

CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Authorize the City Manager to Execute Letter of Agreement 98-SNR-00048 between the Bureau of Reclamation (Reclamation), the Sierra Nevada Region of the Western Area Power Administration and the City of Lodi which will allow participants in the Shasta Rewinds Contract the opportunity to purchase additional low cost energy resulting from a good hydro year.

MEETING DATE: June 9, 1998

SUBMITTED BY: Electric Utility Director

RECOMMENDED ACTION: That the City Council authorize the City Manager to execute the attached Letter of Agreement 98-SNR-00048 between the Bureau of Reclamation (Reclamation), the Sierra Nevada Region of the Western Area Power Administration and the City of Lodi.

BACKGROUND: The above LOA delays taking Shasta Unit 5 out of service. This delay will afford participants in the Shasta Rewinds Contract, such as Lodi, the opportunity to purchase additional low cost energy resulting from a good hydro year. However, to maintain the overall maintenance schedule, overtime will have to be used. The additional costs to the participants will be \$250,000. The City of Lodi's share is estimated to be less than \$50,000 - far smaller than the value of the energy received based on the current summer power market forecast.

FUNDING: Not applicable - net positive impact.

Prepared by: Jack Stone, Manager, Business Planning and Marketing



Alan N. Vallow
Electric Utility Director

ANV/JS/lst

c: City Attorney
Finance Director

Approved _____

H. Dixon Flynn
City Manager

Letter of Agreement 98-SNR-00048

City of Alameda
City of Lodi
Modesto Irrigation District
City of Palo Alto
City of Redding
City of Roseville
Sacramento Municipal Utility District
City of Santa Clara
Turlock Irrigation District

To The Customers Listed Above:

This Letter of Agreement 98-SNR-00048 is made between the Bureau of Reclamation (Reclamation), the Sierra Nevada Region of the Western Area Power Administration, and those certain customers purchasing excess capacity during the 1998 season from the Sierra Nevada Region who are signatories to this agreement by June 12, 1998 (Delay Customers). This Letter of Agreement enables the Delay Customers to obtain energy and capacity not otherwise available, and provides for the Delay Customers to compensate Reclamation for the additional costs associated with a compressed maintenance schedule for Reclamation's Northern California Area Office resulting from the delay of the Shasta Unit 5 scheduled outage at the Shasta Powerplant.

Shasta Unit 5 is scheduled to be taken out of service on July 6, 1998 for a 10-month period, returning to service May 1, 1999. The Delay Customers are requesting to delay beginning work on Shasta Unit 5 until October 1, 1998 for a 9-month period, returning to service on July 1, 1999. Delaying work on Shasta Unit 5 will allow the Sierra Nevada Region to make approximately 90 MW of additional firm excess capacity available to the Delay Customers during the months of July and August 1998, and approximately 78 MW in September 1998.

In order for Reclamation to delay the schedule to take Shasta Unit 5 out of service on October 1, 1998, Reclamation will have to change the rewind contractor's schedule, and place Reclamation's work crew on overtime. The Delay Customers will collectively advance a total of two hundred fifty thousand dollars (\$250,000.00) as set forth in the attached Schedule of Estimated Allocation Percentages and Associated Deposit Amounts.

