



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Letter of Agreement for Services between the City of Lodi and the Northern California Power Agency (not to exceed \$10,500)

MEETING DATE: June 21, 2000

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: That the City Council authorize the City Manager to execute the attached Letter of Agreement (LOA) between the City of Lodi and the Northern California Power Agency (NCPA) not to exceed \$10,500.

BACKGROUND INFORMATION: The purpose of the attached LOA is to provide the City of Lodi with a review of its Public Benefits efforts through the National Resources Defense Council contractor Pacific Energy Associates, Inc. (PEA). PEA is to provide a review of the City's efforts with regard to the Legislative provisions of AB1890 and the specifics of the individual programs undertaken and offered by the City.

FUNDING: Public Benefits Program: 164607

FUNDING AVAILABLE: Vicky McAthie
Vicky McAthie, Finance Director

Alan N. Vallow
Alan N. Vallow
Electric Utility Director

PREPARED BY: Jack Stone, Manager, Business Planning and Marketing

ANV/JS/lst

C: City Attorney

APPROVED: H. Dixon Flynn
H. Dixon Flynn - City Manager



Developed in partnership with NCPA

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City of Lodi

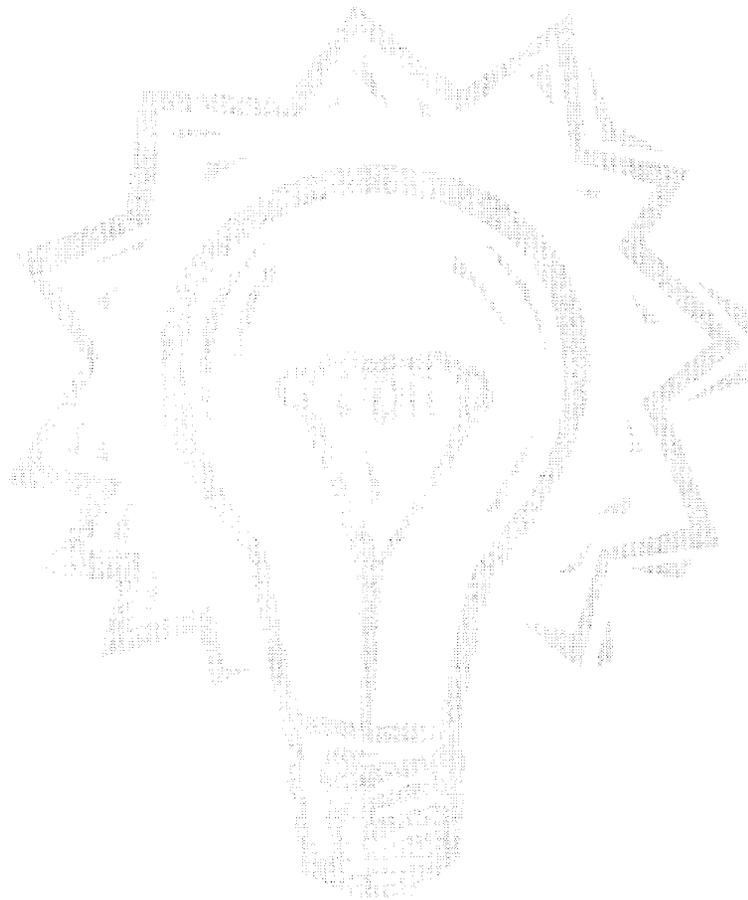
Lighting the Way

The City of Lodi, in partnership with the Northern California Power Agency (NCPA), is devoted to the purchasing, generation, transmission, pooling and conservation of electric energy for our customers and those of the 20 other NCPA member utilities throughout Northern California. Through joint action with NCPA, we have become a primary supplier of power scheduling and interchange management services to public agencies and power marketers throughout Northern California.

The City of Lodi and other publicly owned

utilities currently serve one-quarter of Northern California's electric needs — generating, purchasing and transmitting over 20 trillion kilowatts of power. This represents a customer base roughly one third the size of that currently served by Pacific Gas & Electric Company (PG&E).

In addition, 70% of our energy supply through NCPA is clean, renewable electricity — helping protect our families' health, as well as the environment. Our renewable generation resources include a geothermal plant at The Geysers in Lake County and a hydroelectric project in Murphys, CA.



