

**San Joaquin Valley Power Authority
Minutes
Regular Board Meeting
October 23, 2008**

Minutes of the October Regular Meeting of the Board of Directors (Board) of the San Joaquin Valley Power Authority (Authority) held October 23, 2008, at the offices of Kings River Conservation District, Fresno, California.

Authority Board Chair Ron Manfredi, City of Kerman, called the meeting to order at 2:00 p.m.

ROLL CALL

Chair Manfredi requested the clerk call the official roll 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 HANFORD

Director Gary Misenhimer

CITY OF KERMAN

Director Ron Manfredi

CITY OF KINGSBURG

Director Don Pauley

KINGS COUNTY

Alternate Director Deb West

CITY OF LEMOORE

Director Jeff Britz

CITY OF PARLIER

Director Lou Martinez

CITY OF REEDLEY

Director Rocky Rogers

CITY OF SANGER

Alternate Director John Mulligan

CITY OF SELMA

Absent

Margaret Clayton, Kings River Conservation District (KRCD) reported that eleven (11) of the twelve (12) Authority Member Agencies were present for a total of 93.29% voting shares under the Joint Powers Agreement (JPA).

OTHERS PRESENT

Jeff Adolph, Pacific Gas & Electric
Scott Blaising, Braun Blaising McLaughlin, P.C.
Dan Carroll, Downey Brand LLP
Margaret Clayton, Kings River Conservation District
Melissa Hunter, Kings River Conservation District
Virginia Madrid-Salazar, Madrid Salazar PR & Marketing
Toni Munoz-Woods, Kings River Conservation District
David Orth, Kings River Conservation District
Randy Shilling, Kings River Conservation District
Brian Trevarrow, Kings River Conservation District
Cristel Tufenkjian, Kings River Conservation District

ADDITIONS TO OR DELETIONS FROM THE AGENDA

There were no additions to or deletions from the agenda.

PUBLIC COMMENTS

There were no public comments.

REPORT FROM THE DIRECTORS

Director Lou Martinez, City of Parlier, reported that at the request of Cristel Tufenkjian, KRCD, he attended a meeting sponsored jointly by the Cal EPA and the Latino Issues Forum. Director Martinez explained that the Community Power Plant (CPP) was one of several issues on the agenda the group is considering.

Director Jeff Briltz, City of Lemoore, said the Authority Board members should have received email invitations to a ceremony scheduled for October 29, 2008 at 2 p.m., at which the City of Lemoore will dedicate its new solar project, and encouraged everyone to attend.

Chair Manfredi reported that he recently participated in a panel discussion in Corte Madera. Chair Manfredi said the meeting was arranged by, and for the benefit of, the Marin County CCA, known as Marin Clean Energy (MCE). Manfredi explained that MCE is pursuing green alternative sources for their CCA. Manfredi shared that he discussed with them the plan to build the Community Power Plant, and the vital importance to develop energy in this area.

Alternate Director Deb West, Kings County, stated that she attended the Southern California Edison (SCE) Energy Update earlier in the week and reported that SCE did a good job explaining its anticipated rate increases for 2009; an average increase of 18%, with residential rates incurring up to a 45% increase for the higher tiers.

Director Gary Misenhimer, City of Hanford, said that Hanford's Public Works Director also attended the SCE Energy Outlook.

REPORT FROM THE GENERAL MANAGER

David Orth, KRCD, asked Scott Blaising to provide an update on regulatory matters.

Regulatory Update: Scott Blaising, Braun Blaising McLaughlin, P.C., provided an update on each of the following issues.

