AGENDA ITEM E-07

CITY OF LODI
COUNCIL COMMUNICATION

AGENDA TITLE: **Adopt resolution authorizing the City Manager to execute a Novation Agreement with Sempra Energy Trading Corporation and The Royal Bank of Scotland transferring interest in a Power Purchase Sales and Enabling Agreement dated May 27, 2004 (EUD)**

MEETING DATE: **October 17, 2007**

PREPARED BY: **Electric Utility Director**

RECOMMENDED ACTION: Adopt a resolution authorizing the City Manager to execute a Novation Agreement with Sempra Energy Trading Corporation and The Royal Bank of Scotland transferring interest in a Power Purchase Sales and Enabling Agreement dated May 27, 2004.

BACKGROUND INFORMATION: The City of Lodi and Sempra Energy Trading Corporation (Sempra) are parties to a Power Purchase and Sales Enabling Agreement dated May 27, 2004 (Sempra/Lodi Agreement). This agreement was executed by the Electric Utility Director pursuant to the authority granted by Lodi City Council Resolution 2001-34. Sempra is one of the subsidiaries of the parent corporation of San Diego Gas and Electric Company.

On July 9, 2007, Sempra announced that it would form a joint venture with The Royal Bank of Scotland (RBS) to form a joint venture to be known as RBS Sempra Commodities LLP which will acquire a controlling interest (51%) in Sempra and its subsidiaries as well as its managed affiliates. Thirty days after the transaction's closing date (early 2008), RBS will be the principal entity under all of Sempra's transactions and will conduct the commodity trading business as agent for Sempra.

As a result, all outstanding agreements and transactions are being transferred and assumed by RBS at closing date. The Royal Bank of Scotland is rated Aaa by Moody's and AA by Standard & Poors and is advertised as one of the largest financial institutions in the world.

In order to formally transfer interest in the Sempra/Lodi Agreement, it has been requested that the City execute a Novation Agreement with Sempra and RBS. The Novation Agreement basically provides that RBS is stepping into the contractual "shoes" of Sempra and undertaking all obligations of the Sempra/Lodi Agreement.

As background, the Sempra/Lodi Agreement is an "enabling" agreement. This means that it contains the basic terms and conditions affecting any wholesale electric transactions between the parties to the agreement. The specific details of any transaction (typically price, term, delivery point and type of service) will be contained in a subsequent Confirmation document.

Staff has reviewed the terms and conditions of the Sempra/Lodi Agreement and believes that it is beneficial to continue to have the agreement remain in effect with The Royal Bank of Scotland as the

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APPROVED: _____
Blair King, City Manager

principal party. There is no obligation to undertake future transactions under the agreement but it would be in place in the event that a transaction with RBS is deemed to be in the best interest of the City.

FISCAL IMPACT: There is no financial impact to execution of the proposed Novation Agreement.

FUNDING: Not applicable.

George F. Morrow, Electric Utility Director

Attachment

RESOLUTION NO. 2007-_____

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING THE CITY MANAGER TO EXECUTE A NOVATION AGREEMENT WITH SEMPRA ENERGY TRADING CORPORATION AND THE ROYAL BANK OF SCOTLAND TRANSFERRING INTEREST IN A POWER PURCHASE SALES AND ENABLING AGREEMENT DATED MAY 27, 2004

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WHEREAS, on the City of Lodi and Sempra Energy Trading Corporation (Sempra) are parties to a May 27, 2004 Power Purchase Sales and Enabling Agreement;

WHEREAS, Sempra has announced that it has formed a joint venture under which The Royal Bank of Scotland (RBS) will be the principal entity under future electric transactions between the City and Sempra;

WHEREAS, Sempra has requested that the City of Lodi execute a Novation Agreement which will formally recognize that RBS will be the future trading agent for Sempra after the transactions closing date expected in early 2008; and

WHEREAS, the Lodi Electric utility believes it is advantageous to have the agreement with Sempra remain in effect with RBS as the principal,

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council hereby approves the Novation Agreement and authorizes the City Manager or his designee to execute the Agreement and authorizes the Electric Utility Director or his designee to administer the Agreement.