The Power of Joint Action

NCPA has been helping improve electric service and reliability, and lowering electric rates for its member customers by as much as 20%. It was established in 1968 as a way for its member utilities to break PG&E's monopoly on electric pricing and transmission – and for over 30 years, NCPA and the other municipals remained the sole competitors to Investor Owned Utilities (IOUs) like PG&E.

The competition that the City of Lodi and NCPA bring undoubtedly influences electric pricing throughout the state — which benefits all ratepayers.

NCPA membership is open to municipalities, rural electric cooperatives, irrigation districts and other publicly owned entities interested in the purchase, aggregation, scheduling and management of electrical energy. Unlike IOUs, NCPA members are owned, operated and governed locally — giving them the knowledge and flexibility to better serve their communities.

NCPA members include:

- City of Alameda
- City of Biggs
- City of Gridley
- City of Healdsburg
- **City of Lodi**
- City of Lompoc
- Port of Oakland
- City of Palo Alto
- City of Redding
- City of Roseville
- City of Santa Clara
- Truckee Donner Public Utility District
- Turlock Irrigation District
- City of Ukiah
- Plumas-Sierra Electric Cooperative

In addition, NCPA offers the benefits of joint action to several associate level members, including:

- City of Davis
- City of Santa Barbara
- Association of Bay Area Governments Power (ABAG)
- Bay Area Rapid Transit District
- Lassen Municipal Utility District
- Placer County Water Agency

Playing A Vital Role in California's Electric Marketplace

In 1996, Assembly Bill 1890 restructured California's electric market — giving ratepayers the opportunity to choose their own electricity providers in a competitive marketplace.

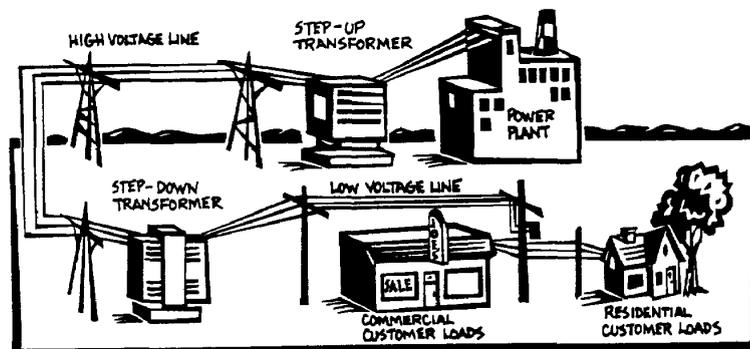
Under AB 1890, IOUs were required to turn over their transmission to the California Independent System Operator (CAISO). The CAISO is now responsible for operating and maintaining the reliability of California's transmission lines, also called the "electric grid". In turn, the IOUs are allowed to recover all of their stranded costs for investments in electric power generation.

However, distribution and transmission of power are still regulated under the California

Public Utilities Commission (CPUC) and the Federal Energy Regulatory Commission (FERC).

Unlike IOUs, publicly owned utilities (such as the City of Lodi) were not required to join the CAISO. In fact, federal tax law prohibits these publicly financed entities from joining the CAISO without endangering their tax-exempt bond status.

The City of Lodi and other publicly owned utilities are currently working to resolve this matter with the Internal Revenue Service, Congress and the CAISO — with the end goal of joining the CAISO to enhance the state's generation resources and transmission assets.



How NCPA Members Fit Into California's Newly Restructured Electric Market

Electric Service in the City of Lodi is controlled and operated locally — providing generation, transmission and distribution of power to customers in our own home town.

The City of Lodi's electricity comes from NCPA's geothermal, hydroelectric, combustion turbine power plants & purchased power contracts.

The City of Lodi determines how much power our customers need — and works through NCPA to schedule through the CAISO for power to be transmitted over the statewide grid.

Power is distributed to electricity customers over City of Lodi-owned distribution lines.

When generation or transmission resources are low, the CAISO will call on NCPA resources to help meet demand — and to help protect the integrity and reliability of California's electric system. The City of Lodi recognizes the importance of preserving the statewide grid and works closely with NCPA and CAISO to achieve this goal.

The Challenge of Summer 2000

“Reliable electric service is of utmost importance to the safety, health and welfare of the state’s citizenry and economy.” — AB 1890 (1996)

Situation

California’s dynamic economic expansion has brought unprecedented numbers of new businesses and individuals to the Golden State. This good fortune has also brought new demands for electricity — and raised the question of whether the state’s aging generation and transmission facilities can handle it.

