

**San Joaquin Valley Power Authority
Minutes
Regular Board Meeting
January 22, 2009**

Minutes of the January Regular Meeting of the Board of Directors (Board) of the San Joaquin Valley Power Authority (Authority) held January 22, 2009, 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

Director Larry Spikes

CITY OF LEMOORE

Director Jeff Briltz

CITY OF PARLIER

Director Lou Martinez

CITY OF REEDLEY

Director Rocky Rogers

CITY OF SANGER

Absent

CITY OF SELMA

Absent

Chair Manfredi confirmed there was a quorum of members present. Ten (10) of the twelve (12) Authority Member Agencies were present for a total of 86.64% voting shares under the Joint Powers Agreement (JPA).

OTHERS PRESENT

Jeff Adolph, Pacific Gas & Electric
Lisa Bischel, Madrid Salazar PR & Marketing
Scott Blaising, Braun Blaising McLaughlin, P.C.
Margaret Clayton, Kings River Conservation District
Paula Farris, Astone
Gary Hanson, Pacific Gas & Electric
Fausto Hinojosa, Price Paige & Company Accountancy Corporation
Jane Luckhardt, Downey Brand LLP
David Orth, Kings River Conservation District
Randy Shilling, Kings River Conservation District
Steve Stadler, Kings River Conservation District
Brian Thoburn, Southern California Edison
Brian Trevarrow, Kings River Conservation District
Cristel Tufenkjian, Kings River Conservation District

ADDITIONS TO OR DELETIONS FROM THE AGENDA

Chair Ron Manfredi, City of Kerman, proposed that Agenda Item 8 Presentation of Audited Financial Statements be presented following Item 3 Public Comments, and that Agenda Item 9 Report of the ad hoc Committee follow Item 4 Director's Reports.

By motion made by Director Rocky Rogers, City of Reedley, seconded by Director Jeff Briltz, City of Lemoore, and approved on a voice vote (voting shares: 86.64% approved, 13.36% absent, 0% opposed) the adjustment to the order of items on the Agenda was accepted as proposed.

PUBLIC COMMENTS

There were no public comments.

PRESENTATION OF AUDITED FINANCIAL STATEMENTS

Randy Shilling, Kings River Conservation District (KRCD), introduced Fausto Hinojosa, CPA with Price Paige & Company Accountancy Corporation. Mr. Hinojosa gave a report on the audited financial statements for the years ended June 30, 2008 and 2007, noting that the Price Paige & Company issued an unqualified opinion on the financial statements. Mr. Hinojosa explained that this was the first audit performed since the inception of the Authority in 2007 and that going forward an audit would be required every two years.

Director Briltz inquired about the disclosure of the Development and Start-up Costs fronted by KRCD. Mr. Shilling and Mr. Orth explained that the requirements to book those costs as a payable of the Authority were not met and therefore no liability appears in the SJVPA audited financial statements, noting further that the obligation of the Authority was contingent upon commencement of CCA and future action of the Authority Board. Mr. Orth stated the Authority Board could direct KRCD to modify the financial statements to include a disclosure of a contingent obligation in the notes. Mr. Orth also stated that an accounting of the Development and Start-up Costs could be presented at the next meeting as an information item. Input was provided by Director Larry Spikes,

Kings County, Director Rocky Rogers, City of Reedley, and Jane Luckhardt, General Counsel with Downey Brand LLP, to have the Minutes reflect the existence of these contingent contractual obligations and attach a copy of the approved Minutes to the Audited Financial Statements. Chair Manfredi asked for a motion to accept the Audited Financial Statements to include the Minutes reflecting this discussion as disclosure of the contingent obligation. Chair Manfredi also directed Mr. Orth to provide a summary of the Development and Start-up Costs at the next meeting.

By motion made by Director Rocky Rogers, City of Reedley, seconded by Alternate Director Dan Meinert, City of Dinuba, and approved on a voice vote (voting shares: 86.64% approved, 13.36% absent, 0% opposed) the Audited Financial Statements for the years ended June 30, 2008 and 2007 were approved.

REPORT FROM THE DIRECTORS

There were no reports from Directors.

