

**San Joaquin Valley Power Authority
Minutes
Regular Board Meeting
March 22, 2007**

Approved Minutes of the Regular Meeting of the Board of Directors (Board) of the San Joaquin Valley Power Authority (Authority) held March 22, 2007.

Authority Board Chair Thomas Haglund (City of Hanford) called the meeting to order at 2:00 PM.

ROLL CALL

Board Chair Haglund requested the official roll call of Authority Board Members

MEMBERS PRESENT

CITY OF CLOVIS

Alternate Director Robert Ford

CITY OF CORCORAN

Director Ron Hoggard (arrived late)

CITY OF DINUBA

Absent

CITY OF FRESNO

Alternate Director Rene Ramirez

CITY OF HANFORD

Director Thomas J. Haglund

CITY OF KERMAN

Director Ron Manfredi

CITY OF KINGSBURG

Absent

KINGS COUNTY

Director Larry Spikes

CITY OF LEMOORE

Director John Tyler

CITY OF PARLIER

Alternate Director E. Shun Patlan

CITY OF REEDLEY

Alternate Director Rocky Rogers

CITY OF SANGER

Alternate Director John Mulligan

CITY OF SELMA

Absent

Melissa Goliti, Kings River Conservation District (KRCD), reported nine (9) of the thirteen (13) Authority Member Agencies were present for a total of 80.63% voting shares under the Joint Powers Agreement. Ron Hoggard, (City of Corcoran) arrived at 2:30 P.M., increasing the voting shares to 85.63 %

OTHERS PRESENT

Scott Blaising, Braun & Blaising, P.C
John Dalessi, Navigant Consulting Inc.
Bill Delain, Southern California Edison
Paula Farris, Astone
Tony Frontino, APX
Melissa Goliti, Kings River Conservation District
Brent Graham, Kings River Conservation District
Lyn Gregory, Tulare County
Brian Haddix, Tulare County
Cam Maloy, Pacific Gas and Electric
Mark McKean, Kings River Conservation District
Patrick Mealoy, Navigant Consulting Inc.
Anna Miller, Kings River Conservation District
Earl Nielsen, City of Visalia
David Orth, Kings River Conservation District
Donna Pepper, Kings River Conservation District
Jim Richards, Kings River Conservation District
Randy Shilling, Kings River Conservation District
Brian Thoburn, Southern California Edison
Brian Terrvarrow, Kings River Conservation District
Cristel Tufenkjian, Kings River Conservation District
Marlon Walker, Southern California Edison

ADDITIONS TO OR DELETIONS FROM THE AGENDA

There were no additions or deletions to the Agenda

PUBLIC PRESENTATIONS

Tony Frontino, APX, introduced himself to the Authority Board, thanking them for the opportunity to attend the meeting. Mr. Frontino stated APX provides technology, consulting and operating support services to many market participants in California.

Mr. Frontino stated further he hopes to continue to have the opportunity to attend the Authority meetings in order to learn what is important to the Authority, with the potential of future opportunities for APX to provide services to the Authority as the Community Choice Program moves forward.

APPROVAL OF MINUTES

It was moved by Board Vice Chair Ron Manfredi, City of Kerman, seconded by Alternate Director Rene Ramirez, City of Fresno, and approved a voice vote (voting shares: 80.63% approved, 19.37% absent, 0% opposed) to adopt the Minutes of the January 25, 2007 Authority Board Meeting as distributed.

REPORT FROM THE AD HOC LEGAL COMMITTEE

Board Chair Haglund reported on the status of the ad hoc Legal Committee to retain interim

General Counsel for the Authority. Mr. Haglund stated he has discussed a Letter of Engagement with Ms. Jane Luckhardt of Downey, Brand, Seymour and Rohwer LLP, which has agreed to serve as interim General Counsel to the Authority. Mr. Haglund stated there are a few issues to address in the Letter of Engagement that he expects to have resolved within the week. The firm will then be officially serving as interim General Counsel to assist the Authority with those agreements to be developed as provided in the Joint Powers Agreement (JPA), which include the Power Services Agreement (PSA) and Program Agreement 1 (PA1).

AUTHORITY AGREEMENTS

Scott Blaising, Braun & Blaising, P.C, provided a status report on the development of the PSA and PA1. Mr. Blaising stated the PSA would be a bi-lateral agreement between KRCD and the Authority, whereby KRCD would provide full power and regulatory support services and administrative support services for the Community Choice Aggregation Program (Program). The PA1, which would serve as the principal document to define the Program, would be a multi-party agreement with the Authority and each of the municipalities that formally elect to participate in the Program.

Mr. Blaising noted the agreements are currently in a draft stage, with additional development and review needed before they may be presented for approval. With the Authority's interim General Counsel now selected, it's an appropriate time to have the agreements reviewed by General Counsel and continue the discussion and development process.

