

Natural Gas Program Agreement

City Council Agenda Item #7

- Up until the time that the Lodi Energy Center (LEC) goes on-line in June 2012, Lompoc's natural gas needs remain minimal.
- Once the LEC is operational, Lompoc's cost of fuel to operate its share of the plant will be about \$1.5 Million, annually.
- Lompoc wishes to take advantage of (a) NCPA's expertise in optimizing the timing of purchases, and (b) joining with other project participants to take advantage of economics of scale.
- The agreement is patterned after NCPA's Market Purchase Program Agreement approved by the City Council in 2007.

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BENEFITS

- Ability to buy for future natural gas needs during favorable opportunities.
- Stable and predictable fuel costs.
- Reduced fuel procurement costs through economics of scale.
- Utilizes competitive bid process.
- Security
 - Purchasers need to escrow deposits.
 - No speculative purchases allowed.
 - Purchases in accordance with NCPA Risk Policies.
- Purchases are made only if authorized by Lompoc.
- Purchases to be conducted according to industry standard protocols.

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COST AND RELATED FACTORS

- Start-up costs of approximately \$5,000.
- Small annual participation costs estimated at \$10-15,000.
- Security deposit requirements restrict other uses of cash on hand.