AGENDA ITEM C-11

CITY OF LODI
COUNCIL COMMUNICATION

TM

AGENDA TITLE: Adopt Resolution Authorizing the City Manager to Execute Long-Term Layoff Agreement for the California Oregon Transmission Project Between City of Lodi and Certain Members of the Transmission Agency of Northern California

MEETING DATE: April 2, 2014

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Adopt a resolution authorizing the City Manager to execute a long-term layoff agreement for the California Oregon Transmission Project between the City of Lodi and certain members of the Transmission Agency of Northern California.

BACKGROUND INFORMATION: The City of Lodi is a member of the Transmission Agency of Northern California (TANC), a California Joint Powers Agency formed in the early 1980's to build the California Oregon Transmission Project (COTP) – a transmission line connecting the Pacific Northwest with Central California.

The investment and decision to develop the COTP was driven in part by the economics between electricity markets in the Pacific Northwest and California, with the former being consistently more economic than the latter. Lodi's current share of COTP is approximately 26 megawatts (MW) at an annual cost of $1.2 million, including debt service and operating and maintenance costs. With the deregulation of the wholesale electricity markets in the 1990's, access to transmission services has changed. As result, the economic benefit of COTP over time has eroded for those entities in the California Independent System Operator's (CAISO) Balancing Authority (BA) and even more so after the COTP was moved into the Balancing Authority of Northern California (BANC) in 2006. The COTP transmission allows those entities outside the CAISO BA to make energy purchases while avoiding the costs of doing business with the CAISO.

Therefore, staff is recommending approval of a 25-year layoff of Lodi's 26 MW of COTP transmission service, effective July 1, 2014, whereby the City of Lodi and all of the TANC Members who are in the CAISO BA (Santa Clara and Northern California Power Agency Pool Members) would lay off their interests to other COTP participants who reside in the BANC BA, specifically the Sacramento Municipal Utility District, Modesto Irrigation District and Turlock Irrigation District. These entities would pay the City's current allocated share of COTP costs and following the retirement of the COTP debt service in approximately 10 years, they would, in addition, begin making annual payments to the City in the amount of approximately $230,000 per year.

The 25-year duration of the layoff was required to balance the high initial cost to the receivers of the layoff with the relative low price after the COTP debt service is paid off. This layoff will result in power for Lodi that was previously purchased in the Pacific Northwest to be purchased in the CAISO BA, the cost increase for which is expected to be negligible.

APPROVED: ______________________
Stephen Schwabauer, Interim City Manager

Approval of this Agreement does not change Lodi's membership status in TANC. The Risk Oversight Committee received a report on this agenda item and recommended City Council approval.

FISCAL IMPACT: Implementation of this agreement will result in an annual savings of approximately $1.2 million per year. Under current rates, these savings will flow through the Energy Cost Adjustment (ECA).

FUNDING AVAILABLE: Not applicable.

Elizabeth A. Kirkley
Electric Utility Director

PREPARED BY: Melissa Price, Rates & Resources Manager

MCP/EAK/lst

LONG-TERM LAYOFF AGREEMENT

BY AND AMONG

THE

TRANSMISSION AGENCY OF NORTHERN CALIFORNIA

AND CERTAIN OF ITS MEMBERS

NAMELY

THE CITIES OF ALAMEDA, HEALDSBURG, LODI, LOMPOC, SANTA CLARA, AND UKIAH

THE PLUMAS-SIERRA RURAL ELECTRIC COOPERATIVE

AND

THE MODESTO IRRIGATION DISTRICT, THE TURLOCK IRRIGATION DISTRICT, AND

THE SACRAMENTO MUNICIPAL UTILITY DISTRICT

EXECUTION ORIGINAL

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This Long-Term Layoff Agreement ("Agreement") is entered into by and among the Transmission Agency of Northern California, a California public entity and joint powers agency ("TANC"), and certain of its members, namely the City of Alameda (ALAMEDA), City of Healdsburg (HEALDSBURG), City of Lodi (LODI), City of Lompoc (LOMPOC), City of Santa Clara (SANTA CLARA), and City of Ukiah (UKIAH), and the Plumas-Sierra Rural Electric Cooperative (PLUMAS), referred to as "LAYOFF ENTITIES" in this Agreement and the Modesto Irrigation District (MODESTO), the Turlock Irrigation District (TURLOCK), and the Sacramento Municipal Utilities District (SMUD), referred to as "DISTRICTS" in this Agreement, with references to each entity individually and collectively as "Party" or "Parties" in this Agreement, as of the Effective Date, defined in Section 1 of this Agreement, with regard to the following:

RECITALS:

A. The LAYOFF ENTITIES and the DISTRICTS are each Participants in and parties to TANC Project Agreement No. 3, entered into as of March 1, 1990.

B. Pursuant to Section 7.1 of TANC Project Agreement No. 3, the LAYOFF ENTITIES each desire to make their entitlement, or portion of their entitlement to TANC's Transfer Capability on the California-Oregon Transmission Project ("COTP"), in their respective Participation Percentages, available to a Participant (hereinafter "layoff") in accordance with the terms and conditions relating to layoffs by Participants under the Intertie Agreements, under TANC's Long-Term Layoff Procedures, and this Agreement.

C. The DISTRICTS are willing to accept the LAYOFF ENTITIES' Participation Percentages, subject to this Agreement, of TANC's entitlement to Transfer Capability on the COTP.

D. This Agreement does not include the layoff of allocations held by the LAYOFF ENTITIES pursuant to the South of Tesla Agreement ("SOT Agreement") and therefore no costs associated with the SOT Agreement will be incurred by the DISTRICTS and the DISTRICTS shall not incur any costs associated with the SOT Agreement under this Agreement.

NOW THEREFORE, in consideration of the premises described in the recitals, and in consideration of the terms, covenants, and conditions that are set out below, the Parties have entered into this Agreement.

AGREEMENT:

Section 1. Definitions.

All capitalized terms used herein are set forth and defined in ATTACHMENT A to this Agreement.

Section 2. Effective Date and Term.

a. Effective Date.

This Agreement shall become effective and enforceable on July 1, 2014 (hereinafter "Effective Date").

b. Term.

The term of this Agreement shall be twenty-five (25) years commencing on the Effective Date and terminating at 0000 hours Pacific Prevailing Time on the day before the 25th anniversary of the Effective Date, unless the Parties mutually agree in writing to extend the term of the Agreement for another five (5) years (hereinafter "Term").

