

# CAISO/PacificCorp



Cliff Rechtschaffen <Cliff.Rechtschaffen@GOV.CA.GOV>

7/10/2015

Phillips, Keith (GOV) (Keith.Phillips@gov.wa.gov); +2 more ↕

↩ Reply | ▼

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Flag for follow up. Start by Friday, July 10, 2015. Due by Friday, July 10, 2015.

Hi Keith & Margi

Happy Friday. Do you guys have a few minutes by chance this afternoon to talk about the potential CAISO/PacificCorp merger? If not today, Monday perhaps? (adding my colleague Kristi). Thanks!  
Cliff



**From:** **Cliff Rechtschaffen** Cliff.Rechtschaffen@GOV.CA.GOV

**Subject:** CAISO/REgional Integration?

**Date:** July 20, 2015 at 8:39 PM

**To:** Cliff Rechtschaffen Cliff.Rechtschaffen@GOV.CA.GOV, HOFFMANN Margi \* GOV (Margi.HOFFMANN@oregon.gov)  
Margi.HOFFMANN@oregon.gov, Phillips, Keith (GOV) Keith.Phillips@gov.wa.gov, Kristin Stauffacher  
Kristin.Stauffacher@GOV.CA.GOV

**Cc:** Davis, Chris (GOV) chris.davis@gov.wa.gov

CR

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Great to see you guys today. Here is call in information for tomorrow's call

Dial in: 866-812-3035

Participant code: 7013737

# PacifiCorp/CAISO Benefits Study



Bolton, Scott <Scott.Bolton@pacificorp.com>


10/13/2015


Phillips, Keith (GOV) (Keith.Phillips@gov.wa.gov) ✓


↩ Reply | ▼

Deleted Items

Flag for follow up. Start by Tuesday, October 13, 2015. Due by Tuesday, October 13, 2015.

 10-13-15 press release l...  
172 KB

 PacifiCorp-ISO-Integrati...  
1 MB

 PacifiCorp-IS  
1 MB

✓ Show all 3 attachments (2 MB)   Download all   Save all to OneDrive - Personal

Hi Keith – Hope you are well, we should probably visit soon. I wanted to provide you with the release and study that shows the benefits to the region of a western ISO. Please feel free to forward along to anyone you think would be interested in these results – suffice to say we are pretty bullish on the idea of better regional coordination for grid and resource integration. Please let me know if you have any questions or thoughts. Thanks much,

Scott

**Scott D. Bolton | VP External Affairs | Pacific Power | 825 NE Multnomah, Suite 2000 | Portland, OR 97232 | Office: 503-813-7202 | [scott.bolton@pacificorp.com](mailto:scott.bolton@pacificorp.com)**



## **Governance of a Regional ISO**

### **Suggestions for Addressing the Political Dilemma**

PacifiCorp (PAC), a vertically-integrated electric utility providing retail service in six different western states<sup>1</sup>, is currently considering joining the California ISO. Such an expansion of the regional market offers a number of potential advantages, including:

- More efficient day-ahead unit commitment and dispatch of resources, beyond what can be achieved through the Energy Imbalance Market (EIM), resulting in reduced costs for customers across the footprint;
- Reduced reserve requirements, both for peak demand and operating requirements, due to the regional diversity of loads across a broader footprint;
- Smoother integration of increasing renewable resources due to a more diverse supply, both technologically and geographically, reducing otherwise expected curtailments of renewable generation; and
- More efficient and cost-effective transmission system planning across a broader geographic footprint.

Capturing these advantages for the consumers of the several states will not come without risk, however. The most challenging issue of all is “governance” – the question of who will control the policies of the expanded entity. The current CAISO is governed by a five member board appointed by the Governor of California and confirmed by the State Senate, which assures the State a significant degree of control over CAISO policies, even though the entity itself is directly regulated by the Federal Energy Regulatory Commission (FERC).

Expanding the ISO to a multi-state entity will necessarily require a change in the current governance model. The other five states, each of which must approve PAC’s entry into an ISO, will not accept a California (CA)-only governance model, for obvious reasons. Similar to the situation with a number of the municipal utilities within California, other states will naturally be concerned about a potential loss of control over their energy futures if they become part of a larger regional entity that is federally

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<sup>1</sup> Oregon, Washington, California, Utah, Wyoming and Idaho.

regulated. The Rocky Mountain states of Utah, Wyoming and Idaho, in particular, differ substantially in their politics, economies and cultures, and have not embraced CA's aggressive clean energy policies. In this context, how can a multi-state ISO be governed, and provide the mutual benefits that a large regional market offers to all participants?

The CAISO's suggested governance model would be a multi-member independent board of technical experts. While the initial selection process has not been determined, the long-term vision would have the incumbent board members selecting new replacement members. The result would be a technocratic governance model with no political or policy accountability to any of the participating states, subject only to federal jurisdiction via the FERC. Under this construct neither California nor any of the other states would have any assurance that the expanded entity would embrace or respect its policy preferences. As has already occurred in PJM and the New England ISO, the new entity could adopt policies, such as a centralized capacity market, over the objections of the states, with the potential to preempt key state policy goals and statutes.

A board selection process that involves heavy state participation could also prove problematic. Would each state appoint one member, or would the votes be weighted by population or retail load served? It is not difficult to imagine the process becoming highly contentious and politicized, to the detriment of achieving the goals for which regional ISO was created in the first place.

For this endeavor to succeed, it will be necessary to develop a governance structure in which each state is assured of retaining its traditional control over resource planning, resource mix, and retail rates. A spirit of mutual trust and respect for differing state policies will be necessary, albeit challenging to achieve. Absent this, the regional ISO could become a battle ground of differing philosophies and objectives, and will likely fail to deliver the expected mutual benefits.

There appear to be at least two ways to structure a model that preserves state autonomy over resource choices, while enabling the benefits of regional integration to be captured. Both rely upon an "Articles of Confederation" concept, in which certain powers and authorities are reserved to the individual states. Elements of both concepts,

and perhaps others, could be combined as deemed appropriate to provide the assurance that the states will need to accept and authorize the formation of a regional entity.

The first concept would require the governing documents of the Regional ISO (articles of incorporation, bylaws, etc.) to explicitly limit the powers of the new entity, while also explicitly reserving to the states the authority over resource planning and resource mix. A “constitutional” ban on the expanded ISO creating a mandatory centralized forward capacity market might be one element of such a model. This approach has not been adopted by any other ISO to date, but given the unique history and fierce independence of the West, it may provide an approach that would be broadly acceptable (including to FERC) in order to achieve the other acknowledged benefits of a regional market.

The second concept has the advantage of successful past experience. Both the Midcontinent ISO (MISO) and the Southwest Power Pool (SPP) employ an independent governing board structure, but provide a significant role for a “regional state committee” composed of representatives of the participant states – in MISO the entity is called the Organization of MISO States (OMS), and in the SPP it is simply the Regional State Committee (RSC). Unlike their Eastern counterparts (the Organization of PJM States, for example), these entities have actual authority and responsibility for designated elements of the ISO Tariff – most notably cost allocation for new interstate transmission projects. Significantly, these regional-state entities control the “Section 205” rights to make filings at FERC proposing tariff language on specific topics, rather than the ISO itself. And the FERC has approved this arrangement in order to advance its own goal of promoting regional markets. In the West, a regional-state entity would probably want to retain Section 205 rights over resource adequacy requirements, resource planning and resource mix, as well as transmission cost allocation. There may be additional areas of concern that would be identified in a multi-state consultation process. In any event, the key concept is that the states themselves would retain authority over specific aspects of the ISO’s operation and remain able to control their own individual destinies.

Even if the regional-state committee approach has appeal, the states will still have to agree on a voting protocol for that entity– perhaps a super-majority voting requirement

or another means of assuring that each state retains a reasonable degree of control over regional governance. Potentially there could be compromise on a “House and Senate” model in which the votes of both a majority of the states AND a majority of the retail load in the footprint would be required to approve an action. Again this will require a spirit of compromise, which will be essential in any case for this bold regional experiment to succeed.

There are naturally a myriad of details that will need to be resolved in order to develop a broadly-acceptable regional governance structure for an expanded ISO. Some initial conversations among various state commissioners have already occurred on these topics, but the only area of agreement thus far is that GOVERNANCE is the number one issue of concern for all involved. Until there is progress on this issue, it will be difficult to move ahead on the many other topics that must be resolved in order to form a multi-state ISO in the West.

**From:** Rendahl, Ann (UTC)

/O=WA.GOV/OU=SHARED/CN=ADC RECIPIENTS/CN=UTC - UTILITIES AND TRANSPORTATION  
COMMISSION/CN=USERS/CN=ARENDAHL

RA

**Subject:** Draft Governance Principles and issues for a regional ISO from western commissioners

**Date:** March 18, 2016 at 1:46 PM

**To:** Crowley, Stacey scrowley@caiso.com, Cliff Rechtschaffen Cliff.Rechtschaffen@GOV.CA.GOV

**Cc:** Phillips, Keith (GOV) Keith.Phillips@gov.wa.gov, Colussy, Peter PCOLUSSY@caiso.com

Attached is a set of draft of draft governance principles and issues for a regional ISO developed for use by western commissioners. Commissioners Phil Jones (WA) and Mike Florio (CA) developed this draft with suggestions and input from other western commissioners for us in advance of the meetings with you and Governor's Office and Commissioners in PacifiCorp states. I assume you received a copy from your meetings yesterday and today. I apologize for delay in getting this to you.

