

**San Joaquin Valley Power Authority
Minutes
Regular Board Meeting
June 25, 2009**

Minutes of the June Regular Meeting of the Board of Directors (Board) of the San Joaquin Valley Power Authority (Authority) held June 25, 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 (arrived at 2:02 p.m., after roll call)

CITY OF CORCORAN

Director Ron Hoggard

CITY OF DINUBA

Absent

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 (left at 3:25 p.m., prior to vote)

CITY OF SANGER

Alternate Director John Mulligan

CITY OF SELMA

Alternate Director Roseann Galvan

Margaret Clayton, Kings River Conservation District (KRCD), took roll and reported there was a quorum of members present. Ten (10) of the twelve (12) Authority Member Agencies were present for a total of 76.42% voting shares (adjusted at 2:02 p.m. to eleven (11) Authority Member Agencies present for a total of 93.01% 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
Ray Gish, Pacific Gas & Electric
Melissa Hunter
Shannon Koontz, Pacific Gas & Electric
Jane Luckhardt, Downey Brand LLP
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

There were no public comments.

REPORT FROM THE DIRECTORS

There were no Director reports.

REPORT FROM THE GENERAL MANAGER

Regulatory Update: Dave Orth, KRCD, asked Scott Blaising to provide an update on regulatory matters.

CCA Bond - Scott Blaising, Braun Blaising & McLaughlin, reported the Motion to Approve the CCA Bond Settlement Agreement was filed June 24, 2009 with the California Public Utilities Commission (CPUC), after being approved by Pacific Gas & Electric (PG&E), Southern California Edison (SCE), San Diego Gas & Electric, and The Utility Reform Network (TURN), and also signed by the San Joaquin Valley Power Authority (SJVPA) and the City of Victorville. Mr. Blaising explained that the procedural schedule allows for parties to file comments on the Settlement Agreement within 30 days from June 24, 2009, followed by reply comments 15 days after that, after which the CPUC will make its determination around November, on the matter of cost responsibility beyond the amount covered in the Bond.

Investor Owned Utilities' Activities: Mr. Orth reported he had received no response to the June 16, 2009 letter sent to PG&E in response to its letter to the City of Clovis. Mr. Orth provided a copy of an article from the California Energy Market that identifies PG&E as helping to fund the Taxpayer Right to Vote Act initiative presented to the Attorney General. Mr. Orth reported to the Authority Board that the initiative is not expected to be on the ballot until 2010, and if it passes would require

voters to approve by 2/3 vote any effort by local government to expand service or implement Community Choice.

Status of Resource Development: Mr. Orth reported KRCD is working with the California Independent System Operator (CAISO) to review the third System Impact Study results on the Community Power Plant. Mr. Orth also reported that on June 5, 2009, the Authority Board approved the filing of the Application for the California Energy Commission (CEC) PIER Grant, which was filed on June 12, 2009. Mr. Orth said next steps in the process are potential interviews in mid-July, with stage one decisions scheduled for July 24, 2009, and final proposals due September 24, 2009 for those passing stage one. Mr. Orth said KRCD is also preparing an Application due August 4, 2009, for Federal Clean Renewable Energy Bonds support for potential financing of two separate renewable capacity projects within the KRCD service area; one a small hydro facility and the second a mid-sized solar facility. Mr. Orth reported Chair Manfredi had suggested KRCD look into EPA Climate Change Grants and evaluations as to what the grants provide are taking place, with responses due the third week of July. Mr. Orth said he met with Cleantech earlier in the day and KRCD continues interest in the master development agreement for the 80 MW utility scale solar to support Community Choice with additional capacity in the region.

Outreach Activities: Mr. Orth mentioned that the publications of California Energy Market and Platts have both conducted interviews with him this week focused primarily on the Taxpayer Right to Vote Act initiative and our concerns and responses to it, as well as their interest in our CCA implementation efforts.

Status of Other CCA Programs: Mr. Orth reported that he had several recent conversations with Marin Clean Energy (Marin) and the San Francisco Public Utility Commission (PUC) representatives relating to the Taxpayer Right to Vote Act initiative and SB 695 that was introduced by Senator Kehoe, developed through a joint negotiation of PG&E, SCE and TURN focusing on direct access and tier rate structure. Mr. Orth said amendments to the language of the bill have been agreed upon by all parties to clarify that it is not intended to impact Community Choice programs.

