

CITY COUNCIL MEETING
JULY 24, 1985

CC 112
pg 491

HAAS-KINGS PROJECT
FINANCIAL COMMITMENT

Council was reminded that the Utility Department made a presentation to the Lodi City Council, July 12, 1983, regarding the Haas-Kings Project. This project is one of three hydroelectric projects currently licensed to PG&E on the North Fork Kings River. The Federal license to operate the project expires soon as the project would then be open to competing proposals for relicensing. The City of Lodi has contributed to a study of one such relicensing proposal. This proposed license application is sponsored by SMUD, certain Southern California municipals, and NCPA as our representative; it proposes adding generation capacity to the existing Haas power development through additional utilization of water resources of the North Fork Kings River.

At the time this project was discussed with the Lodi City Council the utility power resource picture was much different from what we perceive today. The Calaveras hydroelectric project was in the planning stage with many uncertainties involving environmental problems and economic choices. Discussion was centered at that time upon the need for peaking capacity--that is, power needed only during peak load conditions. Combustion turbines are normally utilized for such peak load duty cycle, but the NCPA combustion turbine project did not become active until late in 1983.

Therefore, utilization of the potential generation resource of Haas-King appeared of benefit to the City of Lodi in covering future peak load periods. The proposed City share of the project was 7.5 megawatts.

Re-examination of the peak load benefit of the Haas-Kings River Project discloses a redundancy between the peak load period production of this project and the combustion turbine project. This situation is expected to exist for as much as ten years after projected commercial operation. Following that period, a gradually increasing City need for power and energy from a project like the Haas-Kings is projected to emerge.

Construction is underway here in Lodi of the Richard L. Hughes combustion turbine which, together with four other identical turbines (in other cities), provide peaking capability to substantially meet our peak load and that of other NCPA participants.

Therefore, the Haas-Kings project is no longer as strategic a resource as originally conceived. Continued support of the project should be minimal. The City of Lodi should reduce its participation from 12.7% (current participation) to a level of 1%. The project need

COUNCIL COMMUNICATION

TO: THE CITY COUNCIL

DATE

NO.

FROM: THE CITY MANAGER'S OFFICE

July 24, 1985

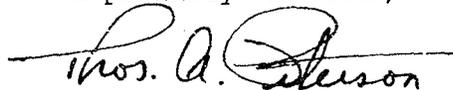
SUBJECT: Haas-Kings Project Financial Commitment

RECOMMENDED ACTION: That the City Council approve the City's continued participation in the Haas-Kings project relicensing effort in the amount of one percent (1% - \$2,500) of the estimated cost of completing this project now determined to be \$250,000.

BACKGROUND INFORMATION: Attached (Exhibit A) is a memo prepared and distributed by the staff of the Northern California Power Agency (NCPA) addressing the Haas-Kings Project. Included in the memo is a listing of the participation shares, showing the City of Lodi at 12.70%. The degree of participation the City staff is recommending not at that level, but rather one percent. This sets the City's financial commitment for the remainder of the calendar year at \$2,500 rather than \$31,750 which the 12.70% represents. At a meeting held last month, the project members "agreed to recommend that the members continue NCPA and City participation in this relicensing effort at some level. There was support for continuing the project so that the legislative effort to preserve the preference for public power agencies in relicensing of hydroelectric facilities will not be adversely affected between now and the end of the year."

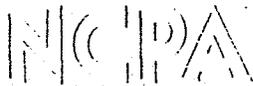
Also attached (Exhibit B) is a memo prepared by the Utility Director reviewing the scope of this project.

Respectfully submitted,



Thomas A. Peterson
City Manager

TAP:jj



Northern California Power Agency

180 Kirby Way, Roseville California 95678

PAUL E. CAVOTE

~~ROBERTE GRIMSHAW~~
General Manager

(916) 781-4203

RECEIVED

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ALICE M. REIMCHE
CITY CLERK
CITY OF LODI

July 8, 1985

TO: Haas-Kings Second Phase Agreement Participants

FROM: Roger A. Fontes

SUBJECT: Increase in Financial Commitment

NOTICE IS HEREBY GIVEN that the Project Members propose an increase in their financial commitment to the Haas-Kings Project, in an amount to be determined by NCPA, pursuant to Section 6 of the Agreement for Financing of Planning and Development Activities for Relicensing of the Haas-Kings River Project ("Agreement"), dated September 24, 1982. The NCPA staff has determined that an additional \$250,000.00 will be necessary to support completion of the Project between now and the end of this calendar year.

At their meeting on June 27, 1985, the Project Members agreed to recommend that the Members continue NCPA and City participation in the Project on some basis. There was support for continuing the Project so that the legislative effort to preserve the preference for public power agencies in relicensing of hydroelectric facilities will not be adversely affected between now and the end of the year.

Under the terms of the Agreement, your City is entitled to

1. Withdraw entirely from the Project or;
2. Maintain your Participation Percentage in the Project, by paying an appropriate share of the increased financial commitment; or
3. Continue your participation in the Project, but reduce that participation in it, by paying less than your full share of the increase, or none of it.

Since it is anticipated that one or more of NCPA's participating members may withdraw from the Project, you are specifically requested to notify NCPA of your city's maximum contribution to the increase (in dollars), if any. Below is a table of current NCPA city participation in Haas-Kings to determine your potential share of the budget increase. Sources of funds for further participation are the FY 1985-86 NCPA Budget, or remaining Phase 2A Funds, or by special assessment.

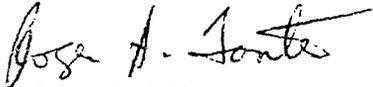
The Project Members have indicated their desire to take further action on this matter at the Commission meeting now scheduled for July 27, 1985, in San Francisco. Please advise the Agency of your desires in this matter at the earliest possible time, but no later than the July, NCPA Commission meeting. If you or your City Attorney have any questions regarding the Haas-Kings' Participation Agreement, please call Bruce McDonough at (916) 444-3900.

NCPA Project
Participation Shares

Haas-Kings

Alameda	12.43%
Biggs	1.05
Gridley	2.38
Healdsburg	3.97
Lodi	12.70
Lompoc	5.56
Palo Alto	15.61
Plumas-Sierra	5.56
Roseville	40.74
TOTAL	<u>100.00</u>

Sincerely,



ROGER A. FONTES
Manager, System Planning
& Engineering

cc: Paul Cavote
Bruce McDonough

RAF/fr

HAAS-KINGS RIVER POWER PLANT PROJECT REVIEW

The Utility Department made a presentation to the Lodi City Council July 12, 1983 regarding the Haas-Kings Project. This project is one of three hydroelectric projects currently licensed to PG&E on the North Fork Kings River. The Federal license to operate the project expires soon and the project would then be open to competing proposals for relicensing. The City of Lodi has contributed to a study of one such relicensing proposal. This proposed license application is sponsored by SMUD, certain Southern California municipals and NCPA, as our representative; it proposes adding generation capacity to the existing Haas power development through additional utilization of water resources of the North Fork Kings River.

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Therefore, the Haas-Kings project is no longer as strategic a resource as originally conceived. Continued support of the project should be minimal. The City of Lodi should reduce its participation from 12.7% (current participation) to a level of 1%. The project need should be reviewed in no more than six months to re-confirm the above analysis and a decision made regarding continued support.

To date, approximately \$58,420 has been contributed to the Haas-Kings project development by the City of Lodi. Reduced support through the end of year at a 1% level would require approximately \$2,500. These contributed funds would be returned when the project was successfully relicensed and financed by the public power entities.