Dated: October 17, 2007

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I hereby certify that Resolution No. 2007-____ was passed and adopted by the Lodi City Council of the City of Lodi in a regular meeting held October 17, 2007, by the following vote:

AYES: COUNCIL MEMBERS –

NOES: COUNCIL MEMBERS –

ABSENT: COUNCIL MEMBERS –

ABSTAIN: COUNCIL MEMBERS –

RANDI JOHL
City Clerk

NOVATION AGREEMENT

This Novation Agreement (the "Novation Agreement"), is entered into by and among Sempra Energy Trading Corp. ("SET), The Royal Bank of Scotland plc ("RBS") and CITY OF LODI ("Counterpart") and dated as of the date of Counterpart's signature hereto. SET, RBS and Counterpart are sometimes each referred to herein as a "Party" or collectively as the "Parties". Certain capitalized terms used herein are defined in Article 4.

WHEREAS, SET and Counterpart have entered into one or more Agreements.

WHEREAS, effective at the Novation Time on the Novation Date, SET wishes to assign and transfer by novation to RBS, and RBS wishes to accept the assignment and transfer by novation of, all of the rights, liabilities, duties and obligations of SET under and in respect of the Agreements and Counterpart wishes to consent to the same each on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants contained in this Novation Agreement, the Parties hereto agree as follows:

ARTICLE 1
NOVATION AND ASSIGNMENT

Section 1.1 Assignment and Novation. The Parties agree that, effective at the Novation Time on the Novation Date, all outstanding Agreements between SET and Counterpart will be transferred and novated to RBS and RBS will assume all of SET's rights and obligations under such Agreements, whenever created or incurred. Therefore, after such transfer it will be as if such Agreements had originally been entered into with RBS and Counterpart. Additionally, effective at the Novation Time on the Novation Date, SET shall be released and discharged from any and all liabilities and obligations to Counterpart with respect to all of the Agreements.

Section 1.2 Conditions. The Parties shall use commercially reasonable efforts to ensure that the following conditions (the "Conditions") will be satisfied effective as of the Novation Time on the Designated Novation Date:

(a) any Letter of Credit delivered by Counterpart to secure its obligations under any Agreement shall (i) be amended to reflect RBS as the new beneficiary, or (ii) be replaced by a new Letter of Credit issued in favor of RBS and meeting the requirements of the Agreement to which it corresponds;

(b) any guarantees issued by a credit support provider of Counterpart in favor of SET (the "Old Guarantees") pursuant to the Agreements shall be replaced by one or more guarantees of such credit support provider issued in favor of RBS containing, except for such new beneficiary, identical terms to the Old Guarantees; provided, however, that if any Old Guarantee shall also have been issued in favor of an affiliate of SET, such Old Guarantee shall not be terminated in respect of any such affiliate by this Novation Agreement (it being understood that if such Old Guarantee is to be terminated in respect of such affiliate that termination shall be effected by a novation agreement in form and substance

substantially similar to this Novation Agreement between Counterpart and such affiliate); and

(c) all U.S., U.K., European Commission and other national, federal, state and provincial regulatory, governmental and exchange and clearinghouse and other similar approvals, if any, necessary to effect the consummation of the novations (including, without limitation, the approval of any independent system or grid operator) contemplated hereby have, in the reasonable opinion of SET, been received by the applicable Parties.

If the Conditions cannot be satisfied as of the Novation Time on the Designated Novation Date, the Parties shall use commercially reasonable efforts to insure that such Conditions will be satisfied as soon as practicable thereafter.

Section 1.3 Novation Date. SET and RBS shall notify Counterpart of the earliest date upon which the transfer and novation specified in Section 1.1 will be effective (such earliest date, the "Designated Novation Date"). The "Novation Date" shall be (i) the Designated Novation Date if the Conditions are satisfied, or are waived by SET and RBS, at the Novation Time on such date, or (ii) if the Conditions are not so satisfied or waived on such date, the Business Day immediately following the date on which SET and RBS notify Counterpart that the Conditions are satisfied or are otherwise waived by SET and RBS.