David Orth, KRCD, reported he expects certification of the San Joaquin Valley Power Authority Community Choice Aggregation Implementation Plan (Implementation Plan) by the California Public Utilities Commission (CPUC) in late April or early May 2007. Upon certification by the CPUC, the current schedule is to go before each of the Authority member agencies governing boards with the final agreements in May/June 2007, to formally request execution of the agreements as outlined by Mr. Blaising.

Mr. Orth noted, as identified in the Agenda, the Authority Board should designate drafting responsibilities to either the Board's Executive Committee or appoint an ad hoc Committee for this purpose. Board Chair Haglund requested the Authority Board member's input. Upon further discussion, the Authority Board members concurred that the drafting responsibilities be charged with the Board's Executive Committee.

DEVELOPMENT OF BYLAWS

Board Chair Haglund stated the Authority will need to address development of formal and specific bylaws for the governance of the Authority. Mr. Haglund raised the question as to whether the Authority Board should address this item at this time or later at the conclusion of the development and execution of the PSA and PA1, noting the initial budget for legal services only includes resources for the development of the PSA and PA1.

Alternate Director Rocky Rogers, City of Reedley, suggested it may be more appropriate to address the issue of bylaws after the Authority has received official certification from the California Public Utilities Commission (CPUC). Upon further discussion, the Authority Board members concurred to defer development of Authority bylaws to a future date.

KINGS RIVER CONSERVATION DISTRICT REPORT

Mr. Orth, provided a status report on those activities KRCD has been actively engaged in on behalf of the Authority. Mr. Orth stated the Implementation Plan was filed with the CPUC on January 29, 2007. On February 27, 2007, Mr. Orth, representatives of Navigant Consulting Inc. (NCI), Mr. Blaising and certain members of the Authority Board met with CPUC President Peevey and his advisor, and representatives of three other commissioners, to discuss in detail the process as the plan moves forward. Mr. Orth, representatives of NCI and KRCD staff then presented reports on the following issues:

Regulatory Update: John Dalessi, NCI, reported on the status of the regulatory process and summary of the responses from the Investor Owned Utilities (IOUs) regarding the Implementation Plan. Mr. Dalessi's overview included these key points:

- The CPUC process provides for the IOU's to submit comments indicating whether or not the Implementation Plan complies with the IOU's Community Choice Aggregation (CCA) tariffs.
- Pacific Gas and Electric (PG&E) and Southern California Edison (SCE) provided comments on March 12, 2007.
- Both IOUs indicated that certain elements of the Implementation Plan are inconsistent with their tariffs.
- Both IOUs also indicated that the Implementation Plan does not provide sufficient information to fully assess CCA tariff compliance.
- As noted by parties in the CCA rulemaking including the Authority, the statutorily defined Implementation Plan is not intended to demonstrate compliance with all Utility tariff requirements; many tariff compliance issues must be addressed in actual operations of the CCA.
- The CPUC encourages the CCAs and the IOUs to resolve any disputes and will facilitate resolution, if requested to do so. The Implementation Team met with the IOUs February 7, 2007 and has scheduled a second meeting with for March 28, 2007.

Mr. Dalessi provided a summary of specific concerns raised by the IOUs in their comments submitted to the CPUC, noting the comments generally fall under three (3) categories including, issues that deal with technicalities of the IOUs' CCA tariffs where the interpretation is not in dispute, issues that deal with tariff interpretation and general comments and comments on non-tariff issues. Mr. Dalessi highlighted the following comments of the IOUs:

- The Authority's customer notices must be reviewed by the CPUC's Public Advisor.
- The Implementation Plan must contain a description of the Data Management Provider in addition to the third party energy supplier (Citigroup).
- The rate comparisons are not useful.
- Rates that are based on Utility rates (equal discount) may not reflect the Authority's costs and may not treat similarly situated customers equitably.
- The phase-in plan does not constitute a Binding Notice of Intent for purposes of establishing a single Cost Responsibility Surcharge (CRS) vintage.
- The Implementation Plan does not sufficiently explain how the Authority will satisfy resource adequacy requirements and does not indicate a plan to procure capacity within the Los Angeles Basin.
- The Implementation Plan does not specify the renewable resources it will utilize to meet the Renewable Portfolio Standard.
- The Implementation Plan's financial projections are not assured and are dependent upon future resource acquisitions, including the proposed base load project.
- The Authority will be subject to volatility in energy markets.

- It is premature to assume that SCE will offer a Net Energy Metering applicable to CCA customers.

Board Vice Chair Manfredi, expressed his view regarding the customer notification process, stating that regardless of the IOUs' comments, the Authority has a compelling interest to do better in the notification process and is predisposed to a more frequent notification process, but would be concerned with the delivery mechanism for that process. Mr. Manfredi stated further he would like to see the Authority re-examine the Implementation Plan's position with regard to the notification process.

