

Manteca, California
June 28, 2016

The Board of Directors of the South San Joaquin Irrigation District met in special session at the City of Ripon chambers at 9:00 a.m. President Holmes called the meeting to order and led the flag salute. Upon roll call the following members were noted present:

DIRECTORS: HOLBROOK HOLMES KAMPER KUIL ROOS
ABSENT: NONE

Also present were General Manager Peter Rietkerk, General Counsel Steve Emrick, Assistant General Manager Bere Lindley, Engineering Department Manager Sam Bologna, and Interim Executive Secretary Dawn Driesen.

Public Comment

None

CONSENT CALENDAR

- A. Approval of Warrants in the amount of \$885,938.85; payroll dated June 24, 2016 in the amount of \$195,784.22.
- B. Approval of first Special Board Meeting Minutes of June 21, 2016.
- C. Approval of second Special Board Meeting Minutes of June 21, 2016.
- D. Approval of Urban Water Management Plan.

Director Holmes noted that under Item #12 Communications of Director Holmes, it should read 1967, not 1948.

Director Kuil asked if Section 8.7 was necessary to have in the Urban Water Management Plan. He said if it is necessary they can leave it, but if not, he would rather it be removed. Water Treatment Plant Manager, Ed Erisman, said he would look into it.

A motion was made by Director Roos and seconded by Director Holbrook to accept the Consent Calendar with the change to the minutes, and possible change to the Urban Water Management Plan. The motion passed 5 to 0 by the following roll call vote:

AYES: HOLBROOK HOLMES KAMPER KUIL ROOS
NOES: NONE
ABSTAIN: NONE
ABSENT: NONE

Item #1 – Consider adoption of a resolution of necessity pursuant to Article 2 (commencing with Section 1245.210) of Chapter 4 of Title 7 of Part 3 of the Code of Civil Procedure of the State of California for the acquisition of certain property comprising Pacific Gas and Electric Company’s electric distribution system located within SSJID’s service territory in order for SSJID to provide retail electric service.

Public Hearing

Board action on Resolution of Necessity – South San Joaquin Irrigation District Resolution No. 16-05-E.

Director Holmes gave an outline of the hearing proceedings. He opened the hearing at 9:09 a.m.

The Board was furnished with a Staff Report including exhibits and the proposed Resolution, Draft Business Plan and a Staff Memo accompanying written comments from PG&E’s counsel dated June 20, 2016.

General Manager, Peter Rietkerk addressed the Board and explained that the reason for the hearing was to consider the adoption of the Resolution of Necessity No. 16-05-E. If adopted, this is the Board’s determination that the public interest and necessity require the acquisition of PG&E’s electric distribution system and to authorize its counsel to file the eminent domain proceedings to acquire Pacific Gas and Electric’s retail electric distribution assets within SSJID’s boundaries. Mr. Rietkerk said that staff recommends the adoption of the Resolution of Necessity. California law allows SSJID to exercise the power of eminent domain but only if it has adopted a resolution of necessity that fulfills the prerequisite requirements within the California Code of Civil Procedure. First, a statutory offer must be made. SSJID made an offer to PG&E based on the value determined by its qualified utility appraiser. PG&E rejected the offer stating that its assets were not for sale.

Mr. Rietkerk then introduced former General Manager of SSJID, Jeff Shields.

Mr. Shields gave a history of the District’s efforts up to this point. The District first started looking into supplying power to its customers in 1988. Several studies regarding eminent domain have been done over the years. The decision to start eminent domain has not been taken lightly. Mr. Shields showed several slides of a presentation he gave the Board in 2004 where he recommended starting the eminent domain process. He stated that the District has run a successful business for 107 years and the District’s franchise should not be taken lightly.

Utility Systems Director, Don Battles, introduced Dr. Nelson Bacalao of Siemens.

Dr. Bacalao stated that has been a part of the team working on this project since 2004. He gave a description of the property that the District would be acquiring which includes inventory, easements, and portions of two substations.

Dr. Bacalao then went over the Severance Engineering Plan. He stated that there are two objectives, 1) to provide electric service to all customers within the District’s service territory,

and 2) to reconnect all PG&E customers outside District's territory to the existing PG&E system. Dr. Bacalao said that the impact on PG&E is less than 1% of its current customers. He also said that the reliability issues they saw in 2004 have been remedied by PG&E and SSJID would make further upgrades to its system.

Mr. Rietkerk addressed the Board and said that the purpose of the staff report and speakers' presentations is to provide the Board with sufficient information to determine that the mandatory findings in the resolution can be established. He then described how the hearing would proceed and went over the language of the resolution and requirement of a 2/3 vote.