There will be additional work on this set of principles and issues, as commissioners provide additional thoughts and edits.

I am happy to discuss these with you on Tuesday in Washington.

My best,

Ann

**Ann E. Rendahl**

Commissioner

Work: (360) 664-1144

Cell: (360) 970-3446

[arendahl@utc.wa.gov](mailto:arendahl@utc.wa.gov)

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Regional ISO --  
Principles a... final.docx





**From:** Cliff Rechtschaffen [Cliff.Rechtschaffen@GOV.CA.GOV](mailto:Cliff.Rechtschaffen@GOV.CA.GOV)  
**Subject:** RE: CA ISO -- Hewlett paper?  
**Date:** March 16, 2016 at 9:23 AM  
**To:** Phillips, Keith (GOV) [Keith.Phillips@gov.wa.gov](mailto:Keith.Phillips@gov.wa.gov)  
**Cc:** Crowley, Stacey ([scrowley@caiso.com](mailto:scrowley@caiso.com)) [scrowley@caiso.com](mailto:scrowley@caiso.com)

CR

Yes, actually, hot off the presses, Ron just sent another version last night, still draft (attached). This one has a lot more detail about stakeholder committees & state regulator committees, which we haven't focused on very much yet. See you on Tuesday.

---

**From:** Phillips, Keith (GOV) [<mailto:Keith.Phillips@gov.wa.gov>]  
**Sent:** Wednesday, March 16, 2016 8:13 AM  
**To:** Cliff Rechtschaffen  
**Subject:** CA ISO -- Hewlett paper?

Hi, Cliff – I'm meeting with my commission folks today, preparing for your visit next week.

Is the revised version of the Hewlett paper available to share with key folks, by chance?

Thanks.

Keith



RTO 031616 Hewlett  
(draft).docx



Binz RSO Summary 2-  
pager 031616.docx

**From:** Cliff Rechtschaffen [Cliff.Rechtschaffen@GOV.CA.GOV](mailto:Cliff.Rechtschaffen@GOV.CA.GOV)  
**Subject:** FW: Regional ISO Governance Discussion-- Summary of Issues & Next Steps (Conf Call on April 8)  
**Date:** April 4, 2016 at 10:17 AM  
**To:** Phillips, Keith (GOV) [Keith.Phillips@gov.wa.gov](mailto:Keith.Phillips@gov.wa.gov)

CR

Hi Keith

Following up about our conference call with the other states to discuss regionalization. The majority of people are able to get on a call Friday, April 8 from 8:00 - 9:30 PST-- to plan for our meeting in SLC on April 25. Are you able to join then? (and are you planning to come to SLC or just Ann?)

Thanks

Cliff

-----Original Message-----

From: Cliff Rechtschaffen

Sent: Friday, March 25, 2016 1:47 PM

To: Laura Nelson; 'paul.kjellander@puc.idaho.gov'; Colin McKee; 'tlevar@utah.gov'; 'jerimiah.rieman@wyo.gov'; 'arendahl@utc.wa.gov'; 'Phillips, Keith (GOV)'; 'john.f.savage@state.or.us'; SADHIR Ruchi \* GOV; John Chatburn ([john.chatburn@oer.idaho.gov](mailto:john.chatburn@oer.idaho.gov)); 'bill.russell@wyo.gov.'

Cc: 'Crowley, Stacey'; 'Florio, Michel Peter'

Subject: Regional ISO Governance Discussion-- Summary of Issues & Next Steps

Colleagues

Stacey & I would like to thank all of you (and your colleagues) for your time and graciousness in meeting with us over the last week to discuss regional ISO governance issues. We found the meetings to be very informative and very productive.

We have distilled the input we received in our meetings into an outline of key issues that we think can form the basis for ongoing discussion about governance, attached. We are happy to add/revise based on further input from folks.

I also am attaching an outline of principles for regional governance developed by Laura Nelson of Utah. Laura will be reaching out to other states for your input as well.

Everyone thought that it would be very helpful for the PacifiCorp states to meet together in closed session to further discuss governance issues. This would include the state energy advisor & state utility commissioner most familiar with the topic, as well as representatives from ISO and PAC. We agreed on at least the first two meeting dates, the first in conjunction with the upcoming April CREPC meeting in Salt Lake City, the second in Lake Tahoe in May (June date/venue still to be determined) Please plan on the following:

- \* April 25 - plan 2:00 - 5:00 at the Utah Public Service Commission, Salt Lake, UT
- \* May 22 - plan 10:00 - 1:00 at the Hyatt Regency Lake Tahoe, Incline Village, NV
- \* June - TBD

We would also like to plan a conference call to prepare for the first meeting. Please fill out the doodle poll at the link below with your availability for a 1.5 hour call the first week in April, <http://doodle.com/poll/5z3k8y49uis3gnr2>. Please get back to us by March 31.

Thanks very much

Cliff & Stacey



Summary & Outline of  
Governance...s (CA).docx



DRAFT Governance  
Principles. ...dated.docx

## **Regional Governance Discussion--- Outline of Issues**

### **1. Protection of State Interests/State Policies**

What mechanism(s) can best protect existing state procurement, environmental and other policies? Should governance follow a model in which authority for proposing changes to policies such as transmission cost allocation, resource adequacy and others is held exclusively by or shared with a body of state regulators, as opposed to residing with the ISO Board, based on the MISO/SPP model?

Related, can a body of state regulators retain Section 205 filing rights at FERC?

### **2. Composition of Board**

Board members should be financially independent of market participants and adhere to FERC independence requirements.

Beyond adhering to that requirement, how should Board members be selected? Should stakeholders play a role in nominating or selecting Board members? Should the governors of participating states play a role? What roles, if any, should be played by each of these groups?

### **3. Voting Procedures**

In the context of Board selection or other decision-making authority, what voting process or processes would best protect both the interests of states like California with very large load and population as well as those of smaller states? Should there be a weighted voting system in which decisions require approval both of a majority of states and states representing a majority of load/population (such as the WIRAB model)? Are there other “bicameral” voting structures that can achieve this end?

### **4. State regulator committee**

As noted in #1 above, would this body have certain filing rights with FERC on specific ISO-related issues that impact states? How is this body funded? What is the voting structure of this body?

### **5. Stakeholder committees**

Should there be a formal stakeholder committee to advise the board? If so, what is the committee’s role, how are members identified, and what are the voting rules for this committee?

### **6. Relationship of State Regulator and Stakeholder Committees to Board**

What is the relationship of any state regulator and/or stakeholder committees to Board governance? What is the best internal dispute resolution process to handle conflicts between the Board and recommendations from the committees?

### **7. Transition**

How long of a transition period should there be from the current CAISO board structure? What structure and procedures should be in place during this period?

8. Capacity Market

Should the regional ISO be precluded from proposing a mandatory capacity market? Should any proposals in this area be considered by a body of state regulators?

9. Withdrawal Provisions

There are current CAISO provisions providing for participating transmission owners to withdraw on two years notice from the ISO, subject to applicable regulatory approvals. Do these provisions need to be changed in any way?

10. Continuation of EIM.

EIM should remain a durable market opportunity for Western balancing authorities. Any broader governance structure should preserve this option and account for it.

**From:** Crowley, Stacey [scrowley@caiso.com](mailto:scrowley@caiso.com)

**Subject:** RE: CA-ISO Process and Governance Meeting April 25, 2016: DRAFT Agenda

**Date:** April 24, 2016 at 8:50 PM

**To:** Laura Nelson [lnelson@utah.gov](mailto:lnelson@utah.gov), Rendahl, Ann (UTC) [arendahl@utc.wa.gov](mailto:arendahl@utc.wa.gov), Rechtschaffen (GOV.CA.GOV), Cliff [Cliff.Rechtschaffen@GOV.CA.GOV](mailto:Cliff.Rechtschaffen@GOV.CA.GOV), John Chatburn [john.chatburn@oer.idaho.gov](mailto:john.chatburn@oer.idaho.gov), Phillips, Keith (GOV) [Keith.Phillips@gov.wa.gov](mailto:Keith.Phillips@gov.wa.gov), Jones, Philip (UTC) [pjones@utc.wa.gov](mailto:pjones@utc.wa.gov), SAVAGE John F. [john.f.savage@state.or.us](mailto:john.f.savage@state.or.us), Thad Levar [tleva@utah.gov](mailto:tleva@utah.gov), bill.russell2@wyo.gov, Colin McKee [colin.mckee@wyo.gov](mailto:colin.mckee@wyo.gov), Jeremiah Rieman [jerimiah.rieman@wyo.gov](mailto:jerimiah.rieman@wyo.gov), kristine.raper@puc.idaho.gov, michelpeter.florio@cpuc.ca.gov, paul.kjellander@puc.idaho.gov, ruchisadhir@oregon.gov, Peter Ashcroft [pashcroft@utah.gov](mailto:pashcroft@utah.gov), Michele Beck [mbeck@utah.gov](mailto:mbeck@utah.gov), Chris Parker [chrisparker@utah.gov](mailto:chrisparker@utah.gov), Hoogeveen, Gary [Gary.Hoogeveen@rockymountainpower.net](mailto:Gary.Hoogeveen@rockymountainpower.net), Larsen, Jeff [jeff.larsen@pacificcorp.com](mailto:jeff.larsen@pacificcorp.com), Doug Hunter [doug@uamps.com](mailto:doug@uamps.com)

CS

All,

We have received revised versions from both Ron Binz/Hewlett Foundation and Commissioner Florio on regional ISO governance. Please see attached and post to the agenda if appropriate.