CCA Bond – Mr. Blaising reminded the Authority that after the California Public Utilities Commission (CPUC) granted an interim CCA Bond requirement for Community Choice Aggregators of \$100,000, the Commission opened a new phase of the CCA rulemaking proceeding to further evaluate this issue. Mr. Blaising attended a Prehearing Conference on September 17, 2008, at which the Administrative Law Judge (ALJ) was attempting to determine if a trial-like procedure was needed or if the matter could be addressed at a technical workshop to scope out the various issues. Blaising reported that on October 8, 2008, CPUC President Peevy and the ALJ released a Scoping Memo describing the issues to be addressed and the schedule. Blaising stated that a final decision should be reached in March or April 2009. Blaising reported that a technical workshop will occur on November 17 and 18, 2008, at the CPUC to consider the elements to be included in the reentry fee, the methodology for calculating the CCA Bond requirement, and other related matters. Blaising also said that pre-Workshop Comments were required to be filed by November 12, 2008, and that the utilities are required by November 12, 2008, to update the models they used in forecasting the CCA Bond amount. Mr. Blaising mentioned that more on this would be discussed in closed session.

CCA Exit Fees – Cost Responsibility Surcharge (CRS) – Mr. Blaising reported that the full Commission is expected to vote November 6, 2008, on the draft resolution of the protest filed by SJVPA against PG&E and SCE's proposed tariffs. The protest specifically noted that PG&E's tariffs were contrary to a number of Commission proposed decisions. Blaising explained that the draft resolution reflects two key policy decisions to put to rest most of the issues that were protested, two of which are negative exit fees and new world generation resources. Mr. Blaising said his Comments on behalf of the Authority on the draft resolution would be filed on October 27, 2008, and mentioned that more on this would be discussed in closed session.

Greenhouse Gas Regulation - Mr. Blaising provided a summary prepared by his firm of the process undertaken primarily by the California Air Resources Board, as well as the Energy Commission. Director Rocky Rogers, City of Reedley, said the League of Cities is having a conference call on October 24, 2008, at three different times to discuss the scoping plan, and offered to provide information to anyone who is interested.

Utilities' Increase in Generation Rates – Mr. Blaising reported that both PG&E and SCE are required to provide to the CPUC updates on their expected generation rates in November.

SCE Solar PV Proposal – Mr. Blaising explained that SCE has a proposal before the CPUC to install, own and operate 250 megawatts of distributed solar systems, installed on rooftops in the Inland Empire area at a cost of \$1 billion. Blaising said the project is facing opposition from the solar PV development community and consumer advocacy groups. Blaising said the City of Victorville is taking the lead among CCAs, with SJVPA joining in the protest of SCE's proposal because under SCE's proposal, all CCA customers will be required to pay SCE's above-market costs and SCE's renewable costs as well as the CCAs being responsible for their own renewable portfolio, and the inclusion of this cost in the CCAs' respective rates.

PG&E Power Plant Proposal – Mr. Blaising provided an update of PG&E's expedited application of the Tesla project, and reported that on November 6, 2008, the CPUC is expected to act

on the Motion to Dismiss the application filed by a trade group, Independent Energy Producers. The Motion argues that PG&E continues to bring projects forward outside of their long-term request for offer (RFO) process. Blaising also reported that since PG&E did not obtain the expedited approval they requested on the Tesla project, they have not continued the CAISO process and have fallen out of the CAISO interconnection request queue. Blaising also reported that PG&E attempted to go outside the RFO process requesting expedited approval of a modification to a power purchase agreement for the Russell City Energy Project in Hayward, CA that was approved two years ago through a RFO.

Dan Carroll, Downey Brand, offered that he read in a weekly email newsletter that a spokesperson from PG&E said that PG&E wants to get back to owning at least 50% of its own generation.

Dave Orth said he recently sent an email to the SJVPA Board saying in testimony before the California Energy Commission (CEC), a PG&E Manager stated that PG&E's strategy is to own at least 50% of all new generation, with a goal of 8% annual growth in the utility. Orth pointed out this is a significant change for PG&E.

Investor Owned Utilities' Activities: Mr. Orth added comments about the recent SCE Energy Outlook, providing a copy of the handout distributed by SCE, saying he thought the workshop was very well done. Mr. Orth reminded the members that past Chair Thomas Haglund reported that last year's SCE workshop provided a very transparent, simple to understand, explanation of the factors that SCE is struggling with, and presumably PG&E as well, in trying to forecast rates. Orth confirmed this year's SCE Energy Outlook presentation estimated an 18 – 20% increase with opportunity for downward movement of a possible .8 cent decrease dependent on gas prices. Orth pointed out on the residential rate table, there was a decrease due to credit offsetting for the lower tiers, with the higher tiers increasing from 30% to more than 40%. Mr. Blaising clarified that both utilities' tiers are based on climate zones and usage, although the utilities' rate amounts are not the same.

