

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, JUNE 17, 2008**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, June 17, 2008, commencing at 7:02 a.m.

A. ROLL CALL

Present: Council Members – Hitchcock, Hansen, Johnson, Katzakian, and Mayor Mounce

Absent: Council Members – None

Also Present: Deputy City Manager Krueger, City Attorney Schwabauer, and City Clerk Johl

B. TOPIC(S)

B-1 "Energy Cost Adjustment Update"

Deputy City Manager Jim Krueger briefly introduced the subject matter of the energy cost adjustment (ECA) update.

Electric Utility Director George Morrow provided a PowerPoint presentation regarding the ECA update. Specific topics of discussion included ECA background, an overview, forms of ECA, California utilities with ECA, Fitch report excerpt, Standard and Poors excerpt, Lodi ECA, ECA formula, Northern California Power Agency invoice, fiscal year 2008 load forecast, sample ECA calculation, ECA variability, actual ECA to date, ECA by rate class, ECA by class, low residential, mid residential, high residential, commercial, industrial, ECA actuals, ECA forecast, and a summary.

A brief discussion ensued between Mayor Pro Tempore Hansen and Mr. Morrow regarding the predictions in newspapers of the rising cost of energy, including that associated with coal and climate change regulations for the same.

In response to Council Member Johnson, Mr. Morrow stated that, while the specific Standard and Poors slide reference has not been shared with the industrial users, the flavor of the same has been shared with the industrial users.

In response to Council Member Hitchcock, Mr. Morrow confirmed that the ECA is based on the cost for power supply only and other costs associated with running the utility are adjusted as necessary on the base rate side.

In response to Council Member Hitchcock, Mr. Krueger stated there are cost of living adjustments built into the water and wastewater utilities and such adjustments, although automatic, do require City Council approval.

In response to Mayor Mounce, Mr. Morrow stated the ECA was negative at .0125 during the month of September in the last year.

In response to Council Member Katzakian, Mr. Morrow stated the numbers for the ECA by rate class is based on six months.

In response to Council Member Hitchcock, Mr. Morrow stated the Seattle City light exchange will go on until at least 2014 and a review is done on a regular basis to ensure the deal remains a good one for the City.

In response to Deputy City Manager Krueger, Mr. Morrow stated the next base rate increase will likely not be until 2012 or 2013 provided there are not any major changes in the market.

In response to Mayor Pro Tempore Hansen, Mr. Morrow stated that, while there may be some unknowns with the new Lodi energy center and the fact that a new substation and transmission lines will be coming online at the same time, he is hopeful that the center will reduce overall costs. Mr. Morrow stated base costs may be adjusted if necessary to assist.

In response to Council Member Johnson, Mr. Morrow stated that, with respect to debt service, one series is paid in 2013 and another series is paid in 2015, for a savings of approximately \$5.2 million thereafter.

In response to Council Member Hitchcock, Mr. Morrow stated rate comparisons are difficult because of the differences in customer size, tier levels, high or low factors, and other variables. He stated in general the City's electric utility rates for residential are below Edison and San Diego and comparable with PG&E. Mr. Morrow stated the Electric Utility's residential customers generally pay approximately 70% less than other electric utility customers in the State.

In response to Council Member Hitchcock, Mr. Morrow stated other local agency rates are approximately 20% lower because their power supply costs are less than the City's based on a variety of factors, including the ability to obtain additional hydro and geothermal power shares.

In response to Council Member Hitchcock, Mr. Morrow stated larger utilities generally have more control, entitlement, and rights to their power and provided an example of the Redding electric utility.

In response to Council Member Hitchcock, Mr. Morrow stated industrial rates also have many factors in comparisons and generally it appears the City's Electric Utility is 20% to 25% less than other utilities, including PG&E, and more comparable with other public utilities.

In response to Myrna Wetzel, Mr. Morrow stated every customer pays the same rate, statistically there may be a higher percentage for lower usage, there still remains an incentive to save costs by conserving power, there are some considerations regarding nuclear energy although it is banned currently in California, and solar is still high in price based on kilowatt hours.

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 8:02 a.m.

ATTEST:

Randi Johl
City Clerk