



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Adopt Resolution Authorizing the City Manager to Terminate Lodi’s Participation in the Seattle City Light Capacity and Energy Exchange Third Phase Agreement

MEETING DATE: April 20, 2011

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Adopt a resolution authorizing the City Manager to terminate Lodi’s participation in the Seattle City Light Capacity and Energy Exchange Third Phase Agreement.

BACKGROUND INFORMATION: On October 6, 1992, the Northern California Power Agency (NCPA) and several of its members, including Lodi, executed the Seattle City Light Capacity and Energy Third Phase Agreement (Exchange Agreement).

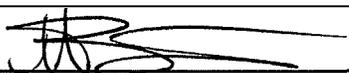
The associated “Capacity and Energy Exchange Agreement between the City of Seattle, City Light Department and Northern California Power Agreement” (NCPA/Seattle Agreement) allows Seattle City Light (Seattle) to provide 60 MW and 90,580 MWh to NCPA during the period June 1 through October 15 of each year, and for NCPA to deliver 46 MW and 108,696 MWh of energy to Seattle during the period December 1 through April 30 of each year. Lodi is a 41.667-percent participant in this Exchange Agreement.

This contract was designed to make use of excess generation. The Pacific NW has excess power in the summer, when California needs it most. California has excess generation capacity in the winter months, when demand peaks in the Pacific NW. This contract was signed in 1992 to begin deliveries in 1993, as the California Oregon Transmission Project (COTP) came on line that same year.

Historically this contract has resulted in costs that ranged from plus or minus \$208,000/yr, while delivering 25 MW of firm capacity to Lodi that could be counted on for planning purposes. Due to the recent narrowing of energy prices between summer and winter time periods, the economics of the exchange have worsened. Lodi’s share of the cost of delivering 60 MW to Seattle City Light resulted in losses of \$608,000 from November 2008 through October 2009 and \$600,000 from November 2009 through October 2010.

It is expected that this pricing trend will continue, therefore staff recommends that Lodi terminate its participation in the Exchange Agreement. Other NCPA agencies have ended their participation for these very reasons, leaving Lodi, Silicon Valley Power (City of Santa Clara) and the City of Ukiah the remaining NCPA participants. Neither utility is interested in acquiring Lodi’s share, and the electricity from Seattle City Light does not qualify as renewable energy under State guidelines, giving little incentive to continue the contract any longer than necessary.

Termination under the NCPA/Seattle Agreement and the Exchange Agreement require a seven-year notification. Lodi must deliver that notice by April 30 or the termination will be delayed another year.

APPROVED: 
Konradt Bartlam, City Manager

FISCAL IMPACT: No immediate fiscal impact. The impact in seven years is impossible to predict, but if power costs remain at current levels, the utility's costs will decline.

FUNDING: Not applicable.



Elizabeth A. Kirkley
Electric Utility Director

PREPARED BY: Matt Foskett, Rates and Resources Manager
EK/MF/lst

RESOLUTION NO. 2011-59

A RESOLUTION OF THE LODI CITY COUNCIL
AUTHORIZING THE CITY MANAGER TO TERMINATE
THE CITY OF LODI'S PARTICIPATION IN THE SEATTLE
CITY LIGHT CAPACITY AND ENERGY EXCHANGE
THIRD PHASE AGREEMENT

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WHEREAS, on October 6, 1992, the City of Lodi (City) entered into the Seattle City Light Capacity and Energy Exchange Third Phase Agreement (Exchange Agreement) with the Northern California Power Agency (NCPA) and other NCPA Members; and

WHEREAS, it has been found that the City's continued participation in the Exchange Agreement is no longer in the economic interest of the City and its electric rate payers; and

WHEREAS, because the Exchange Agreement requires a seven-year notification to terminate Lodi's participation in the agreement, staff recommends that the City Council approve the City of Lodi's termination of its participation so that notice can be given by the required date of April 30, 2011.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager to terminate Lodi's participation in the Seattle City Light Capacity and Energy Exchange Third Phase Agreement.

Dated: April 20, 2011

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I hereby certify that Resolution No. 2011-59 was passed and adopted by the City Council of the City of Lodi in a regular meeting held April 20, 2011, by the following vote:

AYES: COUNCIL MEMBERS - Hansen, Katzakian, Nakanishi, and Mayor Johnson

NOES: COUNCIL MEMBERS - None

ABSENT: COUNCIL MEMBERS - Mounce

ABSTAIN: COUNCIL MEMBERS - None



RANDI JOHL
City Clerk