a two lane road. Economically, other people had



brought this forward a number of times and the commission, not you weren't on the commission then, commission couldn't fix it, because each individual utility couldn't justify it just for their rate payers. We had a little bit of a crisis and along came different commission and basically what ended up happening was PG&E was told to stop sponsoring the project. WAPA did. WAPA and Trans-Elect built it and 18 months later problem solved.

I wouldn't want to replace what I think is a transmission planning process that works pretty well right now with trying to go backwards in time where we by almost necessity create barriers because we're only looking in at one utility at a time. I just wanted to respond to those concerns. I think we can address the 380 issue with a little more work in terms of trying to define how we're going to get the RA.

Rebecca Wagner: Thanks Jan. Jennifer?

Jennifer Gardner: All right, so I'm going to switch gears a little bit. I think that one the things that Sarah mentioned is incredibly important. Although California really has to make some very important and critical decisions to start the ball rolling, if you will, I think some of the states in PacifiCorp's footprint also have a say and if they are not pleased with the final governance proposal with the final definition of Western States Committee authority then we probably have non-starter. At least when it comes to PacifiCorp's footprint and CAISO. That doesn't mean that regionalization couldn't happen but that's something that I really do want to emphasize as incredibly important.

When you look at the voting for the Western States Committee, the voting model has been a hugely contentious issue, both from California's perspective and from some of the PacifiCorp states. Western Resource Advocates works primarily in Utah and Wyoming and I can tell you that a weighted voting model that gives California veto power on the Western States Committee will be problematic. That doesn't mean that it's not, you know, it's completely undoable. I think we need some clarity, so what I did was I used the net energy for load numbers that are provided by WECC and NERC and I ran through a few voting scenarios using the current voting proposal for the Western States Committee, which of course is 75% of voting members plus 75% of the load.

If we have the current CAISO footprint, plus PacifiCorp in a regional market, we actually have seven states participating. We have California, Idaho, Oregon, Utah, Washington, Wyoming and Nevada, because Valley Electric is, of course, a current CAISO participant. When you look at the load profile based on that footprint, California, and again these are net energy for load numbers, has 81% of the load. That's a huge majority. Idaho has 1%. Oregon has 5%. Utah has 8%. Washington has 1%. Wyoming has 3%. Of course Nevada has less 1%.

Those numbers I think are pretty compelling and they can be kind of scary for states particularly like Wyoming, who has only 3% of the load. However, when

you start running through the voting scenarios, they're not quite as scary. For a measure to not pass, California can veto on a load basis, so even if you had all of the other states on the Western States Committee wanting something to happen, if California said no, it wouldn't go forward. There's where the veto power of California comes into play. Now, if California wanted something, they would still need five other states to agree with them to make it actually go forward, so that gives the other states some power as well and I think that's what we were hearing a little bit earlier, that this is maybe an attempt to strike a balance between California's load dominance and these other states. Now, another scenario could be that California's support and if five other states agree and that of course means that that measure would actually get through the Western States Committee.

I think the key is that California under this model can veto even if six other states support something and that California can't support something on its own without getting other states to agree with it. At first glance I think this is a move in the right direction

and I haven't spoken to the other states in the Pacificorp subprime. I'm really encouraged to hear the Pacificorp is planning to do so to get their views. What I do want to mention, and I think this was brought up earlier by Stacey, but our Western Resource Advocates did produce an alternative voting model paper. It sounds like it's been posted to the CEC website. I don't want to go through all of the details of it but what I do want to clarify is that we actually do have another example of weighted voting based on load in an organized market in the U.S. I just want to make sure that I've corrected my earlier statements where I said that there wasn't another example of this. In fact in ISO New England they have, it's called NESCOE. It's the New England States Committee on Electricity, I believe, and it's governor appointed officials on that committee, which is very similar to what we're envisioning for our own Western States Committee.

What's really important, though, with that particular group is that they achieve almost of all their decisions based on consensus. In fact that is one of the deriving principals of that committee. Only if they can't reach consensus will they defer to a weighted model based on load. I do not know how many times they've had to use that voting model, but if you look at their annual report a vast majority of their decisions have been made through consensus. I think that if we use the current voting model as proposed by CAISO we could probably do so as long as we have some clarifying language that the ultimate the goal here is to get these states to work through consensus.