Mr. Orth stated the proposed noticing provisions in the Implementation Plan contemplated an early notice of phases three (3) and four (4) and recognized, given the concerns raised both by the IOUs and Mr. Manfredi, that it would be appropriate to readdress this issue with the Authority, General Counsel, Citigroup Energy and the IOUs.

Advice Letters Filed By The IOUs: Mr. Dalessi provided an overview of Advice Letters filed by PG&E and SCE with the CPUC on March 12, 2007 and highlighted the following points:

- SCE's CCA CRS is significantly higher than the CRS applicable to direct access customers.
- SCE's filing demonstrates a continual increase in utility procurement costs at above market prices during the past few years.
- The sooner the Authority makes a binding commitment to serving customers the lower the CRS will be.

Data Requests of PG&E and SCE for 2006 Customer Usage Information: Mr. Dalessi reported on the status of customer usage data information requests from the IOU's for use in the feasibility study. Mr. Dalessi reported since the Authority is now formed the data requests may be formally made by KRCD, as Agent for the Authority. Mr. Orth stated that under his signature as the Authority Board's Agent he would request the 2006 Customer Usage data from PG&E and SCE, unless the Authority Board has any objections.

Letter of Agreement with Citigroup Energy Inc.: Mr. Orth reported on the status of the development of the Letter of Agreement (LOA) with Citigroup and Citigroup Energy Inc., which has been identified as the entity with which KRCD would negotiate the full requirements electrical supply component of this program. A draft LOA has been developed which frames the general intent of the relationship and that draft LOA has been reviewed by the KRCD Board of Directors. Mr. Orth stated further he has received authorization to execute the LOA, subject to final review by KRCD's ad hoc Power Committee and General Counsel.

Mr. Orth reported the final LOA will serve to define more specifically the terms and conditions of the energy supply contract and the financing component of the overall program. The final document is expected to be ready for execution prior to presentations before each of the municipalities governing bodies in order to illustrate anticipated energy costs.

Board Secretary John Tyler, City of Lemoore, in readdressing previous discussions regarding the concerns submitted by SCE, asked if there are technical issues to be addressed in the Implementation Plan, would they necessitate a resubmission of the Implementation Plan to the CPUC, or an amendment to the language submitted. Mr. Orth stated he does anticipate the need for the Authority Board to meet in April to discuss, among other things, potentially approving the filing of an Amendment to the Implementation Plan. Mr. Blaising noted that the filing of an

Amendment to the Implementation Plan should not “re-start” the review period at the CPUC.

Tulare County Data Analysis: Patrick Mealoy, NCI, reported on the Authority Board’s request to collect data regarding the possible inclusion of the County of Tulare as an Authority member pursuant to Section 3.1 of the JPA and the potential impact this may have on the Authority should the County of Tulare be permitted to join as the 14th member. Mr. Mealoy stated Tulare has requested and received data from PG&E and SCE and NC has completed the preliminary review of the data provided. Mr. Mealoy presented NCI’s preliminary analysis as follows:

- Valuing Tulare County’s participation in the Program can be done in various ways and final analysis would be subject to rules placed upon Tulare Membership by the Authority Board and concurrence of NC’s analysis by Citigroup Energy, Inc. (CEI).
- Initial analysis indicates that depending upon final agreement with CEI, customer opt-out rates, and other variables adding Tulare County’s loads to the Authority is a net financial gain for both Tulare and the Authority.
- Tulare customers could see electric savings of approximately \$11 million during the implementation period (2007-2010).
- The Program annual net proceeds increase by approximately \$2 to \$3 million during the same time frame.

Mr. Mealoy stated by allowing the participation of the County of Tulare, preliminary analysis indicates an increase by 20% in the number of customers. Brian Haddix, County of Tulare, commented he is pleased with the preliminary analysis and the overall impact to Tulare County and the load shift of residential and agricultural customers. Mr. Haddix stated further he looks forward to presenting the data and findings to the Tulare County Board of Supervisors.

Service Agreement Negotiations with PG&E and SCE: Mr. Blaising provided a status report of the Service Agreement negotiations with PG&E and SCE. Mr. Blaising reiterated the CCA Agreement states the Authority, as the CCA, agrees to abide by the IOUs’ tariffs as they may change from time to time. Mr. Blaising stated further the IOUs have expressed an interest to sign the Service Agreement, but he feels it would be premature to do so at this time. Mr. Blaising reported the CPUC has set out a procedural time line and contemplates the Service Agreement to be a culmination of discussions with the IOUs regarding how the Implementation Plan conforms to the tariffs and would be a recognition that in fact the Implementation Plan does conform to the tariffs and that the CRS would actually be established as well, before the CCA enters into the Service Agreement with the IOUs.

