

EXECUTIVE SUMMARY

Executive Summary

INTRODUCTION

In 2003, the Cities of West Sacramento, Davis, and Woodland (the Cities) and the County of Yolo formally requested that the Sacramento Municipal Utility District (SMUD) consider annexing the Cities and unincorporated portions of Yolo County (collectively, the Annexation Territory) into SMUD's electric service territory (thereby replacing their existing provider, Pacific Gas & Electric Company [PG&E]), citing the potential for lower rates, the ability to participate in decision-making on energy-related issues at the local level, and the potential for improved reliability and customer service.

After reviewing an independent study of the annexation concept, completing its own internal review, and receiving additional public input, SMUD's Board of Directors voted to seek annexation in May 2005. In August 2005, SMUD submitted its application to the Sacramento Local Agency Formation Commission (LAFCo). If SMUD's application is approved by LAFCo and the voters, SMUD will replace PG&E as the provider of electric service in that area. PG&E will continue to provide natural gas service.

SMUD's annexation and concurrent sphere of influence (SOI) amendment proposal is subject to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act). Under the CKH Act, LAFCo must determine whether to order the annexation and approve the SOI amendment. In making this determination, LAFCo requires a comparison of the cost-effectiveness and service delivery capability of both SMUD and PG&E.

The Program consists of the proposal by SMUD to annex the cities of West Sacramento, Woodland, and Davis and unincorporated portions of Yolo County and to provide electric service to these areas. Sacramento LAFCo, the Lead Agency for this Environmental Impact Report (EIR), will use this EIR in its consideration of SMUD's proposal for annexation and concurrent SOI amendment.

This Program EIR was prepared to provide Sacramento LAFCo and the public with information on potential impacts on environmental resources from SMUD's proposed annexation and subsequent provision of electric service to the Annexation Territory.

Program Goals and Objectives

- Improve the reliability of electric service in the Annexation Territory.
- Improve customer satisfaction in the Annexation Territory.
- Provide electric service to the Annexation Territory at rates that are lower than those currently paid by customers in the Annexation Territory.
- Ensure local control by Annexation Territory ratepayers over their electric utility.
- Provide service to the Annexation Territory at no financial cost and no reduction in service quality/reliability to existing SMUD customers.

Executive Summary

- Provide service to the Annexation Territory at no material financial cost and no reduction in service quality/reliability for existing PG&E ratepayers outside the Annexation Territory.

Program Components

The Program consists of the following program components.

Administrative Components

- (1) Expansion of SOI/Annexation
- (2) SMUD Acquisition of PG&E Equipment/Infrastructure
- (3) Execution of Memoranda of Understanding or Other Operating Agreements with Yolo County Interests

Construction and Operation and Maintenance Components

- (4) Power Inn Road to Hedge Substation Transmission Line Reconstruction Study Area
- (5) North City Interconnection Study Area
- (6) Woodland-Elverta Transmission Line Study Area
- (7) Willow Slough Substation Study Area
- (8) Other Distribution System Upgrades
- (9) Operation and Maintenance of the Annexation Territory's Electric System

Some program components will necessarily be implemented if LAFCo and the voters approve the proposed annexation and SMUD is to provide electric service to the Annexation Territory. These Program Components (1, 2, 3, 4, 5, and 9) are analyzed at the project level in this EIR. Other Program Components (6, 7, and 8), most notably a new transmission line, a new substation, and distribution system upgrades, could be constructed in various locations or in various ways. It is premature for this EIR to develop specific locations for Program Component 6 and 7. The basic policy question confronting LAFCo at the present time is whether the ratepayers in the Annexation Territory will be better served by SMUD or by PG&E. This question of governmental efficiency is a matter solely within the expertise of LAFCo. If LAFCo were to determine that it would be in the public interest for SMUD to serve the Annexation Territory, then SMUD would be the agency with expertise in siting electric transmission and distribution facilities. SMUD would then have to conduct that analysis in a way that was consistent with requirements that LAFCo determined were needed to protect the public interest, which LAFCo could accomplish through the inclusion of terms and conditions in any order approving the annexation. Then SMUD also would have to prepare one or more additional environmental document(s) to analyze the impacts of these program components on the environment at a project level. In this way, tiered review of the potential environmental effects of the proposed Program would allow the expert agency on governmental reorganization (LAFCo) to focus its decision on

Executive Summary

governmental efficiency questions and allow the agency with expertise on electrical service (SMUD) to focus its subsequent environmental analysis on those areas (the best way to provide electrical service to an area).