Again, I do want to have some time to speak to the other states and see what their views are. I'm not going to go through the voting paper that Western Resource Advocates have put out there for voting alternatives, but I will say that there are alternative voting models that look at a weighted vote. For example, you could give California two votes and give every other state one vote solely based on the fact that California has 50% or more of the load in the footprint, and then run through some different voting requirements based on

that weighted voting model. That is, although overly simplistic, could give other states a little bit more comfort with a weighted voting model. I'll finish my remarks there. Thanks Rebecca.

Cliff Rechtschaffen: I went to law school so see with this math problem, but if I'm doing math right to get three quarters of a vote of the number of states you need more than five votes. You need five point something-

Jennifer Gardner: Yeah, round up to six.

Cliff Rechtschaffen : ... which means any single ... Doesn't that mean any single state can block something, say what California can based on load? In other words you need six. California plus five is six, so a single state can block something from California. Again, a room full of systems engineers I can't even do it, but is my math wrong that it's 75% load and 75% numerical majority gives California a load based veto but gives every other state with a seven state footprint a veto as well. Does that ...

Speaker 3: [inaudible 02:23:17]

Jennifer Gardner: Yeah, I think if you were looking at the numbers that I was using you would ... For California actually get something to pass they certainly could not do it on their own force. They would have other states.

Cliff Rechtschaffen: You need six states, five out of seven. It's five out of seven, six-

Jennifer Gardner: Actually need six for a 75% majority.

Cliff Rechtschaffen: That means any single state that would oppose it could block it.

Jennifer Gardner: You would need two opposing states if California is voting yes.

Cliff Rechtschaffen: They need two others. You need two other states no matter what the size of it. Okay, that's why I went to law school of course.

Speaker 4: Smart move.

Rebecca Wagner: I'm so glad that there's someone who sits up at night thinking about these things, Jennifer. Turning to Mark.

Mark Gendron: Thanks Jennifer. I'm an engineer and I got lost in all the math there, actually. Really high-level for me I think everything that I was intending to state has been stated. We're pleased that the paper does recognize the intention to have the Western States Committee be a collaborative body and you're hearing that across the table here today trying to craft some form of voting mechanism that conceivably could work across the board in a collaborative fashion. We appreciate the attention given to the many very, very complex and difficult

technical issues in this paper, and those issues as we've heard here will take a lot of time to work through. We spend a lot of time on governance and I think like governance these technical issues will take much, much more time to work our way through these in a collaborative manner.

We're concerned, as we heard from Commissioner Florio that some decisions on some of these technical issues could be made prior to the establishment of the new ISO governance, whether that be the ISO Board or Western States Committee or what have you. That is a concern for us as well. Shoot. Also as we've heard RA is an example of one of the technical issues that's been defined, we think that's been defined too narrowly as well. Cliff asked about that earlier and Commissioner Florio and Sarah and others spoke to that as well. There are reasons I think for Bonneville believing that it's too narrowly defined, but I think we can all come up with reasons for that. I think everything else has pretty much been stated. That really concludes my thoughts on a paper.

Rebecca Wagner: Thank you Mark. Rachel?

Rachel Gold: Thanks Rebecca. Many of my colleagues have already spoken to some of the issues that we were going to raise around the Western States Committee, so I think what I'll add here is that it's clear to me that seeding the Western States Committee earlier, even in an informal fashion, is going to be a really critical piece to getting us to yes here. The additional detail in the paper was really helpful to flesh out how these issues will work in practice. That's something we're really, as I mentioned earlier, trying to understand and work through. The example of RA that's already been mentioned is a place where we do see tension and we see tension in terms of wanting California to retain its authority over its current rules and also wanting to have a Western States Committee and then RSO that is going to be functional and able to make decisions.

In order to get us there I think having the states be an early and often conversation is going to really important to work through those examples. I thought that the example that Jennifer in terms of how the voting model might come out early and important scenarios for us all to think through in real time.

One of the other areas that we're watching in terms of how this may play out is in the development of the greenhouse gas accounting. I think that is another example of where the Western States Committee would likely want to weigh in and having them understand how those changes and that proposal being developed early and working through how what kind of role they might have in an issue like that will be helpful. One of the things that really liked in the proposal was the delineation of policy issues that might affect state authority would be worked through, but it could use some additional detail there. Doing so, in context of the example of greenhouse gas, I think that would be helpful for everybody to get kind of the real time look at what we're talking about, and whether or not that role is going to be advisory or more than advisory isn't fully clear to me yet. That's one area on the Western States Committee that I think

could use more detail and I think I will stop there.

Rebecca Wagner: Thanks Rachel. I'm going to turn to Robert who has a plane to catch.