Mr. Orth reported Marin's Request for Proposal (RFP) to solicit full requirements supplier or suppliers to meet their portfolio and project objectives had 35 companies represented at the pre-bidders conference last week.

Other: Mr. Orth provided an updated schedule of the Development and Start-Up Costs as of May 31, 2009, totaling \$2,860,000, of which \$189,700 additional costs were added since January 1, 2009. The amounts were broken down into legal, KRCD staff time and financing costs.

PHASE 1 IMPLEMENTATION REPORT

Mr. Orth provided a PowerPoint presentation (attached) with an overview of the issues and status of Community Choice implementation efforts, conclusions and recommendations. Mr. Orth reported the Authority Board had adopted Modification No. 3 of the Implementation Plan in February, 2009, then an addendum to the Power Supply Agreement (PSA) in April 2009, which provided continued direction to KRCD to negotiate for full requirements power supply to support Phase 1, member account load for a period of at least three years, retaining the 5% discount and 2% cap requirements. Mr. Orth said the Service Addendum 1 also provided for the development of a solar PV program, the creation of a work plan aimed at exploring opportunities to develop distributed generation solar projects on member facilities. Mr. Orth said KRCD has drafted a RFP for the solar

PV phase and with a committee of the Authority Board could finalize that RFP within the next 20-30 days.

Mr. Orth then summarized the status of confidential contract negotiations with four potential suppliers to meet Phase 1 energy requirements, referring to them as parties A, B, C and D. Party A was a financial institution, not the same one negotiated with previously; parties B and D were established suppliers within California having a presence in the direct access community, and party C supported delivery of energy to other Community Choice programs within the United States. Party D discussions are the most advanced, but there are outstanding issues to resolve.

Mr. Orth then explained six challenges impacting implementation efforts: credit, renewable energy, resource adequacy, implementation costs, market conditions and price, and the continued actions of PG&E. Mr. Orth provided specifics of each of the challenges.

Credit. Mr. Orth reported the standard Edison Electric Institute (EEI) contract provides for a credit threshold, requiring the buyer to post collateral if the market drops below certain levels. Orth noted that a collateral requirement for Phase 1 supply was unlikely, but given that letters of credit and credit markets are restricted, such requirement could only be addressed through development of reserves and/or rate increase.

Renewable Energy. Mr. Orth said that the market for renewable energy in California is uncertain; legislators attempt to move to a 33% standard; questions remain as to how renewable energy credits will be used and sources that may be used. Orth also expressed difficulty in obtaining a three year price quote for renewables, preventing price certainty and consistency with the 2% cap objective. Orth reported the Authority's objective was to voluntarily meet or exceed the IOU thresholds for renewable energy. Orth said there was some flexibility with the year and percentages of renewables; or to buy renewable energy credits and take the risk that they will qualify for whatever the RPS standard will be. Mr. Orth provided a matrix of the annual megawatt hours of the program using our interpretation of the 20% by 2010 standard.

Resource Adequacy. Mr. Orth explained that California law and regulations require to contract for excess capacity, from both local and system wide sources. Instability within California due to CAISO review of resource adequacy requirements make it difficult to obtain firm price for year 2 and year 3 from some suppliers.

Implementation Costs. Mr. Orth detailed the estimated costs that must be expended prior to implementation, including \$50,000 to complete negotiations with an energy supply contractor; the Service Agreement security deposit to PG&E and SCE of \$375,000; General Counsel of \$3,000 per month; Special Counsel of \$5,000 - \$10,000 per month; and KRCD staffing costs of about \$25,000 per month. Orth noted that Navigant Consulting is now used only as required.

