

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, FEBRUARY 14, 2012**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, February 14, 2012, commencing at 7:00 a.m.

Present: Council Member Hansen, Council Member Johnson, Council Member Katzakian, and Mayor Pro Tempore Nakanishi

Absent: Mayor Mounce

Also Present: City Manager Bartlam, City Attorney Schwabauer, and City Clerk Johl

B. Topic(s)

B-1 Second Quarter Fiscal Year 2011/12 Water, Wastewater, and Electric Utility Department Financial Reports (CM)

City Manager Bartlam briefly introduced the subject matter of the quarterly utility updates.

Deputy Public Works Director Charlie Swimley provided a PowerPoint presentation regarding the water/wastewater quarterly update. Specific topics of discussion included water/wastewater cash flow summary, operating results, cash balances, bad debt write off, and utility accomplishments.

In response to Council Member Hansen, Mr. Swimley stated the dewatering project is being commissioned.

In response to Council Member Hansen, Deputy City Manager Jordan Ayers stated the bad debt write off is for the first six months of the year and is down compared to last year.

In response to Council Member Johnson, Mr. Ayers stated the bad debt numbers are down due to enforcement of time lines and more deposit requirements.

In response to Council Member Hansen, Mr. Swimley stated the permit documentation is to be submitted on March 4, 2012, it expires in September, and the new permit will be valid for five years.

City Manager Bartlam and Electric Utility Director Liz Kirkley provided a PowerPoint presentation regarding the electric utility quarterly update. Specific topics of discussion included electric utility cash flow summary, operating results, cash balances, power supply costs, power sales, Energy Cost Adjustment (ECA) revenue, billing statistics, bad debt write off, Northern California Power Agency (NCPA) general operating reserve (GOR), open position, and utility accomplishments.

In response to Council Member Johnson, Mr. Bartlam stated that, due to the lack of success in recruiting senior electric utility positions from the outside, the department may shift its focus to grow an internal pool of successful candidates similar to its current lineman program.

In response to Council Member Hansen, Mr. Bartlam stated the training may be a combination of in-house experience and outside education.

In response to Council Member Katzakian, Mr. Ayers stated the debt service is front loaded in that it is driven by the dates of service, which are January 1 and July 1.

In response to Council Member Hansen, Mr. Bartlam stated the cash on hand equates to 122 days.

In response to Council Member Johnson, Mr. Bartlam stated the City Council previously approved canceling the power sharing agreement with Seattle, which had been in place for approximately 20 years. Mr. Bartlam stated there is a seven-year unwinding period from the cancellation for the City and any other member who cancels the agreement.

Mayor Pro Tempore Nakanishi requested a brief one-page summary of the history and status of the power sharing agreement with Seattle and an overview of the ECA and its workings.

In response to Council Member Johnson, Ms. Kirkley stated there are no surprises with the unwinding of the agreement as the utility knows exactly where it will be with respect to the agreement for the next seven years.

In response to Council Member Hansen, Ms. Kirkley stated to date they have not received any interest from the larger customers to move the ECA to a quarterly or biannual basis from its current monthly status.

In response to Mayor Pro Tempore Nakanishi, Mr. Bartlam provided a brief overview of the ECA, stating other electric utilities have a similar program and for Lodi it is also necessary for rating agency purposes.

In response to Council Member Hansen, Ms. Kirkley stated the market and gas purchase program numbers will fluctuate in accordance with power purchases in that they could go up or down based on purchase price and supply.

In response to Mayor Pro Tempore Nakanishi, City Attorney Schwabauer stated the GOR does not fluctuate as the reserve amount at NCPA, the market and gas purchase programs fluctuate as security accounts based on what is purchased, and the programs mutually protect all participants in the event of insolvency of one of the participants.

In response to Council Member Hansen, Ms. Kirkley stated the open position, which reflects the current fiscal position, is on target for 5% to 10%.

In response to Council Member Hansen, Ms. Kirkley stated staff is still trying to get the seven-year period down in years through negotiations but Seattle is not moving off its position.

In response to Council Member Hansen, Ms. Kirkley stated the PG&E study should be complete by April, the City has expressed that it is not sure what it will do as to the connection to the west, and it would like the connection to the east to be completed.

In response to Council Member Hansen, Ms. Kirkley stated the automatic meter reading program has helped with personnel costs by reducing four full-time positions to two part-time positions.

B-2 Discuss Three-Tier Residential Electric Utility Rate Structure (EUD)

Electric Utility Director Liz Kirkley provided a PowerPoint presentation regarding a three-tier residential rate proposal. Specific topics of discussion included historical background, reasoning for three tiers, existing five tiers, tier rate comparison to PG&E seasonally, and a three-tier proposed rate structure.

In response to Council Member Hansen, Ms. Kirkley stated they anticipate that PG&E will be

making another effort to go to three tiers in the near future.

In response to Council Member Hansen, Ms. Kirkley confirmed that there will be a slight decrease for low- and high-end users and the users in the middle will likely see no change.

A brief discussion ensued amongst the City Council, Mr. Bartlam, and Ms. Kirkley regarding the numbers of users in the current and proposed tiers and how they will be affected in comparison to PG&E rates by transitioning into different tiers.

In response to Council Member Hansen, Ms. Kirkley stated PG&E must go back to the Public Utilities Commission for every rate increase it desires and any tier changes.

In response to Council Member Hansen, Ms. Kirkley stated that, if the utility lowered its bottom tier rates, it would need to increase its higher tier rates to make up the difference.

In response to Council Member Hansen, Mr. Bartlam stated he believes Lodi Electric is overall lower than PG&E in the industrial, commercial, and residential categories.

In response to Council Member Katzakian, Ms. Kirkley stated the utility is not planning on any rate increases in the near future and the last permanent rate increase happened six years ago in 2006.

In response to Myrna Wetzel, Ms. Kirkley stated the utility is getting out of the Seattle power exchange agreement because it is no longer advantageous to both sides due to the change in the price of energy.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:15 a.m.

ATTEST:

Randi Johl
City Clerk