REPORT OF THE AD HOC POWER COMMITTEE

Chair Manfredi reported that the committee, comprised of himself, Alternate Director Robert Ford, City of Clovis, Director Don Pauley, City of Kingsburg, and Larry Spikes, Kings County, had met several times with the KRCD ad hoc Power Committee to consider the status of the CCA program and provide input to KRCD as the Authority's agent. Chair Manfredi reported the Authority had granted a one year extension until October 15, 2009 to authorize KRCD to enter into a power supply contract. Chair Manfredi also reported that alternate options are being explored and results of that research will be reported at a future meeting.

Director Jeff Britz, City of Lemoore, asked about recent issues reported about Citigroup. Mr. Orth offered that the current credit market issues did affect the energy market in terms of their willingness to take the risk to enter into long-term fixed price commitments. Orth also said that Citigroup Energy is still active in the market place, stating that the market is just very different now. Mr. Orth reported that KRCD and Navigant Consulting are talking with other energy providers and exploring alternate approaches such as analyzing solar and other renewable technology opportunities for the CCA program.

Chair Manfredi pointed out that there are several opportunities for CCAs and mentioned Public Purpose Funds as a possibility for the central valley. Ron Hoggard, City of Corcoran, reminded the Authority Board that Corcoran has 100 - 160 acres that can be dedicated to a solar project.

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.

Smart Meters – Mr. Blaising explained how these Smart Meters utilize information for customers to allow them to make choices with respect to energy reduction, also known as demand response. Blaising said that both PG&E and SCE have begun Advance Metering Initiatives, the purpose of which is to provide information to customers. Mr. Blaising reported PG&E's program was

approved by the California Public Utilities Commission (CPUC) in 2006 at a cost of \$1.7 billion with an additional increment of \$500 million for revisions to those meters to be considered at the January 29, 2009 CPUC meeting. Blaising reported that SCE has a pending application for \$1.63 billion for approximately 5 million new Smart Meters and said the CPUC is also considering an increase in the utility's request for demand response, the ability to market through the California Independent System Operators. Mr. Blaising reported that the budget from 2006 – 2008 was \$262 million, with the proposal for the 2009 – 2011 budget being up to \$400 million.

Transmission Infrastructure – Mr. Blaising said that additional transmission infrastructure needs to be in place to provide access to renewable resources being generated in the State. Blaising reported that renewable energy zones were recently identified and ranked in a report to the CPUC. Blaising noted the next step is to determine the cost to build transmission to the zones, with workshops currently taking place to see what can be done to reduce environmental impact of those transmission lines and facilities. Mr. Blaising stated that San Diego Gas & Electric had proposed the Sunrise Powerlink, a 120 plus mile transmission project in the Imperial Valley east of San Diego, which was approved by the CPUC in December at a cost of \$1.8 billion.

IOU Rates - Mr. Blaising reported that SCE's general rate case is scheduled to go before the CPUC on January 29, 2009, calling for a 9.42% increase in overall rates, part of which is distribution and part is generation. Blaising said SCE also has on that agenda their Energy Resource Recovery Account application relating to its revenue requirement associated with their general resources. Mr. Blaising said he and John Dalessi, Navigant Consulting, would prepare a summary of the SCE rate increase. Mr. Blaising said other items on the CPUC January 29 agenda are Rulemaking to examine energy efficiency policies and programs as well as the CCA Cost Responsibility Surcharges (CRS) or exit fees, to consider approval with modification of the proposed tariffs. Mr. Blaising said that the CPUC has not yet addressed the Petition to Modify the overall exit fee methodology filed by the City of Victorville, a proposed CCA, but it is anticipated to early in 2009.

In closing, Mr. Blaising reported that there are two matters he would like to discuss in closed session.

Investor Owned Utilities' Activities: Mr. Orth reported the work with PG&E and SCE over the last 60 days has involved a data request for account usage and quantity information for Authority Member accounts in conjunction with the solar inventory assessment.

Status of CCA Implementation: Mr. Orth provided the Authority Board with an update on the challenges of the wholesale energy market. Orth stated that the positive outlook reported at the October 2008 Board meeting changed during November, December and January with continued dysfunction in the energy and municipal finance markets. Mr. Orth made reference to the status report memorandum, together with supporting documents that were sent to the Board in early January to be used as they briefed their policymakers and offered his assistance at those briefings.