Best Management Practices and Mitigation Measures

This EIR incorporates best management practices (BMPs) into each construction-related program component to minimize the potential for significant impacts on the environment.

SMUD has agreed to include in the Program, as described in the application for annexation, several BMPs that will avoid and/or minimize the potential effects of the Program on the environment. These BMPs incorporate within the Program “state-of-the-practice” standards (largely, but not entirely, relating to construction) that avoid and/or minimize the effects of the Program on the environment. In many cases, implementation of these BMPs will avoid or reduce a potentially significant effect of the Program to a less than significant effect. In cases where there are no BMPs, or where the BMPs may not reduce the potential effects of the Program to a less than significant level, this Draft EIR proposes feasible mitigation measures, if such are available. Inclusion of BMPs in the Program description is consistent with SMUD’s core value of environmental protection.

Thus, the Draft EIR relies on both BMPs and traditional mitigation measures to avoid and/or minimize the effects of the Program on the environment. Because both BMPs and mitigation measures are used to lessen or avoid the effects of the Program on the environment, SMUD will be required to include both BMPs and mitigation measures in the mitigation monitoring and reporting program required by this EIR. Furthermore, to ensure the enforceability of both BMPs and mitigation measures, LAFCo has determined that each of the BMPs and mitigation measures determined to be feasible in either the Draft or Final EIR will be included as a term and condition in any resolution(s) approving the change in SMUD’s SOI or approving the proposed annexation.

SMUD will be responsible for the implementation of the mitigation measures and BMPs. SMUD will designate to LAFCo, prior to beginning work, SMUD personnel or contractors who are independent from those performing the work, who will complete a field checklist and perform periodic site inspections to document compliance with the monitoring and reporting plan (MRP). SMUD or its contractor will have final oversight authority over mitigation monitoring, and will maintain an administrative record of all mitigation and implementation tasks performed. At the monitoring milestones, SMUD must obtain signatures from the responsible parties to verify that the mitigation measures have been adequately implemented before that milestone occurs. SMUD will submit an MRP progress report to LAFCo every six months until all mitigation measures have been completed.

Potentially Significant Impacts on the Environment

The Program will have significant, unavoidable impacts in aesthetics, air quality, and noise (refer to Table ES-1). It is likely that the Woodland-Elverta transmission line (Program Component 6) will encroach on the viewshed of County Roads 16 and 117 in Yolo County. These two roads

Executive Summary

Table ES-1: Summary of Significant Effects

Significant Direct and Indirect Effects	Significant Cumulative Effects
Aesthetics	Aesthetics
Air Quality	Agricultural Resources
Noise	Air Quality
Growth Inducement	Biological Resources
	Cultural Resources
	Hazards and Hazardous Materials
	Hydrology/Water Quality
	Land Use/Planning
	Noise
	Population/Housing
	Public Services
	Recreation
	Transportation/Traffic
	Utilities/Service Systems/Energy Conservation

are designated as Scenic County Roads. Construction of program components will result in a short-term increase in the emissions of diesel particulate, a toxic air contaminant. Because SMUD will service the Annexation Territory from Sacramento while PG&E indicates that it services the Annexation Territory from local centers, the Program will result in a small long-term increase in diesel particulate emissions. During construction, noise will exceed the noise significance threshold of 50 dBA hourly equivalent sound level (L_{eq}) adopted for this EIR; however, construction noise will be limited to daylight hours in accordance with current community standards in Sacramento and Yolo Counties.