Market Conditions and Price. Mr. Orth stated that for 2007 and 2008, and the first part of 2009, market conditions support our financial objectives. Mr. Orth provided detail of current negotiated prices which are above SJVPA financial objectives. Mr. Orth noted that all of the above issues create too much uncertainty and price risk, and are not consistent with the objectives set forth within Service Addendum 1 and the PSA

Continued Actions of PG&E. Mr. Orth explained a great deal of time and resources are required to deal with PG&E's active marketing and lobbying against the SJVPA Community Choice

Program. Discussion continues with the Energy Division of the California Public Utility Commission about PG&E's website and tri-fold brochure; PG&E's delivery of Phase 1 customer data was delayed and inaccurate and took significant time to correct, and during which time the market price moved away from us; interference by PG&E continues with our Development and Start Up Costs agreement; ongoing confusion over PG&E's actual forecasting generation rates in order to know what we have to beat, including a letter from PG&E representative David Rubin establishing yet another different rate; and also PG&E's involvement in the Taxpayer Right to Vote Initiative and how that will establish new requirements on potential CCAs.

Mr. Orth summarized the other activities currently being developed by KRCD on behalf of SJVPA specifically CEC PIER Grant, Federal Stimulus CEC Funding, CREBS Grant funding application, Phase I solar project, and the Cleantech solar project. Mr. Orth said there are other opportunities available to all Authority members to leverage together and work with PG&E through SJVPA and KRCD to promote Public Goods Investment Projects.

Mr. Orth provided status of the Implementation Plan saying that Modification No. 3 was filed with the CPUC on March 19, 2009, with several pages of joint reply comments from PG&E and SCE on April 22, 2009. Orth said CPUC Energy Division comments were received April 29, 2009 and June 19, 2009, responding to concerns raised in the reply comments of the IOUs. Orth said the Authority's reply comments are currently being drafted in response.

Mr. Orth presented conclusions, noting that the state budget and fiscal uncertainty is impacting each of the SJVPA members and KRCD in terms of revenue and budget; market conditions in which we are trying to negotiate the contract is highly dynamic; the lack of market credit support impacts cash flow and the inability to access affordable letters of credit and limits our risk mitigation alternatives; RPS uncertainty creates price risk beyond year 1; and PG&E's aggressive campaign against our efforts requires ongoing commitment of resources.

Mr. Orth reviewed the original purpose and objectives of the SJVPA, which was to be a regional collaboration of communities to look at local energy issues; develop and invest in local infrastructure; and to create programs that offer discount and stability to customers. Mr. Orth remarked that the SJVPA has remained consistent to those objectives.

Mr. Orth reviewed his recommendations with the Authority Board, stating the Board should consider suspending or deferring efforts to implement Phase 1 of Community Choice until fiscal and market conditions support the achievement of our objective; to pursue Other Activities as previously discussed; continue to monitor market conditions; continue meeting as a group, perhaps less frequently to receive updates on Other Activities progress and where the market is headed; continue to maintain an agency relationship with KRCD to provide administration specific project development and other activities.

Mr. Orth said if the Board agreed with the recommendations, there were several actions required, as specified in Resolution 09-06, specifically:

1. Suspend the implementation of the Authority's CCA Program until further affirmative action by the Authority Board.
2. Authorize and direct the General Manager to notify the CPUC of the Authority Board decision to temporarily suspend efforts to implement the Authority's CCA Program.

3. Authorize and direct the General Manager and General Counsel to draft, and authorize and direct the Chair to execute, a letter agreement between KRCD and the Authority that:
 - a. Suspends CCA Program implementation and the obligations contained in the PSA and Service Addendum 1 to the PSA.
 - b. Suspends the accrual of CCA Program Start-up Costs under the PSA as of July 1, 2009 until and subject to further Board action.
 - c. Authorizes the continuing investigation of Other Activities by KRCD on the condition that, prior to the furtherance of any activities beyond initial investigation, KRCD will present for Board approval project definition and cost-recovery criteria for such activity.

Chair Manfredi asked for questions and comments from the Authority Board relating to the recommendations presented by Mr. Orth. Director Jeff Briltz, City of Lemoore, questioned how to suspend efforts and still monitor market conditions, to which Mr. Orth responded that minimal time and effort would be necessary to periodically check out energy prices and potentially reached conditions to allow RA and RPS prices beyond one year. Orth said those efforts would be at KRCD's expense and would not obligate the Authority members to additional Development and Start-up Costs, unless and until a specific activity was brought to the Authority to approve and authorize accrual of a portion of those costs.