Thank you,

Stacey

**From:** Laura Nelson [<mailto:lnelson@utah.gov>]

**Sent:** Tuesday, April 19, 2016 2:35 PM

**To:** Ann Rendahl (UTC) <[arendahl@utc.wa.gov](mailto:arendahl@utc.wa.gov)>; Rechtschaffen ([GOV.CA.GOV](mailto:GOV.CA.GOV)), Cliff <[Cliff.Rechtschaffen@GOV.CA.GOV](mailto:Cliff.Rechtschaffen@GOV.CA.GOV)>; John Chatburn <[john.chatburn@oer.idaho.gov](mailto:john.chatburn@oer.idaho.gov)>; Keith Phillips (GOV) <[keith.phillips@gov.wa.gov](mailto:keith.phillips@gov.wa.gov)>; Philip Jones (UTC) <[pjones@utc.wa.gov](mailto:pjones@utc.wa.gov)>; SAVAGE John F. <[john.f.savage@state.or.us](mailto:john.f.savage@state.or.us)>; Thad Levar <[tleva@utah.gov](mailto:tleva@utah.gov)>; [bill.russell2@wyo.gov](mailto:bill.russell2@wyo.gov); Colin McKee <[colin.mckee@wyo.gov](mailto:colin.mckee@wyo.gov)>; Jeremiah Rieman <[jerimiah.rieman@wyo.gov](mailto:jerimiah.rieman@wyo.gov)>; [kristine.raper@puc.idaho.gov](mailto:kristine.raper@puc.idaho.gov); [michelpeter.florio@cpuc.ca.gov](mailto:michelpeter.florio@cpuc.ca.gov); [paul.kjellander@puc.idaho.gov](mailto:paul.kjellander@puc.idaho.gov); [ruchi.sadhir@oregon.gov](mailto:ruchi.sadhir@oregon.gov); Crowley, Stacey <[scrowley@caiso.com](mailto:scrowley@caiso.com)>; Peter Ashcroft <[pashcroft@utah.gov](mailto:pashcroft@utah.gov)>; Michele Beck <[mbeck@utah.gov](mailto:mbeck@utah.gov)>; Chris Parker <[chrisparker@utah.gov](mailto:chrisparker@utah.gov)>; Hoogeveen, Gary <[Gary.Hoogeveen@rockymountainpower.net](mailto:Gary.Hoogeveen@rockymountainpower.net)>; Larsen, Jeff <[jeff.larsen@pacificcorp.com](mailto:jeff.larsen@pacificcorp.com)>; Doug Hunter <[doug@uamps.com](mailto:doug@uamps.com)>

**Subject:** Re: CA-ISO Process and Governance Meeting April 25, 2016: DRAFT Agenda

< EXTERNAL email. Evaluate before clicking. >

Dear All:

Please find attached the agenda for the meeting to be held in Salt Lake City next Monday, April 25.

Links to documents that are likely to be referenced and/or discussed are provided at the bottom of the agenda.

If there are changes or other items to be included, please let me know and I expect we can make adjustments as needed at the beginning of the meeting.

I have attempted to circulate to all that I believe hold an interest in participating, many of whom have helped to provide input to this agenda. If someone has been missed, please circulate and accept my apologies.

Please let me know if you have any questions.

Very best,  
Laura

On Mon, Apr 18, 2016 at 4:17 PM, Laura Nelson <[lnelson@utah.gov](mailto:lnelson@utah.gov)> wrote:

Dear State commissioners and participants,

Please find attached a draft agenda for the ISO expansion discussion scheduled to be held next Monday in Salt Lake City following the DOE Quadrennial Review and in advance of the CREPC/WIRAB meetings on April 26-27.

This latest draft was prepared by me based input from the smaller meeting planning group organized during the April 8 call. It is a draft and further input is welcome.

A few important considerations:

- 1) The drafted agenda is organized in order to lay out a process discussion followed by a governance discussion;
- 2) The intent is to hold this as an open meeting;
- 3) The overall objective of the meeting is informational regarding issues and options.

I will work with Stacey to pull together the various discussion papers and will include those in the final meeting notice. If you could provide me your feedback by 3 PM MST tomorrow, I will plan to distribute a calendar invite along with the agenda and available papers/documents by mid-AM on Wednesday.

Thank you,  
Laura

--

**Dr. Laura Nelson**  
Executive Director  
Governor's Office of Energy Development  
*Advancing Utah's Energy Future*

[\(801\) 538-8726](tel:(801)538-8726)  
[energy.utah.gov](http://energy.utah.gov)



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**Dr. Laura Nelson**  
Executive Director  
Governor's Office of Energy Development  
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Governance of a  
Regional ISO-- v5.doc



R Binz - RTO 041516  
Governance.pdf

**From:** Cliff Rechtschaffen [Cliff.Rechtschaffen@GOV.CA.GOV](mailto:Cliff.Rechtschaffen@GOV.CA.GOV)  
**Subject:** RE: PCC Tuesday AM call on refresh--agenda and materials  
**Date:** May 2, 2016 at 9:58 PM

CR

**To:** Tom Beierle [tbeierle@rossstrategic.com](mailto:tbeierle@rossstrategic.com), Phillips, Keith (GOV) [Keith.Phillips@gov.wa.gov](mailto:Keith.Phillips@gov.wa.gov), [chris.davis@gov.wa.gov](mailto:chris.davis@gov.wa.gov), Rees, Sarah (ECY) [sare461@ECY.WA.GOV](mailto:sare461@ECY.WA.GOV), [Tony.Usibelli@commerce.wa.gov](mailto:Tony.Usibelli@commerce.wa.gov), [Ruchi.Sadhir@oregon.gov](mailto:Ruchi.Sadhir@oregon.gov), [ruchi.sadhir@oregon.gov](mailto:ruchi.sadhir@oregon.gov), Wade Crowfoot [Wade.Crowfoot@gov.ca.gov](mailto:Wade.Crowfoot@gov.ca.gov), Sigurdson, Judi IGRS:EX [Judi.Sigurdson@gov.bc.ca](mailto:Judi.Sigurdson@gov.bc.ca), Robertson, Tatiana ENV:EX [Tatiana.Robertson@gov.bc.ca](mailto:Tatiana.Robertson@gov.bc.ca), Copage, Caitlin ENV:EX [Caitlin.Copage@gov.bc.ca](mailto:Caitlin.Copage@gov.bc.ca), Lesiuk, Tim ENV:EX [Tim.Lesiuk@gov.bc.ca](mailto:Tim.Lesiuk@gov.bc.ca), [Tim.Lesiuk@gov.bc.ca](mailto:Tim.Lesiuk@gov.bc.ca), Stacey.ONEIL@oregon.gov, Hewitt, Jeremy IGRS:EX [Jeremy.Hewitt@gov.bc.ca](mailto:Jeremy.Hewitt@gov.bc.ca)  
**Cc:** Bill Ross [bross@rossstrategic.com](mailto:bross@rossstrategic.com), Jay Manning [jmanning@cascadialaw.com](mailto:jmanning@cascadialaw.com), [jmanning@cascadialaw.com](mailto:jmanning@cascadialaw.com), Jessie Turner [jturner@cascadialaw.com](mailto:jturner@cascadialaw.com), Ryann Child [rchild@rossstrategic.com](mailto:rchild@rossstrategic.com)

Attached are some edits to the version that Tom sent around late this afternoon, sorry for being so late. The one significant addition is the para on grid integration V3, others we can discuss in turn with rest of comments.