Section 3. COTP Layoffs.

The LAYOFF ENTITIES and their respective Participation Percentages ("Layoff Percentages") laid off pursuant to this Agreement are as follows: ALAMEDA – 1.2272 percent; HEALDSBURG – 0.2456 percent; LODI – 1.9201 percent; LOMPOC - 0.1865 percent; PLUMAS – 0.1479 percent; SANTA CLARA (exclusive of its Vernon acquisition) – 10.4706 percent; and UKIAH – 0.1945 percent.

a. Layoff of the LAYOFF ENTITIES' COTP Interests, Rights, and Obligations.

Except as otherwise set forth in this Agreement, on the Effective Date, and for the Term of this Agreement, the LAYOFF ENTITIES hereby lay off and relinquish to TANC 100 percent of the LAYOFF ENTITIES' layoff percentage use of their interests, rights, and obligations under TANC Project Agreement No. 3, except their interests, rights, and obligations in the event of a default pursuant to Section 6 of Project Agreement No. 3 and this Agreement, associated with the LAYOFF ENTITIES' Layoff

Percentages in TANC's entitlement to Transfer Capability on the COTP. TANC hereby transfers at that instant: i) 1.7990 Participation Percentage in TANC's entitlement to Transfer Capability on the COTP to MODESTO; ii) 3.2383 Participation Percentage in TANC's entitlement to Transfer Capability on the COTP to TURLOCK; and iii) 9.3550 Participation Percentage in TANC's entitlement to Transfer Capability on the COTP to SMUD. MODESTO, TURLOCK, and SMUD hereby accept and assume at that instant for the Term of this Agreement the use of the LAYOFF ENTITIES' interests, rights, and obligations under the provisions of TANC Project Agreement No. 3 associated with the Layoff Percentages under this Agreement.

b. Return of the LAYOFF ENTITIES' Interests, Rights, and Obligations.

Unless earlier relinquished because of a default under this Agreement by MODESTO, TURLOCK and/or SMUD, upon the end of the last hour of the last day of the Term of this Agreement, all of the LAYOFF ENTITIES interests, rights, and obligations in the LAYOFF ENTITIES' Layoff Percentages laid off under this Agreement, adjusted for any changes in such Participation Percentages during the Term of this Agreement (presently 14.3923 percent of TANC's COTP Entitlement as of the Effective Date of this Agreement) under TANC Project Agreement No. 3, shall automatically and without any action of the Parties be relinquished by MODESTO, TURLOCK, and SMUD through TANC to the LAYOFF ENTITIES, and the LAYOFF ENTITIES hereby accept their interests, rights, and obligations at that instant in the future.

c. Layoff Quantity.

The sum of the layoffs shall be known as the "Layoff Quantity."

d. Project Agreement No. 3 Appendix C.

The TANC Commission by resolution approving this Agreement, has approved a revised version of APPENDIX C of TANC Project Agreement No. 3, showing the effect of the layoffs on the Participation Percentages of the LAYOFF ENTITIES and the DISTRICTS during the Term of this Agreement, for the purposes of delineating voting rights, billings, and obligations during the Term of this Agreement. The version of APPENDIX C approved by the TANC Commission and attached to and incorporated into this Agreement as ATTACHMENT B has been created solely for the convenience of the Parties, and does not affect the interests, rights, or obligations of the LAYOFF ENTITIES if the DISTRICTS were to default in their obligations under this Agreement. Notwithstanding anything to the contrary in this Agreement, title to the interests, rights and obligations of the LAYOFF ENTITIES in their respective Participation Percentages shall remain vested in the LAYOFF ENTITIES during the Term of this Agreement, while the right of use of those interests, rights, and obligations shall be vested in the DISTRICTS in their respective Layoff Percentages acquired hereunder. Nothing in this Agreement is intended to alter or amend any interest, right or obligation of any Participant under TANC Project Agreement No. 3. The failure to give due and timely notice of a default or potential default pursuant to Section 3(i) of this Agreement shall not absolve the obligation of any Party to this Agreement to comply with its responsibilities under TANC Project Agreement No. 3. Regardless of any default on the part of the DISTRICTS, the LAYOFF ENTITIES shall not be excused from their respective obligations under TANC Project Agreement No. 3.

e. Billings and Payments.

During the Term of this Agreement, and in the absence of a default under this Agreement by the DISTRICTS, all billings and payments shall be made in accordance with the provisions of TANC Project Agreement No. 3, with ATTACHMENT B of this Agreement employed by TANC to assure that, in the absence of a default by the DISTRICTS, the LAYOFF ENTITIES will not be billed for any TANC Project Agreement No. 3 costs associated with the Layoff Percentages laid off under this Agreement, including but not limited to TANC Project Agreement Operations and Maintenance ("O&M") Costs, TANC Project Indebtedness, Debt Service, or TANC Capital Improvement Costs associated with the Layoff Percentages laid off under this Agreement; provided, however, that the LAYOFF ENTITIES shall remain responsible under the TANC Joint Powers Agreement for any costs unrelated to TANC Project Agreement No. 3. During the Term of this Agreement, TANC shall bill the DISTRICTS, and the DISTRICTS shall pay, for TANC Project Agreement No. 5 costs, expenses, fees, and charges otherwise allocable to the LAYOFF ENTITIES pursuant to Section 3 of TANC Project Agreement No. 5 for the Layoff Percentage of TANC's entitlement to Transfer Capability on the COTP laid off to the DISTRICTS in this Agreement pursuant to the percentages contained in ATTACHMENT C.

f. <u>Additions, Betterments, and Replacements</u>.

(i) Use of Additions, Betterments, and Replacements during Term of Agreement.

Additions, Betterments, and Replacements, as defined in TANC Project Agreement No. 3, approved by TANC during the Term of this Agreement with respect to the use of the acquired shares of the COTP interests, rights, and obligations laid off to the DISTRICTS under this Agreement, shall be available for the DISTRICTS' sole use and at their sole expense during the Term hereof.

(ii) Responsibility For and Use of Betterments at End of the Term of this Agreement.

At the end of the Term of this Agreement, the DISTRICTS shall be solely and severally responsible for the Layoff Percentages of Betterments approved, paid for, or financed by them during the Term of this Agreement, and the Layoff Percentages of such Betterments shall remain available for their sole use and benefit for the life of the COTP.

(iii) Responsibility For and Use of Additions that Exceed the Adjusted Cost Index at End of the Term of this Agreement.

