

## DOCKETED

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CALIFORNIA ENERGY COMMISSION

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Workshop )  
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REGIONAL GRID OPERATOR AND GOVERNANCE WORKSHOP

CALIFORNIA ENERGY COMMISSION  
FIRST FLOOR, ART ROSENFELD HEARING ROOM  
1516 NINTH STREET  
SACRAMENTO, CALIFORNIA

Reported by  
Rebecca Hudson

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1           Like today, there is a similar workshop in  
2 Denver on Monday. Eventually the California  
3 Independent System Operator will finalize its  
4 proposal taking into consideration the comments you  
5 provide today.

6           Before we get into details, I want to make  
7 sure people are clear on a couple of things.

8           First of all, today's workshop is not  
9 really going through a detailed assessment of the  
10 benefits. That will occur next month. The California  
11 Independent System Operator has put out a study  
12 that's certainly fairly impressive on the potential  
13 benefits, but again, that will come up later.

14           I think in the context of today's meeting,  
15 certainly we all have in mind the benefits that have  
16 been demonstrated by the energy imbalance market,  
17 which frankly, the regional market will basically  
18 take the energy imbalance market and put it on  
19 steroids. But again, I think today's discussion is  
20 to really focus on the ISO staff proposal.

21           Before we get into the details, I want to  
22 remind everyone of the big picture.

23           First and foremost, California is  
24 addressing the challenge of climate change, and  
25 that's certainly the top priority of this

1 administration. On that, back in late May the  
2 Governor, Mary Nichols and I had the opportunity in  
3 San Francisco to meet with the energy ministers from  
4 around the world at the Clean Energy Ministerial and  
5 also to meet with subnationals from around the world  
6 at the Sub Clean Energy Ministerial.

7           It's a great opportunity to have that  
8 dialog about the other participants in the U.S. and  
9 also around the world, and this was basically a  
10 follow-up to Paris. And I think it emphasizes the  
11 changes that are going on.

12           First, I would in passing I just need to  
13 remind people that looking at greenhouse gas  
14 emissions in California, transportation is the  
15 issue. It's basically double the power sector, so  
16 it's really incredible that as we talk about the  
17 power issues we don't lose sight of the big  
18 picture: what are we doing on transportation.

19           But in the power business it's a great time  
20 now, and that was certainly the message coming out  
21 from the Clean Energy Ministerial.

22           If you look at the changes in pricing on  
23 LEDs, on onshore wind mean, and also photovoltaic,  
24 it just really opens up the opportunities for the  
25 world in terms of changing the power sector and

1 basically what are called renewable revolution.

2           Having said that, it was interesting  
3 talking to our German colleagues where we have  
4 similar policies and similar issues. And actually,  
5 the way they summarized our approach was as  
6 technology focused while they characterized their  
7 approach as market focused. And again, today is not  
8 the time to get into exactly how they get to that  
9 conclusion, but it's certainly an interesting  
10 characterization.

11           Again, everyone talks a lot about the  
12 challenges of low cost LEDs, PV and onshore wind  
13 mean, but there's also been a revolution in the  
14 technology on the transmission system and the grid  
15 operation system, and that's really what this is all  
16 about.

17           If you look at the implications of sensors  
18 technology, if you look at the implications of  
19 software, synchrophasers, smart inverters,  
20 microgrids in the transmission and distribution  
21 operating systems, it just really is time to move  
22 the grid operations to the 21st Century.

23           And for those of you wedded to the 20th  
24 Century old control room, you're dinosaurs, is the  
25 bottom line, and you got to get used to it.

1           I think part of the way to think about the  
2 revolution is that my iPhone now actually has more  
3 capability than the State's mainframes had in the  
4 70's when I was first in public service. So that  
5 advance in computing power is certainly part of what  
6 allows us to talk much more about a regional grid.

7           But as you go through the technology  
8 changes, we really have to look at what it means for  
9 the physical systems, market systems, and the  
10 regulatory structure, and they have to move fast.

11           Much of California along with the rest of  
12 the west is operating under an outdated power  
13 operating system model. While much of the U.S. is  
14 already operating under modern transmission systems,  
15 in the west we still have a balkanized power  
16 operating grid made of 38 different balancing  
17 authorities.

18           For contrast, when I was in China, China  
19 has four balancing authorities.

20           Germany has four, although when I talked to  
21 them about it, they say it's an historical legacy,  
22 that they probably should only have one.

23           So again, 38 is not a magic number.

24           We just need to do better and we need to  
25 operate more efficiently the western grid, because

1 the world's changed a lot in the last 20 years and  
2 the ability to integrate and dispatch more renewable  
3 energy is at our fingertips, but we really need to  
4 deal with the operational systems.

5           When we were at the ISO symposium, again,  
6 Travis Kavulla characterizes it as IT. I mean,  
7 there's a lot of philosophical or almost religious  
8 arguments about these issues, but really we're  
9 talking about a modern IT system west-wide. And  
10 we're going to need that to deal with our 50 percent  
11 renewable goals, basically to address the greenhouse  
12 gas challenges we have.

13           It's long overdue to have this discussion  
14 of steps we need to take to modernize and integrate  
15 the physical operation of the western grid.

16           We know this approach should offer  
17 tremendous environmental benefits as well as cost  
18 savings, not just for California but for the entire  
19 west. And again, I'm pointing to that based on the  
20 energy imbalance market but we'll have much more  
21 detailed workshops on that issue at the end of next  
22 month.

23           So the question is not why we should do  
24 this but how do we approach regionalization in a way  
25 that is fair, balanced, and addresses the needs of

1 all the states involved? That's the purpose of  
2 today's discussion, and it's a huge issue. That's  
3 the purpose of this process.

4 Now, I want to emphasize this is a  
5 transparent process, directed by statutes laid out  
6 in Senate Bill 350. Everything presented at today's  
7 workshop is open to stakeholder input and feedback.

8 We're certainly looking for comments today.  
9 We're looking for written comments later. All  
10 comments we receive will be posted as well as our  
11 responses, and we encourage participation from a  
12 broad and diverse group of stakeholders. So thank  
13 you.

14 President Picker?

15 PRESIDENT PICKER: I think that you laid it  
16 out very well. I just want to thank you for hosting  
17 this workshop, and Kevin Barker of your staff for  
18 all the work that he did to put it together, and I'm  
19 looking forward to hearing panelists and public  
20 comment with great interest.

21 CHAIR WEISENMILLER: Cliff?

22 MR. RECHTSCHAFFEN: I want to thank  
23 everyone who is here and who's been working very,  
24 very hard over these last several months to help  
25 advance us in this process. People have been really

1 rolling up their sleeves and we really appreciate  
2 this.

3           This is a follow-up to the workshop we had  
4 on May 6th that the CEC and the Governor's Office  
5 sponsored. We got a lot of excellent comments on  
6 that workshop and we incorporated those into the  
7 straw proposal principles that you'll hear today.

8           It also reflects in what we've been  
9 receiving from the parallel process that's going on  
10 in meetings with other state regulators throughout  
11 the west and other governors' offices and energy  
12 advisers. There's a similar workshop in Denver next  
13 week where we're going to also hear feedback.

14           This is not the end of the process, there's  
15 going to be more public workshops, and then  
16 ultimately leading to the ISO presenting something  
17 to the Governor and presenting it to the  
18 Legislature, which in all those steps then we have  
19 additional public process.

20           So we welcome your input and involvement  
21 here and we look forward to the discussion.

22           COMMISSIONER RANDOLPH: I'll just say thank  
23 you; I'll echo the thanks in terms of putting  
24 together the workshop. I attended the May 6th  
25 workshop and it was great to get the principles

1 document because it did reflect a lot of the  
2 discussion and there's a lot of interesting concepts  
3 in here that I am interested in hearing more detail  
4 about, and so I'm looking forward to today's  
5 discussion. Thanks.

6 GOVERNOR GALITEVA: Thank you so much for  
7 holding this workshop. Again, it has been an  
8 incredible process and I'll take this opportunity to  
9 make a few comments and echo some of the words that  
10 Commissioner Weisenmiller pointed out.

11 It's true that this is really a movement  
12 toward regionalism in a context of greenhouse gas  
13 reduction, in a context of objectives of making our  
14 systems more efficient and optimizing optionalities,  
15 as our engineers used to say.

16 It's an IT solution, and as we move to the  
17 50 percent goal undoubtedly regionalism will help us  
18 get there faster, more efficiently, and more  
19 reliably, and we need to focus on making sure that  
20 we do it and we do it right.

21 This is something that, as you pointed out,  
22 is certainly prevalent in other parts of our  
23 country. The eastern part of the United States  
24 certainly has a lot of ISOs that are functioning and  
25 they are certainly underscoring the fact that more

1 renewables are being integrated into the grid.

2 Point in case. Mid American announced that  
3 they were moving toward 80 percent wind power for  
4 Iowa with a goal of 100 percent ultimately wind  
5 power for Iowa, which would not happen but for an  
6 integrated market.

7 Same thing in Europe. The Germans, of  
8 course, are very interconnected with Norway because  
9 they like to balance with Norway and their  
10 neighbors.

11 The Europeans at COP21 were actually having  
12 meetings on a single common European market with  
13 very similar issues that we're dealing with, the  
14 crux of which is governance and how do you make sure  
15 that you have equitable governance all across the  
16 states and that Poland with their coal plants is not  
17 necessarily ruling what Switzerland and Germany and  
18 Norway does, and how to you balance those interests  
19 and allow for autonomy; is it bottom-up or top-down  
20 approaches?

21 And they actually pointed out, because I  
22 participated in those hearings, that they're looking  
23 at California and hopefully trying to find out  
24 solutions from us as well.

25 Integration is happening across the board.

1 There's a single balancing of authority in Brazil as  
2 well as Argentina. They're talking toward  
3 integrating their systems so they can tap into each  
4 other's renewables and hydropower.

5           So it is a concept that is totally  
6 absolutely part of the energy revolution and part of  
7 the movement toward a technological revolution that  
8 has taken place on the IT factor as well.

9           Apart from renewables this just makes sense  
10 because taking those 38 balkanized regional  
11 authorities and making them more efficient because  
12 you have a central dispatch is going to be  
13 beneficial economically to everybody and certainly  
14 to California.

15           We know the benefits of the EIM. I  
16 participated in the transitional committee for  
17 governance for the EIM. We've kept an eye on it. The  
18 Board has been involved and briefed by staff.

19           Two of us, myself and Governor David Olson,  
20 were a part of the process, and it certainly had its  
21 stops and starts and we hit some bumps in the road,  
22 but ultimately the stakeholders worked well together  
23 and we came up with a process that has actually  
24 worked and can move forward.

25           And again, regionalism in the context of

1 what we saw in the Clean Energy Ministerial of what  
2 our objectives are pursuant to SB 350 is very  
3 important, we need to get it right. Taking the time  
4 to get it right is important, as we have, and Thank  
5 you everybody for working on it and Cliff for having  
6 all the meetings and bringing in the other states,  
7 and we want to make sure that we're here to listen,  
8 acknowledge all the comments and move forward in the  
9 best possible way keeping California's interests  
10 primarily into focus.

11 CHAIR WEISENMILLER: Thanks. So let's go to  
12 the first presentation.

13 MR. BARKER: Chair Weisenmiller, if you  
14 don't mind, can I do a few housekeeping remarks?

15 CHAIR WEISENMILLER: Sure.

16 MR. BARKER: So I'll try and be brief.

17 Just to let everyone know this workshop is  
18 being recorded. A copy of the recording will be  
19 available on the regional grid operator and  
20 governance website a few days after the workshop,  
21 and a notice will be sent to the listserv.

22 Information about this proceeding is  
23 generally sent to those who have joined the regional  
24 grid operator and governance listserve. There's a  
25 handout outside on the table in the foyer with

1 instructions on how to join the listserve. Only this  
2 listserve will receive emails on this topic.

3 The agenda for today, as you have already  
4 heard from opening remarks from our dais.

5 We will then move to a presentation from  
6 Stacey Crowley of the ISO going over the proposed  
7 principles for governance of a regional ISO.

8 We then will turn it back to the dais  
9 starting with Governor Galiteva of the ISO for  
10 comments and also for questions and comments from  
11 the dais.

12 We then have a well-balanced roundtable  
13 panel moderated by Bob Foster. That'll last for an  
14 hour and a half.

15 At that time and only at that time will we  
16 take public comment. Our public comment period, for  
17 those of you in the hearing room and if you'd like  
18 to make public comment at the workshop, please fill  
19 out a blue card. The blue cards are back there with  
20 Alana Mathews, our public adviser.

21 Each speaker will have only three minutes  
22 to make oral comments. We will have a three-minute  
23 timer on the screen for all commenters. However, we  
24 welcome written comments to our docket, which are  
25 due on July 7th by 5:00 p.m.

1           When you step up to the podium to make  
2       comments, please introduce yourself and  
3       organization, and speak directly into the podium  
4       microphone so those on WebEx can hear you.

5           During the public comment period, after  
6       stakeholders in the room have made their comments,  
7       we will go to remote participation. California ISO  
8       staff, Kristina Osborne here, she will go over those  
9       instructions shortly.

10          And then for some emergency procedures. For  
11       those not familiar with our building, the closest  
12       restrooms are directly out this door and to your  
13       left before you get to the exit.

14          We also have a snack bar located on the  
15       second floor under the white awning.

16          Lastly, in the case of an emergency and the  
17       building is evacuated, please follow our employees  
18       to the appropriate exits. We will reconvene catty-  
19       corner to this building at Roosevelt Park. Please  
20       proceed calmly and quickly, again following  
21       employees who you are with.

22          And with that, I will first turn it over  
23       for instructions on WebEx.

24           MS. OSBORNE: Thank you, Kevin.

25           My name is Kristina Osborne, I work in the

1 Stakeholder Process Group at the California ISO. I'm  
2 going to manage the web conference participation  
3 today.

4 As Kevin stated, there is a three-minute  
5 comment period that will apply to the comments that  
6 come in over the phone as well. And also a reminder  
7 to identify yourself before asking your question or  
8 commenting.

9 If you do have a question, you can enter  
10 the queue by pressing "Pound-2" on your telephone,  
11 and if you decide to lower your hand, you can press  
12 "Pound-2" again.

13 Just so you all know, there's about 130  
14 people on the web at this time.

15 MR. BARKER: Thank you. So with that, we  
16 will go to our first presentation.

17 Stacey, go ahead.

18 MS. CROWLEY: Good afternoon. This is  
19 Stacey Crowley, I'm the Vice President of Regional  
20 and Federal Affairs for the California ISO. I  
21 appreciate you allowing us to have the opportunity  
22 to present the proposed principles for regional  
23 governance of the ISO here today, and appreciate the  
24 dialog that has occurred since this began several  
25 months ago.

1           So my basic thoughts are today I'm going to  
2 walk through some of the background that got us to  
3 the proposed principles. I'll walk through the  
4 principles and then talk a little bit about next  
5 steps.

6           So some background on this effort.  
7 Certainly Chair Weisenmiller mentioned this in his  
8 opening remarks that this is in part implementing  
9 some of the details around Senate Bill 350 in that  
10 the bill outlined, as stated here on the slide,  
11 that, "It is the intent of the Legislature to  
12 provide for the transformation of the Independent  
13 System Operator in a regional organization."

14           And to do that they recognized that if  
15 there were benefits to California customers and its  
16 ratepayers, we would need to go forward with  
17 modifications to our current governance to allow for  
18 this regional ISO to take place.

19           In addition, the language of the bill asked  
20 the ISO to conduct studies of the impacts of the  
21 regional market, looking at the overall benefits to  
22 ratepayers in a certain group of categories, and  
23 those categories are listed here on the slide as  
24 well, but they include the creation of jobs and  
25 economic benefits, the environmental impacts such as

1 greenhouse gas reductions, the impacts to  
2 disadvantaged communities, and the reliability and  
3 the ability to integrate renewable energy into the  
4 system.

5           So as Chair Weisenmiller also mentioned,  
6 those preliminary results are out. It's not the  
7 topic of the conversation here today, but we do have  
8 that information posted on our website and we are  
9 getting data requests and comments back from  
10 stakeholders on these preliminary results, and those  
11 comments on the preliminary results are due on June  
12 22nd, so we look forward to comments on that.

13           So those studies indicated considerable  
14 benefits in the list of categories that the SB 350  
15 bill lays out, and we believe that those are enough  
16 to continue forward with the discussion about  
17 governance modifications, and so we're doing that  
18 here today.

19           We started that May 6th with a public  
20 workshop, and as Cliff Rechtschaffen mentioned,  
21 we've been having these parallel discussions with  
22 other state energy advisers and commissions.

23           So in addition, the SB 350 language talks  
24 about what this transformation means and some of the  
25 parameters around that, and it states that it shall

1 not alter compliance with state laws; it shall  
2 require the ISO to maintain its open meeting policy  
3 and public access to our public records; and that  
4 the transformation is voluntary for those utilities  
5 or balancing authorities that operator to do this,  
6 and it could potentially require approval from their  
7 state or local jurisdictional authorities to do so.  
8 So these are fairly obvious but they were important  
9 to mention in this bill to keep in front of mind.

10           It also states in the bill just  
11 procedurally that the ISO would present both the  
12 study results and the governance modifications to a  
13 joint agency workshop, which would include the  
14 California Energy Commission, the California Public  
15 Utilities Commission, and the California Air  
16 Resources Board, so we plan to do that here later  
17 this summer.

18           And then, as Cliff mentioned, that  
19 information would be transmitted to the Governor,  
20 and the Governor would transmit that to the  
21 Legislature.

22           So just a bit of background, and much of  
23 this was covered in the introductory remarks, but  
24 there has been stakeholder engagement with the State  
25 leadership on this topic for several months, and it

1 really began several years ago with the Energy  
2 Imbalance Market.

3           The Energy Imbalance Market was a tool that  
4 the ISO offered to balancing authorities in the west  
5 to take advantage of optimizing their energy  
6 resources within the hour; it's actually every five  
7 minutes.

8           And that is just a piece of what the ISO  
9 does, but it was essentially as we said here  
10 earlier, it's a technology tool that allows these  
11 balancing authority areas to optimize their  
12 resources, take advantage of any variations in the  
13 energy loads or demands, and do that opening and  
14 effectively with their resources as well as sharing  
15 the resources of the other balancing authorities  
16 that are engaged.

17           That triggered the need to look at really  
18 the role and the ability for the region, which now  
19 expanded with PacifiCorp and now NV Energy are both  
20 participating in this market, to look at how the  
21 region can have a voice in something that is now  
22 multi-state in its operation.

23           So the EIM transitional committee that was  
24 created through stakeholder discussion formed and  
25 created a governance proposal for Energy Imbalance

1 Market.

2           That led to a lot of the basic foundational  
3 discussions about ISO governance in general, so it  
4 talked about really how the ISO Board and its  
5 governance works now.

6           It looked at other models from ISOs and  
7 RTOs around the country. We developed a matrix of  
8 both board committee structure and their committee  
9 makeup, including state regulator bodies, in two  
10 public documents that have been posted on our  
11 website and are available for you all to review.

12           It helped the transitional committee  
13 understand the parameters and the ideas and the  
14 possible solutions to governance as it relates to  
15 Energy Imbalance Market, but we're finding that it  
16 also provided some tools and some knowledge for this  
17 discussion on the larger regional ISO governance, so  
18 I think a lot of that groundwork was done and done  
19 well by the transitional committee and the work that  
20 was done there.

21           Also, when it came to development of these  
22 proposed principles, they largely came from the work  
23 and the discussions from others around the west that  
24 have engaged in this conversation.

25           In part, this whole concept of regional ISO

1 governance modifications not only came from the  
2 passage of Senate Bill 350, but it came from the  
3 interest of a balancing authority in the west to  
4 look at integrating their grid with the ISOs, and  
5 that was PacifiCorp, and they announced their  
6 interest in pursuing this in April of 2015 by  
7 signing an MOU with the ISO.

8 In addition, they released a gross benefits  
9 analysis of the potential for this integrated  
10 market, and they did that in October of 2015, and  
11 that, again, revealed some considerable benefits to  
12 both their customers and the ISO. And so that kept  
13 them engaged in wanting to move forward, which also  
14 was supported by Senate Bill 350 and the work that  
15 we need to do there.

16 As Cliff mentioned, there have been ongoing  
17 conversations with state energy advisers, governors'  
18 offices, and western state regulatory commissioners  
19 for quite a while.

20 In fact, the utility commissioners  
21 developed a committee under the Western Interstate  
22 Energy Board to look at energy imbalance and the  
23 governance issues there.

24 They have continued to develop  
25 relationships among themselves and really work quite

1 diligently on looking at the components of  
2 governance for a regional ISO that are important to  
3 them, and they have developed papers on that as well  
4 as some continued dialog on this going forward. They  
5 really, as Cliff said, rolled up their sleeves and  
6 are wanting to find areas of agreement.

