

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

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

1                   The Joint Boards on Security Constrained  
2           Economic Dispatch of the Federal Energy Regulatory  
3           Commission, pursuant to notice, met on Monday, February 13,  
4           2006, in Washington, D.C., at the Hyatt Regency Capitol  
5           Hill, 400 New Jersey Avenue N.W., at 10:00 a.m., before  
6           DONALD R. THACKER, a Notary Public within and for the  
7           District of Columbia, when were present:

8

9

10                   SUEDEEN KELLY  
11                   MARSHA SMITH  
12                   RICHARD HINCKLEY  
13                   WILLIAM MERONEY  
14                   DIAN GRUENEICH  
15                   THOMAS SCHNEIDER  
16                   RIC CAMPBELL  
17                   CINDY LEWIS  
18                   DAVID KING  
19                   DUSTY JOHNSON  
20                   MARK SIDRAN  
21                   STEFAN BROWN

22

23

24

## P R O C E E D I N G S

1  
2  
3 MS. KELLY: Good morning, I'm glad to see you  
4 all got here. As my fellow Westerners, this kind of snow  
5 wouldn't slow anything down in the West, and I hope your  
6 travel day wasn't Saturday because if it was, I hear you  
7 didn't get here until yesterday. But I did enjoy the snow  
8 and I hope you got a little bit of opportunity to spend  
9 some time in it too.

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

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

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

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

1 out.

2 Anybody else from FERC here?

3 All right, thank you.

4 Marsha.

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

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

10 MR. HINCKLEY: Richard Hinckley representing the  
11 Nevada Commission.

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

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

16 MR. JOHNSON: Dusty Johnson, South Dakota.

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

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

21 MR. CAMPBELL: Ric Campbell from the Utah  
22 Commission.

23 MR. MERONEY: And Bill Meroney with FERC.

24 MS. KELLY: Thank you. And Diane Beronic will  
25 also be here in a little while.

1           I thought we'd start with just an overview of  
2 where we are. We are here today because of the Energy  
3 Policy Act that created the joint board or provided for  
4 this joint board, so I thought we would start with what our  
5 statutory directive is. It is to study the issue of  
6 security constrained economic dispatch and to make  
7 recommendations to FERC.

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

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

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

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

24           The bulk of our meeting will be spent on  
25 discussions, recommendations regarding the dispatch issue.

1 And these are the issues that were raised in our initial  
2 meeting and in the DOE survey economic dispatch. These are  
3 the issues that are included in the draft study. At the  
4 moment -- in the draft study that we have sent out for  
5 comment. At the moment there are seven issues. You have a  
6 list of the recommendations that have been offered for  
7 consideration, and we will go over those today.

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

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

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

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

23 MS. SMITH: I really don't have anything to add  
24 except I do appreciate all the work that the commissions  
25 and the states have done, and I look forward to the

1        comments that we will make here today and to getting our  
2        final draft report, one that we all concur in.

3                    MS. KELLY:  Thanks.

4                    Does anybody have any questions at this point?

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

15                   It is divided into four parts.  The first one is  
16       just an intro or an overview.  The second is a description  
17       of the basic concept of security constrained economic  
18       dispatch.  The third section provides a background on the  
19       variations on dispatch procedures in the West.  The first  
20       part of this, the first subpart of this background explains  
21       how dispatch occurs in the northwest power pool, the second  
22       part explains how it occurs in California, and the third  
23       subpart explains how it occurs in the southwest and in the  
24       Rockies.  The fourth part of the study is perhaps the meat  
25       of the study and it has the issues related to economic

1 dispatch.

2 As I said, currently seven issues have been  
3 identified. And I want to stress that the issues that are  
4 in this draft are issues that have been raised by board  
5 members, or by the Department of Energy reports. It is not  
6 FERC's take on the issues, it is a report on the issues as  
7 they have been identified. And we can go over those  
8 issues, delete them if we want, add more if we want. There  
9 are seven issues that have been raised.

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

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

21 Bill, I know that you have also reviewed the  
22 reports and you are prepared to provide an overview, and I  
23 scoped you on that because I was prepared to provide an  
24 overview, but you certainly know the report in depth and if  
25 you would add to or correct my description I would

1 appreciate it.