1. On or before June 24, 1998, Reclamation will modify the Reclamation 1998-1999 Maintenance Outage Schedule for the Central Valley Project to reflect a Shasta Unit 5 outage commencing on October 1, 1998, provided that the following have occurred on or before the close of business of June 19, 1998:
 - 1.1 The sum of two hundred fifty thousand dollars (\$250,000.00) has been advanced to Reclamation by the Delay Customers pursuant to Section 6 of this Letter of Agreement.
 - 1.2 Based upon the June 15, 1998, inspection of the Shasta Unit 5 turbine, Reclamation staff have concluded that there is no need to perform a disassembly for turbine repair.
2. The Sierra Nevada Region will, upon receipt of written notification from Reclamation of the revised maintenance schedule, revise Exhibit A to the Delay Customers' agreements for excess capacity. The revised Exhibit A will reflect an increase in the allocation of firm excess capacity due to the Shasta Unit 5 remaining in service and associated energy to each Delay Customer for the months of July, August, and September 1998. The increase in a Delay Customer's firm excess capacity allocation will not exceed the balance of their unmet expected peak load after adjustment for its contract rate of delivery and current allocation of firm excess capacity for the months of July, August, and September 1998.
3. Subject to Section 2 above, each Delay Customer who is a participant in the Shasta Rewinds Contract 94-SAO-00047 will receive its proportional share, based on the percentages specified in the Shasta Rewinds Contract, of 20 MW for July, August, and September 1998 from the additional firm excess capacity available due to delaying the work on Shasta Unit 5.
4. Subject to Section 2 above, each Delay Customer will receive its proportional share of the remaining additional firm excess capacity available due to delaying the work on Shasta Unit 5. The estimated additional firm excess capacity percentage amounts and deposit amounts for such additional firm excess capacity are set forth in the Schedule of Estimated Allocation Percentages and Associated Deposit Amounts attached hereto.

5. If the Shasta Unit 5 work is delayed until October 1, 1998, and there is no agreement in place by that time to fund replacement of the turbine runners for Shasta Unit 5, then the Delay Customers understand that the turbine work now scheduled to begin July 6, 1998, must be performed during the rewind outage of Shasta Unit 5 and, therefore, Shasta Unit 5 will be scheduled to return to service on November 1, 1999, after the turbine repair and rewind work is completed. In the event there is no agreement to fund replacement of the turbine runner for Shasta Unit 5, the Delay Customers agree that:
 - 5.1 If water is being spilled at Shasta Dam due to inadequate generation capability at the Shasta Powerplant, and in the event the Sierra Nevada Region is required to acquire energy to support project dependable capacity (PDC) as prescribed in Table One of Article 12(a) of Contract 14-06-200-2948A with the Pacific Gas & Electric Company, then the Delay Customers shall either pay for or replace the amount of energy necessary to support PDC due to the unavailability of Shasta Unit 5 from July 1, 1999 to October 31, 1999. The Delay Customers shall either pay for or replace up to 105 MW, proportional to the foregone energy due to the water spilled at Shasta Dam, such amount to be determined by Reclamation, under the following terms.
 - 5.1.1 The energy for which each Delay Customer will be required to reimburse the Sierra Nevada Region, at the Sierra Nevada Region's actual energy replacement cost with no additional adders included, will be based on its prorata share of excess capacity made available to the Delay Customer resulting from delaying the work at Shasta Unit 5 less any energy provided pursuant to Section 5.1.2.
 - 5.1.2 Each Delay Customer may provide part or all of its prorata share of the energy necessary to support the PDC, under terms agreed to by the Sierra Nevada Region and consistent with the PDC support requirements of the Sierra Nevada Region, and, to the extent so providing, avoid paying for its prorata share of the energy purchased.
6. Compensation to Reclamation:
 - 6.1 Upon signing this Letter of Agreement, the Delay Customers will be required to advance to Reclamation their shares of the sum of two hundred fifty thousand dollars (\$250,000.00), for Reclamation's use pursuant to 43 U.S.C. 397a.
 - 6.2 Reclamation will submit a bill for collection to the Delay Customers, for payment by close of business on June 19, 1998, based upon the amounts listed in the attached schedule upon facsimile notification of signatures by each Delay

Customer. Payments due to Reclamation will be sent in check form to the following address:

U.S. Department of the Interior
Bureau of Reclamation
Attention: Janice Bartlett, MP-3600
2800 Cottage Way
Sacramento, CA 95825
FAX: (916) 978-5392

