

Minutes of the Kings River Conservation District (District) Board of Director's Workshop held April 10, 2007.

President Mark McKean, called the Workshop to order at 11:10 A.M.

DIRECTORS PRESENT

Mark McKean, President
Brent Graham, Vice-President
Ceil Howe Jr.
Gildo Nonini
Alvin J. Quist
Norman B. Waldner
Mike Yoshimoto

DIRECTORS ABSENT

None

OTHERS PRESENT

KRCD Staff/Consultants

Melissa Goliti
Dave Orth
Donna Pepper
Jim Richards
Randy Shilling
Ed Tiedemann, General Counsel (via phone)
Brian Travarrow
Cristel Tufenkjian

Others

Doug Brown, Stradling, Yocca
Carlson & Rauth
Dave Houston, Citigroup Global
Markets
Patrick Mealoy, Navigant Consulting

ADDITIONS TO OR DELETIONS FROM THE AGENDA

There were no additions or deletions to the Agenda.

PUBLIC PRESENTATIONS

There were no presentations by the public.

WORKSHOP OVERVIEW

General Manager Orth reported the objective of the Workshop is to provide the District Board with necessary information regarding the proposed Interim Financing to support the Community Choice Aggregation Program (CCA) and proposed KRCD Community Power Plant (Plant).

Mr. Orth noted Bond Counsel Doug Brown, Stradling, Yocca Carlson & Rauth, District General Counsel Ed Tiedemann (via phone), Dave Houston, Citigroup, and Patrick Mealoy, Navigant Consulting were in attendance for the Workshop to answer any questions the Board members may have.

INTERIM FINANCING

Randy Shilling, Deputy General Manager of Finance and Administrative Services, presented an overview of the District's Fiscal Year (FY) 2006-2007, FY 2007-2008 and FY 2008-2009 Budget for the CCA Program and proposed Plant. Mr. Shilling stated the Interim Financing is intended to provide essential program funding from July 1, 2007 to construction financing expected in October 2008.

Mr. Shilling reported the FY 2006-2007 Budget was approved by the Board in June 2006. New program categories were introduced in FY 2006-2007 that included, permitting for the proposed Plant and on-going development of the CCA Program, for a total of \$2,370,300. The Budget was augmented in February 2007, for a total Year End (YE) 2007 of \$3,626,802. Mr. Shilling reported further the current CCA Program schedule provides for service to begin November 1, 2007, with estimated electricity sales of \$52.9 M and estimated CCA Program costs of \$54.1 M, creating a negative cash flow in the first year.

Mr. Shilling stated the FY 2007-2008 estimated reserve balances in June 2008 are over \$13 M, approximately \$8 M will be in General Fund and approximately \$5.5 M will be in the CCA Fund. Estimated reserve balances in June 2009 are \$6.3 M in General Fund and approximately \$9.7 M in the CCA Fund. This would include an estimated CCA Sales of \$297.5 M and a positive cash flow of \$3.8 M.

Mr. Shilling reported further the security for the Interim Financing would be the District's Reserves and those Revenues not already pledged for other purposes, with the Long Term Financing to pay the Interim Financing loan off in full. Mr. Brown and Mr. Houston discussed in detail specifics with regard to the structure of the proposed financing and addressed questions raised by Board Members.

Financing Structure: Mr. Brown reported the proposed structure of the Interim Financing is a Commercial Paper Program, which will be authorized effective July 1, 2007, but will only be issued if and when the money is needed. Over time, as more debts are incurred by the District, Commercial Paper will be issued to reimburse those debts. Mr. Brown noted this allows the District to stop the issuance of the Commercial Paper if it should choose.

