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LAFCO: Yes to SMUD

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SACRAMENTO — As the last of the six "yes" votes was registered Thursday evening by the Sacramento Local Agency Formation Commission, Susan Patterson subtly nodded in approval.

Patterson is one of seven elected directors on the Sacramento Municipal Utility District's board. She sat Thursday evening toward the back of the crowd gathered for LAFCO's ruling on whether to allow SMUD to annex Davis, Woodland, West Sacramento and rural Yolo County areas in between the cities.

Following the 6-1 vote approving the proposed annexation, a few whispers were heard throughout the room, then that side of the audience — Patterson and two other SMUD directors, several high-level staff members of the public utility and other supporters — erupted in applause. Following that were handshakes all around.

On the other side of the Sacramento County Board Chambers, Pacific Gas & Electric Co. representatives quietly gathered their notebooks, briefcases and jackets. As they left, they maintained their stance that the annexation would cost the new and old SMUD customers much more than they realize.

If annexation goes forward, PG&E has said, SMUD will not be able to keep its promises to its existing ratepayers and those in Yolo County.

"I was very hopeful that they were going to support us," Patterson said this morning in a telephone interview. "And I was pleased that they did. I'm sorry it wasn't unanimous but, you know, the vote was still headed in the right direction."

The only "no" vote was from Commissioner Susan Peters, a Sacramento County supervisor. She said her job is to protect Sacramento County ratepayers and there was too much uncertainty in future energy costs for her to approve the issue.

Continued Patterson, the SMUD director: "And that's the culmination of an awful lot of hard work on everybody's part — the LAFCO folks and the consultants and our staff, and PG&E, too. So I was very pleased. I felt they had plenty of information to make an informed decision and did the right thing."

Patterson strongly supported the proposed annexation when the SMUD board voted 5-2 last year to send it to LAFCO. Her criticism of PG&E that preceded her May 2005 vote was some of the harshest delivered by SMUD directors during that meeting.

Now that LAFCO has approved the annexation, which would switch 70,000 Yolo County residents and businesses from being PG&E customers to getting their electricity from SMUD, the issue goes to the voters.

In November, voters in the Yolo County areas proposed for annexation and those in SMUD's existing territory, in Sacramento County and some in Placer County, will weigh in. Ballot measures in all areas must pass for the annexation to go forward.

On Wednesday, 1,500 West Sacramento residents, and the PG&E-funded political group Coalition for Reliable and Affordable Electricity called for a separate vote on the annexation in West Sacramento. Today, the plan is for an areawide election in which the three cities and the county areas would vote as one.

LAFCO's vote essentially means the commission believed SMUD could provide equal or better service to the Yolo areas as compared with PG&E. Among the written reasons LAFCO supported the move were the commission's belief that SMUD would provide lower costs to customers in the Yolo areas and benefits for both sets of ratepayers, and that there is the potential for more reliability and customer satisfaction for the Yolo residents and businesses.

SMUD agreed to make available each year a document showing the amount Yolo customers would pay into to fund the annexation. SMUD already is audited each year by an outside firm, and SMUD general counsel Arlen Orchard said the separate evidence would assure existing customers they were not funding the annexation.

"We're obviously very pleased that LAFCO has moved this forward," Orchard said following the vote.

Orchard had become the face of SMUD's push for annexation and on Thursday delivered a presentation that was relaxed and, at times, sarcastic toward PG&E. He referred to "real" risk versus "imaginary" risk involved in the annexation and said PG&E's claims were "theatrical."

Orchard said he was confident the voters will recognize the benefits of the annexation.

"It's been a long road," he said following LAFCO's vote.

Dan Richard, representing PG&E, reiterated that company's stance that the annexation would cost much more than SMUD and consultants have predicted, and that SMUD would not be able to keep both its promises of financial gains to customers in Sacramento and in Yolo. The fact that the vote was not unanimous Thursday shows "there are some flaws in the argument" for annexation, he said.

"What SMUD has done is say, 'Don't worry, there really are no risks,' or, 'PG&E (is finding) bogeymen under the bed,' " Richard said.

But, he said, real risk exists, particularly if natural gas prices are higher than SMUD has predicted.

Chris Tooker, chairman of LAFCO, said he was persuaded in part by SMUD's record of performance, successful business model and responsiveness to its ratepayers. He said SMUD's record for managing risk made him more comfortable with some uncertainty in the costs that SMUD would incur if the voters approve the annexation.

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