At the end of the Term of this Agreement, the DISTRICTS shall be solely and severally responsible for the Layoff Percentages of Additions approved and financed by them that exceed the adjusted cost index defined in Section 3.1.2.2.2 of TANC Project Agreement No. 3 (hereinafter "Adjusted Cost Index"). Such Layoff Percentages of such Additions, adjusted for any changes in such Layoff Percentages during the Term of this Agreement for the life of the COTP, shall remain available for the DISTRICTS' sole use and benefit for the life of the COTP.

(iv) Responsibility For and Use of Additions Up to the Adjusted Cost Index at End of the Term of this Agreement.

At the end of the Term of this Agreement, the LAYOFF ENTITIES shall be solely and severally responsible for the Layoff Percentages of Additions approved by TANC during the Term of this Agreement in an amount up to the Adjusted Cost Index, and the Layoff Percentages of such Additions shall be available for their sole use and benefit in their respective Layoff Percentages, adjusted for any changes in such Layoff Percentages during the Term of this Agreement for the life of the COTP. For the purposes of clarification, to the extent that an Addition exceeds the Adjusted Cost Index, the LAYOFF ENTITIES shall be responsible for any amount up to the Adjusted Cost Index pursuant to this subsection 3(f)(iv), and the DISTRICTS, as applicable shall be responsible for the remaining amount that exceeds the Adjusted Cost Index, in accordance with subsection (3)(f)(iii).

(v) Responsibility For and Use of Replacements at End of the Term of this Agreement.

At the end of the Term of this Agreement, the LAYOFF ENTITIES shall be solely and severally responsible for the Layoff Percentages of Replacements approved by TANC during the Term of this Agreement. Such Layoff Percentages of such Replacements shall be available for their sole use and benefit in their respective Layoff Percentage, adjusted for any changes in such Layoff Percentages during the Term of this Agreement for the life of the COTP.

(vi) Allocation of Capital Costs and Associated Financing Costs.

The Parties agree that the capital costs and associated financing costs of any portions of Additions that do not exceed the Adjusted Cost Index and all Replacements put into service during the Term of this Agreement shall be allocated on a straight-line financial basis over the expected useful life of such Additions and Replacements. Capital costs and associated financing costs, and the expected useful life of such Additions and Replacements, shall be determined at the time the Additions and Replacements are put into service.

(vii) Payment of True-Up Adjustments.

If the expected useful life of any portions of Additions that do not exceed the Adjusted Cost Index and all Replacements put into service during the Term of this Agreement extend beyond the Term of this Agreement, the Parties agree to make "true-up adjustments" via true-up payments for the capital costs and associated financing costs paid or incurred for such Additions or Replacements put into service during the Term of this Agreement. The "true-up adjustments" will be based on the cost differences between the costs calculated on a straight-line financial basis and the actual payment method(s) used. Upon the end of the Term of this Agreement the Parties shall make such true-up payments to each other, as calculated in accordance with subsection 3(f)(viii) below, to effect their mutual intention that costs for such Additions and Replacements with long lives be allocated among the Parties on a straight-line financial basis. These true-up payments will effect the required true-up adjustments referenced above.

(viii) Calculation of True-Up Adjustments.

Prior to the end of the Term of this Agreement, unless the Parties otherwise agree, TANC shall determine from its books and records, and recommend to the Parties an allocation of the capital costs and associated financing costs for any portions of Additions that do not exceed the Adjusted Cost Index and all Replacements during the Term of the Agreement that have been (aa) paid or incurred during the Term of the Agreement plus (bb) those that remain to be paid beyond the Term of the Agreement. The true-up adjustments shall be calculated by TANC in a manner consistent with the examples in ATTACHMENT D, which are incorporated herein by reference. Any disagreement regarding the calculation of the true-up adjustments shall be resolved by the TANC Commission.

g. Default.

In the event of a default by any of the DISTRICTS under this Agreement, TANC shall immediately and simultaneously notify each of the Parties in accordance with the provisions of Section 15 of this Agreement. If a default remains uncured for twenty (20) days after the date notice is first given under Section 15, then the LAYOFF ENTITIES shall cure any monetary default not later than three (3) business days following the 20th day. Upon the LAYOFF ENTITIES' completion of the cure of a monetary default or, in the instance of a non-monetary default arising out of a breach of Sections 5 or 6, below, by any of the DISTRICTS that remains uncured for twenty (20) days after the date notice is first given under Section 15 use of the interests, rights, and obligations laid off shall be automatically relinquished to the LAYOFF ENTITIES at that instant, and without any action of the Parties. TANC shall provide notice of the default to each of the Parties to this Agreement, but TANC shall have no responsibility to otherwise respond to the default.

h. Voting Rights.

During the Term of this Agreement:

(i) The LAYOFF ENTITIES shall not have any rights to vote on any matter related to TANC Project Agreement No. 3 during the layoff of their Layoff Percentages; provided, however, that the LAYOFF ENTITIES shall retain voting rights related Additions and Betterments to be considered for approval under TANC Project Agreement No. 3, but the percentage of such vote will be zero (0) percent in order to fulfill the meaning of Opposing Member. Absent any vote to the contrary, the vote of the LAYOFF ENTITIES shall be deemed to be a "no" vote. The LAYOFF ENTITIES shall retain voting rights associated with any Participation Percentages not transferred by this Agreement, or any other Agreement.

(ii) In the event of a default under this Agreement by any of the DISTRICTS, the defaulting Party may not vote on any matter related to TANC Project Agreement No. 3 with respect to the use of their acquired shares of the COTP interests, rights, and obligations laid off to them under this Agreement. The Parties adversely affected by the default may vote on any matter related to TANC Project Agreement No. 3 with respect to their shares of the COTP interests, rights, and obligations that were laid off to the defaulting Party under this Agreement.

(iii) Any new TANC program or project shall be governed by the agreements that pertain to such programs or projects.

Section 4. Recall and Return Options.

a. Conditions for Exercising Recall Option or Return Option.

During the Term of this Agreement, based upon the events set forth in this Section 4, any of the LAYOFF ENTITIES shall have the option to recall and any of the DISTRICTS shall have the right to return up to fifty (50) percent of their share of the Layoff Quantity (respectively "Recall Option" or "Return Option"). Parties acknowledge the potential impact that exercising the Recall Option or Return Option might have on the non-exercising Parties, and therefore, to the extent commercially and legally practicable, Parties agree to use reasonable efforts to provide advance notice that they are intending to exercise such an option.