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

15 Thank you.

16 MS. KELLY: Thanks, Bill.

17 Any questions, comments?

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

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

24 We have submitted our written comments and that  
25 if anybody does want a copy, let me know. I think we are

1 going to have some available during this morning. They are  
2 fairly short, so I am just going to go through and briefly  
3 summarize them. That overall we were encouraged by the  
4 report, that we think that it is going to help in providing  
5 greater transparency toward the goal of sufficiently  
6 producing and dispatching electricity throughout the  
7 Western region. And we have a very significant interest  
8 obviously because while California does have an economic  
9 dispatch model in place, California remains a net importer  
10 of electricity. And so it is of great interest to us how  
11 overall the Western United States is approaching this area.

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

25 To our knowledge, the California ISO is the only

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

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

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

24 What I wanted to spend a few minutes on is  
25 talking about what we see as an important aspect of the

1 report of how it will deal with state policies, goals and  
2 laws, versus the overall goal of economic dispatch. And in  
3 California some of you may know we have what is called our  
4 loading order, which is a specific approach we use to use  
5 of our electricity. And at the top of our loading order is  
6 cost effective energy efficiency as well as demand response  
7 programs. Underneath that is the use of renewable  
8 resources and then we turn to fossil-fired generation.

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

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

25 We -- given the importance of renewal generation

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

17 In addition, we have requested that the draft  
18 report recognize that just simply looking at least cost as  
19 least direct cost in the short term may perpetuate a  
20 reliance on a limited number of resources rather than  
21 encouraging a broad portfolio of resources that can  
22 insulate customers from potentially volatile fuel costs.  
23 Again this gets back to our view that at the state level  
24 there can well be state policies that are encouraging  
25 diversity in fuel sources as a way to, in our mind, enhance

1 reliability and address security reasons. And that this is  
2 something that needs to be taken into account when we are  
3 looking at what is determined to be within least cost,  
4 because we tend to have probably a broader view of least  
5 cost, that is least cost over the longer term which then  
6 translates into some of our policies support being fuel  
7 diversity.

8 Economic dispatch is clearly California's  
9 practice but we designed our system, we believe, to be  
10 flexible enough to accommodate other state policy  
11 references, and we strongly encourage FERC to recognize the  
12 necessity of such accommodations. In California we have  
13 been working very closely with our California ISO to  
14 implement our energy policy such as increased reliance on  
15 renewables and ensuring resource adequacy. And in the  
16 context of economic dispatch, the California ISO's economic  
17 dispatch has some provisions, specific provisions that  
18 address the unique characteristics of renewable energy.  
19 One such provision is referred to as the participating  
20 intermittent resources program, the PIRP. And this  
21 provision functions to encourage the development of  
22 intermittent energy resources including wind power,  
23 generator and other sources with uncontrolled fuel sources  
24 by permitting those generators to schedule energy in the  
25 California ISO's forward market without incurring imbalance

1 challenges when the delivered energy differs from the  
2 scheduled.

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

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

17 Thank you.

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

20 MS. GRUENEICH: I am sorry.

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

24 So with that preamble, does anybody have any  
25 objection to expanding the report to include the issues

1       regarding renewables that Diana has raised or does anybody  
2       want to ask any questions or have any comments?

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

6                Tom?

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

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

21              Okay. Thanks.

22              MS. GRUENEICH: Sure.

23              MS. KELLY: Colorado also submitted comments.

24      Did you all get the Colorado comments?

25              But Greg Sopkin couldn't be here so on his

1       behalf I am going to summarize the issues that he has  
2       requested be included, which I think we could basically say  
3       are new issues, be included in the report.

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

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

23             Now maybe you would call that a recommendation  
24      rather than an issue, but I think he wanted to expand the  
25      discussion of security restrained economic dispatch to make

1       sure that it overly focused on transmission.

2                   Any problems with that?

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

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

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

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

22                   Anybody have any comments on that or concerns  
23      about that?

24                   MS. SMITH: I guess it seems to me that a lot of  
25      us are working on all these transmission issues probably in

1 a form other than the security constrained economic  
2 dispatch, and it doesn't hurt to acknowledge or recognize  
3 that barriers and attempting to resolve or alleviate them  
4 in some places. I don't know that a security constrained  
5 economic dispatch study is going to or should give us  
6 detail of what we see as impediment to transmission  
7 planning and finance, and everything else that follows.