7           And as we discussed on May 6th, there were  
8 other papers that discussed concepts and principles  
9 around regional ISO governance.

10           There was a paper sponsored by the Hewlett  
11 Foundation that Ron Binz presented that laid out a  
12 scenario or some ideas around regional ISO  
13 governance.

14           The utility commissioners themselves put  
15 together some principles.

16           Members of the public power community put  
17 together some principles.

18           And since May 6th, NRDC has put together a  
19 paper, a really informative paper on structures of  
20 ISO governance and possible questions and analysis  
21 around that as well.

22           So a lot of folks have given this thought  
23 and we think that we represented a lot of the common  
24 components of governance principles into this paper.  
25 And really, it's our way to start to get feedback on

1 these.

2           And we know that it's not perfect, we know  
3 that it needs some of your input and thoughts and  
4 feedback, but it's a straw proposal and that's what  
5 straw proposals do; they elicit the comments and the  
6 conversation.

7           So I'm repeating myself a little bit, but  
8 this proposal does follow on the May 6th workshop. I  
9 think that was an important step to lay out the  
10 variety of conversations of principles either  
11 written by others or thought by others, and so we  
12 had the authors of some of the papers present at  
13 this May 6th workshop and we had a panel of experts  
14 discuss and react to those papers, and I think that  
15 was very well received.

16           We had great attendance both in person and  
17 on the WebEx, and we received over 20 comments in  
18 writing and have reviewed those and used those to  
19 some extent in the development of these principles.

20           So to get to the proposal itself. It's not  
21 a very long proposal because it is considered  
22 principles and they are high level although detailed  
23 enough to provide some assurances about the  
24 direction that these principles are going. But  
25 again, it's an opportunity to elicit some feedback.

1           There are eight really categories of  
2 principles that we developed, and they're on the  
3 screen and I'll walk through each one of them to  
4 some level of detail and then we can certainly open  
5 it up for questions.

6           So an initial concept that was just sort of  
7 overarching is the idea that the details of  
8 governance -- these are principles -- but the  
9 details of governance should be worked out through a  
10 transitional committee that's made up of a broad set  
11 of stakeholders. And that can be similar to the EIM  
12 transitional committee; it can be a forum for public  
13 discussion about the details of governance.

14           But we know that we need to have these high  
15 level principles, one, for any potential  
16 legislation, and two, to give the transitional  
17 committee some direction. And we know that these  
18 principles need to be upheld as this transitional  
19 committee gets developed and looks at the details  
20 further down the road.

21           It should be, again, made up of a broad set  
22 of regional perspectives. We don't detail what that  
23 looks like in this proposal but we're looking for  
24 your feedback on what that looks like, the size and  
25 the makeup of that transitional committee.

1           And we know that in general it should have  
2 broad stakeholder and probably state regulatory  
3 participation in that, and we look forward to again  
4 comments and details on that.

5           We want the committee to work fairly  
6 quickly. We want this to be something that can be  
7 brought forward in the work that PacifiCorp is doing  
8 with their regulators. We want to make sure that  
9 there is some surety around governance as they look  
10 to get approvals through their state regulatory  
11 bodies to join the ISO, and we know that there's a  
12 timeline associated with that to get engaged as soon  
13 as possible. And ultimately, what the committee  
14 develops will be approved by the ISO Board and would  
15 be implemented thereafter.

16           The key principle that we heard from  
17 written comments and verbal comments and along the  
18 road is that the preservation of state authority is  
19 really key to ensuring that a regional ISO can  
20 acknowledge, respect, and adhere to the state  
21 policies, each state that is within the ISO  
22 footprint.

23           And so that means, and this is how the ISO  
24 works today within the boundaries of California,  
25 although I will mention that there's a small part of

1 Nevada that's within our ISO footprint. Valley  
2 Electric is a small co-op that is served by the  
3 California ISO.

4           That each state would retain its  
5 traditional authorities over procurement, energy  
6 policies, and resource planning, as they do today,  
7 and that would not change in this regional ISO  
8 context.

9           And as it stands today, the ISO, while it  
10 engages and collaborates with the state agencies on  
11 these topics. It really only reviews those elements  
12 for reliability concerns to make sure they're  
13 aligned with the work that we do to maintain  
14 reliability and operations of the grid. So that  
15 again would not change.

16           And I think it's important to recognize  
17 that every state had the same need, and I think as  
18 other multi-state ISOs do, they acknowledge and  
19 respect the state procurement and energy policies.

20           So to continue on to this subject. We  
21 propose that the governing documents will really  
22 document that concept and that it will prevent the  
23 ISO from adopting policies that diminish state  
24 authority in any way that they have now, and it  
25 would require some significant approval to change

1 this in our bylaws when we consider putting this  
2 into the ISO bylaws.

3           Also, this was discussed often in our  
4 conversations with other states, is that there is  
5 this notion that a capacity market could exist, but  
6 the ISO would never propose or endorse a capacity  
7 market, and this would be up to the states to  
8 determine.

9           Another important topic that was discussed  
10 was the idea of, in the case of California,  
11 maintaining its ambitious greenhouse gas emissions  
12 goals, and I think that's an important element to  
13 note in ISO governance.

14           And what we would do, the ISO would develop  
15 a transparent methodology to track greenhouse gas  
16 emissions as they would come into the California and  
17 either be attributable to California load or state  
18 resources that serve California load.

19           Now, we do this now with the Energy  
20 Imbalance Market. We created a methodology and a  
21 tracking system that essentially creates a bid at or  
22 to any resource that has greenhouse gas emissions  
23 and that wants to serve California. So there's a way  
24 to track the energy that is imported into California  
25 in the Energy Imbalance Market in terms of its GHG

1 component.

2           And I think that same or similar  
3 methodology could be utilized in a full regional  
4 ISO. Our team would be committed to developing such  
5 a methodology and make sure that it was transparent  
6 for folks to understand.

7           And we understand that there's a lot of  
8 environmental regulations that other states have,  
9 and we also have the Clean Power Plan that sort of,  
10 you know, I'm sure at this point but we think that  
11 the regional ISO could also facilitate opportunities  
12 for states to comply or work with our methodology,  
13 work with our tools to help them comply with their  
14 environmental regulations, whatever they may be.

15           We'll note that the EIM bid adder and the  
16 methodology to track that has yielded results that  
17 in the last six months zero coal has been imported  
18 into California through the EIM market. That's  
19 something we post monthly on our monthly market  
20 reports.

21           And in those same months the majority of  
22 the energy that's been imported into California has  
23 been renewable energy. So we are able to now start  
24 to track that and understand how successful the  
25 Energy Imbalance Market is and really what resources

1 are being utilized in that way.

2 Another key principle was that  
3 participating transmission owners must have a clear  
4 understanding of their ability to withdraw from the  
5 ISO.

6 I'll note that the ISO currently has a  
7 provision for all transmission owners that they can  
8 exit with two years' written notice. It's very  
9 simple, and I think other states and balancing  
10 authorities want to know that something similar  
11 would be the case with a regional ISO.

12 So I think any change to that would need to  
13 go through a public process and then have to be  
14 principled in its thinking, but we certainly  
15 understand that every transmission owner would need  
16 to understand and have a clear path to exiting  
17 should they so decide.

18 And also we heard that that might occur  
19 through direction from their state or local  
20 regulatory authority, so that would need to be  
21 respected as well.

22 So the idea of developing a regional ISO in  
23 terms of governance sort of yields -- we have a  
24 current board now that is selected and appointed by  
25 the California Governor and confirmed by the State

1 Senate.

2           How do we transition from that to something  
3 that is more regional in nature?

4           So the proposal here is that there be an  
5 initial board that sort of allows the current board  
6 to stay in place. They have the institutional  
7 knowledge and the understanding of what's going on.  
8 But bring in other state selected members to serve  
9 as an initial board.

10           So the way we're proposing it is to have  
11 our five member board and it would be joined by four  
12 new members selected by other states. Now, that  
13 selection process is not defined in these  
14 principles, but something that we know we need to  
15 discuss.

16           Also, the initial board would start when  
17 governance documents are adopted by the ISO.  
18 Essentially that would be the trigger event to begin  
19 this initial board to start the process.

20           And also important to note is that the  
21 California board would constitute -- the members of  
22 that board would constitute a majority for a certain  
23 transition period.

24           And again, we weren't specific on the  
25 transition period, but again, that would be

1 something to be discussed both in stakeholder  
2 comments and through the work of the transitional  
3 committee.

4 And finally, new board members, the  
5 selection process for after this initial board would  
6 be implemented over time. It could happen such that  
7 the initial board terms would expire and a new board  
8 would be brought in as those terms expire.

9 There are several ways to do this, we know.  
10 Ron Binz in his paper talked about a bicameral board  
11 as a transition. We know there are several ways to  
12 do this. This seemed to be the most straightforward  
13 in the proposals that we've seen.

14 Then after the initial board was created  
15 and their terms started to expire, there would be a  
16 new nomination and approval process for the ongoing  
17 board that would be developed by the transitional  
18 committee.

19 And I guess first we would look to the EIM  
20 governing body process as a model, as a good  
21 template to consider. It was, as Governor Galiteva  
22 mentioned, it was a good process and I think our  
23 board is still considering its candidates for the  
24 first EIM governing body members, but we think that  
25 the process itself was good, robust, and allowed for

1 a lot of stakeholder input. So that's a good process  
2 at least to consider as a template.

3 And in that process, as we're suggesting  
4 here, that process should include a lot of  
5 stakeholder input and a role for the states in that  
6 nomination and approval process.

7 And I think we received a lot of comments  
8 and I think most all of them were supportive, but  
9 not all, were supportive of the fact that the board  
10 would be an independent board, a board that was  
11 selected by stakeholders but they had no financial,  
12 I think in a lot of cases, or political connection  
13 with either market or elsewhere. And we also have  
14 FERC independence requirements to make sure that we  
15 adhere to.

16 And the nomination and approval process  
17 again is something that there's many ways to do  
18 that. We didn't propose anything specific here.  
19 There's certainly the nomination process that the  
20 EIM governing body went through.

21 There's something that could involve states  
22 in the approval process where a stakeholder  
23 nominating committee could develop something and the  
24 states could have a role in approving that. But  
25 again, we look forward to your comments on that.

1           Another key element of the principles was  
2 to really define the role for state regulators in  
3 the regional ISO context. And as I stated earlier,  
4 there are a lot of examples of this happening in  
5 other multi-state ISOs around the country.

6           Stakeholders have seemed to find both the  
7 MISO, the Midcontinent ISO, as well as the southwest  
8 power pool models to be most similar, or at least  
9 most attractive in the context of a regional ISO  
10 here in the west.

11           So stakeholders. State regulators have  
12 really done their research on what those bodies  
13 within MISO and SPP do, and I think have really  
14 formed the basis for a lot of the principles that  
15 we're suggesting here.

16           Both of those entities in MISO and SPP,  
17 they have a body of regulators that is incorporated  
18 essentially as a separate entity from the ISO, but  
19 they have a very tight relationship with the ISO.

20           We are proposing that one regulator from  
21 each state in the regional ISO footprint would serve  
22 on that body, and that there would be a seat for an  
23 individual from a publicly owned utility that would  
24 have a non-voting seat on that body.

25           And there was some discussion in the EIM

1 governance context that really tried to look at the  
2 public powers role in this when they're not  
3 jurisdictional to their state regulators.

4 And that this body would have primary  
5 authority over certain specific policies,  
6 initiatives that would be further defined by the  
7 transitional committee.

8 And again, we use the SPP and MISO models  
9 as an example, and the discussion amongst western  
10 states was that they really thought that some of  
11 these components were very important to have a  
12 regional regulator's voice in. Primarily the  
13 transmission cost allocation and aspects of regional  
14 resource adequacy to the extent that they are of  
15 common interest among the western states. And I  
16 think the details of that need to be determined and  
17 we look forward to stakeholder comment on that.

18 And the idea of how these states would make  
19 decisions was also discussed, and I think in Ron  
20 Binz's paper as well as Commissioner Mike Florio's  
21 paper, the idea of a voting rule that is similar to  
22 a voting rule for WIRAB -- and I always forget what  
23 that acronym spells out, but it's a western sort of  
24 energy reliability board that serves to be an  
25 advisory committee to the Western Electric

1 Coordinating Council.

2           They have a voting structure that we're  
3 using here or suggesting here that a positive vote  
4 would require a majority of the members of the body  
5 as well as members representing at least the  
6 majority of the load in the footprint. So it's sort  
7 of a dual voting system that ensures that no one  
8 state would have total control and that there would  
9 be an acknowledgement that these states would have  
10 varying sizes in terms of their load.

11           To go on with the body of regulators. We  
12 think that matters where this body had primary  
13 authority, the regional ISO would need to obtain  
14 approval before they would make a filing at FERC,  
15 and it may only file the body's proposal.

16           So it's really meant to say that the state  
17 regulators would have a significant voice in shaping  
18 policies on those specific items that I mentioned  
19 before it could go be filed with FERC.

20           There are exceptions that we need to note,  
21 that if there are things either in an emergency  
22 capacity or a way that could affect reliability, we  
23 would need to take action, the ISO would need to  
24 take action quickly.

25           And if there were an event where the super

1 majority of the ISO board thought that a proposal  
2 from the state regulators proposed something that  
3 could undermine reliability, that both proposals  
4 could be put forward.

5           There are a lot of details to work out on  
6 this but it's something that the state regulators  
7 have had a lot of discussions on, and again we look  
8 forward to your thoughts and comments on that.

9           So we also acknowledge that there might be  
10 other components of our current governance structure  
11 that may need to be reviewed. We've suggested a few  
12 here. The transitional committee could consider  
13 these items as they're looking at governance in more  
14 detail.

15           They include any process improvements that  
16 the new ISO would undertake that could facilitate  
17 the broader participation that it will see.

18           It could include the development of a  
19 formal stakeholder committee that has been suggested  
20 in many of the papers that we saw.

21           And it could also look at the creation of  
22 any funding mechanism to support consumer advocates,  
23 that was a comment that we also heard.

24           I would note that many stakeholders in  
25 their comments supported the current ISO process,

1 but again, once we get into a larger regional  
2 picture, we know that those things might need to be  
3 revisited.

4 So those are the elements of the proposal.  
5 Certainly we look forward to hearing from the panel  
6 today and the comments that were received here today  
7 and public comment or written comment.

8 I wanted to just note these are some  
9 upcoming dates that might be of importance in this  
10 process. Several of them are just targets, we don't  
11 have any definite times on these, but we wanted to  
12 at least spell out the next steps in our minds.

13 Observed we'll present this here today and  
14 as well in Denver on Monday. We're asking for  
15 comments by July 7th through the CEC docket process.  
16 And then the ISO would take those comments that we  
17 heard and revise our proposal tentatively to post  
18 around July 19th.

19 And this is in anticipation of the joint  
20 agency workshop that I mentioned earlier, which  
21 essentially helps comply with the steps laid out in  
22 SB 350 where both governance modifications and the  
23 study results from our work with our consultants  
24 would come together and be presented in front of the  
25 CEC, CPUC, and the Air Resources Board. And then, as

1 the bill states, we would submit this to the  
2 Governor, and then they could submit it on to the  
3 Legislature.

4 We have an email for anything related to  
5 regional integration, and that's here at the bottom  
6 of the page. We encourage folks at any point along  
7 the way if they have questions they can always ask  
8 us through that venue and submit comments through  
9 the CEC docket.

10 I posted here just a few reference items  
11 that folks can go to all on the web. The California  
12 Energy docket as well as the Senate Bill 350 that  
13 has all the detail language, and just some facts off  
14 of our ISO website.

15 And our ISO website does have a variety of  
16 information about all of our stakeholder processes  
17 and any meetings that we have regarding this  
18 subject.

19 That concludes my presentation.

20 CHAIR WEISENMILLER: Thanks, Stacey.

21 So from the dais, any questions for Stacey  
22 first, and then -- I'm fine.

23 MR. RECHTSCHAFFEN: Do you want to have  
24 Angelina comment?

25 CHAIR WEISENMILLER: Angelina, yes.

1           MR. RECHTSCHAFFEN:   Okay, so I have a  
2 couple of questions.

3           Stacey, if you could go back up just a  
4 couple of slides. That slide. The second exception,  
5 there's some more discussion in the proposal about  
6 process that would precede a step like that. I'm  
7 wondering if you could articulate what that would  
8 be, there's an attempt to resolve this body of state  
9 regulators before the ISO board would go ahead and  
10 submit a complementary or a companion proposal.

11          MS. CROWLEY:   Yes. Thank you, Cliff.

12          The idea is that we really give the body or  
13 regulators full opportunity to come to a decision. I  
14 think, one, there might be disagreement within the  
15 committee itself, but then there might be  
16 disagreement between the committee and the ISO  
17 itself. But I think we want to offer somehow in the  
18 bylaws and makeup of this body the real opportunity  
19 to resolve those conflicts in a way that allows them  
20 some time.

21          So I think we note these here. Those are  
22 sort of more extreme cases, but we know that in  
23 practice we want to reach consensus. I think that's  
24 the common goal.

25          We've heard from SPP and MISO that in fact

1 they really never had a disagreement between their  
2 regional state committees and the ISO in terms of  
3 submitting things, but the opportunity is there and  
4 we want to have a mechanism to allow some sort of, I  
5 wouldn't call it mediation but sort of conflict  
6 resolution period, and I'm not recalling if we were  
7 specific there or not but that was the intent.

8 MR. RECHTSCHAFFEN: Okay. Then the second  
9 question is the proposal doesn't speak to the role  
10 that states might have in nominating board members  
11 once there's a permanent board. So I'm wondering if  
12 you have any thoughts about what role the states  
13 might have on a permanent basis going forward in  
14 nominating board members on a nominating committee  
15 or whatever.

16 MS. CROWLEY: Yeah, certainly I think  
17 there's a few ways to do that. We certainly looked  
18 at the variety of ways that other ISOs do this and  
19 other regional boards.

20 You could have sort of a sector stakeholder  
21 group such as we do now with our board nominating  
22 process and that the EIM governing body process has,  
23 where you have sectors look at a pool of candidates,  
24 sort of narrow it down, and then propose a slate.

25 That slate could be reviewed and approved

1 by some state representatives. So that's one way of  
2 looking at it, whether they're appointed or somehow  
3 they could either be appointed by the state Governor  
4 or they could be the body of regulators, and there's  
5 a couple of ways you could do that.

6 But certainly there could be a significant  
7 role for the states in approving either a slate or  
8 helping select the slate of candidates for this  
9 board. I think it's really something that we hope to  
10 seek feedback on, but we think that the states could  
11 have an approval role in this process.

12 MR. RECHTSCHAFFEN: Thanks.

13 COMMISSIONER RANDOLPH: I have a question.  
14 On this same topic, the sort of the backstop for  
15 reliability issues. Do you anticipate that the  
16 transitional committee would as part of its process  
17 further define what the standard is for when  
18 reliability would be determined to be imminently  
19 threatened, or would that be more of a case by case  
20 determination that the new ISO would make in  
21 coordination with the state regulators as part of  
22 that dispute resolution process you were just  
23 talking about?

24 MS. CROWLEY: Well, I might look to our  
25 legal team to address this, but in terms of the

1 reliability component, we have obligations under  
2 NERC, the North American Energy Reliability  
3 Corporation or organization and other operational  
4 duties. So I don't know those specifics but I think  
5 that there might be some things that through FERC  
6 and rulings that they've made on previous issues  
7 like this have more to say about this, but we would  
8 certainly want to work with the transitional  
9 committee to look at those details and where the  
10 scope could be discussed or where it's somewhat set  
11 by FERC or NERC compliance standards.

12 I'm not sure if I addressed that.

13 CHAIR WEISENMILLER: I was going to ask if  
14 your attorneys want to make any comments at this  
15 time?

16 MR. GROSS: Hello, I'm Burt Gross, I'm an  
17 assistant general counsel at the ISO. I would just  
18 point out that I think there are definitely some  
19 reliability standards that NERC promulgates and if  
20 we were to be in a position where we were imminently  
21 about to violate some sort of a standard of that  
22 type, that would be one situation where we would be  
23 in that potentially in that exception.

24 Might not necessarily be the only  
25 situation, there could be other situations where

1 reliability is threatened but a reliability standard  
2 is not actually directly at play, so those are  
3 issues that would need to be developed in more  
4 detail at some point, and quite possibly in the  
5 context of the transitional committee.

6 CHAIR WEISENMILLER: Okay, thanks.

7 PRESIDENT PICKER: So in the proposed draft  
8 on Page 2 under preservation of state authority, a  
9 statement that this will include a provision that  
10 prohibits ISO from proposing or endorsing any  
11 centralized market for procurement of electric  
12 capacity projects. So I'm just curious as to whether  
13 you believe that the record elsewhere has bookmarked  
14 what's included and what's not included, or whether  
15 that's something that'll be left to establishment of  
16 bylaws and the process that evolves through  
17 establishing governance.