The Recall Option or Return Option shall be effective upon the later of one year's written notice or the actual effective date/occurrence (respectively "Recall Effective Date" or "Return Effective Date") of one of the following events:

(i) Dissolution of the California Independent System Operator Corporation ("CAISO"), or any successor Independent System Operator ("ISO") or Regional Transmission Operator ("RTO");

(ii) Relocation of the LAYOFF ENTITIES to a different Balancing Authority, excluding the CAISO Balancing Authority, or any successor ISO or RTO;

(iii) Elimination or change to Integrated Balancing Authority Area ("IBAA") pricing in a manner that would allow the LAYOFF ENTITIES to realize a value for transactions utilizing the COTP. For purposes of this provision, entering a Market Efficiency Enhancement Agreement with the CAISO shall not constitute a "change to IBAA pricing."

(iv) Termination of BANC or its successor or the execution of an agreement by the DISTRICTS to participate in the CAISO in a manner that provides for a return on all or a portion of the Layoff Quantity. For purposes of this provision, "to participate in the CAISO in a manner that provides for a return on all or a portion of the Layoff Quantity" means that the DISTRICTS enter into a

Transmission Control Agreement with the CAISO and recover an authorized rate of return on all or a portion of the Layoff Quantity through CAISO transmission or wheeling access charges, or their equivalents. This shall only apply to the Layoff Percentage of the entity electing to participate in the CAISO, as described in this Section.

b. Repayment Obligations if any of the LAYOFF ENTITIES Exercise the Recall Option.

In the event of any of the LAYOFF ENTITIES exercise of the Recall Option for a portion of the Layoff Quantity, the LAYOFF ENTITIES shall be liable to repay all Debt Service Payments and TANC Project O&M Costs and TANC Administrative and General Expenses ("TANC A&G Expenses") incurred by the DISTRICTS, associated with the Layoff Percentages under this Agreement, up to the Recall Effective Date with respect to all or a portion of the Layoff Quantity on or before the date the recall occurs, or at a time and duration as mutually agreed to by the PARTIES, and assume all Debt Service Payments and TANC Project O&M Costs and TANC A&G Expenses for the recalled portion of the Layoff Quantity from the Recall Effective Date forward.

c. Repayment Obligations if any of the DISTRICTS Exercise the Return Option.

In the event any of the DISTRICTS elect to exercise the Return Option for a portion of the Layoff Quantity, the DISTRICTS shall continue to pay Debt Service Payments, as defined in Section 6 of this Agreement, on the entire portion of the Layoff Quantity until no additional Debt Service Payments are required to pay back the Debt Service in place as of the date this Agreement is executed by the Parties. The DISTRICTS shall be relieved of TANC Project O&M Costs and TANC A&G Expenses for the returned portion of the Layoff Quantity from the Return Effective Date forward.

Section 5. Market Payments.

Starting May 1, 2024, and on each May 1 thereafter, the DISTRICTS shall pay the LAYOFF ENTITIES, in aggregate, an annual fixed premium of $1,752,000 for the remainder of the term of the Layoff. This payment will be administered by TANC.

Section 6. Debt Service Payments.

The DISTRICTS shall be solely and severally liable, shall assume, and hereby agree to pay and retire the debt service issued pursuant to TANC Project Agreement No. 3 in connection with the Layoff Percentages of the LAYOFF ENTITIES ("Debt Service Payments"), and in accordance with the DISTRICTS' Layoff Percentage of TANC's Entitlements to Transfer Capability on the COTP, as defined in Section 3(a) and 3(c) of this Agreement. Timing of the payoff of such Debt shall be at the option of the DISTRICTS, provided that at the end of the term of the Layoff the Layoff Entities will have returned, to them, their Layoff Percentages without any TANC Project Agreement No. 3 Debt associated with the Layoff Percentages that existed as of the execution date of this Agreement.

Section 7. No Assignment Without Consent.

During the Term of this Agreement, the DISTRICTS shall not assign the rights to the use of the interests, rights, or obligations of the LAYOFF ENTITIES acquired pursuant to this Agreement, or delegate any obligations that have been undertaken by the DISTRICTS pursuant to this Agreement, including but not limited to the obligation to pay as set forth in this Agreement and the obligations set forth in Sections 7 or 8, to any entity, including but not limited to a TANC Member (hereinafter "Assign" or "Assignment"), without the advance written consent of the respective boards, commissions and/or councils with requisite authority (hereinafter "Council") of TANC, the LAYOFF ENTITIES, or their authorized representatives. The Parties agree that such consent shall not be unreasonably withheld and further agree that best efforts shall be utilized by the Parties to bring the issue of a proposed Assignment to Council within ninety (90) days following the Parties' receipt of written notice requesting permission to Assign. It is the intent of the Parties that any proposed Assignment by the DISTRICTS must result in a complete assumption of that which was acquired by the assigning Party under this Agreement. Partial Assignments by the DISTRICTS are expressly prohibited.

Section 8. Long-Term Layoff to Third Parties Not an Assignment.

To the extent that any of the DISTRICTS, as applicable (hereinafter "Layoff Party") intend to layoff or transfer the use of the interests, rights, and obligations received from the LAYOFF ENTITIES under this Agreement to a third party ("Acquiring Party") for a period of more than one (1) year, and such layoff or transfer is not otherwise an Assignment as defined and discussed in Section 7 of this Agreement, and provided the conditions of Sections 7.1, 7.2, and 7.4 of TANC Project Agreement No. 3 have been satisfied and pursuant to the requirements of TANC's Long Term

Layoff Procedures, the Layoff Party shall do all of the following: 1) provide written notice to the LAYOFF ENTITIES and TANC prior to the effective date of such layoff; 2) include in its layoff agreement with the Acquiring Party provisions specifying: i) that such layoff agreement shall be terminated immediately upon a default under this Agreement by the DISTRICTS, as applicable, that remains uncured for twenty (20) days after the date notice is first given under Section 13; ii) that the Acquiring Party is not a third-party beneficiary of this Agreement between the LAYOFF ENTITIES on the one hand and the DISTRICTS, as applicable, on the other; and iii) that the Acquiring Party shall have no recourse against the LAYOFF ENTITIES and TANC in the event of a default by the DISTRICTS under this Agreement and the layoff agreement; and 3) provide the LAYOFF ENTITIES and TANC with a copy of the executed layoff agreement.

Section 9. Dispute Resolution.

