FEDERAL ENERGY REGULATORY COMMISSION

SECOND WEST JOINT BOARD MEETING

JOINT BOARDS ON SECURITY CONSTRAINED ECONOMIC DISPATCH

Washington, D.C.
Monday, February 13, 2006

REPORTED BY:

DONALD R. THACKER
The Joint Boards on Security Constrained Economic Dispatch of the Federal Energy Regulatory Commission, pursuant to notice, met on Monday, February 13, 2006, in Washington, D.C., at the Hyatt Regency Capitol Hill, 400 New Jersey Avenue N.W., at 10:00 a.m., before DONALD R. THACKER, a Notary Public within and for the District of Columbia, when were present:

SUEDEEN KELLY
MARSHA SMITH
RICHARD HINCKLEY
WILLIAM MERONEY
DIAN GRUENEICH
THOMAS SCHNEIDER
RIC CAMPBELL
CINDY LEWIS
DAVID KING
DUSTY JOHNSON
MARK SIDRAN
STEFAN BROWN
MS. KELLY: Good morning, I'm glad to see you all got here. As my fellow Westerners, this kind of snow wouldn't slow anything down in the West, and I hope your travel day wasn't Saturday because if it was, I hear you didn't get here until yesterday. But I did enjoy the snow and I hope you got a little bit of opportunity to spend some time in it too.

Today we are going to talk about our draft, and I thought that before we began with what is on our agenda that I would just take care of a few pieces of housekeeping.

We have with us via Internet Commissioner Spitzer and Commissioner Smitherman will also be joining us via Internet, and we need to speak into these microphones so they can hear us. And also these hearings are being recorded but they need to be recorded through this microphone.

What I'd like to do first is go around the table and have the board members state their presence, and if they have their staff with them to introduce their staff.

I am Suedeen Kelly. I am with FERC. And Jignasa is here, and Kevin Kelly is also here from FERC. Maria Boras, who is my personal assistant, will be in and
out.

Anybody else from FERC here?

All right, thank you.

Marsha.

MS. SMITH: Marsha Smith from the Idaho Public Utilities Commission, and I have Fifer in the back.

MR. SCHNEIDER: Tom Schneider, Commissioner, Montana. Candace Burety from our staff is in the back corner.

MR. HINCKLEY: Richard Hinckley representing the Nevada Commission.

MR. BROWN: Stefan Brown with the Oregon PUC for chairman.

MR. SIDRAN: Mark Sidran from the other Washington we like to think of it, and Dick Byers is here.

MR. JOHNSON: Dusty Johnson, South Dakota.

MR. KING: David King, Commissioner Baca had another commitment this morning so I am sitting in for her.

MS. LEWIS: Cindy Lewis from Wyoming, and Steve Bosney is our chief counsel.

MR. CAMPBELL: Ric Campbell from the Utah Commission.

MR. MERONEY: And Bill Meroney with FERC.

MS. KELLY: Thank you. And Diane Beronic will also be here in a little while.
I thought we'd start with just an overview of where we are. We are here today because of the Energy Policy Act that created the joint board or provided for this joint board, so I thought we would start with what our statutory directive is. It is to study the issue of security constrained economic dispatch and to make recommendations to FERC.

Now, we aren't required to do a study and we aren't required to make recommendation, although I hope that we will do that.

Our schedule, our internal working schedule is that we have a final report to FERC no later than May 2nd.

I think most of you have received the agenda, and we have three things to accomplish today. First, we need to take general comments on the draft report, and by that what we are really looking at is what are general changes that the board members think should be made. For example, should we add an issue or delete an issue from the study. So these general comments are sort of overall comments about the direction of the report.

The detailed comments that anyone has we aren't going to discuss at this meeting, we can address and incorporate them in the drafting properly.

The bulk of our meeting will be spent on discussions, recommendations regarding the dispatch issue.
And these are the issues that were raised in our initial meeting and in the DOE survey economic dispatch. These are the issues that are included in the draft study. At the moment -- in the draft study that we have sent out for comment. At the moment there are seven issues. You have a list of the recommendations that have been offered for consideration, and we will go over those today.

Also the Department of Energy survey on economic dispatch has recommendations that we have included in the draft report, and our goal today is to come to consensus, if we can, on the recommendations to make to FERC in our final report.

And then finally today we are going to decide on the process for subsequent drafts.

We need to have a detailed plan with milestones, with responsibilities designated, and staff assignments set by the end of the meeting today or we need to have one or two board members prepare a detailed plan and circulate it.

We are going to have a 15-minute break at 11:00 o'clock. We'll start with general comments but before that I wanted to give Marsha an opportunity to say anything by way of introduction or overview that she would like to say.

MS. SMITH: I really don't have anything to add except I do appreciate all the work that the commissions and the states have done, and I look forward to the
comments that we will make here today and to getting our
final draft report, one that we all concur in.

MS. KELLY: Thanks.

Does anybody have any questions at this point?

So we are going to start the meeting with
general comments about the draft. We have already received
from California and Colorado some general comments about
the issues that the draft is dealing with, and basically I
think it is a request to expand either the discussion of
issues or the number of issues that it is proposed to deal
with. And so I will ask California and Colorado to talk
more about their comments, but before that I thought Bill
and I would give an overview of what the staff, the draft
study includes.

It is divided into four parts. The first one is
just an intro or an overview. The second is a description
of the basic concept of security constrained economic
dispatch. The third section provides a background on the
variations on dispatch procedures in the West. The first
part of this, the first subpart of this background explains
how dispatch occurs in the northwest power pool, the second
part explains how it occurs in California, and the third
subpart explains how it occurs in the southwest and in the
Rockies. The fourth part of the study is perhaps the meat
of the study and it has the issues related to economic
As I said, currently seven issues have been identified. And I want to stress that the issues that are in this draft are issues that have been raised by board members, or by the Department of Energy reports. It is not FERC's take on the issues, it is a report on the issues as they have been identified. And we can go over those issues, delete them if we want, add more if we want. There are seven issues that have been raised.

Independence of dispatcher, complexity of security constrained economic dispatch, especially when bid based, the utility dispatch of third-party power through contracts, transparency of dispatch information and processes, consolidation of control areas in a region, increased regional scope of benefits, and import/export schedule changes within an hour. Those are the seven issues as they currently stand.

There are also three recommendations from the DOE reports to Congress relevant to issues we identified and they are set out in the report.

Bill, I know that you have also reviewed the reports and you are prepared to provide an overview, and I scooped you on that because I was prepared to provide an overview, but you certainly know the report in depth and if you would add to or correct my description I would
appreciate it.

MR. MERONEY: Commissioner Kelly, I had a list of 12 things on my list and you have covered at least 15 of them, so I think without further ado I will be here for a few minutes. Really what we are trying to do is generate thinking and discussion, and so I think we can very easily just move on to that. And if there is anything I can add as we go over the draft material itself, that is fine. I would simply reiterate we tried to be as inclusive as possible. We may have missed some things, so additions are probably good, but we are trying very much to pull out a very unfiltered version of what is there, consolidation of what is there, a rearrangement of what is there. That is part of the thinking that we are trying to get.

Thank you.

MS. KELLY: Thanks, Bill.

Any questions, comments?

Well, then, let's move on to the discussion of general comments on the study, and I would like to invite Dian to speak first regarding that she submitted issues we should add to our study.

MS. GRUENEICH: Thank you very much. And I apologize for arriving a few minutes late.

We have submitted our written comments and that if anybody does want a copy, let me know. I think we are
going to have some available during this morning. They are fairly short, so I am just going to go through and briefly summarize them. That overall we were encouraged by the report, that we think that it is going to help in providing greater transparency toward the goal of sufficiently producing and dispatching electricity throughout the Western region. And we have a very significant interest obviously because while California does have an economic dispatch model in place, California remains a net importer of electricity. And so it is of great interest to us how overall the Western United States is approaching this area.