18 I'm concerned that we not inadvertently  
19 preclude procurement of ancillary products and  
20 forward commitments of ancillary products like  
21 ramping or load following or other important  
22 qualities that relate to reliability.

23 MS. CROWLEY: Thank you, President Picker.  
24 I'm going to have Keith Casey address that for the  
25 ISO.

1 MR. CASEY: Thank you. Keith Casey,  
2 California ISO. Our intent in this language was  
3 really to cover the year ahead, multi-year ahead  
4 centralized capacity market that you have in the  
5 eastern ISOs.

6 Frankly, there's probably an opportunity to  
7 further clarify that language and maybe that is  
8 something the transitional committee could help make  
9 clear, because we really wanted to limit it to that  
10 longer term procurement through some sort of a  
11 centralized auction type process.

12 PRESIDENT PICKER: Okay. And just for my  
13 edification, Page 4, composition of the regional ISO  
14 board, third bullet references the regional board,  
15 all of whom must meet FERC requirements for  
16 financial independence. Could somebody just quickly  
17 sketch those out for me since I'm not always  
18 familiar with them?

19 MS. CROWLEY: Sure.

20 PRESIDENT PICKER: I have a sense how we  
21 define independence here for California's  
22 definition. Is it fairly similar? Are there other  
23 features that I'm not acquainted with?

24 MS. CROWLEY: Yeah, I'll have Dan  
25 Shonkwiler respond to that from the ISO.

1 MR. SHONKWILER: Hi, Dan Shonkwiler, an in-  
2 house attorney from the ISO.

3 FERC's financial requirements for  
4 independent directors are spelled out in their  
5 regulations, but essentially they prohibit an  
6 independent director from having a financial  
7 interest in a market participant in that market.

8 And so we implement that currently at the  
9 ISO is we have a list of publicly traded companies  
10 and private companies that are investors and our  
11 employees can't invest in.

12 But generally, yes, the requirements are  
13 generally similar to the requirements that apply  
14 elsewhere.

15 PRESIDENT PICKER: And how do you screen  
16 for that in the selection process?

17 MR. SHONKWILER: I'll give you an example  
18 from the recent selection process for the EIM  
19 governing board that Governor Galiteva mentioned.

20 Generally the search firm and the  
21 nominating committee identify candidates. They  
22 explain those requirements. And when the candidates  
23 aren't clear whether they can satisfy those  
24 requirements, they share -- that information gets  
25 shared with ISO legal and we help them apply the

1 criteria and tell them whether or not they can  
2 satisfy the requirements.

3 And a part of that is in some cases a  
4 decision that a candidate is willing to divest of an  
5 investment or an affiliation that they have where  
6 they would cede it if they were chosen.

7 PRESIDENT PICKER: Thank you.

8 CHAIR WEISENMILLER: I'm just going to ask  
9 one question which again is probably maybe the next  
10 level down, but when we're talking about the  
11 relationship between the body of state regulators  
12 and the ISO board with Commissioner Florio the last  
13 time.

14 The question I asked him was, if there  
15 could be a mechanism where if the regulators could  
16 not agree by a given time with some degree of  
17 latitude that by a certain board meeting they'd have  
18 it carry over to the next one, but if they could not  
19 agree at some point the ISO board would just have to  
20 move forward.

21 I notice that's not in here. I guess I'm  
22 just trying to understand the logic a little bit.

23 MS. CROWLEY: Yes, I think there's  
24 certainly a need to keep certain policies moving  
25 forward, especially if they impact market

1 participants in a way that negatively impacts them  
2 in some way, so I think there would need to be some  
3 provision about the timeframe in which a stalemate  
4 or some sort of indecision could be made.

5 I think, again, you could call it conflict  
6 resolution or mediation, but something that got them  
7 to a decision, or at a certain point something would  
8 trigger just the ISO coming to a decision for them.

9 CHAIR WEISENMILLER: Yeah, I think  
10 Commissioner Florio and our assumption is by having  
11 that sort of mechanism you force the regulators to  
12 work through their differences and come to a  
13 decision. And again, you obviously have some  
14 latitude on time to give them a little more time to  
15 make it.

16 Anyway, anyone?

17 PRESIDENT PICKER: We never have a hard  
18 time making a decision, we just take several years  
19 to do it.

20 MR. RECHTSCHAFFEN: You're now going to be  
21 the new ISO board.

22 CHAIR WEISENMILLER: Okay. So Governor  
23 Galiteva, you want to say a few words?

24 GOVERNOR GALITEVA: I'm just going to say a  
25 few words. I made most of my comments at the

1 beginning.

2           The ISO board is very involved in the  
3 process and keeps a close eye and has an oversight  
4 in what's happening. I just want to point out that  
5 Governor Mark Ferron is on the line and available as  
6 well, and that in Denver we are going to have  
7 Governor Ash Bhagwat in person in the capacity that  
8 I'm in over here.

9           So we want to make sure that we preserve  
10 California's authority and ensure that our energy  
11 climate efficiency and greenhouse goals remain  
12 intact and front and center.

13           As a matter of fact, we want this process  
14 to help facilitate the transition to more electric  
15 vehicle transportation as well as switching and  
16 transitioning to more renewable fuel. So this is a  
17 process that we want to make sure facilitates the  
18 greenhouse gas objectives that our state has  
19 outlined and has so prominently supported at the  
20 COP(inaudible) and with the Under 2 MOU.

21           I also would like to point out the fact  
22 that we do have 38 balancing authorities in the  
23 west, it is a big void. There have been overtures  
24 made by other ISOs to come into this market and  
25 consolidate balancing authorities. It's a logical

1 efficient step to take, as was pointed out by  
2 Secretary John Laird who said this is a void that's  
3 got to be filled. Who's going to step up to the  
4 challenge; is it going to be California or somebody  
5 else?

6           So it's an opportunity for us to take a  
7 leadership role, to build bridges with our  
8 neighbors, and to make sure that we have the best  
9 solutions, because as the California ISO we've  
10 invested a lot of effort into having this phenomenal  
11 IT solution and we want to make sure that it  
12 benefits our neighbors as well, and of course  
13 environmental justice issues, environmental goals,  
14 jobs, economic development in California, and what  
15 the studies show is also going to be a positive  
16 economic impact to our economy actually does happen  
17 and will work.

18           All of us on the board together with the  
19 stakeholders, if anything compared to the EIM, we  
20 will have an oversight role over there too and make  
21 sure that we keep a close eyes on the process and do  
22 our best to achieve the objectives as outlined.

23           CHAIR WEISENMILLER: Great, thank you.

24           So let's transition to the roundtable  
25 discussion.

1           MR. BARKER: If the panelists can come up  
2 to the podiums. We'll turn the nametags around so  
3 you can see where you're sitting.

4           MAYOR FOSTER: All right, I assume the  
5 housekeeping's done.

6           CHAIR WEISENMILLER: Yeah, I was going to  
7 say, certainly.

8           Good afternoon, Governor, Mayor Foster.  
9 Thanks for agreeing to serve as moderator.

10          MAYOR FOSTER: Thank you, Mr. Chairman.  
11 It's hard to have my name associated with  
12 moderation, but what the hell.

13          I'm Bob Foster, I'm a lot of former things,  
14 but former chair of the Independent System Operator  
15 and I'm going to moderate this panel today.

16          I've talked to most of the panelists  
17 directly or indirectly about this presentation. The  
18 goal here today is to try to have each and every one  
19 of you in your presentations touch on, even lightly,  
20 at least all of the eight points that are raised in  
21 the principles, so I'd urge you to do that.

22          I do know from comments that I've received  
23 from panelists that of particular import is the  
24 state body and its relationship to the future board,  
25 the independence of that future board and what that

1 means. Those seem to be areas where a lot of issues  
2 have been raised, so I think almost everyone on this  
3 panel has some comments along those lines. But  
4 during your presentation I would urge you to try to  
5 touch on all eight points.

6 We have what some would call a  
7 distinguished panel. It's Dede Hapner, who is the  
8 Vice President for FERC and ISO Relations at Pacific  
9 Gas and Electric;

10 Tony Braun, President of Braun Blaising  
11 McLaughlin and Smith;

12 Allison Clements, the Director of  
13 Sustainable FERC Project for the Natural Resources  
14 Defense Council;

15 Matt Freedman, who's a staff attorney with  
16 the Utility Reform Network;

17 Marc Joseph with Adams, Broadwell, Joseph  
18 and Cardozo;

19 Rachel Gold is the Policy Director of  
20 Large-Scale Solar Association;

21 Sekita -- I hope I pronounced that right --  
22 Grant with the The Greenlining Institute;

23 And Mark Smith, who's the Vice President of  
24 Governmental Relations for Calpine.

25 We'll start in that order, if you don't

1 mind. We'll go with Ms. Hapner.

2 MS. HAPNER: Thank you. Thanks for the  
3 opportunity to be a panelist again on these very  
4 important topics. I will briefly touch on all of  
5 these at Mr. Foster's request, but I am most  
6 prepared to talk about some more than others, and I  
7 suspect from our call as a group that other  
8 panelists will be somewhat similarly situated.

9 I do come to this panel and this effort  
10 with a long history with the formation of the ISO  
11 and having been on the Board of Governors with the  
12 ISO prior to the change that required gubernatorial  
13 appointments and a much smaller board and Senate  
14 confirmation.

15 So I'm very invested both personally and on  
16 behalf of PG&E in the success of the ISO and our  
17 commitments in California to a clean energy future  
18 that will likely go well beyond the 50 percent  
19 current RPS.

20 With respect to going through the topics  
21 that were covered very ably by Stacey Crowley, the  
22 preservation of state authority, I think, is a  
23 foundational principle that the ISO currently  
24 adheres to and should be the basis for an expanded  
25 regional ISO.

1           As Stacey mentioned, we have this codified  
2 in our bylaws and tariffs that have been filed with  
3 FERC, as well as some elements that were in the  
4 legislation and continue to be in the requirements  
5 in SB 350, so I think this is absolutely the price  
6 of entry for not just California but for the other  
7 states that are contemplating this kind of move.

8           I would note in this section and other  
9 sections we refer very often to the bylaws and  
10 changes in the bylaws. We can have a streamlined set  
11 of bylaws, which I think is what we have right now.  
12 But in terms of any changes that we might make or  
13 expectations we might have, those would come in the  
14 form of tariff amendments that would be approved by  
15 the federal regulatory commission, which is the  
16 jurisdictional entity for the high voltage  
17 transmission system. So I'm not going dwell on that  
18 section. I think it's the right way to go.

19           Greenhouse gas accounting. I think this has  
20 been an issue that came up clearly in our EIM  
21 discussions and we resolved it. Whether that is  
22 enough for an expanded discussion in these areas, I  
23 think that remains to be seen.

24           There is a stakeholder process that has not  
25 yet begun on just this issue, and I expect that will

1 add significantly to this discussion and the  
2 commitments that were made and expectations that  
3 Governor Galiteva mentioned earlier.

4           Transmission owner withdrawal. As Stacey  
5 said, there is a current provision for withdrawing  
6 from the ISO with two years' notice. I think that an  
7 option for withdrawal makes sense.

8           I think we need to think about both some  
9 costs that may or may not go along with that. We're  
10 in a different time than we were when the ISO went  
11 live in 1998, and criteria. This should not be  
12 something that any state or utility takes on  
13 lightly.

14           Transitional committee. I'm very supportive  
15 of a transitional committee. This may be because I  
16 thought that as a transitional committee for EIM we  
17 worked very successfully. We were all nominated by  
18 our sectors, but everyone in the room knew that we  
19 had to operate as one team, and we did. I think that  
20 is a good model for going forward.

21           I do think, though, transition and  
22 implementation need to be thought out, because this  
23 is a fast pace and one of the concerns that I think  
24 many of us have had with the ISO process is it's a  
25 very fast pace. So if we're going to put any weight

1 into this kind of effort, which would be a much  
2 broader effort than even the EIM was, I suspect, we  
3 have to make sure that we provide enough time for  
4 the board to do its job and for stakeholders to have  
5 many bites at the apple in terms of their input.

6           The initial board and transition period,  
7 this is a process that we thought about in great  
8 detail for the EIM governing body. I think it makes  
9 a lot of sense that there be some kind of  
10 transition.

11           I guess my one caveat on that is that I  
12 think it's important for California and the other  
13 states to get to the new reality as soon as  
14 possible. So I think to facilitate that in such a  
15 way that we move quickly beyond political  
16 appointments and have a genuine stakeholder process  
17 with an overall board of governors that represent  
18 the region, so much the better.

19           We have a lot to do as a region and a lot  
20 to work out, and so some timing, some orchestration  
21 and a little more meat on the bones, I think, in  
22 this area would be helpful.

23           I'm trying to speed talk here.

24           With respect to the composition of the ISO  
25 board, same kind of comments. I don't know where

1 nomination versus approval cross over, and I'd like  
2 to hear the input of the other panelists as well as  
3 stakeholders that will want and need to weigh in on  
4 this.

5           It may be very difficult to move beyond a  
6 temporary board where people get comfortable in  
7 their roles, so again, I think the composition  
8 should be as regional as possible as soon as  
9 possible.

10           And there were many models that were  
11 discussed in our last panel that have various checks  
12 and balances for size, load, etcetera, and I think  
13 they're all great places to start the discussion.

14           With respect to the body of state  
15 regulators. This is one where the work, I think,  
16 really needs to be at the principle level to get  
17 buy-in. And I think it's important to think about  
18 what are the most important activities for this  
19 board and which activities are already in the  
20 context of other ISOs and RTOs and will be  
21 acceptable in tariff filings at FERC.

22           So a couple of areas just give me pause at  
23 this stage.

24           I know we are at the principle level, but  
25 I'm a little bit concerned about the elements of

1 transmission planning and allocation that may be an  
2 overpromise on the part of this proposal. I think we  
3 really need to look carefully into that.

4 I would not want to see an ISO that just  
5 runs the system and doesn't have a planning process  
6 and a transmission cost allocation, as controversial  
7 as that is, and it's extremely controversial in my  
8 company at the moment.

9 So I just think we need to really think  
10 this through. Think about what works and again would  
11 be acceptable to FERC.

12 My understanding of the body of state  
13 regulators, and I think we all need to do a lot more  
14 homework on this, is that while SPP and MISO have  
15 205 rights, the ability to file, that they don't  
16 trump their ISO RTOs ability to make a proposal.  
17 They can have competing proposals, but the body of  
18 state regulators doesn't file in lieu of the RTO or  
19 ISO. I could be mistaken but I think that's a  
20 distinction with a difference, so I'd like to really  
21 know more about that.

22 And then establishment of body of state  
23 regulators, I think that's the purview of the  
24 regulators and I think, again, it's something that  
25 exists in all other RTOs and the regulators are best

1 positioned to determine how that would play out in  
2 the real world.

3           Lastly, with respect to the stakeholder  
4 process, I think we have a very effective  
5 stakeholder process, which is already on steroids,  
6 so any more steroids and I think it may collapse  
7 under its own weight.

8           But I think discussion around this and what  
9 it could look like and what it should look like  
10 going forward will just add to the discussion.

11           MAYOR FOSTER: Thank you. Feel free,  
12 panelists, to comment if you hear something from  
13 another panel member, feel free to comment on it or  
14 raise an issue that they raised.

15           Ms. Hapner, I think, centered a lot of her  
16 comments on the state board of regulators or the  
17 body of state regulators, and that's something Mr.  
18 Joseph commented on, too, in some of the comments I  
19 saw from you that the state issues were paramount,  
20 so I'm going to turn to you, Marc Joseph.

21           MR. JOSEPH: Thanks, Bob. I'm going to  
22 start with history, because I think it's important  
23 and instructive.

24           In 1998 we had the Power Exchange, and all  
25 the energy in California was bought and sold through

1 the Power Exchange. No one at the time foresaw that  
2 four years later the Power Exchange would be  
3 bankrupt, defunct, and that we needed a complete and  
4 utter policy change.

5 In 2000, I'm not sure anybody had ever  
6 uttered the words resource adequacy or local RA.  
7 Those words were just never spoken.

8 Yet a few years later we have a whole  
9 apparatus to quantify it, to set the requirements to  
10 go out and buy it. We needed a policy change.

11 In 2000 utilities were forbidden from  
12 signing long-term contracts. Four years later it was  
13 mandatory. We needed a policy change.

14 In 2010 before SB 2, PV was the most  
15 expensive renewable generating technology. No one  
16 knew that five years later it was going to become  
17 the least expensive, and that change has wrought the  
18 need for lots of policy changes.

19 In 2010 the IOUs were buying every  
20 renewable project proposed that had a heartbeat and  
21 a lot of them that didn't have heartbeats, because  
22 they were deathly afraid of not complying with the  
23 requirements. Price was basically irrelevant.

24 Who knew that only a few years later we'd  
25 have a situation where 90 percent plus of the

1 proposals to the utilities for power purchase  
2 agreements would be rejected and we would be  
3 accepting only a tiny fraction of the proposals  
4 because we'd have so many and so many choices and  
5 the competition was so fierce that a fraction of a  
6 penny per kilowatt hour would separate winners from  
7 losers.

8           In SB 2, as that law was developed, we  
9 spent an enormous amount of time working out  
10 language for dealing with load serving entities, the  
11 potential for them failing to comply with the RPS  
12 obligations, because we thought 33 percent by 2020  
13 was so risky and so difficult.

14           Well, it turned out to be so wrong that the  
15 commission has never even bothered to finalize its  
16 rules on noncompliance because it's completely  
17 utterly unnecessary. It's a total policy change, as  
18 PG&E just announced, they're 35 percent in 2015.

19           For decades we've had peak demand in the  
20 middle of the afternoon on sunny days. We've had  
21 time of use rates to discourage usage. To discourage  
22 usage.

23           Who could have predicted that now we'd have  
24 overgeneration, negative pricing, and time of use  
25 rates to encourage usage in the middle of the

1 afternoon on sunny days. We need policy changes.

2           The point here is not to say that we're  
3 really terrible at predicting the future, though one  
4 could say the evidence would lead to that  
5 conclusion.

6           The point is the only thing we can really  
7 be certain of is that we're going to need  
8 fundamental policy changes over the next five, ten,  
9 fifteen, twenty years, and we don't know what they  
10 are.

11           Fundamental policy changes should be  
12 reserved for the providence of states answering to  
13 their political constituents. They shouldn't be made  
14 by a board of technocrats who are not answerable to  
15 the body politic.

16           Now, this is true both for California  
17 policies and for the policies of the other states.  
18 Any state whose utilities will be joining this, I  
19 think has the same interest, that they want to have  
20 some control over what the policy changes are going  
21 to be in the future.

22           Now, the proposal that's been laid out here  
23 identifies a couple of the hot topics. We know  
24 capacity markets are a hot topic and we want to  
25 reserve that for the body of state regulators.

1           We know that transmission cost allocation  
2 is a hot topic, but there are plenty of other hot  
3 topics that we don't know about yet and we can't  
4 possibly enumerate them and anticipate now what  
5 they're going to be, yet they should be decided by  
6 the entity that is responsible to the political  
7 apparatus of each of the states whose constituents  
8 are involved here.

9           So where does that lead me?

10           I think it leads to a simple conclusion,  
11 and that is that what we're calling the body of  
12 state regulators should be the board of the new ISO.  
13 Those are the entities that should be supreme. It  
14 should not be a board of technocrats or experts.

15           The body of state regulators, the board,  
16 should certainly have at its disposal experts who  
17 can advise it, but the only way to ensure that  
18 future policy changes, which we know will have to  
19 take place, will be made by people who will answer  
20 to those who are supposedly in charge of our  
21 political system is to have that body be the supreme  
22 body.

23           It also has the benefit of making this  
24 whole thing a lot simpler. We don't have to worry  
25 about who has got Section 205 rights and who doesn't

1 and what about competing and what if we go into a  
2 deadlock.

3           The whole proposal gets a whole lot simpler  
4 if we have a board from each of the states. I would  
5 say each of the states should decide on its own how  
6 it wants to pick its representative. Use the same  
7 voting model that's provided here for the body of  
8 state regulators, House and Senate voting, majority  
9 of states, majority vote, and have that be the  
10 entity.

11           And they don't have to be regulators. We  
12 don't have to ask you to take two jobs. They should  
13 simply be chosen by the state --

14           PRESIDENT PICKER: Wait, wait, wait, wait,  
15 wait, wait, wait. You're confusing me. You just said  
16 that we should be the governing body. Now you're  
17 saying -- They should be people who are --

18           MR. JOSEPH: My mind is spinning.

19           Nice tan, by the way. It was sunny on  
20 Sunday.

21           PRESIDENT PICKER: You're saying that the  
22 state regulators should be the body of state  
23 regulators, which should be the board of governance,  
24 but they aren't necessarily the board that would be  
25 selected for this.

