

AGREEMENT NO. 06-83

Property Tax Exchange Agreement

This Agreement ("Agreement") is made this 4th day of March, 2006, by and between the Sacramento Municipal Utility District ("SMUD"), and the County of Yolo ("County").

RECITALS

A. SMUD has applied to Sacramento LAFCO to annex the Cities of West Sacramento, Davis and Woodland (the "Cities"), and nearby unincorporated areas of the County of Yolo for the provision of electric service.

B. Under Section 99 of the California Revenue and Taxation Code ("Section 99"), any jurisdictional change pursuant to the Cortese-Knox Hertzberg Local Government Reorganization Act of 2000 must include an agreement for the exchange of property tax revenues between the affected agencies to reflect the changes in service delivery responsibilities.

C. SMUD does not presently levy ad valorem property taxes on properties within its jurisdiction and therefore, does not believe that Section 99 applies to its proposed annexation of the Cities and nearby unincorporated areas of Yolo County.

D. The County believes that the proposed SMUD annexation represents a jurisdictional change that affects the service area or service responsibility of SMUD (which has the statutory authority to levy ad valorem property taxes) and thus the proposed annexation is subject to the requirements of Section 99.

E. To resolve their differences regarding the applicability of Section 99 in an amicable manner, the parties are willing to enter into this Agreement with the understanding and agreement that this Agreement is not to be construed in any manner to be a recognition that Section 99 does or does not apply to SMUD's proposed annexation of the Cities and nearby unincorporated areas of Yolo County.

AGREEMENT:

1. **Recitals.** The parties agree that the foregoing recitals are true and correct.
2. **Allocation.** It is understood and agreed that SMUD does not presently levy any ad valorem property taxes within its jurisdiction boundaries. In the event that SMUD ever levies ad valorem property taxes on property located in the Cities and/or unincorporated areas of Yolo County, then the County and SMUD shall negotiate and enter into a property tax revenue exchange agreement prior to the implementation of the ad valorem property tax in Yolo County.

3. **Miscellaneous Provisions.**

a. **Notice.** All notices shall be given to either party herein in writing by personal delivery or by depositing the same in United States mail, postage prepaid, addressed as follows:

COUNTY:

County Administrator
625 Court Street, Room 202
Woodland, CA 95695

SMUD:

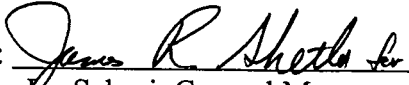
General Manager and Chief Executive Officer
Sacramento Municipal Utility District
6201 S Street
Sacramento, CA 95817

b. **Time.** Time is of the essence of this Agreement.

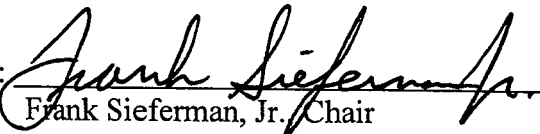
c. **Integration.** No alteration or variation of the terms of this Agreement shall be valid unless made in writing and signed by the parties hereto and no oral understandings or agreements with respect to the subject matter of this Agreement shall be binding on any of the parties hereto. This Agreement represents the entire and integrated agreement between the parties and supersedes all prior negotiations, representations or agreements, either written or oral.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the date and year set forth above.

Sacramento Municipal Utility District

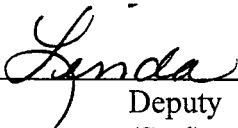
By: 
Ian Schori, General Manager and Chief Executive Officer

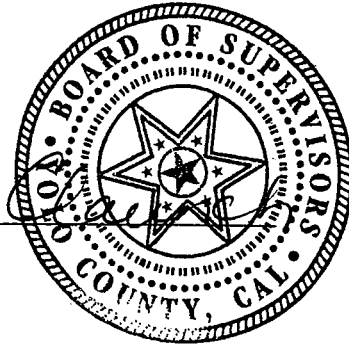
County of Yolo

By: 
Frank Siefertman, Jr., Chair
Board of Supervisors

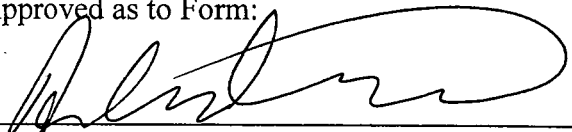
Attest:

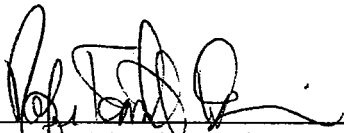
Ana Morales, Clerk
Board of Supervisors

By: 
Deputy
(Seal)



Approved as to Form:


Arlen Orchard, SMUD General Counsel


Steven M. Basha, Yolo County Counsel

**Memorandum of Understanding
Relating to the Annexation and Provision of Electric Service
by SMUD in the Cities of West Sacramento, Davis and Woodland and
Nearby Areas of Yolo County**

This Memorandum of Understanding Relating to the Annexation and Provision of Electric Service by the Sacramento Municipal Utility District ("SMUD") in the Cities of West Sacramento, Davis and Woodland and Nearby Areas of Yolo County ("MOU") is entered into and effective this 11th day of April, 2006 between SMUD and the City of Davis. SMUD and the City of Davis are each referred to as a "Party" and are collectively referred to as the "Parties."