In California the task of economic dispatch is handled by our independent system operator, the California ISO, and the economic dispatch functions ISO provide these cost allocations of energy and transmission for utilities as well as other independent energy companies. And currently our California ISO covers over 70 percent of the state's electricity and customers. That in general the customers who are not covered by our California ISO are customers of our municipal utilities. And this is an ongoing effort and discussion we are having in California to have complete integration between what are the dispatch protocols and roles of our municipal utilities versus a California ISO.

To our knowledge, the California ISO is the only
independent system operator in the West performing security
constrained SCED, and as a result the current CAISO
dispatch method which only considers congestion between
zone plans to have that replaced in 2007 with a market
redesign and technology update initiative. This will
enable the California ISO to perform security constrained
economic dispatch to address congestion in allocations
within and outside the zone.

We are particularly pleased that the draft
report recognizes that there should not be a
one-size-fits-all approach to the use of the security
constrained economic dispatch, and that due to regional
differences within the West, state and local organizations
should be given discretion to implement policies that may
impact the practice of the economic dispatch within their
jurisdiction.

In addition, we share the goal as stated in the
draft report of identifying the appropriate interval such
as intrahour scheduling intervals associated with economic
dispatch. And I want to emphasize that this is an area of
the draft report that we are especially pleased that that
is noted, that is an area in terms of how California is
operating, that is very, very important to us.

What I wanted to spend a few minutes on is
talking about what we see as an important aspect of the
report of how it will deal with state policies, goals and laws, versus the overall goal of economic dispatch. And in California some of you may know we have what is called our loading order, which is a specific approach we use to use of our electricity. And at the top of our loading order is cost effective energy efficiency as well as demand response programs. Underneath that is the use of renewable resources and then we turn to fossil-fired generation.

So we are particularly interested in ensuring that whatever ends up being protocol with regard to economic dispatch, such things are done on a regional basis, that this does not impede or interfere with our ability to implement what we consider to be extremely important state policies, many of which are embedded in the state laws.

And, as an example, under Governor Schwarzenegger's direction, both the Public Utilities Commission and our sister energy agencies have adopted an energy action plan that requires 20 percent of the utilities electricity sales to come from renewable generation sources by 2010, under our renewable portfolio standard. And this again is something where we are very closely examining how some of the policies set forth in the report can assist us in meeting this goal.

We -- given the importance of renewal generation
in California as well as other states, what we have requested is that the draft report specifically include a discussion on how to accommodate renewable generation within the economic dispatch, that we think what we see is that there are a large number of states that do have renewable resource policies. And we think that it's very important that the issue of renewable specifically be addressed when we are talking about economic dispatch, because we don't want this to end up being a level of conflict between the state trying to implement our laws and policies versus how FERC is approaching the overall policy of economic dispatch. And we think that it is important for this report to address the issue head on and acknowledge that there is going to have to be some decisions made between economic dispatch and use of renewables.

In addition, we have requested that the draft report recognize that just simply looking at least cost as least direct cost in the short term may perpetuate a reliance on a limited number of resources rather than encouraging a broad portfolio of resources that can insulate customers from potentially volatile fuel costs. Again this gets back to our view that at the state level there can well be state policies that are encouraging diversity in fuel sources as a way to, in our mind, enhance
reliability and address security reasons. And that this is something that needs to be taken into account when we are looking at what is determined to be within least cost, because we tend to have probably a broader view of least cost, that is least cost over the longer term which then translates into some of our policies support being fuel diversity.

Economic dispatch is clearly California's practice but we designed our system, we believe, to be flexible enough to accommodate other state policy references, and we strongly encourage FERC to recognize the necessity of such accommodations. In California we have been working very closely with our California ISO to implement our energy policy such as increased reliance on renewables and ensuring resource adequacy. And in the context of economic dispatch, the California ISO's economic dispatch has some provisions, specific provisions that address the unique characteristics of renewable energy. One such provision is referred to as the participating intermittent resources program, the PIRP. And this provision functions to encourage the development of intermittent energy resources including wind power, generator and other sources with uncontrolled fuel sources by permitting those generators to schedule energy in the California ISO's forward market without incurring imbalance
challenges when the delivered energy differs from the scheduled.

The ISO also considers in the economic dispatch other nonenergy resource restraints such as limits on hydro resources to accommodate irrigation, fish and recreational needs. And these are the types of provisions that we think are appropriate when we are setting economic dispatch rules, and that we have been able to incorporate within how we are approaching that issue in California and we are strongly urging that the FERC report recognize and discuss these types of provisions as well.

So with that I think I will close, that we are very pleased with the report as I said, and with additions that we are recommending, we believe that will be quite supportive of the report when it is issued in the final version.

Thank you.

MS. KELLY: Thanks, Diana. I just want to underscore that this is not a FERC report --

MS. GRUENEICH: I am sorry.

MS. KELLY: This is our report, a joint board report to FERC. It is not what FERC has to say, it is what we have to say.

So with that preamble, does anybody have any objection to expanding the report to include the issues
regarding renewables that Diana has raised or does anybody
want to ask any questions or have any comments?

You don't have to feel that we have to comment
on everything. We know that you care even if you don't say
something.

Tom?

MR. SCHNEIDER: Tom Schneider from Montana. The
thrust of California's remarks I think are consistent with
a lot of the discussion that occurred in Palm Springs in
terms of a thread throughout the transcript, hydro
constraints, intermittent wind, resource portfolio
standards, public policy issues related to fish constraints
and so forth. So I really think that California has
captured, although it is focused on the California ISO, I
think it has captured a lot of issues that go throughout
the Western. And I am certainly supportive of the tone and
response that California provides.

MS. KELLY: Thanks. Then unless we hear any
objections, I think that we should resolve to expand the
report to include these issues.

Okay. Thanks.

MS. GRUENEICH: Sure.

MS. KELLY: Colorado also submitted comments.

Did you all get the Colorado comments?

But Greg Sopkin couldn't be here so on his
behalf I am going to summarize the issues that he has requested be included, which I think we could basically say are new issues, be included in the report.

The Colorado Commission is concerned that the discussion of security constrained economic dispatch may be overly focused on transmission. And Greg would like to see us consider generation as well, and talk about the fact that the SCED study should determine the proper balance of generation and transmission for specific geographic regions rather than individual utility service territories and/or state boundaries.

Does anybody have any problem with enlarging the report to include that focus? SCED studies should determine the proper balance of generation and transmission for specific geographic regions, rather than individual utility service territories and/or state boundaries. In other words, I think what Greg was saying was that integrated resource planning traditionally practiced focuses on utility-by-utility planning and that security constrained economic dispatch studies should determine the proper balance of generation and transmission for bigger areas.

Now maybe you would call that a recommendation rather than an issue, but I think he wanted to expand the discussion of security restrained economic dispatch to make
sure that it overly focused on transmission.

Any problems with that?

MS. GRUENEICH: I think in general that is the sensible approach. Of course it gets into the devil is in the details of where it is drawn about. But I don't have a problem with under a comprehensive approach to economic dispatch. We are obviously looking at both generation and transmission.

MS. KELLY: Okay. Okay, great, we'll move on to the next one.

The Colorado Commission makes the point that transmission constraints exist does not necessarily mean economic dispatch would be furthered via more or upgraded transmission lines. The question is whether generation built close to load center may be -- the question is whether generation built close to load centers may be more economic that building more transmission.

So given that, given that Greg suggests that a SCED study should determine whether barriers to investment in transmission lines exist, such as unreasonable costs or delays associated with siting.

Anybody have any comments on that or concerns about that?

MS. SMITH: I guess it seems to me that a lot of us are working on all these transmission issues probably in
a form other than the security constrained economic
dispatch, and it doesn't hurt to acknowledge or recognize
that barriers and attempting to resolve or alleviate them
in some places. I don't know that a security constrained
economic dispatch study is going to or should give us
detail of what we see as impediment to transmission
planning and finance, and everything else that follows.