Cumulative Effects

This draft EIR anticipates cumulative effects from the combination of the Program and past, present, and reasonably foreseeable future projects in all resource areas except geology/soils and mineral resources. The reason for this conclusion is that the Sacramento metropolitan region is experiencing long-term sustained growth. LAFCo has decided that, in analyzing the cumulative effects of the Program, it will treat any direct or indirect effect as a significant cumulative effect. Of course, if the Program does not have any direct or indirect effect on the environment in a given resource area, it will not have a cumulative effect in that resource area. This EIR treats each and every environmental effect of the Program as cumulatively significant, even if the direct and indirect effects of the Program in a specific resource area are less than significant after implementation of the BMPs and any appropriate mitigation measures. This is the most conservative (i.e., protective of the environment) standard possible for the evaluation of the potential environmental impacts of the Program. LAFCo is adopting this conservative standard to ensure that this EIR fully discloses to the residents of the Sacramento metropolitan area the cumulative effects of the proposed Program.

The Program will have significant cumulative impacts in the areas of aesthetics, agricultural resources, air quality, biological resources, cultural resources, hazards and hazardous materials, hydrology and water quality, land use, noise, population and housing, public services, recreation,

Executive Summary

transportation and traffic, and utilities/service systems/energy conservation (refer to Table ES-1). While the Program will typically have a less than significant direct impact in these resource areas, foreseeable future growth is projected to be so large in the Sacramento metropolitan region that any additional impact will contribute to a significant cumulative impact.

Growth Inducement

The Program does not actually extend public service infrastructure into areas lacking services; however, it will remove an obstacle to growth by improving electric system reliability and lowering rates for electric service.

An unreliable electrical service provider can serve as an obstacle to growth for businesses considering relocation to the Annexation Territory. High rates also can present an obstacle to growth. Reducing these rates by over 25% would give a business located in the Annexation Territory a long-term competitive advantage over a business located in PG&E's service territory. In this way, lower rates, like improved reliability, could remove an obstacle to growth, resulting in increased economic activity, more jobs, more need for workers, and thus more housing, with all the attendant consequences on the environment (e.g., traffic, noise, energy consumption, etc.).

In summary, the Program is expected to remove obstacles to growth created by low electric system reliability and high electric rates and to support economic growth by attracting new industrial and commercial customers. Any growth induced by the Program would, of course, be consistent with applicable general plans and other land-use policies and regulations.

Alternatives

The alternatives examined in this EIR were selected because they represent potential solutions to the fundamental policy question facing LAFCo in connection with the Program: which type of governmental (or quasi-governmental) agency will best serve the public interest in providing electric service to the Annexation Territory? This chapter analyzes several different, alternative forms of governmental organization and several different providers (including SMUD and PG&E). The alternatives chosen were analyzed and deemed feasible in the Annexation Feasibility Study performed by R.W. Beck et al (2005).

The Program's environmental impacts are limited to short-term significant and unavoidable impacts on aesthetics and air quality resources and short-term significant and unavoidable short-term impacts on noise impacts due to construction activities and unavoidable significant adverse cumulative and growth-inducement impacts. Nevertheless, to fully comply with CEQA, alternatives that reduced any effects, whether significant or not, were considered for purposes of this EIR.

This EIR presents and analyzes the following five alternatives to the Program.

1. City/County Provision of Service

Under this alternative, SMUD will annex one or two but not all three of the cities. This, in turn, will affect whether (and which) portions of unincorporated Yolo County will be

Executive Summary

annexed to SMUD. Under this alternative, the city or cities and portions of Yolo County not annexed by SMUD will continue to receive electric service from PG&E. This alternative will not reduce the cost of electric service or provide local control to the areas not included in the reduced Annexation Territory. In addition, electric system reliability and customer service will remain the same in areas where PG&E continues to provide service. Although existing SMUD customers will have the same protections under the Program, PG&E will be required to continue to serve the Annexation Territory load and to complete costly upgrades. Under these conditions, LAFCo has determined that Alternative 1 will not satisfy most of the goals and objectives of the Program, and it has eliminated Alternative 1 from further consideration.