Recitals

A. In April 2005, the governing bodies of the Cities of West Sacramento, Davis and Woodland ("Cities") and Yolo County unanimously requested that SMUD undertake the actions necessary to provide electric service in the Cities and nearby areas of Yolo County.¹ On May 19, 2005, the SMUD Board of Directors found that the annexation was prudent and in the best interest of existing SMUD customers and customers in the Cities and nearby areas of Yolo County. On August 1, 2005 SMUD filed with the Sacramento Local Agency Formation Commission ("LAFCo") an application for approval of annexation of the Cities and nearby areas of Yolo County (the "Annexation Territory") and a concurrent related sphere of influence amendment (the "SMUD Application").

B. SMUD has determined that the annexation will result in substantial benefits for SMUD's existing and Annexation Territory customers.

C. The Policies, Standards and Procedures for LAFCo generally require that proposals for annexations be revenue neutral.

D. Pacific Gas & Electric Company ("PG&E") is the current provider of electric service in the Annexation Territory. PG&E presently pays franchise fees and property taxes to the Cities and Yolo County. Because SMUD is not required to pay such fees and taxes, annexation by SMUD could result in a loss of revenues to the Cities and Yolo County.

E. In the SMUD Application, SMUD proposes that LAFCo include as a condition of any approval it may issue a requirement that a mechanism to defray the reasonably calculated costs and impacts to the Annexation Territory associated with the provision of electric service by SMUD be implemented pursuant to an agreement between SMUD and the local jurisdictions and/or in accordance with conditions or mitigation imposed by LAFCo.

¹ Woodland Mayor Matt Rexroad recused himself from the vote due to a potential conflict of interest.

- (i) Tailored electric rates set above SMUD's marginal cost of providing electric service to the Annexation Territory and below PG&E's then-effective electric rates.
 - (ii) Incentive funds to be spent on energy efficiency projects that exceed Title 24 requirements by at least 20%.
 - (iii) Economic Development electric rates for new businesses or expanding businesses that bring new load and create new jobs for the Annexation Territory. Economic Development electric rates will offer an additional discount below PG&E's then-effective electric rates and will be set above SMUD's marginal cost of providing electric service to the Annexation Territory.
 - (iv) Purchase by SMUD of power generated by facilities owned by the City of Davis.
 - (v) Purchase or lease back by SMUD of electrical services infrastructure owned by the City of Davis that would be beneficial to SMUD.
 - (vi) Incentive funds to be spent on solar projects and other clean distributed generation.
 - (vii) Incentive funds to purchase "green energy" for public buildings.
 - (viii) Support by SMUD of the use by the City of Davis of advanced transportation technologies (e.g., electric vehicles, hydrogen fuel cells).
 - (ix) Other items agreed to by the Parties.
- b. *City of Davis's Obligations.* In exchange for and in consideration of the benefits of annexation determined in a Customer Tailored Electric Service Agreement, the City of Davis agrees, at a minimum, to:
- (i) Work cooperatively with SMUD to identify energy efficiency measures that exceed Title 24 standards by at least 20% in connection with the construction of new and retrofitting of existing City of Davis buildings and, where feasible, implement such measures.
 - (ii) Curtail load during the period June through September as mutually agreed to by the Parties.
 - (iii) Provide at least one public site for a clean renewable energy project.
 - (iv) Work in partnership with SMUD on outreach activities and efforts to educate Annexation Territory customers regarding SMUD's programs and services.

5. *Miscellaneous.*

- a. *Third Party Beneficiaries.* There are no third party beneficiaries, intended or unintended, of this MOU.
- b. *Notices.* Any notices required or made under this MOU shall be in writing and delivered by U.S. mail or facsimile as follows:

SMUD:

Legal Department
MS B406
PO Box 15830
Sacramento, CA 95852-1830

Original Source

City of Davis:

Mayor Ruth Asmundson
23 Russell Blvd
Davis, CA 95616

- c. *Entire Agreement.* This MOU supersedes any other prior writings and prior or contemporaneous oral agreements or understandings between the parties related to the subject matter of this MOU. This MOU fully integrates the Parties' agreement and understanding with respect to all matters covered herein. Each Party agrees that it has not relied on any fact, statement or representation other than as specifically recited herein.
- d. *Amendments.* No agreement to vary, modify or amend this MOU shall be effective unless in writing and executed by persons duly authorized by the Parties.

