

## COUNCIL COMMUNICATION

TO THE CITY COUNCIL	DATE June 3, 1987	NO.
FROM THE CITY MANAGER'S OFFICE		
SUBJECT: APPROVAL OF LETTER OF AGREEMENT FOR COOPERATIVE ANALYSIS OF INTERCONNECTION AT 230 KV WITH WESTERN AREA TRANSMISSION SYSTEM NEAR LODI.		

RECOMMENDED ACTION: That the Lodi City Council adopt the attached Resolution (Exhibit B) and approve the attached Letter of Agreement (Exhibit A) and authorize the City Manager and City Clerk to execute the subject agreement on behalf of the City.

BACKGROUND INFORMATION: Discussion of "Reliability" with City Council last December included comments on the possibility of an interconnection at 230 kv. This interconnection could assure the City adequate transmission capacity for over 30 years, assuming present growth rate. Two major 230-kv transmission circuits are accessible in the vicinity of I-5 and Highway 12, approximately five miles west of Lodi.

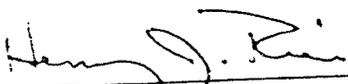
Preliminary to any such interconnection, development of environmental, engineering and economic studies are required to determine the feasibility of the project. A basis to initiate these studies prior to any final decision to proceed with the proposed interconnection is included in the terms and conditions of the Department of Energy Letter of Agreement attached for signature.

Preliminary economic analysis of the 230-kv interconnection project by a consulting engineering firm indicates savings of over a million dollars per year are achievable on the average over the 30-year life of the project. A best-case analysis shows benefits exceeding cost in the first year; while a worst case indicates break-even in eight years. The elements of benefit generally consist of a combination of direct access high-voltage discount and reduced transmission wheeling rate.

The work to be performed under the Letter of Agreement may be terminated by the City in ten (10) working days by issue and receipt of notice.

Environmental considerations must be dealt with first since they can ultimately determine whether to proceed further or not. Even though the economic analysis proves favorable, any impediment in the environmental review would preclude continuation of the project. System design and data review will begin, if at all, when the project environmental and economic analysis proves favorable.

The cost for scheduled studies through the second quarter 1988 is included in the Electric Utility Department Budget for 1987-88.

  
Henry J. Rice  
Electric Utility Director

RESOLUTION NO. 87-62

RESOLUTION APPROVING LETTER OF AGREEMENT  
FOR COOPERATIVE ANALYSIS  
OF INTERCONNECTION AT 230 KV WITH WESTERN AREA  
TRANSMISSION SYSTEM NEAR LODI

RESOLVED, that the City Council of the City of Lodi does hereby approve the Letter Of Agreement with the Western Area Power Administration for cooperative analysis of interconnection at 230 KV with the Western Area Transmission System near Lodi, a copy of which is attached hereto, marked Exhibit "A", and thereby made a part hereof.

BE IT FURTHER RESOLVED, that the City Council of the City of Lodi does hereby authorize the City Manager and City Clerk to execute the subject agreement on behalf of the City.

Dated: June 3, 1987

I hereby certify that Resolution No. 87-62 was passed and adopted by the City Council of the City of Lodi in a regular meeting held June 3, 1987 by the following vote:

Ayes: Council Members - Hinchman, Pinkerton, Reid Snider,  
and Olson (Mayor)

Noes: Council Members - None

Absent: Council Members - None

Abstain: Council Members - None

*Alice M. Reimche*  
ALICE M. REIMCHE  
City Clerk



RECEIVED

MAY 1 1987

Utility Dept.

**Department of Energy**

Western Area Power Administration  
Sacramento Area Office  
1825 Bell Street, Suite 105  
Sacramento, California 95825

APR 30 1987

In reply refer to:

Mr. Henry J. Rice  
Electric Utility Director  
City of Lodi  
221 West Pine Street  
Lodi, CA 95241-1910

Dear Mr. Rice:

This letter sets forth the terms and conditions of an agreement between the City of Lodi (Lodi) and the Western Area Power Administration (Western) which provides the basis for Western and Lodi to proceed in the development of environmental, real estate, and engineering studies, and a contractual agreement which are prerequisite to any final decision to proceed with the proposed interconnection of Lodi's system with Western's 230-kV transmission system near Lodi, California.

1. Western and Lodi agree to cooperate in analyzing and developing the proposed interconnection to the Western 230-kV transmission system near Lodi, California; provided however, neither Western nor Lodi shall be obligated hereunder to make the actual interconnection.
2. This Letter of Agreement (LOA) shall not be construed to obligate Western or Lodi to execute an agreement for the direct interconnection by Lodi.
3. As soon as practicable after the execution of this LOA, Western shall initiate systems studies on the proposed project which will cumulate in a Systems Studies Report. Lodi shall provide Western, in a timely manner, with the project specific system data needed as input to the studies. Western shall supply all other data as needed and shall complete the System Studies Report, using Western's computer facilities, by the date shown in Exhibit A attached to this LOA, or at such time as is mutually agreeable.
4. As soon as practicable after the execution of this LOA, Lodi shall provide Western with sufficient planning data and related information for the direct interconnection to be included in a Facilities Development Report (FDR). Lodi will prepare the draft FDR for Western's review. This report shall be finalized by the date shown in Exhibit A, or as may otherwise be mutually agreed.
5. As soon as practicable after the execution of this LOA, Western shall proceed to prepare the necessary environmental documentation for National Environmental Policy Act (NEPA) compliance. Western shall coordinate its

NEPA compliance work with Lodi's California Environmental Quality Act compliance work. These studies shall be completed by the date shown in Exhibit A, or at such time as mutually agreeable.