Mr. Rietkerk then introduced Assistant General Manager, Bere Lindley.

Mr. Lindley gave a presentation on the Feasibility Review based on the Financial Analysis prepared by MRW & Associates dated June 2016. He gave three elements of feasibility: Business Process, Financial and Legal.

Legal Feasibility – the project is legally permissible.

Financial Feasibility – MRW's evaluation of the Financial Feasibility of this project stated that the District needed to be able to operate for three months with no incoming cash flow. It showed that the business operation is financially sustainable and the District has adequate financial reserves. Multiple firms have done Feasibility Reports over the years and have found that this project is feasible. The feasibility has grown stronger as the analysis has been successively refined.

Business Process – The first draft of the Business Plan is complete. It is a design for the business that addresses several audiences. The Business Plan will be continuously updated as new information develops and as new people get involved. The Transition Plan is currently represented by a chapter within the Business Plan. It describes how the District will build the business and the transition process. The Transition Plan will eventually become its own document. To operate the business, the District will hire experienced and trained employees. Systems will be tested and customer service rehearsals will be done to make sure everything runs properly.

Mr. Rietkerk then introduced Michael Bell of Michael Bell Consulting Group.

Mr. Bell prepared a Peer Review of MRW Report on Retail Electric Financial Analysis. Mr. Bell stated that the MRW report was consistent with the approach used in the LAFCo Application. It has updated data sources and assumptions. It is structured to meet the 15% discount, minimum debt service coverage of 1.25 times and minimum of 120 days cash on hand. The acquisition and separation costs are conservative estimates. The debt/financing costs are consistent with his experience. Mr. Bell said that he finds that the MRW report uses appropriate methodology that is consistent with the LAFCo review and has sound assumptions and excellent data sources.

Mr. Rietkerk introduced Doug Brown, District Bond Counsel.

Mr. Brown said that the District has an AA financing rating. He has reviewed the Financial Model and Financial Management Plan and believes it is comprehensive in its goals and benefits. Financing the plan relies heavily on taxable bonds. Mr. Brown said that taxable municipal bonds are commonly issued by public agencies, including power agencies. Mr. Brown stated that SSJID's plan has been appropriately reviewed and analyzed.

Mr. Rietkerk introduced Mayor Gary Haskin from the City of Escalon.

Mr. Haskin thanked the Board and staff for their time and efforts. In 2011, the City of Escalon passed a Resolution supporting SSJID efforts to provide electricity. On November 14, 2015, the City of Escalon reaffirmed its support by a unanimous vote. This month they reaffirmed their support again. Mr. Haskin said that local representation is important.

Mr. Rietkerk introduced City Manager Karen McLaughlin from the City of Manteca.

Ms. McLaughlin stated that the City of Manteca signed a Resolution of Support several years ago, and the City of Manteca still supports District providing power to the SSJID area. She said that having SSJID provide power to the City of Manteca would help with customer costs and minimize resources. Ms. McLaughlin said we should keep electric service local.

Mr. Rietkerk then introduced Councilman Leo Zuber from the City of Ripon.

Mr. Zuber said he has supported SSJID efforts since the beginning. Mr. Zuber said that SSJID providing power to this community is an important part of the process of economics. It will provide for communities that are attractive and supportive to both businesses and residents. Lower rates will benefit both businesses and residents. Over the last 12 years it has been proven it can be done. The City of Ripon says it should be done.

Next Mr. Rietkerk introduced local grower/processor Dave Phippen.

Mr. Phippen said that the prices for power keep escalating and the need for local consideration, rather than PUC, has never been greater. He said the Board should consider what their predecessors would do. They were forward thinkers and their decision to establish the Irrigation District was to benefit all landowners within the District. The studies show that the District has a great margin for error. Mr. Phippen said that the Board has the unique ability to structure something that is good for our area.

Mr. Rietkerk introduced local businessman Bill Filios.

Mr. Filios said that he is a developer in the City of Manteca and has dealt with SSJID many times. He has had good experiences with the District. He said that dealing with the local community is a big advantage and he supports the District's effort.

Mr. Rietkerk introduced Jennifer Sanguinetti of Ripon.

Ms. Sanguinetti said that she is a mom of four children and married to a farmer. She has lived in Ripon for the past 15 years. She said that family expenses are really important. Ms. Sanguinetti stated that her family lived in an older home in Ripon that was serviced by PG&E. Her family moved to a larger home that is served by MID and their electric bill is the same as it was in their small house served by PG&E. She said that she trusts and has faith in the SSJID Board and believes they can help improve the quality of life for local residents. Ms. Sanguinetti said that she has complete confidence that this will pay off for the good of residents.

