

**LODI CITY COUNCIL  
SHIRTSLEEVE SESSION  
CARNEGIE FORUM, 305 WEST PINE STREET  
TUESDAY, DECEMBER 1, 2015**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, December 1, 2015, commencing at 7:00 a.m.

Present: Council Member Kuehne, Council Member Nakanishi, Mayor Pro Tempore Chandler, and Mayor Johnson

Absent: Council Member Mounce

Also Present: City Manager Schwabauer, City Attorney Magdich, and City Clerk Ferraiolo

NOTE: Council Member Nakanishi arrived at 7:05 a.m. and left at 8:20 a.m.

B. Topic(s)

B-1 Northern California Power Agency Presentation (EU)

Northern California Power Agency (NCPA) General Manager Randy Howard provided a PowerPoint presentation regarding the NCPA Geysers emergency restoration. Specific topics of discussion included the Valley Fire summary, damage to NCPA facilities, 21kV power line restoration, arrival of line crews, base camp, and restoration process.

Mr. Howard and NCPA Assistant General Manager Ken Speer presented Certificates of Appreciation to the Lodi Electric Utility line crews for their assistance in the restoration efforts in the aftermath of the Valley Fire, which caused extensive damage to the 21kV power lines and communication circuits at the NCPA geothermal generation facility in September. Those receiving recognition were: CJ Berry, Elton Lamborn, Ryan Mahler, Jeff Norwood, Kyle Peterson, Ross Phillips, Alvaro Ramirez, Rich Willett, Jason Willeford, Danny Souza, Adrian Solis, Jason Smith, and Brent Sirkel.

In response to Council Member Nakanishi, Mr. Howard stated NCPA has insurance and accounted for all of the cities' costs and efforts, which is being submitted to the Federal Emergency Management Agency for reimbursement. Because of the quick response and how the work was coordinated, the NCPA facility was out of operation for only two days.

Council expressed its appreciation to the crew members and to NCPA for taking the time to recognize everyone who worked to get this power line back in operation so quickly.

B-2 First Quarter Fiscal Year 2015/16 Water, Wastewater, and Electric Utility Department Financial Reports (CM)

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

In response to Council Member Kuehne, Mr. Swimely confirmed the 162 percent cash on hand is more than the 90-day target, and City Manager Schwabauer added both utilities have planned capital projects and future debt retirement and the surplus is not excessive for those reasons. Deputy City Manager Jordan Ayers added a higher reserve is more favorable when it comes to the rating agencies. Mr. Ayers explained each rating class has three ratings -- minus, neutral, and

plus -- and the wastewater utility is currently rated at AA, which is a positive rating.

Mayor Johnson questioned if continually seeking the next highest rating percentile becomes counterproductive at some point and asked staff to look into what savings the City would realistically see when it comes to refinancing.

In response to Council Member Kuehne, Mr. Schwabauer stated the City has two agreements relating to water supply: one with Woodbridge Irrigation District (WID) for the main supply; and the other with North San Joaquin Water Conservation District (NSJWCD) for the purchase of water in years that NSJWCD has water allocations. Mr. Schwabauer stated the City is using all of the water that WID allocates and no water has been purchased from NSJWCD since the agreement was made because it has not had water allocations. WID allocates 6,000 acre feet of water, which the City continues to pay for and bank for later use, and the City can purchase another 1,000 acre feet from NSJWCD when it is available. In response to Council Member Kuehne, Mr. Swimley stated over 40,000 acre feet of water is banked with WID, and Mr. Schwabauer stated the City currently uses 12,000, which leaves four to five years of banked water for future use. The City has 10 to 20 years after the expiration of the agreement to draw down water, after which the City can no longer purchase water. Mr. Schwabauer confirmed the City has not lost a drop of the WID water. Lodi began purchasing water from WID in 2003, but the City did not construct the water treatment plant until 2012, and the banked water supply built up during the time it took for the City to decide how to apply the water.