- 6.3 Reclamation shall not be obligated to perform any work pursuant to this Letter of Agreement without advance payment of funds by the Delay Customers. Upon cessation of work by Reclamation, a determination of the actual costs incurred during the performance of the work will be made, and any unexpended funds will be returned to the Delay Customers in proportion to their contributions made pursuant to Section 6.1.
- 6.4 Reclamation shall refund to each Delay Customer the funds that have been received pursuant to Section 1.1 of this Letter of Agreement, from that Delay Customer, and no additional excess capacity will be made available to the Delay Customers because Shasta Unit 5 will be removed from service on July 6, 1999, in the event that either:
 - 6.4.1 Reclamation finds, based upon the June 15, 1998 inspection of Shasta Unit 5 turbine, that there is a need to perform a disassembly for turbine repair; or,
 - 6.4.2 Reclamation has not received sufficient funds from the Delay Customers by close of business June 19, 1998 as stated in Section 1.1 of this Letter of Agreement to implement the Shasta Unit 5 outage delay.
7. If one or more of the customers listed on page one of this Letter of Agreement does not execute this Letter of Agreement by June 12, 1998, then the Delay Customers will have the option to provide additional funds, on an equal or other agreeable basis, no later than the close of business on June 19, 1998. Those Delay Customers providing additional funds will receive additional increased excess capacity allocations in proportion to the additional funds they have provided. However, an increase in a Delay Customer's firm excess capacity allocation may not exceed the balance of their unmet expected peak load after adjustment for its contract rate of delivery and all allocations of firm excess capacity for the months of July, August, and September 1998. The Sierra Nevada Region will revise the Schedule of Estimated Allocations and Associated Deposits Amounts to reflect any changes in allocations and

contributions and submit the revised schedule to Reclamation no later than close of business on June 16, 1998.

8. This Letter of Agreement may be executed in a number of counterparts and shall constitute a single document with the same force and effect as if each Party had signed all other counterparts.

If you are in agreement with the conditions stated above, please sign and date all three original signature pages and return two to Ms. Peggy Muir, N6205, at Sierra Nevada Region's office as shown above.

Sincerely,

Jerry W. Toenyes
Regional Manager
Western Area Power Administration

Roger K. Patterson
Regional Director
Bureau of Reclamation

Attachment

In Duplicate

City of Alameda

By: _____
Title: _____

City of Lodi

By: _____
Title: _____

Modesto Irrigation District

By: _____
Title: _____

City of Palo Alto

By: _____
Title: _____

City of Redding

By: _____
Title: _____

City of Roseville

By: _____
Title: _____

Sacramento Municipal Utility District

By: _____
Title: _____

City of Santa Clara

By: _____
Title: _____

Turlock Irrigation District

By: _____
Title: _____

SCHEDULE OF ESTIMATED ALLOCATIONS
AND ASSOCIATED DEPOSIT AMOUNTS

Customer	Percentage	Cost \$250,000
City of Alameda	8.61%	\$ 21,535.58
City of Lodi	8.61%	\$ 21,535.58
Modesto Irrigation District	8.24%	\$ 20,599.25
City of Palo Alto	16.85%	\$ 42,134.83
City of Redding	11.24%	\$ 28,089.89
City of Roseville	10.11%	\$ 25,280.90
Sacramento Municipal Utility District	15.73%	\$ 39,325.84
City of Santa Clara	11.24%	\$ 28,089.89
Turlock Irrigation District	9.36%	\$ 23,408.24
	100.00%	\$ 250,000.00

Letter of Agreement 98-SNR-00048

City of Alameda
City of Lodi
Modesto Irrigation District
City of Palo Alto
City of Redding
City of Roseville
Sacramento Municipal Utility District
City of Santa Clara
Turlock Irrigation District

To The Customers Listed Above:

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Shasta Unit 5 is scheduled to be taken out of service on July 6, 1998 for a 10-month period, returning to service May 1, 1999. The Delay Customers are requesting to delay beginning work on Shasta Unit 5 until October 1, 1998 for a 9-month period, returning to service on July 1, 1999. Delaying work on Shasta Unit 5 will allow the Sierra Nevada Region to make approximately 90 MW of additional excess capacity available to the Delay Customers during the months of July and August 1998, and approximately 78 MW in September 1998.

