Lodi Energy Center
Project Participant Committee Meeting
Monday, October 5, 2009
MEETING MINUTES
PPC Conference Call
10:00 A.M. - 11:30 A.M.

Meeting Participants:

Azusa (George Morrow)
Biggs (by Don Dame)
Mike Werner (CDWR)
Tony Lam (CDWR)
Healdsburg (by Don Dame)
Gridley (by Don Dame)
Ken Weisel (Lodi)
Steve Hill (MID)
Basil Wong (Port of Oakland)
Ukiah (by Don Dame)
Ed Warner (NCPA)
Ken Speer (NCPA)
Donna Stevener (NCPA)
Micheal DeBortoli (NCPA)
Don Dame (NCPA)

Absent: BART, Lompoc, Plumas-Sierra, Pooling Authority, and Silicon Valley Power. A PPC quorum was present by both number of Participants and percentage share of Project capacity. NCPA's Don Dame acted on behalf of Biggs, Gridley, Healdsburg and Ukiah by authorization from those Participants.

1. The PPC Meeting was called to order at 10:00 A.M. by PPC Chairman Steve Hill.

2. PPC Chairman Hill asked Don Dame to conduct role call to identify meeting participants as listed above.

3. Approval of Agenda (Action)

Chairman Hill asked if there were any comments on today’s agenda. None were received. Chairman Hill asked for a motion to approve today’s agenda. Don Dame (on behalf of Biggs) moved approval of the agenda and Mike Werner (CDWR) seconded the motion. Today’s meeting agenda was unanimously approved by PPC members in attendance.

4. CURE
   a. Project Labor Agreement (Action)
   b. Maintenance Labor Agreement (Action)

Project Manager Ed Warner indicated that he had sent out a one page summary of each agreement as requested by the PPC at the 9/28/09 PPC Meeting, and Mr. Warner reviewed these summaries from the screen. Mr. Warner emphasized that the Project Labor Agreement (PLA) covers only the period of Project construction and that the agreement is clear on avoiding any impact to the existing STIG facility. Mr. Hill commented that the scope should avoid impacts on common facilities and this may be somewhat more difficult during the construction period but perhaps may be specifically addressed in the
Maintenance Labor Agreement (MLA). Mr. Warner responded that there is language in the MLA which addresses this issue and he will discuss it later during the call.

Mr. Warner said that once the Project is commercial and equipment is turned over to NCPA, decisions regarding craft trades or labor resources will be decided by NCPA or vendors selected by the Project, always with the alternative to go to the craft trades if needed. Mr. Hill asked about the ability to do loop checks and Mr. Warner moved through various sections of the PLA on screen. Mr. Hill also asked about labor travel compensation if the skilled trade source were to be located outside a 50 mile radius, and inquired if the Project would be responsible for such costs. Mr. Warner said that he would check on this. Ken Speer added that one significant point in the PLA is that labor costs are to be based on the Sacramento area rather than the higher cost bay area hourly rates. Mr. Speer said that any travel pay requirements would be covered in the master agreement for each particular trade and that if the trade required was not available within the Sacramento area, the Project would likely have to pay the travel cost. Mr. Warner said that he would review and respond to the PPC. Mike Werner inquired if a worker came from San Francisco, for example, would the Project pay travel time from San Francisco. Mr. Speer responded that it is likely in this situation that travel time would be paid, but again, the hourly work rate paid would be based on the Sacramento area rather than the bay area.

Mr. Warner added that a benefit of the PLA is that one grievance procedure would cover all trades. Mr. Warner noted that the PLA requires a $150,000 one-time payment to CURE versus another payment approach which would have added approximately $.50 per hour to trade work performed during the construction period. Mr. Warner said that this latter approach would likely have resulted in total payments to CURE of over $300,000 during the construction phase of the Project. Mr. Warner added that the single payment would not be made until Project construction starts. Steve Hill asked if this payment may be viewed as a gift of public funds and Mr. Warner responded that Project staff have reviewed this and such payment would not be considered a gift of public funds. Mr. Warner also noted that certain discrimination related language required by CDWR had been incorporated into the agreement. Mr. Warner again said that the one-time PLA payment would not be made to CURE until Project construction commences, and that this payment obligation would remain even if the Project were to be delayed for up to five years.

Mr. Hill discussed MID’s experience with its Ripon facility and said MID had difficulty bringing in needed specialty contractors. Mr. Warner responded that depending on the special need and prior to plant commissioning, the Project will likely have to hire based on PLA terms, but once the plant is commissioned, Project staff will have the right to hire specialty construction labor, use NCPA staff, or pursue other alternatives. Steve Hill said that in the MID experience “pigging” was not consider by MID to be commissioning work; Mr. Warner responded that “commissioning” is defined in Section 2.2 of the PLA, and once the plant enters the commissioning phase, Project staff will have the right to perform whatever work is needed.

