

RESOLUTION NO. 2006-20

A RESOLUTION OF THE LODI CITY COUNCIL
AUTHORIZING THE CITY MANAGER AND ELECTRIC
UTILITY DIRECTOR TO PROCURE ENERGY
REQUIREMENTS THROUGH FISCAL YEAR 2007

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WHEREAS, the City of Lodi must procure wholesale energy in order to meet its load serving obligations to its customers for fiscal year 2007 and beyond, with the amount of wholesale energy that must be procured ranging from 42% to 94% of Lodi's total load serving obligation; and

WHEREAS, to begin reducing Lodi's exposure to this market volatility, staff recommends procurement through Northern California Power Agency (NCPA) of 80% to 90% of Lodi's net open position for the 3rd quarter of 2006 and 65% to 75% of Lodi's net open position for the 4th quarter of 2006, which will help to address the immediate issue associated with short-term volatility; and

WHEREAS, staff further recommends that the balance of fiscal year 2007, or 1st and 2nd quarters of 2007, will need to be procured through contracts executed directly by the City of Lodi, which will be brought before the City Council for approval at a later date; and

WHEREAS, similarly, additional longer-term resource procurement decisions, which begin reducing open positions two and three years out, will establish further price certainty and either allow Lodi to take advantage of decreasing prices in the future on the balance of Lodi's net open position or reduce Lodi's exposure to rising prices on the balance of the net open position.

NOW, THEREFORE, BE IT RESOLVED by the Lodi City Council that:

- The City Manager and Electric Utility Director are hereby authorized to procure energy for fiscal year 2007 in the amounts of the net open position and at costs of up to 150% of costs of procurement of the net open position as estimated and shown on Exhibit A attached hereto.
- That NCPA is authorized to implement automatic purchases of the net open position for the 3rd and 4th quarters of 2006 in amounts specified by the City Manager or Electric Utility Director should prices reach thresholds established by the City Manager or Electric Utility Director and a net open position for the quarter remain.
- That the City Manager and the Electric Utility Director are hereby authorized to direct NCPA to replace any amount of energy at currently prevailing prices in the event of a failure or disablement of any one of Lodi's owned resources.
- City staff shall report to Council, in accordance with Energy Risk Management Policies, on the status and cost of purchases for fiscal year 2007.

- City staff, through the Risk Oversight Committee established as part of the Energy Risk Management Policies, shall continue to develop and refine a long-term laddering strategy for energy procurement over the next 36 months.
- City Council hereby rescinds any previous procurement authorization granted to the City Manager and/or Electric Utility Director, including but not limited to Resolution No. 2001-246, and replaces those authorizations with the authority granted under this Resolution.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager and Electric Utility Director to procure energy required to meet load-serving obligations of Lodi Electric through fiscal year 2007 in accordance with the City of Lodi Energy Risk Management Policies (at an amount not to exceed \$39.8 million).

Dated: January 18, 2006

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I hereby certify that Resolution No. 2006-20 was passed and adopted by the Lodi City Council in a regular meeting held January 18, 2006, by the following vote:

AYES: COUNCIL MEMBERS – Beckman, Hansen, Johnson, Mounce,
and Mayor Hitchcock

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None



SUSAN J. BLACKSTON
City Clerk

Attachment 2 - Cost of Procuring Wholesale Energy at January 5, 2006 Prevailing Prices

Jan. 5, 2006

	Lodi Total			Lodi HLH			Lodi LLH			HLH	LLH		
	Surplus/(Deficit)	Load	% of Load	Surplus/(Deficit)	Load	% of Load	Surplus/(Deficit)	Load	% of Load	\$/MWH	\$/MWH		
2006													
July	(23,022)	50,000	-46.0%	(11,075)	31,145	-35.6%	(11,947)	18,855	-63.4%	\$ 95.50	\$ 72.50	\$ 95.50	\$ 72.50
August	(28,019)	51,590	-54.3%	(17,244)	34,620	-49.8%	(10,774)	16,969	-63.5%	\$ 95.50	\$ 72.50		
September	(18,857)	44,534	-42.3%	(9,420)	28,359	-33.2%	(9,437)	16,175	-58.3%	\$ 95.50	\$ 72.50		
October	(21,547)	38,724	-55.6%	(13,083)	24,852	-52.6%	(8,464)	13,872	-61.0%	\$ 91.75	\$ 75.50	\$ 91.75	\$ 75.50
November	(33,293)	37,593	-88.6%	(22,643)	23,833	-95.0%	(10,650)	13,759	-77.4%	\$ 91.75	\$ 75.50		
December	(36,412)	38,673	-94.2%	(24,662)	23,641	-104.3%	(11,750)	15,032	-78.2%	\$ 91.75	\$ 75.50		
2007													
January	(33,164)	38,821	-85.9%	(20,099)	24,749	-81.2%	(13,064)	13,873	-94.2%	\$ 94.75	\$ 78.50	\$ 94.75	\$ 78.50
February	(29,008)	34,883	-83.2%	(17,334)	22,636	-76.6%	(11,674)	12,247	-95.3%	\$ 94.75	\$ 78.50		
March	(31,061)	37,664	-82.5%	(21,350)	24,603	-86.8%	(9,711)	13,060	-74.4%	\$ 94.75	\$ 78.50		
April	(21,249)	38,029	-55.9%	(11,925)	24,099	-49.5%	(9,324)	13,930	-66.9%	\$ 87.75	\$ 65.81	\$ 85.17	\$ 63.88
May	(18,024)	40,735	-44.2%	(11,612)	26,442	-43.9%	(6,411)	14,293	-44.9%	\$ 87.75	\$ 65.81		
June	(18,910)	44,888	-42.1%	(11,521)	29,705	-38.8%	(7,389)	15,183	-48.7%	\$ 80.00	\$ 60.00		
FY Total	(312,564)	495,933	-63.0%	(191,969)	318,683	-60.2%	(120,595)	177,249	-68.0%				

Assumptions: Zero STIG and CT1 generation.

Average hydro conditions for Calaveras Project, Western Base Resource, and market prices.
 Forward electricity prices based on Jan. 5, 2006 TFS Energy indications.
 There are no forward energy transactions for Lodi during this period.

INDICATED COST OF DEFICIT ENERGY BALANCES

	Total Cost	HLH Cost	LLH Cost
2006			
July	\$ (1,923,781)	\$ (1,057,615)	\$ (866,166)
August	\$ (2,427,955)	\$ (1,646,808)	\$ (781,147)
September	\$ (1,583,761)	\$ (899,611)	\$ (684,150)
October	\$ (1,839,434)	\$ (1,200,399)	\$ (639,035)
November	\$ (2,881,551)	\$ (2,077,482)	\$ (804,069)
December	\$ (3,149,864)	\$ (2,262,739)	\$ (887,125)
2007			
January	\$ (2,929,955)	\$ (1,904,420)	\$ (1,025,534)
February	\$ (2,558,835)	\$ (1,642,429)	\$ (916,406)
March	\$ (2,785,232)	\$ (2,022,919)	\$ (762,313)
April	\$ (1,660,023)	\$ (1,046,394)	\$ (613,629)
May	\$ (1,440,919)	\$ (1,018,981)	\$ (421,938)
June	\$ (1,365,033)	\$ (921,895)	\$ (443,338)
Total July-June	\$ (26,546,343)	\$ (17,701,494)	\$ (8,844,849)

SPOT net PURC. COST (est)
 \$/MWH (avg.) \$ 84.9 /mwh \$ 92.2 /mwh \$ 73.3 /mwh

EXHIBIT A