In response to Council Member Nakanishi, Mr. Schwabauer stated prior to the WID water, the City was using well water and drawing down the water table each year; therefore, Council made the decision to ensure a sustainable water supply, which took Council a significant amount of time to finalize.

In response to Council Member Kuehne, Mr. Schwabauer stated he believed the price of \$200 per acre foot from WID is a good deal. The reasons for the lower price of \$100 per acre foot from NSJWCD are that the water is not from a reliable supply; NSJWCD has been unable to utilize its water for most of its existence and cannot draw down its 20,000 acre feet; and the Board was threatening to take away its water rights. The City took advantage of the situation and negotiated a favorable purchase price in this agreement.

In response to Council Member Nakanishi, Mr. Schwabauer stated the City did not need the water for supply purposes, but it was necessary to ensure the water supply was sustainable. The \$100 per acre foot is what it would cost the City to pump water from the ground, and this agreement provides money to NSJWCD while placing no burden on Lodi's rate payers.

In response to Council Member Kuehne, Mr. Swimley stated the bad debt write off of 0.3 percent of sales is a respectable number, adding it was previously higher. In response to Council Member Kuehne, Mr. Ayers stated he would provide Council with comparison figures against other communities on bad debt write off.

Electric Utility Director Elizabeth Kirkley provided a PowerPoint presentation regarding the quarterly update of the Electric Utility Department (EUD). Specific topics of discussion included electric utility fund cash flow summary, electric utility reserve policy, electric utility funds cash balances, power sales, energy cost adjustment revenue, electric utility fund operating results, power supply costs, bad debt write off, load coverage, and electric utility activities.

In response to Council Member Kuehne, Mr. Ayers stated the rating for the electric utility fund is A-, which is better than the rating from a decade ago when it was BBB. Mr. Ayers stated Council has not weighed in on a desired range for this fund, but as a member of Northern California Power Agency (NCPA), Lodi's rating has an impact on NCPA financing and is considered in any project. Improvement in a rating can be shown through consistency -- increases in revenues, reserves, and cash balances -- and what Council does with the rates.

In response to Council Member Nakanishi, Ms. Kirkley stated she was unsure of PG&E's structure and how it handles reserves. Mr. Schwabauer stated PG&E is regulated by the Public

Utilities Commission and is likely required to have a reserve in place.

In response to Mayor Johnson, Ms. Kirkley stated following the bid process for the new substation transformer, staff will have a better feel for whether or not the \$1 million contingency reserve is adequate or not.

In response to Mayor Johnson, Mr. Ayers stated NCPA financing experts have indicated they would like to see Lodi's rating raised to a higher level.

In response to Council Member Kuehne, Ms. Kirkley stated the solar surcharge fund is revenue collected from customers to fund solar rebates, it is a separate line item on the bill, and it is based on Council direction in response to the solar mandate. Throughout the calendar year, the fund is depleted in rebate form to customers with approved solar interconnection agreements.

In response to Council Member Kuehne, Ms. Kirkley stated there are 48 budgeted personnel in EUD.

In response to Council Member Nakanishi, Ms. Kirkley stated the ten-year forecast from NCPA includes Lodi's share in generation projects, as well as future power contracts and projections based on load forecast.

Council Member Kuehne stated salaries appear to be significant in the EUD, to which Ms. Kirkley stated much of the salary costs are in benefits and overtime. Mr. Schwabauer added lineworkers make roughly \$100,000 a year in salary and is typically a high-paid group of employees, mostly because this class is driven by overtime. In comparison, Roseville and SMUD lineworkers make \$300,000 to \$350,000, which is much higher than Lodi.

In response to Council Member Kuehne, Mr. Ayers stated NCPA collects comparison data on bad debt write off and Lodi is in the middle range.

Engineering & Operations Manager Jay Marchesseault reported in August Council approved retrofitting the Cobra street lights throughout the City, the audit is complete, and the project will commence in the southeast corner of town, working north and west. The map is posted on the City's website, and rate payers were notified of the project in the latest bill insert. He estimated the project will take two months to complete and will upgrade 5,465 street lights. Ms. Kirkley added the next project will be the retrofit of the decorative street lights.