I don't know if that is an objection or not.

MS. KELLY: Well, if we look at comments as a
suggestion or as a recommendation, maybe we should consider
it later, because he is getting pretty detailed.

MS. SMITH: Like I say, I don't think we should
acknowledge --

MR. CAMPBELL: I agree with Marsha as far as the
transmission issue being raised, we are dealing with that
in a few other areas and I don't know if we necessarily
need to pull that into this one.

I think as I read his second point, summarized,
I believe that is already part of our report under
increased regional scope, the very first sentence of that
really captures what is in here.

MS. KELLY: So my sense is that the second
recommendation or the first recommendation of Colorado is
already taken care of in the report. The second is a
specific recommendation that we think maybe, or at least
the people that have spoken, think may be too detailed and 
may not be appropriate.

Tom?

MR. SCHNEIDER: Actually I think like 
Commissioner Campbell, I think that the report does, in the 
description of the different, the Northwest and Southwest 
and so West and so forth does talk about the different grid 
activities that are going on, Grid West and others. So it 
could be footnoted there as well, but it is already 
reflected to a certain extent in the report.

MS. KELLY: Okay, general agreement on that?

Good, thank you.

The fourth issue or the third issue, the fourth 
in the paragraph that Greg has set out, but the third issue 
raised by Colorado is the suggestion that before Congress 
or FERC implements any economic dispatch recommendations, 
the anticipated costs and benefits to all consumers, 
including those in low-cost, vertically integrated utility 
states must be thoroughly analyzed.

Any comments on that? I think that is probably 
a good suggestion, whether it needs to be in the report -- 

MR. SIDRAN: Mark Sidran from Washington. The 
next sentence I think is an important sentence in terms of 
one of the recommendations in the draft of the report that 
speaks to the issue of an independent system operator and
whether that is a good or bad idea. And the next sentence reads, "The goal of SCED should not be simply to create larger regional markets for nonutility generators, but to benefit end users."

And I think that is a useful -- I think that is a very clear statement and in some ways it would be useful to have that reflected in the report, that the focus of economic dispatch is to the economic benefit of whom. And as now there are a number of different potential audiences or consumers, if you will, and I think this statement captures that notion. It may be that you can argue, and many would, that an ISO is the benefit of end-user consumers, which is fine, but obviously part of the motivation from the effort we are taking comes from the perspective of others that think it would also be of benefit to nonutility generators which is a legitimate argument. But I thought this was a point worth capturing in some way.

MS. KELLY: Comments?

General agreement?

Okay. Thank you. Thanks, Mark.

I don't see in the recommendations or in the comments that have been submitted to us that the other ones deal with large issues. There are specific recommendations that have also been submitted by Colorado and that were
made earlier on the record, but I think they go to the
specific recommendations section of our agenda and not the
general feedback comments.

But if anybody -- any board members have any
additional comments they would like to make generally about
the report, what is in it, what is not in it, let's talk
about that now.

Okay? Thanks.

So let's move on to the meat of our agenda, and
that is consider whether we want to come up with any
recommendations relevant to the issues that we have
identified and we discussed in our draft report.

I think what I'd like to do is start with DOE's
recommendation which you will find to begin on page 14 of
our draft study.

DOE did a report to Congress on the value of
economic dispatch which was released just about the same
time we met last and it contains three recommendations that
are relevant to the security constrained economic issues
dispatch issues that this board is considering. So we set
them out in the draft that you have for your consideration
as to whether or not you think this board should adopt
those recommendations.

So the first one which I will just read for the
record is, "FERC-State Joint Boards should consider
conducting in-depth reviews of selected dispatch entities, including some IOUs, to determine how they conduct economic dispatch. These reviews could document the rationale for all deviations from pure least cost, merit-order dispatch, in terms of procurement, unit commitment and real-time dispatch. The reviews should distinguish entity-specific and regional business practices from regulatory, environmental and reliability-driven constraints. These reviews could assist FERC and the states in rethinking existing rules or crafting new rules and procedures to allow nonutility generators and other resources to compete effectively and serve load."

Comments? Mark?

MR. SIDRAN: Perhaps DOE's offer to pay for this is in the fine print, but it seems to me that this runs contrary to what I think there is a consensus about at the beginning of the report which is the notion that this should be a flexible concept, that is adaptable to the differences among the regions of the country and for that matter among the states. And I think this gets way too far into the weeds of trying to look at all of those variables in the different nature of economic dispatch across the country.

And I guess my question would be to what purpose? If we believe that there should be flexibility to
look at this issue across the country given the differences in the regions and the differences among the states, then the notion of getting this deeply into those variables it seems to me to be of rather limited value. If states or regions want to do this, then let them do it.

MS. KELLY: So do you think at this point, Mark, it would be fair to say it is premature for the West.

MR. SIDRAN: Yes, I think so.

MS. KELLY: Dusty.

MR. JOHNSON: One question I had is to what extent would states have the ability to promulgate rules to really address the problems that these reviews would raise, particularly given that a number of the folks affected aren't traditionally affected by the state jurisdictions, so I would just raise that question.

MS. KELLY: Okay, thank you.

MS. GRUENEICH: My perspective is I come from California where we have such a large presence of municipal utilities, I think it would be quite interesting to understand better how our municipal utilities do approach economic dispatch. We feel that we are fairly transparent because we have an ISO with how there is dispatch going on with regard to our investor-owned utilities but it is not as transparent with the municipal utilities.

But this gets back to the jurisdiction and how
far we get into details that I don't know that just simply saying it would be basically something to consider looking at when none of the issues of jurisdiction or of funding can be addressed in this report is of much value. So I wanted to say on one hand that I think that it actually raises important issues of understanding the economic dispatch decision frankly of nonjurisdictional entities, but given the precise problem that they are nonjurisdictional as well as funding issues, I don't know that it does much good to raise the issue.

MS. KELLY: Well, and California maybe, certainly it is different from the rest of the West in how we dispatch within the state, so to begin with it is going to have more significance to you, but I think we end in the same point, for jurisdiction to affect something. Maybe it is premature to study it.

Marsha.

MS. SMITH: I just had one concern in the last sentence which seems to make an assumption that I don't know is correct, where they want new rules so that nonutility generators and other resources can compete on load. In Idaho there is only one entity that is legally empowered to serve a particular load and that is the entity that is certified by the state as a provider. So I am concerned that perhaps their vision of serving retail load
may be contrary to state law in some states.

MS. KELLY: Tom?

MR. SCHNEIDER: It just seems to me that this recommendation at page 14 flows after 14 pages of description of the complexity and the constraints, public policywise, about apparent economic merit-order dispatch, then we say, well, we are going to drill down to the individual entity level to make them demonstrate in a conduct way any variation from that. And it just seems to me totally inconsistent with the tone, everything the joint board has described, so --

MS. KELLY: At this point I think it would be safer to say that there is a consensus that we don't want to adopt this recommendation. If anybody disagrees with me, let me know.

Okay, let's move on to the next one.

The second DOE recommendation, "FERC and DOE should explore EPSA and EEI proposals for more standard contract terms and encourage stakeholders to undertake these efforts. Specifically, the EEI proposed that nonutility generators should commit to provide energy at specified price for specified time to meet unit commitment schedule and there should be contractual performance standards with penalties for failure to deliver. EPSA proposed developing technical protocols for placing and
accepting supply offers, operational requirements, nonperformance penalties, and standard contract forms for routine transactions."

Comments?
Mark?

MR. SIDRAN: Well, I will raise the question that I need to attribute to Dick Byers from our staff, a question that he has related to whether this overlaps with something the North American Electric Standards Board may to some degree already have been doing or is undertaking because it involves really looking at the business practices in the wholesale market. I don't know enough about it to drill down into that comment, and Dick may, you are welcome if you want to add so that.