Section 1.4 Amendments to Agreements. Effective at the Novation Time on the Novation Date, each of the Agreements shall be amended as follows:

(a) The notice provisions therein shall be amended to include an obligation of Counterpart to provide a copy of any event of default, potential event of default or similar termination event notice to RBS at the addresses set forth in Annex A.

(b) If any Agreement contains tax representations with respect to withholding taxes given by SET or Counterpart (the "Old Tax Representations"), such Old Tax Representations shall be deleted in their entirety and shall be replaced and superseded by the tax representations set forth in Annex B.

(c) If any margin or credit support is required under the Agreements, the required amount (i) will continue to be calculated in the manner contemplated by the Agreements taking into account the credit rating of RBS, and (ii) will only take account of existing transactions under the Agreements and any new transactions under the Agreements entered into with RBS through SET acting as agent and will not take account of any other transactions between RBS and Counterpart.

(d) Any cash margin held by SET pursuant to the terms of the Agreements shall be transferred to RBS and any cash margin held by Counterpart pursuant to the terms of the Agreements shall be held by Counterpart for the account of RBS.

(e) The presentation of a petition for the winding-up or liquidation of a party to any Agreement by a party other than such party shall not be a default, event of default or similar event under the terms of any such Agreement if such petition is withdrawn, dismissed,

discharged, stayed or restrained within 15 days of its presentation. If such petition has not been withdrawn, dismissed, discharged, stayed or restrained within 15 days of its presentation, the other party shall be entitled to exercise its rights and remedies under such Agreement in respect thereof.

(f) Except as expressly amended in this Section 1.4 or otherwise under this Novation Agreement, the terms and conditions of the Agreements shall remain in full force and effect without change.

ARTICLE 2
TERMINATION OF SEMPRA GUARANTEES

Section 2.1 Effective at the Novation Time on the Novation Date, (i) any guarantees of SET's obligations issued or assumed by Sempra Energy (including any guarantees issued or assumed by its predecessors-in-interest, Pacific Enterprises and Enova Corporation) with Counterpart as beneficiary shall be terminated in respect of Counterpart as beneficiary; provided, however, that if any such guarantee shall also have been issued in favor of an affiliate of Counterpart, such guarantee shall not be terminated in respect of any such affiliate by this Novation Agreement (it being understood that if Sempra Energy's guarantee is to be terminated in respect of such affiliate that termination shall be effected by a novation agreement in form and substance substantially similar to this Novation Agreement to which such affiliate of Counterpart is a party); and (ii) Sempra Energy shall not be a credit support provider in respect of any Agreement. Counterpart agrees that any such guarantee issued by Sempra Energy will be returned to SET as soon as practicable following termination of such guarantee as to all beneficiaries.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of Each Party. As of the date of this Novation Agreement and as of the Novation Date, each of the Parties makes to each of the other Parties the following representations and warranties:

(a) **Obligations Binding**. Its obligations under this Novation Agreement constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law));

(b) **Consents**. With the exception of any approvals required but not yet obtained under Section 1.2(c), all governmental and other consents that are required to have been obtained by it with respect to this Novation Agreement have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and

(c) **No Violation or Conflict**. Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional

documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets.

Section 3.2 **No Prior Transfer**. Except for any security interests granted by SET which shall be terminated and released at or before the Novation Time on the applicable Novation Date, SET and Counterpart each represent and warrant to each other and to RBS that it has made no prior transfer (whether by way of security or otherwise) of any Agreement or any interest or obligation in or under any Agreement.

ARTICLE 4
DEFINITIONS

Section 4.1 Certain Definitions. For purposes of this Novation Agreement, the terms listed below shall have the following definitions:

(a) "Agreement" means any contract, trade, confirmation, or other written or verbal agreement of any kind or character between SET and Counterpart.

