

MINUTES OF MEETING OF APRIL 20, 2006

The Sacramento Local Agency Formation Commission met this twentieth day of April, 2006, at 5:30 P.M. in Board Chambers, County Administration Center, 700 H Street, Sacramento, California, for a Special Meeting.

PRESENT: Commissioners: Christopher Tooker, Chair; Charles Rose, Vice-Chair; Elliot Mulberg, Susan Peters, Kevin McCarty, Roberta MacGlashan, and Sophia Scherman. Alternate Commissioner John Jachens was in attendance.

ABSENT: Commissioner Illa Collin. Not present: S. Miklos, G. Jones, Robert King Fong.

STAFF: Peter Brundage, Executive Officer; Donald J. Lockhart, Assistant Executive Officer; Nancy Miller, Commission Counsel; Marilyn Ann Flemmer, Commission Clerk.

CONSENT CALENDAR

The meeting was called to order by Chairman Tooker at 5:36 P.M. Commissioner Rose led the Pledge of Allegiance; the Clerk called the roll. On a motion made by Commissioner Scherman, seconded by Commissioner Rose, the Commission approved the Minutes of the Meeting of April 5, 2006.

SMUD SPHERE OF INFLUENCE AMENDMENT AND ANNEXATION OF TERRITORY IN YOLO COUNTY (05-05)

Peter Brundage reviewed the Executive Officer's Report and recommendation in a Power Point presentation. Mr. Brundage stated he recommended approval of the proposed SMUD SOI Amendment and Annexation of territory within Yolo County subject to the terms and conditions set forth in the Resolutions prepared by Commission Counsel.

Tom Bailey, URS Corporation, LAFCo Environmental Consultant, addressed the Commission in a Power Point presentation. Mr. Bailey addressed comments on the FEIR that were made after the close of the official comment period. He reported that no new comments have been made; all of the comments have been made prior to the date of April 5, 2006. Mr. Bailey discussed tiering of EIRs, agricultural lands, air quality, the SMUD Cosumnes River power plant, energy supplies and costs, biology and mitigation measures. Mr. Bailey closed with the recommendation that the Commission certify the Final Environmental Impact Report.

Glenn Walker, GES Engineers & Appraisers, LAFCo Consultant, addressed the Commission. Mr. Walker addressed both economic impacts and level of service impacts that would result from the SMUD annexation of PG&E's service territory in Yolo County. Mr. Walker responded to PG&E comments in correspondence dated March 29, 2006, stating "There are no new comments in the correspondence of March 29, 2006. With respect to power supply costs," Mr. Walker stated, "We [GES] believe the original power supply cost is correct. We did look at an independent power supply forecast in California and the region and concluded that SMUD's power costs would be reasonable. We reviewed information and concluded \$110 M would be reasonable and we did not split the difference." Mr. Walker stated that after review, "We have not found anything that would cause us to change our opinion on fair market value of PG&E assets from the March 26, 2006 report."

Steven Souza, Councilman, City of Davis, addressed the Commission. Mr. Souza urged the Commission to certify the FEIR and call a territory-wide election on the issue. "We have been working on this issue for over five years," he stated.

Neal Peart, Councilman, City of Woodland, addressed the Commission. Mr. Peart urged the Commission to certify the FEIR and call a territory-wide election on the issue.

Oscar Villegas, City of West Sacramento, addressed the Commission. Mr. Villegas urged the Commission to certify the FEIR and call the election on the issue.

Ms. Mariko Yamada, Supervisor, Yolo County, addressed the Commission. Ms. Yamada thanked the Commission and staff for their hard work on the proposal. She requested that the Commission "withstand PG&E's attempts to balkanize the area" and urged certification of the FEIR and proceeding with the election. Ms. Yamada stated the "Yolo County Board of Supervisors is fully committed to the proposal."

Ray Jones, Former Mayor, City of West Sacramento, addressed the Commission. Mr. Jones stated he had collected 125 signatures requesting that the election on this matter be done on a jurisdiction by jurisdiction basis. He stated that West Sacramento wishes to maintain a separate vote on the issue.

Hunter Stern, I.B.E.W. #1245 Representing the Electrical Workers at SMUD and PG&E, addressed the Commission. Mr. Stern stated "Our position on this proposal is to keep the status quo. We want no change. Status quo assures that our members are not harmed," stated Mr. Stern.

David Marcus, Independent Consultant to I.B.E.W. #1245, addressed the Commission. Mr. Marcus stated there is "no guarantee of safeness; my review of the proposal happens to be close to that of GES."

Phil Marler, Assistant City Manager, City of Woodland addressed the Commission. Mr. Marler reaffirmed the City of Woodland's support for the proposal. "In an independent

study, our best estimate shows that there will be economic benefits from this proposal," he stated.

Kurt Rodacker, Organization of SMUD Employees, addressed the Commission. Mr. Rodacker stated the "Organization of SMUD Employees urges the Commission to certify the FEIR and call the election on this issue."

Kay Fenrich, City of West Sacramento Chamber of Commerce, addressed the Commission. Ms. Fenrich stated the Chamber has reviewed the proposal and believes the proposed annexation to SMUD would be beneficial. "We endorse the proposal," concluded Ms. Fenrich.

Jerry Adler, City of Davis Chamber of Commerce, addressed the Commission. Mr. Adler stated The City of Davis is now able to support the proposal, with the exception of Condition 1, B, 5, page 13, that contains language that should be deleted. Mr. Adler urged deletion of the last clause.