1           Does that mean then this new board would  
2 have primacy over the CPUC?

3           MR. JOSEPH: No.

4           PRESIDENT PICKER: Or does it mean that I  
5 get to regulate the public utilities?

6           MR. JOSEPH: What I mean is that the  
7 individuals who are on the board, which I think  
8 should be the political board with the kind of  
9 voting that's described for the body of state  
10 regulators, the individuals should be chosen by the  
11 states.

12           They could be a state regulator but they  
13 don't have to be a state regulator. You can have  
14 people whose full-time job is just to be on the ISO  
15 board. If the state wants to pick somebody who's the  
16 president of PUC to be on that board, that's okay  
17 too. It's up to the state.

18           CHAIR WEISENMILLER: Well, let me ask a  
19 different question.

20           In your history you went through a series  
21 of events, most of which seemed to be  
22 characterizable as power procurement. Is that fair  
23 or unfair?

24           MR. JOSEPH: They were mostly in those  
25 topic areas, but I think the demise of the Power

1 Exchange, I think is a good example of how the whole  
2 theory might be wrong.

3 CHAIR WEISENMILLER: I'm just suggesting  
4 that obviously transmission is a hot issue.  
5 Obviously procurement or resource planning is a  
6 traditional state role. But I'm not quite sure out  
7 of those broad categories -- and again, I've  
8 certainly spent my life doing forecasts, some of  
9 which have been wrong -- that there are these huge  
10 other things that suddenly should be reserved to the  
11 states.

12 But again, certainly think about that. I  
13 know you're going to do written comments after all  
14 this is done.

15 MR. JOSEPH: I think the point is that  
16 issues come up which require policy decisions, and  
17 we need to ensure that the entity that's making  
18 those policy decisions, to the extent they're not  
19 things reserved for the states, successfully  
20 reserved to the states, should be made by a board  
21 which is a political board which is responsible to  
22 the states, not responsible to nobody. That's the  
23 point that I'm trying to make here.

24 Right now we have an ISO board that has  
25 five appointees of the Governor. The future board

1 should be politically responsive to the various  
2 states.

3 I think all states certainly have the  
4 uniform desire that no state be able to trample the  
5 policies of another state. Utah has the same concern  
6 that California does, and the voting method is the  
7 technique to avoid trampling.

8 But making the body of state regulators  
9 subservient in any way to what Stacey's calling the  
10 ISO. That's the whole thought process is somehow  
11 it's subservient to, I think it's a mistake.

12 I think we need to keep control over  
13 policies including policies which we can't  
14 anticipate will arise.

15 So the pushback, I've raised this before. I  
16 get two kinds of pushback.

17 One is, oh, well, those people have to be  
18 independent.

19 Yes, that's true. They have to be  
20 financially independent as individuals; no question  
21 about that. But that's a prerequisite anyway.

22 The second is, well, we'll FERC approve it.

23 Well, I look at the current ISO board.  
24 They're straight out appointees of the Governor of  
25 California. FERC approved it.

1           So I don't see any *apriori* reason why a  
2 board that looks like what we're calling the body of  
3 state regulators but actually is the ISO board would  
4 be unacceptable to FERC.

5           And I think it would give -- you know,  
6 we've heard this concern expressed a lot, why the  
7 other states are going to buy in, how are we going  
8 to get them to want to do this too?

9           I think it would be reassuring to them to  
10 know that the ultimate decision makers are people  
11 they have some control over.

12           CHAIR WEISENMILLER: Okay. Could you go  
13 back to the eight points or whatever?

14           MR. JOSEPH: I think if you do this one  
15 thing. Most of the methods in here is within the  
16 ballpark. I don't have big disagreements with  
17 anything except for which board is supreme.

18           MAYOR FOSTER: Okay. Thank you, Mr. Joseph.  
19 I just want to add a couple things.

20           First of all, I lived through that same  
21 history that you went down memory lane. Some of it I  
22 might take some exception with, but I might want to  
23 point out that -- I do want to point out that some  
24 of those procurement decisions were actually made,  
25 for example, were made by regulatory or political

1 bodies. For example, the prohibition on long-term  
2 contracting was clearly a political decision and a  
3 regulatory decision. So I know you're not saying  
4 they're omniscient but they clearly are not  
5 omniscient.

6 And secondly, in your written comments if  
7 you could draw the distinction between technocrat  
8 and competent scientist I would like to see that as  
9 well.

10 And you're obviously a fan of the Brits  
11 exiting the Union, but that's all right. For much  
12 the same reason, I might add.

13 MR. JOSEPH: I actually am not sure about  
14 that one.

15 MAYOR FOSTER: Well, if you don't like  
16 technocrats you will not like the EU, I can  
17 guarantee you that.

18 Anyway, thank you. That was thought  
19 provoking.

20 So on all the other seven things you're  
21 okay, but on this one you have a --

22 MR. JOSEPH: Yeah, this really comes up in  
23 three or four of the topics and it doesn't fit  
24 neatly into one box.

25 MAYOR FOSTER: Okay. I appreciate that. I'm

1 glad I called on you. Thanks.

2 We'll now go to Tony Braun.

3 And Tony, who are you representing today;  
4 I'm just curious?

5 MR. BRAUN: I got that same question from  
6 Chair Weisenmiller at the May 6th, so I was going to  
7 delve into that pretty much immediately.

8 So thank you. As part of this process we've  
9 had a broad coalition of public power entities from  
10 across the west that have spent quite a lot of time  
11 in trying to put together a set of recommendations  
12 with respect to what any regional governance  
13 proposal would look like. And we circulated that and  
14 included them, and I think everyone probably has  
15 seen them by now.

16 It's not a secret that across western  
17 interconnection you're going to probably get quite a  
18 diversity of views when it comes to the efficacy of  
19 a regional RTO.

20 If you go up into the northwest, there's  
21 public power entities up there with 100 percent  
22 carbon-free 2.5 cent retail power, all in, and  
23 they're nervous about any change because they like  
24 it quite the way it is.

25 If you go to the eastern part of the

1 western interconnection you'll find a hundred  
2 percent coal reliant entities that are concerned, as  
3 probably we've seen from some of the communications  
4 from the states in that area, that we're going to be  
5 exporting California's carbon footprint.

6           And then closer to home we have the  
7 Imperial Irrigation District that is in active  
8 litigation against the ISO, and based on some public  
9 discussions doesn't want to see any expansion of the  
10 current structure.

11           And yet, certainly if this is going to move  
12 forward we're looking for certain key things as a  
13 public power community, and that's what I'd like to  
14 communicate today.

15           First of all, we're looking for a  
16 comprehensive package, and we've communicated this  
17 quite a bit, whether it's TAC or RA, and this is  
18 sort of bringing it all together.

19           For those that aren't spending a lot of  
20 time on some of the technical issues the technocrats  
21 are trying to wrestle with, both the transmission  
22 access charge proposal and the resource adequacy  
23 proposal both point to this proposal, so we've  
24 created an infinite loop where the resolution of key  
25 policy issues is dependent on the resolution of

1 governance. And that's why we've always argued that  
2 this should go first.

3           And so that's our primary message today. We  
4 want to get this right. We want to get this  
5 comprehensive package put together.

6           There's a proposal here for an advisory  
7 role on the body of state regulators for public  
8 power. What we think of that depends on some of the  
9 other aspects of this, including the structure of  
10 the board, including the robustness of the  
11 stakeholder process. So everything is meshed  
12 together and all of our comments on individual items  
13 are reflecting the need to look at this in a  
14 holistic way.

15           So once again we'll say we need to take the  
16 time to get this right. There's no reason why we  
17 can't come to grips with a comprehensive governance  
18 package. Do it in a timely fashion.

19           We have a lot of examples of things that  
20 work in one way, shape, or form. We can take a look  
21 at what may fit and what may not fit for a western  
22 experience, and then take the best points of those  
23 items and come up with something that works.

24           What we would not like to see are actions  
25 on the TAC, actions on RA, or statutory changes

1 before we see a comprehensive governance proposal.  
2 That's been our ask all along.

3 MR. RECHTSCHAFFEN: Tony, when you say  
4 statutory changes, do you mean exclusive other than  
5 the governance proposal? What statutory changes are  
6 you referring to?

7 MR. BRAUN: Any statutory changes.

8 MR. RECHTSCHAFFEN: But with respect to  
9 what issues?

10 MR. BRAUN: Changes in California law that  
11 would enable governance changes to move forward.  
12 What we would like to see --

13 MR. RECHTSCHAFFEN: You want the bylaws  
14 written before the Legislature enables a new  
15 governance structure.

16 MR. BRAUN: Correct.

17 So Mayor Foster, let me go through some of  
18 the specific elements since we are asking Marc to do  
19 that.

20 Stakeholder process. So as an example, we'd  
21 like to have a little more detail. We don't need to  
22 know the number of committees. We don't need to know  
23 what their titles are or how many times they meet or  
24 what kind of support they're going to get from ISO  
25 staff.

1           But we would like to know that there is  
2 going to be a market advisory committee, that it is  
3 going to be made up of sector representatives at an  
4 executive level, and that they will have direct  
5 interface with the board, however it's constituted,  
6 as part of a robust stakeholder process.

7           We do not want to see, as we've alluded to  
8 in the past, and there's a concern and a legitimate  
9 concern that we end up with 40 committees and this  
10 incredibly burdensome process. We do not want to  
11 replicate that.

12           But we do think that when we see other  
13 boards of other RTOs meeting in conjunction with the  
14 market advisory committee and policy proposals are  
15 presented jointly to the market advisory committee  
16 and the decisional board, even though that market  
17 advisory committee only has an advisory role, we  
18 think that has a very beneficial effect of bringing  
19 the sectors together with the decision makers in  
20 trying to get past some of the thorny market issues  
21 that come up on a regular basis.

22           Public power and the body of state  
23 regulators. As I alluded to, we've always urged that  
24 there be a role but we haven't specified exactly how  
25 that would be, and that's because -- well, probably

1 for a couple of reasons.

2           There's likely diversity across the public  
3 power footprint in the western United States about  
4 whether it needs to be voting role or whether it  
5 needs to be an advisory role.

6           There are approximately eight million  
7 customers of public power in the western United  
8 States. There's five million customers of public  
9 power in California and PAC footprint alone. That is  
10 well over 20 percent of the customers served within  
11 the proposed footprint that's before us.

12           They are not represented by the state  
13 regulators. They do not have rate making  
14 jurisdiction over these public power entities, and  
15 oftentimes there's just a completely different  
16 perspective.

17           And so with that significant percentage of  
18 consumers being served by public power in the west,  
19 they need to have a direct role on the body of state  
20 regulators. How that is fashioned depends, I think,  
21 on the whole structure in its entirety.

22           Withdrawal rights. Let's not get too wedded  
23 to the fact that withdrawal rights are going to be  
24 some sort of salve. The Transmission Control  
25 Agreement says, and I think I'm going to get this

1 right, that a PTO may withdraw upon two years'  
2 notice upon all applicable regulatory approvals. And  
3 that generic language was there because no one could  
4 agree on what the applicable regulatory approvals  
5 were.

6 Some argue that actually FERC can  
7 countermand state directions for a PTO to withdraw  
8 from an RTO-like structure. There is a lot of open  
9 issues as to what are really effective withdrawal  
10 rights.

11 And certainly the commercial disruption can  
12 be significant. When you have market participants  
13 that are PPAs and then they have taken CRR positions  
14 and they have maybe had other hedging type of  
15 financial instruments to back their portfolio. The  
16 balancing authorities and the PTOs have joint  
17 registration agreements where they walk through all  
18 the various NERC criteria and they parse out who's  
19 responsible for what.

20 Taking apart an RTO structure and pulling a  
21 significant PTO out of that structure is a  
22 significant, complex, and thorny task and it  
23 shouldn't be taken lightly, so I don't think we  
24 should -- for the purposes of governance let's not  
25 count on that as being some sort of solution to a

1 problem that might arise.

2           Transitional committee. We care more about  
3 what the comprehensive governance proposal is than  
4 how we develop it. Certainly my experience on the  
5 transitional committee, like Dede's, is that it was  
6 extraordinarily rewarding. It worked extremely well.  
7 I think the work product was excellent.

8           But what we would like to see is perhaps a  
9 little more direction if we're going to have a  
10 transitional committee. For example, just utter lack  
11 of specificity on the stakeholder process is  
12 something we would want to augment, and we'll be  
13 providing specific written comments to detail what  
14 we would like to see in there. We know this is a  
15 starting point.

16           On the hybrid transition, our public power  
17 proposal did not have that. We always anticipated  
18 what was phrased to me this morning a hot cutover to  
19 an independent board, so I think we would like to  
20 consider all alternatives in that, and some things  
21 certainly that would be on the table. I don't know  
22 if we've wrestled with the pros and cons.

23           And then state authority. We very strongly  
24 support the preservation of state authority. If  
25 someone could tell me what that means specifically.

1 I've heard Commissioner Savage, for example, say  
2 that siting authority and approvals for transmission  
3 need to be preserved.

4 Absolutely. I don't think anything an RTO  
5 could do will take that away. It could greatly  
6 affect it.

7 But we've seen the PUC/CPC end processes  
8 not approve lines that have been approved through  
9 the ISO's TPP. Or we've seen proposed downsizing. We  
10 won't go any farther and get into any open dockets.

11 The RA, well, the planning reserve margins  
12 are set by local regulatory authorities, but the  
13 must offer obligations are set by the ISO. The  
14 local, set by the ISO. The flexible are set by the  
15 ISO.

16 So let's also be realistic about the  
17 interface. It's a complex interface. We strongly  
18 support preserving as much state and local authority  
19 as possible, but the operation of a wholesale market  
20 will affect state policy. I think we all understand  
21 that. It's good to have specific examples.

22 So those are the high points of where we  
23 have been -- our reaction to the initial proposal  
24 that the ISO put out, and we'll be absolutely filing  
25 written comments, and if there's more specific

1 questions I'd be happy to answer them.

2           MAYOR FOSTER: Thank you, Mr. Braun. Just a  
3 couple of comments from my perspective.

4           I don't think anyone's going to argue that  
5 we should get it right, whatever it is. A  
6 comprehensive proposal for governance should be done  
7 right, but what I think I read in your comments and  
8 your testimony is doubtful you think that doing it  
9 right would be consistent with doing it this year.

10           MR. BRAUN: Yeah, that's a good synopsis.

11           MAYOR FOSTER: Just wanted to make that  
12 clear. So how much time should we take?

13           MR. BRAUN: I think we could have  
14 governance done this year, and the other processes,  
15 whether it be carbon, TAC, RA, or GMC, can all  
16 happen in parallel.

17           TAC has sort of gone into a holding pattern  
18 where we're sort of pointing to the future  
19 deliberations. Our concern has been we're locking in  
20 part of the equation. I mean, you've got how do you  
21 pay for existing facilities, how do you pay for new?  
22 Locking in how do you pay for existing and we have  
23 an open question on how you pay for new that leaves  
24 me kind of between a rock and a hard place in trying  
25 to find a consensus resolution.

1           So we don't want to see FERC filings. We  
2 don't want to see things locked down until we know  
3 how this is going to work. So I think we can still  
4 work in parallel. We have to get going on carbon,  
5 and so we can still move forward, but I would hate  
6 to see us chart a fairly irreversible course.

7           MAYOR FOSTER: Okay. Thank you.

8           Michael.

9           PRESIDENT PICKER: Real quickly. Given that  
10 I have always been impressed by the kind words and  
11 the praise that you heaped on the transitional  
12 process for establishing the EIM governance --

13          MR. BRAUN: That was self-serving.

14          PRESIDENT PICKER: Right. Yeah, many of the  
15 questions that they face in terms of governance and  
16 establishment of bylaws still are kind of hazy, so  
17 I'm a little surprised to see you taking a different  
18 perspective here.

19           But I also want to reflect a lot on the  
20 diversity of the public power community, and while I  
21 understand your specific clients here have one  
22 position, I did get a presentation from some of the  
23 northwestern public power entities where they seem  
24 to be arguing for a position on the body of state  
25 regulators as a means of actually ensuring that they

1 participate, and that's reflected here in the  
2 proposed documents before us.

3           So I wonder if you would care to speak to  
4 that. Do your public power clients defer from the  
5 northwest folks who seem to be advocating for that,  
6 or is this just something that you want to see  
7 pinned down and bylaws first, action later?

8           MR. BRAUN: So the public power community  
9 that worked on the paper that covered a lot of  
10 governance principles included most of the  
11 California entities, southwest, Rocky Mountain and  
12 quite a bit of northwest entities, and we purposely  
13 did not -- we advocated strongly for a role for  
14 public power for the reasons I argued, that there's  
15 just a lot of customers served by public power, and  
16 so we will definitely be arguing that there needs to  
17 be a role.

18           We have not really coalesced or even begun  
19 sort of a concrete discussion on will we insist on a  
20 voting role, so that's an open deliberation. It  
21 could be that some of the northwest entities would  
22 die on their sword with respect to whether it's a  
23 voting role or not, but I think there's some pros  
24 and cons. And it's tied to the market advisory  
25 committee, so how those two things dovetail is the

1 core principle that we're looking for.

2 PRESIDENT PICKER: So at this point you  
3 don't know that you can speak to the specific notion  
4 here of actually being representative of the body of  
5 state regulators?

6 MR. BRAUN: So we absolutely want to be  
7 represented on the body of state regulators. I think  
8 it's more into the next level of mechanics. Is it  
9 going to be an advisory role? How many? I think  
10 you'd come up with a higher number than one if you  
11 looked at a load ratio share of the affected states.  
12 And whether or not it's purely an advisory role and  
13 whom.

14 We've expressed some concerns about the  
15 efficacy of having, say, a City Council person  
16 serving that's doesn't have depth of background on  
17 electricity matters. So it's really not a question  
18 of whether, but how.

19 CHAIR WEISENMILLER: I would note Tony was  
20 a valuable member of the transitional committee. The  
21 one issue we really struggled with on public power  
22 side is in terms of that representation, do we say  
23 that it has to be from their rate making body, or is  
24 it basically their general manager who may or may  
25 not be participating in the power markets?

1           And frankly, most of us know we didn't want  
2 that participant in the power markets, we wanted  
3 someone more equivalent to you or I on the  
4 regulatory side representing public power. But  
5 again, it's very diverse.

6           I would also note that I think on Monday  
7 we're probably hear from Bonneville, some of their  
8 impressions on these issues.

9           PRESIDENT PICKER: It's complicated. I  
10 mean, there are some existing public power entities  
11 that are dispatched by the ISO whereas many of the  
12 others remain their own balancing authority and do  
13 their own dispatch. Generally they have avoided  
14 participation in these kinds of comprehensive  
15 regulated entities and did FERC jurisdictional, so  
16 I'm struggling to figure how and where people think  
17 that they fit into this.

18          CHAIR WEISENMILLER: Well, in the earlier  
19 workshop I made Tony go through the issue of  
20 basically the legal question of does participation  
21 affect whether or not you're regulated by FERC or a  
22 POU, and why basically SMUD was in the ISO.

23          PRESIDENT PICKER: And left.

24          CHAIR WEISENMILLER: Basically, Tony was,  
25 if you could summarize it again at least for

1 Michael's benefit on this question.

2 MR. BRAUN: I mean, FERC jurisdiction has  
3 so many different elements to it, right, so it's  
4 important not to forget some of them.

5 Everyone is subject to reliability  
6 standards. You could have a municipal utility that  
7 owns transmission but that does not transfer control  
8 of its transmission facilities to the ISO even  
9 though they're in the ISO, so there are some of  
10 those.

11 So the issue of whether FERC has rate  
12 making authority over their transmission is clear as  
13 it's ever been, which is the answer is no. And yet,  
14 once you transfer operational control of your  
15 transmission to the ISO and the costs of it get in  
16 the overall PAC, it's a different answer.

17 Everyone that's in the ISO has to comply  
18 with the tariff, it's part and parcel of -- and yet,  
19 there's nothing that is changed in the law with  
20 respect to whether or not FERC can order refunds.

21 So it's pretty nuanced with many different  
22 answers depending on what the specific question is.

23 CHAIR WEISENMILLER: Yeah. Thanks. I just  
24 want to make sure people knew it was nuance, it  
25 wasn't just black and white you go in, you're there.

1 If you don't go in, you're not, except for maybe  
2 Texas.

3           MAYOR FOSTER: Okay. Thank you, Tony.  
4           We'll turn to Allison Clements from the  
5 NRDC.

6           MS. CLEMENTS: Thanks. I'm Allison  
7 Clements, I am the Director of the Sustainable FERC  
8 Project at Natural Resources Defense Council. We  
9 appreciate the opportunity to present our  
10 perspective.

11           Our coalition is a group of national  
12 environmental organizations that has historically  
13 for the last two decades been focused on removing  
14 federal regulatory barriers to clean energy  
15 deployment, accelerated renewables deployment, and  
16 clean demand side resources deployment, which means  
17 we've spent a lot of time at FERC and we've spent a  
18 lot of time participating in market design and  
19 transmission planning processes in the eastern  
20 interconnection RTOs.