(b) "Business Day" means a day, other than a Saturday or Sunday, on which commercial banks are generally open for business in London and New York.

(c) "Designated Novation Date" has the meaning specified in Section 1.3

(d) "Novation Date" has the meaning specified in Section 1.3.

(e) "Novation Time" means the beginning of the hour ending 0100 eastern prevailing time on the Novation Date.

ARTICLE 5
OTHER PROVISIONS

Section 5.1 Amendment; Transfer, Entire Agreement. No modification, amendment, cancellation, termination or waiver of any provision of this Novation Agreement shall be effective unless in writing and executed by the Parties hereto. None of the Parties may assign, transfer, or otherwise convey any or all of its rights or obligations hereunder without the prior written consent of each of the other Parties. This Novation Agreement together with any annexes referred to herein sets out the entire understanding of the Parties and supersedes any and all prior agreements, arrangements and understandings relating to the subject matter of this Novation Agreement. This Novation Agreement shall be null and void and of no further force and effect if the joint venture arrangement between Sempra Energy and RBS shall not be consummated.

Section 5.2 Headings. The headings of Articles and Sections in this Novation Agreement are provided for convenience only and will not affect its construction or interpretation.

Section 5.3 Governing Law. The Parties agree and acknowledge that this Novation Agreement will be governed by and construed in accordance with the laws of the State of New York, without reference to any conflicts of laws principles.

Section 5.4 Additional Assurances. The Parties agree to cooperate with one another and to use their commercially reasonable efforts to effect, or cause to be effected, as the case may be, the transactions contemplated by this Novation Agreement. Each of the Parties shall, at any time and from time to time after the date hereof, upon the request of any other Party, execute, acknowledge and deliver all such further instruments or assurances as may be necessary, in the reasonable judgment of the requesting Party, to carry out the provisions and intent of this Novation Agreement.

Section 5.5 Counterparts. This Novation Agreement may be executed in one or more counterparts, each of which shall for all purposes be an original, and all such counterparts shall constitute one and the same instrument. In addition, this Novation Agreement may contain more than one counterpart of the signature pages, and all such counterpart signature pages shall have the same force and effect as though all Parties had signed a single set of signature pages.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties have executed this Novation Agreement as of the date first set out above.

CITY OF LODI

By: _____
Name:
Title:
Date:

SEMPRA ENERGY TRADING CORP.

By: Mara Kent
Name: Mara Kent
Date: Vice President
August 10, 2007

THE ROYAL BANK OF SCOTLAND PLC

By: Mark Rose
Name: Mark Rose
Title: Managing Director and Associate General Counsel
August 10, 2007

CITY OF LODI

APPROVED AS TO FORM:

_____
D Stephen Schwabauer
City Attorney

ATTEST:

_____
Randi Johl
City Clerk

Acknowledged and agreed solely with respect to Article 2

SEMPRA ENERGY

By: Ca McMonagle
Name:
Title: CHARLES A. McMONAGLE
August 10, 2007 SENIOR VP AND TREASURER

ANNEX [A]

ADDRESSES FOR LEGAL NOTICES

The Royal Bank of Scotland plc
C/o RBS Global Banking & Markets
135 Bishopsgate
London EC2M 3UR

Attention: Head of Group Legal, Global Banking & Markets
Telephone: 44 207 085 5000
Facsimile: 44 207 085 8411

ANNEX [B]

TAX REPRESENTATIONS

Payee Tax Representations. For the purpose of Section 3(f) of the ISDA Master Agreement, RBS makes the following representations:

(a) It is a tax resident of the United Kingdom;

(b) It is a "foreign person" within the meaning of the applicable U.S. Treasury Regulations concerning information reporting and backup withholding tax (as in effect on January 1, 2001), unless Party A provides written notice to Party B that it is no longer a foreign person;

(c) In respect of each Transaction it enters into through an office or discretionary agent in the United States or which otherwise is allocated (in whole or part) for United States federal income tax purposes to such United States trade or business, each payment received or to be received by it under such Transaction (or portion thereof, if applicable) will be effectively connected with its conduct of a trade or business in the United States; and

(d) In respect of all other Transactions or portions thereof, no such payment received or to be received by it in connection with this Agreement is attributable to a trade or business carried on by it through a permanent establishment in the United States.

