

Staff Report

for the Board of Directors Meeting of December 11, 2019

TO: Honorable Board of Directors
FROM: Greg Jones, Assistant General Manager
DATE: December 4, 2019
SUBJECT: LAFCo Resolution of Application

ADMINISTRATION

RECOMMENDATION:

Conduct Public Hearing; after hearing testimony and concluding the Public Hearing, consider adopting Resolution 2019-33 - Requesting the Local Agency Formation Commission of Nevada County to Take Proceedings for the Application for Change of Organization to Provide New or Different Service; and to Amend the Sphere of Influence of the Nevada Irrigation District.

BACKGROUND:

The Nevada Irrigation District proposes initiating proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 of the California Government Code, as specifically authorized by Sections 56824.12(a)(1)-(6), 56653 and 56700 for the activation of latent powers to exercise new or different service and to amend District's Sphere of Influence for electric service. The District currently exercises some, but not all, of its authorities relating to electric power and services. This proposed action would allow Nevada County LAFCo to initiate a study of the District providing the full suite of electric power and services to the community. Nevada County LAFCo, rather than Placer or Yuba LAFCo, is the designated lead entity for this analysis under LAFCo laws.

As required by law, the Public Hearing for this meeting was noticed at least 21 days in advance. Also required by law, the Public Hearing must be conducted and concluded prior to the Board's consideration of the resolution of application. The public hearing is an opportunity for the Board of Directors to receive oral and written testimony on the question of whether the Board should approve a resolution to file an application with LAFCo in order to activate its full statutory authority to furnish electric service and to amend the District's Sphere of Influence for the purpose of

enabling the District to furnish electric service for areas within and adjacent to the District's current water service territory.

Today's Public Hearing will be just the first of many opportunities for the public to raise questions and offer comment, opinion, and input on the proposal. There will be numerous additional informal and formal opportunities for the public to engage on this topic. While the exact sequencing and steps may change, the following additional steps are likely to occur:

1. Should the resolution be approved, NID will commence with filing an application to LAFCo. The application is the initial step to fully activate NID's existing statutory authority to furnish electric service and to amend the District's Sphere of Influence in order to allow the District to potentially furnish electric service within its existing boundaries and in adjacent exterior areas as required by California Government Code sections 56653, 56654, 56824.10, 56424.12, and 56824.14.
2. The filing of the resolution of application commences an independent analysis by LAFCo of the District's ability to provide the contemplated services, and of potential impacts to the District's existing customers and to the customers within the full area the District proposes to include within the electric service sphere of influence.
3. LAFCo will issue a municipal service review which includes a determination of whether the District should be authorized to activate its latent power to furnish electric service.
4. The question of whether the District's unexercised authorities related to electricity should be activated will be put to a vote of the customers within the proposed electric service territory. A majority vote of responding voters must approve NID's authority to provide the proposed services.
5. The District will need to satisfactorily secure financing to support the purchase of the PG&E assets.
6. Routine updates at open and public board meetings of the NID Board of Directors.
7. All the foregoing is predicated on NID successfully acquiring PG&E's applicable assets to furnish electric service. (Note, NID's Board of Directors may occasionally meet in closed session on matters pertaining to the purchase price and other terms and conditions of a potential purchase of PG&E's assets.)

NID believes that local representation of the energy utility customer base, local & targeted investment in the system infrastructure, and emergency planning and response are immediate and specific benefits to the served community. As an additional benefit to the customer base, NID will fold the electric utility service business line into its existing utility service organizational structure, creating a higher level of service and at an anticipated cost savings to customers.

NID proposes providing bundled distribution and electric service to customers in Nevada and Yuba Counties and distribution service only to its customers in Placer County. These Placer County customers are assumed to remain taking electric

service from their Community Choice Aggregator (CCA), Pioneer Community Energy.

NID proposes acquiring 14 existing PG&E–owned distribution substations along with their associated distribution systems. The Penryn substation service area is straddling the proposed service boundary line. The majority of the area served by the existing Penryn substation is outside the proposed NID electric distribution boundary, but a narrow portion of its service area reaches into the proposed boundary. NID intends to split off the portion of the Penryn substation service area within the proposed boundary, and serve these customers from adjacent substations within the proposed boundary. The table below lists the substations and associated meter count.