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

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

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

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

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

22 MS. KELLY: So my sense is that the second  
23 recommendation or the first recommendation of Colorado is  
24 already taken care of in the report. The second is a  
25 specific recommendation that we think maybe, or at least

1 the people that have spoken, think may be too detailed and  
2 may not be appropriate.

3 Tom?

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

11 MS. KELLY: Okay, general agreement on that?

12 Good, thank you.

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

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

22 MR. SIDRAN: Mark Sidran from Washington. The  
23 next sentence I think is an important sentence in terms of  
24 one of the recommendations in the draft of the report that  
25 speaks to the issue of an independent system operator and

1       whether that is a good or bad idea. And the next sentence  
2       reads, "The goal of SCED should not be simply to create  
3       larger regional markets for nonutility generators, but to  
4       benefit end users."

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

19             MS. KELLY: Comments?

20             General agreement?

21             Okay. Thank you. Thanks, Mark.

22             I don't see in the recommendations or in the  
23      comments that have been submitted to us that the other ones  
24      deal with large issues. There are specific recommendations  
25      that have also been submitted by Colorado and that were

1 made earlier on the record, but I think they go to the  
2 specific recommendations section of our agenda and not the  
3 general feedback comments.

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

8 Okay? Thanks.

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

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

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

24 So the first one which I will just read for the  
25 record is, "FERC-State Joint Boards should consider

1 conducting in-depth reviews of selected dispatch entities,  
2 including some IOUs, to determine how they conduct economic  
3 dispatch. These reviews could document the rationale for  
4 all deviations from pure least cost, merit-order dispatch,  
5 in terms of procurement, unit commitment and real-time  
6 dispatch. The reviews should distinguish entity-specific  
7 and regional business practices from regulatory,  
8 environmental and reliability-driven constraints. These  
9 reviews could assist FERC and the states in rethinking  
10 existing rules or crafting new rules and procedures to  
11 allow nonutility generators and other resources to compete  
12 effectively and serve load."

13 Comments? Mark?

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

24 And I guess my question would be to what  
25 purpose? If we believe that there should be flexibility to

1 look at this issue across the country given the differences  
2 in the regions and the differences among the states, then  
3 the notion of getting this deeply into those variables it  
4 seems to me to be of rather limited value. If states or  
5 regions want to do this, then let them do it.

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

8 MR. SIDRAN: Yes, I think so.

9 MS. KELLY: Dusty.

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

16 MS. KELLY: Okay, thank you.

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

25 But this gets back to the jurisdiction and how

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

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

17 Marsha.

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

1       may be contrary to state law in some states.

2                   MS. KELLY: Tom?

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

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

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

17                   The second DOE recommendation, "FERC and DOE  
18      should explore EPSA and EEI proposals for more standard  
19      contract terms and encourage stakeholders to undertake  
20      these efforts. Specifically, the EEI proposed that  
21      nonutility generators should commit to provide energy at  
22      specified price for specified time to meet unit commitment  
23      schedule and there should be contractual performance  
24      standards with penalties for failure to deliver. EPSA  
25      proposed developing technical protocols for placing and

1 accepting supply offers, operational requirements,  
2 nonperformance penalties, and standard contract forms for  
3 routine transactions."

4 Comments?

5 Mark?

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

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

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

20 MS. KELLY: If I could take the opportunity to  
21 convey what Colorado said, we think this recommendation  
22 should be pursued on a regional basis rather than on a  
23 national basis. The regional variances is in grid  
24 operating parameters throughout the Western Interconnection  
25 make a strange case for allowing development to go forward

1 on a regional basis. This does not mean new standardized  
2 terms are per se a bad idea or that federal resources such  
3 as those of the DOE should not play an important  
4 collaborative role.

5 Richard.

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

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

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

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

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

25 MS. LEWIS: I thought, gosh, Greg's comment is

1 really smart. It is something of a mantra for us that the  
2 West is different, one size fits all. The idea is not bad  
3 but you can't just quite put a cookie cutter on the West.

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

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

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

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

24 MR. MERONEY: Then it would be up to individual  
25 regions to assess the degree to which the state or the

1 region thought adopting some or all of what might appear to  
2 be agreement at industry level for whatever the purposes  
3 were. And that the commission or that FERC to be aware of  
4 these things and insofar as they appeared to be consistent  
5 with state and regional and other purposes, to encourage  
6 them by not putting barriers in front of them, things like  
7 that. So I mean you could have a framework for some  
8 recommendations on those things.

