

**San Joaquin Valley Power Authority
Minutes
Regular Board Meeting
February 26, 2009**

Minutes of the February Regular Meeting of the Board of Directors (Board) of the San Joaquin Valley Power Authority (Authority) held February 26, 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

Absent

CITY OF KERMAN

Director Ron Manfredi

CITY OF KINGSBURG

Director Don Pauley

KINGS COUNTY

Director Larry Spikes

CITY OF LEMOORE

Director Jeff Britz

CITY OF PARLIER

Absent

CITY OF REEDLEY

Director Rocky Rogers (arrived at 2:04 p.m., after roll call)

CITY OF SANGER

Absent

CITY OF SELMA

Alternate Director Roseann Galvan

Margaret Clayton, Kings River Conservation District (KRCD) reported that eight (8) of the twelve (12) Authority Member Agencies were present for a total of 70.12% voting shares (adjusted at

2:04 p.m. to nine (9) Authority Member Agencies present for a total of 77.08% 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
John Dalessi, Navigant Consulting
Paula Farris, Astone
Terri Forrest, Youngstown/Hamilton Cold Storage
Melissa Hunter
Shannon Koontz, Pacific Gas & Electric
Scott Linhoff
Jane Luckhardt, Downey Brand LLP
Mark McKean, Kings River Conservation District
Patrick Mealoy, Navigant Consulting
David Orth, Kings River Conservation District
Randy Shilling, Kings River Conservation District
Steve Stadler, 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

Scott Linhoff, resident of Selma and parent of Indianola School student, expressed his concerns about the location of the proposed Community Power Plant in proximity to the School. Mr. Linhoff stated, among other things, that the Selma City Council had recently passed a resolution in opposition of the proposed Plant. After Mr. Linhoff completed addressing the Board, Chair Manfredi noted that KRCD, not the Authority, was pursuing the proposal Plant, and asked Mr. Linhoff if he had addressed his concerns to the KRCD Board. Mr. Linhoff said he had previously spoken at a KRCD Board meeting.

REPORT FROM THE DIRECTORS

Chair Manfredi asked for comments from the Board. Mr. Manfredi reported that he continues to work with PG&E's electrical services engineering division regarding new projects for major expansions.

Director Don Pauley, City of Kingsburg, reported he and others had been reacting to the Federal Stimulus package, and wanted to make sure KRCD knew the Stimulus package contained a major element for energy. David Orth, KRCD, offered that KRCD was watching the Stimulus package and intended to speak briefly to the Board during his report and would request guidance and direction from the Board.

REPORT FROM THE GENERAL MANAGER

Mr. Orth provided his report after stating that regulatory matters would be presented during Closed Session primarily as they relate to the CCA Bond proceedings.

Investor Owned Utilities' Activities: Mr. Orth distributed to the Board a PG&E tri-fold flyer, titled "Was it Really a Choice if You Didn't Choose?" Orth reported KRCD had received the flyer from a potential customer within the Reedley service area. Director Pauley said that he thought a level of agreement had been reached with PG&E as a result of previous California Public Utilities Commission (CPUC) rulings to conduct matters professionally, and Mr. Pauley said he felt the flyer is less than in the spirit of that understanding. Chair Manfredi agreed with Mr. Pauley's comment and included his concern about the inaccurate statements in the flyer. Mr. Orth explained there was a bi-monthly status discussion process established through the Settlement Agreement where these concerns can be addressed directly between the Authority's Special Counsel Scott Blaising and PG&E representatives.

Status of CCA Implementation: Mr. Orth reported he would address this matter during Agenda item 8 Approval to Modify the Authority's Community Choice Aggregation (CCA) Implementation Plan (Resolution 09-01).

Status of Settlement Implementation: Mr. Orth reported this item was covered under Investor Owned Utilities Activities.

Status of Resource Development:

Cleantech Solar Project: Mr. Orth reported to the Board that the KRCD Public Financing Corporation met on February 2, 2009, and authorized execution of the Master Agreement with Cleantech America for development of the 80 MW utility scale solar project which may ultimately support the CCA program. Mr. Orth said the Agreement states the interest of both parties in the proposed project and, subject to future approvals of the KRCD Board and the Authority Board, the output of that project would be purchased by KRCD and delivered to SJVPA Community Choice customers.

Community Power Plant: Mr. Orth reported that during Public Comments, Mr. Linhoff had mentioned the Resolution of the Selma City Council regarding the proposed Community Power Plant. Orth noted that the Resolution incorrectly identifies SJVPA as the developer of the project. Mr. Orth clarified that the proposed Community Power Plant is KRCD's project, not the Authority's.

Status of Other CCA Programs: Mr. Orth reported Marin Clean Energy (MCE) has formed a Joint Powers Agency and is working on a Request for Proposal to solicit market information relative to renewable projects. Orth reported the City of Novato has taken action not to proceed as a member of MCE. Mr. Orth said he has spoken with, and plans to meet next week, the newly hired Director of CCA for the San Francisco Public Utilities Division of the City and County of San Francisco.

