

San Joaquin Valley Power Authority
Minutes
Regular Board Meeting
May 3, 2007

Approved Minutes of the Regular Meeting of the Board of Directors (Board) of the San Joaquin Valley Power Authority (Authority) held May 3, 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

CITY OF DINUBA

Alternate Director Dan Meinert

CITY OF FRESNO

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

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

Alternate Director Judy Bier

Melissa Goliti, Kings River Conservation District (KRCD), reported thirteen (13) of the thirteen (13) Authority Member Agencies were present for a total of 100% voting shares under the Joint Powers Agreement.

OTHERS PRESENT

Jeff Adolph, Pacific Gas and Electric
Scott Blaising, Braun & Blaising, P.C
Bill Delain, Southern California Edison
Melissa Goliti, Kings River Conservation District
Brent Graham, Kings River Conservation District
Brian Haddix, Tulare County
Jane Luckhardt, Downey, Brand, Seymour and Rohwer, LLP
Mark McKean, Kings River Conservation District
Steve McKenery, SPG Solar Inc.
Patrick Mealoy, Navigant Consulting Inc.
Anna Miller, Kings River Conservation District
John Murray, City of Lemoore
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 Trevarrow, 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 to or deletions from the agenda.

PUBLIC PRESENTATIONS

There were no public presentations.

APPROVAL OF MINUTES

It was moved by Director Ron Hoggard, City of Corcoran, seconded by Board Secretary John Tyler, City of Lemoore, and approved on a voice vote (voting shares: 95.71% approved, 4.29% absent, 0% opposed) to adopt the Minutes of the April 12, 2007 Authority Board Meeting as distributed. (Vice Chair Ron Manfredi, City of Kerman, arrived after the vote on Approval of Minutes)

REPORT FROM THE DIRECTORS

Director John Tyler, City of Lemoore, reported the Lemoore City Council approved an Energy Audit Agreement with Chevron Energy to perform an energy assessment for the City of Lemoore. The audit would include a potential solar facility producing 2 megawatts of power and the prospective economics it would create which could also be included as renewable energy under the CCA Agreement.

There were no other Directors reports.

REPORT FROM THE AUTHORITY EXECUTIVE COMMITTEE

Mr. Haglund reported the Executive Committee had appointed a limited purpose ad hoc Committee to work on the development of Program Agreement 1 (PA1) and the Power Services Agreement (PSA) as defined in the Joint Powers Agreement. Mr. Haglund noted the PA1 is the agreement which each Authority member entity will execute in order for Community Choice Aggregation to be implemented.

Mr. Haglund stated the ad hoc Committee had reviewed the PA1 and a workshop was held which included Board members and legal counsel who further reviewed and discussed the provisions of the agreement. Mr. Haglund stated the PA1 was finalized and circulated and the Board will be asked to consider adopting Resolution 07-05 approving PA1 in Agenda Item #8.

KINGS RIVER CONSERVATION DISTRICT REPORT

David Orth, Kings River Conservation District (KRCD), provided a status report on various activities KRCD has been actively engaged in as agent for the Authority. Mr. Orth provided an overview of topics that were further discussed by representatives of Navigant Consulting Inc. (NCI), and Scott Blaising, Braun & Blaising, P.C., which included the following:

Regulatory Update: Mr. Orth reported a letter had been received by KRCD from California Public Utilities Commission (CPUC) acknowledging certification of the Implementation Plan (IP) submitted by the Authority and KRCD. Mr. Orth noted this is the first and only IP submitted to the CPUC in the State of California at this time and should be considered a milestone to the Authority Members.

Cost Responsibility Surcharge (CRS): Mr. Blaising reported on progress of the protest letter from KRCD on behalf of the Authority in response to the advice letters from PG&E and SCE to the CPUC. Mr. Blaising explained the letter from KRCD is a normal response in the regulatory process.

Mr. Blaising provided an overview of the points raised in the protest letter, including concerns regarding PG&E's proposed methodology to develop a CRS applicable to CCA customers and SCE's failure to justify a proposed significant yearly increase in the Power Charge Indifference Adjustment (PCIA). The IOUs have replied by means of explanation to the protest letter from the Authority and a draft Resolution by the CPUC Energy Division will be presented to the CPUC for subsequent action in the weeks to come.

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 reviewed an objectionable term in the Service Agreement proposing joint and several liability, which provides that each member would be jointly and severally liable for the liabilities of the Authority under the Service Agreement. As a Joint Powers Agency, the Authority is a separate entity, unique and distinct from its separate members. This objection has been communicated to the IOUs and they have been asked to remove that provision, recognizing the tariffs do include a provision whereby

the CCA needs to provide reasonable assurance it can meet its financial obligations. A response is still anticipated from the IOUs that may serve to address these concerns to the benefit of the

Authority. Mr. Blaising has scheduled an additional meeting with the IOU legal counsel and will ask for any other provisions which would be necessary in this agreement or if there is a need for a specialized Service Agreement to cover any other issues in order to implement the program.