Dr. William G. Hamm, PG&E Economic Consultant, addressed the Commission. Dr. Hamm stated he has been retained by PG&E for independent analysis of the proposal. Dr. Hamm addressed costs and then asked the Commission, "How Much will the courts require SMUD to pay for PG&E facilities because these outcomes are uncertain. Rates may be higher or lower. There is risk and uncertainty," stated Dr. Hamm. "GES has given us a range, but it has not removed risk. Sacramento customers could end up paying for the spike in natural gas prices," concluded Dr. Hamm.

Ms. Cari Seymour, Elk Grove SMUD Ratepayer, addressed the Commission. Ms. Seymour stated "SMUD is a non profit entity, has integrity and is more than responsive to the community. I believe it would be wholly good for Yolo County to be part of SMUD," concluded Ms. Seymour.

Dan Richard, PG&E Consultant, addressed the Commission. Mr. Richard stated "this proposal is an unwelcome attempt to take over PG&E property. I urge you to take a look at the risks. Whether or not SMUD can keep their promise regarding their rates is dependent upon the price of fuel. The cost of natural gas has gone up two and one half times in the last two years," stated Mr. Richard. "PG&E is building a power plant right now; as the fuel costs that PG&E pays are cheaper than the fuel costs that SMUD pays, their rates will be cheaper. No one has compared fuel costs in this proposal." Mr. Richard concluded by stating that "there are risks and downsides; things may not work out as well as imagined and that the people should know about the risks so they can have a more informed choice."

Genevive Shiroma, Board of Directors, Sacramento Municipal Utility District, addressed the Commission. Ms. Shiroma stated she was contacted by the Conference of Operating Engineers today; "they retract their letter in opposition to the proposal."

There was a break. The meeting resumed at 7:26 P.M.

Arlen Orchard, General Counsel, Sacramento Municipal Utility District, addressed the Commission. Mr. Orchard thanked the Commission for its diligence and endurance; he stated "SMUD concurs with removal of the paragraph in condition 1 at page 13." He stated "there are two unions and they split about even on this issue." Mr. Orchard said "SMUD's power supply is detailed in the application. Both PG&E and SMUD are exposed to market vulnerability regarding energy costs. SMUD has reduced its volatility by market strategies which allow SMUD to charge lower rates and provide reliable service. SMUD will serve the Yolo customers with a variety of portfolio resources. We use proven risk management strategies to protect customers: diversity, financial hedging and weather insurance (in wet years we defer use of gas fired generators or sell hydro electricity on the open market)." Mr. Orchard continued stating, "there are real risks and imaginary risks; PG&E is using their Play Book to deliver political messages." Mr. Orchard stated "the record that supports the proposal is extensive. The value of PG&E falls within the range of SMUD's estimate; the economic benefits range between the most conservative, estimated at \$165 M, to \$380 M. Current customers will benefit and be protected; Yolo customers will pay for the annexation." He concluded by urging the Commission to certify the FEIR and call the election on the proposal.

Mr. Orchard, Mr. Walker and Commission Counsel answered Commission questions regarding the proposal. There was Commission discussion. Chairman Tooker closed the Public Hearing. Commission Counsel addressed election issues. Ms. Miller stated "calling the vote in separate jurisdictions is not legal." She reported there will be two separate questions for the Yolo County election: (1) Do you agree to be annexed into SMUD? (2) Shall SMUD provide electric service? The single Sacramento County ballot question will be adopted by the SMUD Board: Shall SMUD provide service to Yolo County? Counsel and the Commission then proceeded to review the conditions and make changes in the conditions of draft Resolution 1313.

Motion to Approve

Commissioner Scherman then moved approval, with amendments, of **Resolution No. LAFC 1312**, Resolution of the Sacramento LAFCo Certifying the Final Environmental Impact Report for the Amendment of the Sphere of Influence for SMUD and Annexation of the Cities of West Sacramento, Davis, Woodland and Unincorporated Portions of Yolo County. The motion was seconded by Commissioner Rose and unanimously passed.

Commissioner Scherman then moved approval, with amendments, of **Resolution No. 1313**, Resolution of Sacramento LAFCo Making Determinations and Adopting Findings on the SMUD Municipal Service Review and Application to Amend the Sphere of Influence and to Annex Cities of West Sacramento, Woodland, Davis and Unincorporated Portions of Yolo County, **AND** simultaneous approval, with amendments, of **Resolution No. 1314**, Resolution of Sacramento LAFCo Adopting Findings and Approving Mitigation Monitoring and Reporting Plan for the Amended Sphere of Influence for SMUD and Annexation of Cities of West Sacramento, Woodland, Davis and Unincorporated Portions of Yolo County.

The motion was seconded by Commissioner Mulberg and passed by the Commission. Commissioner Peters voted no (there were no abstentions).

Commissioner Tooker thanked SMUD staff, the court reporter, and the public speakers for their participation in the process of the proposed SMUD annexation of Yolo County territory.

PROPOSED LAFCo FY 2006-07 BUDGET

After brief discussion, Commissioner Peters moved approval of the Executive Officer's Proposed Budget for FY 2006-07. The motion was seconded by Commissioner Rose and unanimously approved.

The Chair announced the cancellation of all meetings scheduled during the month of May. The next meeting was announced for **June 7, 2006**, 5:30 P.M., Board Chambers, County Administration Center, 700 H Street, Sacramento, California.

There was no further business. The meeting was adjourned at 9:15 P.M..

Respectfully submitted,

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

Marilyn Ann Flemmer
Commission Clerk

MAF
(Minutes April 20, 2006)