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**Memorandum of Understanding
Relating to the Annexation and Provision of Electric Service
by SMUD in the Cities of West Sacramento, Davis and Woodland and
Nearby Areas of Yolo County**

This Memorandum of Understanding Relating to the Annexation and Provision of Electric Service by the Sacramento Municipal Utility District ("SMUD") in the Cities of West Sacramento, Davis and Woodland and Nearby Areas of Yolo County ("MOU") is entered into and effective this 5th day of ~~March~~^{April}, 2006 between SMUD and the City of West Sacramento. SMUD and the City of West Sacramento are each referred to as a "Party" and are collectively referred to as the "Parties."

Recitals

A. In April 2005, the governing bodies of the Cities of West Sacramento, Davis and Woodland ("Cities") and Yolo County unanimously requested that SMUD undertake the actions necessary to provide electric service in the Cities and nearby areas of Yolo County.¹ On May 19, 2005, the SMUD Board of Directors found that the annexation was prudent and in the best interest of existing SMUD customers and customers in the Cities and nearby areas of Yolo County. On August 1, 2006 SMUD filed with the Sacramento Local Agency Formation Commission ("LAFCo") an application for approval of annexation of the Cities and nearby areas of Yolo County (the "Annexation Territory") and a concurrent related sphere of influence amendment (the "SMUD Application").

B. SMUD has determined that the annexation will result in substantial benefits for SMUD's existing and Annexation Territory customers.

C. The Policies, Standards and Procedures for LAFCo generally require that proposals for annexations be revenue neutral.

D. Pacific Gas & Electric Company ("PG&E") is the current provider of electric service in the Annexation Territory. PG&E presently pays franchise fees and property taxes to the Cities and Yolo County. Because SMUD is not required to pay such fees and taxes, annexation by SMUD could result in a loss of revenues to the Cities and Yolo County.

E. In the SMUD Application, SMUD proposes that LAFCo include as a condition of any approval it may issue a requirement that a mechanism to defray the reasonably calculated costs and impacts to the Annexation Territory associated with the provision of electric service by SMUD be implemented pursuant to an agreement between SMUD and the local jurisdictions and/or in accordance with conditions or mitigation imposed by LAFCo.

¹ Woodland Mayor Matt Rexroad recused himself from the vote due to a potential conflict of interest.

F. The purpose of this MOU is to set forth the Parties' understanding and agreement, with respect to: (i) ensuring that the Cities and Yolo County realize the benefits of annexation by SMUD as soon as practicable, (ii) complying with LAFCo policies regarding revenue neutrality, and (iii) implementing a mechanism for defraying the reasonably calculated costs and impacts to the Annexation Territory associated with the provision of electric service by SMUD.

Understandings

- 1: *LAFCo Authority.* The Parties hereby acknowledge that LAFCo has sole and exclusive authority over the terms and conditions of the proposed annexation and that nothing in this MOU shall be construed so as to interfere in any way with the full and free exercise of that authority by LAFCo. It is the intent of the Parties that the terms of this MOU and the future agreement(s) described in Paragraph 2 below be construed so as to best implement any decision that LAFCo may make regarding the potential annexation by SMUD. In the event that any provision of this MOU or the future agreement(s) described in Paragraph 2 below is found to materially interfere with the implementation of LAFCo's decision on the services to be provided by SMUD, the Parties shall negotiate in good faith to preserve the balance of benefits and burdens contemplated by the Parties when they entered into this MOU, consistent with the implementation of LAFCo's decision.

2. *Scope of Agreement.* Within 90 days of the date LAFCo records a certified copy of the certificate of completion of the annexation with the Yolo County Recorder, SMUD and the City of West Sacramento agree to negotiate in good faith one or more Customer Tailored Service Agreement that definitively identifies the benefits of annexation for and obligations of the City of West Sacramento, and in the view of the Parties achieves the goal of revenue neutrality. Such Customer Tailored Electric Service Agreement(s) shall become effective upon the date SMUD begins providing electric service in the Annexation Territory. In establishing the term of the Customer Tailored Electric Service Agreement(s), the Parties shall take into consideration the length of the surcharge period necessary to recover the costs of annexation and the nature of the obligations undertaken by the Parties. In general, it is anticipated that the term of the Customer Tailored Electric Service Agreement(s) will be approximately ten (10) years. The Parties may also mutually agree to include within the scope of the Customer Tailored Agreement Service Agreement(s), or by separate Customer Tailored Electric Service Agreement, public agencies under the direct control of the City of West Sacramento and/or certain joint powers authorities of which the City of West Sacramento is a member.
 - a. *Benefits of Annexation.* Revenue neutrality and the benefits of annexation may be achieved through a variety of SMUD programs and services including, but not limited to, the following:

- (i) Tailored electric rates set above SMUD's marginal cost of providing electric service to the Annexation Territory and below PG&E's then-effective electric rates.
- (ii) Incentive funds to be spent on energy efficiency projects that exceed Title 24 requirements by at least 20%.
- (iii) Economic Development electric rates for new businesses or expanding businesses that bring new load and create new jobs for the Annexation Territory. Economic Development electric rates will offer an additional discount below PG&E's then-effective electric rates and will be set above SMUD's marginal cost of providing electric service to the Annexation Territory.
- (iv) Purchase by SMUD of power generated by facilities owned by the City of West Sacramento.
- (v) Purchase or lease back by SMUD of electrical services infrastructure owned by the City of West Sacramento that would be beneficial to SMUD.
- (vi) Incentive funds to be spent on solar projects and other clean distributed generation.
- (vii) Incentive funds to purchase "green energy" for public buildings.
- (viii) Support by SMUD of the use by the City of West Sacramento of advanced transportation technologies (e.g., electric vehicles, hydrogen fuel cells).
- (ix) Other items agreed to by the Parties.

b. *City of West Sacramento's Obligations.* In exchange for and in consideration of the benefits of annexation determined in a Customer Tailored Electric Service Agreement, the City of West Sacramento agrees, at a minimum, to:

- (i) Work cooperatively with SMUD to identify energy efficiency measures that exceed Title 24 standards by at least 20% in connection with the construction of new and retrofitting of existing City of West Sacramento buildings and, where feasible, implement such measures.
- (ii) Curtail load during the period June through September as mutually agreed to by the Parties.
- (iii) Provide at least one public site for a clean renewable energy project.

- (iv) Work in partnership with SMUD on outreach activities and efforts to educate Annexation Territory customers regarding SMUD's programs and services.
 - (v) Explore co-location of SMUD customer service sites in public buildings.
 - (vi) Work cooperatively with SMUD to identify and implement other feasible projects that improve air quality through beneficial electrification (e.g., providing Alternative Maritime Power or "cold ironing" to docked ships at the Port of Sacramento and truckstop electricification to limit truck idling).
 - (vii) Follow Best Management Environmental Practices.
 - (viii) Other items agreed to by the Parties.
3. *Term.* This MOU shall become effective upon execution by both Parties and shall continue in effect unless cancelled in writing by both Parties.
4. *Dispute Resolution.* As a condition precedent to bringing any claim or cause of action in a court of competent jurisdiction, the Parties shall use the following dispute resolution process:
- a. In the event of any dispute under this MOU, the Party raising the dispute shall send written notice to the other Party that a dispute has arisen and shall describe the dispute. Within ten (10) days after delivery of the Notice of Dispute, the Parties shall each designate an Authorized Representative and shall meet and attempt to informally resolve the dispute.
 - b. In the event the dispute is not informally resolved within thirty (30) days after delivery of the Notice of Dispute, the Parties shall promptly submit the dispute to mediation. The mediator shall be selected by mutual agreement of the Parties, and the cost of the mediator shall be borne on an equal basis by the Parties. In the event the Parties are unable to agree on a mediator, the dispute shall be submitted to JAMS and JAMS shall select a mediator with civil judicial experience. In the event, for whatever reason, JAMS is not available or lacks the necessary expertise, the Parties shall use the services of another judicially oriented mediation service, which shall then appoint a mediator with civil judicial experience.
 - c. Following selection of a mediator, the Parties shall meet and confer prior to the mediation and provide to the mediator an agreed list of matters to be resolved by the mediation. Unless the Parties to the mediation agree otherwise, the only matters to be discussed at the mediation are those matters submitted to the mediator following the meet and confer meeting of the Parties. Time shall be of the essence during the process and the Parties shall cooperate to promptly complete the process.

- d. In the event the Parties are unsuccessful in resolving any or all of the disputed issues presented to the mediator, either Party shall have the right to file for relief in a court of competent jurisdiction.

5. *Miscellaneous.*

- a. *Third Party Beneficiaries.* There are no third party beneficiaries, intended or unintended, of this MOU.
- b. *Notices.* Any notices required or made under this MOU shall be in writing and delivered by U.S. mail or facsimile as follows:

SMUD: General Counsel P. O. Box 15830, MS B406 Sacramento, CA 95852-1830	With copy to: _____ _____
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City of West Sacramento: _____ _____	With copy to: _____ _____
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- c. *Entire Agreement.* This MOU supersedes any other prior writings and prior or contemporaneous oral agreements or understandings between the parties related to the subject matter of this MOU. This MOU fully integrates the Parties' agreement and understanding with respect to all matters covered herein. Each Party agrees that it has not relied on any fact, statement or representation other than as specifically recited herein.