POWER PURCHASE AND SALES

ENABLING AGREEMENT

This Power Purchase and Sale Agreement ("Agreement"), dated as of May 27, 2004, is entered into by and between the City of Lodi and Sempra Energy Trading Corp. ("SET"), a Delaware corporation (referred to individually as a "Party" or collectively as the "Parties"). This agreement enables, but does not obligate, the Parties to enter into transaction with each other to purchase, sell and/or exchange Power.

RECITALS

WHEREAS, Lodi is a California Municipality authorized to provide electric service at retail in and around the City of Lodi, California; and

WHEREAS, SET is engaged in the business of buying and selling electric capacity and energy at wholesale pursuant to and in accordance with its market-based rate authority granted to it by the Federal Energy Regulatory Commission; and

WHEREAS, the Parties desire to sell and deliver and/or purchase and receive Firm Capacity and Energy in accordance with the terms and conditions of this Power Sales Agreement.

NOW THEREFORE, in consideration for the agreements and undertaking established herein and the mutual benefits derived there from, it is agreed as follows:

AGREEMENT

The Parties herby incorporate by reference herein, and make a part of this Power Supply Agreement, the terms of the Western Systems Power Pool Agreement, effective Date February 1, 2003 with the exception of the following specified provisions:

Section 1 ("Parties")

Section 2 ("Recitals")

Section 5 ("Term and Termination")

Section 6 ("Service Schedules and WSPP Default Transmission Tariff"), except the second sentence of Section 6.1

Section 7 ("Hub and Operating Agent")

Section 8 ("Organization and Administrative")

Sub-sections 13.2, 13.3, and 13.4 of Section 13 ("Approvals")

Section 16 ("Membership")

Sub-section 22A ("Default in Payment of WSPP Operating Costs")

Sections 24 ("Governing Law")

Section 34 ("Dispute Resolution")

Section 40 ("Execution of Counterparts")

Section 41 ("Witness")

Exhibit D ("WSPP Mediation and Arbitration Procedures")

ADDITIONAL PROVISIONS

The Parties herby agree to additional provision as follows:

1. Choice of Laws: All transactions entered into between the Parties pursuant to the WSPP Agreement shall be governed by and construed in accordance with the laws of the state of California without giving effect to principles of conflicts of laws. The parties agree that contract power shall be treated as a good for purposes of the Uniform Commercial Code of the State of California.

2. Mobile-Sierra Provision. The standard of review for changes to any portion of this Agreement or any transaction entered into hereunder proposed by a Party, a non-party or the Federal Energy Regulatory Commission acting sua sponte shall be the "public interest" standard of review set forth in United Gas Pipeline Line Co., v. Mobile Gas Service Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956) (the "Mobile-Sierra" doctrine).

3. No Challenge Defense of Agreement. Neither Party will exercise any of its respective rights under Section 205 or Section 206 of the Federal Power Acts to challenge or seek to modify any of the rates or other terms and conditions of this Agreement or any transactions entered into hereunder.

NOTICE INFORMATION

All written notices under this Confirmation shall be deemed properly sent if delivered in person or sent by facsimile, or by registered or certified mail, postage prepaid to the persons specified below:

Other Than Confirmations of Transactions

If to Lodi:

City of Lodi:
1331 S Ham Lane
Lodi, CA 95242
Attn: Alan N. Vallow

Facsimile: 209 333-6839

If to SET:

Sempra Energy Trading Corp.:
58 Commerce Road
Stamford, CT 06902
Attn: Operations
Telephone: 203 355-5613
Facsimile: 203 355-6614

With a copy to General Counsel
at Facsimile Number: 203-355-5410

I. Confirmations of Transactions

If to Lodi:
Facsimile: 209-333-6839

If to SET:
Telephone:: 203 355-5190
Facsimile: 203 355-6600

II. Payments

All payments shall be made by electronic wire transfer as follows:

To Lodi	To SET
Farmers & Merchants Bank	Bank One, N. A.
ABA No 121108441	ABA 071000013
Account No.00-10001-3-01	Account No. 1001320.

