



## High stakes in Yolo energy fight

**Annexation plan gives SMUD chance to expand, while PG&E stands to lose substantial base.**

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**Published 2:15 am PST Sunday, January 22, 2006**

**Story appeared in Metro section, Page B1**

The Sacramento Municipal Utility District blinked first in the political staredown with Pacific Gas and Electric Co. over its insistence that SMUD ratepayers be allowed to vote on their utility's plans to annex 70,000 of PG&E's Yolo County customers.

SMUD's decision Jan. 12 to let ratepayers have the final say - after months of rejecting that notion - doesn't suggest the utility has lost ground in its annexation drive.

But the political chess game under way between the rival utilities does speak to how high the stakes are.

The annexation battle is about more than just who should own and operate the power lines in eastern Yolo County.

The proposal offers a chance for SMUD to grow instantly by 12 percent, expanding into populated territory and providing a larger base to spread costs. The adjacent, compact area is easy to reach, and SMUD would be positioned to benefit from future development in West Sacramento and Woodland.

"To have our neighbors come ask to join is a real shot in the arm for us," SMUD President Genevieve Shiroma said. "It will make us stronger to face whatever the future holds."

For PG&E, the bottom line is its bottom line: profits from 70,000 Yolo County customers in the annexation area. The

multibillion-dollar company is fighting to keep a franchise it has served for more than a century.

"SMUD is trying to exert its eminent domain power to condemn a private business and seize property, just to have government provide the exact same service," PG&E spokeswoman Jann Taber said. "We're not for sale."

Not surprisingly, the rival utilities already are in the thick of a political struggle.

Each has lined up community supporters, technical experts, lawyers and political strategists in anticipation of an expensive and contentious campaign.

An early result is the likelihood that Sacramento County voters will face two elections - in June and November - on annexation-related measures.

"It's SMUD's battle to lose, and they will if they don't step up," said Barbara O'Connor, director of the Institute for the Study of Politics and Media at California State University, Sacramento.

"PG&E is not going to go quietly into the night and give up Yolo County."

PG&E is following an aggressive strategy it has used to defeat other public-power efforts in Northern California, including San Francisco ballot measures in 2001 and 2002.

Opponents call the plan - based on a guide developed by an electric industry group - "PG&E's playbook."

In Sacramento County, PG&E has spent heavily on advertising and organized a coalition of SMUD ratepayers to oppose annexation.

Using paid solicitors, the Coalition for Reliable and Affordable Electricity collected 53,000 signatures calling for a June initiative that would let SMUD ratepayers cast a nonbinding vote on major boundary changes.

The efforts prompted SMUD to reverse course after insisting for months that only Yolo County voters should decide annexation.

Board members agreed to put the issue to a binding vote in November among SMUD's 575,000 current ratepayers in Sacramento and Placer counties.

Directors ordered staff to draft ballot language making it clear to SMUD voters that the full cost of annexation will be paid by Yolo County residents.

To comply with legal restrictions on the board's political activity, some SMUD directors have formed an independent political action committee, SMUD Customers Say Yes to Low Rates, to run the annexation drive.

The group has hired political consultant Richie Ross, Shiroma said Friday.

She said the committee "just recently" organized and would begin seeking political and financial support.

SMUD also is counting on public meetings to educate voters.

At a workshop last week, SMUD staff presented a forecast indicating annexation would generate \$404 million in total economic benefits over 20 years for ratepayers on both sides of the Sacramento River.

"If you look at past election battles, it's not always about who has the most money," SMUD board member Bill Slaton said.

"Ultimately, the truth does weigh out. Our customers are smart, and our big job is to make this understandable."

Meanwhile, annexation opponents will spend "whatever it takes to get our word out," said Jeff Raimundo, spokesman for the PG&E-backed coalition. He dismissed complaints that deep pockets give PG&E an unfair campaign advantage.

"SMUD was all over the newspaper last week with that workshop," said Raimundo, a political consultant.

"They get free publicity with every single board meeting they hold that's worth tens of thousands of dollars."

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