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- d. *Amendments.* No agreement to vary, modify or amend this MOU shall be effective unless in writing and executed by persons duly authorized by the Parties.
- e. *Effective Date.* This MOU shall be effective as of the date first written above.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

By: James R. Metler for J. Schuri
Name
Title **General Manager**

CITY OF WEST SACRAMENTO

By: Christopher L. Cabaldon
Name
Title Mayor

Attest:

By: Stephanie Chaney, deputy
Name **Stephanie Chaney**
West Sacramento City Clerk

Memorandum of Understanding
Relating to the Annexation and Provision of Electric Service
by SMUD in the Cities of West Sacramento, Davis and Woodland and
Nearby Areas of Yolo County

This Memorandum of Understanding Relating to the Annexation and Provision of Electric Service by the Sacramento Municipal Utility District ("SMUD") in the Cities of West Sacramento, Davis and Woodland and Nearby Areas of Yolo County ("MOU") is entered into and effective this 21st day of March, 2006 between SMUD and the City of Woodland. SMUD and the City of Woodland are each referred to as a "Party" and are collectively referred to as the "Parties."

Recitals

A. In April 2005, the governing bodies of the Cities of West Sacramento, Davis and Woodland ("Cities") and Yolo County unanimously requested that SMUD undertake the actions necessary to provide electric service in the Cities and nearby areas of Yolo County.¹ On May 19, 2005, the SMUD Board of Directors found that the annexation was prudent and in the best interest of existing SMUD customers and customers in the Cities and nearby areas of Yolo County. On August 1, 2005 SMUD filed with the Sacramento Local Agency Formation Commission ("LAFCo") an application for approval of annexation of the Cities and nearby areas of Yolo County (the "Annexation Territory") and a concurrent related sphere of influence amendment (the "SMUD Application").

B. SMUD has determined that the annexation will result in substantial benefits for SMUD's existing and Annexation Territory customers.

C. The Policies, Standards and Procedures for LAFCo generally require that proposals for annexations be revenue neutral.

D. Pacific Gas & Electric Company ("PG&E") is the current provider of electric service in the Annexation Territory. PG&E presently pays franchise fees and property taxes to the Cities and Yolo County. Because SMUD is not required to pay such fees and taxes, annexation by SMUD could result in a loss of revenues to the Cities and Yolo County.

E. In the SMUD Application, SMUD proposes that LAFCo include as a condition of any approval it may issue a requirement that a mechanism to defray the reasonably calculated costs and impacts to the Annexation Territory associated with the provision of electric service by SMUD be implemented pursuant to an agreement between SMUD and the local jurisdictions and/or in accordance with conditions or mitigation imposed by LAFCo.

¹ Woodland Mayor Matt Rexroad recused himself from the vote due to a potential conflict of interest.

F. The purpose of this MOU is to set forth the Parties' understanding and agreement, with respect to: (i) ensuring that the Cities and Yolo County realize the benefits of annexation by SMUD as soon as practicable, (ii) complying with LAFCo polices regarding revenue neutrality, and (iii) implementing a mechanism for defraying the reasonably calculated costs and impacts to the Annexation Territory associated with the provision of electric service by SMUD.

Understandings

1. *LAFCo Authority.* The Parties hereby acknowledge that LAFCo has sole and exclusive authority over the terms and conditions of the proposed annexation and that nothing in this MOU shall be construed so as to interfere in any way with the full and free exercise of that authority by LAFCo. It is the intent of the Parties that the terms of this MOU and the future agreement(s) described in Paragraph 2 below be construed so as to best implement any decision that LAFCo may make regarding the potential annexation by SMUD. In the event that any provision of this MOU or the future agreement(s) described in Paragraph 2 below is found to materially interfere with the implementation of LAFCo's decision on the services to be provided by SMUD, the Parties shall negotiate in good faith to preserve the balance of benefits and burdens contemplated by the Parties when they entered into this MOU, consistent with the implementation of LAFCo's decision.

2. *Scope of Agreement.* Within 90 days of the date LAFCo records a certified copy of the certificate of completion of the annexation with the Yolo County Recorder, SMUD and the City of Woodland agree to negotiate in good faith one or more Customer Tailored Electric Service Agreement(s) that definitively identifies the benefits of annexation for and obligations of the City of Woodland, and in the view of the Parties achieves the goal of revenue neutrality. Such Customer Tailored Electric Service Agreement(s) shall become effective upon the date SMUD begins providing electric service in the Annexation Territory. In establishing the term of the Customer Tailored Electric Service Agreement(s), the Parties shall take into consideration the length of the surcharge period necessary to recover the costs of annexation and the nature of the obligations undertaken by the Parties. In general, it is anticipated that the term of the Customer Tailored Electric Service Agreement(s) will be approximately ten (10) years. The Parties may also mutually agree to include within the scope of the Customer Tailored Electric Service Agreement(s), or by separate Customer Tailored Electric Service Agreement, public agencies under the direct control of the City of Woodland and/or certain joint powers authorities of which the City of Woodland is a member.
 - a. *Benefits of Annexation.* Revenue neutrality and the benefits of annexation may be achieved through a variety of SMUD programs and services including, but not limited to, the following:

- (i) Tailored electric rates set above SMUD's marginal cost of providing electric service to the Annexation Territory and below PG&E's then-effective electric rates.
- (ii) Incentive funds to be spent on energy efficiency projects that exceed Title 24 requirements by at least 20%.
- (iii) Economic Development electric rates for new businesses or expanding businesses that bring new load and create new jobs for the Annexation Territory. Economic Development electric rates will offer an additional discount below PG&E's then-effective electric rates and will be set above SMUD's marginal cost of providing electric service to the Annexation Territory.
- (iv) Purchase by SMUD of power generated by facilities owned by the City of Woodland.
- (v) Purchase or lease back by SMUD of electrical services infrastructure owned by the City of Woodland that would be beneficial to SMUD.
- (vi) Incentive funds to be spent on solar projects and other clean distributed generation.
- (vii) Incentive funds to purchase "green energy" for public buildings.
- (viii) Support by SMUD of the use by the City of Woodland of advanced transportation technologies (e.g., electric vehicles, hydrogen fuel cells).
- (ix) Other items agreed to by the Parties.

b. *City of Woodland's Obligations.* In exchange for and in consideration of the benefits of annexation determined in a Customer Tailored Electric Service Agreement, the City of Woodland agrees, at a minimum, to:

- (i) Work cooperatively with SMUD to identify energy efficiency measures that exceed Title 24 standards by at least 20% in connection with the construction of new and retrofitting of existing City of Woodland buildings and, where feasible, implement such measures.
- (ii) Curtail load during the period June through September as mutually agreed to by the Parties.
- (iii) Provide at least one public site for a clean renewable energy project.
- (iv) Work in partnership with SMUD on outreach activities and efforts to educate Annexation Territory customers regarding SMUD's programs and services.

- (v) Explore co-location of SMUD customer service sites in public buildings.
 - (vi) Work cooperatively with SMUD to identify and implement other feasible projects that improve air quality through beneficial electrification.
 - (vii) Follow Best Management Environmental Practices.
 - (viii) Other items agreed to by the Parties.
3. *Term.* This MOU shall become effective upon execution by both Parties and shall continue in effect unless cancelled in writing by both Parties.
4. *Dispute Resolution.* As a condition precedent to bringing any claim or cause of action in a court of competent jurisdiction, the Parties shall use the following dispute resolution process:
- a. In the event of any dispute under this MOU, the Party raising the dispute shall send written notice to the other Party that a dispute has arisen and shall describe the dispute. Within ten (10) days after delivery of the Notice of Dispute, the Parties shall each designate an Authorized Representative and shall meet and attempt to informally resolve the dispute.
 - b. In the event the dispute is not informally resolved within thirty (30) days after delivery of the Notice of Dispute, the Parties shall promptly submit the dispute to mediation. The mediator shall be selected by mutual agreement of the Parties, and the cost of the mediator shall be borne on an equal basis by the Parties. In the event the Parties are unable to agree on a mediator, the dispute shall be submitted to JAMS and JAMS shall select a mediator with civil judicial experience. In the event, for whatever reason, JAMS is not available or lacks the necessary expertise, the Parties shall use the services of another judicially oriented mediation service, which shall then appoint a mediator with civil judicial experience.
 - c. Following selection of a mediator, the Parties shall meet and confer prior to the mediation and provide to the mediator an agreed list of matters to be resolved by the mediation. Unless the Parties to the mediation agree otherwise, the only matters to be discussed at the mediation are those matters submitted to the mediator following the meet and confer meeting of the Parties. Time shall be of the essence during the process and the Parties shall cooperate to promptly complete the process.
 - d. In the event the Parties are unsuccessful in resolving any or all of the disputed issues presented to the mediator, either Party shall have the right to file for relief in a court of competent jurisdiction.

5. *Miscellaneous.*

- a. *Third Party Beneficiaries.* There are no third party beneficiaries, intended or unintended, of this MOU.
- b. *Notices.* Any notices required or made under this MOU shall be in writing and delivered by U.S. mail or facsimile as follows:

SMUD:
General Counsel
P. O. Box 15830, MS B406
Sacramento, CA 95852-1830

With copy to:

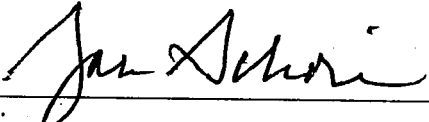
City of Woodland:
 City Manager's Office
 300 First Street
 Woodland, CA 95695