Status of CCA Implementation: Mr. Orth provided the Authority Board with an update on work with Citi and CitiGroup Energy assessing market conditions and credit issues several times a week. Orth noted that the market uncertainty and clarity of utility rates for next year are creating opportunities for the Authority Community Choice Program and he expected to meet with the Executive Committee within the next month about the final ESA and a potential implementation schedule for the program in 2009. Director Jeff Britz asked about a preliminary implementation schedule; Mr. Orth responded that it is being worked on and should be forthcoming. Orth reported that staff met with PG&E representations last week to discuss implementation issues, notice processes and similar matters. Mr. Orth spoke yesterday with SCE representative Brian Thoburn and a senior VP who expressed commitment and willingness to start working with the Authority as we get into the implementation process to help communicate with customers about how various demand response programs interface with CCA decisions. Mr. Orth stated that he had spoken with Kings County Public Works Director on that point recently.

Status of Settlement Implementation: Mr. Orth announced that the bi-monthly meeting with PG&E, after being rescheduled several times, will be Oct. 24, 2008, with Scott Blaising, and Authority representatives Randy Shilling and Cristel Tufenkjian to discuss settlement implementation issues.

Status of Resource Development: Mr. Orth reported that KRCD filed its data response to the CEC on October 3, 2008 on the proposed Community Power Plant. Mr. Orth said a supplemental data

response will be filed on or about October 30, 2008, identifying slight changes to the original permit application, including a proposal to use different property for construction lay down. Orth said CEC staff notified KRCD that they expect a second round of data requests and identified that they expect a delay to the first quarter of 2009 in the original project schedule draft decision, with the final permit issued approximately twelve (12) months from now. Orth reported that at that time, the permit and conditions will be presented to the KRCD Board of Directors, and if they choose to proceed, it will be brought before the Authority Board for determination as to whether to purchase output from that plant. Should both KRCD and the Authority decide to proceed, a financing package would be developed.

Mr. Orth reported that there has been significant activity with CleanTech among their attorneys and KRCD attorneys this week to discuss the draft Power Purchase Agreement (PPA), with a negotiation meeting set for next week. Orth said he believes the PPA will be completed by the end of 2008, and will go to KRCD Board and then the Authority Board for consideration. Mr. Orth stated the PPA is contingent upon the startup of Community Choice.

Status of Renewables Program: Mr. Orth said the Authority's ad hoc Renewables Committee has been working on an expanded renewables strategy for the program. Orth reported that with the assistance of Navigant Consulting, the Authority Board members received a data request to assess the existence and opportunity for solar installations. Mr. Orth offered staff assistance to those who are not able to complete the data request by the end of October, since KRCD plans to compile the data in November and bring it back as a concept proposal to this Board.

Status of Other CCA Programs: Mr. Orth reported that he and Cristel Tufenkjian have been communicating with other CCAs in California. The group has temporarily named itself Community Choice Association, and is developing a purpose statement. Mr. Orth said currently the work group consists of representatives from Sonoma, Santa Barbara, San Luis Obispo, Marin County and some of their communities, San Francisco and East Bay representatives. Orth said Marin County is working to form a Joint Powers Agency for their CCA, and also reported that Marin just posted on their website a response to the PG&E Counter Proposal from a technical advisor to the County of Marin. Orth said PG&E has engaged Marin County and in the East Bay, with staff presenting a report to the Berkeley Energy Commission on October 22, 2008, offering up a counter proposal in lieu of Community Choice. Orth outlined the PG&E proposal to spend about \$5 million working with Berkeley, Emeryville and Oakland on energy and greenhouse gas reductions strategic planning, targeting \$7 million for East Bay energy program funds for energy efficiency, and to develop funding including \$19 million for solar power and clean transportation programs in that region. Orth further said the Commission did not take action on the staff recommendation, but asked for more study, with the City of Oakland Public Works Committee to consider this item on October 28, 2008.