Except to the extent herein provided for, no amendment or modification to the Agreement shall be enforceable unless reduced to writing and executed by both Parties.

The Parties intend to make the referenced and incorporated provisions binding upon them for purposes of this Power Supply Agreement notwithstanding the lack of membership of any Party in the WSPP at any time during the term of this Power Supply Agreement.

CITY OF LODI, a municipal of California

By: _____

Name: Alan N. Vallow

Title: Electric Utility Director

Date: 7/14/04

SEMPRA ENERGY TRADING CORP.

By: _____

Name: CLIFFORD PAPISH
VICE PRESIDENT

Title: _____

Date: 7/21/04

NCPA
Deal Control Schedule

1. Deal Number: 1007727

2. Deal Type: PURCHASE FIRM ENERGY

3. Contract - Product: WSPP **XXX** NCPP

4. Participating Members: Lodi 100%

5. Term: Aug-04 (Example: Jan 99, Q2 99, Annual 99)

6. Shape: HLH 7x24 / 7x16 / 6x16 / 6x8 / Other

7. Delivery/Transaction Point: NP-15 CAISO

8. Pricing:
   Index
   Fixed $76.25/mwh
   PX +
   ISO ExPost
   Premium / Option
   Other

9. Contract Value: $634,400 Maximum Capacity (MW): 20 Ava

10. Description: Sstandard HLH August NP 15 purchase executed by Lodi on 5/27/2004

11. Notes:

12. Counter Party Information:

Contract Implementation		Billing
Company	Sempra Energy Trading Corp	Company
Contact Name	Peter Yu	Address
Phone	310-720-3007	
Fax	310-471-2567	
		Attention
		Phone
		Fax

13. Approvals

Member / M&MS		Member / M&MS
Prepared By:	Mike McDonald	Approval: Alan Vallow
Signature:		Signature:
Date:	6/16/2004	Date: 7/14/04

Distribution: Original with Original Contract - Power Accounts Administrator
Copies - Scheduling and Dispatch, Power Billing Senior Analyst

PHYSICAL

Other _____

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ailable Energy (MWH): 8,320

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_____

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_____

Sempra Energy Trading Corp
58 Commerce Road
Stamford, CT 06902

Tim Cannon
203-355-5190
203-355-5600

Accounting & Finance

Audit Review: _____
Signature: _____
Date: _____

NCPA
Deal Control Schedule

1. Deal Number: 1007727

2. Deal Type: PURCHASE FIRM ENERGY

3. Contract - Product: WSPP **XXX** NCPP _____

4. Participating Members: Lodi 100%

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6. Shape: HLH 7x24 / 7x16 / 6x16 / 6x8 / Other _____

7. Delivery/Transaction Point: NP-15 CAISO

8. Pricing:
   Index _____ ISO ExPost _____
   Fixed $76.25/mwh Premium / Option _____
   PX + _____ Other _____

9. Contract Value: $634,400 Maximum Capacity (MW): 20 Av

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Company	Sempra Energy Trading Corp	Company
Contact Name	Peter Yu	Address
Phone	310-720-3007	
Fax	310-471-2567	
		Attention
		Phone
		Fax

13. Approvals

Member / M&MS		Member / M&MS
Prepared By:	Mike McDonald	Approval: Alan Vallow
Signature:		Signature:
Date:	6/16/2004	Date: 7/14/04

Distribution: Original with Original Contract - Power Accounts Administrator
Copies - Scheduling and Dispatch, Power Billing Senior Analyst