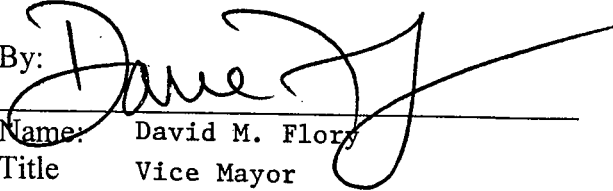
With copy to:
 Best, Best and Krieger, Ann Siprelle
 400 Capitol Mall, Suite 1650
 Sacramento, CA 95814

- c. *Entire Agreement.* This MOU supersedes any other prior writings and prior or contemporaneous oral agreements or understandings between the parties related to the subject matter of this MOU. This MOU fully integrates the Parties' agreement and understanding with respect to all matters covered herein. Each Party agrees that it has not relied on any fact, statement or representation other than as specifically recited herein.
- d. *Amendments.* No agreement to vary, modify or amend this MOU shall be effective unless in writing and executed by persons duly authorized by the Parties.
- e. *Effective Date.* This MOU shall be effective as of the date first written above.

**SACRAMENTO MUNICIPAL
 UTILITY DISTRICT**

CITY OF WOODLAND

By: 
 Name: _____
 Title: **General Manager**

By: 
 Name: David M. Florio
 Title: Vice Mayor

Attest:

By: _____
 Name: Sue Vannucci
 City Clerk, City of Woodland



**Memorandum of Understanding
Relating to the Annexation and Provision of Electric Service
by SMUD in the Cities of West Sacramento, Davis and Woodland and
Nearby Areas of Yolo County**

This Memorandum of Understanding Relating to the Annexation and Provision of Electric Service by the Sacramento Municipal Utility District ("SMUD") in the Cities of West Sacramento, Davis and Woodland and Nearby Areas of Yolo County ("MOU") is entered into and effective this 4 day of ~~March~~^{April}, 2006 between SMUD and the County of Yolo. SMUD and the County of Yolo are each referred to as a "Party" and are collectively referred to as the "Parties."

Recitals

A. In April 2005, the governing bodies of the Cities of West Sacramento, Davis and Woodland ("Cities") and Yolo County unanimously requested that SMUD undertake the actions necessary to provide electric service in the Cities and nearby areas of Yolo County.¹ On May 19, 2005, the SMUD Board of Directors found that the annexation was prudent and in the best interest of existing SMUD customers and customers in the Cities and nearby areas of Yolo County. On August 1, 2006 SMUD filed with the Sacramento Local Agency Formation Commission ("LAFCo") an application for approval of annexation of the Cities and nearby areas of Yolo County (the "Annexation Territory") and a concurrent related sphere of influence amendment (the "SMUD Application").

B. SMUD has determined that the annexation will result in substantial benefits for SMUD's existing and Annexation Territory customers.

C. The Policies, Standards and Procedures for LAFCo generally require that proposals for annexations be revenue neutral.

D. Pacific Gas & Electric Company ("PG&E") is the current provider of electric service in the Annexation Territory. PG&E presently pays franchise fees and property taxes to the Cities and Yolo County. Because SMUD is not required to pay such fees and taxes, annexation by SMUD could result in a loss of revenues to the Cities and Yolo County.

E. In the SMUD Application, SMUD proposes that LAFCo include as a condition of any approval it may issue a requirement that a mechanism to defray the reasonably calculated costs and impacts to the Annexation Territory associated with the provision of electric service by SMUD be implemented pursuant to an agreement between SMUD and the local jurisdictions and/or in accordance with conditions or mitigation imposed by LAFCo.

¹ Woodland Mayor Matt Rexroad recused himself from the vote due to a potential conflict of interest.

F. The purpose of this MOU is to set forth the Parties' understanding and agreement, with respect to: (i) ensuring that the Cities and Yolo County realize the benefits of annexation by SMUD as soon as practicable, (ii) complying with LAFCo polices regarding revenue neutrality, and (iii) implementing a mechanism for defraying the reasonably calculated costs and impacts to the Annexation Territory associated with the provision of electric service by SMUD.

Understandings

1. *LAFCo Authority.* The Parties hereby acknowledge that LAFCo has sole and exclusive authority over the terms and conditions of the proposed annexation and that nothing in this MOU shall be construed so as to interfere in any way with the full and free exercise of that authority by LAFCo. It is the intent of the Parties that the terms of this MOU and the future agreement(s) described in Paragraph 2 below be construed so as to best implement any decision that LAFCo may make regarding the potential annexation by SMUD. In the event that any provision of this MOU or the future agreement(s) described in Paragraph 2 below is found to materially interfere with the implementation of LAFCo's decision on the services to be provided by SMUD, the Parties shall negotiate in good faith to preserve the balance of benefits and burdens contemplated by the Parties when they entered into this MOU, consistent with the implementation of LAFCo's decision.