21           I've relocated to Salt Lake City and have  
22 worked with my colleagues in our western office to  
23 think through some of the issues related to the  
24 potential development of a western regional grid  
25 operator.

1           With that background, I really commend the  
2 ISO's draft set of principles in terms of both  
3 listening to stakeholder input and also  
4 incorporating best practices that we've identified  
5 from other regions of the country in several cases.

6           My general caveats before I get to the  
7 specific items are that when I speak about RTOs it's  
8 really important for me to say that they are not an  
9 end unto themselves. This is not the end goal to  
10 develop a great big RTO.

11           But as someone who's spent the better part  
12 of the last two decades working to reduce carbon  
13 emissions and to ensure affordable energy as part of  
14 that and to think about localized health impacts of  
15 power generation, I don't see another way to get  
16 there without taking this step.

17           And I mean by that, the entire step. The  
18 whole complement of markets that comes with a  
19 regional RTO as well as the transmission planning  
20 pieces, and thinking through the EIM, which has  
21 shown great benefits and potential, I don't think  
22 that goes far enough to get to that place.

23           If you look at the countless national lab  
24 studies on how we get to the penetration of  
25 renewables we need to see to get to our 2050 goals,

1 it supports my perspective. So all of the comments I  
2 make are with the recognition that the end is not  
3 perfect and we have to work hard to make it work  
4 well.

5           One of the things I think that threatens  
6 some of the benefits -- the benefits are there. I  
7 think when we think about what is in it for the  
8 states, what is in it for California and the states  
9 that haven't joined the RTO, there is a tremendous  
10 number of financial benefits to be accrued. There's  
11 carbon emissions and other pollution reductions to  
12 be accrued; we've seen that in the initial studies.

13           Money is going to get spent on grid  
14 modernization in any case in all of these states,  
15 and I think the question is are we going to spend it  
16 toward this end that's going to get us to these  
17 goals of a clean, reliable, affordable grid, or are  
18 we just going to kind of keep it business as usual,  
19 not go through these hard steps to get to something  
20 that works.

21           There's a chicken and egg problem when you  
22 think about this legislative piece. And as Tony was  
23 referring to, getting the specifics clear so that  
24 everybody can decide if we want to all stand  
25 together, you know, hold hands and get into the

1 shallow end of this pool and actually move forward  
2 in this process.

3           And we've spent a lot of time talking about  
4 these things already, but there's a lot more talking  
5 to do. I think NRDC is recommending that the  
6 California Legislature put forward simple  
7 legislation at this point that directs the existing  
8 California ISO to work in collaboration with the  
9 rest of the western states, those that have the  
10 PacifiCorp footprint and other states who are  
11 interested, to come up with an acceptable governance  
12 proposal.

13           And there's guidance that can be provided  
14 in a statute without getting so specific that  
15 includes transparent greenhouse gas accounting that  
16 absolutely respects state interests, and that has a  
17 diverse advisory group representing a broad set of  
18 stakeholder interests.

19           That would allow the conversation to get  
20 out of that forum and I think create a lot of good  
21 faith for all of the states in the region to work  
22 together toward this end.

23           With that, I'll go into the specific  
24 points. I'll combine the state authority and the  
25 question on the body of state regulators because I

1 think it goes to the point of you don't necessarily  
2 know what you want on any given topic until you  
3 understand the bigger picture.

4           When it comes to state authority I think  
5 it's important to remember that FERC already exists  
6 in the west. PacifiCorp is a FERC regulated  
7 transmission owning entity, and that's just a fact.  
8 And state's traditional authority over transmission  
9 siting, over certification of transmission doesn't  
10 change whether or not PacifiCorp is acting as the  
11 transmission owner in their region or whether or not  
12 a regional grid operator that PacifiCorp is part of  
13 is acting as that FERC regulated entity for certain  
14 purposes.

15           There are several ways for states to  
16 influence outcomes in RTOs, and actually we just are  
17 putting out a paper today on making sense of  
18 governance structures and the potential role of  
19 states.

20           In addition to Section 205 filings that you  
21 already talked about, we talk about heightened  
22 stakeholder status in other ways, meaning in PJM,  
23 for example, separate from the organization of state  
24 regulators, the states get to meet with the ISO  
25 related to transmission policy issues specifically

1 and they have a special role there. That's another  
2 way.

3 Another way is simply by the deference that  
4 is paid to states in these processes in general.  
5 FERC pays deference to states. I know there are  
6 supreme court cases we can all debate that are  
7 notable cases where we can argue that, but in  
8 general when a state shows up with a concern, FERC  
9 is interested in listening to it and has  
10 demonstrated that, so there's just some reality to  
11 being a state.

12 And so when you think about these different  
13 kinds of influences that the state can hold, think  
14 about the whole picture, which brings me to the 205  
15 filing rights question.

16 I think Dede mentioned that the proposal  
17 goes farther than any of the existing 205 allowance  
18 for state committees in the other regions, and I  
19 think there's a real legal question there about  
20 whether we can get away with that, but I think  
21 there's a practical question there as well, and  
22 there's a little bit of be careful what you wish of  
23 in terms of ensuring that the benefits that are out  
24 there to accrue from the creation of a regional  
25 operator can actually happen. And you can just as

1 easily mire down in indecision between states with  
2 the first policy objectives, and that happens in  
3 different regions of the country.

4           And we don't want to lose the reliability,  
5 the efficiency and the environmental efficiencies  
6 that can come from this regional platform, and so in  
7 that case I think the idea that a state could  
8 effectively quash the right of an RTO to submit a  
9 Section 205 filing is a really big deal and it might  
10 not necessarily be the best way forward.

11           The idea that the state regulators would  
12 take over the board of the ISO might keep me up  
13 tonight, but there's a lot of politics on that side  
14 as well, and so I think the idea of an independent  
15 board that comes out of the history of RTOs and many  
16 other types of organizations before that has merit,  
17 and there's a reason for that.

18           I think on the transitional committee  
19 point, I think the proposal seems like a reasonable  
20 way to deal with the current realities that we're  
21 trying to go from a system that's California based  
22 to a multi-regional grid operator, and we do point  
23 to the EIM as a really good model for that.

24           It allows us, similar to the legislation  
25 question, it allows the step forward but still

1 provides time where the parties are already invested  
2 in making it work, to come to good outcomes and to  
3 spend money well toward the success of a regional  
4 grid operator.

5           And I think most importantly is that  
6 stakeholder groups, including environmental and  
7 environmental justice and NGOs, including consumer  
8 advocates, including independent power, including  
9 labor, including all of the people around the table  
10 and others have the chance to have influence on that  
11 transitional committee, ideally with classes of  
12 voting rights but at least significant influence.

13           On the GHG point, I would just say EIM has  
14 made progress in tracking transparent greenhouse gas  
15 emissions. In PJM and ISO New England they do it for  
16 RGGI and it's not that big of a deal. There's even a  
17 market monitor mechanism that sets off an alarm if  
18 it looks like a proper allowance price isn't being  
19 bid into the market.

20           And I'll end with stakeholder  
21 participation, which of course as an environmental  
22 NGO is one of our biggest concerns. The California  
23 ISO currently does demonstrate best practices of  
24 across the country when it comes to engaging  
25 stakeholders. The staff is accessible, the board is

1 accessible, and the idea is that when a regional  
2 grid operator stood up, that that should be one of  
3 the things that is maintained.

4           It is really important. I know we don't  
5 want to get mired down. I've spent a lot of days in  
6 weird hotels in St. Louis in the corner of a dark  
7 room negotiating market rules, but especially for  
8 those of us who don't have access to senior staff on  
9 a regular basis, who don't have resources for  
10 engineers, who don't have access in our regular  
11 interactions with the leaders of a grid operator,  
12 those stakeholder processes are really important for  
13 us to understand what's going on and to be able to  
14 make our points.

15           I think on an advisory committee and on a  
16 nominating committee in the long term there needs to  
17 be a voting role for advocate groups.

18           And I think I'll leave it there. Thanks.

19           CHAIR WEISENMILLER: I'm just going to make  
20 an observation and then a question.

21           In terms of the transitional committee,  
22 which had a variety of members, obviously Carl was  
23 very strong there too, we all voted unanimously in  
24 support of it. Having said that, I'm not sure it  
25 precisely reflected the views of any one individual

1 as much as a process of compromise that was  
2 developed so that everyone was comfortable with it,  
3 although it might not have been precisely what Tony  
4 would have suggested or precisely what Dede would  
5 have suggested.

6 So again, the hope is that whatever  
7 transitional committee comes out of this, assuming  
8 there is one, that again they work toward a  
9 unanimous recommendation.

10 My question was you talked about how you  
11 looked at best practices. Obviously, Marc Joseph was  
12 talking about the contrast between expert panel  
13 versus political body. What's your sense of how  
14 that's worked around the country?

15 My impression was most are more on the  
16 expert panel box as opposed to the political box.

17 MS. CLEMENTS: In terms of the boards of  
18 the ISOs? Yeah, that's right, and I appreciate the  
19 question because it reminded me of one last point,  
20 which is that in the multi-state RTOs that exist,  
21 the leadership of those RTOs have said on many  
22 occasions that they view themselves as facilitating  
23 all of these states' public policies, and that is  
24 what FERC requires them to do.

25 And they are not the policy makers but they

1 are making sure that no state is blocked from  
2 implementing their own policy.

3 We see that, and I think the complement is  
4 that the organization of the states, the body of  
5 state regulators, is actually able to function in a  
6 lot of ways pretty well together to give advice to  
7 that technical senior staff at the RTO on what  
8 they'd like to see studied and what kind of policies  
9 they'd like to ask about, what kind of market rules  
10 they're wondering about.

11 We see that with the Clean Power Plan in  
12 both the Mid Continent ISO and PJM, the mid Atlantic  
13 region where you've got a set of state with really  
14 diverse political interests and policy preferences,  
15 but who have been able to come together to propose  
16 sets of studies and questions and ideas to the ISO  
17 to do analysis on their behalf to give them all  
18 information.

19 MR. RECHTSCHAFFEN: Two questions.

20 You mentioned your concern with a stalemate  
21 if there is a strong state regulator authority. The  
22 information we heard from SPP and MISO, which  
23 probably are the most robust form of state  
24 authorities, that there hasn't been stalemate,  
25 there's been a lot of cooperation. I'm wondering if

1 you've had a different experience.

2 MS. CLEMENTS: In any given situation there  
3 might be a different experience, but no, I haven't,  
4 but they're not the board of the ISO, right.

5 If it was changed so that they as the body  
6 of state regulators were put in charge of policy --  
7 excuse me, they are in charge of policy. If they  
8 were put in charge of running the RTO but also in  
9 the role of deciding policies, there's a real  
10 conflict there in addition to potential legal issues  
11 when it comes to what an RTO has the authority to  
12 do.

13 MR. RECHTSCHAFFEN: Well, maybe I  
14 misunderstood you. Do you see concerns in a proposal  
15 for the strong role defined for state regulators  
16 where they have primary authority and can direct  
17 FERC filings on areas carved out for their authority  
18 that's in the proposal; are you saying you see  
19 concerns with accepting that level of deference or  
20 that level of control with the state body of  
21 regulators?

22 MS. CLEMENTS: Yes. Sorry, I see what  
23 you're asking. I see a concern on the legal side  
24 that FERC would allow the body of states to actually  
25 say no, regional grid operator, you can't file

1 anything.

2 I think that the practice in SPP and MISO  
3 whereby the state regulators have a complementary  
4 authority to submit something that is an alternative  
5 is enough to give the states assurance that that  
6 influence is going to happen during the RTO process  
7 that gets to that proposal so that ideally you only  
8 have one.

9 MR. RECHTSCHAFFEN: And the second question  
10 is, you started off by saying you think the  
11 Legislature should authorize the ISO to engage in  
12 governance discussions with other states, or that's  
13 what I thought I heard you say, and I'm wondering  
14 exactly what you mean and what does that do beyond  
15 what we have under current law right now that's  
16 already happening?

17 MS. CLEMENTS: We're trying to think about  
18 a constructive way to move -- there's a reality that  
19 the California Legislature has to make a decision on  
20 whether or not this effort continues to move  
21 forward, and because governance is such a key issue,  
22 as we're hearing around the table, we're trying to  
23 propose a way that might constructively have the  
24 California Legislature give their view, put their  
25 perspective on the situation, and then pass it off

1 to the stakeholders to come up with a proposal that  
2 ultimately all the states are going to have to be  
3 comfortable with before it happens.

4 MR. RECHTSCHAFFEN: Well, the Legislature  
5 has to authorize a change to the current governing  
6 structure, and that's different than the Legislature  
7 giving their perspective, and what I'm trying to  
8 piece out from you is, is it the former or the  
9 latter? Do you think the Legislature should, say,  
10 encourage further discussions but withhold any  
11 approval until next year or the year after, or do  
12 you think they should authorize a governance change  
13 right now and then say go forth and figure out all  
14 the details that we've started to talk about?

15 MS. CLEMENTS: We think they should  
16 authorize the governance change without getting to  
17 the level of specifics that are causing concern  
18 among all of us, and give us all the chance to have  
19 those conversations once it's out of that forum.

20 MR. RECHTSCHAFFEN: Okay, thanks.

21 MAYOR FOSTER: Thank you. Ms. Clements, in  
22 your written comments if you could highlight some of  
23 those areas, I had similar questions that Cliff did  
24 about how that, obviously in stark contrast to Tony  
25 in terms of having everything laid out before you

1 move, so I'd be curious how you see that working.

2 Thank you.

3 Matt Freedman.

4 MR. FREEDMAN: Thanks. Matt Freedman, I'm a  
5 staff attorney with the Utility Reform Network, and  
6 I want to give a few introductory remarks and then  
7 I'll go through each of the items identified in the  
8 governance principles.

9 Just to start by saying this is potentially  
10 the most significant change in the electric sector  
11 in California since deregulation and the enactment  
12 of AB 1890. It's a serious proposal that could have  
13 significant consequences.

14 And it's probably a one-way street, meaning  
15 it would be very difficult to undo even if things go  
16 poorly. Not impossible but difficult.

17 This means that we need to take time to  
18 work through the details before we green light the  
19 expansion. This means time to work through the  
20 studies, which are preliminary at this point, to  
21 develop more understanding of what policies would  
22 govern various elements of the ISO's operations, and  
23 to look at what the governance structure would be,  
24 and to understand what rights and obligations all of  
25 the different participating transmission owners

1 would have.

2           This is the way, in my view, that we end up  
3 knowing whether it's actually being done right, if  
4 that's the goal rather than just to do it.

5           We're concerned that there is a real rush  
6 right now to get the Legislature to sign off on this  
7 in the next two to three months. There's no way that  
8 these details get resolved by that time and there's  
9 no way that we've had enough opportunity to do real  
10 critical analysis within the next two months.

11           Urgency typically leads to bad policy  
12 making, so we want to avoid a situation where it's  
13 11:30 at night in an August evening and we're  
14 sitting trying to figure out what rules we want to  
15 agree to because the vote is tomorrow.

16           Twelve months ago no one was discussing  
17 this issue, maybe a few folks but it was not  
18 certainly part of the public debate, and now there's  
19 a sense that it has to be done immediately. I would  
20 suggest that if it's worth doing, it's worth doing  
21 right and making sure that we work through things  
22 first.

23           The big question in my mind is, if the  
24 Legislature is asked to authorize governance changes  
25 and negotiations with other states, will there be

1 another chance to review the terms and the  
2 conditions and the governance structure and whatever  
3 is negotiated after that first approval takes place?

4           There may be many concessions made to other  
5 states in the west. There may be concessions made to  
6 other participating transmission owners. And FERC  
7 itself may not simply approve what's presented to  
8 it; it may modify the proposal.

9           Has California given up its leverage and  
10 its ability to pull back with a one-time approval?  
11 That's something we should avoid.

12           And on that last point, we understand that  
13 there is a transition agreement that's being  
14 negotiated right now between ISO and PacifiCorp  
15 which may or may not be complete before the  
16 Legislature is asked to sign off on changes, and the  
17 transition agreement could include many specific  
18 concessions. We don't know quite what's in that, but  
19 certainly we'd want to see that complete and know  
20 the terms of that agreement before the Legislature  
21 is asked to move forward.

22           To get to the specific elements of the  
23 proposal, I think there's a lot of interesting stuff  
24 here, and so even though I'm going to focus on  
25 criticism, that doesn't mean that there aren't

1 elements that we think make a lot of sense.

2           Preservation of state authority. We could  
3 talk a long time on this, but I'll just say that we  
4 do have concerns about California's ability to  
5 continue to lead as an innovative policy leader as  
6 part of a regional market. And we don't know what  
7 the next iteration of policies are going to look  
8 like in the state, and I may not agree with every  
9 idea that's proposed in the Legislature, but I  
10 certainly support California's right to consider  
11 making even crazy choices about how we want our  
12 future to be developed.

13           And state authority is really at risk in  
14 several respects, and this proposal focuses on the  
15 ISO taking actions to infringe or preempt state  
16 policies. But there's also private litigation by  
17 private parties against the State of California, and  
18 there are petitions to FERC, and these are the ways  
19 that a lot of state policies have recently gotten in  
20 the news from some high profile cases, including the  
21 Supreme Court decision that struck down the Maryland  
22 law, which was initiated by a private party. And  
23 just yesterday the Eighth Circuit Court of Appeals  
24 struck down or affirmed the District Court striking  
25 down of a Minnesota law that prohibited utilities

1 within their state from entering into bilateral  
2 contracts for new coal fire generation in the  
3 region.

4           Some of these conflicts between ISO rules  
5 and policies and state law may only be identified  
6 through private litigation, and there are lots of  
7 scenarios we could spin out where folks could raise  
8 various challenges against California policies.

9           Suffice to say that there's no certainty  
10 here, and the creation of a single regional market  
11 that California is a part of raises the risk that  
12 our policies are put in the crosshairs.

13           And there are certainly proposals even  
14 today that the ISO has put forward, for example, on  
15 resource adequacy, that already suggest a potential  
16 diminishment of state authority.

17           The second issue was greenhouse gas.

18           MR. RECHTSCHAFFEN: Matt, on the private  
19 litigation, your point is that even if the state's  
20 in alignment with the ISO board, that some generator  
21 or someone else could challenge a policy leading to  
22 litigation risk that's exacerbated by  
23 regionalization?

24           MR. FREEDMAN: Certainly it increases the  
25 pool of potential litigants. When I look at, for

1 example, the Eighth Circuit's decision yesterday,  
2 they spent a lot of time thinking about what MISO  
3 does and the relationship between the state's policy  
4 and the MISO operations, and so I think in the minds  
5 of judges certainly they are looking at the  
6 functioning of a regional ISO that is FERC regulated  
7 and giving a lot of deference to their ability to  
8 craft policies and market rules, and when states  
9 take actions that appear to be in conflict with  
10 those RTO rules, I think judges are potentially  
11 going to take a more critical view than they would  
12 if it's a state level ISO.

13 MR. RECHTSCHAFFEN: I would encourage to  
14 the extent you have any analysis of that decision or  
15 NRDC or EDF or anybody, just file it in the docket.

16 MR. FREEDMAN: Sure, be happy to do that.

17 The second issue that's raised is  
18 greenhouse gas accounting, which isn't really about  
19 governance, but it's here so let's talk about it for  
20 a minute.

21 The proposal mentions the notion that the  
22 preliminary study results indicate that there will  
23 be a reduction of greenhouse gas emissions in  
24 California and regionally as a result of a western  
25 regional ISO in 2030.

1           I want to take issue with this bullet  
2 point. I don't think it's even a correct  
3 characterization of the preliminary studies.

4           One of the most important things I think is  
5 when we're looking at outcomes on greenhouse gas  
6 emissions we should consider not only best case  
7 outcomes, we should also look at intermediate case  
8 outcomes and even worst case outcomes.

9           But the preliminary studies that the ISO  
10 has released are really focused on best case  
11 outcomes --

12           CHAIR WEISENMILLER: But again, let's hold  
13 that for the next workshop.

14           MR. FREEDMAN: Okay. Well, then I'll just  
15 register my concern about --

16           CHAIR WEISENMILLER: Fine, register your  
17 concern in writing, but next time we get together  
18 let's dig into that.

19           MR. FREEDMAN: Fair enough. Well, let's get  
20 to the particular proposal here because it actually  
21 does relate to the preliminary studies and how it  
22 would mesh with a tracking system.

23           I think it's clear we do need a transparent  
24 methodology for tracking and accounting for  
25 greenhouse gas emissions, but it has to include all

1 loads. The notion that the tracking system is really  
2 just specific to California's demand is a mistake.  
3 It's a very incomplete way of looking at the impacts  
4 on the region and it ignores the scenario in which  
5 there is resource shuffling and significant amounts  
6 of leakage occurring.

