

## **RESOLUTION NO. 5714(11)**

### **A Resolution of the Council of the City of Lompoc, County of Santa Barbara, State of California, Approving the Natural Gas Program Agreement**

WHEREAS, the City of Lompoc is a member of the Northern California Power Agency (“NCPA”), is a project participant in NCPA natural gas fired generation facilities, and has a need to procure natural gas through the use of forward market purchases to assure greater rate stability for its customers; and

WHEREAS, in response to this need, NCPA and its members have developed a Natural Gas Purchase Program that can be used by NCPA and its members to purchase natural gas as fuel for electric power generation for the benefit of their respective customers; and

WHEREAS, the City of Lompoc elects to become a Participant in the Natural Gas Purchase Program by executing the Natural Gas Program Agreement, under which the City of Lompoc can direct NCPA to purchase natural gas, through the use of forward market purchases or physical call options, (a call option is a contract in which the buyer has the right but not the obligation to buy a specified quantity of gas at a specified strike price within a fixed period of time) to reduce the portion of its natural gas needs that would otherwise have to be obtained in a potentially volatile spot market; and

WHEREAS, the City of Lompoc, as a Participant in the Natural Gas Purchase Program may direct NCPA to procure natural gas on its behalf from third parties using competitive bids submitted in response to a NCPA Request For Proposals, or through direct purchases from the State Department of General Services (“DGS”) Gas Program, or its successor program, so long as the DGS program is available; and

WHEREAS, all procurement of natural gas under the Natural Gas Purchase Program must meet certain conditions listed in the Natural Gas Program Agreement; and

WHEREAS, NCPA will procure natural gas on behalf of the City of Lompoc using industry-standard forms of agreement for natural gas purchases, including NCPA’s standard form North American Energy Standards Board (NAESB) base contract, and associated special provisions, and such agreements for natural gas purchases may be modified in the discretion of the NCPA General Manager and NCPA’s General Counsel, after consultation with the City of Lompoc; and

WHEREAS, NCPA has developed a model credit support addendum, and associated special provisions to the model credit support addendum, to be used in conjunction with the NCPA standard form NAESB base contract; and

WHEREAS, costs for participating in the Natural Gas Purchase Program include a) a monthly fixed charge, b) a variable charge that is allocated to each Participant, in

accordance with the Natural Gas Program Agreement, c) transaction specific costs associated with the City of Lompoc's natural gas transactions, d) commodity costs specific to the City of Lompoc's natural gas transactions, and e) initial start-up costs, including staff costs, legal costs and costs associated with establishing the third party gas purchase agreements that will be used under the Natural Gas Purchase Program; and

WHEREAS, the City of Lompoc, as a Participant in the Natural Gas Purchase Program is required to deposit funds into a Security Account held by NCPA equal to the highest three (3) months of estimated commodity costs for all natural gas transactions the City of Lompoc has or will subscribe to as estimated by NCPA, prior to entering into any natural gas transactions, and

NOW, THEREFORE, The City Council of the City of Lompoc, California does hereby resolve as follows:

Section 1: The Natural Gas Program Agreement is hereby approved.

Section 2: The Mayor is authorized to execute the Natural Gas Program Agreement.

Section 3: The Utilities Director and/or his or her designee are authorized to purchase natural gas via the NCPA Natural Gas Program Agreement by approving the legal form of Exhibit A.

The above and foregoing Resolution was proposed by Council the City of Lompoc \_\_\_\_\_, seconded by Council the City of Lompoc \_\_\_\_\_, and was duly passed and adopted by the Council of the City of Lompoc at its regular meeting on \_\_\_\_\_ by the following vote:

AYES: Council the City of Lompoc(s):

NOES Council the City of Lompoc(s):

\_\_\_\_\_  
John H. Linn, Mayor  
City of Lompoc

ATTEST:

\_\_\_\_\_  
Stacey Alvarez  
City Clerk, City of Lompoc