The California Energy Commission (CEC) and the federal Department of Energy (DOE) have each recently released reports that raise concerns over California’s ability to keep pace with its growth and demand when it comes to electric generation and reliability. They cite fast-paced customer consumption (or “load growth”), stagnant development of new generation and transmission facilities and the possibility of unusually hot weather conditions as reasons for their concern.

The California Independent System Operator (CAISO) — which is responsible for preserving the integrity of the state’s electric grid — shares these concerns. Currently, the CAISO monitors the integrity and reliability of California’s electric grid — particularly under hot weather conditions — through a system of “Alerts.” At Stage 1, all customers are encouraged to conserve electricity. At Stage 2, interruptible load customers have their power curtailed. At Stage 3, all users are warned that involuntary load shedding is imminent in order to prevent system failure.

Challenges

In 1998, load requirements and unusually hot weather required the CAISO to curtail “interruptible load” customers on four summer days. The probability of that occurrence in 1998 was only 2.5%. According to the CEC report, without investment in additional generation and transmission upgrades, there will be a 20% chance of Stage 2 Alerts occurring during normal weather conditions in 2002. And if loads grow as anticipated, Stage 2 Alerts could be expected — on any given weekday — as frequently as 50% of the time by 2004.

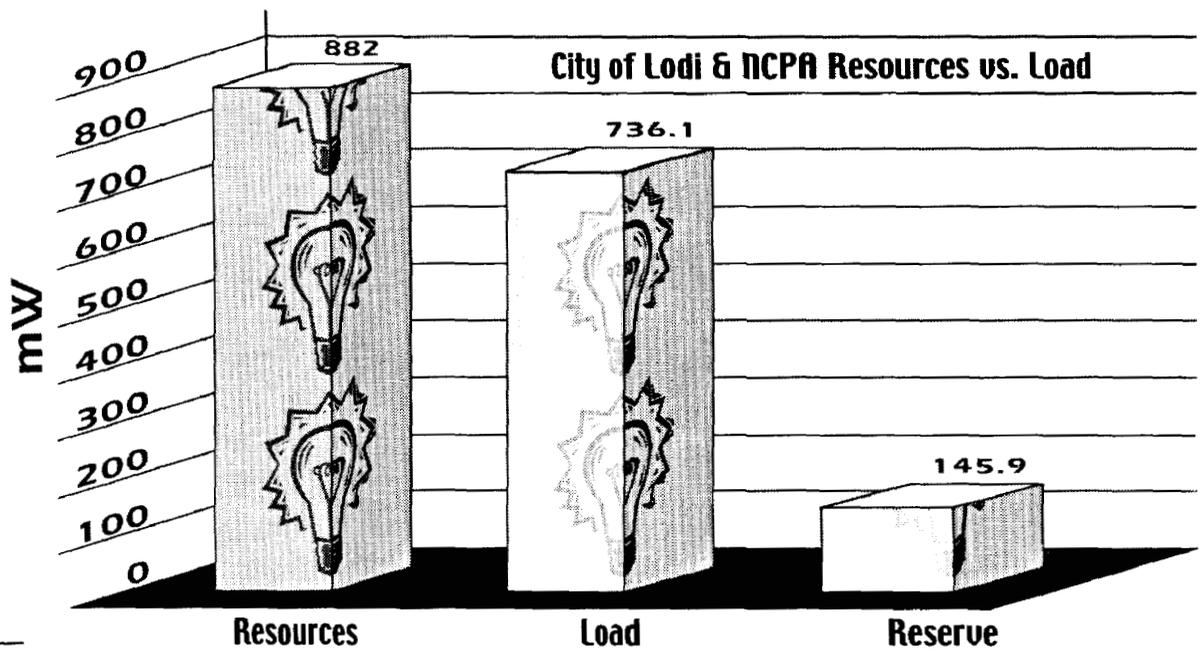
If you factor in unusually hot weather, or generation or transmission outages, the CAISO could then be faced with the more serious Stage 3 Alerts and “rolling brown-outs” — where power is turned off involuntarily in certain sections of the grid. We could also experience the worst-case-scenario — voltage collapse and system black-out.