In order for Reclamation to delay the schedule to take Shasta Unit 5 out of service on October 1, 1998, Reclamation will have to change the rewind contractor's schedule, and place Reclamation's work crew on overtime. The Delay Customers will collectively advance a total of two hundred fifty thousand dollars (\$250,000.00) as set forth in the attached Schedule of Estimated Allocation Percentages and Associated Deposit Amounts.

1. On or before June 24, 1998, Reclamation will modify the Reclamation 1998-1999 Maintenance Outage Schedule for the Central Valley Project to reflect a Shasta Unit 5 outage commencing on October 1, 1998, when the following have occurred on or before June 19, 1998:
 - 1.1 The sum of two hundred fifty thousand dollars (\$250,000) has been deposited by the Delay Customers into a Trust Fund designated by Reclamation.
 - 1.2 Based upon the June 15, 1998, inspection of the Shasta Unit 5 turbine, Reclamation staff have concluded that there is no need to perform a disassembly for turbine repair.

ATT3.LOA

Page :

2. The Sierra Nevada Region will, upon receipt of written notification from Reclamation of the revised maintenance schedule, revise Exhibit A to the Delay Customers' agreements for excess capacity. The revised Exhibit A will reflect an increase in the allocation of firm excess capacity due to the Shasta Unit 5 remaining in service and associated energy to each Delay Customer for the months of July, August, and September 1998. The increase in a Delay Customer's firm excess capacity allocation will not exceed the balance of their unmet expected peak load after adjustment for its contract rate of delivery and current allocation of firm excess capacity for the months of July, August, and September 1998.
3. Subject to Section 2 above, each Delay Customer who is a participant in the Shasta Rewinds Contract 94-SAO-00047 will receive its proportional share, ~~according to~~ based on the percentages specified in the Shasta Rewinds Contract, of (___ for July, ___ for August, and ___ for September 1998) from the additional firm excess capacity available due to delaying the work on Shasta Unit 5.
4. Subject to Section 2 above, each Delay Customer will receive its proportional share of the remaining additional firm excess capacity available due to delaying the work on Shasta Unit 5. The estimated additional firm excess capacity percentage amounts and deposit amounts for such additional firm excess capacity is-are set forth in the Schedule of Estimated Allocation Percentages and Associated Deposit Amounts attached hereto.
5. If the Shasta Unit 5 work is delayed until October 1, 1998, and there is no agreement in place by that time to fund replacement of the turbine runners for Shasta Unit 5, then the Delay Customers understand that the turbine work now scheduled to begin July 6, 1998, must be performed during the rewind outage of Shasta Unit 5 and, therefore, Shasta Unit 5 will be scheduled to return to service on November 1, 1999, after the turbine repair and rewind work is completed. In the event there is no agreement to fund replacement of the turbine runner for Shasta Unit 5, the Delay Customers agree that:
 - 5.1 If water is being spilled from Shasta Lake due to inadequate generation capability at the Shasta Powerplant, and in the event the Sierra Nevada Region is required to acquire energy to support project dependable capacity (PDC) as prescribed in Table One of Article 12(a) of Contract 14-06-200-2948A with the Pacific Gas & Electric Company, then the Delay Customers shall either pay for or replace the amount of energy necessary to support PDC due to the unavailability of Shasta Unit 5 from July 1, 1999 to October 31, 1999, up to 105 MW, proportional to the foregone energy due to the water spilled at the Shasta Powerplant, as determined by Reclamation, under the following terms.
 - 5.1.1 The energy for which each Delay Customer will be required to pay, at ~~the~~ a pass-through cost, will be based on its prorata share of excess capacity made available to the Delay Customer resulting from delaying the work at Shasta Unit 5 less any energy provided pursuant to Section 5.1.2.
 - 5.1.2 Each Delay Customer may provide part or all of its prorata share of the energy necessary to support the PDC, under terms agreed to by the Sierra Nevada Region, and, to the extent so providing, avoid paying for its prorata share of the energy purchased.
6. Compensation to Reclamation:
 - 6.1 Upon signing this Letter of Agreement, the Delay Customers will be required to advance to Reclamation their shares of the sum of two hundred fifty thousand dollars (\$250,000.00), ~~to~~ for Reclamation's use pursuant to 43 U.S.C. 397a.
 - 6.2 Reclamation will submit a bill for collection to the Delay Customers for payment by June 19, 1998 based upon the amounts listed in the attached schedule upon facsimile notification of signatures by each