The Board took a lunch break at 12:00 and returned at 12:50.

Mr. Rietkerk introduced Ron Cheek of RLC Associates in Manteca.

Mr. Cheek stated that he works with developers in the area and he has had constant problems working with PG&E. Mr. Cheek said that he supports SSJID providing electricity. He said that he works with the District a lot and they are very accessible.

Mr. Rietkerk addressed the Board to discuss the benefits of local control. He said that with local control there are locally-elected officials and locally-held meetings. The Directors represent people within the District and customers can contact a Director with a concern or attend a meeting. The District operates in a transparent and accountable manner. The Brown Act and the Public Records Act insure transparency from SSJID. Mr. Rietkerk said that the District is committed to maintain a 15% rate discount. The financial model shows strengthened feasibility. All District residents will benefit from the lower rates that SSJID can provide.

Mr. Rietkerk said that the District looked into several alternatives to Eminent Domain.

1. The No Project alternative was not feasible because SSJID would not meet any of its stated goals and objectives.
2. A Duplicate System alternative was also discussed. The District would build a duplicate system to compete for PG&E's customers. This option was not economically feasible.
3. A Community Choice Aggregation (CCA) option allows local governments and some special districts to aggregate their electricity load in order to purchase and/or develop power on behalf of their residents, businesses and municipal accounts. SSJID would purchase generation and resell the electricity but PG&E would retain ownership and operation of the distribution system. SSJID cannot legally become a CCA because another local public agency's service area is within SSJID's boundaries. SSJID would not be able to provide a 15% discount as a CCA. LAFCo concluded that a CCA was not feasible.

Mr. Rietkerk then introduced Phyllis Currie, former Pasadena Water and Power General Manager.

Ms. Currie said that public power is community power because the customer is the sole interest. With public power there is local control, better rates, no shareholders and no taxes. She said there are 35 public power utilities in California. With public power you can tailor to the needs of the community. Public benefit programs can be designed to the needs of the community to help

conserve energy. Ms. Currie stated that there will be problems, but the attention of staff is the difference.

Mr. Rietkerk introduced Dr. Jeffrey Michael to discuss the Economic Development Benefits.

Dr. Michael said that the money that is saved from power bills, residents will spend in the community. Public power attracts people to the area such as businesses, industries, ag related cold storage, etc. Dr. Michael estimates that customers within SSJID boundaries would save \$15.5 million if SSJID were to supply power in 2017. Agriculture customers alone would save approximately \$850,000 in the first year. Over time, the savings are projected to grow. Based on increasing demand, and rising electricity costs, the electricity cost savings from a 15% discount are projected to rise to \$43 million a year over the next 30 years.

David Moran, attorney for PG&E addressed the Board. Mr. Moran said that PG&E submitted a letter to SSJID objecting to the Resolution of Necessity and requested that the letter be made public and a part of the record for the public hearing. He stated that the Notice was inadequate for lack of a proper description of the project. He said it also omits details of the project such as additional infrastructure. Mr. Moran requested that the Complaint marked as Exhibit A to the letter be made a part of the record. He also claimed that the Notice does not comply with CEQA because of flaws in the EIR. Mr. Moran requested that PG&E's CEQA Opening Brief attached to the letter as Exhibit B be made a part of the record. Mr. Moran stated that SSJID providing power to its customers won't change anything and it won't be anything different than what PG&E provides. Mr. Moran said that due to the reasons he stated, the District may not properly adopt the Resolution of Necessity.

Public Testimony

Jerry Emery of Escalon. Mr. Emery said he has lived in Escalon for 25 years. He is in favor of SSJID and the Eminent Domain. Mr. Emery was the principal of a middle school and the discount on power would be very helpful to schools. He said he likes the idea of local control and being able to drive to Manteca to speak to the Board who represent the customers.

Chad Jones of Escalon. Mr. Jones said he is in favor of local representation. He was concerned that he may be outside of the District's territory to receive power.

Charlie Halford of the Manteca/Lathrop area. Mr. Halford was the Police Chief for Manteca. He said a 15% discount to non-profits would be a huge benefit. The City utility bills are also very large. Mr. Halford said that the discount that SSJID can provide would be good for the citizens.