Mr. Blaising reported further there is currently an objectionable term in the Service Agreement, proposing joint and several liability, which provides that each member would be individually responsible for any Joint Powers Agency liabilities. This provision is inconsistent with the California state law. Mr. Blaising stated as a Joint Powers Agency, the Authority is a separate entity, unique and distinct from its separate members. Mr. Blaising stated that more discussions with the IOUs is needed to resolve this issues, noting that the California Courts and the Federal Energy Regulatory Commission have ruled that a joint powers agency can, through its enabling agreement, specify that the agency, not its members, are liable for obligations of the agency.

Data Management Vendor: Mr. Mealoy noted there are two (2) major subcontractors with KRCD. The first is the Power Services Provider and the second is the Data Manager/Customer Services Administrator. Mr. Mealoy reported they are in negotiations with two (2) firms active in California providing data management services to direct access customers. Mr. Mealoy stated they hope to present a recommendation to KRCD and then the

Authority Board, within the next thirty (30) days.

Application For Certification (AFC) For The KRCD Community Power Plant (Plant):

Mr. Orth provided an overview of the KRCD Board's policy decisions and actions taken over the past several years with regarding analysis of the potential development of a base load generation plant. Mr. Orth stated KRCD had conducted an analysis of the areas generation capacity and identified where KRCD, as a public agency, may serve to address these concerns to the benefit of the region.

Mr. Orth stated building on KRCD's experience in developing and operating power generation facilities, the KRCD Board began focusing on the development of local generation capacity, which would allow KRCD to link the power generation back to the Program and additionally link the economic benefits of that additional capacity back to the Authority members community. As such, KRCD has been engaged and committed to moving forward with the AFC process, with the application expected to be filed with the California Energy Commission (CEC) in May 2007.

Mr. Mealoy provided a summary of a recent report issued by the California Independent System Operator (ISO) 2008 Local Capacity Analysis, which addresses regions in the state they have deemed as having local capacity deficiencies. Mr. Mealoy reported the ISO has identified the Greater Fresno area as one of the regions deemed to have local capacity needs found deficient for the up-coming summers of both 2007 and 2008. Mr. Mealoy stated the IOUs are taking steps to address these issues.

It was noted by Authority Board members that this report attempts to address state policy issues and is not an indictment of blame. Mr. Orth also noted the Authority's objective is to address some of these identified deficiencies by adding generation capacity and improve economic value to the region.

Mr. Orth reported on permitting issues for the Plant and site selection. As has been reported in prior meetings, a site has been selected and discussions continue with the City of Parlier and the City of Sanger in developing Water Use Agreements. Mr. Orth reiterated the permitting process requires finances spent to collect data, to then determine whether the data suggest that a power plant can be built at that location.

Ms. Cristel Tufenkjian, KRCD, distributed copies of recent news articles that covered a recent Selma City Council meeting. Mr. Orth stated that while the articles do address concerns raised, they also cast KRCD in the middle of "sphere of influence" issues between the City of Selma, City of Parlier and the County of Fresno. Mr. Orth stated KRCD has scheduled an Open House on April 19, 2007 at the Parlier Community Center to address issues of concern raised by the community and try to insure they are being given correct information about the Plant.

Mr. Orth reiterated the current timeline for the AFC process is to submit the application to the CEC in May 2007. The CEC will then have a sixty (60) day data adequacy review period, at the end of which they will open a twelve (12) month public review process. As part of that process, the CEC will hold scoping hearings in the region.

Authority Financial Resources: Mr. Orth reported KRCD, as the Agent for the Authority, will continue to take action on requesting information for data collection to update feasibility studies and file necessary actions in the regulatory proceedings to protect the Authority and report back to the Authority Board.

Mr. Orth reported further there is a very active regulatory schedule, which requires monitoring and the preparation of responses on behalf of the Authority. Part of the Implementation Plan analysis anticipated that at some point the Authority would need to designate resources for these activities. Currently those resources are being incurred by KRCD through monies budgeted for the implementation of the Program. Mr. Orth stated it is the intent of KRCD to issue a short term financing to recapture these costs, which would then be passed to the Program customers. Mr. Orth asked the Authority Board for affirmation and concurrence with regard to the process as outlined.

Board Chair Haglund asked for input from the Authority Board members.

Board Vice Chair Manfredi concurred the Authority Board should receive regular reports as outlined by Mr. Orth and further suggested KRCD provide the Authority Board with a full accounting of those resources incurred. Mr. Orth stated he intends to present to the Authority Board the General Financing Plan at the Authority Board Meeting in April 2007, which would include the information Mr. Manfredi requested.

NEXT MEETING DATE

The Authority Board established April 12, 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 3:25 P.M.

Respectfully submitted,

Secretary

/

/

/

/

/