

San Joaquin Valley Power Authority
Minutes
First Regular Board Meeting
January 25, 2007

Approved Minutes of the First Regular Meeting of the Board of Directors (Board) of the San Joaquin Valley Power Authority (Authority) held January 25, 2007.

David Orth, General Manager, Kings River Conservation District (District) called the meeting to order at 2:03 PM. Mr. Orth introduced himself and stated that pursuant to Section 4.11 of the Joint Powers Agreement (JPA), the District has been appointed as the Authority's exclusive Agent for planning, implementing, operating and administering the Community Choice Aggregation Program (Program). As the official representative of the District, Mr. Orth stated he would administer the meeting until the Authority Board formally installs its Board Members and selects its officers under Agenda items four (4) and five (5), respectively.

Mr. Orth noted the milestone the Authority had reached in holding its First Regular Meeting and commended the Authority members for all their work, commitment and accomplishments to form a regional authority to address regional energy needs. Mr. Orth stated the key objectives of the Program include economic benefit, local involvement and added generation capacity to the region.

Mr. Orth also noted the attendance of representatives from Pacific Gas and Electric and Southern California Edison, stating the Authority will continue to work with both entities to develop a partnership as provided for under the Program, and unite the powers afforded to cities, counties, and experience of the District, to bring overall success to the Program.

Mr. Orth called for the record an unofficial roll call and asked those present to introduce themselves. Those in attendance were as follows:

MEMBERS PRESENT

CITY OF CLOVIS

Alternate Director Robert Ford

CITY OF CORCORAN

Absent

CITY OF DINUBA

Absent

CITY OF FRESNO

Director Andy Souza

Alternate Director Rene Ramirez

CITY OF HANFORD

Director Thomas J. Haglund

CITY OF KERMAN

Director Ron Manfredi

CITY OF KINGSBURG

Director Don Pauley

KINGS COUNTY

Director Larry Spikes

Alternate Director Deb West

CITY OF LEMOORE

Director John Tyler

CITY OF PARLIER

Director Lou Martinez

CITY OF REEDLEY

Alternate Director Rocky Rogers

CITY OF SANGER

Alternate Director John Mulligan

CITY OF SELMA

Director D-B Heusser

OTHERS PRESENT

Scott Blaising, Braun & Blaising, P.C

Meggin Boranian, City of Reedley

John Dalessi, Navigant Consulting

Bill Delain, Southern California Edison

Paula Farris, Astone

Al Galvaz, Pacific Gas and Electric

Melissa Goliti, Kings River Conservation District

Brent Graham, Kings River Conservation District

Brian Greiss, Navigant Consulting

Brian Haddix, Tulare County

Cam Maloy, Pacific Gas and Electric

Mark McKean, Kings River Conservation District

Patrick Mealoy, Navigant Consulting

Randy McFarland, Kings River Conservation District

Anna Miller, Kings River Conservation District

Earl Nielsen, City of Visalia

David Orth, Kings River Conservation District

Donna Pepper, Kings River Conservation District

Randy Shilling, Kings River Conservation District

Brian Thoburn, Southern California Edison

Cristel Tufenkjian, Kings River Conservation District

Norman Waldner, Kings River Conservation District

ADDITIONS TO OR DELETIONS FROM THE AGENDA

There were no additions or deletions to the Agenda.

PUBLIC PRESENTATIONS

There were no public presentations.

INSTALLATION OF BOARD OF DIRECTORS/APPROVAL OF JOINT POWERS AGREEMENT EXHIBIT D (VOTING SHARES)

Mr. Orth reported each of the thirteen (13) Joint Powers Agreement (JPA) member agencies (Parties) have designated a Director and Alternate Director to the Authority Board by formal letter, with the exception of the City of Reedley. Rocky Rogers, City of Reedley, reported the City of Reedley had officially designated Brian Nakamura as Director and himself as the Alternate Director to the Authority. Mr. Orth reported further an official letter from the City of Fresno had been received just prior to the meeting, designating Mr. Andy Souza as Director and Mr. Rene Ramirez as Alternate Director.

