



**CITY OF LODI  
COUNCIL COMMUNICATION**

**AGENDA TITLE:** Adopt Resolution Authorizing the City Manager to Execute an Agreement to Withdraw Lodi from the Western GeoPower Inc. Renewable Energy Power Purchase Agreement (EUD)

**MEETING DATE:** September 2, 2009

**PREPARED BY:** Interim Electric Utility Director

**RECOMMENDED ACTION:** Adopt a resolution authorizing the City Manager to execute an Amended and Restated Third Phase Agreement' (3PA) with the Northern California Power Agency (NCPA) to withdraw Lodi from the Western GeoPower Incorporated (WGI) Renewable Energy Power Purchase Agreement (PPA).

**BACKGROUND INFORMATION:** On February 20, 2008, the City Council authorized execution of a 3PA with NCPA, under which members would share NCPA's costs and energy output of a geothermal power plant to be developed by WGI, with the energy output sold to NCPA at \$98 per megawatt hour. The energy was to be delivered for 20 years, beginning in April 2010. The energy would be an Eligible Renewable Resource in the Lodi Electric Utility Renewable Portfolio Standard Program and would provide environmental attributes associated with reductions of Greenhouse Gases and other emissions. Lodi had subscribed to 7.02 percent of the 25 to 33 megawatts of output and associated costs, approximately 2 MW.

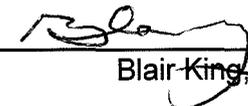
Reevaluation of WGI's geothermal steam supply has caused the plant size to be limited to 25 MW, resulting in a reduction of WGI's projected revenue stream. The reduced revenue is compounded by the tightening of the financial markets. WGI advised NCPA that WGI is unable to secure financing unless the energy sale price is raised to \$117/MWh. That equates to a 1.9-cent/kWh increase in the wholesale power cost to 11.7 cents per kWh.

The new terms are unattractive for Lodi. The execution of the Amended and Restated 3PA will contractually remove Lodi from a participant in the power purchase agreement. The NCPA Commission on July 23, 2009 authorized execution of an Amended and Restated PPA with WGI reflecting the higher cost and revised participation shares. Some NCPA members are not willing to pay the higher price. Others are willing to increase their shares to keep the project fully subscribed.

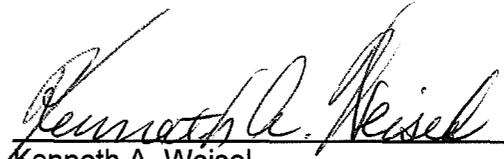
The Lodi Risk Oversight Committee concurred with this recommendation at its meeting of August 12, 2009.

Attached is a copy of the proposed Amended and Restated 3PA between NCPA and members. This agreement may be subject to further non-substantive changes prior to its execution.

<sup>1</sup> NCPA refers to agreements with members that allocate project shares and provide NCPA with assurance of payment for costs incurred during operation of a plant or contract as a "Third Phase Agreement".

APPROVED:   
Blair King, City Manager

**FISCAL IMPACT:** Reduced purchases of above-market-cost energy.



Kenneth A. Weisel  
Kenneth A. Weisel  
Interim Electric Utility Director

**PREPARED BY:** Ken Weisel, Interim Electric Utility Director

KAW/lst

**AMENDED AND RESTATED**

**THIRD PHASE AGREEMENT**

**FOR**

**WESTERN GEOPower INCORPORATED**

**RENEWABLE ENERGY POWER PURCHASE AGREEMENT**

TABLE OF CONTENTS

<u>Section</u> .....		—
	RECITALS.....	3
1.	Definitions.....	4
2.	Effectiveness of Agreement.....	10
3.	Delivery of Electricity / Allocation of Resource Adequacy. .... Capacity and Environmental Attributes,.....	10
4.	Cooperation and Further Assurances.....	11
5.	Payment Obligations, Security Account, Invoicing.....	11
6.	Administration of Agreement.....	16
7.	Transfer of Rights by Participants.....	17
8.	Withdrawal of Participants. ....	18
9.	Term and Termination.....	18
10.	Default and Remedies.....	19
11.	Miscellaneous.....	23
EXHIBIT A	RENEWABLE ENERGY POWER PURCHASE AGREEMENT between NORTHERN CALIFORNIA POWER AGENCY and WESTERN GEOPOWER INCORPORATED	
EXHIBIT B	PARTICIPATION PERCENTAGES	
EXHIBIT C	FRAMEWORK AND COST ALLOCATION METHODOLOGY FOR SCHEDULE COORDINATION, DISPATCH AND SETTLEMENT SERVICES	

This Amended and Restated Third Phase Agreement for Western GeoPower Incorporated Renewable Energy Power Purchase Agreement (the "Agreement") is between the Northern California Power Agency, a joint powers agency of the State of California ("NCPA") and those of its Members who execute this Agreement ("Participants"). NCPA and the Participants are referred to herein individually as a "Party" and collectively as the "Parties."

#### RECITALS

A. WHEREAS, NCPA and the Participants are interested in purchasing additional renewable electric capacity and energy for the benefit of the Participants' customers:

B. WHEREAS, the Participants desire that NCPA negotiate and enter into a renewable energy power purchase agreement (PPA) with Western GeoPower Incorporated ("Western GeoPower") for twenty (20) years; and

C. WHEREAS, on \_\_\_\_\_, NCPA and Western GeoPower entered into an Amended and Restated Renewable Energy Power Purchase Agreement;

D. WHEREAS, on May 16, 2008, NCPA has executed a PPA with Western GeoPower to purchase the entire expected Project Output from a new Western GeoPower geothermal project ("Project") located in the Geysers Geothermal Field located in Mayacamas Mountains of Sonoma and Lake Counties in the State of California; and

E. WHEREAS, on or about May 6, 2008, NCPA and the Participants executed the Third Phase Agreement for Western Geopower Incorporated Renewable Energy Power Purchase Agreement; and

F. WHEREAS, NCPA, on behalf of the Participants, will purchase the Project output at a fixed price not to exceed one-hundred-seventeen dollars (\$117.00) per megawatt hour for capacity up to 25 MW, and for additional capacity in excess of 25 MW, NCPA will purchase Project output at a fixed price not to exceed ninety-eight dollars (\$98.00) per megawatt hour for the term of twenty (20) years pursuant to the Amended and Restated Renewable Energy Power Purchase Agreement; ; and