In the event of any controversy or claim between the Parties, whether based in contract, tort or otherwise, arising out of, based upon, or relating to this Agreement, except for any controversy or claim based upon a default of the obligations to make payments as set forth in Sections 3 of this Agreement or a breach of the obligations set forth in Sections 7 or 8 of this Agreement (hereinafter "Dispute"), the Parties shall attempt to resolve such Dispute in the following manner:

a. Negotiation.

The Parties shall attempt in good faith to resolve the Dispute promptly by negotiations between duly authorized representatives of the Parties who have authority to resolve the Dispute. When a Party believes there is a Dispute, that Party shall give the other Party written notice describing the Dispute with reasonable particularity. Within fifteen (15) calendar days following the receipt of such notice, the receiving Party shall submit a written response to the noticing Party. The authorized representatives shall meet in person and attempt to resolve the Dispute.

b. Mediation.

If the Dispute is not resolved within fifteen (15) calendar days following receipt of the receiving Party's response given pursuant to subsection (a), above, or such additional time, if any, that the Parties mutually agree in writing, the Parties shall try in good faith to resolve the Dispute by mediation. The form of mediation and the mediator selected to mediate the Dispute shall be acceptable to both Parties, which acceptance shall be confirmed by the Parties in writing.

c. Additional Rights.

If the Dispute is not resolved through mediation within ninety (90) calendar days of the noticing Party's written notice of the Dispute pursuant to subsection (a) above, or such additional time, if any, that the Parties mutually agree to in writing, the Party or Parties involved in the dispute shall be free to pursue any and all legal and equitable actions or remedies.

Section 10. Attorney Fees.

In any mediation, arbitration, or litigation to enforce or defend any interest, right, or obligation of this Agreement, the prevailing Party shall be entitled to an award of reasonable attorneys' fees and other litigation expenses.

Section 11. California Law.

This Agreement was made in and will be performed in California, and the law of California shall apply in the interpretation and enforcement of this Agreement.

Section 12. Integrated Agreement.

This Agreement is the whole, integrated agreement of the Parties, superseding prior negotiations. This Agreement does not amend TANC Project Agreement No. 3 in any respect. In the event of any conflict between this Agreement and TANC Project Agreement No. 3, the provisions of TANC Project Agreement No. 3 shall control. If there is a conflict between this Agreement and the Long-Term Layoff Procedures, this Agreement shall prevail.

Section 13. No Third-Party Beneficiaries.

There are no third-party beneficiaries to this Agreement, and this Agreement shall not impart any rights enforceable by any person or entity that is not a Party to this Agreement.

Section 14. TANC Liability.

TANC and its officers, agents, and employees, as well as the other members and commissioners of TANC (hereinafter "Indemnitees"), undertake no legal liability to the Parties to this Agreement and each Party releases, holds harmless, and covenants not to sue the Indemnitees for any cause, claim, injury, damage, or death arising from a negligent act or omission of an Indemnitee in connection with this Agreement.

Section 15. Notices.

Notices required under this Agreement shall be given by TANC to each Party to this Agreement using all of the four following methods on the same day, if possible: facsimile, email, overnight delivery, and a personal phone call from the TANC General Manager to each Chief Executive Officer of each Party.

Contact information for the purposes of notice for each Party shall be maintained by TANC as ATTACHMENT E of this Agreement, attached to and incorporated herein.

Each Party shall be responsible for maintaining current contact information with TANC.

Section 16. Severability.

Any provision of this Agreement determined by a court of competent jurisdiction to be invalid shall not be severed from this Agreement if severance would materially adversely affect any Party, and if any Party in good faith concludes that severance would result in materially adverse consequences, such Party may give notice under the notice provisions hereof, that this Agreement shall terminate on a date all of the Parties consider appropriate, and if no agreement is reached on an appropriate early termination date, then at the last hour of the day that is one hundred and twenty (120) days after the date notice was first given.

Section 17. Discharge of Obligations.

All obligations unsatisfied at the end of the Term of this Agreement shall be promptly discharged by the responsible Party.

Section 18. Modifications.

This Agreement may only be modified or amended in writing by the Parties following receipt of all necessary approvals. Approvals and consents shall not be withheld unreasonably.

Section 19. Counterparts/Electronic Delivery.

This Agreement may be signed in counterparts, each of which shall be deemed an original but all or which together shall constitute one and the same instrument. This Agreement may be executed and delivered by facsimile or electronic transmission and the Parties agree that such facsimile or electronic (PDF) execution and delivery shall have the same force and effect as delivery of an original document with original signatures, and that each Party may use such facsimile or electronic signatures as evidence of the execution and delivery of this Agreement by the Parties to the same extent that an original signature could be used.

TRANSMISSION AGENCY OF
NORTHERN CALIFORNIA

By:____________________________
Its:
Dated:__________________________

ALAMEDA MUNICIPAL POWER

By:____________________________
Its:
Dated:__________________________

CITY OF HEALDSBURG

By:____________________________
Its:
Dated:__________________________

CITY OF LODI

By:____________________________
Its: Interim City Manager
Dated:__________________________

APPROVED AS TO FORM:

____
Janice D. Magdich, Int.City Att.

ATTEST:

____
Randi Johl-Olson
City Clerk

CITY OF LOMPOC

By:____________________________
Its:
Dated:__________________________

PLUMAS-SIERRA RURAL
ELECTRIC COOPERATIVE

By:____________________________
Its:
Dated:__________________________

CITY OF UKIAH

By:____________________________
Its:
Dated:__________________________

CITY OF SANTA CLARA

By:____________________________
Its:
Dated:__________________________

MODESTO IRRIGATION DISTRICT

By:______________________________
Its:
Dated:___________________________

TURLOCK IRRIGATION DISTRICT

By:______________________________
Its:
Dated:___________________________

SACRAMENTO MUNICIPAL
UTILITY DISTRICT

By:______________________________
Its:
Dated:___________________________

ATTACHMENT A

DEFINITIONS

Acquiring Party
Has the meaning set forth in Section 8 of this Agreement.

Additions
A new facility, other than a Betterment or Replacement that is added to the Project, together with associated land rights, if any.

Adjusted Cost Index
Has the meaning set forth in Section 3.1.2.2.2 of TANC Project Agreement No. 3.

Agreement
This Long-Term Layoff Agreement, as it may be amended time to time.

Annual Fixed Payment
Has the meaning set forth in Section 5 of this Agreement.