Mr. Orth distributed copies of the official roll call list of Authority Directors and Alternate Directors, as designated by each agency, noting additions for the City of Fresno would be made to the final form. As such, the Authority Board has been established as described in Section 4.2 of the JPA.

Mr. Orth distributed copies of Exhibit D of the JPA, effective November 15, 2006, designating each Party's voting share and requested the Authority Board approve Exhibit D of the JPA establishing the respective voting shares of the Parties, as defined in Section 4.8 of the JPA.

It was moved by Alternate Director Ford, City of Clovis, seconded by Director Manfredi, City of Kerman, and unanimously carried on a voice vote to approve Exhibit D of the JPA, as presented, establishing the respective voting shares of the Parties, as defined in Section 4.8 of the JPA.

SELECTION OF OFFICERS

Mr. Orth reported, pursuant to Section 4.10 of the JPA, the Authority Board shall select from among themselves, a Chair, Vice Chair, Secretary, and Treasurer/ Auditor, with the Chair to preside over the Authority meetings and the Vice Chair to serve in the Chair's absence.

A question was raised of Scott Blaising, Braun & Blaising, P.C as to whether it is appropriate for an Alternate Director to be selected as an officer. Mr. Blaising advised that while the JPA does not have specific language to address the issue, as a matter of functionality Directors, not Alternate Directors, should be selected as officers.

Mr. Orth further noted that for the purpose of process, the Authority Board could either move to nominate a slate of officers to serve, or nominate and select each officer individually. Upon further discussion, the Authority Board concurred they would nominate and select a Board Chair and leave the process for the remainder of the officers to the Board Chair's discretion.

Board Chair: Mr. Orth called for nominations for Board Chair. It was moved by Director Manfredi, City of Kerman, seconded by Director Tyler, City of Lemoore, and unanimously carried on a voice vote to select Director Thomas J. Haglund, City of Hanford, as Authority Board Chair. Director Haglund thanked fellow Board members for their support and assumed Chair of the meeting.

Board Vice Chair: Board Chair Haglund called for nominations for Board Vice Chair. It was moved by Alternate Director Rogers, City of Reedley, seconded by Alternate Director Ford, City of Clovis, and unanimously carried on a voice vote to select Director Ron Manfredi, City of Kerman, as Board Vice Chair.

Board Secretary: Mr. Haglund called for nominations for Board Secretary. It was moved by Alternate Director Ford to nominate Director Don Pauley, City of Kingsburg, for Board Secretary. Mr. Pauley declined the nomination. It was moved by Director Spikes, Kings County, seconded by Alternate Director Rogers, City of Reedley, and unanimously carried on a voice vote to select Director John Tyler, City of Lemoore, as Board Secretary.

Board Treasurer/Auditor: Mr. Haglund called for nominations for Board Treasurer/Auditor. It was moved by Alternate Director Rogers, City of Reedley, seconded by Board Chair Haglund, City of Hanford, and unanimously carried on a voice vote to select Director Larry Spikes, Kings County, as Board Treasurer/Auditor.

ESTABLISHMENT OF COMMITTEES

Board Chair Haglund stated pursuant to Section 4.6 of the JPA, the Authority Board would consider the establishment of an Executive Committee, an ad hoc Legal Committee and other committees, as may be appropriate. Executive Committee: Mr. Haglund opened discussion for the establishment of an Executive Committee to include the Board Chair, Vice Chair, Secretary and Treasurer/Auditor. Authority Board members indicated that the City of Fresno, as the largest voting share member, should have a role on the Executive Committee. Authority Board members discussed the inclusion of the City of Fresno as an At-Large member to the Executive Committee and the appropriateness of Alternate Director Ramirez to serve in that capacity, in the absence of Director Souza. Scott Blaising addressed the appropriateness of Mr. Ramirez serving in the absence of Mr. Souza and stated if the Board approves inclusion of the City of Fresno as an At-Large member of the Executive Committee, for the purposes of conducting business as an Executive Committee, Mr. Ramirez could serve in the absence of Mr. Souza. Mr. Blaising clarified that upon approval of the Authority Board, it is the City of Fresno as an entity that would be the At-Large member of the Executive Committee and, as such, either the Director or Alternate Director could represent the entity. Upon further discussion it was recommended for the purpose of conducting Executive Committee business, Alternate Directors may serve to represent their respective Parties in the absence of the Director.

