

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, MAY 4, 2010**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, May 4, 2010, commencing at 7:00 a.m.

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

Absent: Council Member Mounce

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

B. Topic(s)

B-1 Third Quarter Fiscal Year 2009/10 Water, Wastewater, and Electric Utility Department Financial Reports (CM)

City Manager King provided a brief introduction to the subject matter of the Third Quarter Fiscal Year 2009/10 Water, Wastewater, and Electric Utility Department financial reports.

Deputy Public Works Director Charlie Swimley and Public Works Director Wally Sandelin provided a PowerPoint presentation regarding the water/wastewater utility. Specific topics of discussion included wastewater operating results, wastewater cash flow summary for operations, wastewater cash balances, water operating results, water cash flow summary for operations, water cash balances, water/wastewater utility accomplishments, meter program update, meter program phasing, and the meter program expansion.

In response to Mayor Pro Tempore Hitchcock, Mr. Swimley stated the supplies are considerably less because the department budgeted for anticipated needs, not all contracts for services have been expensed, and there is an overall effort to be careful with expenditures.

In response to Council Member Hansen, Mr. Sandelin stated the Lodi Avenue construction is scheduled to start in two weeks and notices are being mailed now.

In response to Council Member Johnson, Mr. Sandelin confirmed that staff will be inspecting all residential and commercial sites for water meters.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin stated public outreach on the water meter program is happening through presentations to service clubs and community groups, quarterly newsletters, and telephone inquiries.

Council Member Johnson and Mayor Pro Tempore Hitchcock requested a copy of the map provided in the PowerPoint presentation.

In response to Council Member Hansen, Mr. Sandelin stated for apartment complexes, one meter will be installed, the bill will go to the property owner, and the property owner will charge the tenants proportionately and most likely adjust the rent accordingly. In response to Council Member Hansen, City Attorney Schwabauer stated there is a limit on what a property owner can charge tenants for electric service, but he is not sure about water service. Mr. Schwabauer stated he will research the legal limit for water service and provide that information to Council.

In response to Council Member Johnson, Mr. Sandelin and Mr. Swimley stated there are approximately 1,500 commercial meters in town and they will all be inventoried to determine which parcels do not have meters currently.

In response to Council Member Hansen, Mr. Swimley stated staff is speculating that about one half of the businesses do not have water meters.

In response to Mayor Pro Tempore Hitchcock, Mr. Swimley stated the larger businesses are metered and it is the smaller retail businesses that may not have the meters.

In response to Mayor Katzakian, Mr. Sandelin stated condominiums that are already submetered with the appropriate equipment will have their own meters while others will receive one that is proportionately disbursed through the homeowners' associations.

In response to Council Member Johnson, Mr. Swimley stated the City is meeting regulatory goals with respect to discharges due to investments in the wastewater treatment plant and good teamwork and leadership at the plant. He stated when there is a discharge it is generally mechanical due to the complexity of the equipment and cholorform related.

In response to Council Member Hansen, Mr. Sandelin stated water infrastructure, specifically the replacement of mains smaller than six inches in backyards, will be complete in 2015.

In response to Council Member Hansen, Mr. Sandelin confirmed that the infrastructure replacement in the City of Lodi is somewhat unique.

Interim Electric Utility Director Ken Weisel provided a PowerPoint presentation regarding the fiscal year 2009/10 quarterly update for the Electric Utility Department. Specific topics of discussion included an overview, quarterly financial results, non-power operating expenditures, non-power expenditures, power supply, power sales, sales comparison, billing statistics, Energy Cost Adjustment (ECA) revenue, Northern California Power Agency (NCPA) general operating reserve (GOR), open position, Lodi Energy Center (LEC) statistics, ownership, cost summary, cost/kWh summary, participants, approval schedule, actions for May 5 Council meeting, California Environmental Quality Act (CEQA) compliance, power sales agreement, project management and operations agreement, September Memorandum of Understanding, and conclusion.

In response to Council Member Hansen, Mr. Weisel stated the reimbursement payment for LEC is anticipated to come in during the last week of the current fiscal year.

In response to Council Member Hansen, Mr. Weisel stated it is expected that the new meter reading system will be in place by 2011. Mr. Weisel reviewed the transmitter process and specifically discussed the repeaters transmitting by radio to collectors at a main data reading location.