Annual TANC Budget
The annual budget approved by the TANC Commission which provides for all TANC activities as a joint powers agency, including TANC's share of any joint obligations arising from the Agency's participation in projects such as the COTP, expenses associated with related debt service obligations, transmission service costs incurred on behalf of TANC Members, and operation costs for the Agency.

Balancing Authority
The responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports Interconnection frequency in real time.

Betterment
A new facility, other than a Replacement, together with associated land rights, if any, which will increase the Rated Project Transfer Capability" (as that term is defined in the Intertie Agreements) above the then-current Rated Project Transfer Capability or sixteen hundred (1600) megawatts, whichever is less.

CAISO
The California Independent System Operator Corporation, or its successor.

CAISO Tariff

The California Independent System Operator Corporation Operating Agreement and Tariff, dated March 31, 1997, as modified or amended from time to time.

Debt

Indebtedness.

Debt Service

With respect to any period, the aggregate of the amounts required by each Indenture to be paid during said period into any fund or account created by the Indenture for the sole purpose of paying or providing reserves for paying the principal (including sinking fund installments) of and premium, if any, and interest on all the Indebtedness from time to time outstanding; provided, however, that Debt Service shall not include any amounts on account of acceleration of the maturity of any Indebtedness.

Debt Service Payments

Has the meaning set forth in Section 6 of this Agreement.

Indebtedness

Bonds, notes or other evidences of indebtedness (including, without limitation, contracts relating to letters of credit or other credit enhancement devices and long-term contracts which are characterized as debt by TANC at or prior to execution thereof) issued or otherwise incurred or entered into by or on behalf of TANC in connection with the Project. For purposes of this Agreement, Indebtedness shall be considered outstanding as of any date if such Indebtedness has not been paid or in provision for the payment of the principal of and interest on such Indebtedness has not been made in accordance with the Indenture pursuant to which such Indebtedness has been issued or incurred.

Integrated Balancing Authority Area

Has the meaning set forth in the CAISO Tariff, as modified or amended from time to time.

Intertie Agreements

Agreements related to the Project which have been or which may be entered into by TANC and some or all of the other Participants, which include, but are not limited to, the MOU, the Project Development Agreement, the Project Participation Agreement, any amendments to the foregoing agreements, and other agreements related to the Project entered into by TANC as Project Manager or by TANC on behalf of the Members.

Layoff

As used in this Agreement, the voluntary temporary transfer of all or a portion of TANC Member entitlements to Transfer Capability for a period of more than one (1) year.

Layoff Quantity

The sum of the Layoffs as set forth in Section 3(c) of this Agreement.

Layoff Party

Has the meaning set forth in Section 8 of this Agreement.

Layoff Percentages

Has the meaning set forth in Section 3 of this Agreement.

Market Efficiency Enhancement Agreement

Has the meaning set forth in the CAISO Tariff, as modified or amended from time to time.

MOU

The Memorandum of Understanding, California-Oregon Transmission Project, dated December 19, 1984, among the Participants, the Department of Water and Power of the City of Los Angeles, and the California Department of Water Resources, as modified by the Memorandum of Decision of the United States Secretary of Energy, dated February 7, 1985, as interpreted by the letter of the United States Department of Energy Acting General Counsel, dated May 4, 1985, as amended by the California-Oregon Transmission Project Memorandum of Understanding Annex, dated March 19, 1986 (MOU Annex), and as it may be further amended. The MOU and MOU Annex are incorporated into Project Agreement No. 3 as Appendix A and Appendix B, respectively.

Participants

Those entities, including TANC, which have interests in the Project through execution of the Intertie Agreements.

Participation Percentage

That percentage of TANC's entitlement to Transfer Capability which an individual TANC Member has the right to use as set forth in Appendix C of TANC Project Agreement No. 3. Such percentages may be modified pursuant to Sections 2.3, 3.1.2.2, 6, and 15 of TANC Project Agreement No. 3. Modified percentages are included in Appendix B of this Agreement.

Project

The California-Oregon Transmission Project (COTP), which consists of electric transmission facilities between California and the Pacific Northwest. As such, Project is generally described in, and as changed pursuant to, the Intertie Agreements.

Project Development Agreement

That agreement among the Participants dated September 30, 1985, which provides, inter alia, for the Participants to share the costs of Project Development Work.

Project Participation Agreement

That agreement which was executed by those Participants electing to proceed with Phase II and Phase III of the Project, as it may be modified and supplemented in accordance with the terms thereof.

Recall Effective Date

Has the meaning set forth in Section 4(a) of this Agreement.

Recall Option

Has the meaning set forth in Section 4 of this Agreement.

Replacements

A new facility that is intended to be a direct replacement for an existing facility, which is designed primarily to maintain the existing operational reliability or capability of the Project, irrespective of whether the replacement results in an incidental increase in the Rated Project Transfer Capability (as that term is defined in the Intertie Agreements), and which results in a retirement unit being substituted for another such retirement unit. As used herein, retirement unit shall mean property as defined in Section 15060 of the Federal Energy Regulatory Commission Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act, or its successor document.

Return Effective Date

Has the meaning set forth in Section 4(a) of this Agreement.

Return Option

Has the meaning set forth in Section 4 of this Agreement.

SOT Agreement

The agreement between TANC and TANC Members with respect to allocations of TANC entitlements to Tesla-Midway Transmission Service, dated as of February 14, 1993.

TANC

The Transmission Agency of Northern California or its successor.

TANC Capital Improvement Costs

Those costs incurred in connection with Phase III of the Project allocable to TANC for the purpose of making Additions, Betterments, or Replacements to the Project and such other costs relating to capital improvements to the Project properly chargeable to TANC pursuant to the Intertie Agreements.

TANC Commission

The governing body of TANC as described in the TANC Joint Powers Agreement.

TANC Joint Powers Agreement

The Joint Powers Agreement, Transmission Agency of Northern California, dated December 10, 1984, which established TANC as a joint powers agency pursuant to Section 6500 et seq. of the California Government Code, as amended and supplemented from time to time.

TANC Long-Term Layoff Procedures

The procedures adopted by the TANC Commission via Resolution 2004-21, to facilitate Layoffs consistent with TANC Project Agreement No. 3.

TANC Member

A signatory to the TANC Joint Powers Agreement.

TANC Project Administrative and General Expenses or TANC A&G Expenses

Those administrative and general expenses incurred by TANC in its management of the Project that are recoverable from TANC Members and set forth each fiscal year in the TANC annual TANC Budget, being categorized as "TANC Agency" and "TANC Operations."