Robert Cromwell: Thank you Rebecca. I would just note that in considering these issues around the Western States Committee, you've got to recognize all the different states have different legal standards that their PUCs operate under. With apologies to Sarah, the Pacificorp multi-state cost allocation formula is a very good illustration of the conundrum whereby the Washington State Commission found that certain costs could not be allocated to that state under the state laws that are applicable to those proceedings. I think as we consider this, I think Commissioner Florio mentioned that there's almost this chicken and egg problem of how you bring some of these issues together. It may be that some of these issues, like transmission cost allocation, while they may be developed and fleshed-out in an ISO-driven stake holder process, you might actually need to have the state PUCs weigh in under their state laws that they're required to effectuate to determine whether you result in a gap or it would make – to be blunt – it would make little difference if a western state committee comprised of gubernatorial appointees agreed to a formula but then the commissioners, who have a fiduciary duty to enact and to propel or advance the purpose of their individual state laws felt that they were legally constraint from agreeing to what had been agreed to with the Western States Committee. So, I would just flag that issue and, in parting, request that the ISO staff consider a timeline Gantt chart for all the decision-making that we've discussed here today, but also, it might be useful to have, sort of, a matrix of voting and how that voting matrix correlates to that timeline.

So, what are the voting touch points that would occur in this process? And, as you look – assuming the best case scenario legislatively in this state, what does that arch look like and what are the triggers that actually start the ball rolling? And, to Sarah's point, without the approval of the other states that she operates in, there's really no ball to move. So, thank you.

Rebecca Wagner: Thank you Robert. Nora, apologies for that, you get to have the last word.

Nora Sheriff: No worries, thank you. I have four points on the Western States Committee paper, and some of these have been touched upon previously. First, CLECA really does support the load share, super majority voting proposal and I appreciate Jennifer running through how that would actually work in looking at the net energy for load and the WECC and I think that's a really good first step in a model and I think load pays for all of this, like I think you've got to take that into consideration, so we support that.

In terms of the scope of the Western States Committee, I also share the concerns that it seems like a fairly narrow scope and I was looking at the planning reserve margin and I second the call for a Gantt chart and the timeline

and how these things will line out because if you have – in the Western States Committee process, the paper calls for a consensus position in the planning reserve margins first, on the study input and then second, on the final proposal and, as Commissioner Florio mentioned, the local regulatory authority right now, the CPUC, has a fairly set, rigorous process for determining resource adequacy requirements and I did that in coordination with the ISO.

There have been some bumps in the road for some types of resources, but it is a fairly scheduled process and it needs to be a scheduled process. What's not clear to me is is the consensus that's referenced in the paper on the Western States Committee – is that a 75% load ratio share plus 75% of members or is it consensus meaning everybody agrees to it and what's the timing for that? Is it 90 days for them to get to consensus and will that delay the resource adequacy process that's contemplated in terms of setting the planning reserve margins? I think these are some knotty questions that are going to need some really careful deliberations to get into.

My third point is I also think that – and this is something that Cliff, you raised earlier – the counting rules for resource adequacy are really important to the individual states and there's not necessarily uniformity there now. We need to look at that and I think the Western States Committee should have a clear rule, on the counting rule for resource adequacy. And finally, on – and that gets to the public utilities code, section 380 comments before about who has jurisdiction over what.

Finally, my fourth point on the transmission cost allocation process, I think it would be, perhaps, simplistic to assume that a transmission line will only be reliability or only policy or only economic; I think that almost every transmission line we're going to see is going to have some portion of it that could be categorized as reliability-driven, some portion of it policy-driven for multiple regions and some portion of it will be economic as well. So, I think that the transmission is going to be really complicated and I'll just leave it at that, thank you.

Rebecca Wagner: Okay just that thought made my head spin thinking about trying to allocate that differently among the three components. What do we have, like five minutes? Five minutes; Cliff, Bob, did you have questions or does anybody have any final thoughts that they want to share? No final thoughts?

Male Speaker: Nope.

Rebecca Wagner: Smutny? No final thoughts?

Jan Smutny-Jones: Hard to believe.

Nora Sheriff: Okay I have a – I'll throw out a final thought or actually a final thank you and then a question. I really do appreciate the effort the CAISO staff has put into

summarizing the comments that the stakeholders have made on the governance and they've also summarized the comments in regional resource adequacy and in the regional transmission cost allocation process; as a fairly involved stakeholder, it means a lot when you realize that somebody read your comments and they've responded to them and I think that also contributes to the good public policy of understanding why a decision is being made, I think that's a really important thing to do in this process.

