



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Adopt Resolution Authorizing the City Manager to Enter into Letters of Agreement Between the City of Lodi and the Following Businesses for the Sale of Designated Municipal Electric Distribution Facilities: Lodi Iron Works (\$39,022.65) and CertainTeed Corporation (\$42,312.05) (EUD)

MEETING DATE: February 21, 2007

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Adopt a resolution authorizing the City Manager to enter into Letters of Agreement between the City of Lodi and the following businesses for the Sale of Designated Municipal Electric Distribution Facilities: Lodi Iron Works (\$39,022.65) and CertainTeed Corporation (\$42,312.05) (EUD)

BACKGROUND INFORMATION:

Lodi Iron Works: Several years ago, the Electric Utility Department (EUD) consolidated three (3) of the Lodi Iron Works (LIW) electric secondary service (e.g. lower voltage) accounts into one and assigned the customer to the industrial I-1 rate, plus an adder of 5% to reflect increased cost of EUD of providing secondary service (rather than higher voltage primary service). In its recent review of customer rates, Staff found that the I-1 plus 5% rate does not officially exist as a rate option. As a result, LIW wishes to consolidate its two (2) secondary service accounts and upgrade to primary voltage/service. To accomplish this outcome, LIW will need to purchase existing EUD overhead electric distribution equipment and padmount transformer, and pay for conversion to primary metering as detailed in the attached Letter of Agreement (LOA). It is proposed that LIW pay EUD \$39,022.65 for the depreciated cost of facilities and associated metering changes.

CertainTeed Corporation: Currently CertainTeed Corporation has three (3) electric metered services; one meter is served as an I-1 primary service, while the other two meters are G-5 secondary services. Representatives from CertainTeed have requested that the two G-5 accounts be consolidated to create another I-1 primary service. In order to accomplish this task, CertainTeed would need to reconstruct the existing G-5 services, upgrading these two meters to primary voltage/service. To achieve this, CertainTeed must purchase existing EUD overhead electric distribution equipment, including an existing padmount transformer, and install a new primary electric meter. CertainTeed would pay EUD \$42,312.05 for the depreciated cost of said facilities and for metering changes as per the attached Letter of Agreement.

The proposed arrangements conform to City Council approved Electric Rules and Regulations:

- Rule 2, Section 3a: "Three-phase demand loads in excess of 500 KVA, but less than 7000 KVA may, with City approval, be supplied by means of a primary service at the primary distribution voltage available at the location."

APPROVED: 
Blair King, City Manager

Adopt Resolution Authorizing the City Manager to Enter into Letters of Agreement Between the City of Lodi and the Following Businesses for the Sale of Designated Municipal Electric Distribution Facilities: Lodi Iron Works (\$39,022.65) and CertainTeed Corporation (\$42,312.05) (EUD)

February 21, 2007

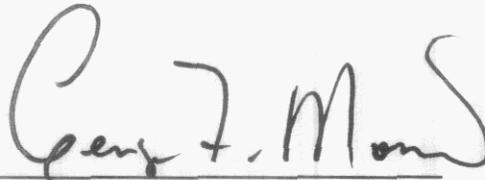
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- Rule 17, Section D (Totalized Metering): "A customer having more than one service on the same premise may have such services totalized for billing purposes, provided the following conditions exist: Each service to be totalized must: 1) be supplied by the same distribution feeder (under normal operating conditions); 2) have a maximum demand greater than or equal to 400 kW for three or more consecutive months."

The two industrial customers are interested in entering into the attached LOA's with EUD as soon as possible. If the Council approves these LOA's, Electric Utility staff would then order required primary metering equipment and related materials. It is anticipated that both projects would be completed by June 1, 2007.

FISCAL IMPACT: The initial sale of facilities and services will result in revenue to EUD in the amount of \$81,334.70.

FUNDING: Not applicable.



George F. Morrow
Electric Utility Director

Prepared By: Rob Lechner, Manager, Customer Service & Programs

GFM/RSL/ist

Attachments (2)

LETTER OF AGREEMENT: SALE OF MUNICIPAL FACILITIES

BETWEEN

THE CITY OF LODI

AND

LODI IRON WORKS

This Letter of Agreement (LOA) is between the City of Lodi (COL) and Lodi Iron Works (LIW). By way of this signed LOA, LIW agrees to purchase and maintain designated electric utility facilities as identified on the attached Appendix A.

In summary, LIW will purchase designated overhead electric distribution facilities located at the customer's plant site of 840 S. Sacramento Street, as well as an existing padmount transformer. In addition LIW agrees to purchase all necessary primary metering equipment and compensate the COL for the labor costs to install said equipment.

In purchasing the aforementioned equipment (padmount transformer and overhead electric distribution facilities) LIW also agrees to properly maintain said equipment and be responsible for repairing said equipment in the event of equipment failure.

The total purchase price of the equipment and associated labor costs as listed on Appendix A is \$39,022.65. *Note: in the event that the labor required to perform this project occurs after COL operating hours (7:00am to 4:30pm, Monday through Friday, excluding holidays and weekends), LIW will be charged any/all additional labor costs above and beyond the costs identified on Appendix A.*

This sale is made on an "as is" basis and buyer acknowledges that seller makes no warranties with regard to the items in Appendix A.

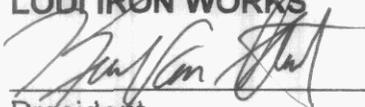
LIW agrees to compensate the COL for the total amount listed in the LOA prior to initiation of said project.

IN WITNESS THEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers and their seal to be affixed, as of the day and year herein written dated _____, 2007.