City of Lodi's Solution

Planning for Growth & Demand

To help avoid potential electric service disruptions within our communities, the City of Lodi has planned its generation and transmission resources to meet such growth and peak demand circumstances. Our NCPA generation and transmission resources include a reserve factor of 10% of customer load. That means that in circumstances like those foreseen in the CEC and DOE reports, the City of Lodi can "step-up" our resources to meet the needs of our customers.

However, the City of Lodi and NCPA have made an additional commitment — to protect not only the reliability of our own system, but to do what we can to maintain the integrity of the state's overall electric transmission system as well. As such, when the CAISO is unable to meet its own needs during peak demand times, the City of Lodi and NCPA have consistently offered our generation and transmission as "reliability must run" resources — providing electricity when it is needed most.



Keeping the Lights On

The Benefits of a Good Public “Alert” System

When you flip the switch, the light should go on. It’s that simple.

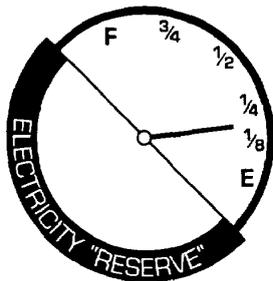
That’s why the City of Lodi has made delivering power and preserving the integrity and reliability of our local electric systems our highest priority. And this is why we are so proud of our superior record in this area.

But even with superior reliability and exceptional planning, California’s electric system is still at risk from unanticipated generation shortfalls and system emergencies that are outside of our — or anyone’s — control.

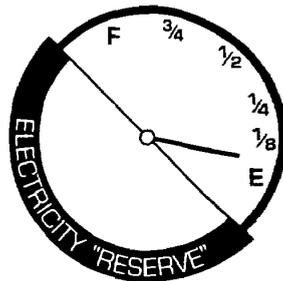
In order to lessen the risk and impact of “surprise” shortfalls, the City of Lodi and NCPA participate in the CAISO’s “Alert” system to help warn the public and other electricity users to conserve, cut-back or even postpone certain electric usage during high-risk “peak” times.

By heeding these simple warnings, customers themselves can help increase the system’s reliability — and in essence, help keep their own lights on. In fact, the City of Lodi offers incentives to customers who volunteer for interruptible service.

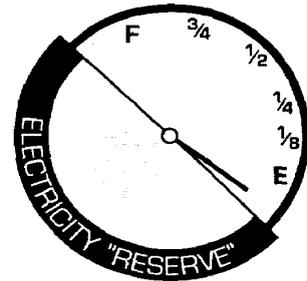
The system is simple:



Stage 1 – below 7%



Stage 2 – below 5%



Stage 3 – below 1.5%

Stage 1: Encourages customers to conserve electricity where possible when the electricity “reserve” falls below 7%.

Stage 2: Urges customers to reduce non-urgent electricity usage when the electricity “reserve” falls below 5%.

Stage 3: Warns customers to immediately postpone electric usage of major appliances such as washing machines, clothes dryers, swimming pool pumps and even to set air conditioners to 85 degrees — and could require involuntary service interruptions — when the electricity “reserve” falls below 1.5%.

What You Can Do – Residential Customers

Power Tips to Help You Through Alert Conditions

During hot summer months, increased demand for electricity to run air conditioners and other cooling devices can put a serious strain on the electric grid.

While the City of Lodi does everything it can to prepare for these increased demands, there are a few things residential and commercial customers can do to help as well.

Before the Lights Go Out

Air Conditioners

- Set your thermostat to at least 78 degrees — and 84 degrees on the hottest days.
- Check air conditioner filters monthly, and replace or clean as needed.
- Shade the air conditioning condenser if it's on the west side of the house for better efficiency.
- Be careful not to restrict the free flow of air to the air conditioning unit.

Air Infiltration

- Replace weather-stripping and caulking around doors and windows, as needed.
- Plug leaks in attics, basements and fireplaces to keep cool air in and warm air out.

Appliances

- Clean coils of your refrigerator and freezer.
- Use your dishwasher, clothes dryer and other heat producing appliances in the morning or after 8 p.m. — not during the hottest part of the day.

Swimming Pools

- Reduce filtering to approximately 5-6 hours and 2 hours for sweeping (or check operating manual). Keep filtering and sweeping equipment clean and lubricated. On the hottest days, set equipment timers to avoid operation from noon to 8 p.m.