G. WHEREAS, as a result of the price adjustment, several Participants, identified herein, specifically as the Cities of Alameda, Lodi, and Roseville, the Truckee-Donner Public Utility District, and the San Francisco Bay Area Rapid Transit District ("BART") ("Withdrawing Participants") wish to withdraw from the Agreement, however, the terms of this Agreement prior to this amendment and restatement do not allow for withdrawal by any Participant; and

H. WHEREAS, the Participants desire to enter into this Agreement to allow a one-time withdrawal by the Withdrawing Participants without future liability to NCPA and to the remaining Participants; and

I. WHEREAS, NCPA and the Participants wish to enter into this Agreement to provide all means necessary for NCPA to fulfill obligations incurred on behalf of NCPA and the Participants pursuant to the PPA and to enable and obligate the Participants to take delivery of and pay for such electricity and to pay NCPA for the costs of undertaking the foregoing activities; and

J. WHEREAS, NCPA and its members have (or will have) entered into the Facilities Agreement, dated September 22, 1993, which provides for services which NCPA shall perform for its members, and for the provisions to be contained in third phase agreements such as this Agreement.

K. WHEREAS, NCPA and its members have (or will have) entered into the Scheduling Coordination Program Agreement ("SCPA"), dated August 28, 2002, which provides for CAISO scheduling services and cost allocations which NCPA shall perform for its members.

L. WHEREAS, the City of Healdsburg is not currently a project Participant to the Third Phase Agreement executed on \_\_\_\_\_ (date), but now wishes to participate in this Project and desires to be bound to this Agreement;

NOW, THEREFORE, in consideration of the foregoing, and the mutual promises and covenants hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree and intend to be legally bound, as follows:

**Section 1. Definitions.**

1.1 Definitions. Whenever used in this Agreement (including the Recitals hereto), the following terms shall have the following respective meanings:

1.1.1 “Agreement” means this Amended and Restated Third Phase Agreement for Western GeoPower Incorporated Renewable Energy Power Purchase Agreement, including all Exhibits attached hereto, as the same may be amended from time to time in accordance with the terms and conditions hereof.

1.1.2 “Annual Budget” means the budget for the ensuing Budget Year adopted by the Commission, as it may be amended from time to time.

1.1.3 “Associate Member” means an associate member of NCPA admitted to NCPA in accordance with Article IV, Section 7 of the Joint Powers Agreement.

1.1.4 “Budget Year” means the NCPA fiscal year; currently the twelve month period beginning July 1 and ending on the next following June 30.

1.1.5 “Business Day” means any day except a Saturday, Sunday, or a Federal Reserve Bank holiday. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. local time.

1.1.6 “Capacity Attributes” means any current or future defined characteristic, certificate, tag, credit, or ancillary service attribute, whether general in nature or specific as to the location or any other attribute of the Project, intended to value any aspect of the capacity of the Project to produce Energy or ancillary services, including, but not limited to, any accounting construct so that the full capacity of the Project may be counted toward a resource adequacy requirement or any other measure by the CPUC, the CAISO, the FERC, or any other entity invested with the authority under federal or state law, to require buyer [defined term?]to procure, or to procure at buyer’s expense, Resource Adequacy [lower case or a defined term?]or other such products.

1.1.7 "Claims" has the meaning set forth in Section 11.2.

1.1.8 "Commission" means the NCPA Commission.

1.1.9 Not Applicable under this Agreement.

1.1.10 "Constitutive Documents" means, with respect to NCPA, the Joint Powers Agreement and any resolutions or bylaws adopted thereunder, and with respect to each Participant, the California Government Code and Public Utilities Code, and other statutory provisions applicable to such Participant, any applicable agreements, charters, contracts or other documents concerning the formation, operation or decision making of such Participant, including, if applicable, its City Charter, and any codes, ordinances, bylaws, and resolutions adopted by such Participant's governing body.

1.1.11 "Defaulting Party" has the meaning set forth in Section 10.1.

1.1.12 "Effective Date" has the meaning set forth in the Section 9 of this Agreement.

1.1.13 "Electric System" means, with respect to each Participant except BART, all properties and assets, real and personal, tangible and intangible, of the Participant now or hereafter existing, used or pertaining to the generation, transmission, transformation, distribution or sale of electric capacity and energy, or the utilization of such, including all additions, extensions, expansions, improvements and betterments thereto and equipment thereof; provided, however, that to the extent the Participant is not the sole owner of an asset or property or to the extent that an asset or property is used in part for the above described purposes, only the Participant's ownership interest in such asset or property or only the part of the asset or property used for electric purposes shall be considered to be part of its Electric System.

1.1.14 "Energy" means the electricity generated by the Generating Facility pursuant to this Agreement, as expressed in units of KWh or MWh as measured at the meter(s), as that term is defined the PPA.

1.1.15 "Environmental Attributes" means any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, directly attributable to the power purchase. Environmental Attributes include, but are not limited to: (1) any avoided emissions of pollutants to the air, soil or water such as sulfur oxides (SO<sub>x</sub>), nitrogen oxides (NO<sub>x</sub>), carbon monoxide (CO) and other pollutants; (2) any avoided emissions of carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and other greenhouse gases (GHGs) that have been determined by the United Nations Intergovernmental Panel on Climate Change to contribute to the actual or potential threat of altering the Earth's climate by trapping heat in the atmosphere; and (3) the reporting rights to these avoided emissions such as Green Tag Reporting Rights. Environmental Attributes do not include: (1) any energy, capacity, reliability or other power attributes; (2) production tax credits associated with the construction or operation of the energy Projects and other financial incentives in the form of credits, reductions, or allowances associated with the Project that are applicable to a state or federal income taxation obligation; (3) fuel-related subsidies or "tipping fees" that may be paid to Seller to accept certain fuels, or local subsidies received by the generator for the destruction of particular pre-existing pollutants or the promotion of local environmental benefits; or (4) emission reduction credits encumbered or used by the Unit(s) for compliance with local, state, or federal operating and/or air quality permits.

1.1.16 "Event of Default" has the meaning set forth in Section 5.5.3 and Section 10.1.