Dan Eavenson of Manteca. Mr. Eavenson said he is in favor of SSJID's bid to provide power. He stated that he is a business owner that works with District and has seen them make sound decisions for the long run as seen with the gravity system, pressurized system and Water Treatment Plant. Mr. Eavenson said he expects the same with the power.

Rex Osborn of Ripon/Manteca. Mr. Osborn said that he is a business owner and land owner. He stated that we should invest in local government. We are not able to meet with immediate

decision makers at PG&E. Mr. Osborn said that with SSJID supplying power, he would be able to talk to decision makers about any concerns.

Mr. Don Geiger gave a summary of the presentation to the Board.

Mr. Rietkerk read the Resolution of Necessity and stated that staff recommends the Board adopt the Resolution of Necessity.

There being no further public comment, Director Holmes closed the Public Hearing at 2:25 p.m.

Director Holbrook said to not continue would be the greatest disservice to our constituents and the people who elected him.

Director Kamper said he believes it is a good thing for the community and it helps those who need it most. He believes we should have local control. The District will hire the right people to do the job.

Director Kamper moved to approve the Resolution of Necessity No. 16-05-E. Director Roos seconded.

Director Roos said he recently attended an APPA Conference and the people he talked to from other states could not believe what we pay for power in California. Investor owned utilities cost more. Director Roos said that he had his reservations about the District providing power at first, but after reviewing many documents and hearing from experts he believes it is the best deal and in the best interest for the people who elected him.

Director Kuil said that he agrees with the other directors. He believes this is a good move and it is long overdue. He believes the District has a strong Board and strong people that help them with their decisions, and they are ready for a hard fight.

Director Holbrook thanked everyone for their presentations, and thanked the staff for the preparations and the community for their support. Director Holbrook said that our forefathers gave us a good foundation and we need to respect all that they have done and to show that respect to the people they serve by showing their support for this.

Director Holmes said he is the newest member of the Board and when he first became a director this idea was foreign to him. After studying and learning about the project over the past five years, he believes the District should move forward. Director Holmes stated that when he came here today he did not know how he would vote. If PG&E could tell him that they had the best interest of the consumer at heart it might help, but he doesn't see that.

Director Holmes asked Director Kamper to amend his motion to find it feasible to provide retail electric service at a projected 15% discount without any adverse impact on irrigation rates and to approve resolution 16-05-E. Director Kamper amended the motion and Director Roos seconded.

District Counsel, Steve Emrick, addressed the Board and said that the District has been looking at this project for approximately 20 years. Although PG&E has been their opponent during that

time, the District does not begrudge them. Now is the time for the Board to look at their options. They do not have to approve this Resolution today. If you want to provide a benefit to the entire community, in addition to what you already do, retail electric service is a way to that. You don't have to approve this Resolution and provide retail electric, but you haven't found another way to provide a benefit to the entire community. Your interest over the past 20 years has been how to provide a benefit to the entire community, keeping in mind that the entire community helped pay for the District's system and helped pay for the Tri-Dam Project. Based on what you have heard today if you don't think you can provide the benefits and local control you shouldn't vote for this. If you didn't like what you heard today, or aren't prepared for the additional costs, you should not vote for this. If you don't think you can provide a 15% discount, or that you can't do so without impacting irrigation rates, you shouldn't approve this. If the Board is going to vote for this it has to be with eyes wide open.

There being no further comments, Director Holmes asked for a roll call vote. The motion passed 5-0 with the following vote:

AYES: HOLBROOK HOLMES KAMPER KUIL ROOS
NOES: NONE
ABSTAIN: NONE
ABSENT: NONE

RESOLUTION NO. 16-05-E
RESOLUTION OF NECESSITY OF
SOUTH SAN JOAQUIN IRRIGATION DISTRICT
DETERMINING THAT THE PUBLIC INTEREST AND NECESSITY
REQUIRE THE ACQUISITION OF PACIFIC GAS AND ELECTRIC COMPANY'S
ELECTRIC DISTRIBUTION SYSTEM
AND DIRECTING THE FILING OF EMINENT DOMAIN PROCEEDINGS

WHEREAS, the South San Joaquin Irrigation District's ("SSJID" or the "District") proposed Retail Electric Project is being undertaken to provide retail electric service to the public, within the service territory of SSJID which includes the cities of Ripon, Escalon, and Manteca (hereinafter the "Project");

WHEREAS, the Project will include various benefits, including local control, public transparency, and electric service rates projected to be 15% lower than those of Pacific Gas and Electric Company's ("PG&E");

WHEREAS, the San Joaquin Local Agency Formation Commission has conditionally approved the Project by way of motion on December 11, 2014 and by way of Resolution 1327, passed and adopted on March 12, 2015;