TANC Project Agreement No. 3

The agreement entered into as of March 1, 1990, by and among TANC and the Cities of Alameda, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara and Ukiah; the Sacramento Municipal Utility District; the Modesto Irrigation District; the Turlock Irrigation District; and the Plumas-Sierra Rural Electric Cooperative.

TANC Project Agreement No. 5

An agreement entered into as of August 23,2004, and amended and restated effective as of May 1, 2006, by and among the Transmission Agency of Northern California, and the Cities of Alameda, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, and Ukiah; the Modesto Irrigation District; the Turlock Irrigation District; and the Plumas-Sierra Rural Electric Cooperative.

TANC Project Costs

Those costs incurred in connection with Phase II of the Project allocable to TANC and such other costs relating to the acquisition and construction of the Project properly chargeable to TANC pursuant to the Intertie Agreements.

TANC Project Indebtedness

That Indebtedness to be issued by TANC to finance TANC Project Costs, TANC Project O&M Costs, TANC Capital Improvement Costs, and such other costs as are described in Section 4.1.3.1 of TANC Project Agreement No. 3.

TANC Project O&M Costs

Those costs incurred in connection with Phase III of the Project allocable to TANC and recoverable from TANC Members, which are necessary to operate and maintain the Project, such other costs relating to the operation and maintenance of the Project properly chargeable to TANC pursuant to the Intertie Agreements, and costs of the TANC Coordinator. TANC Project O&M costs shall not include TANC Project Costs or TANC Capital Improvement Costs. TANC Project O&M Costs are set forth each fiscal year in the Annual TANC Budget and categorized as the "California-Oregon Project."

Transfer Capability

The ability of the Project or a segment thereof to transmit power, expressed in megawatts, as determined in accordance with the Intertie Agreements. As used in TANC Project Agreement No. 3, the term Transfer Capability can refer to a rated amount or an amount available at any given time, as appropriate in the context in which such term is used. TANC and its Members acknowledge that there may be times when available Transfer Capability is less than the rated amount for the Project or a segment thereof.

Transmission Control Agreement

Has the meaning set forth in the CAISO Tariff, as modified or amended from time to time.

True-Up Adjustments

Has the meaning set forth in Section 3(f)(vii) of this Agreement.

ATTACHMENT B

MODIFIED PROJECT AGREEMENT NO. 3 (PA-3) PERCENTAGES

Interim - COTP Operations and Maintenance

(Accommodates the Cities of Santa Clara, Alameda, Healdsburg, Lodi, Lompoc, and Ukiah, and the Plumas-Sierra Rural Electric Cooperative 25-year layoff)

TANC Entitlement	Pre-Return Percentage	TANC Member Return	Net TANC Member Percentage	North to South MW Scheduling Rights
MID	21.9470%	1.7990%	23.7460%	323
Redding	8.4119%	0.0000%	8.4119%	115
SMUD	30.1343%	9.3550%	39.4893%	538
Santa Clara	20.4745%	-10.4705%	10.0040%	136
TID	15.1105%	3.2383%	18.3488%	250
Alameda	1.2272%	-1.2272%	0.0000%	0
Healdsburg	0.2456%	-0.2456%	0.0000%	0
Lodi	1.9201%	-1.9201%	0.0000%	0
Lompoc	0.1865%	-0.1865%	0.0000%	0
Palo Alto	0.0000%	0.0000%	0.0000%	0
Plumas	0.1479%	-0.1479%	0.0000%	0
Roseville	0.0000%	0.0000%	0.0000%	0
Ukiah	0.1945%	-0.1945%	0.0000%	0
Total	**100.0000%**	**0.0000%**	**100.0000%**	**1362**

ATTACHMENT C

MODIFIED PROJECT AGREEMENT NO. 5 (PA-5) PERCENTAGES

Interim – PA- 5 Cost Sharing Percentages

(Accommodates the Cities of Santa Clara, Alameda, Healdsburg, Lodi, Lompoc, and Ukiah, and the Plumas-Sierra Rural Electric Cooperative 25-year layoff)

TANC Member	Percent	TANC Member Lay-off	Net TANC Member Percentage
MID	30.2978%	2.4836%	32.7814%
Redding	11.6130%	0.0000%	11.6130%
SMUD	3.5496%	12.9147%	16.4643%
Santa Clara	28.2650%	-14.4548%	13.8102%
TID	20.8606%	4.4705%	25.3311%
Alameda	1.6940%	-1.6940%	0.0000%
Healdsburg	0.3390%	-0.3390%	0.0000%
Lodi	2.6510%	-2.6510%	0.0000%
Lompoc	0.2570%	-0.2570%	0.0000%
Palo Alto	0.0000%	0.0000%	0.0000%
Plumas	0.2040%	-0.2040%	0.0000%
Roseville	0.0000%	0.0000%	0.0000%
Ukiah	0.2690%	-0.2690%	0.0000%
Total	**100.0000%**	**0.0000%**	**100.0000%**

ATTACHMENT D

TRUE-UP METHODOLOGY FOR REPLACEMENTS AND ADDITIONS

The Parties identified a desire to provide for equitable allocation of costs between the Districts and Layoff Entities for the laid-off shares of Replacements and those Additions (all Additions approved by TANC up to the threshold limit and the portion of those greater than the limit up to the threshold limit) that, at the end of the term of the layoff, will revert from a right and responsibility of the Districts to that of the Layoff Entities.

TANC developed the following methodology, which was incorporated into the *2009 Long-Term Layoff Agreement* between TANC, the Districts and the Cities of Palo Alto and Roseville, and has been reviewed and approved by the Parties. TANC will treat all Replacements and Additions (at least up to the Project Agreement No. 3 Threshold Amount) as if they were financed using "typical municipal financing" (i.e., levelized payments composed of principal and interest, at the prevailing municipal cost of money at the time of the Replacement or Addition, over the ***useful life*** of the Replacement/Addition). The TANC Commission will make a determination of the useful life and the cost of financing at the time of approving a Replacement and/or Addition.

If a payment structure or financing were used that were different from the form of a "typical municipal financing," then a transfer payment may be necessary to account for an accelerated or decelerated (relative to typical municipal financing) payoff of principal as of the end of the term of the layoff. The following are for illustration purposes only and are the same examples that were provided in the *2009 Long-Term Layoff Agreement*.

