

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, APRIL 7, 2009**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, April 7, 2009, commencing at 7:02 a.m.

Present: Council Member Hitchcock, Council Member Johnson, Mayor Pro Tempore Katakian, and Mayor Hansen

Absent: Council Member Mounce

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

B. Topic(s)

B-1 Lodi Energy Center Update (EUD)

City Manager King briefly introduced the subject matter of the Lodi Energy Center.

Electric Utility Director George Morrow provided a PowerPoint presentation regarding the Lodi Energy Center. Specific topics of discussion included background, 14 participants, aerial photograph, Phase 2A and 2B, status of the project, milestones, development costs, Fuels Committee, Financing Committee, land and water for the Center, current issues, power island and related vendors, plant comparison, cost estimates, cost comparison, commodity index, financing changes, economics, general thoughts and summary, and next steps.

In response to Mayor Hansen, Mr. Morrow stated the issue with Kingdon Airport appears to be that the owners would like more money or the City to buy the airport in light of any impacts they may incur as a result of the extended gas line being put on their property alongside the runway and access rights. Mr. Morrow stated staff will continue to work with the property owners on those issues.

In response to Council Member Hitchcock, Mr. Morrow stated the route for the gas extension is similar to the previous related work and there is little to no real impact in the area.

Interim Community Development Director Rad Bartlam provided an overview of an issue pertaining to landscaping the new Lodi Energy Center as brought forth by the California Energy Commission (CEC). Mr. Bartlam specifically discussed CEC as the lead agency charged with regulatory permitting and environmental review, CEC staff approach to City for letter of support for requirement to landscape power plant, concern of visual impact from I-5 based on photo simulation, ongoing discussion regarding screening a larger stretch of area versus meeting the intent to break up the visual impact, and the questions of where the landscape will be and who will maintain the same.

In response to Mayor Hansen, Mr. Bartlam stated landscaping from an environmental viewpoint is standard operating procedure for the CEC and staff is merely trying to drill down the exact location.

In response to Mayor Hansen, Mr. Bartlam stated the landscaping could be as simple as planting certain trees, but the question is what exactly is being screened since the view of the plant exists for an approximate five mile stretch along I-5.

In response to Council Member Hitchcock, Mr. Bartlam stated CEC is not concerned with screening all around the center and is focused on the view from I-5.

In response to Council Member Johnson, Mr. Bartlam stated staff is concerned with what kind of precedent will be set for future City facilities and screening based on what is required for the new Energy Center.

In response to Council Member Johnson, City Attorney Schwabauer stated that, with respect to the Lodi Gas Storage facility, the airport area is above ground, the gas lines are underground, and the property owner eventually embraced the landscaping.

In response to Council Member Johnson, Mr. Morrow stated the second water source discussion with CEC is fairly new, the City intended to drill the well regardless, there may be some costs with both pulling the water out and putting the water in, and it is a good idea to have in the event that the water treatment facility is not available temporarily.

In response to Myrna Wetzel, Mr. Morrow stated the stacks are not necessarily appropriate because they get hot.

In response to Council Member Johnson, Mr. Morrow stated the larger participants such as the California Department of Water Resources (CDWR), State of California, and Modesto Irrigation District sometimes like to operate more independently.

In response to Mayor Hansen, Mr. Morrow stated the largest stakeholders currently are the State at 60, CDWR at 60, Modesto at 50, and the City at 30.

In response to Council Member Hitchcock, Mr. Morrow stated he is not aware of others who may jump in if someone pulls out as the coalition was tough to put together but there may be someone else.

In response to Council Member Johnson, Mr. Morrow stated the smaller participants would like to see the Northern California Power Agency (NCPA) take a more active role in procuring fuel.

In response to Council Member Johnson, Mr. Morrow stated all the participants approved the \$15 million to get in line, the bids are in and evaluated, it is now time to pick one bidder, and it looks like the bidder will be Seimens because the participants will get more for less.

In response to Mayor Hansen, Mr. Morrow stated the costs have gone up because there is an increased cost per kilowatt, financing costs have gone up, and in today's market the cost of carrying the financing has gone up considerably.

In response to Council Member Johnson, Mr. Morrow stated he is also concerned with the experts missing the sales tax. Mr. King stated there is some misunderstanding in regard to the sales tax exclusion and the need to educate is there but the timing is not.

In response to Council Member Johnson, Mr. Morrow stated the City's costs of 11% of the project will generally remain the same even if another participant pulls out because the costs are proportional.

In response to Council Member Hitchcock, Mr. Morrow stated he agrees that the contingency costs of 10% are a bit low and harder numbers will be available at the end of the year after the specific plans are put together.

In response to Mayor Hansen, Mr. Morrow stated the commodity cost is bundled together and

could include gas, oil, steel, copper, and other items. Mr. Morrow confirmed it is based on a world economy perspective but mostly on the U.S. index.

In response to Council Member Johnson, Mr. Morrow stated if two or three of the larger participants become uneasy about the project, there may be a need to delay the project a bit or stretch it out.

In response to Council Member Johnson, Mr. Morrow stated he is not aware of anyone waiting in the wings through NCPA if a current participant falls out and there was a concern expressed about including the private entities such as PG&E.

In response to Council Member Hitchcock, Mr. Morrow confirmed that building a power plant is always a difficult decision with the costs and over the last 50 years it has been good that several power plants were built to meet the ongoing need.

In response to Mayor Hansen, Mr. Morrow confirmed that generally most everyone understands the need for new generation and demand and that it is only an agency's specific situation that may cause them to rethink.

In response to Council Member Johnson, Mr. Morrow stated he will be coming back to the City Council with a status report after the participants meet on April 27, 2009. Mr. King stated that, based on his conversations with Donald Dame at NCPA, all the agencies appear to be staying in the project; although, everyone is concerned about what everyone else is going to be doing.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:09 a.m.

ATTEST:

Randi Johl
City Clerk