WHEREAS, by this Resolution of Necessity SSJID proposes to acquire PG&E's electric distribution system located within SSJID's service territory for a proposed public use, the provision of electric service to users of PG&E's electric distribution system, as further described in Exhibit "A" attached hereto and made a part hereof by this reference (the "Property");

WHEREAS, the District is authorized to acquire the Property and exercise the power of eminent domain for the public use and Project described herein, pursuant to and in accordance with Article 1, Section 19 of the California Constitution, the California Eminent Domain Law, Code of Civil Procedure Sections 1230.010 *et seq.*, and Sections 22115 and 22456 of the California Water Code;

WHEREAS, pursuant to the provisions of Section 1245.235 of the California Code of Civil Procedure, SSJID's Board scheduled a public hearing on this proposed Resolution of Necessity for Tuesday, June 28, 2016 at 9:00 a.m. at the City of Ripon Council Chambers, 259 N. Wilma Avenue, Ripon, California and notice has been duly given to PG&E, the owner of the Property herein, who has been given a reasonable opportunity to appear and be heard on the matters referred to in Section 1240.030 of the Code of Civil Procedure before SSJID's Board of Directors at the time and place set forth in said notice, regarding the matters specified therein; and

WHEREAS, said hearing having been held by the Board of Directors, the Board may now adopt a Resolution of Necessity pursuant to Code of Civil Procedure Section 1240.040.

NOW, THEREFORE, IT IS FOUND, DETERMINED AND ORDERED by the Board of Directors of SSJID as follows:

1. The recitals contained herein are true and correct.

2. Upon examination of the alternatives, the District requires the Property for the Project.
3. The District is authorized to acquire the Property and exercise the power of eminent domain to and in accordance with Article 1, Section 19 of the California Constitution, the California Eminent Domain Law, Code of Civil Procedure Sections 1230.010 *et seq.*, and Water Code Sections 22115 and 22456.
4. Findings. The District hereby finds and determines each of the following:
 - (a) The public interest and necessity require the Project.
 - (b) The Project is planned or located in the manner that will be most compatible with the greatest public good and the least private injury.
 - (c) The Property as defined in Exhibit “A” is necessary for the Project.
 - (d) The public use set forth herein by the District of PG&E’s electric distribution system constitutes a more necessary public use within the meaning Code of Civil Procedure Sections 1240.610 and 1240.650 than the use to which the property is appropriated by PG&E.
5. The offer required by Section 7267.2 of the Government Code, together with the accompanying statement of the amount established as just compensation, for the acquisition of the Property, has been made to PG&E the owner of record, which offer and statement were in a format and contained the information required by Government Code Section 7267.2.
6. SSJID has complied with all conditions and statutory requirements, including those prescribed by the California Environmental Quality Act (Pub. Res. Code § 21000, *et seq.*) and that are necessary for approval and adoption of the Project. The San Joaquin Local Agency Formation Commission, in approving SSJID’s

change of organization to provide retail electric service in its service territory, certified a Final Subsequent Environmental Impact Report (State Clearinghouse No. 2005102018) on December 11, 2014 for the Project that fully analyzes and discloses the potential environmental impacts associated with SSJID becoming an electric service provider within its service territory by the acquisition of PG&E's electric distribution system.

7. All conditions and statutory requirements necessary to exercise the power of eminent domain ("the right to take") to acquire the Property have been complied with by SSJID.
8. Legal counsel for SSJID is hereby authorized and directed to institute and conduct to conclusion eminent domain proceedings to acquire the Property and to take such actions that counsel deems advisable or necessary in connection therewith. Counsel is further authorized to correct any errors or to make or agree to non-material changes in the description of the property interests to be acquired that are deemed necessary for the conduct of the condemnation action.

PASSED AND ADOPTED by South San Joaquin Irrigation District Board of Directors on June 28, 2016, by the following vote:

AYES: DIRECTORS: HOLMES HOLBROOK KUIL KAMPER ROOS

NOES: DIRECTORS:

ABSENT: DIRECTORS:

(Exhibit A of the resolution is not attached to the minutes due to its length).

Item #2 – Closed Session

No Closed Session items were discussed.

Item #3 – Adjournment

There being no further business to come before the Board, it was moved by Director Holbrook and seconded by Director Kamper to adjourn the meeting. Motion passed 3 to 0 as follows:

AYES: HOLBROOK HOLMES KAMPER KUIL ROOS

NOES: NONE

ABSTAIN: NONE
ABSENT: NONE