7           And I think that's something we might be  
8 seeing already in the EIM and it's something that  
9 the preliminary studies from the ISO, SB 350  
10 studies, suggest would occur under regional  
11 expansion.

12           And so really the goal here would be to  
13 have a region wide source to sync tracking system  
14 for all environmental attributes associated with  
15 generation that are transacted in a regional ISO and  
16 to make sure that the disclosure of that tracking is  
17 mandatory for all purchasers in that market.

18           Good actors don't just get to report; I  
19 think all actors should have those emissions  
20 assigned to them, not that it's a regulatory  
21 obligation but this is about transparency and  
22 disclosure and to understand what's happening across  
23 the entire footprint; this is pretty important.

24           The third issue is transmission owner  
25 withdrawals. Certainly this is a good safety valve.

1 The question is whether it really represents the  
2 nuclear option that can't actually be exercised.  
3 It's nice to know that we can leave it things go  
4 wrong, but might FERC decide not to let a state  
5 leave or a set of transmission owners.

6           Might FERC change one of these provisions;  
7 hard to tell, so I think it's good to have it in  
8 here but I don't know that we would place too much  
9 reliance on it as a robust protection in a practical  
10 sense.

11           Items four and five relate to the  
12 transitional committee of stakeholders and initial  
13 board and transition period. Don't have a lot to say  
14 here except that so far the stakeholder processes  
15 we've been involved in at the ISO have left us  
16 underwhelmed, and so I don't know whether the  
17 stakeholder committee ends up also being an  
18 underwhelming process; I guess that remains to be  
19 seen.

20           But the key thing here is that to the  
21 extent that a committee of stakeholders or a  
22 transition board is developing new policies and  
23 rules, I think we want to make sure at the end of  
24 that process California gets a chance to relook at  
25 what's been done between today's draft and what we

1 get at the end of that process to see whether the  
2 end result is something that the State of California  
3 can actually agree with, and whether FERC approves  
4 any of these changes or modifies them in ways that  
5 are totally unpalatable to the political  
6 establishment.

7           Items six and seven address the composition  
8 of the regional ISO board and the body of state  
9 regulators. In my view, I'm not placing a lot of  
10 stock in the value of an independent board to  
11 protect California's interests.

12           And also, it's not clear to me that the  
13 board really would play such a significant role. My  
14 observation to date is that the ISO is really run by  
15 management and staff, and so that's where the work  
16 gets done, and I'm not optimistic that an  
17 independent board would somehow dig deep into the  
18 details and take charge of the regional  
19 organization. I think they're more there to give  
20 their votes at the end of the day and not to really  
21 drive the agenda, so the regional board to me looks  
22 more like management running the show,

23           But the establishment of a body of state  
24 regulators, that's something different. So I like  
25 Marc Joseph's idea, make that the board.

1           But if you can't do that, the question  
2 comes up what actual issues wouldn't go through the  
3 body of state regulators.

4           The draft references policy issues would go  
5 through. I think I know what a policy issue is but I  
6 can also imagine a lot of future arguments about  
7 different proposals that turn out to look like  
8 project owner issues but not be, so maybe more  
9 clarity on that would be welcome over time.

10           I mean, is it all cost allocation issues?  
11 What about additions of new transmission operators?  
12 Market rules? And again, emerging issues that we  
13 don't even know about today; those are things we'd  
14 be concerned about.

15           And then the other issue that I notice in  
16 reading the draft is that the ISO board can override  
17 a recommendation of the state regulators if it's for  
18 reliability purpose, and I'm not sure I know exactly  
19 what reliability does and doesn't mean.

20           A lot of bad outcomes in California have  
21 been justified on the basis of reliability and they  
22 look like something else in hindsight, so just want  
23 to be careful that that doesn't become the exception  
24 that swallows the rule.

25           And then finally on stakeholder processes

1 and participation, this is a topic of great  
2 interest. We haven't been historically very involved  
3 in CAISO processes but we are learning in real time  
4 what it's like to be a stakeholder and thinking  
5 about what a future set of processes could look like  
6 that would be meaningful.

7           The first thing is right now the CAISO is  
8 subject to open meeting requirements consistent with  
9 the Bagley-Keene Act, and it's obligated to provide  
10 public access to corporate records consistent with  
11 the requirements of the California Public Records  
12 Act.

13           Would those same protections be applied to  
14 a regional ISO? Not clear.

15           In terms of process concerns, unlike other  
16 state agencies like the Energy Commission and the  
17 PUC, the ISO has no formal process for considering  
18 evidence and weighing comments submitted by  
19 individuals. The solicitation of stakeholder input  
20 has a nice informal feel to it, but there's  
21 something lacking because it's not clear to us that  
22 the stakeholder processes are providing genuine  
23 opportunities to effect decisions.

24           Proposals before the ISO should be subject  
25 to discovery of underlying analyses and data,

1 opportunities to present opposing viewpoints, and  
2 meaningful opportunities to evaluate the evidence.

3 Right now CAISO has no obligation to  
4 respond to comments, to give weight to alternative  
5 perspectives, to justify its own factual  
6 assumptions, or to explain what comments were relied  
7 upon in making its decisions, and this is troubling.

8 And our experience with the current  
9 stakeholder processes, and if you asked other  
10 stakeholders you might hear from many of them a  
11 similar experience. It's been discouraging.

12 There's no clear rules, kind of changing  
13 proposals and timelines, and it feels,  
14 unfortunately, especially on this issue, like a  
15 highly poeticized process that's driving the  
16 outcomes.

17 So we think that we don't know what the  
18 right stakeholder process looks like at a future  
19 ISO, but it shouldn't look like the one that exists  
20 today.

21 Also, we think it's important that in any  
22 regional entity that there's opportunities for  
23 access to confidential data or models subject to  
24 nondisclosure agreements that are relied upon.

25 Right now we have signed the NDA related to

1 the SB 350 studies and our initial experience is  
2 that there's a lot of material in there that doesn't  
3 look that confidential, and so we're wondering why  
4 there's been a designation of so much  
5 confidentiality.

6 And what's the remedy, by the way? Who do  
7 we go to to challenge that? Not clear at all.  
8 Probably nobody.

9 Finally, the costs of participating in  
10 CAISO stakeholder processes can be significant, and  
11 at a regional ISO where you have even more processes  
12 it's like you need full-time staff just to work on  
13 that issue, and full-time consultants if you want to  
14 be a successful participant. And if you don't have  
15 that kind of resource available, then all you've got  
16 are well funded entities, utilities and independent  
17 generators that can really show up at all of the  
18 meetings and can pursue intervention also at FERC,  
19 because FERC is the ultimate decider on all of these  
20 issues related to the ISO.

21 So there's a proposal that's been  
22 circulated for a compensation structure for  
23 nonprofit groups that demonstrate hardship. We think  
24 that is a minimum but not sufficient condition for  
25 moving forward, and it should certainly be available

1 to a wide array of public interest stakeholders,  
2 including environmental groups like NRDC and  
3 Greenlining, low income advocacy groups, and  
4 consumer organizations to allow effective  
5 participation.

6           If this doesn't happen, it's not clear that  
7 you're going to have many California stakeholders  
8 apart from utilities and independent generators that  
9 aren't going to be able to devote much time to  
10 participating in all of these processes.

11           So thanks for the opportunity to talk and  
12 happy to answer any questions.

13           CHAIR WEISENMILLER: Yeah, I think the one  
14 that was most striking was you started out by saying  
15 TURN has not participated much in the stakeholder  
16 processes. Certainly I've typically asked parties  
17 who have participate what they think, and they've  
18 been relatively supportive.

19           So basically again trying to understand  
20 going forward, obviously in any of these processes  
21 one can always do better. And certainly the NDA  
22 issues I understand. It's been a huge issue in PUC  
23 stuff in making sure people have access to the  
24 modeling input so they can actually challenge what's  
25 going on, so sympathize quite a bit there.

1           But I think going forward, again, we need  
2 to look at the stakeholder process, but one of the  
3 things, at least taking into perspective your  
4 issues, at the same time we're hearing a lot of  
5 support.

6           MR. FREEDMAN: Yeah, well, we're doing our  
7 best to get up to speed. I think maybe part of the  
8 frustration you're hearing is that we're currently  
9 part of a stakeholder process that is on a highly  
10 expedited schedule where proposals keep changing.

11           We've already submitted four data requests  
12 to the ISO in the SB 350 study process, and I know  
13 they've been doing their best to be responsive, but  
14 we don't feel like we have nearly the kind of  
15 information that we need to file comprehensive  
16 comments by next Wednesday.

17           And so the deadlines have been really  
18 tight. We're not clear what's driving the expedited  
19 timelines. And if we were in a PUC proceeding, I  
20 feel like we'd have a lot better opportunity to dig  
21 deeper into the factual data that was being  
22 proposed, we would have the opportunity to do more  
23 discovery, and we'd be able to provide better  
24 quality analysis.

25           So if the goal is to give people an

1 opportunity to do good work and provide useful  
2 feedback, then I don't know that the CAISO process  
3 that we've been involved with right now is cutting  
4 it. And I know talking to other stakeholders  
5 involved in it, many groups are kind of throwing up  
6 their hands saying it's just too much to deal with.

7 CHAIR WEISENMILLER: Okay, and that's a  
8 real concern, on all our parts.

9 I would note, though, obviously I've been  
10 in FERC proceedings and PUC proceedings, and FERC is  
11 a lot more judicial in nature than the PUC. So if  
12 you ever get to that stage, believe me, it's serious  
13 stuff. Well beyond what you're used to at PUC.

14 MR. FREEDMAN: I don't know if I'm being  
15 complimented or dissed.

16 CHAIR WEISENMILLER: No, it's just -- Yeah.

17 MAYOR FOSTER: Any other questions?

18 Mr. Freedman, I just have a comment. I'd  
19 ask you in your written comments to try to address  
20 this. I think most people in the room are sort of  
21 part of the energy literati so they know where the  
22 organizations are forming around this issue. You  
23 have those who say they want to do it right, but  
24 they also say at the same time they want to take  
25 more time, and I don't know if more time is

1 necessarily going to help you get it right. I don't  
2 think anyone wants to get it wrong, but there are  
3 people that want to expedite this and move it along.  
4 Ms. Clements, for example, would like to have it in  
5 more free form and work on it as you go along.

6           On the other side of that is a notion that  
7 anyone in business knows that time kills all deals.  
8 So in the interest of good faith, is it worthwhile  
9 from your perspective setting a deadline or  
10 something that would give confidence that this is  
11 not just some Fabian tactic to grind the other side  
12 down.

13           You don't have to answer it now, but I  
14 think at some point, I mean, everybody knows that  
15 that's in the back of everybody's mind when someone  
16 says take more time it means we're going to drag  
17 this thing out and maybe grind it down.

18           On the other hand, you raise legitimate  
19 points that need to be dealt with and hopefully  
20 there's time given there, so I just ask you is there  
21 some happy medium somewhere where we can agree on by  
22 this date we've got to move, or some other way of  
23 doing that.

24           MR. FREEDMAN: Fair enough, we'll think  
25 about that.

1           MAYOR FOSTER: You know what I'm talking  
2 about. Thank you.

3           Okay. Rachel Gold.

4           MS. GOLD: Thank you. Good afternoon. My  
5 name is Rachel Gold, I'm the policy director for the  
6 Large-scale Solar Association. We represent  
7 developers, owners, and operators for a good portion  
8 of the solar that's up and running in California and  
9 many other projects around the west, and I'm pleased  
10 to be back here to be talking about these issues.

11           LSA, like many around the table, really  
12 does want to get this right. And reflecting, Chair  
13 Weisenmiller, on your opening comments, we really  
14 share the goals of having the RSO as a key element  
15 in transforming a grid to a modern grid that can  
16 really bring reliability benefits and integration  
17 benefits and cost savings.

18           So when we're looking at these proposals,  
19 just to start, I think these principles are a good  
20 starting place and they are reflective of many of  
21 the issues that have already been raised, and  
22 advance the conversation. And I think the next place  
23 that we'd like to see them go is to have some more  
24 specificity on a number of issues, and I'll talk  
25 about those in a minute.

1           But at high level I do want to commend the  
2 ISO and all the folks who have been working on this  
3 for presenting us with a starting place and a formal  
4 starting place.

5           So some of the issues where we'd like and  
6 we think there'd be a benefit for further  
7 development are on some key issues around the final  
8 governance structure to make sure that we have a  
9 workable division of labor and really understand how  
10 some of the voting processes and policies will be  
11 established.

12           And one of the places to start, I think, is  
13 to have some further details on how the transitional  
14 committee will be formed and what kinds of rules and  
15 decision making structure that committee will have.

16           We didn't directly but we have engaged with  
17 the EIM transitional committee and we've heard good  
18 things about that process that have been mentioned  
19 here today, but I think having a greater  
20 understanding about whether that structure is the  
21 intent here or if there are going to be different  
22 rules about how that will be developed and how we'll  
23 decide who's going to be participating there will be  
24 important.

25           And related to that, I think having a

1 commitment and structure for a more open stakeholder  
2 process in parallel to that will be an important  
3 element of moving that work forward and ensuring  
4 that we can have a broad array of diverse voices  
5 engage on these issues.

6           So our lens, obviously, is thinking about  
7 how independent power producers and solar in  
8 particular will have a role in this process and  
9 understanding how and where certain decisions are  
10 going to be made, and so establishing some of those  
11 pieces in terms of the transitional committee's role  
12 I think will be key.

13           And moving to the proposal just section by  
14 section.

15           On preservation of state authority, I think  
16 the proposal is a good start and we definitely  
17 support those elements around retention of  
18 procurement authority and other key policy issues  
19 that a number of other commenters have already  
20 commented quite extensively on, so I'll just say  
21 let's go from there.

22           On greenhouse gas accounting, this is  
23 really important work and we look forward to that  
24 stakeholder process getting started and think it's  
25 going to be a key element in the overall proposal

1 that we'll take a look at, but we don't have  
2 specific comments on what's in the proposal other  
3 than encourage that work starting soon, which we  
4 know is slated.

5 On the issue of PTO withdrawal, here I  
6 think there would be some benefit for some  
7 additional further details in the proposal. We  
8 obviously support having a withdrawal provision.

9 We noticed in the most recent Florio-Jones  
10 proposal that there were some other elements that  
11 could be useful, including ensuring there's a  
12 retention of the current notice provisions,  
13 consideration of exit fees, and of any kind of  
14 dispute resolution process, so we hope that those  
15 will come into that conversation and we'll comment  
16 further on that in our written comments.

17 I've already spoken somewhat about the  
18 transitional committee, and what I'd like to add  
19 here is that it would be helpful for going into any  
20 transitional committee for there to be some really  
21 clearly specified goals and more delineated roles in  
22 terms of what that committee is going to take on.

23 There was a pretty short timeframe and  
24 process proposed here, and those issues are a lot  
25 broader than what was undertaken in the EIM

1 transitional committee, so we're sensitive to the  
2 fact that there's a lot to do and we should be  
3 really specific and prioritize what needs to go  
4 first there.

5           One of those things is probably really  
6 digging into what are the relevant qualities and how  
7 we'd like to see any nomination process go forward  
8 for either the transition board or the more formal  
9 board. So I think that's probably good there unless  
10 you have questions on that.

11           On the initial board and the transitional  
12 elements of that, I think we support generally there  
13 being some kind of transition and find that a  
14 necessary element.

15           We don't have a lot of specifics to offer  
16 because I think we'd like to know more about how  
17 different states will participate in nominating  
18 their members and whether or not there would be any  
19 kind of change to the current voting structure as  
20 part of that transitional board, and take that into  
21 account in understanding the overall governance of  
22 the future RSO.

23           I already spoke a little bit about the  
24 composition of the regional board in itself, but  
25 I'll just state again that I think having the

1 transitional committee define early the relevant  
2 areas of expertise, or if we go in the direction of  
3 a more state appointed board, what those roles and  
4 elements for good board members look like that will  
5 make sure that we have an effective body will be  
6 really important. So we encourage more thinking on  
7 that earlier in the process.

8           And the body of state regulators, we  
9 generally support a body of state regulators. We  
10 have some questions about what policies the body of  
11 state regulators will hold and what will be an  
12 expert board that a number of folks have commented  
13 on that this afternoon.

14           And particularly curious about whether or  
15 not the thinking here is to have a body of state  
16 regulators that will approving policy decisions or  
17 developing them. I think as Matt mentioned, we see  
18 moist a staff driving process today at the Cal ISO  
19 on both transmission planning and on policy issues  
20 and that coming before the expert board, so I think  
21 thinking through about whether or not a body of  
22 state regulators will hold both the authority for  
23 approval.

24           And also that planning and development  
25 aspect will be an important piece for us to

1 understand. And related to that I'd like to think  
2 through how the rules and policies will be developed  
3 for that body of state regulators.

4           One of the challenges that Tony mentioned  
5 and that we've noted as well is that in the current  
6 stakeholder process some of the work around benefit  
7 test assessment in the TAC proceeding and some of  
8 the other key issues are being pushed off for the  
9 transitional committee to decide potentially, or for  
10 the body of state regulators, but we're not sure who  
11 will decide what those tests and policies will be,  
12 and that puts us in a tough position in terms of  
13 assessing the overall framework that we're going to  
14 be dealing with.

15           I think from the IPP perspective we want to  
16 understand early how decisions will be made and on  
17 what basis for new transmission lines or for any RA  
18 issues and the like. So further definition of some  
19 of those pieces I think are helpful earlier in the  
20 process.

21           And finally on the stakeholder process, I  
22 think I spoke about this when we met several weeks  
23 ago, that LSA has found in many instances that the  
24 stakeholder process of the ISO has been a pretty  
25 good one and we think there are elements in areas

1 where it can be improved and we're open to talking  
2 about that and thinking through that.

3           We want to understand what the role of  
4 independent generators will be in those processes  
5 and how we can ensure that our issues and voices are  
6 heard, much like everyone around the table. So in  
7 establishing the rules for the transitional  
8 committee, I think that will help us understand  
9 where that's heading and perhaps some additional  
10 guidance about what the goals are for any  
11 improvements would be a way to further develop that  
12 at this point.

13           And with that, I just want to say that I  
14 think we're in the middle ground of wanting to see  
15 some additional details at this point to further  
16 understand the whole package, but not needing to  
17 have the whole package developed today. And I'm open  
18 to any questions you have.

19           MAYOR FOSTER: Thank you. Question from the  
20 dais?

21           CHAIR WEISENMILLER: Yeah, just a quick  
22 question, and certainly encouraging everyone as we  
23 struggle with this question of how well baked does  
24 this have to be now versus later. If in your written  
25 comments you could give more thought to which of the

1 elements can be further flushed out would help, if  
2 possible.

3 MS. GOLD: Absolutely.

4 CHAIR WEISENMILLER: That would be good.  
5 Thanks.

6 MAYOR FOSTER: Questions? All right, thank  
7 you.

8 Ms. Grant.

9 MS. GRANT: Thank you. Sekita Grant with  
10 The Greenlining Institute. I'm legal counsel with  
11 the environmental equity team.

12 Just as background, The Greenlining  
13 Institute is an environmental equity organization.  
14 We work in close partnership with environmental  
15 justice groups and really representing the voice of  
16 disadvantaged communities in these conversations.

17 I think overall we find the proposal to be  
18 a very good start. As Rachel put it, it's an  
19 effective way to advance the conversation and put  
20 pen to paper on some of these issues, so I'm going  
21 to just march through most of these eight points in  
22 as effective of a manner as possible, and efficient.

23 So I think, echoing -- I don't think  
24 there's anybody in this room or engaged in this  
25 process that doesn't agree with prioritizing the

1 preservation of state authority.

2 I think for disadvantaged communities there  
3 is some anxiety around ensuring that any path we go  
4 down does not interfere with really aggressive and  
5 robust efforts to expand access to clean energy  
6 technologies within disadvantaged communities,  
7 particularly distributed resources.

8 And from a governance standpoint, along  
9 these lines we have questions on what's the  
10 enforcement mechanism here?

11 So to the extent there might be a direction  
12 that this regional body would take on that seems to  
13 be counter to state policies, what's the path of  
14 recourse for groups around the table and other  
15 groups that might want to challenge and ensure that  
16 we're not seeing unintended consequences.

17 We have the same concerns that Matt does  
18 around private litigation. Understanding that  
19 there's a good argument that how is this much  
20 different from what's already in place with the EIM.  
21 However, as Matt has pointed out, there are some  
22 good reason to think that in the court system there  
23 could be additional complications and how do we get  
24 the best and brightest attorneys to figure out  
25 really ensuring that we have something that moves

1 forward that can protect against private litigation  
2 that might lead to erosion of the great policies we  
3 have in place and the future policies we will have  
4 in place.

