



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Adopt resolution authorizing the City Manager and the Electric Utility Director to execute electric energy and natural gas purchase and sale agreements (EUD)

MEETING DATE: October 30, 2001

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: That the City Council authorize the City Manager and the Electric Utility Director to execute electric energy and natural gas purchase and sale agreements for periods up to fifteen (15) years.

BACKGROUND INFORMATION: At the February 20, 2001, City Council Meeting, the City Council authorized the City Manager and the Electric Utility Director to enter into electric energy and natural gas purchase and sale contracts on behalf of the City of Lodi for periods up to ten (10) years.

Electric energy and natural gas markets have moderated considerably since the highly volatile winter and spring of 2001. The volatility exhibited in the energy markets left most utilities adopting new policies of risk avoidance for future years. Risk Management is a process which must be continuously monitored and adapted to an ever changing market environment. To that extent, new opportunities exist to restructure both short and long-term electric energy and natural gas transactions. The most promising opportunities are in energy related products with a term in excess of ten years.

In order to meet appropriate bid price deadlines, it is imperative that the City be in a position to authorize purchase and sale transactions within the time frame allowed by the market participants – often less than 24 hours.

All reasonable attempts will be made by City staff to continue to bring term transactions before the Council where time permits. When doing so would jeopardize a transaction deemed to be in the City's best interest, it is requested that the City Manager or Electric Utility Director be authorized to approve electric energy and natural gas purchase and sales transactions for a period up to fifteen (15) years.

FUNDING: Through existing Bulk Power Purchases

A handwritten signature in black ink, appearing to read "Alan N. Vallow", written over a horizontal line.

Alan N. Vallow
Electric Utility Director

ANV/ist

C: City Attorney
Finance Director

APPROVED: _____

H. Dixon Flynn - City Manager

RESOLUTION NO. 2001-246

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING THE CITY
MANAGER AND THE ELECTRIC UTILITY DIRECTOR TO EXECUTE
ELECTRIC ENERGY AND NATURAL GAS PURCHASE AND
SALE AGREEMENTS

WHEREAS, at the February 20, 2001, City Council meeting, the City Council authorized the City Manager and the Electric Utility Director to enter into electric energy and natural gas purchase and sale contracts on behalf of the City of Lodi for periods up to ten (10) years; and

WHEREAS, electric energy and natural gas markets have moderated considerably since the highly volatile winter and spring of 2001. The volatility exhibited in the energy markets left most utilities adopting new policies of risk avoidance for future years. Risk Management is a process, which must be continuously monitored and adapted to an ever-changing market environment. To that extent, new opportunities exist to restructure both short and long-term electric energy and natural gas transactions. The most promising opportunities are in energy related products with a term in excess of ten years; and

WHEREAS, in order to meet appropriate bid price deadlines, it is imperative that the City be in a position to authorize purchase and sale transactions within the time frame allowed by the market participants – often less than 24 hours; and

WHEREAS, all reasonable attempts will be made by City staff to continue to bring term transactions before the Council where time permits. When doing so would jeopardize a transaction deemed to be in the City's best interest, it is requested that the City Manager or Electric Utility Director be authorized to approve electric energy and natural gas purchase and sales transactions for a period up to fifteen (15) years.

NOW, THEREFORE, BE IT RESOLVED, that the Lodi City Council does hereby authorize the City Manager and the Electric Utility Director to execute electric energy and natural gas purchase and sale agreements for periods up to fifteen (15) years.

Dated: October 30, 2001

I hereby certify that Resolution No. 2001-246 was passed and adopted by the City Council of the City of Lodi in a special meeting held October 30, 2001 by the following vote:

- AYES: COUNCIL MEMBERS – Hitchcock, Howard and Mayor Nakanishi
- NOES: COUNCIL MEMBERS – None
- ABSENT: COUNCIL MEMBERS – Land
- ABSTAIN: COUNCIL MEMBERS – Pennino


SUSAN J. BLACKSTON
City Clerk