MR. BYERS: That's the question I had.

MR. SIDRAN: So really the issue is: Is this something that this board wants to get into or is it being addressed in another context? Because this seems to be a highly specific area of inquiry.

MS. KELLY: If I could take the opportunity to convey what Colorado said, we think this recommendation should be pursued on a regional basis rather than on a national basis. The regional variances is in grid operating parameters throughout the Western Interconnection make a strange case for allowing development to go forward
on a regional basis. This does not mean new standardized 
terms are per se a bad idea or that federal resources such 
as those of the DOE should not play an important 
collaborative role.

Richard.

MR. HINCKLEY: Richard Hinckley. I was just 
going to endorse the concept that I am not sure that the 
board here ought to go to this level of detail because the 
associations, whether it is on industry, electric industry 
side or NUG side, I think we are observing quite a bit of 
cooperation in terms of their contracts and central terms 
that they are moving toward that are at a level of detail 
that they produce good results as those things can be done, 
but I am just not sure that the detail ought to be 
undertaken and endorsed one way or the other by our board 
here.

MR. JOHNSON: What would be the end product 
of -- I am sorry.

MS. KELLY: I am going to call on Cindy.

MS. LEWIS: I was just going to reflect that 
Wyoming's comment would be remarkably like Colorado's with 
regard to the issue.

MS. KELLY: I am sorry, I think it was 
Wyoming's.

MS. LEWIS: I thought, gosh, Greg's comment is
really smart. It is something of a mantra for us that the West is different, one size fitz all. The idea is not bad but you can't just quite put a cookie cutter on the West.

MR. JOHNSON: What would be the end in sight with this? Would these be FERC rules to enforce these standards and if so when we start talking about, you know, if this group were to look at it, I mean does that just filter up to FERC, or what is the end in sight, I guess.

MS. KELLY: Good question. Bill, do you have an answer for that?

MR. MERONEY: I am not sure I have an answer but I think some of the other boards have adopted recommendations sort of that were toward encouraging processes that are going on, not necessarily with the idea that there be any specific action by FERC at all, but just encourage the processes that are out there by the various bodies. And I think that is one of the things that a board can do.

MS. KELLY: So it is the idea that the board could endorse the activity of EEI and EPSA getting together, coming together to provide for more standard contract terms and encourage stakeholders to take those efforts, to have technical protocols.

MR. MERONEY: Then it would be up to individual regions to assess the degree to which the state or the
region thought adopting some or all of what might appear to be agreement at industry level for whatever the purposes were. And that the commission or that FERC to be aware of these things and insofar as they appeared to be consistent with state and regional and other purposes, to encourage them by not putting barriers in front of them, things like that. So I mean you could have a framework for some recommendations on those things.

MR. JOHNSON: Thank you, Bill. Your comments actually help quite a bit.

MS. KELLY: It sounds like what we are looking for is an endorsement of cooperative processes between EEI and EPSA for coming up with standard, protocols or supply offers, operational requirements, nonperformance penalties, standard contract forms. To me it doesn't seem like any activity that is intended or could threaten the desires within the individual states to retain traditional IOU structures.

So I guess I don't see that there is any harm in encouraging collaboration to coming up with such practices and standardization to the extent that any of us -- well, to the extent that IOUs or any utility does business with nonutility generators I would suspect it is helpful to have standard protocols in place.

MR. KING: Madam Chairman, I would agree. Think
we have to be -- to be very careful to look though in each area of the West. In the Southwest we have a low dispatching area that includes both areas. I think we can outline that carefully. I want us to be careful as we look at each area, as we look at the Southwest and the whole region that we are not getting into some kind of a cost study that runs it up way beyond any benefit to us when we have got, I think we can approve all of it. I mean use that coordination but before we go to any system that throws the baby out with the wash and go to that extreme, we have to be very careful. It is working pretty well as we have it, and so we can probably improve on that without a doubt, but I think we have to be cautious in getting away from that very much.

MS. KELLY: Ric.

MR. CAMPBELL: As I look at this one I don't see any harm having this as a recommendation to this board as far as collaboration and coming to terms. The one caveat we might want to put on this is once again, from Wyoming, that perhaps the standard contracts take into account the regional differences. For instance, maybe a standard contract in the Western Interconnect might be different than what the Eastern Interconnect is.

MS. KELLY: Thank you, Ric.

MS. SMITH: I would just say I agree that it
never hurts to have an opportunity to talk to each other but to the point that the question that was raised by Washington, they shouldn't duplicate an existing process, so these are issues that are being dealt with to an EPSA process that is a form that ought to be done and so that everybody knows the process.

MS. KELLY: Mark.

MR. SIDRAN: Maybe there is a way to incorporate this particular recommendation into some language that relates to, these aren't numbered, but on my copy it is on page 12, one of the draft recommendations for the board is utility -- or issues, utility dispatch of third-party power through contracts. Perhaps there is some language that could be worked in here that refers to NAESB and is supportive of collaborative efforts.

MS. KELLY: I think that is a great suggestion that seems to capture what we have heard today. And unless there is an objection, then I think there is consensus that we should pursue incorporating that recommendation in that way, with suitable caveats that are relevant to the West. Thank you.

And then the final DOE recommendation, "Current economic dispatch technology tools deserve scrutiny. These tools include software and data used to implement economic dispatch, as well as the underlying algorithms and
assumptions."

Comments?

Marsha.

MS. SMITH: Well, okay. It doesn't say who is going to --

MS. GRUENEICH: I will just echo what Marsha was saying next, which is again to the extent that there are existing forums that are looking at the tools that are going to be used, let's encourage that it be done in those forums. I don't think anybody is interested in setting up a whole -- recommending that a whole new process be set up, especially if there is one that is funded.

MS. KELLY: Any other comments?

MR. HINCKLEY: Just kind of a general endorsement that I am sure we would all observe, but to the extent that there is technology that can be utilized or yet be developed that would assist in the analysis, even to the point where the analysis can show improvements with existing facilities and infrastructure and defer or even put off at all additional instruction be it generation, transmission or whatever, that would be a good use to be suggested. So in terms of kind of a general comment, we observed that increased use of either existing or yet to be developed technological tools should be endorsed, to the end of making the best use of current and proposed
facilities.

Awfully general in terms of what it says but we wouldn't want to throw any cold water on technological improvements.

MS. KELLY: I think we have a consensus on this one. Okay.

Now what I would like to do is go over the issues identified in the report, the specific issues. They begin at page -- where, ten? Thanks, Marsha.

And we have received written comments from Wyoming on these specific issues, and there are recommendations in Attachment C to the draft report that were raised at the last board meeting that to these issues so we can take them up as we discuss each issue.

And so the first issue is independence of dispatcher.

Cindy, since you had a specific recommendation, would you mind if we started with yours? To the extent any of those are recommendations.

MS. LEWIS: No.

MS. KELLY: Are they mostly comments?

MS. LEWIS: Well, I would like to say that this was worked on by several states, not the entire Western conference, but I would be reluctant to presume that Wyoming alone is a party to these comments. So I am not
sure if the group in general considered them
recommendations or comments, but I guess I would err on the
side of them being comments, but I wanted to mention that.

MS. KELLY: Okay.

MS. LEWIS: And in that regard we did distribute
them. I don't know if everybody has them.

MS. KELLY: Yes, we made copies for everybody,
so everybody should have them at the moment.

MS. LEWIS: I would say I don't want to sit here
and read them all, that as I mentioned before, one
particular concern was on the regional aspect of the West,
the fact that considerable work has already been done and
is being done by particularly WECC, and that we shouldn't
be recreating something that has already got a good start
on it or fixing something that ain't broke. Or movement to
larger dispatch regions just for the purpose of larger
dispatch regions when that may not work.

I don't want to sit here and read these.