---

**From:** Tom Beierle [<mailto:tbeierle@rossstrategic.com>]  
**Sent:** Monday, May 02, 2016 5:41 PM  
**To:** Phillips, Keith (GOV); [chris.davis@gov.wa.gov](mailto:chris.davis@gov.wa.gov); Rees, Sarah (ECY); [Tony.Usibelli@commerce.wa.gov](mailto:Tony.Usibelli@commerce.wa.gov); Ruchi Sadhir ([ruchi.sadhir@oregon.gov](mailto:ruchi.sadhir@oregon.gov)); Wade Crowfoot; Cliff Rechtschaffen; Sigurdson, Judi IGRS:EX; Robertson, Tatiana ENV:EX; Copage, Caitlin ENV:EX; Lesiuk, Tim ENV:EX ([Tim.Lesiuk@gov.bc.ca](mailto:Tim.Lesiuk@gov.bc.ca)); [Stacey.ONEIL@oregon.gov](mailto:Stacey.ONEIL@oregon.gov); 'Hewitt, Jeremy IGRS:EX'  
**Cc:** Bill Ross; Tom Beierle; Jay Manning ([jmanning@cascadialaw.com](mailto:jmanning@cascadialaw.com)); Jessie Turner; Ryann Child  
**Subject:** PCC Tuesday AM call on refresh--agenda and materials

All,

We have a PCC leads call on the refresh Tuesday morning from 8:30-10:30. The call-in number is 1-888-326-7492, and the code is 85729317#.

We want to spend most of the time on the substance of the commitments in the refreshed action plan (redline update incorporating recent comments/suggested is attached) but will also talk at the beginning of the call about logistics for June 1 in San Francisco. Proposed call agenda (with accompanying notes) is below.

- **June 1 Attendance and PCC Events:**
  - **Governor/Premier attendance**--any updates?
  - **Timing of Leaders Meeting and Refresh Announcement**--Wade/Cliff, any update on whether a morning event (e.g., 10:00-noon) or an afternoon/evening event (e.g., 4:30 to 6:30 PM) works best for Governor Brown? Others?
  - **Greg Dalton/ClimateOne.** Greg is amenable to the idea that the ClimateOne radio show be integrated into the public portion of a PCC refresh; the preceding Leaders' Meeting and related press event could all be on site at the Commonwealth Club (across the street from the SubCEM meeting). A draft description and run of show is attached, which we can walk through on the call. (Note this assumes a 10:00 AM start time after the PCC-cities signing, but that can change).
- **2016 Action Plan.** A revised redline draft is attached based on comments received from some of you in the last couple of days. See notes below on what has changed in this version. We should focus our discussions on any suggested significant additions/deletions/changes. We'll do a go-around to see what is most important to discuss, but at this point we are tracking the following as possibly deserving some attention:
  - **Grid integration/modernization (V3).** Proposed on our most recent call. Current



- text is just recycled from 2013 as a placeholder. What do we want to change/add?
- **Insurance commissioners (VI.2).** Current draft text is adapted from concept put together by Chris Davis, which is attached. Among other things, we should discuss focus, specificity, and pre-refresh coordination with insurance commissioners.
  - **Short-lived climate pollutants (II.3).** This is proposed language from BC that we haven't had a chance to discuss as a group yet.
  - **Carbon pricing (II.1) and low carbon fuels (IV.1).** These refresh/reframe the "headline" commitments from 2013, and we should make sure jurisdictions are comfortable with the language
  - **Anything else?**
  - **Next steps**--revised draft, next check-in, etc.
  - **PCC: Telling the Story.** Drafted by Chris Davis, this attached concept outlines a path for telling the West Coast story. It is linked to one of the 2016 Action Plan commitments (I.2) but goes into greater detail on themes, products, etc.. We want to discuss the extent to which jurisdictions support this as a roadmap for "telling the story" of PCC work in 2016/17.

Notes on significant changes in the attached redline version of the Action Plan:

- Added/moved preamble language to emphasize Under2MOU/Paris and equity in climate/energy policy; moved reference to PCC-cities agreement to commitments section
- Moved Under2MOU and communications commitments to the front of the document to increase prominence and more clearly frame Action Plan as part of path from Paris
- Added new commitment text on:
  - Collaborating with West Coast cities (II.2) (previously referenced in preamble)
  - ZEV bulk procurement (IV.3)
  - Regional grid integration (V.3, see notes in agenda above)
  - Insurance industry (VI.2, see notes in agenda above)
- Added "Implementation" section referencing workplan, etc.

Let me know if you have any questions or suggestions about what we include in our Tuesday discussions.

Thanks,  
Tom



PCC\_2016\_VisionRefresh  
h\_D1Comm...ments.docx

**From:** Tom Beierle tbeierle@rossstrategic.com

**Subject:** PCC: Follow up Action Plan refresh drafting from 5/3 call

**Date:** May 3, 2016 at 6:51 PM

**To:** Phillips, Keith (GOV) Keith.Phillips@gov.wa.gov, chris.davis@gov.wa.gov, Rees, Sarah (ECY) sare461@ECY.WA.GOV, Tony.Usibelli@commerce.wa.gov, Ruchi Sadhir (ruchi.sadhir@oregon.gov) ruchi.sadhir@oregon.gov, Wade Crowfoot Wade.Crowfoot@gov.ca.gov, Cliff Rechtschaffen Cliff.Rechtschaffen@GOV.CA.GOV, Sigurdson, Judi IGRS:EX Judi.Sigurdson@gov.bc.ca, Robertson, Tatiana ENV:EX Tatiana.Robertson@gov.bc.ca, Copage, Caitlin ENV:EX Caitlin.Copage@gov.bc.ca, Lesiuk, Tim ENV:EX (Tim.Lesiuk@gov.bc.ca) Tim.Lesiuk@gov.bc.ca, Stacey.ONEIL@oregon.gov, Hewitt, Jeremy IGRS:EX Jeremy.Hewitt@gov.bc.ca

**Cc:** Bill Ross bross@rossstrategic.com, Ryann Child rchild@rossstrategic.com, Jay Manning jmanning@cascadialaw.com, Jessie Turner jturner@cascadialaw.com

TB

Hi all—

Thank you for the productive discussion Tuesday morning about the PCC Action Plan refresh draft. Below are the homework assignments we are tracking. Please send any new language to us by **Friday, May 6** so we can incorporate it into a new draft along with other changes to the language, commitments, and context discussed on the call. We will circulate the new draft early next week. Our next call is scheduled for Thursday, May 19 from 8:30-10:30 a.m. Our goal for that call is to be able to have final discussions on the content and language in the refresh.

A revised working draft based on today's call is attached. Feel free to add your new content to this (please track changes!)

It is also important to confirm the timing of the Leaders' meeting and refresh announcement ASAP, so please keep us updated on your Leaders' attendance and availability on June 1. We will be connecting with the PCC communications team about media strategy/events for the cities signing and refresh announcement.

### **Homework – Please send text to Tom/Ryann by COB Friday, May 6**

#### **Cliff/Wade**

- Help lock in Gov. Brown's schedule on June 1 for Leaders' meeting and press/radio (1.5 hour window)
- Grid integration (V.3)—If appropriate given what is already in the text, 1-2 sentences on any CA-specific activities to advance regional grid integration (within and beyond the Coast), integration of renewables, and/or grid infrastructure
- Clean energy investment (new, section V)—1-2 sentences on CA clean energy investment programs for new commitment (WA drafting commitment)
- Equity/low-income access initiatives (new)—For new commitment on equity, 1-2 sentences on examples of how CA-specific climate/energy policies are providing benefits/investments to disadvantaged communities (e.g., transit/ZEVs to improve mobility/access, cap and trade revenues, etc.)

#### **Keith/Chris**

- Carbon pricing (II.1)—edits to sentence on carbon tax and cap and trade initiatives in WA
- Short-lived climate pollutants (II.2)—1-2 sentences on WA efforts to reduce methane, black carbon and/or other SLCPs
- Grid integration (V.3):
  - 1-2 sentences of language to add on regional grid modernization
  - 1-2 sentences on WA-specific activities to advance regional grid integration

- 1-2 sentences on WA-specific activities to advance regional grid integration (within and beyond the Coast), integration of renewables, and/or grid infrastructure modernization
- Clean energy investment (new, section V)—draft commitment and context language (including WA-specific efforts; asking other jurisdictions for same)
- Insurance commissioners (VI.2)—revised commitment focused on Insurance Commissioner report and recommendations on climate risk/insurance
- Equity/low-income access initiatives (new):
  - Thoughts/language around a commitment on equity (Ross/Cascadia will use for drafting)
  - 1-2 sentences on examples of how WA-specific climate/energy policies are providing benefits/investments to disadvantaged communities (e.g., transit/ZEVs to improve mobility/access, investments, etc.)
- Send Cliff information about legislation that expands EV access to low-income communities

#### Tim/Jeremy/Judi/Tatiana

- Preamble (“Valuing policy approaches...inequities..”)—additional language on equity and climate action (mentioned on 5/3 call)
- Short-lived climate pollutants (II.2)—Revised language about BC targets/dates given that won’t be public by June 1
- Grid integration (V.3)—1-2 sentences on BC-specific activities to advance regional grid integration (within and beyond the Coast), integration of renewables, and/or grid infrastructure modernization
- Clean energy investment (new, section V)—1-2 sentences on BC clean energy investment programs for new commitment (WA-drafting)
- Forest health, etc. (VI.2)—1-2 sentences on BC efforts
- Insurance commissioners (VI.2)—1-2 sentences on BC equivalent of insurance commissioner and how this commitment would apply in BC
- Equity/low-income access initiatives (new)—For new commitment on equity, 1-2 sentences of examples of how BC-specific climate/energy policies are providing benefits/investments to disadvantaged communities (e.g., transit/ZEVs to improve mobility/access, investments, etc.)