ATT3.LOA

Page

Delay Customer. Payments due to Reclamation will be sent in check form to the following address:

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FAX: (916) 978-5392

- 6.3 Reclamation shall not be obligated to perform any work pursuant to this Letter of Agreement without advance payment of funds by the Delay Customers. Upon cessation of work by Reclamation, a determination of the actual costs incurred during the performance of the work will be made, and any unexpended funds will be returned to the Delay Customers in proportion to their contributions made pursuant to Section 6.1.
- 7. If one or more of the customers listed on page one of this Letter of Agreement does not execute this Letter of Agreement by June 12, 1998, then the Delay Customers will have the option to provide additional funds, on an equal or other agreeable basis. Those Delay Customers providing additional funds will receive additional increased excess capacity allocations in proportion to the additional funds they have provided. However, an increase in a Delay Customer's firm excess capacity allocation may not exceed the balance of their unmet expected peak load after adjustment for its contract rate of delivery and all allocations of firm excess capacity for the months of July, August, and September 1998. The Sierra Nevada Region will revise the Schedule of Estimated Allocations and Associated Costs to reflect any changes in allocations and contributions.
- 8. This Letter of Agreement may be executed in a number of counterparts and shall constitute a single document with the same force and effect as if each Party had signed all other counterparts.

If you are in agreement with the conditions stated above, please sign and date both originals and return one to Ms. Peggy Muir, N6205, at Sierra Nevada Region's office as shown above.

Sincerely,

Jerry W. Toenyes
Regional Manager
Western Area Power
Administration

Roger K. Patterson
Regional Director
Bureau of Reclamation

Attachment

In Duplicate

City of Alameda

By: _____

Title: _____

City of Lodi

By: _____

Title: _____
Modesto Irrigation District

By: _____
Title: _____
City of Palo Alto

By: _____
Title: _____
City of Redding

By: _____
Title: _____
City of Roseville

By: _____
Title: _____
Sacramento Municipal Utility District

By: _____
Title: _____
City of Santa Clara

By: _____
Title: _____
Turlock Irrigation District

By: _____
Title: _____

SCHEDULE OF ESTIMATED ALLOCATIONS AND ASSOCIATED COSTS

**Billing Addresses and Billing and Contract Contact People
for Shasta Unit 5 LOA**

City of Alameda
Bureau of Electricity
Attn: Accounts Payable
Post Office Box H
Alameda, California 94501

Billing Contact: Juelle-Ann Boyer
Billing Phone: (510) 748-3910
Fax: (209) 748-3956

Contracts Contact: NCPA,
Matt Foskett (916) 781-4217

City of Lodi
Electric Utility
Attn: Accounts Payable
Post Office Box 3006
Lodi, CA 95241-1910

Billing Contact: John L. Stone
Billing Phone: (209) 333-6748
Fax: (209) 333-6839

Contracts Contact: NCPA,
Matt Foskett (916) 781-4217

Modesto Irrigation District
Attn: Blair Jackson
Post Office Box 4060
Modesto, CA 95352-4060