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

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

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

25 MR. KING: Madam Chairman, I would agree. Think

1 we have to be -- to be very careful to look though in each  
2 area of the West. In the Southwest we have a low  
3 dispatching area that includes both areas. I think we can  
4 outline that carefully. I want us to be careful as we look  
5 at each area, as we look at the Southwest and the whole  
6 region that we are not getting into some kind of a cost  
7 study that runs it up way beyond any benefit to us when we  
8 have got, I think we can approve all of it. I mean use  
9 that coordination but before we go to any system that  
10 throws the baby out with the wash and go to that extreme,  
11 we have to be very careful. It is working pretty well as  
12 we have it, and so we can probably improve on that without  
13 a doubt, but I think we have to be cautious in getting away  
14 from that very much.

15 MS. KELLY: Ric.

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

24 MS. KELLY: Thank you, Ric.

25 MS. SMITH: I would just say I agree that it

1 never hurts to have an opportunity to talk to each other  
2 but to the point that the question that was raised by  
3 Washington, they shouldn't duplicate an existing process,  
4 so these are issues that are being dealt with to an EPSA  
5 process that is a form that ought to be done and so that  
6 everybody knows the process.

7 MS. KELLY: Mark.

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

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

21 Thank you.

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

1       assumptions."

2                   Comments?

3                   Marsha.

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

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

13                   MS. KELLY: Any other comments?

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

1 facilities.

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

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

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

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

15 And so the first issue is independence of  
16 dispatcher.

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

20 MS. LEWIS: No.

21 MS. KELLY: Are they mostly comments?

22 MS. LEWIS: Well, I would like to say that this  
23 was worked on by several states, not the entire Western  
24 conference, but I would be reluctant to presume that  
25 Wyoming alone is a party to these comments. So I am not

1       sure if the group in general considered them  
2       recommendations or comments, but I guess I would err on the  
3       side of them being comments, but I wanted to mention that.

4               MS. KELLY:   Okay.

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

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

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

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

19               MS. KELLY:   Well, I think that the first point  
20       you made is something that we should probably spend a few  
21       minutes on, at least, because there was another  
22       recommendation made at the last meeting that the first one  
23       in Attachment C to the report that is contrary to the  
24       statement here.  And so maybe it is appropriate to actually  
25       read your first bullet.

1                   "Where utilities perform dispatch functions and  
2 do so fairly and efficiently, they should not be supplanted  
3 with an independent dispatcher simply for the sake of  
4 having one. Utilities operating in such a manner should be  
5 involved with the development of independent dispatching  
6 entities."

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

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

15                   Mark?

16                   MR. SIDRAN: We agree with Cindy and Wyoming for  
17 the reasons that I mentioned in my earlier comments. If we  
18 are going to actually be respectful of the comments made at  
19 the beginning of the report with respect to appreciating  
20 the diversity in the West and recognizing that we have a  
21 variety of different scenarios, including having these load  
22 serving entities that are investor owned that are  
23 ultimately responsible and have the burden of meeting their  
24 public service obligations, there are lots of issues that  
25 surround independent dispatch which may be resolved in

1 certain states, and it should be left to the states to  
2 figure that out. There are lots of issues around an  
3 accountability attendant to some independent operators that  
4 have surfaced, so I will simply stop by stating we believe  
5 Wyoming's position is correct, at least for our state.

6 MS. KELLY: Thank you.

7 Ric.

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

17 MS. KELLY: Stefan.

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

1 interests.

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

7 Marsha.

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

17 MS. KELLY: Thanks, Marsha.

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

21 Do we want to make any recommendations regarding  
22 this issue?

23 MS. GRUENEICH: Just looking at what is written  
24 in the draft, any structural changes flexible and sensitive  
25 to the needs of the states, I would assume there is

1 probably a consensus on having that approach. It basically  
2 says you can do what you want to do. But then to make  
3 changes voluntary wherever possible, that may be  
4 interpreted as voluntary from whose viewpoint?