It was moved by Vice Chair Manfredi, City of Kerman, seconded by Director Pauley, City of Kingsburg, and unanimously carried on a voice vote to establish an Executive Committee to include the Board Chair, Vice Chair, Secretary, Treasurer/Auditor and the City of Fresno as the At-Large member, with Alternate Directors allowed to represent their entity on the Executive Committee in the absence of the Director.

Ad hoc Legal Committee: Mr. Haglund opened discussion to formally establish the ad hoc Legal Committee, noting the Authority had established an unofficial ad hoc Legal Committee that includes himself, Mr. Manfredi and Mr. Pauley. Mr. Haglund requested the Authority Board formally establish the ad hoc Legal Committee.

Upon further discussion, it was moved by Alternate Director Ford, City of Clovis, seconded by Director Heusser, City of Selma, and unanimously carried on a voice vote to formally establish the ad hoc Legal Committee to include Board Chair Haglund, Vice Chair Manfredi and Director Pauley.

Other Committees: Mr. Haglund opened discussion with regard to establishing any other committees. There being no recommendation or discussion, no additional committees were established.

Mr. Blaising recommended as follow-up to the actions taken, the Executive Committee report back to the Authority Board at its next regular meeting the purpose and functions of the committees established.

REPORT ON IMPLEMENTATION EFFORTS BY KINGS RIVER CONSERVATION DISTRICT

Mr. Orth reiterated pursuant to Section 4.11 of the JPA the District serves as Agent to the Authority, to implement the Community Choice Aggregation (CCA) Program. As Agent, Mr. Orth provided the Authority Board with a status report on the following items:

CCA Implementation Plan (Plan): Mr. Orth noted the efforts of Navigant Consulting (Navigant) to complete the Draft Plan, to be presented in detail under Agenda Item nine (9). Mr. Orth reported he and representatives of Navigant Consulting (Navigant) met with California Public Utilities Commission (CPUC) staff in January 2007, to discuss the general framework of the Plan and the process which the CPUC is expected to follow in reviewing the Plan once it is submitted. Mr. Orth stated the Plan will be the first of its kind to be submitted and the CPUC staff is still working through their review process. The targeted submittal date is January 29, 2007, and it is expected that the CPUC will take ninety (90) days to review the Plan. As such, Mr. Orth stated he expects to be back before each of the Party's governing body in April/May 2007 for their final election as to whether they will proceed in the implementation of CCA pursuant to Program Agreement 1.

Mr. Orth reported further the District, with the assistance of Navigant, has selected a potential third party energy supplier, as reflected in the Draft Plan to be presented. Mr. Orth highlighted the review and selection process, noting a Request For Bids was issued in September 2006, with two (2) proposals accepted for final review and scoring. Mr. Orth stated upon conclusion of the final review and scoring process, Citigroup Energy Inc. has been chosen as the entity the District will begin negotiating with to serve as a third party energy provider. The District will negotiate a Term Sheet with Citigroup within the next few weeks. The overall objective is to have a Power Purchase Agreement negotiated with terms sufficient to allow the District to come back to each of the Party's governing body in April/May 2007, in order to show each Party the cost of power over an initial period of time to ensure customer comfort.

Mr. Orth stated it is critical to now begin discussions with the Investor Owned Utilities (IOUs) to work on transition schedules and the terms of a Services Agreement, which is required under the Program. Mr. Orth reported both Pacific Gas and Electric and Southern California Edison will be

meeting with the District on February 7, 2007 to discuss these issues in detail.

In addition, Mr. Orth reported the District continues to pursue a Customer Services Consultant to provide a link with the IOUs on accounting, metering and customer billing components necessary to the Program and hopes to have that entity in place by spring 2007.

Mr. Orth stated District staff are continuing to pursue an aggressive public outreach effort to customers, including large accounts, to accomplish general awareness of the Program and to inform major accounts in the region of the potential benefits. Mr. Orth noted that in late December 2006 and early January 2007 the Program received positive media with an article and a very positive Editorial in the Fresno Bee. Copies of the article and Editorial were distributed.

