

**San Joaquin Valley Power Authority
Minutes
Regular Board Meeting
March 27, 2008**

Minutes of the March Regular Meeting of the Board of Directors (Board) of the San Joaquin Valley Power Authority (Authority) held March 27, 2008, at Clovis Veteran's Memorial Building, Clovis, California.

Authority Board Chair Thomas Haglund, City of Hanford, called the meeting to order at 4:10 p.m.

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

Absent

CITY OF DINUBA

Absent

CITY OF HANFORD

Director Thomas J. Haglund

CITY OF KERMAN

Alternate Director Renee Holdcroft

CITY OF KINGSBURG

Director Don Pauley

KINGS COUNTY

Director Larry Spikes

CITY OF LEMOORE

Director Jeff Briltz

CITY OF PARLIER

Absent

CITY OF REEDLEY

Alternate Director Rocky Rogers

CITY OF SANGER

Alternate Director John Mulligan

CITY OF SELMA

Alternate Director Judy Bier

Margaret Clayton, Kings River Conservation District (KRCD), reported nine (9) of the twelve (12) Authority Member Agencies were present for a total of 80.88% voting shares under the Joint Powers Agreement (JPA).

OTHERS PRESENT

Shelly Abajian
Jeff Adolph, Pacific Gas & Electric
Lisa Bischel, Madrid Salazar PR & Marketing
Scott Blaising, Braun & Blaising, P.C.
Margaret Clayton, Kings River Conservation District
Gabriel Dillard, The Business Journal
Al Galvez, Pacific Gas & Electric
Brent Graham
Dave Houston, Citigroup
Melissa Hunter, Kings River Conservation District
Don Johnson, Kings River Conservation District
Shannon Koontz, Pacific Gas & Electric Company
Jane Luckhardt, Downey, Brand LLP
Patrick Mealoy, Navigant Consulting Inc.
Toni Munoz-Woods, Kings River Conservation District
David Orth, Kings River Conservation District
Destiny Rodriguez, National Parks Conservation Assn.
Randy Shilling, Kings River Conservation District
Brian Thoburn, Southern California Edison
Cristel Tufenkjian, Kings River Conservation District

ADDITIONS TO OR DELETIONS FROM THE AGENDA

There were no additions to or deletions from the agenda.

CONSENT CALENDAR

It was moved by Alternate Director Rocky Rogers, City of Reedley, seconded by Alternate Director John Mulligan, City of Sanger, and approved on a voice vote (voting shares: 80.88% approved, 19.12% absent, 0% opposed) to approve the Consent Calendar, which consisted of Financial Statements for the month ending February 29, 2008.

PUBLIC COMMENTS

There were no public comments.

APPROVAL OF MINUTES

It was moved by Alternate Director Judy Bier, City of Selma, seconded by Alternate Director Rocky Rogers, City of Reedley, and approved on a voice vote (voting shares: 80.88% approved, 19.12% absent, 0% opposed) to adopt the Minutes of the February 28, 2008 Authority Regular Board Meeting as presented.

REPORT FROM THE DIRECTORS

There were no reports from directors.

REPORT FROM THE AUTHORITY EXECUTIVE COMMITTEE

David Orth, General Manager of KRCD, reported that the Executive Committee of the

Authority held a Special meeting on March 14, 2008, to consult with counsel on the status of the Complaint case vs. PG&E. The Complaint case will be discussed further in Closed Session.

KINGS RIVER CONSERVATION DISTRICT REPORT

David Orth thanked Alternate Director Robert Ford, City of Clovis, for his assistance in securing the location of today's Board Meeting and Public Hearing. Mr. Orth turned the Regulatory Update over to Special Counsel Scott Blaising.

Regulatory Update:

Petition to Modify the Methodology for Exit Fees - Scott Blaising, Braun and Blaising, P.C. reported the City of Victorville, another entity pursuing CCA, filed a Petition to Modify the Methodology for establishing the Community Choice Aggregation cost responsibility surcharge also known as the exit fee. Mr. Blaising noted that Victorville's argument in the Petition is that the market price benchmark does not adequately reflect the above market bias of renewable resources and argues that the cost of renewable resources should be excluded from the utilities total resource portfolio until compliance with the State RPS is reached. The issue will be considered by the CPUC during the next four months.

Security Bond – Mr. Blaising reported that in March the CPUC summarily dismissed the Application for Rehearing filed by PG&E, finding no merits in PG&E's appeal. The CPUC has indicated it will address the security bond issue for both CCAs and Direct Access providers in 2008.

Petition for Modification - Joint and Several Liability – Mr. Blaising reported that the CPUC issued a draft scoping memo and a Proposed Decision on this Petition on March 26, 2008. The scoping memo summarily denied the motion by PG&E, in which it requested the Commission to hold evidentiary hearings on creditworthiness and related issues. The Proposed Decision indicates that joint powers agency formation is a matter of law not policy, and a hearing is not needed.

