

CITY COUNCIL, CITY OF LODI
CITY HALL COUNCIL CHAMBERS

September 24, 1980

An adjourned regular meeting of the City Council of the City of Lodi was held beginning at 7:30 p.m. on Wednesday, September 24, 1980 in the City Hall Council Chambers.

Roll Call was recorded by City Clerk Reimche as follows:

Present: Councilmen - Hughes, McCarty, Murphy, Pinkerton, and
Katnich (Mayor)

Absent: Councilmen - None

Also Present: City Manager Graves, Assistant City Manager Glenn,
Utility Director Curry, City Attorney Stein, and
City Clerk Reimche

Background information and a description of the Lodi Electrical system was given by Utility Director Dave Curry.

Various diagrams pertaining to the subject were presented for Council's perusal by Mr. Curry during his presentation.

Mr. Curry gave a description, including projected savings and benefits, for each of the following NCPA energy resources projects:

SHELL PROJECT

(SONOMA AND LAKE COUNTIES)

Capacity: 105.6 MW Lodi participation: 15.4 MW

Development Costs: \$8,000,000 (Geothermal Field Development
by Shell)

Duration of Project: 25-30 years following commercial operation.

Project Financing: Tax exempt revenue bonds (Oct. '80)-25%

Tax exempt DOE guaranteed loan - 75%

Baseload Application: 83% load factor

Lodi Participation: 14.56%

Project Cost to Date: \$7.00 M (Lodi's share: \$1,019,200;
\$853,446 debt.) \$165,754 Dev. Fund
Contribution

Total Project Cost: \$68,500,000

Energy Lodi Portion: 111,791,167 KWH/yr.

Estimated Cost of Energy in 1982: 40-Mils/kwh*

compared to 40.0+** from
P.G.&E.

Savings develop at 3%/yr.

* Increases at 6%/yr. (est.)

** Increases at 9%/yr.

Continued September 24, 1980

CALAVERAS HYDRO PROJECT

(North Fork of Stanislaus River)

Capacity: 200 MW (140 MW TDC) Lodi participation 19.7 MW

Development Costs: (Up to approximately \$2.0 MIL) by NCPA,
to be refunded.

Duration of Project: 50 years following commercial operation
(First right to re-negotiate contract)

Project Financing: By CCWD from tax exempt revenue bonds

Peaking Application: 34% - 38% Load Factor

Lodi Participation: 9.85%

1980-1981 Assessment: \$31,520
1979-1980 Assessment: \$19,700

Advanced to Date: \$108,350 (est.)

Original Bond Limit: \$350,000,000

Current (4/1980) Project: \$425,000,000

Monthly payment to CCWD: \$17,000+ (support of Hydro O & M
of plant/transmission by NCPA)

Energy - Lodi Portion: 55,652,500 kwh/yr. (min. normal)
Possibility of 100,000,000 kwh/yr.

Estimated cost of energy in 1984: 60 Mills/kwh + wheeling
(assume 10% = 6 mills
to cover wheeling and
estimate error) compared to
58.4 (min.) from P.G.&E.
Crossover point is less than
2 years. After crossover
point, savings will increase
at 9%/yr.

RFL GEOTHERMAL PROJECT

(Lake County)

Capacity: 63.4 MW (net) Lodi Participation: 9.23 MW

Development Costs: \$15,000,000

Duration of Project: 25-30 years following commercial operation.

Project Financing: Tax exempt (?) revenue bonds.

Baseload Application: 83% load factor

Lodi Participation: 14.56%

Project Cost to Date: \$4.85M (Lodi's share \$705,700;
\$339,976 outstanding debt.)
\$365,724 Dev. Fund Contribution

Total Project Cost: \$175,000,000 + \$6 M/yr. well replacement.

Energy Lodi Portion: 67,117,046 kwh/yr.

Estimated Cost of Energy in 1986: 68.0 Mills/kwh* compared to
58.0** from P.G.&E. Cross-
over point is approximately

Continued September 24, 1980

3 years hence. Savings
develop at 6%/yr. thereafter.

Current Status: NOI approved: AFC not started (requires 9
mo.).