#### Ruchi

- Short-lived climate pollutants (II.2)—1-2 sentences on OR efforts to reduce methane, black carbon, and/or other SLCPs
- EV bulk purchasing (IV.3)—Affirm that OR is OK with language added by Cliff: “To demonstrate continued leadership, the jurisdictions will strengthen their current EV procurement mandates.”
- Grid integration (V.3)—1-2 sentences on OR-specific activities to advance regional grid integration (within and beyond the Coast), integration of renewables, and/or grid infrastructure modernization
- Clean energy investment (new, section V)—1-2 sentences on OR clean energy investment programs for new commitment (WA-drafting)
- Forest health, etc. (VI.2)—1-2 sentences on OR efforts
- Equity/low-income access initiatives (new)—For new commitment on equity, 1-2 sentences of examples of how OR-specific climate/energy policies are providing

benefits/investments to disadvantaged communities (e.g., transit/LEVs to improve mobility/access, investments, etc.)

Ross/Cascadia

- PCC communications: loud and proud (I.2)—revise commitment and context description based on Chris D. concept draft
- Equity/low-income access (new)—draft commitment and context language
- Various small edits discussed on the call

Please get in touch with any questions or concerns.

Thanks,  
Tom



PCC\_2016\_VisionRefresh\_050316.docx

**From:** Crowley, Stacey scrowley@caiso.com

**Subject:** Please respond: States governance meeting May 22 - DOODLE POLL for conference call

**Date:** May 9, 2016 at 9:01 PM

**To:** Laura Nelson lnelson@utah.gov, Ann Rendahl (UTC) arendahl@utc.wa.gov, Rechtschaffen (GOV.CA.GOV), Cliff  
Cliff.Rechtschaffen@GOV.CA.GOV, John Chatburn john.chatburn@oer.idaho.gov, Keith Phillips (GOV) keith.phillips@gov.wa.gov  
, Philip Jones (UTC) pjones@utc.wa.gov, SAVAGE John F. john.f.savage@state.or.us, Thad Levar tlevar@utah.gov,  
bill.russell2@wyo.gov, Colin McKee colin.mckee@wyo.gov, Jeremiah Rieman jerimiah.rieman@wyo.gov,  
kristine.raper@puc.idaho.gov, michelpeter.florio@cpuc.ca.gov, paul.kjellander@puc.idaho.gov, ruchisadhir@oregon.gov,  
Peter Ashcroft pashcroft@utah.gov, Michele Beck mbeck@utah.gov, Chris Parker chrisparker@utah.gov,  
robert.weisenmiller@energy.ca.gov

CS

Good evening,

Thanks to many of you who made the trek to Sacramento or listened to the May 6 governance workshop. I understand from the CEC that there were over 200 participants on the phone!

I'm writing to ask you to fill out the doodle poll linked below to schedule a prep call for the May 22 meeting in Incline Village. The call can be used to develop an agenda and coordinate the development of any documents.

Please fill out the poll by noon PDT, Thursday, May 12.

<http://doodle.com/poll/hcdg827q8bndudbg>

Details for the May 22 meeting

[Hyatt Regency Lake Tahoe Resort, Spa and Casino](#)

111 Country Club Drive

Incline Village, Nevada, USA, 89451

Tel: 1-775-832-1234

Time: 10:00 am to 1:00 pm PDT

Lunch will be provided

Thanks much,  
Stacey

**Stacey Crowley**

Vice President, Regional and Federal Affairs



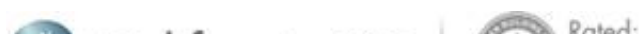
[scrowley@caiso.com](mailto:scrowley@caiso.com)

O: (916) 608-7130 | C: (916) 300-4603

250 Outcropping Way, Folsom, CA 95630

*Please consider the environment before printing this email*

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\*\*\*\*\*



From: Jones, Philip (UTC)

/O=WA.GOV/OU=SHARED/CN=ADC RECIPIENTS/CN=UTC - UTILITIES AND TRANSPORTATION  
COMMISSION/CN=USERS/CN=PJONES

JP

Subject: Regional ISO-follow up

Date: May 10, 2016 at 8:21 AM

To: Rendahl, Ann (UTC) arendahl@utc.wa.gov, SAVAGE John F. john.f.savage@state.or.us, Mike Florio mike.florio@cpuc.ca.gov,  
Laura Nelson Inelson@utah.gov

Cc: Rechtschaffen (GOV.CA.GOV), Cliff Cliff.Rechtschaffen@gov.ca.gov, Phillips, Keith (GOV) Keith.Phillips@gov.wa.gov,  
SADHIR Ruchi \* GOV Ruchi.SADHIR@oregon.gov, Crowley, Stacey scrowley@caiso.com

All,

I am sorry to be late in compiling a list of follow-up items to the Monday afternoon meeting in SLC, chaired by Laura in her offices. Things have been busy, and I thought it might be good to wait until after the CEC-sponsored meeting in Sacramento last Friday. I will be brief here. I have initiated phone calls and inquiries into some of these issues, as we approach the Lake Tahoe meeting.

1. **Exit process and costs from an ISO:** cite some examples from existing ISO's, like SPP and MISO and PJM. One example would be Entergy's exit from SPP and entry in to MISO; another would be AEP going from Duke to PJM, and others. It appears to be complex, lengthy, and litigated before FERC and state Commissions. Generally, a 2-year notification process is provided.  
Action item: review the CAISO by-laws on such exit and notification provision (Stacey – can you please identify, excerpt, and send on). I am looking in to the Entergy exit issue now. I will get provisions in the By-laws from the others – but I think the real-life examples will be more practical. By all accounts, such exits are messy, expensive, and litigated.
2. **Section 205 and Sec. 206 process for filing at FERC:** we are working our way through these issues now, and they are very much in play. The Flo-Jo #2 draft provided some options here on co-filing of Section 205, and the Binz paper for Hewlett describes this too. From what I understand, the APPA and public power folks have these issues teed up squarely as well: the choice between providing explicit Sec. 205 filing rights for the State Regional Body (as provided in SPP and MISO), or using the Sec. 206 complaint process and shifting the burden of proof.  
Action item: I have calls in to each of the regional oversight organizations now – OMS, RSC-SPP and OPSI.
3. **MISO Stakeholder process:** there was interest expressed in looking more closely at the stakeholder processes of SPP and MISO, and especially the ones dealing with cost allocation methodologies, resource sufficiency tests, and so on. As Kozey described, MISO recently reformed and streamlined its stakeholder processes and reduced and re-focused the number of committees and task forces. Also, the OMS committee gathers to develop a "strategy document" every couple years, and this streamlining of stakeholder processes was the top issue for them in the 2013-2015 period.  
Action item: again, I am looking in to this, and trying to understanding the MISO process in particular. Also, I am looking in to one of the key task forces for RSC – the cost allocation working group (CAWG) – that Sam described briefly, which is largely Staff driven.  
Also, Stacey – could you provide a short, summary list of ALL of the stakeholder processes at CAISO today – and if over the years. you have either eliminated or

streamlined them?

4. **SPP Members' Committee:** as described by Sam and others, the RSC and SPP processes are more task-oriented and consensus-oriented. The Members' Committee (mainly large TO's and TX-dependent utilities) actually sit with the SPP Board members at meetings, and usually vote first. Consists of 15-20 members.
5. **Funding issues:** there are two issues here. One is the overall budget of the ISO, and what sort of cost controls or oversight can be put on them. For the various state organizations, the expanding authorities of the ISO and their growing budgets have been a substantial and controversial issue (including the ISO-NE, besides PJM, MISO, and SPP). More directly, the funding issue for the Regional State Committees needs to be addressed in the weeks ahead. Two models exist: funding it through the "budget" of the ISO (developed by the States, and cannot be vetoed by the ISO management), or funding through a tariff filed at FERC.
6. **Consumer advocate and intervenor funding:** this has been raised in the Binz/Hewlett paper, and has already sparked a good deal of discussion already, both at the Sacramento meeting and elsewhere. Only PJM has provided such funding to a consumer advocate organization, and it was a long and contentious issue before FERC. Not all of the states have a legislatively directed consumer advocate in statute (e.g., Idaho), and there are a couple of organizations in California.

I think those are my top issues. Please weigh in if you have others, or different thoughts. But these are the areas that am focused on, and Mike and I have talked generally about these – but we have not put pen to paper yet for a new Draft. I think some more discussions and talks (conference calls and such) need to take place first, gathering more information.