Finally, Mr. Orth reported discussions continue with Tulare County regarding the potential of becoming the fourteenth (14th) Party, with Tulare County and the IOUs collecting necessary customer data. This data will allow Navigant to do an economic analysis, which will then be brought back to the Authority Board and the Tulare County Board of Supervisors to determine if it makes economic sense to include Tulare County and, if so, under what conditions Tulare County may join the Authority. Mr. Orth noted, as provided in the JPA, this decision would be made by the Authority Board.

KRCD Community Power Plant (Power Plant): Mr. Orth reported the District is in discussions with the investment bankers to prepare an Interim and Long Term Financing Plan for the Power Plant. Mr. Orth stated the District is continuing to work on preparing an Application for Certification Permit (AFC Permit) to construct the 500 MW base load Power Plant adjacent to the City of Parlier's Waste Water Treatment site. Mr. Orth stated that letters to landowners that may be potentially impacted by the construction of the Power Plant have been issued, requesting the landowner's permission to do preliminary site surveys on identified properties.

Mr. Orth reported the District has received the first draft of the interconnect study from Pacific Gas and Electric and the Independent System Operator and have scheduled meetings to discuss what kind of upgrades are necessary to the distribution and transmission system in order to receive electricity from the Power Plant.

Mr. Orth stated the current timeline is to file the AFC Permit with the California Energy Commission (CEC) in late April 2007, with the CEC expected to review the AFC Permit for data adequacy. Once the data adequacy has been established, there will be a twelve (12) month public review period. The District anticipates holding local workshops in the region prior to the filing of the AFC Permit to provide the communities with information on the Power Plant, in hopes of alleviating potential misinformation.

Director Pauley, City of Kingsburg, expressed his appreciation to the Kings River Conservation District Board, staff and consultants for their support and efforts that have allowed the Authority to reach this milestone and be part of the Program. Mark McKean, Board President, Kings River Conservation District, spoke on behalf of the District's Board and reiterated the Board's support of the Program, expressing his appreciation as well.

Vice Chair Manfredi, City of Kerman, encouraged fellow Authority Board members to continue

to brief their respective governing bodies on the status of both the CCA Program and the Power Plant as they move forward so that they may be kept apprised and be in a position to make an informed decision when presented with the final election to proceed in April/May 2007.

REPORT ON EFFORTS TO RETAIN AUTHORITY LEGAL COUNSEL

Board Chair Haglund reported on efforts to retain Authority Legal Counsel, noting in previous working sessions the Authority members have discussed the need for the Authority to have independent Legal Counsel to represent the Authority as it negotiates certain agreements with the Kings River Conservation District. These include the Power Services Agreement and Program Agreement 1, which will serve to fully implement the Community Choice Aggregation Program on behalf of each Party.

Mr. Haglund reported the ad hoc Legal Committee (Committee) had reviewed a number of potential candidates and ultimately submitted a Request For Qualifications (RFQ) to two (2) firms that the Committee identified as having experience with energy issues, as well as serving public entities in a General Counsel capacity. Upon review of the response documents, the Committee identified Downey, Brand, Seymour & Rohwer LLP, which the Committee would like to meet with in order to discuss and negotiate a Letter of Engagement, to serve as interim Legal Counsel. Mr. Haglund reported further the Committee believes a Letter of Engagement for an interim period would allow the Authority necessary independent Legal Counsel to address the immediate issues identified, with the potential of making it a permanent appointment or leaving the option to go out for a Request For Proposals at a later date.

Mr. Haglund noted the Committee hoped to have met with the firm prior to the Authority meeting, however they were not able to get the meeting scheduled. Mr. Haglund requested the Authority Board grant the Committee authority to execute a Letter of Engagement with the firm for an interim period, which would include negotiating the Power Services Agreement and Program Agreement 1.

Director Pauley, City of Kingsburg, asked if it would be more appropriate for the Executive Committee to receive a recommendation from the Committee, with the Executive Committee to make a recommendation to the Authority Board.