MS. KELLY: Well, I think that the first point
you made is something that we should probably spend a few
minutes on, at least, because there was another
recommendation made at the last meeting that the first one
in Attachment C to the report that is contrary to the
statement here. And so maybe it is appropriate to actually
read your first bullet.
"Where utilities perform dispatch functions and do so fairly and efficiently, they should not be supplanted with an independent dispatcher simply for the sake of having one. Utilities operating in such a manner should be involved with the development of independent dispatching entities."

And the first recommendation at Attachment C is a much more definitive statement. The recommendation is that an independent operator be established with -- establish an independent operator with security constrained economic dispatch.

So that I think there are two views expressed here and so I think that it is appropriate for the board, if it has a position one way or another to state it.

Mark?

MR. SIDRAN: We agree with Cindy and Wyoming for the reasons that I mentioned in my earlier comments. If we are going to actually be respectful of the comments made at the beginning of the report with respect to appreciating the diversity in the West and recognizing that we have a variety of different scenarios, including having these load serving entities that are investor owned that are ultimately responsible and have the burden of meeting their public service obligations, there are lots of issues that surround independent dispatch which may be resolved in
certain states, and it should be left to the states to
figure that out. There are lots of issues around an
accountability attendant to some independent operators that
have surfaced, so I will simply stop by staying we believe
Wyoming's position is correct, at least for our state.

MS. KELLY: Thank you.

Ric.

MR. CAMPBELL: Actually I was just going to echo
what Mark said, that as you look through these various
issues we have to remember again that there are two very
different models in the West. We have the ISO and we have
utilities who perform economic dispatch within their
control areas and so forth. So as it relates to the
independence of dispatch, once again this is somewhat in
contradiction to the utility model that is prevalent in the
Western states.

MS. KELLY: Stefan.

MR. BROWN: Putting aside my own personal
preferences on what I think may be the most cost effective,
we have a hard enough time getting consensus on anything in
the West. That is a shock there. And our position has
been that joining or not joining a regional dispatch entity
should be up to each utility and the negotiation with their
regulatory body. So a mandatory requirement that you join
an economic dispatch entity would not be I think in our
interests.

MS. KELLY: I think we have a consensus on this, but if, and I know other people are interested in speaking, but in the interest of moving along, we can move on to the next issue, but if you really want to speak, the floor is yours.

Marsha.

MS. SMITH: I just point out that in addition to the two types that Commissioner Campbell just mentioned, how the CALISO does it and that independent utilities in the Northwest, there is multiowner extensive hydro system that of necessity is coordinated, whether it is dams that are publicly owned or dams that are privately owned, so in that sense we have achieved economic dispatch with the hydro system because of necessity, all of those dams operations have to be coordinated.

MS. KELLY: Thanks, Marsha.

Okay, moving on to issue two, the complexity of security constrained economic dispatch, especially when bid based.

Do we want to make any recommendations regarding this issue?

MS. GRUENEICH: Just looking at what is written in the draft, any structural changes flexible and sensitive to the needs of the states, I would assume there is
probably a consensus on having that approach. It basically
says you can do what you want to do. But then to make
changes voluntary wherever possible, that may be
interpreted as voluntary from whose viewpoint?

And so I am not quite certain that I understand
what it -- what the voluntary was, whether there was
voluntary from the state's perspective or literally
voluntary from the generator's perspective.

MS. KELLY: So do you have a preference that you
would like to state, Dian?

MS. GRUENEICH: I would certainly include number
one, to keep any changes flexible and responsive to the
needs of the states. Again, I am putting on my California
hat where we have an ISO, we would probably say those
changes are probably not voluntary, that if there is
consensus between ISO and the state PUD, we are not going
to be comfortable that that would be voluntary on the part
of the generators.

MS. KELLY: I would think that recommendation
number one incorporates number two, that if changes are
flexible and sensitive to the needs of the state, then
whether or not they are going to be voluntary or directed
by the state government itself will be taken care of in the
state. So I would think that we wouldn't even have to go
to number two.
MS. GRUENEICH: Okay.

MS. KELLY: Mark.

MR. SIDRAN: I agree with that and just have a friendly amendment, especially if number two is to be removed and that is to add the words in number one after states "and utilities," in part to follow up on Dian's points that in our state over half the load is served by public not investor-owned utilities. And also to recognize, as I think I tried to explain in a prior comment, these utilities have certain obligations and public duties that we should be sensitive to.

MS. KELLY: Do you think we should change the word to "states and local governments" or --

MR. SIDRAN: Well, it seems to me if you just say "and utilities," utilities you are incorporated utilities that are public utility district as well as privately owned, but I certainly have no objection to putting in local government, having come from local government myself.

MS. KELLY: Any consensus on this? Any objections?

Let's move that way then.

Next issue, utility dispatch of third-party power contracts. Do we have any recommendation on this issue?
MR. KING: One of the -- in New Mexico -- I might just pass out my recommendations while we are doing this and you can be looking at them as we go through -- is that when we look at the bilateral contracting process, at least it seems like that where we encourage -- it would be better than us getting into a mode of having a lot of new rules and regulations which are less flexible. So, I just want to be sure that that bilateral practice of contracting practice that we have now be improved, ever can be improved upon before we start going into something else.

MS. KELLY: Thanks, David.

I think relative to this topic is also a recommendation as found in Attachment C, "Encourage contractual commitments by independent producers to provide energy in a manner consistent with the utility's dispatch, but do not require utilities to purchase nonutility power."

It seems to me that is along the lines of what you are proposing, David.

MR. KING: Absolutely.

MS. KELLY: Cindy, did you want to add anything from Wyoming's concept, Wyoming's presentation?

MS. LEWIS: No.

MS. KELLY: Okay.

MS. LEWIS: Thank you.

MS. KELLY: I think that your comment is a good
one, and it sums up what is happening in the West, the 
goinging tension among IVPs on the subjects of IVP 
integration, which is I think what we are all recognizing 
here. So I think it would probably be helpful to state 
that explicitly in our draft.

Okay, well, I think we have done good work so 
far this morning and we have earned our 15-minute break. 
So, see you in 15 minutes.

(A recess was taken from 11:05 a.m. to 
11:26 a.m.)

MS. KELLY: The next issue that we are taking up 
is number four in the report, transparency of dispatch 
information and properties.

Mark?

MR. SIDRAN: Well, to the extent that this 
recommendation is premised on a rationale for an 
independent entity, I wouldn't bother reiterating my 
previous comments but transparency is a good thing but it 
shouldn't drive the decision as to whether or not you need 
an independent entity. So I think there are ways to say 
transparency is important in order to accomplish some of 
the goals of economic dispatch, but not as this is framed 
as sort of a rationale for an independent entity in order 
to achieve the transparency.

MS. KELLY: Thanks, Mark.
Cindy, David, do you want to elaborate on the point submitted?

MR. KING: Well, I think again there is distinction, when we look as our notes say the four corners, Palo Verde, again we have a robust trading market and we think we have price transparency, and that those independent producers are already incorporated within the economic dispatch of utilities. So our market monitor process provides review of those eligible transactions, and so there is all kinds of other activities we can talk about, but I think we have to be careful again for when we get into incentives as they are helpful to deviate from the model that we have, I think we have to be careful.

MS. LEWIS: I think Wyoming would join both comments that are made, transparency kind of seems like mom and apple pie, and there is no reason to say processes shouldn't be transparent. And I don't see it as Mr. Sidran mentioned as a means to force upon the region systems that maybe don't work on a large scale, but we are very interested to see what happens with the process as they move forward. And I think that may be a preferable way for the West to allow these things to develop on a cooperative basis.

MS. KELLY: Thanks, Cindy.