Then, my question is that principle eight on, "How do we get to finality here?" Principle eight references governance documents. It's not clear to me what "governance documents" means; is that the bylaws and the articles of incorporation, specifically, that are called out for being presented in SB 350? Is it something more simpler? It's not really clear what "governance documents" means.

Cliff Rechtschaffen : I think that's right, I think that's – the principles envision legislation at a somewhat high level and the bylaws governance documents are the details to be fleshed out through a transitional committee and subsequent processes and those would have to be approved by the governor or reviewed by the governor under this proposal before the regionalization actually is effectuated. [inaudible 02:37:16]...the ISO..that I think.

Rebecca Wagner: And Nora, to your point, we – I noticed that in this and we had the same issue with EIM and I think it would probably just help part of that timeline to flush out what documents go where to further define what that is because there's the high level down to tariff changes to bylaws, so knowing where all of those pieces fit in is important and I can't answer the question and no one from the ISO is running up here to save me. So, any other comments or thoughts? All right, I'd like to thank our panelists; good job today, I think you gave the ISO a good place to start. I think we have our work cut out for us if we're going to be participating in these comments. So, thanks everyone for your time, big round of applause and I think we turn now to Greg Cook, I'll turn it back over to you.

Kevin Barker: So, just I wanted to make one additional announcement: again, please see the public advisor in the back for any blue cards; we've already received a few. We do also have a number online but we will take public comments in the room first. So, as we set up the screen for the next panel, we have Greg Cook.

Greg Cook: Good afternoon everyone, I'm Greg Cook, I'm the ISO's director of market infrastructure policy. The hour's getting late, I will try and be brief. My goal here today is to give you a high-level overview of the three stakeholder initiatives that we've been working on for quite a number of months now to try and develop policies that would work for a multi-state ISO and those come into three areas. I think we've touched on all of them so far today; the transmission access charge option, the regional resource adequacy, and the greenhouse gas accounting under a regional structure and I'll try and use the football analogy on these.

I think on the first two, on transmission access charge and regional resource adequacy, I'd say we're about at the end of the third quarter on those in coming to a draft final proposal. For greenhouse gas, that one's a little earlier in the game; we're probably still in the first quarter on that one so there's a little more that needs to be developed in that area but, for all of these, we're trying to come to a draft final proposal on these policies by the end of the year so that it can help inform the legislature when they take up the regional governance issues early next year.

So those of you that aren't familiar with our stakeholder process, this is a fairly simple diagram to how it works. We've come out with mixed issue paper just basically a scope the initiatives- scope of the issues we're gonna address. Then we go to a straw proposal. Now this straw proposal can have a number of iterations in it. For example on TAC and resource actually, we're on the second revised drop proposal, before we finally get to a final proposal. And that is a draft final proposal because at that point that's what we're really essentially gonna be asking our board to approve before we can make a filing work. That can always be changed and that's why it's always addressed on the proposal.

So I'll start with the transmission access charge options proposal. I wanted to give you an idea. This is a high level of the scope of issues that we're addressing through that initiative. First one is mostly around cost allocation as you'd expect. Cost allocation for the existing transmission facility. The current proposal has more of a license plate type structure, so that we can account for the regions that come in that have significantly different costs than the overall region that they would be joined. Next we're dealing with default cost allocation rules for new transmission facilities. We've already talked about that a bit this morning, but again there's three different kinds of transmission projects. These projects can overlap as well. If you have reliability project which can also provide economic [inaudible 02:41:38] policy as well, but then you can have economically driven projects, policy driven projects, all with their own unique cost allocation rules.

Then finally there's... we're also developing what we're calling a region wide export access charge. Currently we have a wheeling access charge for power that's transmitted across our grid but it's not being used to serve ISO load. Again this would a charge that we would be developing, and it would be a uniform charge that would collect transmission rates for exports outside of the balancing authority area, then we have to come up with rules as to how we would then allocate those revenues back to the transmission owners.

So for the next steps on this process, again it's been under way for quite some time now. We posted our revised straw proposal early in October. We're asking for stakeholder written comments by October 28th. Then we're holding an ISO transmission planning workshop on November 17th. At this workshop we'll be providing an overview of our team methodology. The transmission economic



assessment methodology. This is the current way that we evaluate the benefits of potential transmission projects. I think this will be a good opportunity for those stakeholders that aren't familiar with the process to learn a little bit more about it, so they can understand how that would be applied in our proposal going forward. Then again, we're targeting having a draft final proposal out in early December that would be posted to our website. We wouldn't be planning to taking this to our board until after there's more action in the legislature on the regional governance proposal.

