



## Facts and FAQs about the SMUD Annexation

- Early in 2003, Woodland, Davis, West Sacramento & Yolo County asked SMUD to consider annexation for:
  - Lower rates
  - Improved reliability and customer service
  - Economic development
  - Local control
- Since then, four studies have shown that annexation will save millions of dollars in Yolo County
- The most recent such study, prepared for Sacramento LAFCO by GES Engineers and Appraisers of New Hampshire, found:
  - Benefits are projected to be \$165 Million to \$380 Million
  - PG&E's system average rate is 27.8% higher than SMUD's
  - The value of the PG&E system to be acquired is \$110 Million, not \$516 Million as asserted by PG&E
  - Annexation will benefit both existing SMUD and new Yolo customers

- The difference in natural gas prices between SMUD and PG&E is negligible
- PG&E is overestimating the impact of "stranded asset costs" by 100%

PG&E disagrees with many of these LAFCO findings, including the anticipated benefits to SMUD and Yolo customers. PG&E also disputes the projected energy costs and the system value calculated by LAFCO.

April 2006: LAFCO approved SMUD's annexation application and placed key conditions on the annexation:

- Will not adversely impact existing SMUD customers
- New SMUD customers in the annexation area will pay the cost of annexation through a surcharge anticipated to last between 5 and 10 years
- The rates during the surcharge period will be at least 2% or more below PG&E rates then in effect
- At the end of the surcharge period, Yolo customers will move to the SMUD rates which are currently 30% lower than PG&E
- Annexation by SMUD will be revenue neutral to affected public agencies – no loss of revenue
- SMUD shall modify its ward boundaries to include the new Yolo territories annexed

*NOTE: "LAFCO" is the Sacramento Local Agency Formation Commission that has jurisdiction in approving annexations by Sacramento government agencies*

## FAQs – Frequently Asked Questions

### Did SMUD initiate a "hostile takeover" of PG&E in Yolo County?

No. The annexation by SMUD was requested by the elected officials representing the citizens of Woodland, Davis, West Sacramento and Yolo County. SMUD did not initiate the annexation.

### Why did these elected officials request the SMUD annexation?

Because comprehensive studies prepared by independent consultants showed that annexation by SMUD would greatly benefit both existing SMUD customers and new customers annexed in Yolo County. Benefits include: lower electric rates, more reliable service, better customer service, economic development, and local control.

### If annexation is approved by the voters, will my new SMUD rates be greater than PG&E rates?

No. The SMUD Board, which sets SMUD rates, has guaranteed a 2% reduction in rates from whatever PG&E is charging. In addition, LAFCO has placed a condition on the annexation that also requires this guaranteed 2% reduction.

### If SMUD rates are currently 30% lower than PG&E, why will I only receive a 2% reduction?

You will receive the 2% reduction during the time that PG&E is being paid for their lines, poles and system by SMUD. Once PG&E is paid for their assets, your SMUD rates will drop to their regular rates – currently 30% lower than PG&E. PG&E should be paid in five to ten years.

**I hear different values reported for the PG&E system to be acquired by SMUD. What's up with that?**

PG&E reported a “book value” to the Sacramento LAFCO of \$65 Million for the poles, lines, transformers, etc. that would be acquired by SMUD. However, PG&E contends the “market value” is \$516 Million. The R.W. Beck study reported a value ranging from \$56-\$108 Million. The SMUD study calculated a value ranging from \$84–\$130 Million. Sacramento LAFCO had an independent analysis conducted by their consultant who established the value at \$110 Million.

**Does SMUD have the capacity to provide power for Yolo County?**

Yes. The LAFCO analysis confirmed the availability of sufficient power for Yolo. If the ballot measure passes, SMUD will enter into long term power contracts to serve the new Yolo area and keep rates stable. Additionally, SMUD's new Cosumnes Power Plant currently generates excess power in off peak times that is sold on the wholesale market. Instead of selling this power into the wholesale market, SMUD could use it for some of the new Yolo load.

**If SMUD annexation is approved, will Yolo County customers have representation on the SMUD Board?**

Yes. The seven-member SMUD Board is elected by the residents of the seven “wards” (districts) that comprise SMUD. After the annexation is approved by the voters, SMUD would redistrict its wards to include all the areas in Yolo County that were annexed. The representative from

that redistricted area would be elected by the customers from within it.

**Will the Cities of Woodland, Davis and West Sacramento lose revenues as a result of the SMUD annexation?**

No. These Cities and the County receive franchise fees and property tax payments from PG&E. SMUD is not required to pay these fees and property taxes; however, a condition placed on the annexation by LAFCO requires the annexation to be revenue neutral. SMUD has entered into a Memorandum of Understanding with each of the Cities and the County regarding the replacement of these revenues. These entities will be kept whole; there will be no utility tax assessed to their residents.

**SMUD's system is reported to be more reliable than PG&E; how will SMUD improve the reliability of PG&E system in Yolo County?**

The R.W. Beck study reported that SMUD would need to invest \$27 Million to bring the PG&E system serving Woodland, Davis, West Sacramento and Yolo County up to SMUD standards. This figure has been revised by SMUD to approximately \$48 Million, but includes the expenses related to the interconnection into Yolo County.

**How long will it take to begin receiving lower SMUD rates?**

If approved by the voters this November, it is anticipated that SMUD will begin serving Woodland, Davis and West Sacramento in the fall of 2008. That is when reduction in rates will begin.

*Prepared by the Cities of Woodland, Davis and West Sacramento and the County of Yolo*



**Facts and FAQs about the SMUD Annexation**

- On average, SMUD rates are nearly 30% lower than PG&E – in the medium commercial rate structure, SMUD rates are nearly 36% lower
- SMUD has guaranteed an immediate 2% rate reduction during the time that the acquisition costs are recovered – anticipated to be five to ten years
- Lower SMUD rates represent a savings of nearly \$380 Million over 20 years
- SMUD was rated the Number One utility in California by J.D. Power and Associates for the last five years; PG&E was rated below average for the last five years
- LAFCO analysis found that SMUD will be the most efficient electric service provider for the Yolo area and annexation by SMUD will have a positive effect on economic growth because of lower rates and better reliability with SMUD