Status of Settlement Implementation: Mr. Orth announced that the bi-monthly meeting was held with PG&E on November 12, 2008, and that Scott Blaising, and Authority representatives Randy Shilling and Cristel Tufenkjian were participants along with PG&E representatives. Mr. Orth said that based on discussions at that meeting, modifications were made to the PG&E CCA website. Mr. Orth said both sides continue to identify issues they feel are misleading or misdirected, so the process appears to be working as intended.

CEC RESCO Grant: Mr. Orth reported that Director Briltz introduced the RESCO program to the Authority Board and coordinated a meeting with the CEC staff to review. Orth reported the CEC Grant seeks proposals to explore, develop pilot proposals or implement plans for communities or parties to transition to primary dependence on local renewable energy within the decade. Mr. Orth said results of an email survey among the Authority members were evaluated and KRCD staff is pursuing the possibilities with the assistance of Navigant Consulting to package a proposal(s).

Director Briltz stated that he sits on the Board of the San Joaquin Valley Clean Energy Organization with a CEC staff member and they reached out to him with this project.

Cleantech Solar Project: Mr. Orth reported that KRCD and Cleantech have remained committed to develop the 80 MW solar project to serve the Authority's CCA. Orth reported a series of Power Purchase Agreements (PPA) have been negotiated with Cleantech to support the three phase development of utility scale solar in the region. Mr. Orth explained that a Master Agreement that defines the process and commitments by both parties affecting the actual execution of the PPAs will be presented to the KRCD Public Financing Corporation in early February. Mr. Orth stated the Power Purchase Agreements are contingent upon the full startup of Community Choice and action by the KRCD Board and the Authority Board.

Stimulus Bill: Mr. Orth reported he has had numerous discussions with KRCD's federal lobbyist and state representatives about how to position the SJVPA CCA program and its infrastructure investment objectives so that it is considered for funding within the federal stimulus program. Orth said the target is for Congressional approval of the packet in February with a 60 – 120 days turnaround for funding.

Community Power Plant: Mr. Orth reported that KRCD continues the CEC permitting process, with a January workshop postponed to allow us time to finalize procurement of Emission Reduction Credits (ERCs).

Status of Other CCA Programs: Mr. Orth reported that he and Cristel Tufenkjian have been communicating with other CCAs in California. The group has given itself the title of "Community Choice Energy Council" (CCEC), and consists of representatives from Sonoma, Santa Barbara, San Luis Obispo, Marin Clean Energy, San Francisco and East Bay representatives. Mr. Orth said the CCEC is trying to define its objectives of outreach, communication, collaboration and support across community lines.

Mr. Orth said that after a significant campaign with their City Councils, Marin County has formed a Joint Powers Agency (JPA) with several communities to advance Community Choice Aggregation in that region. Mr. Orth reported the first meeting of the JPA, Marin Clean Energy (MCE) will be February 5, 2009. Mr. Orth said MCE currently plans a request for proposal in March/April to solicit and assess market support of a renewable strategy within their service area, followed by finalizing their Implementation Plan for application to the CPUC later in 2009.

CONSENT CALENDAR

Chair Manfredi reported the Financial Statements for the months ending October 31, 2008, November 30, 2008, and December 31, 2008, would be voted on together unless a board member had questions on any of them.

It was moved by Director Rocky Rogers, City of Reedley, seconded by Director Gary Misenhimer, City of Hanford, and approved on a voice vote (voting shares: 86.64% approved, 13.36% absent, 0% opposed) to approve the Consent Calendar, which consisted of Financial Statements for the months ending October 31, 2008, November 30, 2008, and December 31, 2008.

APPROVAL OF MINUTES

By motion made by Alternate Director Dan Meinert, City of Dinuba, seconded by Director Ron Hoggard, City of Corcoran, and approved on a voice vote (voting shares: 86.64% approved, 13.36% absent, 0% opposed) the Minutes of the October 23, 2008 Authority Regular Board Meeting were adopted.

NEXT MEETING DATE

The Authority Board established February 26, 2009 at 2:00 p.m. for the next regular meeting of the Board at the offices of KRCD.

RECESS

At 3:13 p.m. Chair Manfredi called for a brief 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 3:18 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 3:40 p.m. General Counsel Jane Luckhardt, Downey Brand LLP, 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 adjourned the meeting at 3:41 p.m.

Respectfully submitted,

Secretary