2. Joint Powers Authority (JPA)

Under this alternative, a JPA consisting of the cities will purchase electricity for sale and distribution in the Annexation Territory. The JPA will acquire and operate PG&E's distribution facilities within the Annexation Territory. The CAISO will continue as the transmission and control area provider. PG&E will continue to own the transmission lines (115 kV) serving the Annexation Territory. JPAs are commonly used by local agencies to offer services more efficiently. Under Government Code Sections 6500 et seq., public agencies may, by agreement, jointly exercise any power common to them. Each of the cities has the constitutional right to establish a municipal electric utility and to acquire PG&E's facilities by exercising the power of eminent domain. Over time, this alternative will provide improvements in reliability and customer service that are similar to those provided by the Program. The JPA will afford an opportunity for local control, though not to the same extent as the Program. It will not impact existing SMUD or remaining PG&E customers. The JPA alternative will not achieve the Program goal of reducing the cost of electric service for Annexation Territory customers.

3. PG&E Upgraded/Improved Service

Under this alternative, PG&E will continue to provide service to residents in the Annexation Territory, but it will make significant changes to its infrastructure and services to bring its level of customer service and reliability up to the level proposed by SMUD under the Program.

PG&E will be required to make the following changes in the Annexation Territory under this alternative:

- (1) Complete the transmission upgrade projects recommended by PG&E;
- (2) Shorten the length and increase the capacity of existing distribution lines;
- (3) Increase substation capacity;
- (4) Increase the number of looped distribution lines;
- (5) Reduce the number of multi-terminal transmission lines; and

Executive Summary

(6) Provide the infrastructure and programs to improve customer satisfaction.

This alternative will result in reliability and customer service levels similar to those offered by SMUD under the Program. Growth inducement under this alternative will be less than growth inducement under the Program because PG&E's rates still will be much higher than SMUD's under the Program. It is likely that the costs of improved reliability and customer service in the Annexation Territory will be borne by all of PG&E's existing customers (i.e., customers within and outside of the Annexation Territory). In addition, though PG&E customers outside of the Annexation Territory will not experience reductions in reliability and customer service levels, they will not benefit from improvements comparable to those that will occur in the Annexation Territory.

This alternative will fulfill some, but not all, of the Program's objectives. In the Annexation Territory, it will provide customer service and system reliability near the levels expected from the Program. However, it will not meet the following goals of the Program:

- Lower rates;
- Local control by Annexation Territory ratepayers over their electrical utility; and
- Provision of service to the Annexation Territory at no financial cost and no reduction in service quality/reliability to existing PG&E ratepayers outside of the Annexation Territory.

4. Community Choice Aggregation

Under this alternative, one or more of the cities and/or Yolo County will act as a community choice aggregator to group retail electric customers and to solicit bids and broker and contract for energy services for those customers, pursuant to Public Utilities Code Sections 366 through 366.5 and applicable CPUC decisions. Any public agency that serves as a community choice aggregator must offer the opportunity to purchase electricity to all residential customers within its jurisdiction. If two or more of the Yolo Communities participate as a group in a community choice aggregation project, they must form a JPA. Customers in any jurisdiction that does not act as a community choice aggregator and customers who opt out of a community choice aggregation program will continue to be supplied with energy by PG&E. Regardless of who furnishes the power to the customers in the Annexation Territory, PG&E will continue to transmit and distribute the power to all of the Yolo Communities under this alternative.

This alternative will not improve reliability or customer service because PG&E will continue to transmit and distribute electricity in the Annexation Territory. The only change will be who supplies the electric commodity. This alternative will not guarantee lower rates because aggregation covers only the riskiest element of power supply, which will be subject to market price fluctuations, non-bypassable charges, and CAISO fees.

Executive Summary

Under this alternative, most of the benefits of the Program will not be realized. The alternative will not meet the following Program goals:

- Improved reliability of electric service and customer service in the Annexation Territory;
- Lower rates; and
- Local control over utility decision making.

5. SMUD Annexation With CAISO Service

Under this alternative, SMUD will annex the proposed Annexation Territory without electrically interconnecting PG&E's existing 115-kV electric transmission system into SMUD's control area. CAISO will continue as the transmission and control area provider, and PG&E will continue to own the transmission lines (115 kV) serving the Annexation Territory. SMUD will acquire the electric distribution facilities in the Annexation Territory and provide electric distribution and energy services, replacing PG&E as the electric service provider. SMUD will procure the electric energy needs of the Annexation Territory and arrange for energy delivery through the CAISO grid to SMUD-owned distribution facilities within the Annexation. This alternative would provide most of the Program goals except for lower rates.