PHYSICAL

Other _____

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ailable Energy (MWH): 8,320

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_____

Sempra Energy Trading Corp
58 Commerce Road
Stamford, CT 06902

Tim Cannon
203-355-5190
203-355-5600

Accounting & Finance

Audit Review: _____
Signature: _____
Date: _____

RESOLUTION NO. 2001-14

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING THE NORTHERN CALIFORNIA POWER AGENCY (NCPA) GENERAL MANAGER TO ENTER INTO MULTI-YEAR ENERGY PURCHASE AND SALE CONTRACTS ON BEHALF OF THE CITY OF LODI

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WHEREAS, NCPA is currently authorized to enter into contracts on behalf of the City for up to one-year terms; and

WHEREAS, recently energy market prices have soared and continue to be subject to increasing volatility requiring a shift to longer term contracts in order to maintain our energy costs at a manageable level; and

WHEREAS, the City's growth over the past several years has accelerated our need to consider new long-term resources; and

WHEREAS, long-term energy purchase and sale opportunities in the existing power market generally allow for minimal response time, often less than one hour, and the ability to enter into multi-year bilateral energy contracts is vital to the continued financial integrity of Lodi's electric operations; and

WHEREAS, in order to quickly respond to current market conditions, it is proposed that the NCPA General Manager be authorized to execute energy purchase and sale contracts for periods up to ten years in order to better meet the City's resource needs while minimizing financial risks.

NOW, THEREFORE, BE IT RESOLVED, that the Lodi City Council hereby authorizes the NCPA General Manager to enter into multi-year energy purchase and sale contracts on behalf of the City of Lodi.

Dated: January 30, 2001

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I hereby certify that Resolution No. 2001-14 was passed and adopted by the Lodi City Council in a special meeting held January 30, 2001 by the following vote:

AYES:	COUNCIL MEMBERS –	Hitchcock, Howard, Land, Pennino and Mayor Nakanishi
NOES:	COUNCIL MEMBERS –	None
ABSENT:	COUNCIL MEMBERS –	None
ABSTAIN:	COUNCIL MEMBERS –	None

Susan J. Blackston

SUSAN J. BLACKSTON
City Clerk

RESOLUTION NO. 2001-34

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING THE CITY MANAGER AND ELECTRIC UTILITY DIRECTOR TO EXECUTE ELECTRIC AND NATURAL GAS ENERGY PURCHASE AND SALE AGREEMENTS

WHEREAS, at the January 30, 2001 City Council meeting, the City Council authorized the Northern California Power Agency (NCPA) to enter into long-term electric and natural gas energy purchases and sale contracts on behalf of the City of Lodi; and

WHEREAS, continued volatility in the electric and natural gas markets coupled with recent defaults on the part of California investor owned utilities have created an environment of credit uncertainty between counterparties to many energy transactions; and

WHEREAS, as a result, NCPA has been unable to enter into long-term energy transactions on behalf of the City. Counterparties to potential transactions are now requiring direct City approval of all transactions; and

WHEREAS, in order to meet appropriate bid price deadlines, it is imperative that the City be in a position to authorize purchase and sale transactions within the time frame allowed by the market participants, which is often less than 24 hours; and

WHEREAS, all reasonable attempts will be made by City staff to continue to bring term transactions before the Council where time permits; and

WHEREAS, when time is of the essence and a delay would jeopardize a transaction deemed to be in the City's best interest, staff recommends that the City Council authorize the City Manager or Electric Utility Director to approve energy purchase and sales transactions for a period up to ten (10) years.

NOW, THEREFORE, BE IT RESOLVED, that the Lodi City Council hereby authorizes the City Manager or Electric Utility Director to execute Electric and Natural Gas Energy Purchase and Sale Agreements for periods up to ten years on behalf of the City of Lodi.

Dated: February 20, 2001

I hereby certify that Resolution No. 2001-34 was passed and adopted by the Lodi City Council in a special meeting held February 20, 2001 by the following vote:

AYES: COUNCIL MEMBERS – Hitchcock, Howard, Land and Mayor Nakanishi

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – Pennino

SUSAN J. BLACKSTON
City Clerk