Mr. Warner said that overall he was very satisfied with the final language in the PLA. Mr. Hill asked about the procedures to replace cables, for example. Mr. Warner responded that it would likely depend on the magnitude of the job, if instrumentation cable is being replaced, for example, Project staff would likely replace needed cables but if it were a much larger job, the Project would likely turn to skilled trades, with or without a PLA. Mr. Warner said that certain STIG related activities will be started and completed prior to Project construction and thus will be unaffected by the two agreements.
Mr. Warner said that there could be important benefits associated with the PLA including: CURE’s support for the Project at the CEC, support in attaining various permits, and additional support in the regulatory and legislative arenas if necessary. Mike Werner asked what the downside might be if the agreements were not signed. Mr. Warner responded that CURE would likely intervene in the CEC processes and although this will not likely prevent the Project from going forward, it could add a significant time delay to the Project schedule, possibly as much as 6 months or more. Ken Speer asked Mr. Hill if the Ripon facility was delayed and Mr. Hill responded that it was delayed approximately four months, and that he understands that construction delays can be costly. Mr. Hill said that he sensed that having the agreements with CURE in place may add significantly to Project labor costs but added that the Project would likely lose just as much if not more given a schedule delay. Mr. Hill added that the financial market appears to be favorable for the Project now and that the current relatively lower borrowing rates will likely lower Project capital costs for the Project. Mr. Hill added that historically he had never seen a Project delay result in lower project costs. Mr. Hill further suggested that any Project delay might also result in unforeseen Project related greenhouse gas legislation impacts.

Mr. Hill next recommended that the PPC turn its attention to the MLA and he asked Mr. Warner to discuss Project overhauls. Mr. Warner said that Siemens (the LEC power island equipment vendor) is the largest user of union labor for overhaul work, and this would cover the HRSG [heat recovery steam generator], steam turbine, gas turbine, and high voltage equipment. Mr. Warner added that NCPA uses union labor on the STIG plant now. Mr. Hill asked about the MLA’s potential to affect the existing STIG plant and Mr. Warner responded that any work within the confines of the existing STIG site, STIG water treatment equipment, or the transmission switchyard are excluded from the agreement. Mr. Hill asked about the STIG control systems and Mr. Warner responded that this equipment was not covered under the agreement and that such work would be performed by the OEM [original equipment manufacturer], NCPA staff, or other sources chosen by NCPA. Mr. Warner said that the cooling tower would be covered under the MLA but that the 230 kV switchyard would not be covered. Mr. Warner added that the fire system would be covered under the agreement; Mr. Hill asked if the fire systems for the STIG and the LEC were powered by the same pump and Mr. Warner responded yes, they are powered by the same pump.

Mr. Warner explained that under the agreement, any non scheduled equipment failure or emergency situation was not covered by the MLA and NCPA may do whatever it needs to do in such situation to get the plant back on line and this provision should likely alleviate some of the concern. Mr. Hill said that this is good language but perhaps does not go as far as it should. Ken Speer added that there really are not many common facilities between the STIG and the LEC. Mr. Warner said that anything on the STIG site or in the switchyard is excluded.

Mr. Warner said that under the MLA, whenever the Project has a major overhaul, which should occur about every 18 months, a payment would be made to CURE’s Labor and Management Trust based on $0.25 / hour adder for applicable labor used during the overhaul. Mr. Warner added that this should total to about $6,000 to $7,000 every 18 months, assuming that approximately 28,000 to 30,000 man-hours would be used during these major overhaul periods. Mr. Warner said that the MLA provides agreement review at ten year intervals. Mr. Warner explained that it was not necessarily a preference to have an MLA, but given that a PLA agreement was likely, coupled with a strong push by CURE for an MLA, Project staff focused on attaining work flexibility and specifically excluding multiple effort areas and locations (like the switchyard).
Chairman Hill asked if there were any other questions before the PPC entertained a motion to act on the PLA and MLA. There was no further discussion and Mr. Hill asked Mr. Dame to read a draft motion covering this item which was read by Mr. Dame. Ken Speer indicated that NCPA GM Jim Pope would likely sign the agreements even though the draft motion indicated that the PPC was directing the LEC Project Manager to execute the agreements. Mr. Dame responded that the draft motion provides flexibility for the Project Manager to designate another person to sign the agreements and that as the draft is constructed, Mr. Warner could designate Jim Pope to be the NCPA signatory on the agreements on behalf of NCPA and the Project. Mr. Warner said that as the Project Manager, he is recommending the execution of these two agreements but that he also recognizes the points discussed by the PPC and that he wants the PPC to understand the potential impacts on the Project with or without the PLA and MLA agreements. Mr. Hill asked if the PLA and MLA agreements were to be viewed as "one." [that is, the Project either executes both or neither] and Mr. Warner responded that yes, they should be viewed as one package. Mr. Hill summed up by saying that the alternative is to sign the agreements and then focus staff efforts to build the plant on schedule, or to reject the agreements and try to mitigate as best we can, understanding that the schedule will likely be delayed.

Mr. Warner interjected that at this point it is not known when the CEC will issue the AFC and he will discuss this later during the call.