Phil

Philip B. Jones, Commissioner  
Washington UTC  
Past President of NARUC  
1300 S. Evergreen Park Drive S.W.  
Olympia, WA 98504  
Tel: 360-664-1169

**From:** SAVAGE John F. john.f.savage@state.or.us

**Subject:** RE: Regional ISO-follow up

**Date:** May 10, 2016 at 1:50 PM

**To:** Jones, Philip (UTC) pjones@utc.wa.gov, Rendahl, Ann (UTC) arendahl@utc.wa.gov, Mike Florio mike.florio@cpuc.ca.gov, Laura Nelson lnelson@utah.gov

**Cc:** Rechtschaffen (GOV.CA.GOV), Cliff Cliff.Rechtschaffen@gov.ca.gov, Phillips, Keith (GOV) Keith.Phillips@gov.wa.gov, SADHIR Ruchi \* GOV Ruchi.SADHIR@oregon.gov, Crowley, Stacey scrowley@caiso.com

SJ

All, my quick thoughts on issues:

1. **Legal boundaries:** I'm still unclear what authorities must stay with the ISO board, what can be shared, and what can be ceded to states or to an RSC-like committee. For example, who can have final say over transmission expansion decisions (not planning but the actual approval to build).
2. **State or Regional State Body authorities (ceded to or shared):** I believe that we are honing down the list of authorities that should stay with states, that go to a regional state body, or that are shared with the ISO board. We should finalize that and then delve deeper into structure.
3. **Easy exit:** A lot of state's concerns would be eased if there were easy entry and exit provisions for utilities joining the ISO. The threshold question is whether that is even possible for an ISO.
4. **Funding for states and NGOs:** Based on my experience with WECC and Peak, states and NGOs must be well-funded to participate meaningfully in committees. Committee structure is far less important than meaningful state and NGE participation in the committees. That requires funding.
5. **Interim board structure:** If we cannot go right away to an independent board chosen through a full and fair process, we need to discuss what a hybrid board looks like so that it meets Bill Russell's principle of no state exerting any undue influence.

Funding of the ISO is not a critical issue governance issue for me. I agree with Phil that we should examine the different committee structures of CAISO and related ISOs. At the same time, I've heard that the CAISO process is relatively congenial to participation by parties.

John

---

**From:** Jones, Philip (UTC) [mailto:pjones@utc.wa.gov]

**Sent:** Tuesday, May 10, 2016 8:22 AM

**To:** Rendahl, Ann (UTC); SAVAGE John F.; Mike Florio; Laura Nelson

**Cc:** Rechtschaffen (GOV.CA.GOV), Cliff; Phillips, Keith (GOV); SADHIR Ruchi \* GOV; Crowley, Stacey

**Subject:** Regional ISO-follow up

All,

I am sorry to be late in compiling a list of follow-up items to the Monday afternoon meeting in SLC, chaired by Laura in her offices. Things have been busy, and I thought it might be good to wait until after the CEC-sponsored meeting in Sacramento last Friday. I will be brief here. I have initiated phone calls and inquiries into some of these issues, as we approach the Lake Tahoe meeting.

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would be AEP going from Duke to PJM, and others. It appears to be complex, lengthy, and litigated before FERC and state Commissions. Generally, a 2-year notification process is provided.

Action item: review the CAISO by-laws on such exit and notification provision (Stacey – can you please identify, excerpt, and send on). I am looking in to the Entergy exit issue now. I will get provisions in the By-laws from the others – but I think the real-life examples will be more practical. By all accounts, such exits are messy, expensive, and litigated.

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Phil

Philip B. Jones, Commissioner  
Washington UTC  
Past President of NARUC  
1300 S. Evergreen Park Drive S.W.  
Olympia, WA 98504  
Tel: 360-664-1169

**From:** Cliff Rechtschaffen [Cliff.Rechtschaffen@GOV.CA.GOV](mailto:Cliff.Rechtschaffen@GOV.CA.GOV)  
**Subject:** RE: Potential CA legislation-brainstorm  
**Date:** May 23, 2016 at 3:35 PM  
**To:** Jones, Philip (UTC) [pjones@utc.wa.gov](mailto:pjones@utc.wa.gov)  
**Cc:** Mike Florio [mike.florio@cpuc.ca.gov](mailto:mike.florio@cpuc.ca.gov)

CR

I would be happy to meet with them; I don't know that their engagement with members of the legislature is key at this point.

---

**From:** Jones, Philip (UTC) [<mailto:pjones@utc.wa.gov>]  
**Sent:** Monday, May 23, 2016 3:19 PM  
**To:** Cliff Rechtschaffen  
**Cc:** Mike Florio  
**Subject:** RE: Potential CA legislation-brainstorm

Also, Cliff, I forgot to ask you yesterday. This concerns BPA and potentially WAPA. I have been in touch with Elliot Mainzer directly on the importance of the ISO Governance issues – he is the Administrator of Bonneville. Do you think it would be useful for Elliot to come down to Sacramento and meet with you, and other key folks in Sacramento (maybe Leg. Members or Staff) in the next couple of weeks? Both PMA's are going to continue to be key players in the Western electricity markets, of course, and are already working closely with CAISO on a number of operational and optimizing commercial transactions, including EIM. Just a thought. I am emphasizing to both Elliot and Mark Gabriel of WAPA the importance of ISO Governance issues.

(as you know, we have developed a good working relationship with Tony Braun for his public power reps and clients –and Tony is great. But he does not represent the interests of the PMAs of course)

Phil

---

**From:** Cliff Rechtschaffen [<mailto:Cliff.Rechtschaffen@GOV.CA.GOV>]  
**Sent:** Monday, May 23, 2016 1:44 PM  
**To:** Jones, Philip (UTC)  
**Subject:** RE: Potential CA legislation-brainstorm

Yes, agreed on all counts and thanks for a great job moderating and getting everyone to participate. We do need to move to a broader stakeholder process. I actually spent a couple of hours going on a hike and then stayed over the night before heading back to Sac today. Enjoy the rest of the conference.

---

**From:** Jones, Philip (UTC) [<mailto:pjones@utc.wa.gov>]  
**Sent:** Sunday, May 22, 2016 4:34 PM  
**To:** Cliff Rechtschaffen  
**Subject:** RE: Potential CA legislation-brainstorm

Cliff,  
I think our meeting this morning was constructive, and I hope you found it useful in providing ideas and talking through concepts for California legislation – and the California and non-CA stakeholder process. We seem to be building trust among ourselves as a group, which enhances credibility. I think this is a good group for going forward, but we probably need to mesh it with a CAISO stakeholder process going forward (although I don't think you/we want the agenda to be driven only by CAISO and its staff).

Hope you had a good hike, and a good trip back home to Oakland.

Phil

---

**From:** Cliff Rechtschaffen [<mailto:Cliff.Rechtschaffen@GOV.CA.GOV>]

**Sent:** Saturday, May 21, 2016 9:35 PM

**To:** Jones, Philip (UTC); Mike Florio; [mp6@cpuc.ca.gov](mailto:mp6@cpuc.ca.gov)

**Subject:** RE: Potential CA legislation-brainstorm

Thanks Phil, this is very helpful brainstorming. I think we are going to have to significantly shorten & keep at a higher level, especially (4) & (5), but also (2) & (3) as well. See you tomorrow!

---

**From:** Jones, Philip (UTC) [<mailto:pjones@utc.wa.gov>]

**Sent:** Friday, May 20, 2016 6:18 PM

**To:** Cliff Rechtschaffen; Mike Florio; [mp6@cpuc.ca.gov](mailto:mp6@cpuc.ca.gov)

**Subject:** Potential CA legislation-brainstorm

Cliff, Mike, and Michael:

As I discussed with Cliff, as I was working through Flo-Jo3 and nearing the end, I was thinking more specifically about potential CA legislation by September 1<sup>st</sup>. And what it would intend, the length, and scope – most importantly, how it would “bless” the future ongoing work among the 6 States that will be vital. This is my brainstorming. Overall, I think the shorter the better. Again, just my brainstorming that I had on the plane going to SLC (some of my best work is done on airplanes!)

1. Intent section

- a. Codify the previous legislative intent, Code 359, that talks about the ultimate goals of transforming the ISO to promote the development of regional electricity markets in Western States. State clearly that this law carries on the intent of the California legislature over 15 years ago
- b. Enable the transformation of the electric resource mix in Western states toward more clean energy resources, while respecting the role the traditional sources have played over time and will play during transformation;
- c. Enable the more efficient dispatch of energy in shorter time intervals, utilizing the technology developed by the ISO, over a much broader footprint of Western states, which lowers cost and could improve reliability;
- d. Continue to respect the public policy goals of California, while respecting the state sovereignty and public policy goals of adjacent Western states at the same time.
- e. Does not in any way enable the development of centralized capacity markets, which have been shown to not function efficiently and harm consumers in other ISO's and RTO's in the country.