5           On greenhouse gas accounting, I think the  
6 environmental justice community has and is learning  
7 a lot about some of the potential unintended  
8 consequences that can result from robust greenhouse  
9 gas emission reduction mechanisms, and what it means  
10 for local pollutants, for co-pollutants.

11           So with the understanding that there's  
12 going to be further discussion on this, but from the  
13 governance standpoint, what's the adaptive  
14 management mechanism that we could have in place  
15 that will allow us to correct and prevent unintended  
16 consequences and really prevent us from going too  
17 far down the wrong path.

18           And supporting Matt's comments on this  
19 around tracking, we support that. And in addition to  
20 greenhouse gas emissions, looking at the tracking of  
21 co-pollutants with a specific focus on geographic  
22 regions. And really the purpose is to avoid  
23 unintended consequences to already pollution  
24 burdened communities. And also with that, having a  
25 plan around mitigation to the extent there are

1 spikes or increases in emissions in certain  
2 communities.

3           And so this all is consistent with  
4 Professor Joseph's history lesson, which is how do  
5 we really have those mechanisms in place to ensure  
6 that we can correct and make this regionalization  
7 something that improves and we're not stuck in  
8 something that's detrimental to Californians,  
9 particularly disadvantaged communities.

10           For the transmission owner withdrawal, we  
11 are supportive. Take heed of Tony's remarks around  
12 whether -- how this would actually function in  
13 practice. And I don't know enough about the issue to  
14 make detailed comments, but we would be interested  
15 in making sure that this is actually realistic.

16           For the transitional committee, also  
17 supportive of this. I think the only question we had  
18 is around checks and balances, so it looks like the  
19 ISO board would appoint the committee. I don't know  
20 if there is an opportunity for consultation with the  
21 Governor's Office or Legislature or something that  
22 adds an additional set of eyes to that selection  
23 process.

24           The initial board transition period, I'm  
25 not going to add to what other folks have said on

1 that.

2 I think just skipping down to the body of  
3 state regulators. We are supportive and just want to  
4 flag the importance of the preservation -- that we  
5 preserve the majority of load clause to ensure that  
6 California has sufficient control and votes in that  
7 process.

8 And then the final section on the  
9 stakeholder process. It sounds like there is  
10 different opinions on whether the California ISO's  
11 stakeholder process to date is a sufficient one. I  
12 think we would side on there needing to be a close  
13 look at how to improve it.

14 Particularly working with community based  
15 organizations, it is hard to engage in the process,  
16 it's incredibly technical. It requires a lot of  
17 resources, and I think we would support Matt's  
18 comments on that.

19 And what's listed here, the three sub  
20 bullets on improving the process, the possibility of  
21 funding mechanism, we would recommend additional  
22 work shopping, more transparency.

23 These are all things that sound great.  
24 Right now as written, it looks like we're drafting  
25 it to kind of consider these different things and

1 would really encourage that if things move forward  
2 that we are taking these more seriously and actually  
3 committing to them.

4           So I think I'll leave it at that, and if  
5 there is any questions.

6           MR. RECHTSCHAFFEN: Just that last part,  
7 you said you recommend more workshops to flush out  
8 those proposals or more workshops as part of the new  
9 stakeholder process that's established?

10           MS. GRANT: Right, the latter. So not to  
11 figure out what it looks like, but really to ensure  
12 that there's robust community engagement.

13           These are things that the Energy Commission  
14 has embarked on doing more this year and we're  
15 getting a lot of great reception on it, and it's  
16 really about bringing in stakeholder groups that  
17 aren't, as we call it, the usual suspects around the  
18 table, but bringing in stakeholder groups that  
19 wouldn't normally participate.

20           CHAIR WEISENMILLER: I had a question and a  
21 comment. On the question side, to the extent that  
22 the 350 studies include looking at some of the  
23 environmental impacts on disadvantaged communities,  
24 I wanted to make sure that you had the opportunity  
25 to really dig into that, or to the extent you need

1 any additional briefings from the ISO or whatever  
2 that (inaudible) urge the ISO schedule that, if that  
3 would help.

4 MS. GRANT: Yeah. I think we have been  
5 engaged on that and I think it would be useful to  
6 have further conversations with the ISO as well as  
7 the consultants that are working on that.

8 It becomes difficult. A lot of the work  
9 done there really depends on involvement even from  
10 the perspective of what are the inputs into the  
11 models and what's being considered in the beginning,  
12 and I think we missed the boat on that one, but  
13 certainly I think we would take the ISO up on the  
14 opportunity to have further discussions.

15 CHAIR WEISENMILLER: Yeah, and I was going  
16 to note, in terms of the existing transitional  
17 committee that was set up for EIM, that was done by  
18 the ISO board and I would have to say they did a  
19 phenomenal job on selection so would certainly  
20 discourage Governor's Office, Legislature, cast of  
21 thousands getting involved in the process.

22 I would also note, having been on the  
23 committee, it was a hell of a lot more work than I  
24 ever knew when I signed up, so certainly if anyone  
25 is approached on it keep that in mind.

1           MAYOR FOSTER: Any other questions from the  
2 dais?

3           Okay, we'll turn now, last but not least,  
4 to my fellow classic car lover, Mark Smith from  
5 Calpine.

6           MR. SMITH: Thank you. For those of you who  
7 don't know me, I'm a practitioner at the ISO. I have  
8 made appeals many times in front of the former chair  
9 of the ISO and I'm sure me being last with no time  
10 is a reflection of some of the things I may have  
11 said to Mr. Foster.

12          MAYOR FOSTER: Told you I'd get you.

13          MR. SMITH: Calpine thinks that the  
14 proposal is absolutely directionally correct. It  
15 eventually would create an independent board with an  
16 understanding that the states have important and  
17 necessary roles in the energy business and that  
18 those roles can be exercised within their  
19 jurisdiction.

20          We would prefer to get to that end point  
21 sooner than the proposal suggests. That's a hint at  
22 some of my future comments here, but nonetheless.

23          The other thing that I think is very  
24 important that we want to highlight is that as we  
25 move forward, certainly the structure that we design

1 needs to be acceptable to the Federal Energy  
2 Regulatory Commission.

3 I was struck by the fact that nowhere in  
4 the presentation from the ISO, and I've talked with  
5 Roger about this since, was there a discussion of  
6 any filings for this at the Federal Energy  
7 Regulatory Commission nor requests for approval.

8 We think that many of these elements need  
9 to be reviewed and approved by FERC in order for the  
10 subsequent steps, which might be the expansion of  
11 the market to other areas.

12 So we suspect, and probably the ISO is  
13 having informal discussions with FERC commissioners  
14 and FERC staff to make sure that this structure  
15 passes the grade, but we really encourage a  
16 consideration of which elements of this need to be  
17 filed at FERC and an exposure of those.

18 We sense that there's probably at least  
19 two, maybe three areas in which this may deviate  
20 from even the SPP model, which a lot of this is  
21 designed after. The SPP model has a regional state  
22 entity that has certain delegated responsibilities,  
23 very similar to the body of state regulators that's  
24 been proposed here. It's a very similar structure  
25 but there are differences that we think we must

1 highlight and address.

2           The first of those is the independent  
3 standard that we've talked about, FERC's  
4 requirements for an RTO.

5           Now, we can move forward without getting  
6 FERC's approval an RTO, but FERC may have remedies  
7 that are distasteful to all of us if that's the  
8 case. In other words, they may delay decisions as  
9 they have in the past, or not make decisions as they  
10 have in the past.

11           FERC's regulations require an exclusive and  
12 independent right by the RTO to be able to file for  
13 rates. This is what we call Section 205 rights. It  
14 can be shared, as it has been in MISO and as it has  
15 been in SPP, but it can't be excluded, which we see  
16 as the real structure or possibility of some of the  
17 restrictions within the proposal that's in front of  
18 us. We think that that needs to be addressed.

19           The restrictions, for instance, are that  
20 the body of state regulators can direct certain  
21 filings and the ISO doesn't have the opportunity to  
22 file a competing proposal. The ISO can only make  
23 filings during certain emergency conditions, the  
24 exclusions that we've already talked about.

25           Secondly, we think that any delegations of

1 responsibility, any sharing of responsibility needs  
2 to be identified in the tariff and reviewed by FERC.  
3 Therefore, we think that writing bylaws to the ISO  
4 and, to my knowledge and experience in working on  
5 the EIM transitional committee, bylaws are not  
6 necessarily filed nor reviewed nor approved by FERC.

7           Writing a delegation of authority  
8 essentially into a bylaw seems like a dangerous  
9 precedent if indeed we want FERC ultimately to  
10 approve this whole structure, so putting it in front  
11 of FERC and letting FERC review the delegations of  
12 authority.

13           And Commissioner Picker, you're absolutely  
14 right. Defining those things in the EIM transitional  
15 committee we found to be difficult.

16           As Tony has said, if someone could define  
17 what the state jurisdiction was very clearly to me  
18 as it continues to move, we could do that. It's  
19 going to be very difficult, I think, to expressly do  
20 it.

21           Now, in SPP and MISO they've been  
22 successful in at least identifying a couple of areas  
23 in which there was an approved delegation.

24           The third area, I guess -- and this, I've  
25 had this thing for four days, right? I think all of

1 us have had it for about four days.

2 The third area that I'm concerned about is  
3 the creation of a separate legal entity, which is  
4 the body of state regulators in this case, and  
5 delegating authority to them without them having any  
6 FERC jurisdictional interface or exposure or  
7 responsibility.

8 I don't understand the full regulatory  
9 oversight of that group and how it would work out,  
10 but it's something and I think collectively we need  
11 to understand and explore a little bit better. It  
12 seems quite different than what SPP and MISO have  
13 done. MISO, I believe the state group is just a  
14 committee of the ISO. I'm not so clear on what SPP  
15 has done.

16 So I think for the benefit of the ISO in  
17 the next iteration, I think those are three areas at  
18 least that we really do need to explore, expand, and  
19 understand. Of those, I think Calpine particularly  
20 is most concerned with the limits on the  
21 independence of the ISO that would be created by  
22 certain events.

23 I am just going to talk about two other  
24 things, I think.

25 The transitional committee. As stakeholders

1 I think it's a great idea. On the EIM transitional  
2 committee we had, I think, a great benefit of having  
3 a set of principles or guardrails that were given to  
4 us so that we were tasked with implementing policies  
5 that had been created and established by the board  
6 rather than creating policy. And I would be very  
7 concerned if this transitional committee was tasked  
8 with creating policy. That's a little different than  
9 where we were.

10           The initial board and the transition  
11 period. Again, I want to get to the end point of the  
12 independent board as quickly as possible, and I  
13 think that it's a step that could be avoided, which  
14 is the transitional board, the interim board, and  
15 I'd like to have some more discussion about whether  
16 we should advance more quickly to that final and  
17 independent board.

18           On the lighter side, Matt Freedman, I would  
19 say the ISO stakeholder process sucks. I think you  
20 know that very well; you've been involved in it.  
21 Unfortunately, it's probably, like democracy, the  
22 best one that's out there.

23           Please don't expose us to the multi-level,  
24 multi-year organized stakeholder processes of the  
25 east. I think that we collectively in California and

1 with our counterparts outside California can work  
2 much more productively in the structure that we have  
3 today.

4 With that, I'd be happy to respond to any  
5 questions that you might have.

6 CHAIR WEISENMILLER: I guess actually you  
7 raised an interesting question that I at least want  
8 people to think about in their responses, and that  
9 is for the regulatory body how do we make sure  
10 there's some sort of transparency there in their  
11 decision making?

12 And the other part of the issue is just  
13 realistically, you and I are used to acting in the  
14 California context of a meeting, Bagley-Keene,  
15 everything else. As you go across the various states  
16 in the west, obviously there's the equivalence or  
17 lack thereof in different states, so basically  
18 trying to figure out something that works but really  
19 is a transparent decision making process,  
20 particularly if you're delegating some fairly  
21 important stuff to that committee.

22 PRESIDENT PICKER: I just wanted to point  
23 out that there are some specific delegated  
24 authorities in the MISO. I won't go through all of  
25 them but I'll just note that one of them that's very

1 specific is their ability to operate the market  
2 monitoring committee, which I assume has some direct  
3 linkage to FERC in terms of making referrals.

4 MAYOR FOSTER: Any other questions?

5 CHAIR WEISENMILLER: No. So big round of  
6 applause for Bob for getting us here at this stage.

7 [Applause]

8 MAYOR FOSTER: I'd like to thank all the  
9 panelists for --

10 CHAIR WEISENMILLER: Good panelists.

11 MAYOR FOSTER: -- a thoughtful and thought  
12 provoking session. And I want to apologize, I have  
13 failed in my moderator duties, I am 15 minutes over  
14 time, so I want you to keep that in mind if you ever  
15 think about having me do this again.

16 CHAIR WEISENMILLER: Okay. Thank you.

17 Again, for those of you who are not  
18 familiar with Energy Commission processes, I need  
19 blue cards from the parties who want to speak at  
20 this stage. And public adviser in the back, raise  
21 your hand. If you want a blue card, please approach  
22 her and get a blue card.

23 PRESIDENT PICKER: I'm going to apologize  
24 early, I have a meeting shortly and so I'll probably  
25 have to leave after another five, ten minutes to be

1 able to get there in time.

2 CHAIR WEISENMILLER: Okay. So blue cards.

3 The first party we have is Imperial  
4 Irrigation District. Now, I've got three cards.  
5 Again, I don't know if you guys are that familiar  
6 with the Energy Commission process, but the answer  
7 is each party gets a card, a speaker. Given you've  
8 come a long way I'm going to be a little bit -- give  
9 you a little bit more freedom, but again, the closer  
10 you can get to six minutes as opposed to nine is  
11 good.

12 But again, future time, one card. I don't  
13 want to be in a situation, say, where PG&E comes in  
14 with 20,000 people with cards or Greenlining with  
15 10,000, so one card per party.

16 Certainly encourage written comments. And  
17 now to go on the docket, written comments, we've  
18 given you the date on it, and certainly again you're  
19 welcome to provide written comments on stuff.

20 And obviously I'm not particularly  
21 interested in hearing the nuts and bolts of your  
22 litigation. I'm sure there's a court somewhere that  
23 will deal with it, but I'm a scientist, not a judge.

24 MR. KELLEY: Well, I'll be quick about it.

25 As many of you know, I'm Kevin Kelley, I

1 represent the Imperial Irrigation District, the  
2 state's third largest public power provider and its  
3 own balancing authority. And it will surprise no one  
4 that I rise in favor of dinosaurs, or perhaps the  
5 Balkans.

6 I'm reminded, and I know my friend Bob  
7 Foster will recall the famous dictum of Tip O'Neill  
8 that all politics is local, and I think that what  
9 you have before you in this proposal is that all  
10 politics is actually regional and we can find a way  
11 to make it local.

12 I do want to salute the message discipline  
13 of the California grid operator. There was a time  
14 when we referred to this entity as the Cal ISO. I  
15 heard somebody call it the CAISO. That's a little  
16 too close to Casio, the consumer electronics  
17 manufacturer.

18 But today, and I think for about the last  
19 year or so, virtually everyone on staff with the ISO  
20 refers to it that way, the ISO. Which leads me to  
21 believe that this entire process is almost a fait  
22 accompli.

23 CHAIR WEISENMILLER: Hang on one second.  
24 Apparently the audio has dropped off on the line.  
25 Fix it, go ahead.

1 MR. AGUIRRE: (Inaudible.)

2 CHAIR WEISENMILLER: Sure. I've gotten a  
3 note. I don't know if that's generally true but  
4 let's fix it.

5 MR. KELLEY: That's okay. I really just  
6 want to talk to you anyway.

7 CHAIR WEISENMILLER: Presumably, we've got  
8 a transcript too, so...

9 MR. KELLEY: What I'm seeing in this  
10 timeline is that this is going to happen this  
11 summer, and so the train has clearly left the  
12 station. It's a bullet train and it's on steroids.  
13 And we're not just being asked to jump into the  
14 shallow end of the pool; we're all jumping into the  
15 deepest part of the roiling ocean and the strongest  
16 swimmers have assured the rest of us who can only  
17 tread water that they'll save us. So putting the  
18 governance ahead of these larger questions, dangling  
19 questions, seems to me to be a strategy for bad  
20 policy.

21 And I don't know how you reconcile a bill  
22 moving through the Legislature right now to break up  
23 this clubby atmosphere that seems to permeate the  
24 CPUC and at the same time find a vehicle for this  
25 proposal that will metastasize the ISO. I don't see

1 how it serves California's public interest. It  
2 certainly doesn't serve Imperial Irrigation  
3 District's interest, and I don't see how it advances  
4 the Governor's ambitious renewables and climate  
5 goals.

6           So IID will oppose this -- I'm sure that  
7 frightens no one -- and we'll encourage our own  
8 county to oppose it. We don't like the way the ISO  
9 operates today, the size it is today, and we  
10 certainly don't relish the thought of it being even  
11 bigger.

12           So, thank you very much.

13           CHAIR WEISENMILLER: Thank you. Thanks for  
14 being here.

15           I should note we ran into this before. I've  
16 gotten texts of people that have audio and people  
17 that don't have audio, and we've got two different  
18 channels out, but we do have a transcript one way or  
19 another.

20           Go ahead.

21           MR. AGUIRRE: I would like you to clarify,  
22 is this being broadcast as all the other comments  
23 were; are my comments going to be --

24           CHAIR WEISENMILLER: I have gotten one note  
25 saying they hear and I've gotten another note saying

1 they don't, so...

2 MR. AGUIRRE: My name is Michael Aguirre.  
3 I've spent the last four years investigating the  
4 actions of the CPUC, including Mr. Picker, Mr.  
5 Peavey and others, and of course I want the record  
6 to reflect that Mr. Picker is leaving the room.

7 The reason that the public and so many  
8 legislators are going to do away with the CPUC is  
9 because they support proposals like this one and  
10 they support the kind of orchestrated propaganda  
11 presentation that you put on today. But I'm not  
12 going to get into that because I don't have enough  
13 time and you don't want to hear the truth, all the  
14 truth, but I will cover one point.

15 ISO is a nonprofit corporation. It proposes  
16 to merge with a for profit corporation. ISO proposed  
17 to cede control to for profit parties the work that  
18 it does. The ISO in doing so cannot assure that the  
19 partnership will in fact be operated in furtherance  
20 of a charitable purpose. Under these circumstances  
21 the ISO would lose its tax exempt status should the  
22 merger be consummated.

23 I refer you to Redlands Surgical Services  
24 v. Commissioner, 113th Tax Court 4778.

25 The ISO reports it may seek a ruling from

1 the Internal Revenue Service because it recognizes  
2 that its activities may take it outside of the  
3 nonprofit protection, and it proposes possibly  
4 seeking a ruling about the effect of the proposed  
5 governance changes on its tax exempt status. It's  
6 not just those changes but there are many others.

7 I suggest before we go any further that a  
8 ruling from the Internal Revenue Service be secured  
9 with a proper presentation of what ISO plans to do  
10 to see if that satisfies its nonprofit status.

11 *Blumberg* refers to what's going on here as  
12 a \$26 billion gamble by PacifiCorp in the western  
13 electric markets.

14 You all look, the CEC, the CPUC, the ISO,  
15 like you've merged, and we ought to have a future  
16 workshop on that about when that merger took place  
17 and when you began sitting in a building that's paid  
18 for with public funds, paid for with public funds,  
19 when you decided that you would become advocates for  
20 a profit corporation and a private agenda. And  
21 that's all this was here today.

22 Here's what's going to happen.

23 Just like with the CPUC, just like with the  
24 ISO, they make absolutely impossible for the public  
25 to have an impact on public policy, and so what

1 happens, it goes to the courts.

2           You talked about transparency. The ISO  
3 takes the position that they don't have -- there's  
4 no court that can order them to produce public  
5 records if they decide not to.

6           The CPUC takes the position that only an  
7 appellate court can order them to do that.

8           You're taking the position right now that  
9 you don't want to hear anything that's adverse from  
10 the people that raised issues that were adverse to  
11 your advocacy position. You confronted them and  
12 tried to argue them out of their position all day  
13 today.

14           I'm done, but all I'm telling you is you  
15 will be in a different form at some point and I want  
16 you to make sure that you keep all your emails, all  
17 your records of communication.

18           And that goes for the Governor's Office,  
19 although they refuse to turn over their emails. They  
20 refuse to let us know about all those private  
21 dealings they're having with all those other states  
22 right now that they talk about all the back  
23 channel...

24           CHAIR WEISENMILLER: Are you done?

25           MR. AGUIRRE: No, not quite.

1 CHAIR WEISENMILLER: Well, but you can give  
2 written comments.

3 MR. AGUIRRE: My written comments don't go  
4 about what's happening today.

5 CHAIR WEISENMILLER: That's fine; you can  
6 have subsequent written comments.

7 MR. AGUIRRE: I will finish up.

8 CHAIR WEISENMILLER: I would note as you're  
9 going forward that the witness for the City of San  
10 Diego on the IDP issue in the merger was myself.