MR. SCHNEIDER: Transparency I think has always
been kind of a hallmark of apple pie and so forth with
state commissions and probably at the federal level. The
only caution I would bring is that in terms of market
functioning there is, there certainly is economic
literature and some experience and empirical evidence that
market transparency has some downside risk in terms of
economics. And that is the Woychik study, for example, in
California talked about collusion through amassed market
knowledge. So there is a counterbalance in certain
respects to this transparency, you have to make sure that
you don't end up damaging the very market that you are
trying to enhance.

So I would just say there is confidentiality
issues and there is sensitivity about detailed market
information for market participants.

MS. KELLY: It seems to me what we are doing on
this issue is we are talking about transparency and we are
acknowledging that when you have an independent entity
discussing all issues in a region, there is a benefit to
the transparency of the process for dispatch. But that
again in the West it is not a benefit that in and of itself
is sufficient to warrant a mandate that there be regional
economic dispatch. Is that correct?

Okay.

All right. Let's move on to the next one.
Consolidation of control areas in a region.

There is a recommendation in Attachment C related to this, and it was a recommendation made by two commenters at our first meeting that control areas in the Northwest should be consolidated.

Do the board members have a response to that? Do you agree, disagree with the recommendation?

Ric.

MR. CAMPBELL: Perhaps I can make a number of comments in this area. The first comment I would make is in the report where it talks about single utilities, they first dispatch their own area. We say with only limited knowledge of conditions in other areas. I don't know if any of you have been to control centers but a single utility, when we visit those control centers, they are on the phone calling Arizona, calling California, they are calling the Northwest. So I think that could be a little bit of an overstatement that they don't know what is going on in the interconnect, because from my experience in watching they are very familiar with what is happening across the whole interconnection even though they are single utilities.

I guess the second comment I would make is that it is interesting that as we consolidate control areas or as they talk about consolidated areas, as I read the report
and saw the last issue which deals with the 15-minute import/export exchange, that is a very large control area. And my understanding of that problem is because it is so large when it is scheduled on the hour they have difficulty dealing with that. So on the one hand, I understand the arguments for why consolidation of control areas might be beneficial. On the other hand it brings its own problems with it. So I guess I don't know if I am prepared to say if it makes sense to consolidate or not to consolidate, frankly.

MS. KELLY: I think on this issue that I will recognize you, David, in just a second, but I think that it may be informed by what Wyoming has said which is larger control areas can be a positive development if the integration of smaller control areas makes operational sense. This is especially true for wind resources which can benefit from being parts of larger control areas. The focus should be on the technological advisability of consolidation and not on simply reaching the goal of larger and larger control areas, reliability remains an important concern. I don't know if that is another way of stating what you said, Ric -- you have lost the your mic.

MR. CAMPBELL: It probably is, I did not read the Wyoming comments, but it seems to -- I seem to agree with them.
MS. KELLY: David.

MR. KING: Maybe we are all saying the same thing. There is clearly not an excess in areas like in the Southwest of control areas. I think we are covering a pretty big area already, bigger than several states or several what would be control areas in the rest of the country. And it seems to me we don't have problems in that area. And Ric is right, going in our control areas we look at everything that is happening over the whole country, but we are covering certainly a big area. We certainly wouldn't want it to be smaller, just one of our companies covers a large area. So we have to be careful in the Southwest.

MS. KELLY: Thank you, David.

Dusty.

MR. JOHNSON: Just from some perspective that is located mostly in the footprint, there is considerable debate in South Dakota whether or not bigger is better and whether or not the potential benefits right now are outweighing the costs to consumers.

MS. SMITH: I also think it wouldn't hurt to mention in our report the system of the WECC where in addition to the control areas we have the reliability centers, there are three of them in the interconnection, that can see the whole interconnection. And that WECC is
undergoing a current study on those of whether there should be one or two or three and what tools, and that is the most important part of the study I think, what tools do they need to see the whole interconnection at once and be able to issue directives in the event that reliability is somehow impaired.

So I guess that tends to say that the number of control areas is something you need to pay attention to but on the reliability side I think the reliability centers are backstops for ensuring reliability by regardless of whether you consolidate the control efforts.

MS. KELLY: And, Marsha, just to keep the record clear, when you say the number of control areas is something that should be paid attention to, do you mean from reliability aspects or --

MS. SMITH: I think everything that has reliability impacts also has economic impacts and it is very hard to separate those two. And my personal opinion is that we can do with fewer control areas. And as a WECC board member I am also concerned when we have new applications to be a new control area and be a generator-only controlled area, it really bothers me, because I think especially in the Northwest there are efficiencies to be gained through consolidation of our control areas. That is my personal opinion, and yes, I am
not an engineer. But, so I have now lost your question.

MS. KELLY: Your answer has been responsive.

MS. SMITH: Thank you.

MS. KELLY: Well, not to put words in
everybody's mouth but to paraphrase where I think we are,
which is basically a variation on the Wyoming summary, that
the size of the control area and the optimal size of the
control area depends on a variety of factors, reliability,
technological availability, and economic concerns towards
efficiency. And so it doesn't sound like the board wants
to recommend that control areas in the West be larger and
more consolidated as a general rule.

Okay. Thanks.

The next item has to do with increased regional
scope. Any comments?

MS. SMITH: Just one. Something that I always
try to pay attention to when we do things in the West, what
do we mean when we say region?

So I think in the whole report we need to be
attentive to when we say the word "region" do we mean the
entire Western Interconnection? And if so, everything less
than that should be categorized as subregional. If you
want to mean regions as the ones that are depicted in the
map, then we have to be conscientious and very careful that
every time we say region we are identifying a region and
that when we mean interconnection we say interconnection.

So this is just a plea to be attentive to what we are meaning by region. Usually when I speak and I say a region I mean the whole interconnection. And when I speak about the Northwest that is subregional or the Southwest, but however we choose to do it in the report it ought to be.

MS. KELLY: Cindy.

MS. LEWIS: I will go ahead and make the comments that Wyoming did, although we are not solely responsible for, certainly support. And this goes somewhat to Marsha's point that we have indicated the WECC should exercise caution in creating larger dispatch regions.

By no means are we implying -- and one thing we are looking at, for example, is WECC approach, as a very subregional entity.

MS. KELLY: So are you saying, Cindy, that there is no general rule with the West that fits the West, for example, dispatch regions should be increased in size, but rather that within each sub area they should be looked at on a case-by-case basis?

MS. LEWIS: Yes, I believe that is right.

MS. KELLY: Okay, thanks.

MS. LEWIS: That one size doesn't fit all.

MS. KELLY: David.
MR. KING: I would I think say the same thing. When we look at the WECC, the four reporting areas, again coming back to the Southwest, my notes say the high cost of implementing a larger regional, as long as we look at it in the scope that we have here that is fine, I think that otherwise trying to go beyond that, that is a huge region with those subareas already, it is larger in the country obviously. And so I don't think going beyond that, what we are talking about there would be offset by the increased benefits to our customers, it just wouldn't work. We are already -- I think we have to look at those four subregions, and there are some differences, although we generally agree, in each one of those areas.

MS. KELLY: Anybody want to take issue with any of the comments made?

Anybody want to add anything?

Okay, thank you.

And the final issue, import/export schedule changes within an hour. And there is a lot of discussion under this issue about California, and we have recognized that California's system runs differently from the other portions in the West, and so I think I would like to turn to Dian about California issues.

I know in your comments you didn't specifically address this particular issue but do you have a response or
recommendation, specifically. Not to put you on the spot here, Dian, but I guess I actually did.

MS. GRUENEICH: That is fine, I have discussed this with our staff and this is a recommendation that we do support. And so -- I am very interested in hearing if there are other members here who have a concern about it, but we would like to see this recommendation. And I think as it is written we are comfortable with it. I will go back and check with our staff and California to see if we have any specific wording changes but overall I know we do support the recommendation.

MS. KELLY: I assume nobody here would disagree with accepting the recommendation, especially as to California. But if you do, let us know.

And does anyone have any recommendation to make regarding import/export schedule changes within an hour outside of the California ISO?

Stefan.