Speculative Aspects: Resource, IRS tax ruling, financial image.

- * Increases at 3%/yr. (est.)
- ** Increases at 9%/yr.

Information pertaining to Santa Clara's proposal to Development Fund Members for expeditious implementation of NCPA Project No. 1 (RFL) as received from William A. Gissler, Mayor of the City of Santa Clara was presented to the Council as follows:

REASON FOR PROPOSAL

This project is doomed to failure unless immediate action is taken. It was delayed for many months because of the RFL bankruptcy and resulting negotiations. A plan of action including necessary funding should have been in place so that at least one and maybe two additional wells could have been drilled this summer, immediately following the settlement. Instead, nothing has occurred, resulting in the following situation:

1. The "Authority to Construct" (air quality permit) has expired.
2. We are in danger of losing all rights obtained under the RFL Agreement and Settlement due to failure to obtain an extension to the Sunedco Farmout requirement for a second well. There is insufficient time to comply with Sunedco's requirements if they will not give an extension.
3. The sump in Well No. 1 has not been winterized.
4. By not too distant October 1981 a commercial reservoir must be proven or by agreement is deemed proven and further large payments are due to satisfy the settlement agreement.
5. Substantial sums of money will need to be paid by October 1981 which only become due and payable upon completion of a commercial reservoir if we proceed expeditiously.

Because of these and other failures to proceed with the project, the City of Santa Clara feels the project is doomed to failure unless immediate and continued aggressive action is taken on this project. Santa Clara feels it must have the authority to accomplish the above action in order to protect its substantial financial commitment to the Project.

Santa Clara proposes the following three alternative methods of participation to our other partners in the Project for their consideration:

ALTERNATIVE 1 - For each of those Members who wishes to proceed with Project No. 1 in an aggressive manner and have the financial resources to do it:

Conditions:

1. Member will sign an agreement to put up funds as will be spelled out for an aggressive development program.

Continued September 24, 1980

2. Member will agree to designate the City of Santa Clara as Project Manager.

ALTERNATIVE 2 - For each of those Members who wishes to obtain some power from the Project but does not have the financial resources to continue with its development.

Conditions:

1. Member signs an agreement with Santa Clara whereby Santa Clara will agree, as Project Manager, to sell up to 25% to Member of its current percentage participation in a 66 MW Project, at Project cost, when and if Project is commercial.
2. Santa Clara will agree that Member will not incur any further risk or financial commitment to the Project.

ALTERNATIVE 3 - For each of those Members who wishes to dissolve all further interests in the Project.

Conditions:

1. Member releases all interests in Project to Santa Clara.
2. Santa Clara will now repay the Member 25% of all costs properly allocated to Member for Project expenditures to date.
3. Santa Clara will later repay the Member the remaining 75% of all costs properly allocated to Member for Project expenditures to date when Project goes into Commercial Operation.

In order to effectuate this proposal it will be necessary for Member and Santa Clara to execute documents to carry out the intent of the proposal above.

A proposed agreement covering Santa Clara proposal including three alternative methods of participation was reviewed at length by the Council.

Each alternative was scrutinized by the Council with questions being directed to Staff and to the City Attorney.

Mr. John Talbot, 800 Maplewood Drive, Lodi addressed the Council, stating that he opposed additional funding going to NCPA and urged that this is a job that could be done just as well by private enterprise--P.G.&E.

Lengthy discussion followed with additional questions being directed to Staff and to Mr. Talbot.

On motion of Councilman Pinkerton, Hughes second, Council directed that the City of Lodi go forward with the Shell Project and the Calaveras Hydro Project, and further that the City of Lodi selects to proceed under Alternative two (2) of the aforementioned agreement covering Santa Clara's proposal to Development Fund members for expeditious implementation of NCPA Project No. 1 (RFL), whereby the City of Lodi will take a minimum of 25% as provided in this alternative but will negotiate up from that percentage to the best possible deal.

There being no further business to come before the Council, Mayor Katnich adjourned the meeting at approximately 10:00 p.m.

Attest:

Alice M. Reimche
ALICE M. REIMCHE
City Clerk