1.1.17 "Generating Facility" means Western GeoPowers, Inc.'s electricity generating facility as more particularly described in Exhibit 2 [Description of Generating Facility] of the PPA, together with all materials, equipment systems, structures, features and improvements necessary to produce electricity at such facility, excluding the site, land rights and interests in land.

1.1.18 "Joint Powers Agreement" means that certain Northern California Power Agency Joint Power Agreement first made July 19, 1968 and revised as of April 1, 1973, establishing NCPA, as the same may be amended from time to time.

1.1.19 "Member" means any Member of NCPA or Associate Member of NCPA.

1.1.20 "MW" means megawatt.

1.1.21 "MWh" means megawatt hour.

1.1.22 "NCPA" has the meaning set forth in the preamble hereto.

1.1.23 "Participation Percentage." has the meaning, with respect to each Project Participant, the percentage of the total capacity of the Project, and the energy associated with such capacity, to which such Participant is entitled pursuant to the terms of this Agreement. The Project Participation Percentage for each Project participant shall be in the percentage set forth in Exhibit B, attached hereto and incorporated herein. Exhibit B, shall be amended from time to time in accordance with this Agreement.

1.1.24 "Project" refers to the Western Geopower project to develop, finance, operate and maintain the Generating Facility which is the subject of the PPA.

1.1.25 "Project Cost Allocation" means the Project Costs allocated to the Participants in the Annual Budget.

1.1.26 "Project Costs" means any and all costs, directly or indirectly, incurred by NCPA as a result of entering into the PPA. NCPA costs include, but are not limited to related legal fees and associated staff time, administrative and general overhead costs, charges for transmission, transmission related costs and costs associated with the PPA or other NCPA associated Agreements, including the Facilities Agreement and the SCPA or a successor agreement.

1.1.27 "Project Output" means all energy generated pursuant to the PPA from the geothermal Project currently being developed by Western GeoPower in conjunction with this Project, related Environmental Attributes and Capacity Attributes;

1.1.28 "Participant" has the meaning set forth in the preamble hereto.

(i) "Party" or "Parties" has the meaning set forth in the preamble hereto; provided that "Third Parties" are entities that are not party to this Agreement.

1.1.29 "PPA" means the Amended and Restated Renewable Energy Power Purchase Agreement between NCPA and Western GeoPower, Inc., dated \_\_\_\_\_, attached hereto as Exhibit A.

1.1.30 "Resource Adequacy Capacity" is that capacity in megawatts that has been approved by each Participant, as capacity available to ensure that adequate resources are available to meet peak demand and operating and planning reserves for the purposes of local area and system reliability.

1.1.31 "Revenues" means, with respect to each Participant with the exception of BART, all income, rents, rates, fees, charges, and other moneys derived by the Participant from the ownership or operation of its Electric System, including, without limiting the generality of the foregoing, (a) all income, rents, rates, fees, charges or other moneys derived from the sale, furnishing and supplying of electric capacity and energy and other services, facilities, and commodities sold, furnished, or supplied through the facilities of its Electric System, (b) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or pursuant to law to its Electric System, and (c) the proceeds derived by the Participant, directly or indirectly, from the sale, lease or other disposition of all or a part of the Electric System; but the term "Revenues" shall not include (i) customers' deposits or any other deposits subject to refund until such deposits have become the property of the Participant or (ii) contributions from customers for the payment of costs of construction of facilities to serve them. In regards to BART, "Revenues" means, all income, rents, rates, fees, charges, grants, fares or tariffs, subventions and other moneys derived by the Participant from its operation, including, without limiting the generality of the foregoing, (x) the earnings on and income derived from the investment of such income, rents, rates, fees, charges grants, fares or tariffs, subventions or other moneys and (y) the proceeds derived by the Participant, directly or indirectly, from the sale, lease or other disposition of all or a part of its assets; but the term "Revenues" shall not include any moneys derived from sources, the use of which is limited by law to expenditures other than operating expenses.

1.1.32 "Scheduling Protocols" means the applicable provisions of the SCPA, or successor document and any other contractual or other arrangements between NCPA and the relevant Participant concerning the scheduling, delivery and metering of the PPA.

1.1.33 "Security Account" means the account established by NCPA and funded by the Participants in accordance with Section 5.3, the funds of which are available for use by NCPA in accordance with the terms and conditions hereof.

1.1.34 "Term" has the meaning set forth in Section 9.

1.1.35 "Withdrawing Participants" has the meaning set forth in the Recital G.

1.2 Rules of Interpretation. As used in this Agreement (including the Recitals hereto), unless in any such case the context requires otherwise: the terms "herein," "hereto," "herewith" and "hereof" are references to this Agreement taken as a whole and not to any particular provision; the term "include," "includes" or "including" shall mean "including, for example and without limitation;" and references to a "Section," "subsection," "clause," or "Exhibit" shall mean a Section, subsection, clause or Exhibit of this Agreement, as the case may be. All references to a given agreement, instrument or other document shall be a reference to that agreement, instrument or other document as modified, amended, supplemented and restated through the date as of which such reference is made, and reference to a law, regulation or ordinance includes any amendment or modification thereof. A reference to a "person" includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization or other entity, in each case whether or not having a separate legal personality and includes its successors and permitted assigns. The singular shall include the plural and the masculine shall include the feminine, and *vice versa*.

**Section 2. Effectiveness of Agreement.** This Agreement shall be effective as to each Participant as of the Effective Date upon execution by the Participant, as described in Section 9 below.

**Section 3. Delivery of Electricity / Allocation of Resource Adequacy Capacity and Environmental Attributes.** By executing this Agreement, each Participant acknowledges and agrees to be bound by the take-or-pay process contained in or referenced herein. Any electricity delivered to NCPA under the PPA shall be delivered to each Participant in proportion to such Participant's Participation Percentage and each Participant shall accept and pay for its relevant percentage of such electricity, To the extent Participant is unable to accept such deliveries in full, NCPA shall dispose of such surplus in its discretion, in such a manner to maximize Participant value. Notwithstanding the above, NCPA may allocate capacity and energy procured through the PPA among the Participants in such percentages as NCPA may, in its reasonable discretion, determine are necessary, desirable, or appropriate, in order to accommodate Participant Transfer Rights pursuant to Section 7, herein. Such electricity shall be scheduled for the Participants in accordance with the Scheduling Protocols with costs of scheduling, dispatch and settlement allocated in accordance with the framework described in Exhibit C, which attached hereto and incorporated as though fully set forth herein. Resource Adequacy Capacity and Environmental Attributes obtained by NCPA as a result of performance under this Agreement shall likewise be allocated to each Participant by its Participation Percentage.