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

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

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

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

1 MS. GRUENEICH: Okay.

2 MS. KELLY: Mark.

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

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

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

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

22 Let's move that way then.

23 Next issue, utility dispatch of third-party  
24 power contracts. Do we have any recommendation on this  
25 issue?

1                   MR. KING: One of the -- in New Mexico -- I  
2 might just pass out my recommendations while we are doing  
3 this and you can be looking at them as we go through -- is  
4 that when we look at the bilateral contracting process, at  
5 least it seems like that where we encourage -- it would be  
6 better than us getting into a mode of having a lot of new  
7 rules and regulations which are less flexible. So, I just  
8 want to be sure that that bilateral practice of contracting  
9 practice that we have now be improved, ever can be improved  
10 upon before we start going into something else.

11                   MS. KELLY: Thanks, David.

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

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

19                   MR. KING: Absolutely.

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

22                   MS. LEWIS: No.

23                   MS. KELLY: Okay.

24                   MS. LEWIS: Thank you.

25                   MS. KELLY: I think that your comment is a good

1 one, and it sums up what is happening in the West, the  
2 ongoing tension among IVPs on the subjects of IVP  
3 integration, which is I think what we are all recognizing  
4 here. So I think it would probably be helpful to state  
5 that explicitly in our draft.

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

9 (A recess was taken from 11:05 a.m. to  
10 11:26 a.m.)

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

14 Mark?

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

25 MS. KELLY: Thanks, Mark.

1                   Cindy, David, do you want to elaborate on the  
2 point submitted?

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

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

24                  MS. KELLY: Thanks, Cindy.

25                  MR. SCHNEIDER: Transparency I think has always

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

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

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

24                Okay.

25                All right. Let's move on to the next one.

1 Consolidation of control areas in a region.

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

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

8 Ric.

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

23 I guess the second comment I would make is that  
24 it is interesting that as we consolidate control areas or  
25 as they talk about consolidated areas, as I read the report

1 and saw the last issue which deals with the 15-minute  
2 import/export exchange, that is a very large control area.  
3 And my understanding of that problem is because it is so  
4 large when it is scheduled on the hour they have difficulty  
5 dealing with that. So on the one hand, I understand the  
6 arguments for why consolidation of control areas might be  
7 beneficial. On the other hand it brings its own problems  
8 with it. So I guess I don't know if I am prepared to say  
9 if it makes sense to consolidate or not to consolidate,  
10 frankly.

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

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

1 MS. KELLY: David.

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

14 MS. KELLY: Thank you, David.

15 Dusty.

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

21 MS. SMITH: I also think it wouldn't hurt to  
22 mention in our report the system of the WECC where in  
23 addition to the control areas we have the reliability  
24 centers, there are three of them in the interconnection,  
25 that can see the whole interconnection. And that WECC is

1       undergoing a current study on those of whether there should  
2       be one or two or three and what tools, and that is the most  
3       important part of the study I think, what tools do they  
4       need to see the whole interconnection at once and be able  
5       to issue directives in the event that reliability is  
6       somehow impaired.

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

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

16             MS. SMITH:  I think everything that has  
17      reliability impacts also has economic impacts and it is  
18      very hard to separate those two.  And my personal opinion  
19      is that we can do with fewer control areas.  And as a WECC  
20      board member I am also concerned when we have new  
21      applications to be a new control area and be a  
22      generator-only controlled area, it really bothers me,  
23      because I think especially in the Northwest there are  
24      efficiencies to be gained through consolidation of our  
25      control areas.  That is my personal opinion, and yes, I am

1 not an engineer. But, so I have now lost your question.

2 MS. KELLY: Your answer has been responsive.

3 MS. SMITH: Thank you.

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

13 Okay. Thanks.

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

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

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

1 that when we mean interconnection we say interconnection.

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

8 MS. KELLY: Cindy.

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

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

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

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

23 MS. KELLY: Okay, thanks.

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

25 MS. KELLY: David.

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

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

16                   Anybody want to add anything?

17                   Okay, thank you.

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

24                   I know in your comments you didn't specifically  
25          address this particular issue but do you have a response or

1 recommendation, specifically. Not to put you on the spot  
2 here, Dian, but I guess I actually did.