2. *Scope of Agreement.* Within 90 days of the date LAFCo records a certified copy of the certificate of completion of the annexation with the Yolo County Recorder, SMUD and the County of Yolo agree to negotiate in good faith one or more Customer Tailored Service Agreement that definitively identifies the benefits of annexation for and obligations of the County of Yolo, and in the view of the Parties achieves the goal of revenue neutrality. Such Customer Tailored Electric Service Agreement(s) shall become effective upon the date SMUD begins providing electric service in the Annexation Territory. In establishing the term of the Customer Tailored Electric Service Agreement(s), the Parties shall take into consideration the length of the surcharge period necessary to recover the costs of annexation and the nature of the obligations undertaken by the Parties. In general, it is anticipated that the term of the Customer Tailored Electric Service Agreement(s) will be approximately ten (10) years. The Parties may also mutually agree to include within the scope of the Customer Tailored Agreement Service Agreement(s), or by separate Customer Tailored Electric Service Agreement, public agencies under the direct control of the County of Yolo and/or certain joint powers authorities of which the County of Yolo is a member.
 - a. *Benefits of Annexation.* Revenue neutrality and the benefits of annexation may be achieved through a variety of SMUD programs and services including, but not limited to, the following:

- (i) Tailored electric rates set above SMUD's marginal cost of providing electric service to the Annexation Territory and below PG&E's then-effective electric rates.
- (ii) Incentive funds to be spent on energy efficiency projects that exceed Title 24 requirements by at least 20%.
- (iii) Economic Development electric rates for new businesses or expanding businesses that bring new load and create new jobs for the Annexation Territory. Economic Development electric rates will offer an additional discount below PG&E's then-effective electric rates and will be set above SMUD's marginal cost of providing electric service to the Annexation Territory.
- (iv) Purchase by SMUD of power generated by facilities owned by the County of Yolo.
- (v) Purchase or lease back by SMUD of electrical services infrastructure owned by the County of Yolo that would be beneficial to SMUD.
- (vi) Incentive funds to be spent on solar projects and other clean distributed generation.
- (vii) Incentive funds to purchase "green energy" for public buildings.
- (viii) Support by SMUD of the use by the County of Yolo of advanced transportation technologies (*e.g.*, electric vehicles, hydrogen fuel cells).
- (ix) Other items agreed to by the Parties.

b. *County of Yolo's Obligations.* In exchange for and in consideration of the benefits of annexation determined in a Customer Tailored Electric Service Agreement, the County of Yolo agrees, at a minimum, to:

- (i) Work cooperatively with SMUD to identify energy efficiency measures that exceed Title 24 standards by at least 20% in connection with the construction of new and retrofitting of existing County of Yolo buildings and, where feasible, implement such measures.
- (ii) Curtail load during the period June through September as mutually agreed to by the Parties.
- (iii) Provide at least one public site for a clean renewable energy project.
- (iv) Work in partnership with SMUD on outreach activities and efforts to educate Annexation Territory customers regarding SMUD's programs and services.

- a. *Third Party Beneficiaries.* There are no third party beneficiaries, intended or unintended, of this MOU.
- b. *Notices.* Any notices required or made under this MOU shall be in writing and delivered by U.S. mail or facsimile as follows:

SMUD:	With copy to:
General Counsel	
P. O. Box 15830, MS B406	_____
Sacramento, CA 95852-1830	_____

County of Yolo:	With copy to:
_____	_____
_____	_____

- c. *Entire Agreement.* This MOU supersedes any other prior writings and prior or contemporaneous oral agreements or understandings between the parties related to the subject matter of this MOU. This MOU fully integrates the Parties' agreement and understanding with respect to all matters covered herein. Each Party agrees that it has not relied on any fact, statement or representation other than as specifically recited herein.

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- d. *Amendments.* No agreement to vary, modify or amend this MOU shall be effective unless in writing and executed by persons duly authorized by the Parties.
- e. *Effective Date.* This MOU shall be effective as of the date first written above.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

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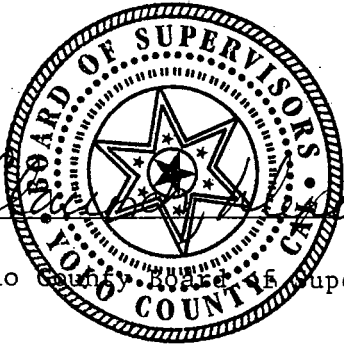
By: *James R. Mottola for J. Schori*
 Name
 Title **General Manager**

COUNTY OF YOLO

By: *Frank Siefert Jr.*
 Name
 Title

Attest:

By: *Linda ...*
 Name
 Yolo County Clerk, Yolo County Board of Supervisors



APPROVED AS TO FORM:

STEVEN M. BASHA
 County Counsel
 By: *[Signature]*
 Deputy