Mr. Brown reviewed the specific documents and Resolutions to be considered for adoption by the District's Board of Directors (District Board) and the Board of the Directors of the Kings River Conservation District Public Financing Corporation (Corporation Board). Mr. Brown reported the Corporation Board will be asked to consider adoption of Resolution 07-01, to enter into a Trust Agreement with a Trustee,

Bank of New York, and a Dealer Agreement with Citigroup. The District Board will be asked to consider adoption of Resolution 07-09 and 07-10, respectively, to issue Tax and Revenue Anticipation Notes (TRANS) which will serve as promissory notes to the PFC and support the Commercial Paper Program. Mr. Brown reported that because operating costs cannot be financed through tax exempt debt, the District must also issue a Taxable component to the financing structure. As proposed, the Taxable portion will be for an amount not to exceed \$17 M and the Tax Exempt portion will be for an amount not to exceed \$28 M, for a total debt not to exceed \$45 M.

Mr. Brown provided an overview of the financing timeline stating the TRANS have to be issued by July 1, 2007. In order to meet this time frame, and allow for the mandatory sixty (60) day Validation Period, the District needs to consider adoption of the proposed Resolutions at the Corporation and Regular District Board meeting scheduled for later in the day. In addition, Mr. Brown noted that with regard to the Long Term Financing, he anticipates the District will be requested to meet in April 2008 to consider authorizing new TRANS for FY 2008-2009.

Mr. Orth provided a summary of those expenses incurred by the District to date for the CCA Program and proposed Plant. The District will be presenting the Authority with a full report of those costs incurred by the District, to be reimbursed by the Authority. Mr. Orth reported further, the Power Services Agreement, to be executed between the District and the Authority, will allow for the recovery of costs incurred by the District for administering the CCA Program, including the costs of the Commercial Paper Program. Mr. Orth stated as electricity is sold to the customers, the rate will include an amount necessary to service the debt and cover those costs incurred by the District and approved by the Authority.

Board members asked what the potential financial risk to the District may be should the CCA Program not move forward. Mr. Orth reported the Authority members will be requested to formally execute PPA's by June 30, 2007. If those PPA's are not executed, then the July 1, 2007 Interim Financing plan will not go forward. Should this happen, the financial risk to the District will be approximately \$4 M for debts incurred as of June 30, 2007.

SELECTION OF A CUSTOMER ACCOUNT SERVICES PROVIDER

Mr. Mealoy reported on the status of the selection of the Customer Account Services Provider, noting a Request For Bids was issued September 13, 2006. From the first solicitation, two (2) proposals were received and reviewed, with an additional two (2) bids subsequently received for a total of four (4) bids reviewed and evaluated. The preferred Vendor has been identified and negotiations on final contract terms are anticipated to be conducted within the next several weeks.

REQUESTS FOR PROPOSALS (RFP) FOR RENEWABLE RESOURCES

Mr. Mealoy reported the CCA Program will be required to at least meet the State's Renewable Portfolio Standard (RPS) of 20 percent of energy consumed by 2010. In addition, the Agreement with Citigroup Energy, Inc. requires that they meet the minimum State RPS requirement. Mr. Mealoy provided an overview on the status of RFPs for renewable resources, reporting the proposed RFP will solicit up to 400 MW of eligible renewable resources, to be brought on-line between 2008-2010. Bids are due May 24, 2007 and will be assessed on various criteria.

Mr. Mealoy reported further the expected benefits include assisting the District, CEI, and the Authority meet the RPS requirement and will promote the development of local renewable resources. In addition, this will serve to support the achievement of the San Joaquin Valley Partnership goals to make the Valley a leader in clean energy production and will provide Authority members with a vehicle to advance additional renewable projects within their respective jurisdictions.

UPDATE OF THE CCA PROGRAM

Mr. Mealoy reported on the status of the CCA Program, stating a revised CCA Implementation Plan will be filed with the California Public Utilities Commission by the end of the week. In addition, recent CAISO studies continue to extol the need for additional infrastructure within California.

Mr. Mealoy stated meetings are continuing with Pacific Gas and Electric and Southern California Edison regarding CCA start-up and implementation, and work is continuing with Citigroup on the development of the Power Services Agreement.

ADJOURNMENT

There being no further business and no formal action taken, the Workshop was adjourned at 1:35 P.M.

Respectfully submitted,

David Orth
Secretary

Approved

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