In response to Council Member Kuehne, Mr. Swimley stated the downtown uprights should commence around December 4.

Business Manager Adam Brucker reported the residential energy audit program has provided assistance to 35 homes, installed hundreds of electric and water savings measures, and has received positive feedback. He stated customers are excited about the direct install measures, and he expects to see another 35 to 40 customers in December. The approved budget for the solar program in the upcoming year is \$550,000. Mr. Brucker reported the application period will begin in January and there is typically more interest than there are funds, in which case the funds are distributed via lottery drawing. Funding is capped at a maximum of \$7,000 for residential solar and \$40,000 for commercial. Last year, there were four commercial rebate applications, with only three ultimately installing a system. He anticipates five applications in the coming year; therefore, \$200,000 of the funding has been set aside for commercial rebates with the remainder available to residential customers. Mr. Brucker stated there is flexibility in the funding if there is not enough interest in the commercial rebate.

In response to Council Member Nakanishi, Mr. Brucker stated interested parties first submit an application along with information on the proposed system for installation. Once the rebate is approved, the applicant can move forward with the permitting process and installation, followed by the rebate request. He stated some ultimately choose not to move forward with the solar project.

In response to Mayor Pro Tempore Chandler, Rates & Resources Manager Melissa Price stated a majority of the applicants were funded and estimated roughly 20 people were unable to participate in the program.

Council Member Kuehne stated the maximum of \$7,000 per applicant seems high, adding Lodi's cap is \$2,000 to \$3,000 more than surrounding communities. He suggested reducing the cap to \$5,000 in order to greater disburse the funding. Mr. Brucker agreed the cap is a more generous rebate than others and pointed out not every customer receives the full rebate amount because it ultimately depends on the output and size of the system. In further response, Mr. Brucker stated solar customers are also eligible for a Federal tax credit, but the City does not provide advice to customers on that program.

In response to Council Member Kuehne, Mr. Schwabauer stated solar systems can operate under a net- or co-metering system. Net-metering, which is required on homes, is when kilowatt production is netted against kilowatt usage; however, this method does not allow EUD to recover its full cost of infrastructure and maintenance. There are ways to address the issue, such as how much the City will pay for excess power, which is decided by Council. Co-metering is possible for commercial customers and solar customers over 10 kilowatts. Ms. Kirkley added the specifications were amended to require all installations beginning October 1 to "grid tie" using two meters: one to register load and one to register solar generation. She stated she hopes future legislation will allow solar generation to meet renewable portfolio standards requirements. Mr. Schwabauer stated Lodi is ahead of the curve and, as more solar customers come online, there will be a strong impetus to end the subsidization of solar and allow for co-metering.

Council Member Kuehne questioned what the process is to reduce the maximum rebate amount from \$7,000 to \$5,000, to which Mr. Schwabauer replied staff will analyze the issue and research what other communities are doing. Council Member Kuehne stated he would like to see this amendment in place before the program kicks off for the next fiscal year. Mr. Brucker stated in order to do so, an item would need to come before Council prior to the January application period.

In response to Mayor Pro Tempore Chandler, Mr. Schwabauer stated the City offered a light emitting diode Christmas light replacement program five years ago, and Mr. Brucker added the program can be considered again.

Mr. Brucker further reported staff is researching the use of social media to connect better with customers. Some communities utilize FaceBook and Twitter to enhance service, which requires significant staff time. Staff realizes the value in disseminating information quickly to customers and at this time is moving forward with an Electric Utility FaceBook page.

Mayor Johnson requested staff explore the possibility of hiring a permanent or contract employee to work with all City departments on social media, stating it would likely save money in the long run. Council Member Kuehne agreed with the suggestion.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:23 a.m.

ATTEST:

Jennifer M. Ferraiolo  
City Clerk