3.1 Payments to Counterparty. NCPA shall pay all costs incurred hereunder using operating funds or Security Account funds, paid to NCPA in accordance with Section 5, or such other sources as may be agreed upon in writing by the Parties from time to time.

**Section 4. Cooperation and Further Assurances.** Each of the Parties agrees to provide such information, execute and deliver any instruments and documents and to take such other actions as may be necessary or reasonably requested by any other Party which are not inconsistent with the provisions of this Agreement and which do not involve the assumption of obligations other than those provided for in this Agreement, in order to give full effect to this Agreement and to carry out the intent of this Agreement.

**Section 5. Payment Obligations, Security Account, Invoicing.**

5.1 Participant Payment Obligations. Each Participant agrees to pay to NCPA each month its respective portion of the Project Costs. In addition, each Participant shall maintain

working capital in accordance with NCPA's Annual Budget, and maintain its Security Account as provided in this Agreement.

5.2 Calculation of and True-Up for Project Costs. Upon the conclusion of a Budget Year, NCPA shall compare each Participant's payment of estimated Project Costs with the actual Project Costs incurred on behalf of each Participant such that overpayments will be credited to, and underpayments will debited to, the Participant's account in accordance with NCPA's Annual Budget settlements.

5.3 Security Account.

5.3.1 Initial Amounts. NCPA shall notify each Participant three (3) months prior to the expected initial delivery of power of the initial security amounts which Participant shall be obligated to pay for under this Agreement, Each Participant shall ensure that sufficient funds are on deposit in the Security Account equal to the highest (3) months of the immediately following (12) months of estimated Project Costs ; provided, however, that such deposit may be satisfied, in whole or in part, either in cash, by posting an irrevocable standby letter of credit or furnishing any other negotiable instrument satisfactory to NCPA's General Manager, exercising his or her reasonable discretion.

5.3.2 Subseautent Deposits. Periodically, and at least quarterly, NCPA shall review and revise its estimate of all costs for which Participant shall be obligated to pay for under this Agreement for the succeeding twelve (12) months. Following such review, NCPA shall determine whether each Participant has a sufficient balance in the Security Account. To the extent that any Participant's balance in the Security Account is greater than one hundred and ten percent (110%) of the amount required herein, NCPA shall credit such amount as soon as practicable to the Participant's next following invoice. To the extent that any Participant's balance in the Security Account is less than ninety percent (90%) of the amount required herein, NCPA shall add such amount as soon as practicable to such Participant's next invoice. Credits or additions shall not be made to Participants who satisfy these Security Account requirements in whole, through the use of a letter of credit, provided that the amount of the letter of credit shall be adjusted in a like manner to assure an amount equal to the highest three (3)months of estimated Project Costs.

5.3.3 Use of Security Account Funds. NCPA may use any and all funds deposited into the Security Account to pay any costs it incurs hereunder, including making payments to the counterparty under the PPA. NCPA may use any and all funds without regard to any individual Participant's balance in the Security Account or proportionate share of Project Costs and irrespective of whether NCPA has issued an invoice for such costs to the Participants or whether a Participant has made timely payments of invoices. Should Participant have satisfied its Security Account requirements, in whole or in part, by posting a letter of credit, NCPA may draw on such letter of credit to satisfy Participant's obligations hereunder.

5.3.4 Emergency Additions. In the event that the funds are withdrawn pursuant to section 5.3.3, or if the Security Account is insufficient to allow payment of an invoice, demand, request for further assurances by Third Parties, or Claims, NCPA shall notify all Participants and then prepare and send a special or emergency assessment to the Participants. Each Participant shall pay to NCPA such assessment when and if assessed by NCPA within two (2) Business Days of the invoice date of the assessment or consent to and direct NCPA to draw on any existing letter of credit Participant has established for such purposes.

5.3.5 Accounting and Interest. NCPA shall maintain a detailed accounting of each Participant's deposits into and shares of withdrawals from the Security Account. Interest earned on the Security Account shall be proportionately credited to the Participants in accordance with their Security Account balances. Any losses in the Security Account caused by early termination of investments shall be allocated among the Participants in accordance with their proportionate Participation Percentages.

5.3.6 Return of Funds. On the termination of this Agreement with respect to a Participant in accordance with this Agreement, the affected Participant or Participants may apply to NCPA for the return of their share of Security Account funds ninety (90) days after the effective date of such termination or withdrawal. NCPA shall, in its sole discretion, as determined by the General Manager, estimate the then outstanding liabilities of the Participant(s), including any estimated contingent liabilities and shall retain all such funds until all such liabilities

have been fully paid or otherwise satisfied in full. The balance of the Participant's share of the Security Account will be refunded to the Participant.

#### 5.4 Invoicing.

5.4.1 Invoices. As part of NCPA's regular, monthly, advance billing or by separate special invoice, as required in the circumstances, NCPA will issue an invoice to each Participant for its proportionate share of the Project Costs due (or any adjustments thereto) based on Sections 5.1 and 5.2 above. Such invoices may include estimated costs and estimated settlement and meter data. Each invoice shall include: (i) the total Project Costs attributable to the activities under this Agreement for such month and the relevant Participant's share thereof; (ii) the quantity of electricity, Resource Adequacy Capacity and Environmental Attributes. delivered to such Participant (or an estimate thereof) and the unit price for such electricity; (iii) appropriate settlement and meter data (or an estimate thereof); (iv) including any adjustments to prior invoices required based on actual data received that was estimated in a previous invoice. In addition NCPA may invoice an amount, if any, that NCPA has paid or reasonably expects to pay using funds available in the Security Account; and amounts due from (or credited to) such Participant under Section 5.3.2.

5.4.2 Payment of Invoices. All invoices delivered by NCPA hereunder are due and payable on the date indicated on such invoice, provided, however, that any amount due on a day other than a Business Day may be paid on the following Business Day. NCPA may apply a Participant's share of the Security Account to the payment of all or any portion of an invoice issued to such Participant, provided that application of such funds from the Security Account shall not relieve the Participant from any late payment charges pursuant to Section 5.4.3. To the extent that NCPA applies funds from the Security Account to pay an amount due under an invoice, following receipt of payment of such invoice by the relevant Participant, NCPA shall deposit the relevant portion of the payment into the Security Account and credit such deposit to such Participant.

