UPDATE ON PROPOSED SMUD SPHERE OF INFLUENCE AND ANNEXATION PROPOSAL

October 5, 2005
Agenda

• Project Overview
• Chronology of Events
• Tentative LAFCo Schedule
• Project Characteristics
• Anticipated New Electrical Facilities
• Boundary Changes
• Map of Proposed Boundary
• Environmental Review Process
Agenda

• NOP Scoping Meeting/EIR Process
• Property Tax Agreement Process
• Input from Yolo LAFCo
• LAFCo Evaluation Process
• Summary of Project Schedule
• Sphere of Influence Amendment for the Sacramento Municipal Utility District (SMUD) and MSR evaluation

• Proposed Annexation by SMUD of the Cities of West Sacramento, Davis, and Woodland and Portions of Unincorporated Areas of Yolo County

• SMUD would provide electrical service rather than PG&E (Organizational change)
In February of 2003, the Cities of West Sacramento, Davis and Woodland (Cities) along with Yolo County approached the SMUD Board of Directors to request an annexation study to determine whether SMUD electrical service could offer lower costs, better customer service and reliability, and increased citizen participation in energy related decisions.

In July of 2003, the three Cities, Yolo County and the SMUD Board agreed to fund an independent feasibility study to determine if annexation was financially and technically feasible.
• In January of 2005, RW Beck released its feasibility study. The report stated there would be benefits to annexation for both existing SMUD customers and new Yolo customers.

• SMUD reviewed and analyzed Beck study and reached a similar conclusion.

• On April 5, 2005, the Cities and Yolo County requested that SMUD move forward with annexation.

• On August 1, 2005, SMUD (applicant) submitted an application to Sacramento LAFCo (Principal County).
Sacramento Local Agency Formation Commission (LAFCo)

Tentative LAFCo Schedule

- SMUD Submitted Application Aug 1
- Sent Application to P.G.&E. Aug 1
- LAFCo Submitted Proposal to CPUC Aug 22
- Sent Notice to Affected Agencies Aug 22
- EIR/NOP Issued Sept 1
- Scoping Meeting Sept 14
- Scoping Meeting with State Agencies Sept 27
- NOP Closed Oct 3
Tentative LAFCo Schedule

- CPUC Report/Resolution  Nov 18
- Distribute Draft EIR    Nov-Dec 2005
- Draft EIR – Public Comment  Dec-Jan 2006
- Distribution of Final EIR  Mar 2006
- LAFCo Hearings       April-June 2006
- Election             Nov 2006
- SMUD Begins Service  2008
Approximately 212 square miles
Customers: 70,000
Estimated Population: 150,000
SMUD Customers: 567,000
SMUD Population: 1.2 million
SMUD Service Area: 895 square miles
Sacramento Local Agency Formation Commission (LAFCo)

Anticipated New Electrical Facilities Required if Annexation is Approved

• Proposed 15-18 mile transmission line from SMUD’s Elverta Substation to interconnect with the existing PG&E transmission line north of Woodland (Yolo, Sacramento, Sutter-route to be determined)

• Proposed 115kV/12kV Willow Slough Substation near the intersection of County Roads 102 and 27 (Yolo)

• Reconstruction of an existing SMUD transmission line from Power Inn Road to SMUD’s Hedge Substation for purpose of adding a third circuit (Sacramento County)

• Interconnection of SMUD and PG&E transmission lines near SMUD’s North City Substation (Sacramento County)
SMUD submitted application with correct boundary (SMUD Resolution had a different map)

SMUD Board ratified the new or revised map

Revised boundary allowed existing facilities to be served by SMUD to avoid duplication and not “strand” existing PG&E customers

Impact: large area but relatively few customers
Program level EIR addressing the potential impacts by switching services providers

EIR will identify future facility construction required to serve the proposed area

A Project EIR will be required to construct any new electrical facilities only if the area is annexed (separate EIR process)

SMUD will be the lead agency for the construction project
NOP Scoping Meeting occurred on Wednesday, September 14th

Public and Agencies were invited
Advertised in local newspapers
4 comments were received
Comments will be included in the EIR

NOP Scoping Meeting with State Agencies September 27th

Written Comment Period Ended Monday, October 3rd

Administrative Draft will be circulated to Yolo LAFCo prior to release of Public Draft

Draft EIR will be prepared and circulated (45-days)
LAFCo advised SMUD that they will need to reach agreement with Yolo County and the Cities of Davis, Woodland and West Sacramento on potential losses in *property tax revenue and franchise fees*.

LAFCo will assist if necessary in this process.

LAFCo Resolution could incorporate terms and conditions or actual agreements.
Yolo LAFCo agreed that Sac LAFCo should process SMUD application (September 19, 2005) Sac LAFCo – Principal County

Sacramento LAFCo will keep Yolo LAFCo Informed and Involved

Sac LAFCo will provide Yolo LAFCo with all reports and correspondence presented to Sacramento LAFCo Commissioners

Available to provide updates
LAFCo will evaluate the following impacts:
- Environmental Review to comply with CEQA
- Financial (System Cost and Rates)
- Service Delivery (Reliability/Outages)
- Valuation Methodology
- Technical Issues and Assumptions
- Municipal Service Review/Legal Issues

Related to:
- Proposed New Customers
- Existing SMUD Customers
- Remaining P.G.&E. Customers (PUC)
- Affected Local Jurisdictions (tax loss)
SMUD would pay P.G.&E. for its infrastructure and stranded costs

P.G.&E. has told SMUD that its assets are not for sale

The System Value or System Cost is the key factor in this analysis & Evaluation of Natural Gas Prices

Final Value will be determined by Court
Project viability and benefits is dependent on how much SMUD will be required to pay P.G.&E. for its infrastructure.

LAFCo analysis will try and estimate the probable range of system value (system cost).

System Cost (infrastructure) can be valued in a number of different ways:

- **Book Value** = Original Cost less Depreciation
- **Replacement Cost** = New Cost less Depreciation
## LAFCo Process Schedule

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<tr>
<td><strong>Aug</strong></td>
<td><strong>Sep</strong></td>
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<tr>
<td>Application Filed</td>
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<td>Public Comment Meetings</td>
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<td>Issue Final EIR</td>
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<td>LAFCo Public Hearings on EIR &amp; Annexation</td>
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<td>If Approved, LAFCo Notifies Yolo County Clerk</td>
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<td>Annexation Vote</td>
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**Dates:**
- 9/1-10/3
- 9/14
- 11/7/2006

Sacramento Local Agency Formation Commission (LAFCo)