Draft Schedule of Development and Start-up Costs: Mr. Orth distributed copies of a draft schedule detailing the Development and Start-up Costs as required under Section 9.2.1 and 9.2.2 of the Power Services Agreement. Orth reported the schedule was requested during the presentation of the Audited Financial Statements at the January 22, 2009 Authority Board meeting and subsequently prepared by Authority Assistant Treasurer/KRCD Deputy General Manager of Finance and Administrative Services, Randy Shilling. Mr. Orth reported that Development Costs incurred

through October 23, 2007 net to \$1.477 million, and Start-up Costs, which are program costs incurred since the Power Services Agreement was signed in October 2007, net to \$1.193 million. Orth noted that Start-up Costs continue to accrue under the Authority approved budgets. Orth also noted that reimbursement of these costs is subject solely to action of the Authority Board and only through revenue collected from CCA customers, noting further that the liability shall in no way accrue to the individual members of the Authority except in the capacity as a customer.

Mr. Orth explained the KRCD Board would be considering the schedule of Development and Start-up Costs, which would then be formally submitted to the Authority under Section 9 of the Power Services Agreement. Chair Manfredi requested KRCD provide the Authority Board with an updated copy of the schedule twice a year.

Other Activities:

Stimulus Bill: Mr. Orth reported he and KRCD staff had been reviewing the federal Stimulus Bill for both energy related opportunities as well as water and waste water opportunities within the scope of responsibilities to the Upper Kings Water Forum, noting many Forum members are also Authority members. Orth reported he just attended a conference by the San Joaquin Clean Energy Organization which presented its observations relative to funding opportunities. Mr. Orth provided a one-page flyer and explained the Energy Block Grant (EECBG) eligible activities, and mentioned that funds are available pursuant to formula for communities and counties with populations greater than 35,000, as well as for counties with populations greater than 200,000. For entities not meeting those thresholds, funding is administered by state agencies using a competitive grant process. Orth reported that KRCD intended to explore funding opportunities on behalf of the Authority, as a supplement to what the individual communities might pursue.

CONSENT CALENDAR

Chair Manfredi reported the Financial Statements for the month ended January 31, 2009, would be voted on for approval. It was moved by Director Ron Hoggard, City of Corcoran, seconded by Alternate Director Dan Meinert, City of Dinuba, and approved on a voice vote (voting shares: 77.08% approved, 22.92% absent, 0% opposed) to approve the Consent Calendar, which consisted of Financial Statements for the month ended January 31, 2009.

APPROVAL OF MINUTES

Chair Manfredi asked if there were any corrections or clarifications to the draft Minutes of the January 22, 2009 meeting as distributed, and if not the Minutes would be voted on for approval. By motion made by Director Rocky Rogers, City of Reedley, seconded by Director Ron Hoggard, City of Corcoran, and approved on a voice vote (voting shares: 77.08% approved, 22.92% absent, 0% opposed) the Minutes of the January 22, 2009 Authority Regular Board Meeting were adopted.

APPROVAL TO MODIFY CCA IMPLEMENTATION PLAN (Resolution 09-01)

Mr. Orth reported that due to changes in energy and credit market conditions, which he had discussed with the Authority at previous meetings, KRCD has explored and considered alternatives regarding the Authority Community Choice Program with SJVPA and KRCD Board ad hoc committees. Orth reported that Resolution 09-01 provided modification of the Implementation Plan on file with the California Public Utilities Commission, and for preparation of a Service Addendum

to the Power Services Agreement between KRCD and the Authority to provide further guidance to KRCD in the procurement of energy supplies for the CCA Program.

Mr. Mealoy provided a PowerPoint slide presentation describing the progress made by the Authority in the last four years and highlighting energy and credit market conditions over that same period. Mealoy pointed out a few of the successes achieved by the Authority; that it was the first CCA formed in California; it was instrumental in the formation of the statewide CCA group; and positive resolution of regulatory challenges before the CPUC – specifically the joint and several issue, CCA bond amount, and the PG&E conduct case. Mr. Mealoy also provided information regarding increases in natural gas and oil prices and the credit market instability beginning in fall 2008. Mr. Mealoy reported that due to this instability, Citigroup Energy found in November 2008, that it was unlikely the Authority's objectives of 5% discount off the generation rates charged by PG&E and SCE, and a 2% cap on increase through 2015, could be met.

Mr. Orth and Mr. Mealoy reported that KRCD initiated meetings with SJVPA and KRCD Board ad hoc committees in late fall 2008, and received direction to explore restructuring the CCA program by focusing on incremental opportunities and address local resource needs primarily focused on distributive renewable generation projects.