5.4.3 Late Payments. Any amount due and not paid by a Participant in accordance with Section 5.4.2 shall bear interest computed on a daily basis until paid at the lesser

of (i) the per m u m prime rate (or reference rate) of the Bank of America NT&SA then in effect, plus two percent (2%) or (ii) the maximum rate permitted by law.

#### 5.5 Settlement Data and Examination of Books and Records.

5.5.1 Settlement Data. NCPA will make metering and settlement data available to the Participants. Procedures and formats for the provision of such data will be as established by the Participants and NCPA from time to time.

5.5.2 Examination of Books and Records. Any Participant to this Agreement shall have the right to examine the books and records created and maintained by NCPA pursuant to this Agreement at any reasonable, mutually agreed upon time.

5.5.3 Revenue Covenant. Any failure of a Participant to meet its obligations hereunder or to cure such failure in a timely manner shall constitute an Event of Default and the Defaulting Party shall be subject to such remedies of NCPA as provided for herein. Each Participant covenants and agrees (i) to continue to pay or advance to NCPA, from its electric department revenues only or, in the case of BART, its tariffs, fees or other sources of revenue, provided that such sources shall not include any sums derived from sources, the use of which is limited by law to expenditures other than operating expenses, its percentage share of the costs authorized by Participants in accordance with this Agreement in connection with its participation in the Project. Each Participant further agrees that it will fix the rates and charges for services provided by its electric department, or in the case of BART, its general revenues, so that it will at all times have sufficient money in its department revenue funds to meet this obligation; (ii) to make payments under this Agreement from the Revenues of, and as an operating expense of, its Electric System, or in the case of BART, its general revenues; (iii) to make payments under this Agreement whether or not there is an interruption in, interference with, or reduction or suspension of services provided under this Agreement; such payments not being subject to any reduction, whether by offset or otherwise, and regardless of whether any dispute exists provided such

interruption, interference or reduction in services is caused by forces constituting an act of God<sup>1</sup> and not reasonably contemplated by the Parties; and (iv) to operate its Electric System., or in the case of BART, its transit system, in an efficient manner and to maintain its facilities in good repair, condition and working order so that: (a) the Participant's obligations to make payments under this Agreement are not adversely affected or threatened; and (b) NCPA's bond rating and ability to negotiate and enter into a PPA are not adversely affected or threatened.

## **Section 6. Administration of Agreement**

6.1 General. The NCPA Commission has sole overall responsibility and authority for the administration of this Agreement. Any acts, decisions or approvals taken, made or sought by NCPA under this Agreement shall be taken, made or sought, as applicable, in accordance with NCPA's Constitutive Documents and Section 6.2.

### 6.2 Action by Participating-Members.

(a) Forum: Whenever any action anticipated by this Agreement is required to be taken by the Participants, such actions shall be taken at a regular or special meeting of the NCPA Commission but shall be participated in only by those Commissioners, or their designated alternates, who are Participants.

(b) Quorum: A quorum at NCPA Commission meetings for purposes of acting upon matters relating to this Agreement shall consist of Commissioners, or their designated alternates, representing at least two Participants having a combined majority interest based upon Participation Percentages.

(c) Voting: Each Participant shall have the right to cast one vote with respect to matters pertaining to this Agreement, with a majority vote of the Participating Members required for action subject to the following exceptions:

(i) Upon request of any Participant representative, the voting on an issue related to this Agreement shall be by Participation Percentage with a 65% or more

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<sup>1</sup> For the purposes of Section 5.5.3, an "act of God" shall be defined as any natural disaster or uncontrollable force not preventable by any human agency, such as, but not limited to, any storm, flood, or violent or destructive natural force.

favorable vote necessary to carry the action. The 65% required by the preceding sentence shall be reduced by the amount that the Participation Percentage of any Participant exceeds 35%, but shall not be reduced below a majority interest.

(ii) After any decision related to this Agreement is taken by the affirmative vote of less than 65% of the Program Participants, the action can be reviewed and revised if a Participant gives notice of intention to seek such review and revision to NCPA and each of the other Participants within ten (10) days following the date on which such action was taken. Upon receipt of such a request for reconsideration, the Chair of the Commission shall agendaize the matter for reconsideration at the next regular meeting of the Commission or at a special meeting if the circumstances so warrant. The action shall be upheld upon the affirmative vote of authorized representatives of the Participants. Any action taken upon reconsideration shall be final.

iii. Participants agree to abide by the terms and conditions of NCPA's existing Facilities Agreement, as it may be amended from time-to-time, which is incorporated herein, but due to the large size of the Facilities Agreement and its exhibits, is not made a separate exhibit to this Agreement. The Participants also agree to execute the Facilities Agreement as a signatory to that agreement as soon as possible.

## Section 7. Transfer of Rights by Participants

7.1 A Participant has the right to make transfers, sales, assignments and exchanges (collectively "transfers(s)") its Participation Percentage and rights thereto. If a Participant desires to transfer a portion or its entire share of the Project for a specific time interval, or permanently, NCPA will, if requested by such Participant, use its best efforts to transfer that portion of the Participant's share of the Project.

7.2 Before NCPA may transfer an excess Project share pursuant to section 7.1 to any person or entity other than a Participant, it shall give all Participants the right to purchase the share on the same terms and conditions. Before NCPA may transfer an excess Project share pursuant to section 7.1 to any person or entity other than an NCPA member, it shall give all NCPA members the right to purchase the share on the same terms and conditions. Such right shall be exercised within thirty (30) days of receipt of notice of that right.

7.3 No transfer shall relieve a Participant of any of its obligations under this Agreement except to the extent that NCPA receives payment of these obligations from a transferee.