Mr. Blaising also reported that the proposed Decision authored by Administrative Law Judge Malcolm grants SJVPA's request to delete Section 20 from the CCA Service Agreement with the utilities and directs the utilities to delete that section. Section 20 conflicts with California law which allows local governments discretion to have joint powers agencies established and be responsible for their own liabilities. Mr. Blaising expects the Commission to address this matter by mid May. Chair Haglund read pertinent passages from the Proposed Decision:

...

"The parties do not dispute that California law permits a joint powers agency to assume liability for its debts and obligations. The parties do not dispute that SJVPA is a joint powers agency that was lawfully created for the purpose of implementing a CCA program according to an agreement that specifies that its members shall not assume the liabilities of SJVPA. In creating SJVPA, its local government members have taken advantage of the discretion provided to them under Government Code Section 6508.1, which permits the members of a joint powers agency to specify that the obligations and debts of that agency shall remain with the joint powers agency. This discretion granted to local agencies in Government Code Section 6508.1 has not been modified as it might apply to a CCA.

...

Furthermore, we are not convinced that Section 20 is necessary to protect utility customers. Some risk is inherent in new and innovative programs where, as here, other entities will assume significant liabilities for purchasing power in volatile markets. We can envision a circumstance where a CCA may fail and have inadequate resources to cover its liabilities. AB 117 does not, however, protect against all possible risks and implicitly accepts some risks on behalf of energy customers in the pursuit of the state's policy vision, which is to promote aggregated purchases of energy by agencies of local governments on behalf of their residents and businesses."

Chair Haglund said that he does not think that is an insignificant paragraph to the overall Decision the ALJ is talking about. Because in stating this, she is sharing the very vision that we have had, that our respective Councils and Board of Supervisors have had, in creating, availing ourselves to AB 117, creating an Authority and implementing a program to the benefit of our mutual constituents. She goes on to note

...

"The utilities have not imposed the same liability on the affiliates of privately-held energy service providers (ESPs), and have not provided any justification for treating these two entities differently, although CCAs and ESPs provide substantially similar services."

...

Chair Haglund commented that there were several other sections there that are very important, but he thinks under her conclusions of law, she finds that the requirements of Section 20 of the utilities CCA tariffs and service agreement as described herein would impede the Authority conferred upon local governments through the Government Code and finally as Scott noted, the utility tariffs may not impede the intent of the Legislature with regard to rights and authority of local government. Mr. Haglund stated that when we think of this, it is not merely whether or not we have a joint and several liability section included as a part of the service agreements we sign with the utilities for the services that they provide us, but it really is also a fight over whether or not we can avail ourselves of the provisions of the Government Code that allow us to do the things that we need and want to do on behalf of our communities.

Alternate Director Jeff Briltz, City of Lemoore, requested a copy of the proposed Decision, a copy of which will be sent to each Power Authority member.

SCE's Proposal to Change its Residential Tiered Rate Structure – Mr. Blaising stated that the CPUC denied SCE's request for expedited treatment of SCE's proposal to change its residential tiered-rate structure. The CPUC said it was more appropriate to have the issue addressed as part of SCE's general rate case. An actual decision is not expected on this until mid-2009.

Feed-in Tariffs - Waste Water and Water Facility Resources – Mr. Blaising reported that the utilities had filed tariffs and the Commission recently adopted a resolution that required the utilities to offer the market price index for output generated from certain renewable generation facilities.

Status of Agreements: Mr. Orth continued with his report, stating that the Electric Supply Agreement will be discussed later in the public hearing portion of this meeting.

Resource Development:

Renewable Projects: Mr. Orth stated that at the request of Director Don Pauley, the Authority created an ad hoc committee to look at net energy metering and distributed generation development for the CCA program. A meeting of this ad hoc committee is scheduled in April to obtain background and structure of net energy metering and to provide thoughts and recommendations on how the Authority might develop a program for future Community Choice customers. Mr. Orth also said that background will be provided by the ad hoc committee on feed-in tariffs.

Mr. Orth stated that good progress is being made with Clean Tech for the 80 megawatt solar facility. Regular meetings are being held, and draft agreements are being reviewed and revised for eventual presentation to the KRCD Board within the next several months. Mr. Orth said that if the KRCD Board determines the project is acceptable, the agreements will then be presented to the Authority Board for consideration pursuant to the terms and conditions of the Power Supply Agreement.

Baseload Project: Mr. Orth reported that on March 6 the California Energy Commission (CEC) held another staff visit at the Kearney Research Center in Parlier for discussion among staff of the CEC and KRCD to provide information. That was followed by public comment during which local concerns were expressed regarding air quality, noise, water quality, safety, etc. Mr. Orth stated that it is KRCD's intent to address each of these issues as required by the CEC in order to receive a permit for the Community Power Plant.

