

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, FEBRUARY 5, 2008**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, February 5, 2008, commencing at 7:00 a.m.

A. ROLL CALL

Present: Council Members – Hansen, Hitchcock (arrived at 7:01 a.m.), Johnson, Katzakian, and Mayor Mounce

Absent: Council Members – None

Also Present: City Manager King, City Attorney Schwabauer, and Deputy City Clerk Perrin

B. TOPIC(S)

B-1 "Proposed West Side 60kV Transmission Project"

City Manager King briefly introduced the subject matter of the proposed west side 60kV transmission project.

With the aid of a PowerPoint presentation (filed), Electric Utility Director George Morrow explained that Lodi currently imports its power through a single pipe from PG&E's Lockeford Substation to the east. The City's liability is contingent on the Lockeford Substation, and over the years outages at this substation have resulted in power failures in Lodi. The solution is to construct new transmission facilities to the west to diversify source and location of power imports. Additionally, Mr. Morrow explained that Lodi's current import capacity is 130 megawatts (mw), which is not enough capacity on a long-term basis, and the combustion turbine is often utilized to reliably meet electric loads over that amount. PG&E could upgrade its 60kV transmission circuits in the area; however, it has not committed to a specific timetable to address the needed improvements. In lieu of the upgrade, construction of new transmission facilities would increase import capacity.

Council Member Johnson questioned if PG&E is mandated to upgrade its facility, to which Mr. Morrow responded that it has a statutory requirement to provide reliable, firm transmission capacity; however, PG&E must work through the California Independent System Operator (CalISO), which is a very involved process.

Mayor Pro Tempore Hansen questioned what the consequences would be if the capacity issues were not addressed, to which Mr. Morrow stated that the Utility would need to curtail the load, by switching off circuits and implementing rotating blackouts, or import more power.

Mr. Morrow stated that a new transmission line to the west is an excellent solution to the reliability and capacity issues due to the fact that it would aid in the performance of the electrical network, that strong electrical systems exist in the vicinity of I-5, and there is an opportunity for direct connection to the Northern California Power Agency (NCPA) power projects. This would enable the City to bypass paying transmission costs to other agencies, and the savings could potentially cover the circuit costs. Previous attempts were made in 1988, 1998, and 2001 to build new transmission into Lodi, and, although progress was made, no final actions were taken to complete the effort, due largely to concerns expressed by the agricultural community. Funding to cover the project was allocated from the NCPA bond issue; however, those funds remained unused for quite some time and were eventually utilized for other purposes. City Council recently authorized retaining Auriga Corporation to review the project, and the consultant has identified seven possible routes and more closely reviewed three, taking into consideration the concerns of the agricultural community.

In response to Mayor Pro Tempore Hansen, Mr. Morrow stated that one of the benefits of the western line is "behind the meter" generation (i.e. using Lodi's own circuits), which could save \$5 to \$10 per mw hour. Additionally, the Lodi Energy Center could reduce transmission charges for the project. All of these reductions in cost would be passed onto the rate payers.

Mr. Morrow briefly reviewed the seven alternatives, using a detailed diagram and an aerial view, and explained some of the pros and cons. Some of the concerns on the various options include running the line straight along Highway 12 as previously discussed, lack of frontages on Highway 12, slicing up properties if run diagonally, and interference with the airport that may require costly underground work.

In response to Mayor Pro Tempore Hansen, Mr. Morrow stated that the City would most likely work with PG&E to upgrade the existing utility poles, rather than build new ones on the opposite side of the street. Where the PG&E poles end, the line could veer south, thereby missing the wineries. Mr. Morrow added that the new poles would be higher.

Council Member Johnson questioned what would happen with the existing poles near the proposed substation, to which Mr. Morrow replied that those are stub poles and they would be cleaned up and integrated. Mr. Johnson questioned how much more it would cost if a new substation was built in the vicinity of Davis Road and Harney Lane. Mr. Morrow explained that the substation is proposed to be located on Highway 12 near Chili's restaurant; the other site is not being recommended. The consultant only identified that location on the off chance the substation could not be built on Highway 12.

In response to Council Member Hitchcock, Mr. Morrow stated that, as long as the utilities are built overhead, it is anticipated that the cost of the project would be less than running the line straight down Highway 12 as originally proposed because the cost is based on a linear foot calculation. Furthermore, overhead is more reliable and is easier to maintain and repair. A complete underground project would significantly increase the cost of the project; therefore, the objective is to select a route that does not go underground. The project cost would be in the range of \$8 million to \$10 million, with an annual fixed cost of \$800,000 to \$1 million; however, savings from the behind the meter generation could equal or exceed the costs of the project.

In response to Council Member Johnson, Mr. Morrow stated that the savings and opportunity to offset costs would be pointed out to the rating agencies. It may be possible to bundle the debt service with the Lodi Energy Center or to join the Transmission Agency of Northern California bond that it will be taking out to upgrade and build circuits. It is not anticipated that this project would increase rates.

Mayor Pro Tempore Hansen stated that, because of the volatility in the rate market and issues associated with CalISO, the rates will continue to increase; however, this project could slow down the need for rate increases or, better yet, reduce them.

In response to Council Member Katzakian, Mr. Morrow stated that the new power plant operates 85% to 90% of the time and is down only for regular maintenance purposes.

Mr. Morrow summarized that staff is intending to move forward with this project, will work with area residents and impacted parties to gain support for the preferred route, and will return to Council with a final report. Once the route is identified, the required environmental impact work will take place, with an anticipated operational date no later than 2011 to 2012. Mr. King added that no formal actions would be taken outside of the Council.

PUBLIC COMMENTS:

- Terry Quashnick, representing a local plastics company, expressed support for the project, stating that outages have a serious negative affect on its industry, particularly when the system shuts down in the middle of a production run. He hoped that all involved parties can work together to see this project through.

Mayor Pro Tempore Hansen expressed support for this project as it would address reliability, capacity, and controlling costs, which would have a positive affect on rate payers.

In response to Council Member Hitchcock, Mr. Morrow stated that there is some flexibility in connecting with the western system and staff will monitor how the CallSO marketing strategy affects the City. In further response, Mr. Morrow stated that the cost to install underground lines at the airport doubles the cost of the transmission; however, he believed there may be other alternatives, and staff will continue to look into the matter and work with airport staff. Council Member Hitchcock expressed support for constructing this project as inexpensively as possible and believed that, if it is more costly to build underground due to the airport, other alternatives should be explored.

Council Member Johnson agreed with Ms. Hitchcock and pointed to page 75 of the Transmission Line Study Final Report, stating that the City legally has the right to take whatever steps necessary to accomplish this goal.

In response to Council Member Katzakian, Mr. Morrow stated that the route straight down Highway 12 will not initially be considered, due to the concerns of property owners as well as the higher cost; however, the possibility will not be rejected entirely in case there is no better approach.

C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

D. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 7:47 a.m.

ATTEST:

Jennifer M. Perrin
Deputy City Clerk