EXAMPLES:

The following assumptions apply to the examples provided below:

1. End of term of layoff: 2/1/2024
2. Timing of Replacement (or Addition): 2/1/2014
3. Applicable cost threshold for Section 3.1.2.2.2: $52.7M
4. Cost of Replacement or Addition: $25M
5. Estimated useful life of Replacement or Addition at 1/1/2014: 20 years
6. Remaining term of layoff at 2/1/2014: 10 years
7. Estimate useful life of Replacement or Addition remaining after layoff: 10 years
8. Prevailing municipal cost of money, 2/1/2014: 6 percent (20-year term)

Using the assumptions listed above, TANC examined five different payment structures and the potential need for a transfer payment under each. These are described below and a summary table is included at the end of this section:

Example #1: TANC Pays Cash at time of Replacement (Addition)

As of February 1, 2024, all principal would have been paid off and there would be no outstanding obligations for the Addition. With typical municipal financing, there would have been ten years of levelized payments remaining for principal and interest at $2.180M/yr with respect to the full $25M cost for the Addition. The NPV of this payment stream as of 2/1/2024 comes to $16.04M. Cities should pay the respective Districts their laid off participation percentages times $16.04M.

Example #2: TANC Borrows $25 million and makes interest only payments:

As of February 1, 2024, no principal would have been paid off. With typical municipal financing, there would have been approximately $9M of principal paid off at the end of the layoff; and the Districts should pay the respective Cities their laid off participation percentages times $8.96 million.

Example #3: Levelized payments over life of Addition:

As of February 1, 2024, there would have been $8.96 million principal retired. Since financing used typical municipal financing, this is the expected amount of principal to be paid off at the end of the layoff, and no transfer payment is needed.

Example #4: Levelized payments over longer than life of Addition:

As of February 1, 2024, assuming a 25-year financing term, there would have been about $6M of principal paid off. With typical municipal financing, there would have been about $9M of principal paid off at the end of the layoff. Districts should pay the respective Cities their laid off participation percentages times $3M.

Example #5: Levelized payments over shorter than life of Addition:

As of February 1, 2024, assuming a 15-year financing term, there would have been about $14.2M of principal paid off. With typical municipal financing, there would have been about $9M of principal paid off at the end of the layoff. Cities should pay the respective Districts their laid off participation percentages times $5.2M.

	Example #1 Cash Payment	Example #2 Interest Only	Example #3 "Typcial" Maturity	Example #4 Longer Maturity	Example #5 Shorter Maturity
Loan Amount	$ 25,000,000	$ 25,000,000	$ 25,000,000	$ 25,000,000	$ 25,000,000
Interst Rate	6.00%	6.00%	6.00%	6.00%	6.00%
"Typical Term" - years	20	20	20	20	20
Annual Payment	$2,179,614	$2,179,614	$2,179,614	$2,179,614	$2,179,614
Target Balance 1/1/2024	$16,042,148	$16,042,148	$16,042,148	$16,042,148	$16,042,148
Example Term - years	-	na	20	25	15
Actual Remaining Balance as of January 1, 2024	0	$ 25,000,000	$16,042,148	$ 18,993,934	10842915.45
Deviation from "typical"	$ (16,042,148)	$ 8,957,852	$ -	$ 2,951,786	$ (5,199,233)
Payment to Districts	$ 16,042,148	$ (8,957,852)	$ -	$ (2,951,786)	$ 5,199,233

As mentioned above, this approach will require certain determinations be made by the Commission at the approval of any future Replacements or Additions; these include: 1) the useful life of the Replacement/Addition, and 2) prevailing TANC borrowing rate for the determined useful life.

ATTACHMENT E

CONTACT INFORMATION FOR PURPOSES OF NOTICES

AMP:

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City of Healdsburg
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Lompoc:

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Santa Clara:

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MID:

Greg Salyer, Assistant General Manager, Electric Resources
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SMUD:

Paul Lau
Assistant General Manager,
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Sacramento Municipal Utility District

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TANC:

Transmission Agency of Northern California
Bryan W. Griess, General Manager

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RESOLUTION NO. 2014-50

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING THE CITY MANAGER TO EXECUTE A LONG-TERM LAYOFF AGREEMENT FOR THE CALIFORNIA OREGON TRANSMISSION PROJECT BETWEEN THE CITY OF LODI AND CERTAIN MEMBERS OF THE TRANSMISSION AGENCY OF NORTHERN CALIFORNIA

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WHEREAS, the Transmission Agency of Northern California (TANC) is a California Joint Powers Agency that has facilitated the construction and joint ownership of transmission projects on behalf of its members; and

WHEREAS, TANC members include the Sacramento Municipal Utility District (SMUD), Modesto Irrigation District (MID), Turlock Irrigation District (TID), Plumas Sierra Rural Electric Cooperative, and the California cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Redding, Roseville, Santa Clara, and Ukiah; and

WHEREAS, TANC is a joint owner of the California Oregon Transmission Project (COTP), a transmission line connecting the Pacific Northwest with Central California; and

WHEREAS, the City is a signatory to TANC Project Agreement Number 3 (1990), by which the City has a 1.9201% project participation entitlement on the COTP (approximately 26 megawatts); and

WHEREAS, recent historic and projected value of COTP to the City's electricity portfolio is lower than participation costs; and

WHEREAS, City's current costs associated with COTP are approximately $1.2 million per year; and

WHEREAS, under TANC Project Agreement Number 3 and TANC's Procedures for Long-Term Layoffs of Transmission Capacity, the City is able to assign its COTP entitlements to other COTP participants; and

WHEREAS, SMUD, TID, and MID have agreed to accept the City's share of COTP entitlements, via a layoff arrangement, for a period of 25 years, with an option to extend 5 years upon mutual agreement; and

WHEREAS, this activity would not result in a direct or reasonable foreseeable indirect change in the physical environment and is therefore not a "project" for purposes of Section 21065 of the California Environmental Quality Act and no environmental review is necessary; and

WHEREAS, the Risk Oversight Committee received a report on this agenda item and recommends City Council approval.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager to execute a Long-Term Layoff Agreement (Agreement) for the California Oregon Transmission Project (COTP) between the City of Lodi and certain members of the Transmission Agency of Northern California (TANC); and

BE IT FURTHER RESOLVED that authorization for any extension of term, including the five-year extension option, shall be subject to future review and authorization of the Lodi City Council.

Dated: April 2, 2014

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I hereby certify that Resolution No. 2014-50 was passed and adopted by the City Council of the City of Lodi in a regular meeting held April 2, 2014, by the following vote:

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

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None

RANDI JOHL-OLSON
City Clerk