Substations within Proposed NID Electric Distribution Service Area

Substation Name	Length of conductors (miles)	Residential Meter Count	Total Meter Count
BRUNSWICK	691	18,415	21,513
GRASS VALLEY	125	2,707	3,471
HIGGINS	415	8,794	9,398
NARROWS	386	7,288	7,957
BELL	211	6,211	7,639
HALSEY	157	3,833	4,393
WISE	150	2,386	2,701
PLACER	75	4,186	5,236
LINCOLN	338	12,157	13,448
AUBURN	18	1,732	2,106
SHADY GLEN	98	2,226	2,645
FLINT	33	1,837	2,072
WEIMAR	107	2,119	2,274
SMARTVILLE	18	228	265
PENRYN	40	1,678	1,915
TOTAL	2,862	75,797	87,033

It is the intent of this item for the Board to conduct and conclude a public hearing and then to consider the approval of the resolution of application to the Nevada County LAFCo for the Application for Change of Organization to Provide New or Different Service and to Amend the Sphere of Influence of the Nevada Irrigation District.

The proposal to add an electric utility service to the District's existing business lines is directly in-line with and complementary to the NID Strategic Plan Mission, Vision, Goals, and Actions. Specifically, NID will meet Goal Numbers 1, 2, 3 and 4 of the District's Strategic Plan by:

- Enhancing services to and reducing the financial impacts for our customers
- Integration of the existing District business line (specifically Hydroelectric Generation) functions into the fabric of the communities they serve
- Developing and managing resources in a self-determining manner with local control
- Taking action with our owned facilities to decide on the best course of action for the District and community
- Acquiring PG&E assets to the benefit of our customers and community
- Maintaining and strengthening reserves
- Providing the highest level of service at the lowest possible cost without impacting the quality of service (best value)
- Providing additional opportunities to interface with the community

BUDGETARY IMPACT:

The application will immediately cost \$10,000 as an initial application deposit with Nevada County LAFCo. An application of this size is anticipated to require additional funding in 2020 in order for LAFCo to process the application and to conduct municipal service review activities, inclusive of a comprehensive financial and risk analysis.

The FY2020 Budget is comprised of \$282,500 in account of 10115-52603 (Management – Consultants). The final cost of this application is uncertain at this time. However, staff anticipates utilizing up to \$150,000 of account 10115-52603 to satisfy 2020 LAFCo application processing requirements.

Attachments: (2)

- Resolution No. 2019-33, including Exhibit A (Logical Electrical Service Area Map and Exhibit B (Plan for Services)



RESOLUTION NO. 2019-33

OF THE BOARD OF DIRECTORS OF THE NEVADA IRRIGATION DISTRICT

Requesting the Local Agency Formation Commission of Nevada County to Take Proceedings for the Application for Change of Organization to Provide New or Different Service; and to Amend Nevada Irrigation District's Sphere of Influence

WHEREAS, California Water Code Division 11, Part 5, Chapter 1, Article 3 authorizes Nevada Irrigation District to provide for the acquisition, operation, leasing, and control of plants for the generation, transmission, distribution, sale, and lease of electric power, including sale to municipalities, public utility districts, or persons; and

WHEREAS, the Nevada Irrigation District currently operates and controls plants for the generation of power, and transmits and sells electric power, but does not currently distribute or sell power to municipalities, public utility districts, or persons; and

WHEREAS, the Nevada Irrigation District desires to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 of the California Government Code as specifically authorized by Sections 56824.12, to fully authorize all statutory authorities regarding or related to electric power applicable to Nevada Irrigation District, including the distribution and sale of power to municipalities, public utility districts, or persons ("electric service"); and

WHEREAS, the Nevada Irrigation District desires to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 of the California Government Code, for an amendment to the District's Sphere of Influence to authorize it to furnish electric service within the revised sphere boundary; and

WHEREAS, the District intends to file an Application with the Nevada County Local Agency Formation Commission ("LAFCo") to provide electric service after adopting this Resolution of Application, pursuant to California Government Code sections 56653, 56654, 56824.10, 56824.12, and 56824.14; and

WHEREAS, a notice of intent to adopt this Resolution of Application has been published pursuant to Sections 56153 and 56154 and mailed to PG&E Corporation and affected agencies; and

WHEREAS, the territory within which Nevada Irrigation District proposes to furnish electric service is inhabited, and a map of the territory boundary is set forth in Exhibit A attached hereto and incorporated herein by this reference; and

WHEREAS, on this date the Nevada Irrigation District's Board of Directors convened a public hearing to receive oral and written testimony concerning whether the Board should approve a resolution to file an application with LAFCo to activate its statutory authority to furnish electric service and to amend the District's Sphere of Influence for the limited purpose of enabling the District to furnish electric service in areas outside the District's current water service territory; and