6. Lodi agrees to pay Western in advance all costs for work performed by Western under this agreement, including Western's administrative expenses. Western agrees to perform the following items in accordance with the completion schedule shown in Exhibit A.
  - a. Review and finalize the FDR, which is prepared by Lodi.
  - b. Prepare and complete the Systems Studies Report.
  - c. Complete the environmental clearance for the project which includes preparation of a schedule and plan for the work, procurement and management of subcontracts, preparation of an environmental assessment, public meetings and agency consultation, and coordination with Lodi.
  - d. Review real estate requirements, including right-of-way and easement studies.
  - e. Prepare and complete the Interconnection Agreement.
  - f. Participate jointly with Lodi to prepare and complete the Design Data Report, including the aerial photography, plan and profile, access roads, substation surveys, and the geology report.
7. The cost of the studies, between Western and Lodi, may be updated by Western to correctly reflect the evaluation of work performed by Western. In the event that any estimated cost is expected to be exceeded, prior written approval shall be obtained from Lodi before Western performs any additional work.
8. Immediately following execution of this agreement, and by the first of the seven succeeding quarters, and as necessary thereafter to cover approved increases, Lodi shall advance to Western for deposit to a trust fund account, the sum of the total quarterly cost provided in the attached Exhibit A which will be applied to the costs of performing the tasks outlined in Exhibit A. Western will provide a summary of expenses at the end of each quarter pursuant to the schedule of activities.
9. If Western's accrued cost exceeds 80 percent of the the cumulative advances by Lodi, then Western will immediately bill Lodi for the amount deficient in that quarter and Lodi shall pay Western within ten (10) days of the bill date. If costs incurred by Western are less than the quarterly advanced payment, then the difference shall be adjusted.
10. Western shall provide Lodi with an itemized statement of costs and work performed within sixty (60) days of the completion of the studies and reports described in paragraphs above. Any funds advanced by Lodi for this LOA in excess of the actual costs incurred by Western will be

returned to Lodi without interest, as soon as practicable after the work outlined in this LOA is completed.

11. This LOA shall terminate on the date that an interconnection agreement is executed by Western and Lodi, and all sums advanced and all costs accrued under this LOA shall be transferred to and accounted for under the interconnection agreement. If such an agreement is not executed, then this LOA shall terminate on the earlier of a final settlement or ten (10) days after receipt by Western of a written notice by Lodi to stop work provided that all obligations incurred by either party prior to the date of termination shall be preserved until satisfied.

If the above stated terms and conditions of the agreement are acceptable to Lodi, please sign both originals of this LOA, with attestation to indicate your acceptance and return to:

David G. Coleman  
Area Manager  
Sacramento Area Office  
Western Area Power Administration  
1825 Bell Street, Suite 105  
Sacramento, CA 95825

WESTERN AREA POWER ADMINISTRATION

By: David G. Coleman  
Title: Area Manager  
Address: 1825 Bell Street, Suite 105  
Sacramento, CA 95825

CITY OF LODI

By: Thomas A. Peterson  
Title: City Manager  
Address: 221 West Pine Street  
Lodi, CA 95240

ATTESTATION:

By: Alice M. Reimche  
Title: City Clerk

bcc: N0000, N6000, N6100, N6116 (RF OF)

WESTERN AREA POWER ADMINISTRATION  
CITY OF LODI

EXHIBIT A

WESTERN WORK SCHEDULE

1. This Exhibit A, made this 30<sup>th</sup> day of April, 1987, to be effective upon execution of this Letter of Agreement dated April 30, 1987. This Exhibit A shall remain in effect until superseded by another Exhibit A, provided that,

2. Western will perform work required for these studies within the time frames listed herein. This schedule may be modified by the mutual consent of the parties.

DATES OF COMPLETION AND STUDY COSTS FOR 1987

<u>Work to be Performed</u>	<u>Quarter 2 1987 April - June</u>	<u>Quarter 3 1987 July - Sept</u>	<u>Quarter 4 1987 Oct - Dec</u>
Facilities Development Report	0	0	0
System Studies	0	0	0
Environmental Studies	5,000	25,000	35,000
Real Estate Review	0	0	5,000
Contract Preparation	0	0	0
Design Data Review	<u>0</u>	<u>0</u>	<u>0</u>
Total Quarterly Cost for 1987	<u>5,000</u>	<u>\$ 25,000</u>	<u>\$ 40,000</u>

DATES OF COMPLETION AND STUDY COSTS FOR 1988

<u>Work to be Performed</u>	<u>Quarter 1 1988 Jan - Mar</u>	<u>Quarter 2 1988 April - June</u>	<u>Quarter 3 1988 July - Sept</u>	<u>Quarter 4 1988 Oct - Dec</u>
Facilities Development Report	-0-	5,000	-0-	-0-
System Studies	-0-	5,000	5,000	-0-
Environmental Studies	28,000	5,000	-0-	-0-
Real Estate Review	-0-	-0-	-0-	-0-
Contract Preparation	-0-	2,000	-0-	-0-
Design Data Review	-0-	10,000	20,000	20,000
Total Quarterly Cost for 1988	\$ <u>28,000</u>	\$ <u>27,000</u>	\$ <u>25,000</u>	\$ <u>20,000</u>

WESTERN AREA POWER ADMINISTRATION

By: David Coleman

Title: Area Manager

Address: 1825 Bell St., Suite 105  
Sacramento, CA 95825

LODI

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

Title: Thomas A. Peterson  
City Manager

Address: City of Lodi  
City Hall  
Call Box 3006  
Lodi, California 95241 - 1910

ATTESTATION:

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

Title: Alice M. Reimche  
City Clerk