



Report backs SMUD expansion

Yolo annexation would save district's customers money, consultant says

By Ed Fletcher -- Bee Staff Writer

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If SMUD's annexation plan for Yolo County is approved, the municipal utility district's customers stand to save between \$165 million and \$380 million over 20 years, according to a consultant hired to evaluate the district's proposed expansion.

"It's a win-win for Yolo and (existing) SMUD ratepayers," said Peter Brundage, executive director of the Sacramento County Local Agency Formation Commission, which funded the consultant's report.

The commission must approve the annexation before voters have a chance to weigh in on the matter in November.

The Sacramento Municipal Utility District has proposed annexing 77,000 Pacific Gas and Electric Co. customers living in Davis, West Sacramento, Woodland and adjacent unincorporated areas. The move has been endorsed by each of the cities.

LAFCO is expected to vote on the proposal in April.

Brundage said savings on the monthly bills for SMUD's 575,000 individual customers likely would be small.

The plan has been subject to wildly differing opinions on what SMUD would ultimately be forced to pay the investor-owned utility company for poles, lines and other equipment within the Yolo County territory and, consequently, the cost or benefit to customers.

By PG&E's estimate, the equipment costs total \$516 million. PG&E officials have argued the annexation might force Yolo County customers to pay more than they already do and that SMUD might shift some of the annexation costs to existing customers. SMUD, however, put the fair market value of the PG&E property at \$84 million.

The New Hampshire-based consulting firm GES Engineers & Appraisers said a "reasonable estimate" of fair market value was \$110 million.

The consultant noted it did not independently inspect the property in question. It based its findings on information provided by SMUD and PG&E.

The LAFCO-funded report strikes a favorable tone regarding the annexation and notes that SMUD's board of directors has taken steps to protect the interests of existing customers, area municipalities and customers in the annexation area.

SMUD plans through a surcharge to have new Yolo customers pay annexation costs. New customers also will pay to offset franchise fees and property tax dollars, which are owed by private companies, but not public entities such as SMUD.

Even with the fees, the SMUD board is guaranteeing new customers they will pay at least 2 percent less than the current PG&E rate.

The two sides had radically different views of the GES report.

"We very pleased with the findings," said Arlen Orchard, a SMUD attorney. "It vindicates what SMUD has been saying all along. This should effectively end the 'he said, he said' that has been going on."

Jeff Raimundo of the PG&E-funded Coalition for Reliable and Affordable Electricity, said, "It's just another consultant's report."

"The final cost will be determined by a lengthy eminent domain lawsuit," Raimundo said.

He said a court determination of the value is likely to come closer to PG&E's estimate.

Mark Capitolo, a spokesman for the recently formed Yolo 4 SMUD campaign, was pleased with the report.

"From our side of the river, it's more evidence to a good deal for future Yolo customers," Capitolo said.

"It's a good business deal for existing customers, and it means lower rates and better service for Yolo customers."

ANNEXATION BY THE NUMBERS

\$516 MILLION

what PG&E estimates its equipment costs to be

\$84 MILLION

SMUD's estimate of the fair market value

\$110 MILLION

GES Engineers & Appraisers "reasonable estimate" of the fair market value for LAFCO

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