MR. BROWN: Stefan Brown, Oregon. One of the issues with interchanges between utilities in control areas is ramp rates, and right now we scheduling on hourly, they have relatively low ramp rates. And so utilities could end up with unbalance. One of the things we have discussed is allowing, say, ten minute before the hour and ten after the hour ramp rate change so that the imbalances are
significantly reduced. I hadn't seen this until a couple
days ago but I think something along this line might also
do the same thing and reduce the imbalance chargers in
control areas.

MS. KELLY: That sounds like a good suggestion, and absent any disagreement I think we should include that in the report.

I asked your indulgence to look at Attachment C to see if any of the specific recommendations that were made there that we haven't really dealt with yet, we should, or whether they have been taken care of in our general discussion, and specifically we haven't specifically raised the recommendations at bullets four, five or six, and they all have to do with import/export schedule or the current system of utility dispatch. The fourth one, number four is spread the import/export schedule changes out over the hour to decrease the magnitude of each change. I think that we probably captured that one.

MS. SMITH: Yes.

MS. KELLY: Yes. And the fifth one is, "The current system of utility dispatch works well and should be kept without major changes." I think that was Commissioner Baca and I suspect that that is what she is stating outside of the California ISO and in the general Southwest area,
particularly.

MR. KING: Right.

MS. KELLY: And then the last bullet point, which is from Marcy Edwards from California, "Ensure that changes in the dispatch are voluntary and flexible, and sensitive to the needs of the states." Although maybe that is a broader statement than just California.

Tom?

MR. SCHNEIDER: I think we actually took care of that in one of the earlier recommendation changes where we struck the second item there Commissioner Grueneich dealt with that and we eliminated that voluntary part and kept it flexible and sensitive to the state, so I think it is already captured.

MS. KELLY: Good point.

Well, we have dealt with all the issues that have coming to us in written form. Are there any other recommendations that the board members would like to raise now?

Since we are running on -- oh, Tom, go ahead.

MR. SCHNEIDER: I just wanted to go back to where we started in terms of the first joint board meeting, I don't see Commissioner Campbell but I want to go back to what Commissioner Campbell said on the front end of this. He posed the question about why are we doing this, why was
the genesis of this thing? And in terms of understanding what we are responding to, and at the end of the Palm Springs session, a Mr. Lowry, who was a staffer to Senator Bingaman, described it this way.

There have been a number of questions about what Congress wanted to know and as a staffer for Senator Bingaman, who is to a great extent, responsible I think that should have been, for the economic dispatch provisions being in the bill, I thought it might, I might take a whack. It is about one thing, natural gas prices.

And he describes that about four more times in the next couple of paragraphs. And this is at, I don't know what page of the transcript, 136 of what I have in the transcript. And I am not sure whether we have hit that in a head-on way or not. That is what I think we have done is a real, almost a dissertation about the way it is being done now, the Western Interconnect differential in terms of hydro and public policy issues and intermittent wind and lots of other constraints. But I don't know whether we hit what apparently was the reason for this report in the first place. And others may have an idea of exactly what he is talking about, whether there was some stranded gas, or there was too much gas, or what he was driving at, but it sounds like the mission we undertook was much more expansive than what he indicated was the problem.
So I don't know if anybody has got a response to that our not, but it is something that kind of is sticking in my throat.

MS. KELLY: Tom, not to put you on the spot, but do you have any suggestion at this point in time for relating this specifically to natural gas prices? I think that we are good with where we are.

MR. SCHNEIDER: Yes, I mean I really think this is the state of things, and that this is a good start at responding to the broader congressional message without drilling down on natural gas, but I just thought I would pose it. I don't have a solution other than I think the approach we have taken is the most accurate overall response.

MS. KELLY: I don't mean to speak for Senator Bingaman, but I know that one of the concerns that he raised this fall in the aftermath of Katrina and the increase in gas prices was a concern that gas-fired power plants, older gas-fired power plants perhaps were not as efficient or indeed were not as efficient as newer power plants. And his concern that power plants be dispatched efficiently so as to make better use of gas as a natural resource.

In that sense I think gas as a fuel for electricity is a concern to him as a fuel in a portfolio,
just like as Dian has raised, her noble resources is a particular concern to California. We have expanded our list of issues to talk about at Dian's request, I think a good request, and there has been consensus, to talk about the impact of dispatch on renewables and the interest in renewables and its impact on dispatch. Perhaps another thing that could be done is a discussion of the impact with dispatch on the use of gas and the efficient use of gas or the conservation of gas. Not that we have to do that, but -- not that we have been requested to do that but that would be responsive, I think, to that comment.

Any interest?

MR. SCHNEIDER: My initial reaction would be that in any kind of an economic dispatch order the least efficient units would be relatively disadvantaged compared to efficient peak rate of gas units and otherwise. So I am not sure, you know, I am not sure of the factual basis for this efficiency concern. It should be captured in terms of both the bids or a cost basis, in terms of that unit being relatively high cost compared to anything else.

MS. GRUENEICH: We are actually starting to grapple a bit with the issue because we have a number of older, inefficient gas-fired plants but as we are developing our new generation of much more efficient gas-fired plants, we realize that from a reliability
viewpoint and managing congestion on a more local area we probably need to keep the older, less-efficient plants in operation. And so there is some tension between when you drill down into the reliability and congestion issues of ensuring local reliability versus overall economic dispatch. And so when I look at this report and think about it, it would make sense, given the high natural gas cost that everybody is dealing with, to at least mention that it was an item that we considered but like so many other items when you get down to it, the interpretation of what is economic dispatch, you either in my mind broaden the definition of economic dispatch so you can take it into account, or you say that it is not always just economic dispatch. Other policies, such as local reliability as well, sort of it's just the way you are dealing with it. It is still saying that even with an overall goal of trying to address natural gas prices and even with an overall goal of direct economic dispatch, you are still going to have to address the issues looking at each particular situation and in my mind really understanding what are the issues on, frankly, on a very decentralized basis.

MS. KELLY: Is there any objections to a discussion, adding a discussion about gas along the lines of what we have said today to the reports?

No objection, okay, let's do that.
Does anybody else have a recommendation they want to propose?

Tom?

MR. SCHNEIDER: I was just going to say at the tail end again of the Palm Springs meeting, one of the things that I had suggested or offered was in terms of putting some meat on the generic bones of a report to Congress, there are reports about the component of economic dispatch in the broader scheme of, for example, like Grid West the formation. That is economic dispatch is one of a dozen or so different economic components that have been identified as, you know, in a quantitative way, and so for example, attaching the benefits analysis of the Southwest power pool or Grid West or the emerging Columbia Grid, any of those elements would probably seek to identify that element. And I don't know if we want to get into quantification or not but it is the information that is out there.

MS. KELLY: Mark?

MR. SIDRAN: Just, I happen to have the pleasure of sitting next to Chairman Campbell at the last meeting and he was muttering, perhaps off the record, that part of our mission here was one part policy and one or maybe two parts politics in relationship to how this particular assignment came to be. But Dick Byers has pointed out to
me something that I think is worth mentioning because it seems to me we could cross-reference this in our report, and it is the issue that Tom is raising.

And in the report from the Department of Energy, which is dated November 7th, 2005, at page 11 there is a box that goes into an explanation and discussion about the difference between economic dispatch and efficient dispatch and there is a bit of discussion. In fact, I think we had in discussion at our last meeting where there was some reference to the context in which this issue arose in Congress. And I think it would be useful, even if it is just by way of a footnote reference, that we understand the concern at the time that this was inserted into the act over the efficient use of gas, and we are looking at that in the broader context that is reflected in the report.

MS. KELLY: Thank you, Mark, I think that is a good suggestion.

Would you agree, Tom, that that would be a good way to handle it? Okay, let's do that.

I also want to mention for the record that Commissioner Spitzer has submitted, over Blackberry, a number of observations which we'll incorporate into the record and the transcript.