Status of IOU Cooperation: Patrick Mealoy, Navigant Consulting, referenced a letter dated March 20, 2008, from David Rubin, PG&E, regarding their potential rate changes in which they filed one request to increase rates due to the Department of Water Resources (DWR) termination of a Calpine contract. The letter indicates they also filed another request that if the contract goes through and is terminated, they want the cost reductions relating to DWR to go to PG&E's customers, and if both of those things occur, they would offset each other. The Commission granted both requests.

Status of Other CCA Programs: Mr. Orth reported he was invited to meet with the Marin County task force on their CCA program. Mr. Orth stated that Marin County is very interested in the Authority's experiences and that they are approximately two years behind the Authority in the development of their JPA. Mr. Orth, and possibly an Authority Board member, will attend future meetings in Marin County in April and in May of 2008. Marin County's CCA program will offer either 50% or 100% green or renewable energy. Mr. Orth stated that an independent consultant used by Marin County may be asked to come to Fresno to share observations of estimates and forecasts of rates with the Authority Board.

NEXT MEETING DATE

The Authority Board established April 24, 2008 initially set for 2:00 p.m. at KRCD. Later it was determined that the next regular meeting of the Board would be held from 4 p.m. to 6 p.m., followed by another Public Hearing beginning at 6 p.m. to be held in Kings County.

CLOSED SESSION

Pursuant to Government Code Sections 54956.9 (a) and (c), the Authority Board adjourned to Closed Session at 4:45 p.m. to confer with Legal Counsel on case C.07-06-025 Complaint of the Power Authority against PG&E, and regulatory matters requiring litigation before the CPUC.

RECONVENE TO OPEN SESSION

The Board reconvened into Open Session at 5:50 p.m. General Counsel Jane Luckhardt disclosed the Board met in Closed Session, an update was provided on matters stated on the agenda, and discussion and direction provided to staff and counsel with respect to those matters.

RECESS

Chair Haglund called for a ten minute recess before the start of the Public Hearing.

PUBLIC HEARING – ESA/ERA

Chair Haglund opened the Public Hearing at 6:06 p.m. Mr. Orth stated that notice of this meeting and public hearing was published in the 13 local newspapers covering each of the member agencies. Notices were also distributed electronically to all parties who have asked to be on the SJVPA agenda notification list. Mr. Orth then provided background on the CCA program and a PowerPoint presentation of an overview of the key features of the Electric Supply Agreement (ESA), to the Board members and members of the public.

Patrick Mealoy, Navigant Consulting, was asked by Mr. Orth to discuss the number of benefits, certainties, and uncertainties that the contract continues to raise. Mr. Mealoy discussed the economic benefits, the creditworthiness of the entity providing the guarantee, allowance for banding, other potential costs and benefits, opt-out percentages, and development of resource plans.

Mr. Orth continued with several slides of recent questions asked by PG&E and SCE and provided answers to each question.

Dave Houston, Citigroup Global Markets, congratulated the Authority Board on its successes despite the challenges faced. Mr. Houston explained that Citigroup understands the vision of the CCA program and has tried to design the contract with that in mind, while the Authority is developing local resources.

Members of the Board discussed various issues of the ESA and received clarification by Mr. Orth, including the 5% reduction in generation rates charged to Authority customers, and the concept of rate stabilization reserves.

During Open Public Comments, Destiny Rodriguez, National Parks Conservation Association, voiced her opinion about air quality near national parks and suggested alternative forms of energy generation. Ms. Rodriguez expressed that she did not believe the Authority had provided notice of the Public Hearing.

Shannon Koontz, PG&E, thanked Mr. Orth for answering some of the questions asked at the February 14, 2008 SJVPA workshop by John Nelson of PG&E. Ms. Koontz stated that PG&E intends to provide an analysis of the ESA soon, and asked when the Executive Committee plans to vote on the contract.

Shelly Abajian, resident of Parlier, asked financial related questions of Mr. Orth regarding his salary. Chair Haglund reminded Ms. Abajian that this portion of the Public Hearing was for public comments, not questions. Mr. Orth clarified to the Board Ms. Abajian's misperception as a Consolidated Irrigation District (CID) ratepayer, explaining that KRCD did not have authority over CID, confusing it with the Kings River Water Association which represents that agency.

There being no further members of the public who wanted to speak, Chair Haglund closed the Public Comment portion of the Public Hearing and thanked those who spoke for their comments.

Chair Haglund and other members of the Authority determined that one more public hearing should be held, again during evening hours, suggesting the location be in Kings County. April 24, 2008, will be the regular Board meeting from 4:00 p.m. to 6:00 p.m., followed by the Public Hearing at 6:00 p.m.

Chair Haglund closed the Public Hearing at 6:56 p.m.

Director Don Pauley, City of Kingsburg and Alternate Director Robert Ford, City of Clovis, confirmed that the SJVPA Board has previously authorized the Executive Committee to approve the execution of the ESA and ERA and suggested the process of Executive Committee review of the ESA and ERA begin following the next Public Hearing.

ADJOURNMENT

There being no further business, Board Chair Haglund adjourned the meeting at 7:04 p.m.

Respectfully submitted,

Secretary

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