



# **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

# Project Overview

- 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)

# Chronology Of Events

- 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

# Chronology Of Events

- 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)

# 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



# Project Characteristics

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



# 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)

# Boundary Changes

SMUD submitted application with correct boundary (SMUD Resolution had a different map)

SMUD Board ratified the new or revised map

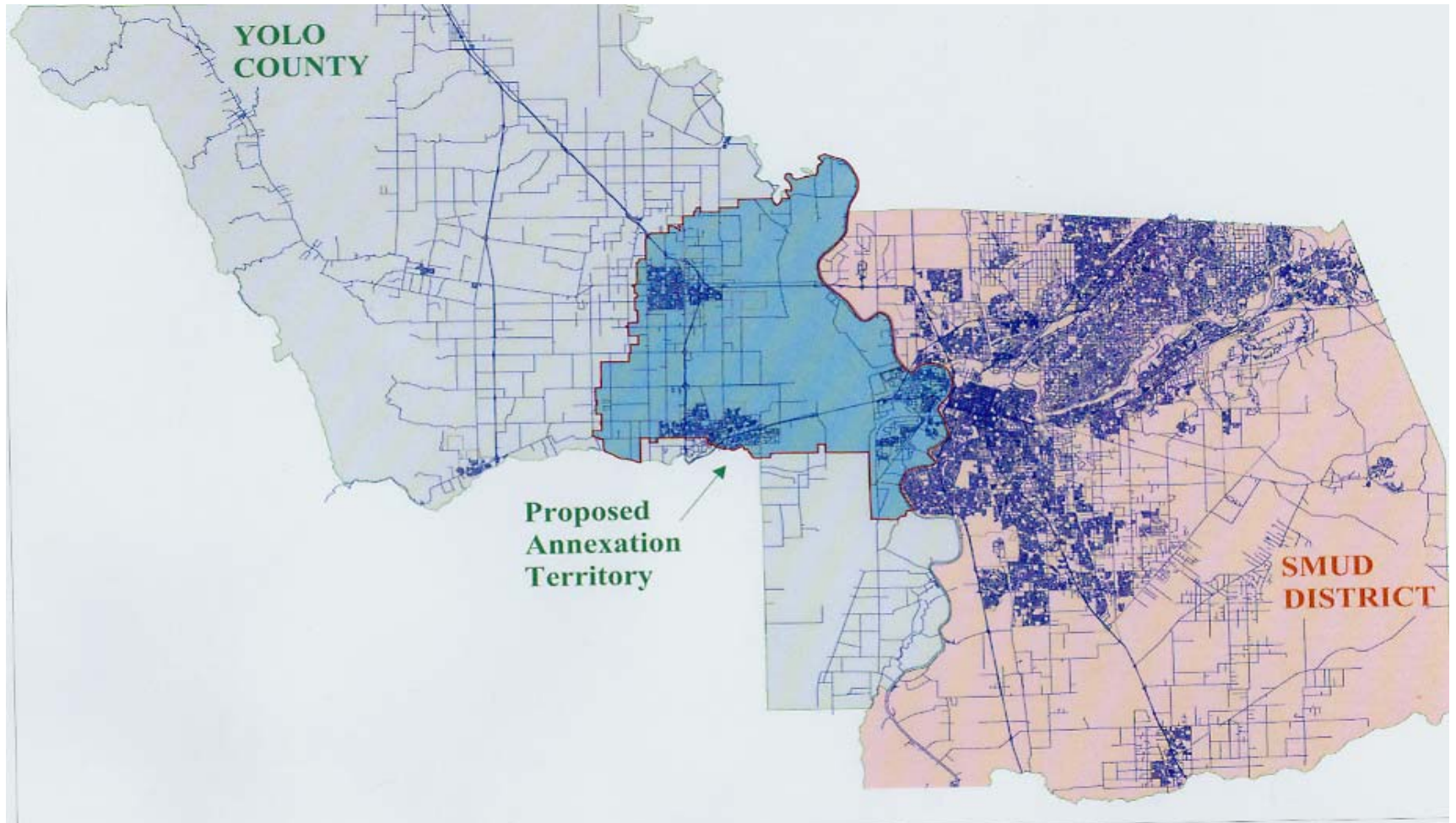
Revised boundary allowed existing facilities to be served by SMUD to avoid duplication and not “strand” existing PG&E customers

Impact: large area but relatively few customers



Sacramento  
LAFCo

# Map of Proposed Boundary



DCI

YOLO ANNEXATION PROJECT

Date:  
JULY 2005

VICINITY MAP OF PROPOSED ANNEXATION  
TERRITORY

# Environmental Review Process

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 EIR Process

NOP Scoping Meeting occurred on Wednesday, September 14<sup>th</sup>

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 27<sup>th</sup>

Written Comment Period Ended Monday, October 3<sup>rd</sup>

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

Draft EIR will be prepared and circulated (45-days)



# Property Tax Agreement Process

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



# Input From Yolo LAFCo

- 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 EVALUATION PROCESS

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)

# Valuation Issues

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

# Valuation Issues

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 less Depreciation



# LAFCo Process Schedule