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

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

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

18 Stefan.

19 MR. BROWN: Stefan Brown, Oregon. One of the  
20 issues with interchanges between utilities in control areas  
21 is ramp rates, and right now we scheduling on hourly, they  
22 have relatively low ramp rates. And so utilities could end  
23 up with unbalance. One of the things we have discussed is  
24 allowing, say, ten minute before the hour and ten after the  
25 hour ramp rate change so that the imbalances are

1 significantly reduced. I hadn't seen this until a couple  
2 days ago but I think something along this line might also  
3 do the same thing and reduce the imbalance chargers in  
4 control areas.

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

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

20 MS. SMITH: Yes.

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

1 particularly.

2 MR. KING: Right.

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

8 Tom?

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

15 MS. KELLY: Good point.

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

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

21 MR. SCHNEIDER: I just wanted to go back to  
22 where we started in terms of the first joint board meeting,  
23 I don't see Commissioner Campbell but I want to go back to  
24 what Commissioner Campbell said on the front end of this.  
25 He posed the question about why are we doing this, why was

1 the genesis of this thing? And in terms of understanding  
2 what we are responding to, and at the end of the  
3 Palm Springs session, a Mr. Lowry, who was a staffer to  
4 Senator Bingaman, described it this way.

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

11 And he describes that about four more times in  
12 the next couple of paragraphs. And this is at, I don't  
13 know what page of the transcript, 136 of what I have in the  
14 transcript. And I am not sure whether we have hit that in  
15 a head-on way or not. That is what I think we have done is  
16 a real, almost a dissertation about the way it is being  
17 done now, the Western Interconnect differential in terms of  
18 hydro and public policy issues and intermittent wind and  
19 lots of other constraints. But I don't know whether we hit  
20 what apparently was the reason for this report in the first  
21 place. And others may have an idea of exactly what he is  
22 talking about, whether there was some stranded gas, or  
23 there was too much gas, or what he was driving at, but it  
24 sounds like the mission we undertook was much more  
25 expansive than what he indicated was the problem.

1                   So I don't know if anybody has got a response to  
2                   that our not, but it is something that kind of is sticking  
3                   in my throat.

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

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

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

24                  In that sense I think gas as a fuel for  
25                  electricity is a concern to him as a fuel in a portfolio,

1 just like as Dian has raised, her noble resources is a  
2 particular concern to California. We have expanded our  
3 list of issues to talk about at Dian's request, I think a  
4 good request, and there has been consensus, to talk about  
5 the impact of dispatch on renewables and the interest in  
6 renewables and its impact on dispatch. Perhaps another  
7 thing that could be done is a discussion of the impact with  
8 dispatch on the use of gas and the efficient use of gas or  
9 the conservation of gas. Not that we have to do that,  
10 but -- not that we have been requested to do that but that  
11 would be responsive, I think, to that comment.

12 Any interest?

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

21 MS. GRUENEICH: We are actually starting to  
22 grapple a bit with the issue because we have a number of  
23 older, inefficient gas-fired plants but as we are  
24 developing our new generation of much more efficient  
25 gas-fired plants, we realize that from a reliability

1 viewpoint and managing congestion on a more local area we  
2 probably need to keep the older, less-efficient plants in  
3 operation. And so there is some tension between when you  
4 drill down into the reliability and congestion issues of  
5 ensuring local reliability versus overall economic  
6 dispatch. And so when I look at this report and think  
7 about it, it would make sense, given the high natural gas  
8 cost that everybody is dealing with, to at least mention  
9 that it was an item that we considered but like so many  
10 other items when you get down to it, the interpretation of  
11 what is economic dispatch, you either in my mind broaden  
12 the definition of economic dispatch so you can take it into  
13 account, or you say that it is not always just economic  
14 dispatch. Other policies, such as local reliability as  
15 well, sort of it's just the way you are dealing with it.  
16 It is still saying that even with an overall goal of trying  
17 to address natural gas prices and even with an overall goal  
18 of direct economic dispatch, you are still going to have to  
19 address the issues looking at each particular situation and  
20 in my mind really understanding what are the issues on,  
21 frankly, on a very decentralized basis.

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

25 No objection, okay, let's do that.

1                   Does anybody else have a recommendation they  
2 want to propose?

3                   Tom?

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

19                  MS. KELLY: Mark?

20                  MR. SIDRAN: Just, I happen to have the pleasure  
21 of sitting next to Chairman Campbell at the last meeting  
22 and he was muttering, perhaps off the record, that part of  
23 our mission here was one part policy and one or maybe two  
24 parts politics in relationship to how this particular  
25 assignment came to be. But Dick Byers has pointed out to

1 me something that I think is worth mentioning because it  
2 seems to me we could cross-reference this in our report,  
3 and it is the issue that Tom is raising.