This alternative is significantly more complex than the proposed Program because the Annexation Territory will not be integrated with the existing SMUD service area. The Annexation Territory customer will continue to be subject to CAISO tariffs, rules, and regulations at significantly higher cost relative to the Program. This alternative significantly increases the amount of coordination with CAISO and the operational complexity of the SMUD control area. In addition, this alternative does not meet the following Program objectives:

- Improved transmission system reliability;
- Lower rates; and
- Local control.

All of the alternatives examined meet at least some of the Program's goals and have been determined to be potentially feasible. However, only the Program meets all of the goals enumerated by LAFCo. In particular, only the Program provides lower rates, improved reliability and customer service, and local control.

Alternatives 1, 2, 3, and 5 will result in similar types of ground-disturbing impacts as the Program because they will require construction of electrical transmission and/or distribution facilities. Alternative 2 also will create a new utility and corresponding workforce that will result in environmental impacts such as increased air emissions, increased traffic congestion, and increased demand on public services and utilities. Alternative 4 will have the least environmental

Executive Summary

impacts as compared to the Program because it does not require the construction of electrical transmission or distribution facilities.

See Table ES-2 for a summary comparison of each alternative to the Program's goals and objectives.

Public Involvement and Next Steps

The purpose of this Draft EIR is to provide to Sacramento LAFCo and the public information regarding potentially significant effects of this Program on environmental resources. The public comment meetings to be held by Sacramento LAFCo on this Draft EIR are designed to solicit public input on the proposed annexation. The public comment period for this document begins on January 6, 2006, and closes on February 21, 2006. All comments must be received by February 21, 2006. Hardcopy comments may be mailed to Peter Brundage, Sacramento LAFCo, 1112 I Street, Suite 100, Sacramento, CA 95814. Electronic comments may be emailed to Peter Brundage at Peter.Brundage@SacLAFCo.org. Sacramento LAFCo will hold a series of public meetings in several locations throughout Yolo County and one location in Sacramento County to answer questions and receive input from interested members of the public and agencies. The schedule for these hearings is as follows:

City	Date	Time	Location
Davis	January 18, 2005	5:30 pm	Community Chambers at City Hall 23 Russell Boulevard (Corner of Russell & B Street) Davis, CA
Woodland	January 25, 2006	5:30 pm	County Board Chambers Yolo County Administration Building 625 Court Street, Room 204 Woodland, CA
West Sacramento	January 26, 2006	5:30 pm	West Sacramento Civic Center 1 st Floor Galleria Conference Room 1110 West Capitol Avenue West Sacramento, CA
Sacramento/LAFCo	February 1, 2006	5:30 pm	County Board Chambers 700 H Street Sacramento, CA

Table ES-2: Comparison of Achievement of Program Goals/Objectives Under Program and All Alternatives

Goal/Objective	No Program	Program	Alternative 1 – City/County Individual Provision of Service	Alternative 2 – Joint Powers Authority	Alternative 3 – PG&E Upgraded/Improved Service	Alternative 4 – Community Choice Aggregation	Alternative 5 – SMUD Annexation with CAISO Service
Lower Rates	No	Yes	No	No	No	No	No
Improved Customer Service	No	Yes	Short-Term No Long-Term Yes	Short-Term No Long-Term Yes	Yes	No	Yes
Improved Reliability	No	Yes	Yes (Distribution) No (Transmission)	Yes (Distribution) No (Transmission)	Yes	No	Yes (Distribution) No (Transmission)
Local Control	No	Yes	Yes	Partial	No	Partial	Yes
No Impact on PG&E Customers Outside of Annexation Territory	Yes	Yes	Maybe	Maybe	No	Yes	Maybe
No Impact on Existing SMUD Customers	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Yes: Alternative meets Program goal and objective
 No: Alternative does not meet Program goal and objective
 Partial: Alternative provides a portion of the Program goal and objective

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