Regional resource adequacy. This is a fairly broad initiative addressing a whole host of issues. Again, this is taking our current structure and seeing what needs to change in order for this to be applied to a more regional footprint. The overall goal here was to try and devise rules that would be put in place that could ensure we could maintain reliable operations, but at the same time provide as much deference as possible to states. Again, this is not any attempt to encroach on state authority, particularly procurement authority. This is just putting in place minimum reliability requirements for capacity so that we can meet the regional grid's operational requirements. Some of the main issues that we're addressing in this initiative include resource adequacy requirements for system local and flexible requirements. System being those peak load requirements. Local, these are based on the transmission planning types of studies that we do for local areas to make sure that in the event of a contingency, in a load pocket, we have sufficient capacity there to maintain reliability. Then flexible requirements, this one that we started putting flexible requirements into resource adequacy programs a couple years ago. Right now it's fairly broad. These were meant to be interim. We're starting to look at potentially more refined requirements for that. But again, these are requirements that we need to make sure that the operational needs are secured, and offered into the ISO's market.

Next, the maximum import capability, this is also called the "MIC". This looks at the amount of transmission capacity coming in to a balancing authority area, and how we would allocate that out to load serving entities so if they can use it to meet their resource adequacy requirements. Tied to that would be then the resource adequacy requirements for imports. This would be putting in place minimum requirements for how capacity. How secure... capacity needs to be to be procured in order to count for meeting an RA requirement, if it's coming from outside of the balancing authority area. Then finally, backstop procurement provisions in the event that the ISO has not been provided sufficient capacity to meet those operational needs, putting in place very clear processes for how that would take place. Then in the event that it did, how we would allocate the costs to those capacity procurements.

The next steps on regional resource adequacy, very similar to the transmission access charge initiative. We again put out a second revised straw proposal in early October. We are looking for written comments due by October 27th. Again, we're also targeting a draft final proposal to be posted by early

December.

Lastly, the greenhouse gas regional integration initiative. This initiative is addressing policies to integrate greenhouse gas programs into the ISO market. So we have a framework in place under EIM that currently, through our market optimization, is able to account for carbon costs that are coming into California while at the same time, if those resources are in the EIM and serving load outside of California, the market optimization can differentiate between those costs. If we're looking at moving to a multi-state balancing authority area, we have to look at a couple of things. We have to look at how we could move that framework into our day ahead market, and then also look at making sure we have a structure that could accommodate other states that would also be developing their own clean power programs.

Again, hopefully they would be compatible with what California is doing. I think that would be the simplest way to do it. There is a possibility that each state could have a different type of program, which would have different type of cost, which the optimization, would then need to take that into account as to how we're actually dispatching resources, and tracking it as to which load is actually [inaudible 02:47:46]

That is an initiative that we had a... have a little detailed schedule on this one since it's really just getting underway now. We started out with a technical workshop last week where we went through a number of examples as to some of the issues we're trying to address. We're looking at stakeholder comments as a result of that workshop due on October 27th. Then based on that, we'll be planning on putting out a straw proposal on November 10th, followed by a stakeholder meeting a week later. Comments due in early December. Again, trying to have a draft plan a proposal out by the end of the year, so that these policies can have some certainty. At least what the ISO currently believes is the best policy for these issues by year end. That was all I had for today just to give you a quick update on where we are on the regional issues.

Kevin Barker:

Finish off with one additional announcement, right before we go into public comments. We receive two public comments, two blue cards that are here in the room. I did want to make a note before jumping into public comments, and closing remarks. We're going to try something a little bit different, it's with the written comments. The ISO's provided a template for stakeholder feedback for each of the papers that were presented today. If anyone would like to use them for providing feedback and comments, they'll be available on our website. If you go to the webpage for this workshop, the typical fashion of when you see "Send E-Comments" will also have the two links below, which you can use those as a template. We'll provide some additional feedback on how to use those comments and to re-iterate that comments are due on October 31st, on Halloween. So with that, [crosstalk 02:49:52]

Robert Weisenmiller:

Let's go onto public comments. Mr. Aguirre.

Michael Aguirre: In fourteen years...

