

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION
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March 1, 2006

TO: Sacramento Local Agency Formation Commission

FROM: Peter Brundage, Executive Officer

RE: **SACRAMENTO MUNICIPAL UTILITY DISTRICT**
DRAFT MUNICIPAL SERVICE REVIEW
SMUD SPHERE OF INFLUENCE AMENDMENT AND
ANNEXATION OF TERRITORY IN YOLO COUNTY
(05-05) [CEQA: Environmental Impact Report]

RECOMMENDATION

Receive and file SMUD Municipal Service Review.

DISCUSSION

Prior to or concurrently with a Sphere of Influence Amendment, the Commission must adopt written determinations related to the District's Municipal Service Review. SMUD has submitted the attached Municipal Service Review for consideration by your Commission. No action is required at this time.

A Municipal Services Review is a means of identifying and evaluating public services. The Commission is required to evaluate the following program components:

- (1) Infrastructure needs or deficiencies.
- (2) Growth and population projections for the affected territory.
- (3) Financing constraints and opportunities.
- (4) Cost avoidance opportunities.
- (5) Opportunities for rate restructuring.
- (6) Opportunities for shared facilities.

- (7) Government structure options.
- (8) Evaluation of management efficiencies.
- (9) Local accountability and governance.

PURPOSE OF MUNICIPAL SERVICE REVIEW

The purpose of a Municipal Service Review is to provide information that is intended to assist the Commission in its decision-making process for Sphere of Influence updates and annexation proposals. The SMUD Municipal Service Review (without attachments) is enclosed in this packet. The complete Municipal Service Review is available on our website at www.saclafco.org.

OVERVIEW OF SMUD HISTORY AND OPERATIONS

The following provides a very brief summary of District operational highlights. Formation of the Sacramento Municipal Utility District was approved by the Sacramento County electorate on July 23, 1923. However, between 1923 and 1946, SMUD was in litigation. The District did not provide electric service until 1946. Today, SMUD provides electric service and street lighting to a significant portion of Sacramento County and a very small portion of Placer County.

SMUD was formed under the Municipal Utility District (MUD) Act. SMUD has seven directors, elected by wards, or districts. The Board is responsible for setting District policies, programs and rates within the District.

SMUD is not regulated by the California Public Utilities Commission. However, the District meets or exceeds CPUC General Orders 95, 128, and 165, that regulate investor-owned utilities. These General Orders establish construction and operation of overhead and underground facilities.

SMUD has provided electric service for sixty years. Today, the District serves approximately 900 square miles to approximately 1.3 million residents. SMUD has a total customer base of 575,000 customers with a peak demand of 2,959 megawatts. ***The Sacramento Municipal Utility District is the sixth largest customer-owned utility in the nation.***

SMUD owns and operates generation facilities including hydroelectric facilities, a gas generation facility, and wind and co-generation facilities. In addition, the District must purchase power to meet its total demand. SMUD operates approximately 500 miles of transmission lines and approximately 9,885 miles of overhead and underground distribution lines. SMUD also provides Energy Conservation programs to reduce peak demand. The District also participates in green energy and renewable energy programs (i.e., solar and wind programs).

SMUD has total assets and liabilities of \$3.9 billion. The earnings, or "profits," are reinvested into the electrical system and rate stabilization fund. The District does not pay dividends. The District does not pay property tax or income tax.

Over the last several years, SMUD has added about 12,700 new customers per year, or approximately a three percent demand in megawatts per year.

SMUD VISION AND MISSION

As a community-owned utility, the District's vision is to be a leader in customer service satisfaction and a positive force in promoting community benefits.

SMUD GOALS AND STRATEGIC DIRECTIVES

Maintain Competitive Rate

Maintain Access to Credit Markets

Provide Reliable Service

Maintain High Level of Customer Relations

Provide a safe working environment for both employees and customers.

Promote environmental protection through resource conservation, pollution prevention, waste minimization and recycling programs.

Maintain employee relations in order to provide a diverse and respectful employment environment.

Provide resource planning that improves local air quality and conserves fossil fuels by developing conservation programs, renewable energy programs, and distributes clean energy.

Investment in research and development that support core values based on an analysis of the risks of the project versus potential benefits to SMUD customers.

**COMPARISON OF SMUD RATES
WITH THOSE OF OTHER CALIFORNIA PROVIDERS**

Monthly rates to customers based on residential usage of 750 kilowatt hours as of rate structure on March 30, 2005.

Roseville Electric Company	\$ 66.50
Sacramento Municipal Utility District	\$ 73.01
Los Angeles Power & Water Company	\$ 78.11
Pacific Gas & Electric Company	\$ 99.53
Southern California Edison	\$100.63
San Diego Gas & Electric Company	\$108.12

**COMPARISON OF SMUD SERVICE RELIABILITY
WITH THAT OF OTHER CALIFORNIA PROVIDERS**

A comparison of customer experienced frequency and duration of outages for the year 2003.

	<u>Duration</u>	<u>Frequency</u> (Per Year)
Roseville Electric Company	13 minutes	.25
Sacramento Municipal Utility District	71 minutes	1.367
Pacific Gas & Electric Company	193 minutes	1.308
Southern California Edison	57 minutes	1.148
San Diego Gas & Electric Company	76 minutes	.72

SMUD CONTROL AREA

SMUD has a control area that is larger than its District boundary. The control area is a territory that SMUD established in which the District operates generation and transmission facilities at its discretion. SMUD does not participate in membership of the California Independent System Operators (CAISO). CAISO is responsible for the distribution of wholesale power to approximately seventy-five percent of California, its control area. CAISO functions as a traffic controller of the transmission of wholesale energy within its control area. In the event that total demand for power exceeds total supply, CAISO prorates the available power supply within its control area. As a result, utilities under CAISO can be required to black out areas. SMUD is not required to participate in mandatory black/ brown-outs in the event the demand for electricity exceeds supply. SMUD operates and maintains control over its generation and transmission facilities. As a result, the District reduces costs associated with CAISO charges. Also, SMUD assumes the risk for black-outs and brown-outs in its control area.

SMUD ANNEXATION HISTORY

<u>Year</u>	<u>Action</u>
1923	District Formation
1946	Service Delivery
1967	Detachment of Roseville Area
1975	Annexation of Alex Brown Electric Company (Delta) [Four square miles]
1977	Annexation of Area near Rancho Seco [104.0 square miles]
1982	Annexation of Kelsey property and City of Folsom [110 square miles]
2006	Proposed annexation of portions of Yolo County [212 square miles]

Please review the attached Municipal Service Review. Please do not hesitate to call me at 874-5935 if you have any questions.

PB:Maf
(SMUD MSR)