WHEREAS, the Nevada Irrigation District Board of Directors has considered all comments and testimony offered and finds that the foregoing application and requested authorizations will benefit constituents within the District's existing service territory and members of the public residing in those areas proposed to be included in the District's Sphere of Influence; and

WHEREAS, the Nevada Irrigation District filed its Notice of Intent to acquire electric distribution assets in portions of Nevada, Placer, and Yuba Counties from PG&E Corporation on November 12, 2019; and

WHEREAS, the Nevada Irrigation District Board of Directors has determined that it is in its best interest and in the public interest that the issue of local control of electric services be further considered and analyzed; therefore, this Resolution of Application to LAFCo ought to proceed.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Nevada Irrigation District that:

1. The above Recitals are true and correct and are incorporated herein as findings of the Board of Directors.
2. The Board of Directors hereby adopts the Plan for Providing Services to the affected territory required by Government Code Section 56653 and attached hereto as Exhibit B and incorporated herein by this reference.
3. The District is authorized to file an Application to LAFCo and Plan for Services to (a) activate its statutory authority to furnish electric service pursuant to Water Code Sections 22115 *et seq.*, and (b) to amend the District's Sphere of Influence to allow the District to furnish electric service outside its current water service boundary, each as required by California Government Code sections 56653, 56654, 56824.10, 56424.12, and 56824.14.
4. The Board of Directors determines the proposed Application to LAFCo is either not a project or is a project that is categorically exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to (a) 14 CCR § 15301(a) (Class 1) because the District's proposal involves negligible or no expansion of existing facilities of an investor-owned utility to provide electric power; and (b) 14 CCR § 15320 (Class 20) because the proposed Change of Organization would authorize the District to activate its latent power to furnish electric service within the existing boundaries of the

District and involves the transfer of such existing service from an investor-owned public utility to the Nevada Irrigation District without any planned changes in service that would have adverse physical impacts on the environment. The General Manager is directed and authorized to file the necessary materials to document the exemption.

5. The General Manager is authorized and directed to (a) execute and deliver to LAFCo the Application and Plan for Service in the form presented to the Board of Directors and such other documents as may be necessary to implement this Resolution; (b) to make such changes to such documents as the District's General Manager finds to be necessary to implement this Resolution, including expanding upon the Plan for Providing Services as more information concerning the proposal becomes available; and (c) to pay the appropriate administrative fees as specified by Nevada LAFCo to file and process the applications.

BE IT FURTHER RESOLVED, that this Resolution shall take effect immediately.