**Section 8. Withdrawal of Participants.** The Parties agree that only the Withdrawing Participants may withdraw from this Agreement as a result of the amendment to the PPA entered into between NCPA and Western GeoPower, Inc., dated \_\_\_\_\_. As a further condition of withdrawal, the remaining Participants agree to fully subscribe to the total capacity of the Project and agree to indemnify and hold harmless Withdrawing Participants from liability arising out of this Agreement after their withdrawal. However, no Participant may withdraw until the entire capacity of the Project is fully subscribed by the remaining Participants. Upon withdrawal from the Project, conditioned upon full subscription of the Project capacity by the non-Withdrawing Participants, the Withdrawing Participants shall no longer have any rights, responsibilities, liabilities or obligations with respect to this Agreement. Accordingly, Sections 10.5.1, 10.5.2 and 10.5.3, herein, are inapplicable to Withdrawing Participants.

With the exception of the foregoing, no remaining Participant may withdraw from this Agreement after the Effective Date. However, NCPA will use its best efforts to assist any Participant that wishes to transfer all or any portion of its rights pursuant to Section 7 above.

**Section 9. Term and Termination.**

**9.1** This Agreement shall become effective on the date (the "Effective Date") when it has been executed and delivered to NCPA by Participants, the Participation Percentages of which, in the aggregate, equal at least 65% participation in the Project. NCPA shall provide written notices to all Participants, establishing the Effective Date. The remaining Participants listed in Exhibit B shall have forty-five (45) days, following the notice of the Effective Date to execute and deliver counterparts of this Agreement to NCPA. If any Participants listed on Exhibit B fails to execute and deliver this Agreement or the Facilities Agreement within such forty-five (45) days, unless otherwise agreed to by the Participants who have executed the Agreement, the Participating Percentages of such member or members shall be allocated to those Participants in proportion to, but not exceeding, their Participation Percentages. This Agreement shall be coterminous with the PPA contained in Exhibit A.

9.2 This Agreement may be terminated by the Parties if NCPA successfully exercises its right of first refusal to purchase the entire Western GeoPower project as set forth in Section 11.6(e) of the PPA. In the event of termination pursuant to this Section 9.2, the Participants shall pay to NCPA all previously unpaid costs and obligations incurred as of the date of such termination. Following such termination, the Participants shall cooperate and act in good faith to negotiate and agree upon the method of allocating among the Participants in proportion to their respective Participation Percentages the costs and benefits of the PPA and any financing agreements or commitments and any matters pertaining to the administration, management, control, operation and maintenance of the PPA, including, but not limited to, re-subscribing the Project capacity with additional NCPA members or non-member participants. NCPA shall reasonably cooperate with the Participants and other NCPA members in connection with implementing the foregoing, and the Participants shall indemnify NCPA for any costs and obligations incurred in connection therewith, including reasonable attorneys' fees, fees and expenses of other experts, including auditors and accountants and other reasonable and necessary costs.

## **Section 10. Default and Remedies**

10.1 Events of Default. An Event of Default under this Agreement shall exist with respect to a Party (the "Defaulting Party") upon the occurrence of any one or more of the following:

- (i) if any Party fails to make any payment or to provide assurances as required of NCPA under this Agreement when due hereunder two (2) Business Days after receipt of notice given by NCPA of such non-payment; or
- (ii) the failure of the Defaulting Party to perform any other covenant or obligation under this Agreement where such failure is not cured within ten (10) days following receipt of a notice from NCPA demanding cure (provided that this shall not apply to any failure to make payments (which is covered by Section 10.1 (i));or
- (iii) if any representation or warranty of the Defaulting Party material to the transactions contemplated hereby is or shall prove to have been incorrect in any material respect when made and the Defaulting Party does not cure the facts underlying such incorrect

representation or warranty so that the representation or warranty becomes true and correct within ten (10) calendar days of the date of receipt of notice from any other Party demanding cure; or

(iv) if a Participant is in default or in breach of any of its covenants under any other agreement with NCPA and such default or breach is not cured within the time period(s) specified in such agreement or, if not specified, within ten (10) calendar days of the date of receipt of notice; or

(v) the failure of NCPA to perform any covenant or obligation under this Agreement following the delivery of a ten-day notice to cure by any non-defaulting Member.

10.2 Cure of an Event of Default. An Event of Default shall be deemed cured only if such default shall be remedied within the time period specified in Section 10.1, above, as may be applicable after written notice has been sent to the Defaulting Party from NCPA specifying the default and demanding that the same be remedied provided that failure of a Party to provide such notice shall not be deemed a waiver of such default.

10.3 Participation Rights Of Defaulting Party. Notwithstanding anything herein to the contrary, upon the occurrence of an Event of Default and until such Event of Default is cured, the Participant that is the Defaulting Party shall not have the right to participate under Section 6.2 on any matters with respect to this Agreement.

10.4 Remedies in the Event of Default.

10.4.1 Remedies of NCPA. Upon the occurrence of an Event of Default where a Participant is the Defaulting Party, without limiting its other rights or remedies available under this Agreement, at law or in equity, and without constituting or resulting in a waiver, release or estoppels of any right, action or cause of action NCPA or a non-defaulting Member may have against the Participant, NCPA may:

(i) suspend the provision of goods and/or services under this Agreement to such Defaulting Party, including the delivery of electricity and other attributes of the PPA until the Event of Default is cured; and

(ii) demand that the Defaulting Party provide further assurances to compel the correction of the default, including mandating the collection of a surcharge to produce Revenues to secure the cure of the Event of Default; and

(iii) terminate this Agreement as to the Defaulting Party on ten (10) days' prior written notice to the Defaulting Party and following approval of the non-defaulting Participants.

10.4.2 Sale/Transfer of Participants Account Upon Default. Upon any default of a Participant caused by the failure of such Participant to pay any sums due, and provided that such default is not cured in a timely manner, then NCPA shall use its best efforts to sell and transfer for the Defaulting Party's account all or a portion of the Participant's capacity and/or energy and/or Environmental Attributes for the remainder of the term of this Agreement. Notwithstanding that all or any portion of the Participant's capacity is so sold or transferred, the Participant shall remain liable for all of its obligations hereunder.

10.4.3 Remedies of Participants. Upon the occurrence of an Event of Default, and following the applicable cure periods, where NCPA is the Defaulting Party, the Participant may, without limiting their other rights or remedies available under this Agreement, at law or in equity, and without constituting or resulting in a waiver, release or estoppel of any right, action or cause of action the Participants may have against NCPA, terminate this Agreement, in whole or in part, subject to the provisions of Section 10.5.4.