Letter of Agreement with Citigroup Energy Inc.: Mr. Patrick Mealoy, Navigant Consulting, Inc. (NCI) reported on the status of the development of the term sheet 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 Letter of Agreement (LOA) had been developed which frames the general intent of the relationship and that LOA has been executed by the KRCD Board of Directors. Mr. Mealoy further stated the draft term sheet is expected to be finalized within the next sixty (60) days.

Data Management Vendor: Mr. Mealoy reported the Data Management Vendor (Vendor) will collect meter data from the IOUs, review the data, apply the Authority's rates and return the data within twenty-four (24) hours to the IOUs for direct billing of CCA customers. The Vendor will also provide daily cash flow updates to the Authority and provide a customer call center. Mr. Mealoy reported the preferred Vendor has been identified and negotiations on final contract terms are expected to be concluded in the near future.

KRCD Community Power Plant: Mr. Dave Orth reported on the Public Workshop held April 19, 2007 at the Parlier Community Center, stating the Workshop provided an opportunity to address general information on Community Choice and inform the community on specifics regarding the permitting process of the KRCD Community Power Plant. Mr. Orth stated KRCD consultants were available to attendees and responded to inquiries related to the construction of the KRCD Community Power Plant. Mr. Orth then reviewed for the Board the slide presentation that was offered at the Workshop.

Mr. Orth presented an overview of the Financial Feasibility Analysis regarding baseload plant development costs. Mr. Orth reported the analysis was based on 2005 estimates and now requires revisions to meet current construction costs. Mr. Orth stated a detailed study will be performed for a more comprehensible estimate that will meet current year construction costs, and include such expenses as Planning, Permitting, Plant Design, Gas Tie Line, and Transmission Line, etc.

Application for Certification (AFC): Mr. Orth reported on the status of completing the AFC for the KRCD Community Power Plant and filing of the AFC with California Energy Commission (CEC) in May 2007. Mr. Orth anticipates receiving data adequacy determination from the CEC approximately two (2) to three (3) months thereafter, with a Permit to Proceed to be issued to the Authority as early as July 2007.

Preliminary 2007-2008 Budget: Randy Shilling, KRCD's Deputy General Manager of Finance & Administrative Services, presented a Pro Forma Statement of Revenues and Expenditures for the fiscal year July 1, 2007 through June 30, 2008. Mr. Shilling explained the types of costs that would be included in the General and Administrative Costs and reviewed the entire document with the Board.

**APPROVAL OF PROGRAM AGREEMENT 1 (Community Choice Aggregation)
AND RESOLUTION NO. 07-05**

Board Chair Haglund requested discussion from Board members regarding approval of Program Agreement 1, as provided in the Sections 2.4, 5.1.4 and 7.2 of the Joint Powers Agreement, stating the Board may be requested to adopt Resolution 07-05 formally approving the Program Agreement 1 (PA1).

Mr. Scott Blaising summarized the development and advancement of PA 1. Mr. Blaising stated the purpose of the PA1, in conjunction with the JPA and PSA, is to provide the contractual framework for the Community Choice Aggregation Program (CCA) through which the Authority will provide aggregated electric services to the CCA Members' respective service territories. Mr. Blaising stated there have been numerous meetings and discussions by the Executive Committee and the ad hoc committee to discuss and develop the draft of PA 1. . A Board Workshop held April 26, 2007 further defined PA1. Mr. Blaising further stated teleconferences were held with the ad hoc committee members and their legal counsels seeking to refine and finalize a version of PA 1. Mr. Blaising noted that PA1 is now complete and is being presented to the Board for its formal consideration.

Vice Chair Ron Manfredi noted that members of the Board have been closely involved in this two (2) year accumulative process and have developed a high level of confidence regarding PA 1, noting further that moving forward is not a rush decision.

Upon further discussion, it was moved by Alternate Director Rogers, City of Reedley, seconded by Alternate Director Ford, City of Clovis, and unanimously carried by a voice vote (voting shares: 100% approved, 0% absent, 0% opposed,) to adopt Resolution 07-05 approving the Program Agreement 1, as provided in Sections 2.4, 5.1.4 and 7.2 of the Joint Powers Agreement.

NEXT MEETING DATE

The Authority Board established May 31, 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 3:35 P.M.

Respectfully submitted,

Secretary

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