* * * * *

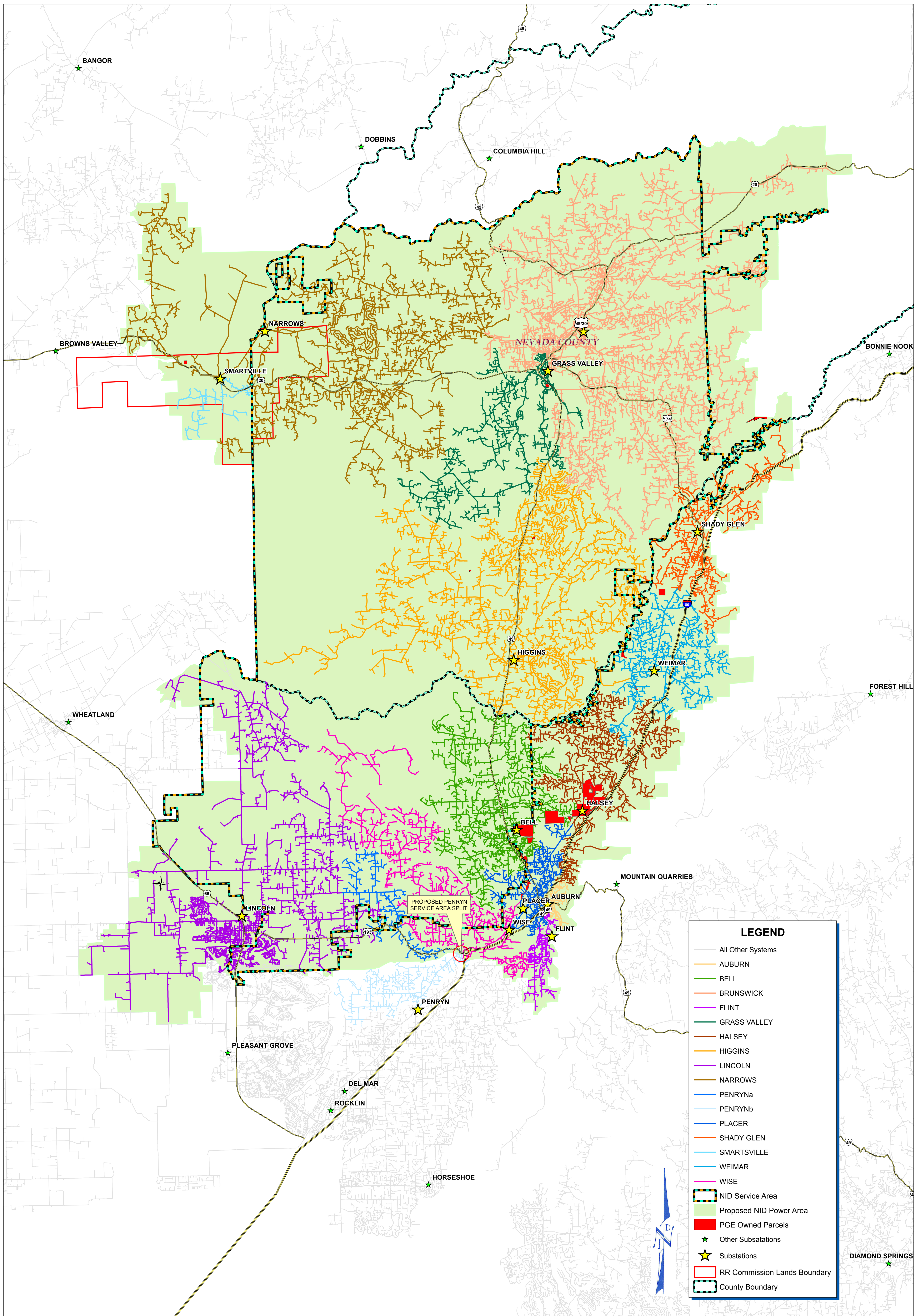
PASSED AND ADOPTED by the Board of Directors of the Nevada Irrigation District at a regular meeting held on the 11th day of December, 2019, by the following vote:

AYES:	Directors:
NOES:	Directors:
ABSENT:	Directors:
ABSTAINS:	Directors:

President of the Board of Directors

Attest:

Secretary to the Board of Directors



NEVADA IRRIGATION DISTRICT

NEVADA COUNTY - PLACER COUNTY
GRASS VALLEY, CALIFORNIA

LOGICAL SERVICE AREA

Drawn By: D. HUNT

Date: 11/5/2019

Scale: NO SCALE

EXHIBIT 'A'

PLAN FOR PROVIDING
SERVICES IN AREAS OF
NEVADA, PLACER, AND
YUBA COUNTIES

The Nevada Irrigation District desires to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 of the California Government Code, as specifically authorized by Section 56824.12(a)(1)-(6), 56653 and 56700, to provide a new or different service, and to amend the District's Sphere of Influence to enable the District to provide electric service within certain portions of Nevada, Placer, and Yuba Counties, as described in further detail below.

- 1. Enumerate and describe the services to be extended to the affected territory, and provide a description and level of the service currently provided.*

The Nevada Irrigation District (NID or District) proposes to become the electrical service provider to all lands and properties within NID's existing service boundary and, through a sphere of influence amendment, to certain adjacent lands and properties which are currently located outside NID's existing boundary. The affected territory is depicted in the Logical Service Area map attached hereto as Exhibit A. The NID proposal does not include an expansion or change in electric service, since Pacific Gas and Electric Company (PG&E) currently provides electric utility service to all lands and properties that would be affected by NID's proposal.

PG&E is the current electric service provider for the affected territory. PG&E supports this service through power purchases, operations, maintenance, and administrative support services including accounting, billing, customer service, safety and risk, and information technology. NID proposes to assume each of these responsibilities within the area identified in the Logical Service Area map (Exhibit A), with the exception of power procurement within those areas of Placer County served by Pioneer Clean Energy (Pioneer). Pioneer will continue to procure wholesale power for those customers located within its territory.

NID's proposal will result in local representation of the energy utility customer base, local & targeted investment in the system infrastructure, and emergency planning and response, all of which benefit the community. As an additional benefit to the customer base, NID will fold the electric utility service business line into its existing utility service organizational structure creating a higher level of service and at an anticipated cost savings when compared to the existing PG&E service model.

NID proposes to acquire (among other PG&E assets) the entirety of 14 existing PG&E owned distribution substations along with their associated distribution systems, and to acquire a portion of the Penryn substation service area.