Steve Hill asked if it might be helpful for the PPC to approve only one agreement at this time, say the PLA, and give staff the opportunity to go back and negotiate further on MLA terms and conditions; noting further that the Project would be locked into these agreements for 30 years even before the plant is started. Mr. Warner said that he shared many of the PPC’s concerns, but of the four types of skilled trades generally used by a power project, the skilled union building trades are commonly used in any case; that is, when the Project needs skill trades it will likely come from union halls with or without a PLA or MLA. Mr. Speer agreed saying that this had been his experience during his prior employment with PG&E. Mike Werner added, however, that one difference would be no payment into the trust fund over time. Ed Warner said there would be no payment into the trust fund but explained that the total trust fund payment over the 30 year plant life would be in the range of $200,000. The PPC went into a brief discussion on the pros and cons of union versus non union labor and the various ways the Project might be affected over time. Mr. Hill summed up by saying that the Project has committed to Siemens power island equipment and any schedule delay would likely offset the actual or perceived cost burdens associated with the PLA and MLA agreements. George Morrow interjected that he may have to leave the call and wanted to indicate his affirmative vote for the agreements, adding that in his experience the cost of project delay can be significant.

At which point Chairman Hill asked if there were any further comments. No further comments were received. George Morrow (Azusa) then made the following motion:

**Motion:**

The PPC directs the NCPA LEC Project Manager, or his designee, to execute the LEC Project Labor Agreement and Maintenance Labor Agreement with CURE (California Unions for Reliable Energy) which provide for certain terms and conditions related to labor arrangements affecting the LEC Project and recommends that these agreements be approved by the NCPA Commission.

**Moved by:** George Morrow (Azusa)
Seconded by: Basil Wong (Port of Oakland)

Discussion: There was no further discussion.

Chairman Hill then asked Don Dame to take a roll call vote as follows:

<table>
<thead>
<tr>
<th>Project Member</th>
<th>Vote</th>
<th>Particulars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Azusa</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>BART</td>
<td>Absent</td>
<td></td>
</tr>
<tr>
<td>Biggs</td>
<td>Yes</td>
<td>By Don Dame</td>
</tr>
<tr>
<td>CDWR</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Gridley</td>
<td>Yes</td>
<td>By Don Dame</td>
</tr>
<tr>
<td>Healdsburg</td>
<td>Yes</td>
<td>By Don Dame</td>
</tr>
<tr>
<td>Lodi</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Lompoc</td>
<td>Absent</td>
<td></td>
</tr>
<tr>
<td>Modesto</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Plumas-Sierra</td>
<td>Absent</td>
<td></td>
</tr>
<tr>
<td>Port of Oakland</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>PWRPA</td>
<td>Absent</td>
<td></td>
</tr>
<tr>
<td>Silicon Valley Power</td>
<td>Absent</td>
<td></td>
</tr>
<tr>
<td>Ukiah</td>
<td>Yes</td>
<td>By Don Dame</td>
</tr>
</tbody>
</table>

| Total Ayes | 9   |
| Total Noes | 0   |
| Total Abstain | 0  |
| Total Absent | 5  |

Result: Motion passed unanimously by PPC members present and eligible to vote.

After the vote Mike Werner expressed special appreciation to Ed Warner and Steve Hill for their thorough discussion on this topic.

5.0 Update on the CEC PSA

Mr. Warner displayed an email from CEC staff indicating a potential PSA issued by the end of October with workshops starting in November [2009]. Mr. Warner added, however, that more renewable resource applications continue to be submitted to the CEC which may further delay the CEC’s activities regarding the LEC. Mr. Warner said that staff submitted a “motion to compel” to the CEC to try to get the CEC to adhere to administrative timelines and policies regarding the processing of the LEC AFC application; and requesting that the CEC give the same priority to the LEC as it does for renewable resources. Mr. Warner said that he wanted to update the PPC on these activities and said that at this point he is not sure when the AFC might be issued. Ken Speer added that we may want to ask CURE and
the skilled trades for some support with this matter as there are a large number of jobs that will be created during the LEC construction process. Mr. Warner said this is not good news but wanted to update the PPC on the filing of the motion and the uncertainty of the issuance of the AFC. Steve Hill asked if there is any new information on the air quality and visual sections of the AFC. Mr. Warner said that the air quality, visual, and biology sections are now in CEC final management review.

Mike Werner asked if letters from Participants to the CEC might assist in these efforts, especially since Participant involvement in the LEC is directly related to rate stabilization, providing needed capacity to serve load, and, at least in the case of CDWR, to move away from coal based resources. Mr. Warner said that he would discuss with LEC and NCPA staff ways in which Participants may help with the CEC process. Ken Weisel added that renewables are ultimately supported by gas fired resources like the LEC and that the CEC staff should recognize the need for both types of resources. Steve Hill said that MID was involved in LEC for rate stabilization and renewables support. Mike Werner said that in the absence of the LEC, CDWR may have to rely on coal generation for a longer period of time. Mr. Warner closed by indicating that he has no more information at this time on this topic.

6. Other

There were no additional topics.

Chairman Hill adjourned today's conference call meeting at 10:28 A.M.