10.4.4 Special Covenants Regarding Security Account. In the event that a Participant's balance of the Security Account is insufficient to cover all invoices for costs incurred under this Agreement sent to such Participant, then, without limiting NCPA's other rights or remedies available under this Agreement, at law or in equity, such Participant shall cooperate in good faith with NCPA and shall cure the default within thirty (30) days, on an emergency basis, taking all such action as is necessary, including, but not limited to, raising rates and charges to its customers to increase its Revenues to replenish its share of the Security Account as provided herein, drawing on its cash-on-hand and lines of credit, obtaining further assurances by way of credit support and letters of credit, and taking all such other action as will cure the default.

10.5 Effect of Termination or Suspension.

10.5.1 The suspension or termination of this Agreement will not terminate, waive, or otherwise discharge any ongoing or undischarged contingent liabilities or obligations arising from this Agreement until such obligations are satisfied in full, and all of the costs incurred by NCPA in connection with such suspension or termination, including reasonable attorneys' fees, the fees and expenses of other experts, including auditors and accountants, other costs and expenses that NCPA is entitled to recover under this Agreement, and other reasonable and necessary costs associated with any and all of the remedies, are paid in full.

10.5.2 Suspension by NCPA. If performance of all or any portion of this Agreement is suspended by NCPA with respect to a Participant in accordance with Section 10.4.1(i), such Participant shall pay any and all costs and obligations incurred by NCPA as a result of such suspension, including reasonable attorneys' fees, the fees and expenses of other experts, including auditors and accountants, other reasonable and necessary costs associated with such suspension and any portion of the Project Costs that were not recovered from such Participant as a result of such suspension.

10.5.3 Termination by NCPA. If this Agreement is terminated by NCPA with respect to a Participant in accordance with Section 10.4.1 (iii), (i) such Participant shall pay any and all costs and obligations incurred by NCPA as a result of such termination including reasonable attorneys' fees, the fees and expenses of other experts, including auditors and accountants, other reasonable and necessary costs associated with such termination and any portion of the Project Costs that were not, or will not be, recovered from such Participant as a result of such termination; provided, however, if NCPA terminates this Agreement with respect to the last Participant, then this Agreement shall terminate.

10.5.4 Termination by Participants. If this Agreement is terminated by all Participants in accordance with Section 10.4.3, or by unanimous consent of all of the Parties hereto, then the Participants shall pay to NCPA all previously unpaid costs and obligations incurred as of the date of such termination,, and following such termination, the Participants shall cooperate and act in good faith to negotiate and agree upon the method of allocating among the Participants in

proportion to their respective Participation Percentages the costs and benefits of the PPA and any financing agreements or commitments and any matters pertaining to the administration, management, control, operation and maintenance of the PPA. NCPA shall reasonably cooperate with the Participants in connection with implementing the foregoing and the Participants shall indemnify NCPA for any costs and obligations incurred in connection therewith, including reasonable attorneys' fees, fees and expenses of other experts, including auditors and accountants and other reasonable and necessary costs. If the Parties are unable to reach agreement as to the foregoing, then the Parties agree to submit the matter to mediation with a mutually agreed upon mediator. If the Parties are still unable to reach agreement following mediation, then the matter shall be submitted to binding arbitration subject to the rules of the American Arbitration Association, the costs of such arbitration being borne proportionally among the Participants.

Section 11. Miscellaneous.

11.1 Confidentiality. The Participants and NCPA will keep confidential all confidential or trade secret information made available to them in connection with this Agreement, to the extent possible, consistent with applicable laws, including the California Public Records Act. It shall be the responsibility of the holder of the claim of confidentiality or trade secret to defend at its expense against any request that such information be disclosed. Confidential or trade secret information shall be marked or expressly identified as such.

11.2 Indemnification and Hold Harmless. Subject to the provisions of Section 11.4, each Participant agrees to indemnify, defend and hold harmless NCPA and its Members, including their respective governing officials, officers, agents, and employees, from and against any and all claims, suits, losses, costs, damages, expenses and liability of any kind or nature, including reasonable attorneys' fees and the costs of litigation, including experts ("Claims"), to the extent caused by any acts, omissions, breach of contract, negligence (active or passive), gross negligence, recklessness, or willful misconduct of a Participant, its governing officials, officers, employees, subcontractors or agents, to the maximum extent permitted by law.

11.3 Several Liabilities. No Participant shall be liable under this Agreement for the obligations of any other Participant, and each Participant shall be solely responsible and liable

for performance of its obligations under this Agreement, except as otherwise provided for herein, and the obligation of each Participant under this Agreement is a several obligation and not a joint obligation with those of the other Participants.

11.4 No Consequential Damages. FOR ANY BREACH OF ANY PROVISION OF THIS AGREEMENT FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED IN THIS AGREEMENT, THE LIABILITY OF THE DEFAULTING PARTY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER DAMAGES OR REMEDIES ARE HEREBY WAIVED. IF NO REMEDY OR MEASURE OF DAMAGE IS EXPRESSLY PROVIDED, THE LIABILITY OF THE DEFAULTING PARTY SHALL BE LIMITED TO ACTUAL DAMAGES ONLY AND ALL OTHER DAMAGES AND REMEDIES ARE HEREBY WAIVED. IN NO EVENT SHALL NCPA OR ANY PARTICIPANT OR THEIR RESPECTIVE SUCCESSORS, ASSIGNS, REPRESENTATIVES, DIRECTORS, OFFICERS, AGENTS, OR EMPLOYEES BE LIABLE FOR ANY LOST PROFITS, CONSEQUENTIAL, SPECIAL, EXEMPLARY, INDIRECT, PUNITIVE OR INCIDENTAL LOSSES OR DAMAGES, INCLUDING LOSS OF USE, LOSS OF GOODWILL, LOST REVENUES, LOSS OF PROFIT OR LOSS OF CONTRACTS EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, AND NCPA AND EACH PARTICIPANT EACH HEREBY WAIVES SUCH CLAIMS AND RELEASES EACH OTHER AND EACH OF SUCH PERSONS FROM ANY SUCH LIABILITY.

The Parties acknowledge that California Civil Code section 1542 provides that: “A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.” The Parties waive the provisions of section 1542, or other similar provisions of law, and intend that the waiver and release provided by this section of this Agreement shall be fully enforceable despite its reference to future or unknown claims.