Director Ron Hoggard, City of Corcoran, asked if each member city/county was now on their own to pursue renewables. Director Hoggard said the City of Corcoran is currently pursuing a solar farm. Chair Manfredi said he felt there were many possibilities to work together as a group or with other entities, including IOUs, or to pursue as individuals. Chair Manfredi said he wanted to know more about Public Goods and was surprised he had not been contacted previously by the IOUs. Chair Manfredi asked PG&E representatives Jeff Adolph and Shannon Koontz-Monis to think about working with the Authority as a group on Public Goods projects rather than with individual cities.

Mr. Orth added that the cities of Lemoore, Dinuba, Sanger and possibly others have entered into individual projects, but there is still opportunity to use the Authority or KRCD as an alternative to assist in the analysis of projects, which may be voted on to undertake, with costs determined, or the decision made to take the project on independently. Director Briltz expressed concern about the cost of continuing to use KRCD's office and its staff with no income generated. Mr. Orth stated that one of the Other Activities to possibly take on was state or federal grant support, which is a revenue stream that would support the effort. Orth also said the KRCD ad hoc Power Committee is comfortable remaining focused on its role and opportunity in developing local infrastructure by investing staff time to develop projects such as the Malaga Peaker Plant and the Pine Flat Hydro Plant.

Director Rocky Rogers, City of Reedley, questioned if the Resolution required specific language concerning how KRCD will support the efforts during the suspension. Mr. Orth said Resolution 09-06 and the Letter Agreement between the Authority and KRCD would clarify the required mutual consent of both parties what the interim conditions would be. Special Counsel Scott Blaising and General Counsel Jane Luckhardt, Downey Brand LLP provided clarification regarding accrual of costs that would stop on July 1, 2009 without further authorization of the Board. Discussion continued about revision of Resolution 09-06 to provide clarity and a short recess was held so those changes could be made.

Director Hoggard questioned if other activities would continue beyond July 1, 2009, and be accrued as costs, such as the ongoing Settlement of the Bond action being worked on by Mr. Blaising. Mr. Orth stated that costs for legal representation of both Special Counsel and General Counsel shall cease July 1st unless specifically authorized by the Authority Board for a specific project. Mr. Orth added that Mr. Blaising had agreed to complete the CCA Bond proceeding without charge to the Authority.

Ms. Luckhardt reviewed the changes to Resolution 09-06 as displayed for viewing, and asked for comments. Chair Manfredi said he felt the concerns were addressed by the revisions, and requested a motion for approval of Resolution 09-06 as amended to authorize temporary suspension of the CCA program activities for the San Joaquin Valley Power Authority. By motion made by Director Don Pauley, City of Kingsburg, seconded by Director Larry Spikes, County of Kings, with further discussion by Director Pauley summarizing the intention of providing for the energy needs of our communities. Mr. Pauley said he hopes now the IOUs will partner with the Authority on efforts for the best interests of the communities represented. Chair Manfredi called for a voice vote (voting shares: 86.05% approved, 13.95% absent, 0% opposed) and Resolution 09-06 was approved.

Mr. Orth reported that a press release will be finalized and sent out for publication shortly with copies to the members, stating the actions just determined by the Board. Also a copy of the executed Resolution 09-06 will be provided to the Board for their use in briefings with their councils and supervisors. Mr. Orth said he would also notify the CCA programs in Marin and San Francisco of the action taken today.

CONSENT CALENDAR

Chair Manfredi reported the Financial Statements for the month ended May 31, 2009, and the Minutes of the June 4, 2009 Rescheduled Regular May Board Meeting would be voted on for approval. It was moved by Director Ron Hoggard, City of Corcoran, seconded by Director Gary Misenhimer, City of Hanford, and approved on a voice vote (voting shares: 86.05% approved, 13.95% absent, 0% opposed) to approve the Consent Calendar, which consisted of Financial Statements for the month ended May 31, 2009, and the Minutes of the June 4, 2009 Rescheduled Regular May Board Meeting.

NEXT MEETING DATE

The Authority Board discussed the date for the next meeting of the Board to be determined; the 4th Thursday of the month, possibly in either August or September at the offices of KRCD. Timely notice will be sent to interested parties on the distribution list.

CLOSED SESSION

There were no matters to be discussed in closed session.

ADJOURNMENT

There being no further business, Board Chair Manfredi adjourned the meeting at 3:35 p.m.

Respectfully submitted,

Secretary