The Penryn substation service area straddles the proposed service boundary line and serves customers located within and outside the proposed Logical Service Area. NID proposes to serve those customers located within the Logical Service Area, and for PG&E to continue to serve customers located outside the Logical Service Area.

Table 1 below lists the substations and associated meter count of the facilities NID proposes to acquire.

Table 1: Substations within Proposed NID Electric Distribution Service Area¹

Substation Name	Length of conductors (miles)	Residential Count	Meter	Total Meter Count ²
BRUNSWICK	691	18,415		21,513
GRASS VALLEY	125	2,707		3,471
HIGGINS	415	8,794		9,398
NARROWS	386	7,288		7,957
BELL	211	6,211		7,639
HALSEY	157	3,833		4,393
WISE	150	2,386		2,701
PLACER	75	4,186		5,236
LINCOLN	338	12,157		13,448
AUBURN	18	1,732		2,106
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FLINT	33	1,837		2,072
WEIMAR	107	2,119		2,274
SMARTVILLE	18	228		265
PENRYN ³	40	1,678		1,915
TOTAL ⁴	2,862	75,797		87,033

- (1) Data obtained from PG&E's Integration Capacity Analysis Map and associated GIS database
- (2) Total Meters includes Residential, Commercial, Agricultural, Industrial, and other meter types
- (3) Portion of Penryn substation service area which falls within proposed District service boundary
- (4) Total numbers and territory may change due to ongoing negotiations with PG&E

NID may amend this Plan for Services as more information becomes available. NID will work cooperatively and diligently with LAFCo to make such amendments as necessary.

- 2. Specify the level and range of those services, estimated cost of the service to customers, potential financial impact to existing customers, and indication of when the service can be extended to the affected territory.*

NID would provide electricity to an estimated 87,000 customers who currently receive electric service from PG&E. NID would assume full control of PG&E's existing electric system assets used and useful in the provision of service, operation, and maintenance of distributed electric service, including without limitation, all real property, fixtures, appurtenances, rolling stock, and equipment, located in, or of service to, the area within the boundaries of the Logical Service Area as shown in Exhibit A. NID does not anticipate any change in service delivery or reliability upon NID's assumption of service responsibilities.

NID plans to purchase all of PG&E's electric service distribution assets with a nominal rating less than or equal to 21,000 volts including substation transformers, primary and secondary power lines, circuit breakers, switches, pole mounted transformers, automated metering equipment, and all related appurtenances. High voltage transmission requirements would continue to be the responsibility of Pacific Gas and Electric (PG&E) and available through PG&E's Federal Energy Regulatory Commission (FERC) regulated Open Access Transmission Tariff (OATT).

NID anticipates providing electrical service at rates that are 5% less than those currently charged by PG&E. NID would also provide income qualified assistance programs that are comparable to those currently provided by PG&E. NID is capable of providing comparable services at reduced rates based on the following factors: no shareholder dividend obligations; more efficient and integrated administrative structure; and a holistic service approach and economy of scale to its customers by combining multiple utility services.

NID does not foresee a negative financial or service impact to existing PG&E customers. As NID progresses closer to finalizing the purchase & sale agreement with PG&E, NID will enter into a transition plan. The transition plan comprises the major steps and methods that NID will use to seamlessly incorporate ownership and operation of the electric distribution utility in the affected area. The transition process consists of a group of parallel linear sequences of tasks which ends with a utility service operation hand-off from PG&E to NID. NID will hire staff and consultants with the required expertise to assist with development, refinement, and revision of the transition plan as the District progress through the implementation steps. With the help of our consulting experts NID will develop an initial process and work breakdown structure for the transition. Permanent employees hired by NID will help to further refine and implement the transition plan.

- 3. Indicate when those services can feasibly be extended to the affected territory and what alternatives there are for the establishment of the service.*

The electric distribution infrastructure is already in place and in service for the Logical Service Area. Only minor improvements (switches) are necessary to separate the infrastructure from the existing PG&E distribution systems adjacent to the area. New

service extensions and connections would be added as growth occurs in the area.

Potential alternatives to NID providing electric service include:

- No change to the existing service from PG&E. The existing 87,000 customers would continue to receive electricity service from PG&E, or its successor, as designated in the Bankruptcy Plan of Reorganization.
- Other jurisdictional alternatives including Joint Power Authorities or Municipal Utility Districts of regional counties, municipalities and/or water agencies with established latent powers to provide electrical service.

