

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION
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December 1, 2004

TO: Sacramento Local Agency Formation Commission

FROM: Peter Brundage, Executive Officer

RE: **SMUD Sphere of Influence Amendment and Annexation of**
SRCSO Lower Northwest Interceptor South River Pump Station Site
(06-04)

PROPOSED PRESENTATION FORMAT

- I. LAFCo Presentation (Overview)
- II. SMUD/ SRCSO Presentations
- III. P. G. & E. Presentation
- IV. Question / Answer (LAFCo/ SMUD/ P.G. & E./ SRCSO)
- V. Public Comment
- VI. Commission Deliberation

PROJECT UPDATE TO STAFF REPORT DATED NOVEMBER 3, 2004

This memo is a brief Supplemental Report to the LAFCo Staff Report on the proposed SMUD SOI Amendment and Annexation of the SRCSO South River Pump Station Site dated November 3, 2004.

Summary of Negotiations and Discussions Between
Yolo County/ Yolo LAFCo/ and Sacramento LAFCo/ SMUD/ SRCSO

Yolo County no longer opposes the proposed SMUD Annexation of the SRCSO South River Pump Station Site. SMUD and Yolo County have entered into an Agreement to negotiate and to adopt a Property Tax Agreement if SMUD should ever levy an ad valorem property tax. Also, Yolo County has indicated that if circumstances change in the future, it reserves the right to revisit the franchise fee issue. Finally, the proposed SMUD Annexation of the South River Pump Station will not set any precedent for future SMUD annexation proposals related to Yolo County or its cities.

SMUD Sphere of Influence Amendment

In determining the Sphere of Influence of each local agency, the Commission shall consider the following factors and prepare a written statement of its determination with respect to each of the following:

(1) **The present and planned land uses in the area, including agricultural and open-space lands.**

The proposal territory is currently zoned agricultural. The proposed use is for a sanitary sewer pump station. The proposed use is exempt from zoning because it will be owned and operated by a public utility (SRCSD). SRCSD is required to mitigate for the loss of agricultural land. The mitigation ratio is 1:1. The District will mitigate for 25 acres. The District's mitigation includes the fee ownership (15 acres) and 10 acres related to easements.

SMUD service to the site will be restricted to the South River Pump Station, owned and operated by SRCSD. The South River Pump Station is only one component of the Lower Northwest Interceptor sewage transmission/ treatment pipeline. The proposed pipeline provides many regional benefits. It is designed to serve the City of West Sacramento, the unincorporated area of Sacramento County and cities within Sacramento County. The pipeline and pump station have been designed to minimize construction costs and impacts to developed urban areas.

When the City of West Sacramento is connected to the pipeline, there will be environmental benefits for the Sacramento River. The City of West Sacramento sewage treatment plant will be closed and treatment will be provided by SRCSD. This restructure of sewage treatment will reduce the number of discharge points into the Sacramento River as well as ensure a higher quality of treated effluent, based on new State requirements, into the Sacramento River.

The proposed annexation of the pump station site will not have any impact on surrounding land uses including agricultural and open space lands. SMUD's service plan does not have the capacity to serve new development in the territory surrounding the 15-acre pump station site. The pump station is prohibited from serving new development because it is a transmission facility and not a local distribution facility.

(2) **The present and probable need for public facilities and service in the area.**

This is not relevant to the proposed SMUD annexation of the 15-acre pump station site. Neither SMUD nor SRCSD contemplates the provision of service to unserved territory surrounding the South River Pump Station site. Any future expansion of SMUD and SRCSD Sphere of Influence and service area will require an application to Sacramento LAFCo, analysis of the proposal and determinations/ findings made by your Commission. The SMUD proposal to annex the South River Pump Station site is for the specific purpose of serving electricity to the pumps on this site.

(3) **The present capacity of public facilities and the adequacy of public services which the agency provides or is authorized to provide.**

SMUD has the infrastructure (transformer capacity) at its Havenside Substation to provide cost-effective service to the South River Pump Station. Two underground feeds will need to be constructed. One feed will be a back-up line, the other will provide electricity. The Havenside Substation has an excellent service record for reliability. SMUD also has the power supply to serve the increased load related to the South River Pump Station. SMUD has a diversified energy mix through generation facilities it operates as well as purchased power contracts. SMUD is also constructing a gas generation facility. The first phase is expected to be on line in 2005. The first phase will provide 500 megawatts. The pump station load is estimated to be 6.5 megawatts at build-out, or about 1.3 percent capacity of the new generation facility.

(4) **The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.**

This issue does not appear to be relevant for the proposed SMUD annexation. SRCSD has evaluated its electric service options. The decision to request service from SMUD was based on many factors including price, reliability (fewer outages/ shorter periods), and customer service. There are no significant social impacts related to this proposal.

Supplemental Information
(See Attachments for Complete Details.)

Item No. 1: **Estimated Franchise Fee Impact to Yolo County.**

Based on discussions and information from Pacific Gas & Electric Franchise Fee Section, Navagant Consultants have estimated the foregone franchise fee to be \$58 per year, based on current SMUD rates. The amount assumes the pump station is operating 24 hours/ 7 days per week at projected build-out. This impact will not occur until the pump station is operational in 2006. It is anticipated that the pump station will not be at full load for several years after 2006.

Attachment 1 is a worksheet that shows a comparison of this calculation. I have confirmed with P.G. & E. staff that transmission line miles in this calculation would not change since P.G. & E. service alternatives would not be located in public streets or roads.

Item No. 2: **Memo to Elizabeth Kemper from Howard Newens, Yolo County Auditor-Controller, dated October 26, 2004.**

The Yolo County Auditor-Controller provided Yolo LAFCo valuation/ tax information related to the SMUD annexation. The Auditor states the following:

"There will be no property tax loss or exchange, as Sacramento Regional County Sanitation District Lower Northwest Interceptor South River Pump Station Site (in Yolo County) or SMUD are not included in the 1% tax distribution."

Item No. 3: **Letter to Victor Singh from Sacramento LAFCo dated October 8, 2004.**

The correspondence establishes LAFCo's staff position related to issues raised by Yolo LAFCo and Yolo County regarding the proposed SMUD annexation. Issues discussed:

- A. Agricultural Mitigation
- B. Property Tax Agreement
- C. Franchise Fee Loss to Yolo County of Sacramento

Item No. 4: **Letter from Victor Singh dated October 27, 2004 in Response to Sacramento LAFCo correspondence of October 8, 2004**

This correspondence was presented to Sacramento LAFCo by Yolo County in their offices on October 28, 2004 at a meeting requested by Sacramento LAFCo.

Item No. 5: **Letter to Victor Singh from Sacramento LAFCo dated November 5, 2004**

Item No. 6: **Letter from Victor Singh to Sacramento LAFCo dated November 12, 2004**

Mr. Singh objects to the Sacramento LAFCo position.

Item No. 7: **Letter from SMUD to Victor Singh dated November 16, 2004.**

Item No. 8: E-mail from Steve Basha, Office of Yolo County Counsel, to John Dodds, Office of Sacramento County Counsel.

PB:Maf
Attachments

(SMUD Supplemental)