2. New Board Structure

(again, the shorter and more high-level the better – much of the work remains to be done)

- a. Repeal the sections (like Code 337) that establish a 5-member Board subject to appointment by the Governor and approval by the state Senate;
- b. Establish a 9-11 member Board that satisfies both the needs of California, and the States (now 5) which have a regulated utility (load serve entity) or Transmission Owner (TO) that wishes to participate fully in the ISO, including the day-ahead market;
- c. This Board will be accountable to all six States
- d. The selection process of the new ISO Board is yet to be determined specifically, but

- envisions a transition period in which the non-California states will have the ability to appoint one member per state, through its process;
  - e. The Board members will also have to satisfy the principles of “independence” and “responsiveness” outlined in several FERC Orders, and respect the D.C. Circuit’s decision (judicial decisions).
  - f. The current Board members, appointed by Governor, will be termed out in a staggered fashion
  - g. The newly appointed Board members will be vetted by the ISO Staff for factors such as conflicts of interest, financial independence, experience and skills, diversity of backgrounds, and so on;
  - h. The nominating process will be determined by further process (TBD), but will reflect a broad consultation process and the interests of all stakeholder groups
- 3. Regional Oversight Committee (stay away from acronyms – this could be RSC, ROC, RAC) (again, the shorter and more high-level the better here)
  - a. Each of the States with regulated LSE’s or a TO will be represented here (we don’t need to say 6 states – CA, OR, WA, ID, UT, WY specifically, since we need to allow for others like NV and AZ to join in future)
  - b. This committee will primarily consist of one PUC Commissioner per state involved.
  - c. But again, the details are to be worked out (TBD). It could include public power representatives, and representatives from PMA’s as well.
  - d. This committee will be established in the new Bylaws of the ISO, and will be funded either through FERC-approved tariff or in the budget of the ISO, again approved by FERC. It shall be financially independent of the ISO, and the ISO cannot interfere in the activities and public policy positions that Committee takes;
  - e. This Committee will represent the “public interest” as established by the enabling legislation for PUC’s in each state, and will endeavor to establish fair market rules, prevent market manipulation by the ISO, and ensure that J&R rates are implemented;
  - f. Voting procedures for the Committee (again, TBD – could be 1 vote per state, or a weighted voting model)
  - g. Code 338, and all the bill language on the “Oversight Board” – as well as the PX – need to be repealed
  - h. This Committee should also include Section 205 filing rights with FERC
- 4. Stakeholder Process
  - a. Ensure that a robust stakeholder process to advise the Board and management of the regional ISO is put in place, building upon the work of the CAISO stakeholder processes
  - b. Each stakeholder should be well represented in this process – load, transmission owners (TO), merchants and IPP’s, state commissions (PUC’s), other state agencies, environmental NGO’s, consumer advocates.
  - c. The ISO shall endeavor to make this stakeholder process as user-friendly as possible, and include term limits on certain stakeholder committees and task forces. The efficient use of time of the stakeholders, and regular re-assessment of the goals and achievements on these processes, should be included in the Bylaws.
  - d. The stakeholder process should be consensus oriented, and avoid litigation either at FERC or in the Courts
  - e. With the regional ISO, the ISO should endeavor to hold stakeholder meetings throughout the region in other states, and not just at the headquarters
  - f. With the regional ISO, the ISO should work with other regional electricity groups and

attempt to coordinate its outreach and activities to the greatest extent possible – such as CREPC/WIEB, WIRAB, WECC and TEPCC, Peak Reliability – as well as the regional TX planning authorities (West Connect, NTTG, Columbia Grid, CCPG)

5. Process going forward (beyond September 1<sup>st</sup>)  
(again, this is a key point – more thought is required here. You folks have probably thought through this more)
  - a. The regionalization of the ISO is conditionally approved in this Legislation, and a transition period (let's say 3 years is provided to accomplish this goal – engineering, administrative, legally, economically, approval in each non-CA state)
  - b. Regular reporting requirements are mandated – to the California Legislature, every 6 months – both by the ISO itself, and by the Joint Steering Committee of the 6 States that is established;
  - c. A Joint Steering Committee is established (similar to the group that we have now) to undertake the detailed activities to accomplish these goals – further fleshing out of governance structure, the Board structure, the Regional Oversight Committee, the development of bylaws, the drafting of funding agreement for the Committee, and so on)
  - d. Encourage the Joint Steering Committee to consult with the Governors and Legislative leadership in each of the non-CA states, as well as reach out broadly to the organizations mentioned above (CREPC, WECC, TX planning authorities)
  - e. Joint Steering Committee consists of: Governor's energy policy reps, State Commissioners for each of 6 states, state energy offices, state siting authorities, public power entities, BPA and WAPA (governmental officials only)
  - f. This Committee will reach out and consult closely with other interested parties in this process – environmental NGO's, energy sector advocates, IPPs and merchants, and so on.
  - g. Preliminary recommendations will be due by November 1<sup>st</sup>, 2017 (so that the Dec. 31, 2017 statutory deadline for submittal to California legislature may be met).
  - h. But this will probably be a 1-3 year process to flesh out all the details, and process should be provided to continue to authorize this Joint Steering Committee to continue to meet and make recommendations
  - i. Finally, if PAC does make a filing for a PTO of the ISO in each of the 5 states in the 2<sup>nd</sup> or 3<sup>rd</sup> Quarter of 2017 (which I expect), then some sort of conditional approval should be provided here. This authority should be ceded to the CPUC, in order to enable that any conditions imposed by the non-CA states will be able to be replicated in California by the CPUC (most favored national type status). However, I think providing withdrawal rights by statute are problematic here – if the ISO or the California interests – as represented by the CPUC – who presumably represent the public interest of California and are appointed by the Governor and accountable to the Legislature – do not agree with such conditions, then there should be some sort of exit path.

So that's my brainstorm. Too long for a short bill! But that is it for now. I would love to hear your thoughts, maybe in Tahoe on Sunday.

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Board, as well as concurrence of the Regional State Committee and key stakeholder committees.

**QUESTIONS:** Is the list of reserved topics sufficient and complete? How would these provisions be enforced or disputes be resolved? What is the appropriate stakeholder process or remedy if a state believes these provisions have been violated?

- **Role and responsibilities of Regional State Committee (RSC)**

- A key way to preserve, protect and facilitate existing state authority is to include an oversight committee of strong and independent regulators that holds significant authority over certain topics of particular interest to state or local policy makers.
- The RSC would be incorporated as its own, separate non-profit entity, with a staff and separate budget. Funding would either be included as a line item in the Regional ISO budget or submitted as a separate ISO tariff subject to FERC approval. A funding agreement would be negotiated between the ISO and the RSC to provide for its funding, while ensuring the independence of the RSC with no interference from the ISO or its staff.
- RSC should be comprised, in principle, of one regulator from each state in ISO footprint.
- Additional members from public power utilities (consumer-owned) could be added, as well as the federal PMAs in the region, namely BPA and Western Area Power Administration (WAPA).
- For Associate Members, both the OMS and RSC-SPP bylaws allow other interested parties – consumer-advocates, state energy offices, energy facility siting authorities – to join as Associate Members but without voting rights. Many have done so, and participate in the ISO stakeholder processes, but consumer advocates especially have argued that they do not have sufficient time and resources to follow the time-consuming processes of the ISO (see below).
- RSC would hold primary authority over policy initiatives in certain areas. The current thinking on scope of issues is for the RSC to have primary authority over resource adequacy and certain transmission expansion and cost allocation issues, such that the ISO would be precluded from filing a tariff at FERC in the prescribed policy areas

absent prior approval from the RSC. (If the latter approach is followed, we may need to provide for exceptions in the event of a stalemate in the RSC on a critical issue on which ISO action is necessary. For example, if the RSC fails to reach a decision within two regularly scheduled meetings, the requirement for RSC pre-approval would be waived.). Ideally, the structure of the RSC would foster compromise and collaboration with the ISO, but it may be hard to build this element into the formal governance structure.

- Such a Committee would presumably have some type of co-filing rights under Section 205, which would require the ISO to file its views with FERC if the ISO and the RSC cannot reach agreement on certain issues under the J&R standard. Another approach is to use the Section 206 process that allows parties to file complaints at FERC, with some arguing that the burden of proof could be shifted (APPA paper). Also, the issue of Minority views should be addressed if one state Member disagrees with the majority of the Committee; for example, OMS bylaws require the filing of Minority views at FERC. Also, FERC requires that ISO governance be “responsive” to customers and stakeholders and has stressed concepts of: inclusiveness; fairness; minority positions presented to the Board; continuing responsiveness.
- Regarding the voting structure of the RSC, there are several options set forth here:
  - A) Simple majority voting: this is the process used by most of the State Committees in other ISO’s, such as OPSI, OMS (17 members), and RSC-SPP (10 members). Votes would be taken at regular monthly or annual meetings of the State Committee. For a regional ISO contemplated now with six Member states, that would mean four votes.
  - B) Weighted voting: another approach would be the WIRAB voting model. This would require approval from BOTH a numerical majority of states AND of states representing at least 50% of the load in the ISO footprint. Therefore, under this approach, weighted voting would give California an effective veto over RSC actions, and any three of the other PAC states would similarly retain a veto.
  - C) Consensus decision-making: let’s call this the traditional CREPC model, where any governance or funding decisions are taken by consensus. This gives blocking or veto rights to any member of the Committee, and has encouraged a collaborative and consensus-oriented approach in the Western states.