11.5 Amendments. Except where this Agreement specifically provides otherwise, this Agreement may be amended only by written instrument executed by the Parties with the same formality as this Agreement.

11.6 Severability. In the event that any of the terms, covenants or conditions of this Agreement or the application of any such term, covenant or condition, shall be held invalid as

to any person or circumstance by any court having jurisdiction, all other terms, covenants or conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect unless the court holds that such provisions are not severable from all other provisions of this Agreement.

11.7 Governing Law. This Agreement shall be interpreted, governed by, and construed under the laws of the State of California.

11.8 Headings. All indices, titles, subject headings, section titles and similar items are provided for the purpose of convenience and are not intended to be inclusive, definitive, or affect the meaning of the contents of this Agreement or the scope thereof.

11.9 Notices. Any notice, demand or request required or authorized by this Agreement to be given to any Party shall be in writing, and shall either be personally delivered to a Participant and the Secretary of the Commission or transmitted to the Participant and the Secretary of the Commission at the address shown on the signature pages hereof. The designation of such address may be changed at any time by written notice given to the Secretary of the Commission who shall thereupon give written notice of such change to each Participant.

11.10 Warranty of Authority. Each Participant, and NCPA, represents and warrants that it has been duly authorized by all requisite approval and action to execute and deliver this Agreement and that this Agreement is a binding, legal, and valid agreement enforceable in accordance with its terms as to the Participant and as to NCPA. Upon execution of this Agreement, each Participant shall deliver to NCPA a resolution of the governing body of such Participant, evidencing approval of and authority to enter into this Agreement, that such authority was duly exercised in accordance with such Participant's Constitutive Documents.

11.11 Counterparts. This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument and as if all the signatories to all of the counterparts had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon, and may be attached to another

counterpart of this Agreement identical in form hereto but having attached to it one or more signature pages.

11.12 Assignment. Except as provided by Section 7 no Participant may assign or otherwise transfer its interest in its Participation Percentage or any other rights and obligations under this Agreement without the express written consent of NCPA, which shall not be unreasonably withheld.

11.13 Exercise of the Right of First Refusal. Participants shall abide by the NCPA Facilities Agreement in the exercise of any options by NCPA to purchase the underlying assets of the PPA as per the voting procedures of this Agreement outlined in Section 6. Participation in any such purchase shall be in accordance with the then existing Participation Percentages, unless such Participation Percentages are otherwise agreed upon by the Participants.

11.14 List of Exhibits. The Exhibits referenced herein shall be denoted as follows:

**Exhibit A - AMENDED AND RESTATED RENEWABLE ENERGY POWER PURCHASE AGREEMENT BETWEEN THE NORTHERN CALIFORNIA POWER AGENCY AND WESTERN GEOPOWER INCORPORATED**

**Exhibit B - PARTICIPATION PERCENTAGES**

Exhibit C FRAMEWORK AND COST ALLOCATION METHODOLOGY FOR SCHEDULE COORDINATION, DISPATCH AND SETTLEMENT SERVICES

IN WITNESS WHEREOF, each Participant has executed this Agreement with the approval of its governing body, and NCPA has authorized this Agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA  
POWER AGENCY

Approved as to Legal Form

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

IN WITNESS WHEREOF, each Participant has executed this Agreement with the approval of its governing body, and NCPA has authorized this Agreement in accordance with the authorization of its Commission.

NORTHERN CALIFORNIA  
POWER AGENCY

Approved as to Legal Form

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

CITY OF LODI

Approved as to From

By: \_\_\_\_\_  
Blair King, City Manager

By: \_\_\_\_\_  
D. Stephen Schwabauer  
City Attorney

Date: \_\_\_\_\_



ATTEST:

By: \_\_\_\_\_  
Randi Johl, City Clerk

**Exhibit B**  
**Western GeoPower Project**  
**PERCENTAGE PARTICIPATION**  
**25 MW Capacity**

<b>Member</b>	<b>Share</b>	<b>MW</b>
<b>Lompoc</b>	<b>4.0%</b>	<b>1.00</b>
<b>Palo Alto</b>	<b>28.0%</b>	<b>7.00</b>
<b>Port of Oakland</b>	<b>4.0%</b>	<b>1.00</b>
<b>SVP</b>	<b>62.0%</b>	<b>15.50</b>
<b>Healdsburg</b>	<b>2.0%</b>	<b>0.50</b>

RESOLUTION NO. 2009-121

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING THE CITY MANAGER TO EXECUTE AN AMENDED AND RESTATED THIRD PHASE AGREEMENT WITH THE NORTHERN CALIFORNIA POWER AGENCY FOR THE WESTERN GEOPOWER INC. RENEWABLE ENERGY POWER PURCHASE AGREEMENT

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WHEREAS, on February 20, 2008, the City Council authorized a Third Phase Agreement with the Northern California Power Agency (NCPA) for the Lodi Electric Utility (LEU) to buy energy from NCPA that NCPA would buy from Western GeoPower, Incorporated (WGI); and

WHEREAS, WGI is unable to deliver energy for the previously agreed price of \$98 per megawatt-hour; and

WHEREAS, NCPA and WGI wish to increase the purchase price to \$117 per megawatt-hour, and NCPA anticipates full subscription by NCPA members at the higher price; and

WHEREAS, LEU no longer wishes to participate in the purchase from WGI due to the price increase.

NOW, THEREFORE, BE IT RESOLVED by the Lodi City Council that the City Manager is hereby authorized to execute an Amended and Restated Third Phase Agreement with NCPA withdrawing LEU from participation in the WGI power purchase agreement, in substantially the form presented with such non-substantive revisions recommended by the Electric Utility Director; and

BE IT FURTHER RESOLVED that the Electric Utility Director is hereby authorized to implement such Agreement.

Dated: September 2, 2009

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I hereby certify that Resolution No. 2009-121 was passed and adopted by the City Council of the City of Lodi in a regular meeting held September 2, 2009, by the following vote:

AYES: COUNCIL MEMBERS - Hitchcock, Katzakian, and Mayor Hansen

NOES: COUNCIL MEMBERS - None

ABSENT: COUNCIL MEMBERS - Johnson and Mounce

ABSTAIN: COUNCIL MEMBERS - None



RANDI JOHL  
City Clerk