Robert Weisenmiller: Start now

Michael Aguirre: In fourteen years, there will be billions for rate payers, because 56% of all renewable energy will come from outside California. ISO claims. We worry about the costs, if the out of state renewable generators misuse their market power like in 2000. When we see some of the usual suspects supporting this plan, we remember their threats when California officials struggle to stop price gouging. We will quote "turn California into Indonesia", closed quote, If California tries to take back their electricity generators. Our concerns are not lessened when it's at the behest of a for-profit corporation. We see you are not joining with states that share California's commitment to greenhouse gas reduction. We cannot believe our eyes when we see CAISO running itself to transact energy deals that are not even committed to greenhouse gas reduction. Some say your governance proposal is aristocracy. Ruled by the educated rich. Others, plutocracy. Ruled by the rich. And some plutocrats, and some plutocracy by the corrupt rich. Some say kleptocracy, which is ruled by the corrupt rich. It is not democracy, which is a system of government in which all the people are involved in making decisions about its affairs.

[02:50:51]

We are appalled by the participation of a representative of a convicted felon, PG & E, a jury found PG & E guilty of five felony counts of knowingly failing to inspect and test its gas lines for potential dangers in which people died. And for obstruction of justice. We are appalled about their participation. Another of your participants fixed the judge that heard the related PG & E case, at the CPUC. Your proposal is not gonna make it. It doesn't pass the standards that we have in California. We have so many resources here to figure out our energy future. For you to be taken over by a private corporation and used for profiteering, is astounding. I never thought in my 43 years of practicing law in California, I would ever see anything like it. But you're running out of energy, and I urge you, please, find within yourselves, that redemptive good will that says let's put this crazy idea aside, and let's come back together and figure out how we can enhance and improve our renewable portfolio standard, and move our state forward. Thank you.

Robert Weisenmiller: Thank you. Carl Zichella.

Carl Zichella: Thanks very much, appreciate the time. Appreciate the effort that's been made here. You can start me, it's okay. I just have a few points to make. First of all, I just wanted to also commend Commissioners Florio and Jones for the work they've been doing to help bring states together around how this may actually work. I think a lot of good work has been done here, and I think we've been headed in the right direction. I think there's an obvious tension between whether there's too much detail or not enough in a proposal, in many different respects. That's one we're gonna continue to struggle with. I wanted to make a

[02:53:12]

comment that NRDC has made repeatedly about transmission development and cost allocation. There's a lot of talk about whether lines could be categorized as policy or economic or reliability projects.

We've already seen at least in one other ISO, where they've treated lines that have multiple attributes could be prioritized. When they have a lot of extra benefit to the system. They can them multi value projects in MISO, for example. That these lines then could be prioritized for development. They've also withstood the cost allocation for these lines that withstood court challenges, right through the 7th circuit court of appeals, so there is a way forward here to think about it. Not to try to be too discreet about the attribution of benefits, but to recognize when there are multiple benefits to the system. I think both Nora and Dede make a similar comment. On voting, I just wanted to mention. Someone else, I didn't remember who, said the consensus voting with a fallback on the weighted voting, might be a way forward here to provide some additional confidence. It is a process we use at WECC. We've also just in reorganizing WECC's committees have recommended just exactly that process, where there's a class system of voting using the WECC classes that would go into effect if consensus couldn't be reached.

That is a good incentive for people to go forward and try to find consensus on some of these issues. I just wanted to throw that thought out there, about consensus approaches being the baseline *modus operandi*. But then, falling back on weighted voting if consensus isn't possible.

Cliff Rechtschaffen: Are you going to submit that as part of your comments at WECC two tiered structure?

Carl Zichella: Sure.

Cliff Rechtschaffen: Okay thanks.

Robert Weisenmiller: Thank you. Anyone else in the room. Then let's go to on the telephone line.

Kevin Barker: Oh okay. A reminder to hit Pound 2 if you'd like to join the queue. The phone. It looks like we don't have any right now. Okay we have no other comments, chair.

Robert Weisenmiller: Great. Okay, I'd like to thank everyone for their participation today, certainly like to thank the ISO's for moving things along with another specific proposal. I'll remind everyone that October 31st we're looking for written comments. Certainly want to thank the panelists Rebecca, for the preliminary comments on the topics. Obviously, consensus seems to be that we're making progress, although there's still a lot of detailed work to do. Certainly want to thank Jay and Sue for their update on the legislative side.

Cliff Rechtschaffen: I want to concur in my thanks. This process has worked very well to improve

these versions. So, we look forward to your continued input and feedback to continuing making it better. Thanks again.

Robert Weisenmiller: So this meeting's adjourned.