It was moved by Director Pauley, City of Kingsburg, seconded by Vice Chair Manfredi, City of Kerman, and unanimously carried on a voice vote (1) to authorize the ad hoc Legal Committee to conduct interviews of appropriate firms for the purpose of recommending to the Executive Committee the hiring of an interim Legal Counsel and (2) to authorize the Board Chair, upon approval of the Executive Committee, to enter into the Letter of Engagement (Letter), provided that such Letter limit fees under the Letter to \$15,000 until such time as the Letter has been ratified by the Authority Board at its next meeting.

RESOLUTON 07-01

Mr. Orth introduced Patrick Mealoy, Navigant, to present the proposed San Joaquin Valley Power Authority Community Choice Aggregation (CCA) Implementation Plan (Plan), noting the final document to be presented is the product of considerable team effort by Mr. Mealoy, as well

as Brian Griess and John Dalessi of Navigant.

Mr. Mealy reported the Authority Board is being asked to consider and approve a Resolution authorizing filing the Plan with the CPUC. The Plan to be presented was developed pursuant to California Assembly Bill (AB) 117 (Stats. 2002) authorizing CCA and the rules and protocols determined by the CPUC. Mr. Mealy stated AB 117 requires, and the Plan provides for, the Program to offer all of the following:

- Universal Access
- Reliability
- Equitable treatment of all customer classes
- Any requirements established by state law or by the CPUC concerning aggregation services

Mr. Mealy provided an overview of the Plan that includes the following components:

- CPUC role in CCA
- Requirements of AB 117
- History of the Authority
- How retail customers enroll in the Program
- Program Goals and Expectations regarding, Generation Rates, Renewable Energy and Energy Efficiency
- Authority Organizational Structure
- Authority Operations/Major Functions
- Future Authority Agreements
- Startup Plan and Funding
- Program Phase-In
- Load Forecast and Resource Plan
- Financial Plan
- Rate Setting
- Customer Rights and Responsibilities
- Procurement Process
- Contingency Plan for Program Termination

Mr. Mealy reiterated, upon approval by the Authority Board, the Plan is expected to be submitted to the CPUC on January 29, 2007. The CPUC has ninety (90) days to certify receipt of the Plan.

Upon further discussion, it was moved by Director Pauley, City of Kingsburg, seconded by Vice Chair Manfredi, City of Kerman, and unanimously carried upon a roll call vote to adopt Resolution 07-01 approving the San Joaquin Valley Power Authority Community Choice Aggregation Implementation Plan as presented, and authorizing its submittal to the California Public Utilities Commission, as required by law.

INITIAL BUDGET-GENERAL COSTS

Mr. Orth presented for Authority Board approval an initial draft budget of \$50,000 for the period commencing January 25, 2007 and cost allocations based on the approved vote share percentage set forth in Exhibit D, for general costs as provided in Section 6.3.6 of the JPA.

It was moved by Director Souza, City of Fresno, seconded by Director Heusser, City of Selma, and unanimously carried upon a roll call vote to approve the initial draft budget of \$50,000 for the period commencing January 25, 2007 and cost allocations based on the approved vote share percentage set forth in Exhibit D, for general costs as presented and as provided in Section 6.3.6 of the JPA.

RESOLUTION 07-02

Mr. Orth reported the Authority should establish bank accounts and authorize certain Directors as signatories to those accounts. As such, Mr. Orth requested the Authority Board adopt Resolution 07-02, designating Comerica Bank as the depository of Authority funds and authorizing the Authority Chair, Vice Chair, Secretary and Treasurer/Auditor as signatories for the Authority Bank accounts.

It was moved by Director Pauley, City of Kingsburg, seconded by Director Tyler, City of Lemoore, and unanimously carried upon a roll call vote to adopt Resolution 07-02, designating Comerica Bank as the depository of Authority funds and authorizing the Authority Chair, Vice Chair, Secretary and Treasurer/Auditor as signatories for the Authority Bank accounts.

NEXT MEETING DATE

The Authority Board established March 22, 2007 at 2:00 P.M as the next meeting date and time.

ADJOURNMENT:

There being no further business, Board Chair Haglund adjourned the meeting at 3:45 P.M.

Respectfully submitted,

Secretary

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