



Annexation updates

February 16, 2006

Registrar suspects fraud in PG&E-funded initiative drive

After evaluating a sample of signatures from a Pacific Gas & Electric-sponsored petition drive, the Sacramento County Registrar's office said this week that it will submit the petitions to the Secretary of State's Fraud Division for investigation.

PG&E financed the ballot initiative drive, which was widely viewed as an attempt to prevent SMUD from serving the portions of Yolo County that have requested annexation.

If approved by existing SMUD customers, the initiative would force SMUD to hold an advisory election any time it wants to significantly expand its service territory.

In a Feb. 15 letter to SMUD General Counsel Arlen Orchard, Assistant Registrar Alice Jarboe said her office suspected "some instances of fraudulent signatures" among the 1,600 sample signatures reviewed. In addition, there were problems with petition circulators, who by law are supposed to live in the jurisdiction affected by the petition - in this case the SMUD service area. Some of the petition circulators submitted incomplete addresses, mail drops, or addresses that do not exist, according to Jarboe.

In briefing the SMUD Board at the directors' regularly scheduled meeting this morning, Orchard said he spoke to Jarboe and learned that problem signatures included names of people found to be deceased.

The registrar's review also found that more than 30 percent of the sample signatures evaluated were invalid for one reason or another. In most cases, the signatures were not those of registered voters.

Because a high proportion of the signatures were invalid, there must be a full verification of the signatures to determine if there are at least 31,395 valid signatures, the minimum required to qualify PG&E's initiative. The PG&E coalition submitted 53,317 signatures.

By state law, SMUD as a public agency subject to the initiative process must pay for signature verification and any subsequent elections in its service area.

Orchard said the sample verification cost SMUD approximately \$10,000. The full check of petitions required under the election code will cost SMUD another \$75,000 to \$100,000, Orchard said, citing the registrar's estimate.

Because the deadline to qualify for the June primary ballot is March 10, the registrar's staff will have to work overtime to complete the evaluation, Jarboe said. Through their lawyer, the petition proponents have offered to pick up the cost of the overtime charges.

The initiative drive was launched in October by a group calling itself the Coalition for Reliable and Affordable Electricity, which reportedly relied on paid petition gatherers to solicit signatures for the ballot initiative.

According to campaign disclosure records filed with the Secretary of State, the coalition received \$600,000 cash from PG&E's parent company in 2005. PG&E Corp. was the only entity that funded the coalition.

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Folsom customers paid the cost of admission

All customers saved after Folsom joined SMUD

After joining the Sacramento Municipal Utility District in 1984, the City of Folsom customers paid the full cost of acquiring the transmission and distribution system in their area and saved the rest of SMUD customers at least \$125 million.

Those were two of the conclusions SMUD staff presented at a Board of Directors Committee meeting yesterday in a review of the Folsom annexation. Presented by Chief Financial Officer Jim Tracy, the review addressed issues that have been raised by PG&E and a Citrus Heights homeowners association opposed to SMUD serving portions of Yolo County.

PG&E provided electricity to Folsom prior to 1984 and has actively opposed the Yolo-initiated effort to have SMUD serve West Sacramento, Davis, Woodland and adjacent unincorporated areas.

Folsom customers more than covered the cost of acquiring PG&E assets through surcharges on their monthly electric bills starting in 1984.

"In retrospect, it's clear that taking in Folsom was a good thing for all of us," Tracy said.

Before the Folsom annexation, media reports cited PG&E assertions that the value of their electrical system in the Folsom area was \$40 million. Later, PG&E claimed in a regulatory filing that its Folsom system was worth \$26 million, or \$13 million more than the settlement value they agreed to in 1989.

SMUD paid \$13 million for PG&E's transmission and distribution system in the Folsom area in 1989, plus \$3.4 million in interest that accrued over five years of court proceedings and negotiations. SMUD spent an additional \$3.4 million to upgrade the PG&E system, for a total investment of \$19.8 million in the Folsom area.

SMUD collected \$18.4 million in surcharges and earned \$2.9 million in interest on that revenue by the time SMUD and PG&E settled the acquisition cost in 1989. In total, revenues from the Folsom annexation exceeded costs by \$1.5 million, Tracy said.

In the years since SMUD began serving Folsom those customers have saved \$238 million, measured in 2004 dollars, compared with what they otherwise would have paid PG&E for electric service.

Yolo service request overview

Get up to speed with the electric service request information section on [SMUD.org](https://www.smud.org). You'll find a history of past annexations, a timeline of the current request, a map in PDF format of the east Yolo area that has requested annexation and more.

[Comments or questions](#) are invited. SMUD is an electric utility owned by its customers and overseen by an elected [Board of Directors](#). The SMUD home page is at [smud.org](https://www.smud.org). The main SMUD annexation page is at [smud.org/annexation](https://www.smud.org/annexation).