Outreach Activities: Cristel Tufenkjian, KRCD, reported that the September/October KRCD Connections was recently distributed and contained articles about program status updates, an overview of the CCA efforts statewide, an article by the CEC that peak demand is on the rise driven by growth in the inland areas, and an overview of the conventional generation projects and transmission projects that are being proposed in our valley. Ms. Tufenkjian also said she has done two staff presentations about the program in the City of Parlier and Kings County, reminding the members that service is also available to them at any time.

CONSENT CALENDAR

Alternate Director Deb West, Kings County, asked about revenue amounts shown on the financial statements, as did Director Jeff Britz, City of Lemoore, with respect to the PG&E reimbursement of fees paid to SJVPA from the Complaint Case. Chair Manfredi suggested to Mr. Orth that future financial statements reflect that reimbursement amount as miscellaneous revenue.

It was moved by Alternate Director West, Kings County, seconded by Director Rocky Rogers, City of Reedley, and approved on a voice vote (voting shares: 93.29% approved, 6.71% absent, 0% opposed) to approve the Consent Calendar, which consisted of Financial Statements for the month ending September 30, 2008.

APPROVAL OF MINUTES

By motion made by Director Ron Hoggard, City of Corcoran, seconded by Alternate Director Dan Meinert, City of Dinuba, and approved on a voice vote (voting shares: 93.29% approved, 6.71% absent, 0% opposed) the Minutes of the October 2, 2008 Authority Rescheduled Regular Board Meeting were adopted.

AUTHORIZATION TO REIMBURSE KINGS RIVER CONSERVATION DISTRICT FOR COSTS RELATING TO THE COMPLAINT AGAINST PG&E (CPUC CASE 07-06-025) – RESOLUTION 08-04.

Director Don Pauley, City of Kingsburg, applauded legal counsel Scott Blaising and Dan Carroll, Downey Brand, for successful negotiation of the Settlement of the Complaint Case against PG&E, including the reimbursement of \$383,631.69 in litigation-related expenses. Chair Manfredi also congratulated and commented on the excellent work by staff and both legal counsels on the resolution of the Complaint Case. Director Pauley made a motion, seconded by Alternate Director Gary Misenhimer, City of Hanford, and approved on a voice vote (voting shares: 93.29% approved, 6.71% absent, 0% opposed) to adopt Resolution 08-04 Authorization to Reimburse Kings River Conservation District for Costs Relating to the Complaint Against PG&E.

NEXT MEETING DATE

The Authority Board established December 11, 2008 at 2:00 p.m. for the next regular meeting of the Board at the offices of KRCD, noting that the fourth Thursday of November will be Thanksgiving and the fourth Thursday in December will be Christmas; the December 11 meeting date will be instead of two separate meetings, unless circumstances require a Special board meeting be called. On motion by Director Rocky Rogers, City of Reedley, seconded by Alternate Director Dan Meinert, City of Dinuba, and approved on a voice vote (voting shares: 93.29% approved, 6.71% absent, 0% opposed) the next meeting date will be December 11, 2008.

RECESS

At 2:54 p.m. Chair Manfredi called for a three minute recess before the start of Closed Session.

CLOSED SESSION

Pursuant to Government Code Sections 54956.9 (a), the Authority Board adjourned to Closed Session at 3:00 p.m. to confer with Legal Counsel on regulatory matters requiring litigation before the CPUC including the CCA Bond; Rulemaking Proceeding 03-10-003.

RECONVENE TO OPEN SESSION

The Board reconvened into Open Session at 3:56 p.m. Chair Manfredi disclosed the Authority 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.

ADJOURNMENT

There being no further business, Board Chair Manfredi asked for a motion to adjourn the meeting. By motion made by Director Rocky Rogers, City of Reedley, seconded by Director Lou Martinez, City of Parlier, and approved on a voice vote (voting shares: 93.29% approved, 6.71% absent, 0% opposed) the meeting was adjourned at 3:57 p.m.

Respectfully submitted,

Secretary