11 MR. AGUIRRE: Well, that's fine, and it's  
12 unfortunate that you've shifted and you've lost your  
13 focus for the public interest, but I know that in  
14 the past you have been someone that has been an  
15 advocate and it's always sad to see someone cross  
16 over the line and become a captive regulator, which  
17 you have been.

18 Thank you very much.

19 CHAIR WEISENMILLER: Thank you.

20 Maria Severson.

21 MS. SEVERSON: Thank you. Maria Severson  
22 representing the Imperial Irrigation District, and I  
23 appreciate you extending the time the same way you  
24 did to the panelists who went over their time, so we  
25 appreciate that.

1           First, I'd like to say that the invitation  
2 to comment and participate requires -- and to get  
3 the actual reports that were made, were given to  
4 only those who had signed nondisclosure agreements.  
5 That goes against making this any type of real  
6 public process.

7           There's a real issue as far as whether the  
8 public can determine whether the states that are  
9 like Utah, Idaho and Wyoming who have no renewable  
10 portfolio standards where California has 50 percent  
11 renewable portfolio standards, whether there's going  
12 to be any interest in them taking our clean energy.

13           The reports, we're not allowed to get them  
14 unless we sign a --

15           CHAIR WEISENMILLER: The reports are a  
16 subsequent hearing, not this hearing.

17           MS. SEVERSON: PacifiCorp -- well, let me  
18 say this.

19           The timing of this governance and attempt  
20 to make this regional grid is interesting because,  
21 one, why now and why so fast?

22           Let's talk about why now.

23           We have a broken regulatory scheme. The  
24 Public Utility Commission is being sought to be  
25 disbanded by pending legislation right now because

1 it is so broken. It goes to Warsaw to make secret  
2 deals for failed plants, and then the ISO comes in  
3 and says let's talk about reliability and how we can  
4 plug in that energy. Let's do it with some  
5 greenhouse gas. And now there's a diversion here to  
6 suddenly make this the most important thing to get  
7 this through quick.

8           You know, is this the Governor's high speed  
9 railroad getting this thing through, because it  
10 seems to be just to divert the attention.

11           The timing of it is interesting too because  
12 just this week, seven days ago, FERC found that  
13 PacifiCorp had revoked its market based rate  
14 authority in several of its balancing authorities  
15 and it ordered it to make refunds. It basically  
16 barred it from selling at market rate. This is a  
17 company that the ISO seeks to merge with?

18           So the timing of this, it's too fast, it's  
19 not necessary, and it is just a diversion. Don't  
20 create something new; fix what's broken in all your  
21 houses. Thank you.

22           CHAIR WEISENMILLER: Thank you.

23           Let's go on to Jonathan Weisgall.

24           MR. WEISGALL: Good afternoon. Jonathan  
25 Weisgall with Berkshire Hathaway Energy. We'll file

1 written comments, of course, but just want to make a  
2 couple of very quick points.

3           Mark Smith correctly pointed out that  
4 whatever governance proposals are derived will have  
5 to be acceptable to FERC. They'll also have to be  
6 acceptable to the other five states that, at least  
7 at this point, would be part of this process.

8           In that regard, we're very supportive of  
9 these principles but I would just urge folks to be  
10 careful that the greenhouse gas accounting not  
11 trample the deference to state authority.

12           No question that this is important for  
13 California. My guess it's probably less important  
14 for the other five states, so I think that that's  
15 worth keeping in mind, but we certainly as a company  
16 support that reporting and that accounting. That's  
17 certainly important. It has been successful in the  
18 energy imbalance market and certainly should be  
19 important going forward.

20           In that regard, that preservation of state  
21 authority, I just want to leave you with one last  
22 example that goes back to the opening of the session  
23 where Governor Galiteva referred to what one of our  
24 other utilities, Mid American, is doing in Iowa.

25           And just very briefly a couple of

1 statistics on MISO.

2 Yes, our utility has announced we'll be 85  
3 percent wind and our goal is to be at 100 percent,  
4 which we will achieve.

5 We are members of a fifteen-state ISO,  
6 MISO. Twelve of those fifteen states are suing the  
7 EPA over the clean power plant, three are not. Some  
8 of those states are over 90 percent dependent on  
9 coal and our mid American energy is going in a  
10 different direction.

11 Half of those states don't even have RPS  
12 standards, they have targets. Nevertheless, here are  
13 fifteen states that because of good governance of an  
14 RTO and deference to state authority are able to do  
15 the job of an RTO while letting states preserve  
16 their own policies, procurement policies and  
17 otherwise.

18 Thanks very much.

19 CHAIR WEISENMILLER: Let's go to Elizabeth  
20 Kelly.

21 MS. KELLY: Thanks very much. I'm Beth  
22 Kelly, I'm the general counsel of MCE, a community  
23 choice aggregator. Very pleased to be here today.

24 First, I just want to say that our goal as  
25 a CCA is to aggressively reduce GHGs and increase

1 RPS, and so our interest in this regionalization is  
2 to ensure to the greatest extent possible that  
3 that's going to happen in California and region  
4 wide.

5 I just have one quick comment on the body  
6 of state regulators. I just wanted to note that the  
7 CPUC and presumably the other regulators don't  
8 regulate the procurement of all the load serving  
9 entities that they serve, and that includes CCAs.  
10 And so when we're looking at the governance  
11 structure, I think that it is healthy to have that  
12 POU voice, nonvoting voice, but I don't think that  
13 it's quite enough and so we want to make sure that  
14 there are sufficient voices heard from all the  
15 relevant actors. And we'll provide written comments  
16 as well. Thank you.

17 CHAIR WEISENMILLER: Thank you.

18 Nora Sheriff, please.

19 MS. SHERIFF: Good afternoon. Nora Sheriff  
20 here on behalf of CLECA, the California Large Energy  
21 Consumers Association. CLECA is an ad hoc  
22 organization of large industrial customers of PG&E  
23 and Southern California Edison. We'll be filing  
24 written comments but I wanted to echo some of the  
25 concerns that you've heard today in person while I'm

1 here now.

2 First, regarding the rushed process. These  
3 are complicated issues that we're dealing with and  
4 there are lots of moving pieces and they interact.  
5 We need to wrestle with the details and see how they  
6 interact. Otherwise, it's not clear if the  
7 ratepayers will see any of the promised benefits of  
8 regionalization.

9 I do agree with putting governance first. I  
10 think the proposal has some very positive aspects to  
11 it, and we'll comment on those. But as for Mayor  
12 Foster's request for a deadline or suggestions about  
13 a deadline, I think that SB 350 gave us a deadline  
14 and that deadline is the end of next year, so I do  
15 think we can take the time that we need for this  
16 process to get it right.

17 Thank you.

18 CHAIR WEISENMILLER: Thanks.

19 Smutny-Jones.

20 MR. SMUTNY-JONES: Thank you very much. I'm  
21 Jan Smutny-Jones with the Independent Energy  
22 Producers Association and I want to thank you for  
23 this opportunity to offer some comments. We will  
24 file a little more details comments in writing. We  
25 do have some concerns that I think were pretty well

1 put forward by Mr. Smith.

2 I do, however, want to go on record as  
3 thanking Governor Brown for basically advancing this  
4 idea, and I want to thank the members of this  
5 panelist for listening to a wide variety of  
6 different interests that have concerns about how to  
7 do this and how to do this right. I think it is  
8 important.

9 These issues are difficult enough without  
10 us creating some sort of X-File-esque type of  
11 conspiracy theory.

12 In response to my friends at IID, the fact  
13 of the matter is we do not have a merger underway  
14 here. We have the PacifiCorp transmission system  
15 joining the ISO as a participating transmission  
16 owner, and that is different than a merger. No one's  
17 handing things over to the private sector to run the  
18 Cal ISO. This is an important distinction.

19 Yes, it'll require the IRS to look at it.  
20 It's going to require FERC to look at it. It's  
21 probably going to require the state attorney general  
22 to look at it. There is a number of steps that have  
23 to be taken.

24 IEP is generally supportive of this effort.  
25 And why? And I did read the testimony earlier.

1 There's not solar snow job going on; there's  
2 actually a solar polar vortex. I think that's  
3 probably counterintuitive there.

4 But the fact of the matter is, in 2001 we  
5 had basically 812 megawatts of utility scale solar  
6 online in California -- or actually it's 412. Today  
7 it's over 7800 megawatts and growing, and that's  
8 just utility scale, that's not the 3-4000 megawatts  
9 of rooftop. That's a lot of stuff in the middle of  
10 the day showing up.

11 We have to have a larger footprint to be  
12 able to continue to grow, to grow the renewable  
13 energy industry in this state, so that's why this is  
14 important.

15 I think as you heard Mr. Smith speak as  
16 well, it is important for our existing assets to be  
17 used more efficiently, so we think that that's of  
18 critical import.

19 There's obviously a balance of interests  
20 here with respect to the 205 filings that we will  
21 comment on a little further.

22 I also want to point out, because this gets  
23 confused very quickly. Whatever the State of  
24 California does, or the existing ISO, it has to be  
25 consistent with the Commerce Clause and the Federal

1 Power Act, and California has been pretty cautious  
2 in terms of how it's written its statutes, unlike  
3 Minnesota and unlike Maryland, to basically be  
4 consistent with the Federal Power Act and Commerce  
5 Clause, at least so far.

6 But there's nothing -- if we expand this  
7 footprint, I suggest that this can be done in a way  
8 that we do not expose ourselves to any additional  
9 risk of litigation.

10 And by the way, we live in the United  
11 States of America and under at least the current  
12 laws individuals do have the right to file  
13 litigation when necessary.

14 There are some significant issues that need  
15 to be taken up, the TAC, maybe stakeholder  
16 reformation, maybe tracking greenhouse gas issues,  
17 those all need to be taken care of. Those can be  
18 done in parallel, as Mr. Braun had suggested.

19 Thank you very much.

20 CHAIR WEISENMILLER: Okay, thank you.

21 Seattle City Light. Welcome.

22 MR. CROMWELL: Good afternoon. Robert  
23 Cromwell with Seattle City Light. I'm the director  
24 of power contracts and resource acquisition there.  
25 Thank you for this opportunity to speak. I just

1 wanted to point out a few things.

2           First, that fundamentally we recognize the  
3 challenge that California and eventually Oregon is  
4 going to face in achieving their environmental  
5 goals, and specifically integrating the very large  
6 volumes of renewable generation these states plan to  
7 deploy to meet those goals. Seattle City Light  
8 shares and supports these goals as necessary but not  
9 sufficient actions to address climate change.

10           Seattle recognizes the operational  
11 challenges on the horizon for integrating these  
12 large quantities of renewables solely within a  
13 single state. At Seattle we believe we can play a  
14 leadership role through the use of our hydroelectric  
15 capacity storage and energy in assisting California  
16 and Oregon in achieving these goals while also  
17 protecting and enhancing the economic foundation of  
18 the service that we provide to our customers.

19           To be successful a regional ISO's market is  
20 going to have to evolve to continue to support  
21 California's policy goals while respecting and  
22 supporting the policy goals of other states. This  
23 evolution will have to include not just governance  
24 structures, as Stacey ably described, but also the  
25 market design itself. And ultimately, and perhaps

1 most challengingly, evolution of the organizational  
2 culture of the ISO.

3 I'd like to gently suggest that it's in  
4 California's interest to unlock the value of the  
5 northwest hydro systems for supporting the  
6 integration of California and Oregon renewables at a  
7 lower cost and with a higher degree of reliability  
8 than...

9 For example, assuming that you'll have five  
10 million dispatchable EVs charging during the  
11 daytime, and unlimited low cost battery storage  
12 deployed across your entire state.

13 Unfortunately, the current ISO market  
14 design does not offer an opportunity to participate  
15 let alone be successful for many of the entities in  
16 the northwest who would otherwise like to discuss  
17 how to make their dispatchable hydroelectric  
18 generation capacity available to California  
19 utilities to assist you in achieving your state  
20 policy goals.

21 I will also say just as an aside, I think  
22 we need to remember that in these very divisive  
23 times words matter, rhetoric matters. I hope that as  
24 we all move forward we're able to politely and  
25 professionally agree where we can and disagree where

1 we must, but continue to maintain our shared  
2 commitment to mutual respect and our collective  
3 interest in successful addressing the challenging  
4 that climate change will bring to the people we  
5 serve.

6 Thank you.

7 CHAIR WEISENMILLER: Thank you.

8 Are there any other public comments from  
9 anyone in the room? Is there anyone on the line? No.  
10 Okay. So no further public comments.

11 Let's transition to the dais. I'm sort of  
12 interested in peoples' closing thoughts, next steps.

13 MR. RECHTSCHAFFEN: Thanks, everyone, for a  
14 very, very constructive dialog. Next steps are to  
15 continue to get public comment. As I said, there's a  
16 workshop in Denver next week and we have the docket  
17 open for further public comment.

18 There's a lot to digest here. We'll  
19 continue to refine the proposal. Please be as  
20 concrete as possible, as Chair Weisenmiller  
21 suggested, about what things you think should be  
22 changed and how. And we're going to have another  
23 couple of months of public dialog and interchange on  
24 the scope, timing and details about the proposal.

25 So thank you very much.

1           COMMISSIONER RANDOLPH: I don't have  
2 anything to add.

3           GOVERNOR GALITEVA: Thank you very much to  
4 everybody who participated. The comments are  
5 extremely useful. I was here mostly to listen and  
6 there are a few takeaways that I have that I believe  
7 that we can focus on a little bit more.

8           With regard to the stakeholder process,  
9 yes, I agree with Mark Smith. Maybe it sucks, but it  
10 is one of the best we have. We are proud that we do  
11 enable to the extent possible a varied amount of  
12 comments. We make sure as a board that staff  
13 responds to those comments, that we follow through.  
14 We often send back items to be reanalyzed even more  
15 and to bring us additional updates on a periodic  
16 basis. So we believe that is a process where we try  
17 to be as inclusive as we can, but certainly would  
18 appreciate comments on how to improve it and we can  
19 always improve and realize that that's a  
20 possibility.

21           Also with respect to our presentation on  
22 the transitional committee, I agree with Allison  
23 Clements and Rachel Gold that there should be  
24 representation of entities and a varied amount of  
25 entities; we have discussed those issues. Maybe not

1 the traditional suspects that have traditionally  
2 participated, but we should be as inclusive as  
3 possible in terms of communities that may not have  
4 been around the table.

5 And including in that respect there have  
6 been items by communities from high tech saying that  
7 they would like to be involved, that this is  
8 actually an IT solution to a very large extent and  
9 they would like to have a greater role in  
10 participating in the processes, so we should maybe  
11 figure out a way to outreach to them as well.

12 So by all means we are open to suggestions,  
13 to comments. As I said, we'll keep a close eye on it  
14 and make sure that we move forward expeditiously. Of  
15 course the perfect is the enemy of the good but  
16 we'll try to be as close to perfect as we can.

17 CHAIR WEISENMILLER: Okay. Very good.

18 I would note for the record that Carl  
19 Zichella was on the transitional committee.

20 GOVERNOR GALITEVA: Yes.

21 CHAIR WEISENMILLER: And one of the things  
22 that was really great was that Carl took it upon  
23 himself to have precisely the good or very good  
24 public process, stakeholder process, and was going  
25 through very carefully reading all the comments,

1 grouping them, coming up with, you know, making sure  
2 that we considered those. So again, if Carl can  
3 either participate in this one or someone similar as  
4 an NGO making sure that it was a very good process  
5 for that is important.

6 A couple things. I mean, obviously the  
7 governance issue is one of the key issues that we're  
8 trying to deal with. We're trying to tee it up.

9 The basic question on timing I think, as I  
10 understand it, is not much the ISO saying we've got  
11 to do it fast as here's the PacifiCorp situation  
12 with the various states and that driving it.

13 Now, having said that, ultimately  
14 PacifiCorp is going to have to do some sort of  
15 filing with the various states showing the costs and  
16 benefits for that state participation. So there's a  
17 lot of work to go on and certainly the sooner we get  
18 a realistic assessment, the better on the timing.

19 But again, I think, as Foster said, ideally  
20 we're looking for not how do we throw up enough  
21 roadblocks that this thing just dies, to what do we  
22 really need to do right, what's the timing, how do  
23 we sequence it, and so a lot of thought on that  
24 would be good.

25 A couple, in some respects a stray comment

1 but certainly Seattle City Light triggered it.

2           One is, I always spend a lot of time  
3 looking at California and Germany, as do you, and  
4 when you look at the two, Germany's definition of  
5 renewables includes large hydro, so if you do apples  
6 to apples we're sort of at a higher level of  
7 renewables than Germany is.

8           But when you go through that, the issues  
9 they're facing, which I think are starting to become  
10 more prevalent in the west, is as we add more  
11 renewables we're driving down wholesale prices, you  
12 know. And we're going to just keep adding more  
13 renewables, so this is bottom line message to anyone  
14 who's not part of (inaudible).

15           And so that means it's going to force some  
16 rethinking of arrangements. And certainly you have  
17 Seattle City Light with the various hydro resources  
18 can be helping us deal with the neck of the duck  
19 curve, you know, or even the belly. I mean, that  
20 would be huge.

21           But I think in terms of looking at your  
22 future status quo operation is not really viable for  
23 many of the entities. And again, I tend to look more  
24 California, but as you look at the implications  
25 throughout the west it's certainly going to require

1 changes and this is certainly a good step in those  
2 changes.

3           Also in the German context, obviously  
4 Agora, is the one who first used the metaphor for  
5 these sort of good regional approaches as storage,  
6 but storage in the grid as opposed to batteries or  
7 flywheels or whatever. But as Angelina knows, they  
8 write very elegant poetic stuff along with strong  
9 technical analysis.

10           And finally, I would just note, and this is  
11 the basic issue. The real issue to keep everyone  
12 focused on is greenhouse gas emissions in  
13 California, and when you do that for the power  
14 sector, again, basic facts you should remember is,  
15 A, transportation is double the power sector, so  
16 we've got to move on transportation.

17           The power sector at this point, the last  
18 airborne statistics, which are 2013, are that the  
19 power sector is 20 percent below 1990 levels, and  
20 obviously the AB 32 goal is to get to 1990 levels by  
21 2020. Obviously with the Governor's goal in SB 350  
22 we're shooting for much deeper reductions, but at  
23 least at this point keeping our eye on the power  
24 sector -- and again, I always get people confused  
25 saying let's look at the gas number or why aren't

1 the nuclear numbers going up or why this or that,  
2 but the real key metric is greenhouse gas emissions  
3 and that's something more and more we have to look  
4 at as a state and certainly each of the utilities in  
5 California, public and private, and certainly all  
6 the CCAs have to be looking at what are we doing to  
7 drive down greenhouse gas emissions.

8           And certainly I think this is a tool to do  
9 it, but certainly again, we're going to need a lot  
10 more creativity and imagination to deal with the  
11 challenge of climate.

12           And on that note, I just want to hit that  
13 just so everyone knows, at this point we're facing  
14 a, I'm going to say heat storm, or at least high  
15 temperature in southern California next week.  
16 Actually it's through a lot of the southwest; 100  
17 degrees in Los Angeles. I think it may or may not  
18 set records in Phoenix.

19           Again, nobody really knows, but it's  
20 certainly a good time this weekend when you go home  
21 to put LEDs in. If you can do more than LEDs, to  
22 start thinking of thermostats.

23           And if we do call flex alerts, we really  
24 need people to step forward and help, raising  
25 thermostats, unnecessary lighting, appliances.

1           I remember at one point when California was  
2 going through outages, there was like 1000 megawatts  
3 of load was clothes dryers. I mean, why in the hell  
4 do you need clothes dryers on a hot summer  
5 afternoon, you know, at peak time? It's like you can  
6 do it other periods of time.

7           So anyway, we're going to need people to be  
8 -- if the weather forecast holds out the way it now  
9 looks and we do get the flex alerts, we're going to  
10 certainly need everyone to step forward and help us  
11 get through it.

12           And certainly energy efficiency is a good  
13 way to do that. It saves money. It saves air  
14 pollution and the state's greenhouse gas.

15           Anyway, again, thanks for your being here  
16 today, and encourage written comments and look  
17 forward to seeing at least -- I don't know if any of  
18 you are going to Denver, but next time we meet on  
19 the 350 studies.

20                           (Adjourned at 5:05 p.m.)

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**REPORTER'S CERTIFICATE**

I do hereby certify that the testimony in the foregoing hearing was taken at the time and place therein stated; that the testimony of said witnesses were reported by me, a certified electronic court reporter and a disinterested person, and was under my supervision thereafter transcribed into typewriting.

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IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of July, 2016.

  
Rebecca Hudson

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I certify that the foregoing is a correct transcript, to the best of my ability, from the electronic sound recording of the proceedings in the above-entitled matter.



July 7, 2016

MARTHA L. NELSON, CERT\*\*367