Billing Contact: James Cabrell
Billing Phone: (209) 526-7515
Fax: (209) 526-7315

Contracts Contact:
Lena Ford (209) 526-7595

City of Palo Alto
Attn: Raveen Maan
250 Hamilton Avenue
Palo Alto, CA 94301

Billing Contact: Girish Balachandran
Billing Phone: (650) 329-2214
Fax: (650) 326-1507

Contracts Contact:
Tom Kabat (650) 329-2659

City of Redding
Electric Department
760 Parkview Avenue
Redding, CA 96001

Billing Contact: Kathy Babcock
Billing Phone: (530) 245-7003
Fax: (530) 245-7010

Contracts Contact:
Tim Nichols (530) 245-7062

City of Roseville
Attn: Mr. Michael Brozo
2090 Hilltop Circle
Roseville, CA 95747

Billing Contact: Michael Brozo
Billing Phone: (916) 774-5623
Fax: (916) 784-3956

Contracts Contact:
Michael Brozo (916) 774-5623 or NCPA, Matt Foskett (916) 781-4217

Billing Addresses and Billing and Contract Contact People for Shasta Unit 5 LOA

Sacramento Municipal Utility District

Attn: Doug Calvert
Post Office Box 15830
Sacramento, California 95852-1530

Billing Contact: Karen Webber
Billing Phone: (916) 732-5364
Fax: (916) 732-6313

Contracts Contact:
Ed Roman (916) 732-5667

City of Santa Clara

Finance Department
1500 Warburton Avenue
Santa Clara, CA 95050-3796

Billing Contact: Wayne Ware
Billing Phone: (408) 261-5029
Fax: (408) 261-2758

Contracts Contact:
Wayne Ware (408) 261-5029 or
Bryan Griess, RMI, (916) 852-1300

Turlock Irrigation District

Attn: Mr. Rick Marquez
Post Office Box 949
Turlock, CA 95381

Billing Contact: Rick Marquez
Billing Phone: (209) 883-8315
Fax: (209) 632-3864

Contracts Contact:
Ken Weisel (209) 883-8412

RESOLUTION NO. 98-91

A RESOLUTION OF THE LODI CITY COUNCIL APPROVING THE LETTER OF AGREEMENT BETWEEN THE BUREAU OF RECLAMATION, THE SIERRA NEVADA REGION OF THE WESTERN AREA POWER ADMINISTRATION (WAPA) AND THE CITY OF LODI WHICH ALLOWS PARTICIPANTS IN THE SHASTA REWINDS CONTRACT THE OPPORTUNITY TO PURCHASE ADDITIONAL LOW COST ENERGY RESULTING FROM A GOOD HYDRO YEAR, AND FURTHER AUTHORIZING THE CITY MANAGER TO EXECUTE SAID LETTER OF AGREEMENT ON BEHALF OF THE CITY OF LODI

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BE IT RESOLVED, that the Lodi City Council hereby approves the Letter of Agreement between the Bureau of Reclamation, the Sierra Nevada Region of the Western Area Power Administration (WAPA) and the City of Lodi, which allows participants in the Shasta Rewinds Contract the opportunity to purchase additional low cost energy resulting from a good hydro year.

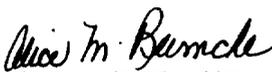
BE IT RESOLVED, that the Lodi City Council hereby authorizes the City Manager to execute said Letter of Agreement on behalf of the City of Lodi.

Dated: June 9, 1998

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I hereby certify that Resolution No. 98-91 was passed and adopted by the Lodi City Council in a special meeting held June 9, 1998 by the following vote:

- AYES: COUNCIL MEMBERS – Johnson, Land, Pennino and Sieglock (Mayor)
- NOES: COUNCIL MEMBERS - None
- ABSENT: COUNCIL MEMBERS - Mann
- ABSTAIN: COUNCIL MEMBERS - None


ALICE M. REIMCHE
City Clerk