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

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

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

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

24 Before we leave this topic I noted that with us  
25 today is Allison Silverstein, and Allison was the -- I

1 don't know if you were the author or the leader of the team  
2 or both of the DOE report that we referenced in our report,  
3 and I would like to invite Allison to make any comments  
4 that she might have regarding the report or the joint  
5 boards deliberation.

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

9 If I may, I would like to offer a couple of  
10 suggestions and observations. One of them is that perhaps  
11 in your discussion of consolidating the control areas maybe  
12 you might want to reframe that to ask the question are  
13 there significant economic gains or resource gains,  
14 resource gains going to your efficiency gains in your  
15 natural gas discussion, economic scale from the way, you  
16 are not yet at RTO West or Columbia or son of RTO, whatever  
17 it is. And a lot of what is going on in the West outside  
18 of California is being done utility by utility so the  
19 question is not do I want to go from one control area to a  
20 mega controlling area, but are there gains for your  
21 customers and for your, the local and regional or  
22 subregional efficiency of natural gas and other resource  
23 uses to go bigger than one utility at a time in terms of  
24 savings to your customers and savings on natural gas and  
25 other resource use.

1           And I don't think it is necessary for you to  
2     assert a conclusion so much as saying this is worth  
3     studying more, because most of the studies haven't really  
4     looked at that, at least not the ones we could find when we  
5     did this report.

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

22           But thanks very much.

23           MS. KELLY: Thanks very much, Allison. We will  
24    take your comments and will consider them when we do our  
25    next draft.



1       reluctant to say we would do it all on our own, but we  
2       would be glad to be part of a work group and work on it.  
3       If everybody else would step up. I figure anybody who is  
4       not here is volunteering, right?

5               MS. SMITH: That is our usual --

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

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

20              MS. GRUENEICH: Could I offer a counterproposal?

21              MS. KELLY: Sure.

22              MS. GRUENEICH: Which would be that we would ask  
23      the FERC staff, based upon the comments today and any  
24      written comments, to take a first crack at producing the  
25      next draft but that we then have a smaller working group

1 that would then agree to review it in detail to try to put  
2 on the special, you know, so that we start to get some  
3 ownership of the draft. I will be honest, I am just a  
4 little bit worried about if we all walk away from today of  
5 literally asking the states here to volunteer to put  
6 together the next draft, this isn't going to happen,  
7 because we are all dealing with a lot of other things. But  
8 I know that I could volunteer, my staff and my commission,  
9 to certainly take a look at the provisions that are dealing  
10 with California, but that would be my counterproposal.

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

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

23 But if there is a state member or commissioner  
24 here who want to take on literally drafting the next  
25 report, I don't want to preclude that as an option.

1 MS. SMITH: You know my first thought was we  
2 ought to ask Dusty to do it, so he doesn't feel like, you  
3 know, a stepchild in the Western Interconnection like he  
4 kind of indicated earlier one. But I think a better  
5 suggestion might be to have the working group be composed  
6 of not only disparate staff but the state. And I know  
7 Wyoming staff has essentially done some revision, and I  
8 think if we add California in that might be a good  
9 assembly.

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

20 MS. KELLY: Cindy.

21 MS. LEWIS: I was just going to suggest,  
22 consistent with Marsha's comments, the folks that got  
23 together last time through e-mail through Western  
24 conference that might be a way, since people aren't jumping  
25 out of their skins to join into the fray right now, to

1       advise people when initial comments, the draft is put  
2       together, and we will have to back into the date that you  
3       are looking at, May 2nd or 3rd, obviously back into it a  
4       week or two before then, but --

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

8               MS. LEWIS: Right.

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

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

14              MS. LEWIS: Like April 5th.

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

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

24              MR. KING: I think that would be --

25              MR. SCHNEIDER: Yes.

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

11                   Okay?

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

14                   MR. MERONEY: Yes.

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

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

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

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

1       you can have it.

2                   Okay, any other business we should deal with?

3                   Then this meeting is adjourned. Thank you very  
4 much.

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

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25