Before we leave this topic I noted that with us today is Allison Silverstein, and Allison was the -- I
don't know if you were the author or the leader of the team or both of the DOE report that we referenced in our report, and I would like to invite Allison to make any comments that she might have regarding the report or the joint boards deliberation.

MS. SILVERSTEIN: Thank you for letting me join. It is always a treat to hear other people discuss something that you worked on, bizarre but a treat.

If I may, I would like to offer a couple of suggestions and observations. One of them is that perhaps in your discussion of consolidating the control areas maybe you might want to reframe that to ask the question are there significant economic gains or resource gains, resource gains going to your efficiency gains in your natural gas discussion, economic scale from the way, you are not yet at RTO West or Columbia or son of RTO, whatever it is. And a lot of what is going on in the West outside of California is being done utility by utility so the question is not do I want to go from one control area to a mega controlling area, but are there gains for your customers and for your, the local and regional or subregional efficiency of natural gas and other resource uses to go bigger than one utility at a time in terms of savings to your customers and savings on natural gas and other resource use.
And I don't think it is necessary for you to assert a conclusion so much as saying this is worth studying more, because most of the studies haven't really looked at that, at least not the ones we could find when we did this report.

Another point is on a separate issue. One of the questions technically that nobody has really looked at is the impact of the accuracy of load forecasting and quality load forecasting on the results of economic dispatch. When you conduct an economic dispatch you do so based on I am going to need this megawatt hours at this point in time, and if your utility or your dispatch entity is consistently working with bad load forecasts, you are going to get results in terms of dispatch that are as an economist I am forced to use the word suboptimal, as a regulator to say it is too wasteful. So I think one of the issues you probably want to encourage someone else to look at is you might suggest that DOE do some more formal study of what are the costs of that forecasting and are there ways to improve the quality of forecasting to improve economic dispatch.

But thanks very much.

MS. KELLY: Thanks very much, Allison. We will take your comments and will consider them when we do our next draft.
And also I just want to note that we are aware that there are a number of people in the audience who have sat through the whole joint board meeting and we appreciate your interest, and if there are any comments that you have I am afraid we are running out of time to take them orally right now, but we would very much appreciate receiving them. So if you could put them into writing and submit them to us, we would appreciate it and we would take them into concern -- into account in drafting our next round.

Which leads us to the final piece of business that we have to get to today, which is coming up with a team or at least the one person to take responsibility for the next draft as well as for proposing a draft plan of how to get to our final report. We talked about at the beginning, or I talked about the need for having a plan, a formal plan with milestones, responsibilities and staff assignments. I don't think we have enough time to do that today at this meeting, but I would like to have one or two members of the board volunteer to take that task on and come up with a draft to circulate as soon as possible to the board members that would result in achieving our goal of a final report to FERC by May 2nd, 3rd -- 2nd.

So if I could first ask for volunteers or a volunteer who would be willing to work on the time line.

MS. LEWIS: Well, myself and my staff are
reluctant to say we would do it all on our own, but we would be glad to be part of a work group and work on it. If everybody else would step up. I figure anybody who is not here is volunteering, right?

MS. SMITH: That is our usual --

MS. KELLY: Well, we have two things to arrange, one is a point person, a board member to come up with a procedural plan for getting us to May 2nd. And the other is a team, if you will, who would be willing to work to put together the next draft.

And I want to say that we have FERC resources, we will get the comments and we can distribute them and we will have the transcript and we can share that, and we can help with the drafting. But I just want to be very clear that this is not a FERC report to FERC, this is our board report to FERC and if we did all the drafting on the next round, not that I am sure the staff would love to do it, but it may not look like what it is, which is a joint board report to FERC.

MS. GRUENEICH: Could I offer a counterproposal?

MS. KELLY: Sure.

MS. GRUENEICH: Which would be that we would ask the FERC staff, based upon the comments today and any written comments, to take a first crack at producing the next draft but that we then have a smaller working group
that would then agree to review it in detail to try to put
on the special, you know, so that we start to get some
ownership of the draft. I will be honest, I am just a
little bit worried about if we all walk away from today of
literally asking the states here to volunteer to put
together the next draft, this isn't going to happen,
because we are all dealing with a lot of other things. But
I know that I could volunteer, my staff and my commission,
to certainly take a look at the provisions that are dealing
with California, but that would be my counterproposal.

MS. KELLY: Dian, I am interpreting that to say
you would be happy to be part of the task force to coming
up with the next draft, particularly as to the issues
relate to specifically California; is that correct?

MS. GRUENEICH: My counterproposal or friendly
amendment was that we would ask if the FERC staff could
take the comments received today and in writing and do a
rough draft that before we then circulated it publicly we
would all, I would be part of a group to go and take a look
at it, and I guess probably do some tweaking of actual
language so that there would be specific state input
embodied into the report.

But if there is a state member or commissioner
here who want to take on literally drafting the next
report, I don't want to preclude that as an option.
MS. SMITH: You know my first thought was we ought to ask Dusty to do it, so he doesn't feel like, you know, a stepchild in the Western Interconnection like he kind of indicated earlier one. But I think a better suggestion might be to have the working group be composed of not only disparate staff but the state. And I know Wyoming staff has essentially done some revision, and I think if we add California in that might be a good assembly.

There are a number of states that have people here in the room who I know won't be able to resist reading the draft and commenting, and they certainly will be e-mailed and dragged in it either willingly or not, their very nature is they won't be able to resist it. So I am confident we will get them, and then I would suggest that this work group just caucus, give us their proposed schedule, tell us when we need to be ready to set aside time to review it and comment back, and that that all lead to a final report by May 2nd.

MS. KELLY: Cindy.

MS. LEWIS: I was just going to suggest, consistent with Marsha's comments, the folks that got together last time through e-mail through Western conference that might be a way, since people aren't jumping out of their skins to join into the fray right now, to
advise people when initial comments, the draft is put
together, and we will have to back into the date that you
are looking at, May 2nd or 3rd, obviously back into it a
week or two before then, but --

MS. KELLY: Well, I think that that would assume
that we are not going to do another draft or we are not
going to have another meeting.

MS. LEWIS: Right.

MS. KELLY: Does everybody agree that we don't
need another meeting?

MS. SMITH: Yes, I would think the joint board
as such, but I would note that the CREPC meeting would be
in between that time. I was just going to --

MS. LEWIS: Like April 5th.

MS. SMITH: The first week of April, so most of
us will be in the same room the first week of April and
that might be the best time to have the draft ready and
commissioners on the hook to review it and get back
comments. And then the final could be done shortly
thereafter. And even by appending to that you might get a
larger crowd than you would otherwise.

MS. KELLY: So is there consensus that we want
the next draft done by the end of March, March 31st?

MR. KING: I think that would be --

MR. SCHNEIDER: Yes.
MS. KELLY: We don't anticipate having another joint board meeting, however, people will get together in groups to suggest changes, edits, et cetera to the next draft, and the task force that is charged with coming up with the next draft is Wyoming and California. And Wyoming and California will have the responsibility -- and FERC, and FERC staff, and Wyoming and California, FERC will have the responsibility for getting that next draft done but they can drag down as many other states as they can to do it.

Okay?

I will ask my staff. Is that a workable schedule, Bill?

MR. MERONEY: Yes.

MS. KELLY: Any comments we have on the schedule, six weeks, that will work.

Do you know how long it will take to get the transcript.

FERC STAFF: It is available pretty soon after this fee but it is available on our web site seven days after this meeting. So it will probably be available at that time.

MS. KELLY: Did everybody hear that? Seven days after today's meeting it will be available on the FERC web site. If you want your own copy, there will be a fee, but
you can have it.

Okay, any other business we should deal with?

Then this meeting is adjourned. Thank you very much.

(Whereupon, at 12:14 p.m., the meeting was adjourned.)