Shading

- Plant shrubs and trees to shade your house in the hot summer months. They will lose their leaves and let the sun warm your home in the colder winter months.
- Keep drapes, blinds and shades closed to keep the sun's warming rays out of your home.
- Install sunscreens on windows.

If the Lights Go Out

- Keep extra batteries on hand for flashlights, radios and clocks.
- Keep traditional corded phones handy — most cordless phones don't work without electricity.
- Avoid opening refrigerators and freezers — to keep cool air inside and keep food from spoiling.



What You Can Do – Commercial Customers

Before the Lights Go Out

- Implement Voluntary Electric Curtailment and reduce to critical use requirements.
- Turn off air conditioners if health requirements permit.
- Turn off all non-essential, non-critical equipment and motors and appliances.
- Curtail all outdoor and non-critical indoor lighting. Be sure outdoor signs, decorative lighting and display lighting are off.

Turn Off:

Lighting & Signage

- Advertising signs and displays
- Window display lighting
- All non-critical outdoor lighting

Non-Critical Equipment

- Auxiliaries
- Cafeteria equipment
- Dispensing machines
- Elevators (minimize use)
- Escalators
- Cranes
- Copy and fax machines
- Battery chargers
- Computers
- Music systems
- Door and gate openers
- Drinking water chillers
- Calculators

Cooling & Heating Equipment

- Chillers
- Strip heaters
- Space conditioning (cooling and heating)
- Raise thermostat to 85 degrees in occupied areas and turn off thermostats in unoccupied areas.
- Water heaters
- Maintenance and repair equipment

Water

- Cleaning equipment
- Circulating pumps
- Boilers and auxiliaries
- Pool pumps
- Reduce use of water

“Working together we can all help conserve energy — and keep our electric supplies reliable.”

Contact the City of Lodi for more information on what else you can do to help save energy.

City of Lodi – Contact Information

For more information on how you can save energy please contact your local utility:

Electric Utility Director:

Alan N. Vallow phone: 209-333-6762

For more information on the California Independent System Operator's (CAISO) emergency alert system, or their plan to maintain the reliability of California's electric system, call 1-888-515-6397.

Or you can contact your local legislator to find out what the Legislature is doing to help make sure the state has a reliable electric system:

Assembly Utilities & Commerce Committee

Chairman Rod Wright 916-319-2083

Senate Energy, Utilities & Communications

Chairwoman Debra Bowen 916-445-9764

Assemblyman

Anthony Pescetti 916-362-4161

Senator

Patrick Johnston 209-948-7930



RESOLUTION NO. 2000-108

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING
THE CITY MANAGER TO EXECUTE A LETTER OF AGREEMENT
WITH THE NORTHERN CALIFORNIA POWER AGENCY FOR A
REVIEW OF THE CITY'S PUBLIC BENEFIT PROGRAM

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WHEREAS, staff recommends entering into an agreement with the Northern California Power Agency (NCPA) for review of the City's Public Benefits Program through the National Resources Defense Council contractor Pacific Energy Associates, Inc.; and

WHEREAS, Pacific Energy Associates, Inc., will provide a review of the City's efforts with regard to the Legislative provisions of AB1890 and the specifics of the individual programs undertaken and offered by the City of Lodi.

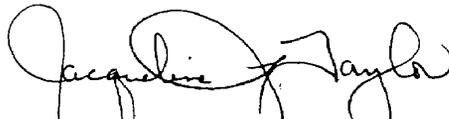
NOW, THEREFORE, BE IT RESOLVED, that the Lodi City Council hereby authorizes the City Manager to execute a Letter of Agreement with the Northern California Power Agency for review of the City's Public Benefits Program through the National Resources Defense Council contractor Pacific Energy Associates, Inc., in an amount not to exceed \$10,500.00.

Dated: June 21, 2000

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I hereby certify that Resolution No. 2000-108 was passed and adopted by the Lodi City Council in a regular meeting held June 21, 2000 by the following vote:

- AYES: Council Members – Hitchcock, Land, Nakanishi, Pennino
and Mann (Mayor)
- NOES: Council Members – None
- ABSENT: Council Members – None
- ABSTAIN: Council Members – None


JACQUELINE L. TAYLOR
Interim City Clerk