In response to Council Member Hansen, Mr. Weisel stated the new technology is tried and tested and reliable.

In response to Council Member Johnson, Mr. Weisel stated the primary difference with the PG&E technology is that PG&E is installing two-way meters that are reading accurately and their older meters were misreading.

In response to Council Member Johnson, Mr. Weisel stated staff is receiving a few scattered questions in cases where old meters were not reading accurately.

In response to Council Member Hansen, Mr. Sandelin stated a water meter is also on a fixed network and the utility replaces the battery.

In response to Mayor Pro Tempore Hitchcock, Mr. Weisel stated the meters can be picked up by a fixed network or some other system and in the City's case the step up to the network system from the current system was rather small.

In response to Mayor Pro Tempore Hitchcock, Mr. Weisel stated it is anticipated that the City will have 9 collectors and 18 repeaters throughout town.

In response to Council Member Hansen, Mr. Weisel stated most of the collectors and repeaters will be located in street lights and similar to PG&E, which uses the technology for gas in the City.

In response to Council Member Johnson, Mr. Weisel stated the slight increase in the GOR is tied in to NCPA and the California Independent System Operator.

In response to Council Member Johnson, Mr. Weisel stated the increase will not happen with regularity and is in place to address a one-time situation.

In response to Council Member Hansen, Mr. Weisel stated the increase for the ECA is one cent for the May bill and two cents for the June bill, as these two months are historically the lowest months.

In response to Mayor Pro Tempore Hitchcock, Mr. King stated the cost of the litigation for NCPA is covered by the GOR.

In response to Mayor Katzakian, Mr. Weisel stated the LEC power compared to other power supplies is more efficient and cost effective.

In response to Council Member Johnson, Mr. Weisel stated if the construction schedule was slipping then the City would go to the market to make open purchases and currently it will be doing so for the April and May months, which were left open.

In response to Mayor Pro Tempore Hitchcock, Mr. Weisel stated close to half of the project is non-members and the largest portion is the State Department of Water Resources (DWR).

In response to Mayor Pro Tempore Hitchcock, Mr. Weisel and Mr. Schwabauer stated NCPA has a majority vote on the project, there is a right of first refusal for participants, and NCPA could sell to a non-member regardless after the right of first refusal is exercised.

In response to Council Member Johnson, Mr. Weisel stated Modesto is doing its own financing because it is financing another project simultaneously and has a better credit rating than NCPA.

In response to Council Member Hansen, Mr. Weisel stated the base load is 30 mega watts.

In response to Council Member Johnson, Mr. Weisel stated a smaller member could drop out right now at the approval level as the project is locked after the Power Sales Agreement is signed. He stated if a member does drop out, there may be another member that is willing to take on more or all members can incorporate their portions proportionately.

In response to Mayor Pro Tempore Hitchcock, Mr. Weisel stated DWR and Modesto have reached their limits and most other participants are NCPA members. He stated May 5, 2010, is the last day to enter into the Power Sales Agreement.

In response to Council Member Hansen, Mr. Weisel stated the ceremonial groundbreaking date is June 16, 2010.

In response to Council Member Hansen, Mr. Weisel stated NCPA will buy gas purchases up to 30 days in advance and if the City desires for NCPA to do more than that it will be necessary to enter into a separate agreement, which is likely. He stated the alternative is to participate with the Department of General Services.

In response to Mayor Katzakian, Mr. Weisel stated historically prices range from \$3 to \$10, stabilize in the \$6 to \$8 range, higher cost of gas means a higher cost of power, and the financial term for such a project is usually 30 years.

In response to Mayor Katzakian, Mr. Weisel stated the 7.2 cents does not include transmission and the advantage of the Lodi location is being worked on right now with NCPA. Mr. King stated there may be an assumption that if the City has its own line there will be no additional cost for transmission.

In response to Council Member Johnson, Mr. Weisel stated it is not clear right now whether running the line will get rid of all transmission costs to the City.

In response to Mr. King, Community Development Director Rad Bartlam stated the draft Environmental Impact Report will likely be available in 30 days.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:31 a.m.

ATTEST:

Randi Johl
City Clerk