CITY OF LODI

LODI IRON WORKS

Blair King
City Manager



President

ATTEST:

Date

Randi Johl
City Clerk

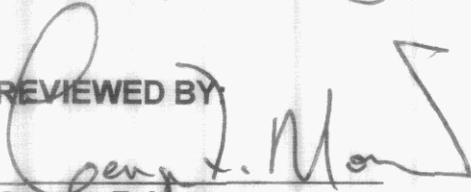
1-30-07

APPROVED AS TO FORM:

D. Stephen Schwabauer
City Attorney



REVIEWED BY:



George F. Morrow
Electric Utility Director

APPENDIX A

	Installation Cost	Depreciation Allowance	Buy Out Cost/Total
Purchase existing plant (OHM)	\$15,467.62	\$2,320.14	\$13,147.48
Purchase existing padmount transformer	\$10,096.17	\$2,019.23	\$8,076.94
Labor and material costs to install primary metering equipment	\$17,798.23	\$0.00	\$17,798.23
Total	\$43,362.02	\$4,339.37	\$39,022.65

Padmount transformer and related overhead equipment was installed in February 2000.

Depreciation for overhead material (OHM) based on 40 years service life.

Depreciation for padmount transformer based on 30 years service life.

For conversion of service metering to primary metering, the following equipment and/or materials will be required:

1. 55 foot utility pole.
2. 12kV 3-phase metering equipment.
3. New underground 15kV cable from the riser to the padmount transformer.
4. Metering cabinet and related equipment.
5. Overhead material and related hardware.

LETTER OF AGREEMENT: SALE OF MUNICIPAL FACILITIES

BETWEEN

THE CITY OF LODI

AND

CERTAINTEED CORPORATION

This Letter of Agreement (LOA) is between the City of Lodi (COL) and CertainTeed Corporation (CERTAINTEED). By way of this signed LOA, CERTAINTEED agrees to purchase and maintain designated electric utility facilities as identified on the attached Appendix A.

CERTAINTEED will purchase designated overhead electric distribution facilities located at the customer's plant site of 300 S. Beckman Road, as well as an existing padmount transformer. In addition CERTAINTEED agrees to purchase all necessary primary metering equipment and compensate the COL for all required labor costs to install said equipment.

In purchasing the aforementioned equipment (padmount transformer and overhead electric distribution facilities) CERTAINTEED also agrees to properly maintain said equipment for the life of the equipment, and pay for all repairs necessary for maintaining said equipment in the event of equipment failure, including replacement of equipment if necessary.

The total purchase price of the equipment and associated labor costs listed on Appendix A is capped in the amount of \$42,312.05. *Note: in the event that the labor required to perform this project after COL operating hours (7:00am to 4:30pm, Monday through Friday, excluding holidays and weekends), CERTAINTEED will be charged any/all additional labor costs above and beyond the costs identified on Appendix A, if such after operating hours was authorized by CertainTeed.*

This sale is made on an "as is" basis and buyer acknowledges that seller makes no warranties with regard to the items in Appendix A.

CERTAINTEED agrees to compensate the COL for the total amount listed in the LOA *prior* to completion of said project.

IN WITNESS THEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers and their seal to be affixed, as of the day and year herein written dated _____, 2007.

CITY OF LODI

Blair King
City Manager

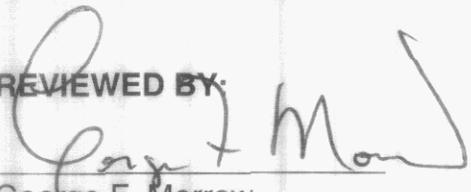
ATTEST:

Randi Johl
City Clerk

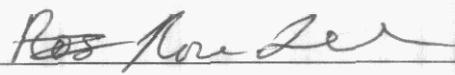
APPROVED AS TO FORM:

D. Stephen Schwabauer
City Attorney

REVIEWED BY:


George F. Morrow
Electric Utility Director

CERTAINTEED, CORPORATION



By



Name



Title



Date

APPENDIX A

	Installation Cost	Depreciation Allowance	Buy Out Cost/Total
Purchase existing plant (OHM)	\$13,253.00	\$1,987.95	\$11,265.05
Purchase existing padmount transformer	\$18,728.00	\$3,746.00	\$14,982.00
Labor and material costs to install primary metering equipment	\$16,065.00	\$0.00	\$16,065.00
Total	\$48,046.00	\$5,733.95	\$42,312.05

Padmount transformer and related overhead equipment was installed in February 2000.

Depreciation for overhead material (OHM) based on 40 years service life.

Depreciation for padmount transformer based on 30 years service life.

For conversion of service metering to primary metering, the following equipment and/or materials will be required:

1. Reframe existing utility pole.
2. 12kV, three-phase metering system and appurtenances.
3. Reconstruct termination of the 15kV underground riser cable.
4. Metering cabinet and accessories.
5. Overhead materials and required hardware.

RESOLUTION NO. 2007-31

A RESOLUTION OF THE LODI CITY COUNCIL
AUTHORIZING THE CITY MANAGER TO EXECUTE
LETTERS OF AGREEMENT BETWEEN THE CITY OF
LODI AND LODI IRON WORKS AND CERTAINTEED
CORPORATION FOR THE SALE OF DESIGNATED
MUNICIPAL ELECTRIC DISTRIBUTION FACILITIES

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NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager to execute Letters of Agreement between the City of Lodi and Lodi Iron Works, in the amount of \$39,022.65, and CertainTeed Corporation, in the amount of \$43,312.05, for the sale of designated municipal electric distribution facilities.

Dated: February 21, 2007

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I hereby certify that Resolution No. 2007-31 was passed and adopted by the City Council of the City of Lodi in a regular meeting held February 21, 2007, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Hitchcock, Katzakian, Mounce,
and Mayor Johnson

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None



RANDI JOHL
City Clerk