John Dalessi, Navigant Consulting, continued the presentation to cover the areas of rates and economics. Mr. Dalessi reported that PG&E's generation rates have increased 20% since January 2008 and SCE's generation rates are expected to increase by approximately 5%. Mr. Dalessi noted the goal of the Authority continues to be to secure power supply for the CCA program at a cost low enough to offset the Cost Responsibility Surcharge (CRS) and provide a discount of 5%, noting further that the SJVPA rates need to actually be 15-20% lower than the utilities because of the CRS.

Mr. Dalessi provided a summary of benefits, noting that Authority members can experience a savings of \$3 million in energy rates over the first three year period. Mr. Dalessi noted the estimated savings could vary as it depends on how fast the utilities rates increase and how fast the CRS fall off. Dalessi said if the utilities rates continue to increase more than 4% (the 20 year trend) the savings to the Authority would be greater. Mr. Dalessi mentioned another upside would be if/when the Victorville Petition to Modify the Cost Responsibility Surcharge methodology issue is resolved through the CPUC, which should lower the CRS amount and allow the savings to be higher.

Mr. Orth reported that proposed modifications to the Implementation Plan were generally reflected in the draft CCA Implementation Plan and Statement of Intent, February 2009 distributed at the meeting and incorporated concepts of shorter term incremental energy purchases consistent with the Authority objectives of 5% generation discount and 2% cap on increases. Orth noted that the proposed modifications reflected removal of Citigroup Energy as the designated full requirements energy supplier and incorporated additional language regarding distributive renewable investment to support the Authority's renewable objectives. Mr. Mealoy noted other changes included updates to various schedules and tables to reflect current data and timing.

Mr. Orth and Ms. Luckhardt discussed the proposed Service Addendum to the Power Services Agreement, noting that it was necessary to provide additional guidance to KRCD in the procurement of shorter term incremental energy supplies. Orth reported that approval of the Service Addendum would be set for Authority action at a future meeting.

Director Pauley asked about the costs to customers returning to IOU service after expiration of a 3 year contract and the inability to renew due to change in the market conditions for example, compared to the savings recognized during those 3 years. Mr. Dalessi explained that at 2 years into the contract, a determination would be made if there was enough supply for the subsequent period, and if not, then a one year notice would be given to the utilities in which case there is not a re-entry fee only a per meter administrative charge for each returning customer.

Director Jeff Britz asked questions about repayment of Development and Start-up Costs expended by KRCD on behalf of the Authority and when and how those costs would be repaid. Scott Blaising and the Authority's General Counsel Jane Luckhardt, Downey Brand, explained that Section 9.2.1 of the Power Services Agreement provides such reimbursement shall only be made from revenue collected from CCA customers and liability for such reimbursement shall in no way accrue to the individual members of the Authority. In response to another question concerning timing of possible withdrawal from the Authority, Ms. Luckhardt stated that Program Agreement No. 1 (PA1) provides for six month's written notice from the withdrawing member to the Authority.

Mr. Orth explained he would be providing a CCA status update at the Joint City County meeting in Kings County, and again renewed his offer to brief the Councils and Supervisors for the individual Member cities and county on status and change to the program and further explain the process. Orth also reported that further clarification as to timing and withdrawal would be provided to Authority members at these meetings and future Board meetings.

Discussion among the Authority Board led to agreement to modify Resolution 09-01 to clarify that Exhibit A to Resolution 09-01 would include the "Draft CCA Implementation Plan and Statement of Intent, February 2009" and PowerPoint presentation titled "Potential Next Steps for the San Joaquin Valley Power Authority."

By motion made by Director Don Pauley, City of Kingsburg, seconded by Alternate Director Dan Meinert, City of Dinuba, and approved on a voice vote (voting shares: 77.08% approved, 22.92% absent, 0% opposed) Resolution 09-01 directing the preparation of a Service Addendum to the Power Services Agreement with KRCD and approving certain modifications to the Authority's CCA Implementation Plan for submittal to the CPUC.

AUTHORIZATION TO SUBMIT RESCO GRANT PROPOSALS (Resolution 09-02)

Mr. Orth provided background on the Renewable-Based Energy Secure Communities (RESCO) Grant proposals to evaluate the integration of local renewable energy projects within the Authority's resource portfolio. Mr. Orth explained that approval of Resolution 09-02 would authorize filing the RESCO Grant proposals with the California Energy Commission (CEC).

By motion made by Alternate Director Roseann Galvan, City of Selma, seconded by Director Rocky Rogers, City of Reedley, and approved on a voice vote (voting shares: 77.08% approved, 22.92% absent, 0% opposed) Resolution 09-02 authorizes filing the RESCO Grant proposals with the CEC.

NEXT MEETING DATE

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

RECESS

At 3:50 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 3:52 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 3:57 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 3:58 p.m.

Respectfully submitted,

Secretary