**QUESTIONS:** Is a strong RSC workable and desirable? What should be the scope of the RSC's enhanced authority? Should RSC members sit with the Board during its meetings, or as is the model in OMS and RSC, meet the day before the ISO Board meeting and present its views subsequently? Is the WIRAB voting model acceptable to all of the states, or should simple majority voting (the Senate model) be adopted? How would the topics on which the ISO could act in the face of an RSC stalemate be defined?

- **Board Structure and Transition**

- As outlined in the previous paper (Flo-Jo2), there are several possible broad options for the structure and transition of the current ISO Board as it becomes “regional”:
  - A. Fully independent board (upon establishment of new bylaws)
  - B. Hybrid board with transition period
  - C. Confederated board with independent members (focused on management) and “public interest” members (focused on state and public interest)
- The board could consist solely of independent members from the outset, or a “hybrid” board could be required, either on a transition basis or more permanently.
- A nine to eleven-member board appears to have strong support. It better accommodates appropriate board committee structures than the current five-member board.
- Independent board members would be vetted by an executive search firm and a committee of stakeholder representatives similar to the EIM board process currently (FERC has encouraged this approach in several of its Orders).
- There is some support for a hybrid board over a transition period of five years, toward a fully independent board without individual state appointments after the regional ISO has substantial experience with region-wide operations and all other aspects of a regional market. The transition could include the following details:
  - Structure would keep the current five CA-appointed board members. Their current 3-year staggered terms would be reset at the start of the

- implementation of a regional ISO, with one member cycling off at the end of each of the first five years.
- Each of the non-CA states would nominate one qualified Board member according to their own state process. ISO attorneys would vet these nominees for potential financial conflicts (only). One of these members would cycle off each year, similar to the CA board members. Term lengths could be determined by lot, or the state with the fewest customers within the ISO footprint could cycle off at the end of each year.
  - In addition, the search firm would gather candidates to find three additional independent board members through a process similar to the EIM board nomination process. The initial board would consist of 13 members, but two would cycle off each year (one from CA and one from another state). Once the board is reduced to the long-term number – nine or eleven – the state members cycling off would be replaced by new independent members.
- This hybrid structure acknowledges the size of CA load should only PacifiCorp be added to the ISO footprint, as well as the significant investment CA consumers have made in the ISO. But, the CA representatives would be in the minority and could not dictate outcomes without additional support.
  - After the transition, all Board members could either be selected through a Nominating Committee or through a Nominating Committee/Approval Committee process. Final Board would have nine to eleven members.
  - Voting structure for the Nominating Committee and the Board itself is TBD.

**QUESTIONS:** Which model is preferable: hybrid or fully independent board, or some type of confederated board? If the state authorities are clearly reserved at establishment in the bylaws, is actual State representation on the ISO Board necessary? If hybrid, how long a transition and what composition? What should be the nominating process for selecting independent board members, and how should state interests be represented? What other oversight models make the most sense for the West for multi-state ISO – ISO-NE, OMS and MISO, RSC and SPP? What is likely to pass muster at FERC since it will continue to have primary authority, including resolving any outstanding disputes, over the market operations and tariffs of the ISO?

- **Interest in developing funding mechanism for state consumer advocates**

- As stated above, consumer advocates have the ability to join (and have joined) oversight organizations in other ISO/RTO's, such as OMS and OPSI.
- Much like state regulators, consumer advocates will approach the issues facing an RSO with a unique point of view in tracking various ISO stakeholder processes.
- However, consumer advocates have complained that it is very time-consuming to follow vital proceedings in both the stakeholder processes of the ISO, and at FERC as well, and ISO's have responded in different ways to these requests;
- Some funding has been provided in the OMS budget for these activities to follow MISO stakeholder processes, and funding was provided to consumer advocates in the PJM region as a result of a settlement in a Constellation case. In 2013, FERC approved a permanent source of funding by tariff in the PJM budget for these activities (dissent by Commissioner Clark). CAPS was established in 2013, and funding (about \$450K per year) was provided and approved in tariff;
- The paper authored by Binz, for the Hewlett Foundation, proposed a more permanent funding mechanism, similar to CAPS, for the regional ISO in the West. It also suggested consideration of other intervenor funding.
- Due to the diverse and broad nature of Western states (and not every state has a statutorily defined consumer advocate office), such a proposal for permanent funding for intervenors could generate a number of similar requests besides consumer advocates.

**QUESTIONS:** Would consumer advocate participation as associate members of the Regional State Committee, with travel funding, be sufficient, or is more required? What about other NGOs, such as environmental advocates? Should this issue be deferred until after the formation of a new regional Board, so broader input can be provided on this concept?

- **Stakeholder Process or Members Committee**

- The current stakeholder processes of the CAISO appear to be working well, although there is no question that with the processes established for the regional ISO discussions, a great deal of time and resources are being consumed in these efforts. Learning from the stakeholder processes in other regions, such as PJM, MISO, and SPP, it has become obvious that the stakeholder processes will continue to require much attention and resources from at least State Commissions and Staff, state energy

offices, consumer advocates, environmental NGO's and others. Moreover, with whatever governance and voting process that is adopted in the West, it is also obvious that much of the hard work on contentious items, such as cost allocation methodologies, will be front loaded in to the stakeholder processes in a sincere attempt to resolve issues at the regional level before they go to FERC. In addition, the Members Committee process of the SPP has received a good deal of attention, especially from public power utilities and the APPA paper, as perhaps a way of resolving issues with the transmission owners and utilities in a more consensus-based, task-oriented manner.

**QUESTIONS:** Is the current ISO stakeholder process sufficient, or is some more formal structure needed? Should a sunset period, or term, be required for certain task forces or stakeholder committees, or should they be allowed to operate indefinitely? Should a certain number of stakeholder classes be identified, and their representatives invited to sit with the Board at its meetings? As with the Members Committee, should such members be allowed to sit in the ISO Board members and vote on items on the agenda, prior to the vote of the independent Board members? How should the classes be defined? Is a formal voting process necessary, other than to select class representatives? If so, what should the voting process be?

### **The Process Going Forward and Other Topics**

- There are many details and complex aspects of a regional ISO governance structure that could be discussed after the new board and RSC structure are in place. To ensure that these important issues get a thorough vetting, the proposal could suggest that within a certain time period (two years?), the new Board and RSC could jointly lead a stakeholder process on three topics:
  - Any modifications to current stakeholder process, or creation of any stakeholder committee
  - Any proposals for consumer advocate group funding
  - Any changes to structure or make-up of EIM Governing Body
- Any proposals on these topics would require approval of both the Board and the RSC.
- Action by the CA Legislature to repeal the current ISO governance structure is likely a first necessary step toward the development of a Regional ISO. Such legislation would likely provide for the repeal of certain CA statutes, contingent upon a new ISO

governance structure with certain prescribed elements coming into place. This is unlikely to occur without some sense that those prescribed elements will be acceptable to the other PAC states.

- Pursuant to Senate Bill 350, a report is required to be filed by the CAISO to the Governor's office including the benefits studies, proposed changes to the governance, and so on; and then the Governor submits a proposed bill to the Legislature including such studies, any modifications to governance (including perhaps "revised bylaws and other corporate governance documents"), and so on. The deadline for submitting such a proposal is December 31, 2017.
- Yet there is a sincere attempt to get these recommendations and proposed revisions done by September 1 this year during the current session of the Legislature.
- Under the above, there is a great deal of work to be done on the many and complex details of such a new governance structure, revised bylaws, and other corporate governance issues. However, if a bill is to be considered this year, it appears that a high-level approach might be the best way forward, setting forth the "super structure" of the regional ISO structure and its governance.
- Under such an approach, the details of the complex work of designing the Board of the ISO, setting forth the respective responsibilities of the non-CA states in the process, the structure of an RSC or State Oversight Committee, and the stakeholder process could be considered in a more deliberate approach.
- The informal group already established with the Governor's policy representatives, State Commissioners and staff (building on the foundation of the Body of State Regulations for the EIM), CREPC and WIEB, and other stakeholders has been a good start. But, it appears that further work needs to be done, and this work continued.

**QUESTIONS:** Is it feasible to secure the sense of the other PAC states, if not a formal commitment, that a governance structure would be acceptable? What would the outlines and parameters of such a governance structure be? What type of advice or comments would this take – informal guidance only through the meetings held to date, or something else? Regardless of whether CA legislation can be passed this year by September 1, what sort of process of information sharing, consultation, and building trust should continue beyond this date? How should it be recognized?