4. The Proposal is consistent with the spheres of influence of cities, districts, and counties located within the proposed Logical Service Area.

The Logical Service Area NID proposes to serve encompasses the boundaries of a number of Cities, Counties, and Districts. The Proposal is consistent with the spheres of influence of those entities because those entities do not provide electric service to their respective constituents. NID's proposal will not overlap or duplicate any of the services provided by the other public entities located within the Logical Service Area.

5. Indicate any improvement or upgrading of structures, roads, sewer or water facilities, or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed.

IMMEDIATE IMPROVEMENTS

Separation Switches

In order to effectively separate from the Logical Service Area existing PG&E distribution system a number of switches would need to be installed. Twelve total proposed switch locations are described below. The total cost for automated switching is estimated at \$360,000.

- 12KV line connecting Lincoln to East Nicholas
- 12KV line connecting Lincoln to East Nicholas and Wheatland
- 12KV line connecting Lincoln to Wheatland (4 locations)
- 21KV line connecting Lincoln to Pleasant Grove (3 locations)
- 12KV line connecting Flint to Penryn
- 12KV line connecting Wise SS to Penryn (2 locations)

Penryn Substation Improvements

To accommodate the addition of customers currently served by the Penryn substation an upgrade of the Wise substation is necessary. The modifications would include upgrading the Wise transformer capacity by 10 MVA and re-conductoring the Wise substation distribution line from the Wise substation to a nearby interconnection point near Newcastle. Costs for these upgrades and changes are estimated at \$205,000.

Lincoln Substation Improvements

The Lincoln substation contains both distribution and transmission equipment within the

boundary fence. NID has found no precedent on how to divide a substation when both distribution and transmission equipment exists within the substation. The simplest, least costly proposal would be for NID to assume ownership of the step-down transformers and distribution circuits within the substation. This would likely require an agreement between NID and PG&E as PG&E would retain transmission equipment in the substation.

Other options include either physically relocating the distribution equipment only and leaving the transformers; or moving both the transformers and the distribution equipment. Moving the equipment would result in creating a new substation owned by NID but located outside the Lincoln substation fencing. No matter which option is selected, NID will need a new control building at this site, since it is assumed PG&E will retain the buildings for the transmission level equipment. NID estimates the cost for a new building, land and relocating distribution equipment at \$265,000.

YEARS 0-5 IMPROVEMENTS

Smart Nodes

Given the amount of deferred maintenance and general state of disrepair present in the PG&E distribution system NID believes that it may be necessary to continue widespread Public Safety Power Shutoff (PSPS) events in areas of the distribution system until upgrades can be completed. In order to minimize the extent and disruption impacts of the PSPS events to the community NID has conceptually developed a system of 'Smart Nodes' for incorporation into the distribution system. Smart Nodes allow significantly larger areas to remain in service and limit precautionary shutoffs to areas impacted by localized meteorological conditions. Smart Nodes require the installation of fiber optic lines which could be leveraged to provide for improved internet and other communication within the community.

NID has identified 54 locations within the Distribution system that would be candidates for Smart Node installations.

- Terrain Features (vegetation, access, ridges, canyons, etc.)
- Hospital/Critical Care Facilities
- First Responders (Police, Fire)
- Government Facilities
- Schools
- Commercial Centers & Corridors
- Gas Stations & Convenience Stores
- HOAs and Suburban Neighborhoods
- Residential Meter Count

The District estimates that the cost to install the system of Smart Nodes would be approximately \$28,229,100. The District intends to secure sufficient funding to complete the installation of the Smart Nodes with the initial bond offering and begin the final design process immediately upon approval of the sale.

LONG TERM IMPROVEMENTS

ECIP

NID will create a detailed Electric Capital Improvement Plan (ECIP) focused on local distribution system investment and infrastructure hardening solutions such as: replacing old power poles with newer, fire resistant poles; replacing worn out parts; implementing the Smart Node program; insulating existing bare conductors; and relocating overhead lines to underground conduits. In addition, the District will seek opportunities to add value to the community with major projects by bundling improvements from different business lines (water, electrical, and communication) along an affected infrastructure corridor into a single project for construction. Benefits of a bundled corridor improvement project include:

- One-time disruption of services to affected customers
- One-time disruption of roadway access to commuters (trenching)
- Opportunity to complete larger pavement repair (multiple trenches versus single trench) with a single project
- Reduction in pavement overlay events
- Overall reduction in total project costs due to shared ancillary costs (mobilization, administration, inspection, traffic control)

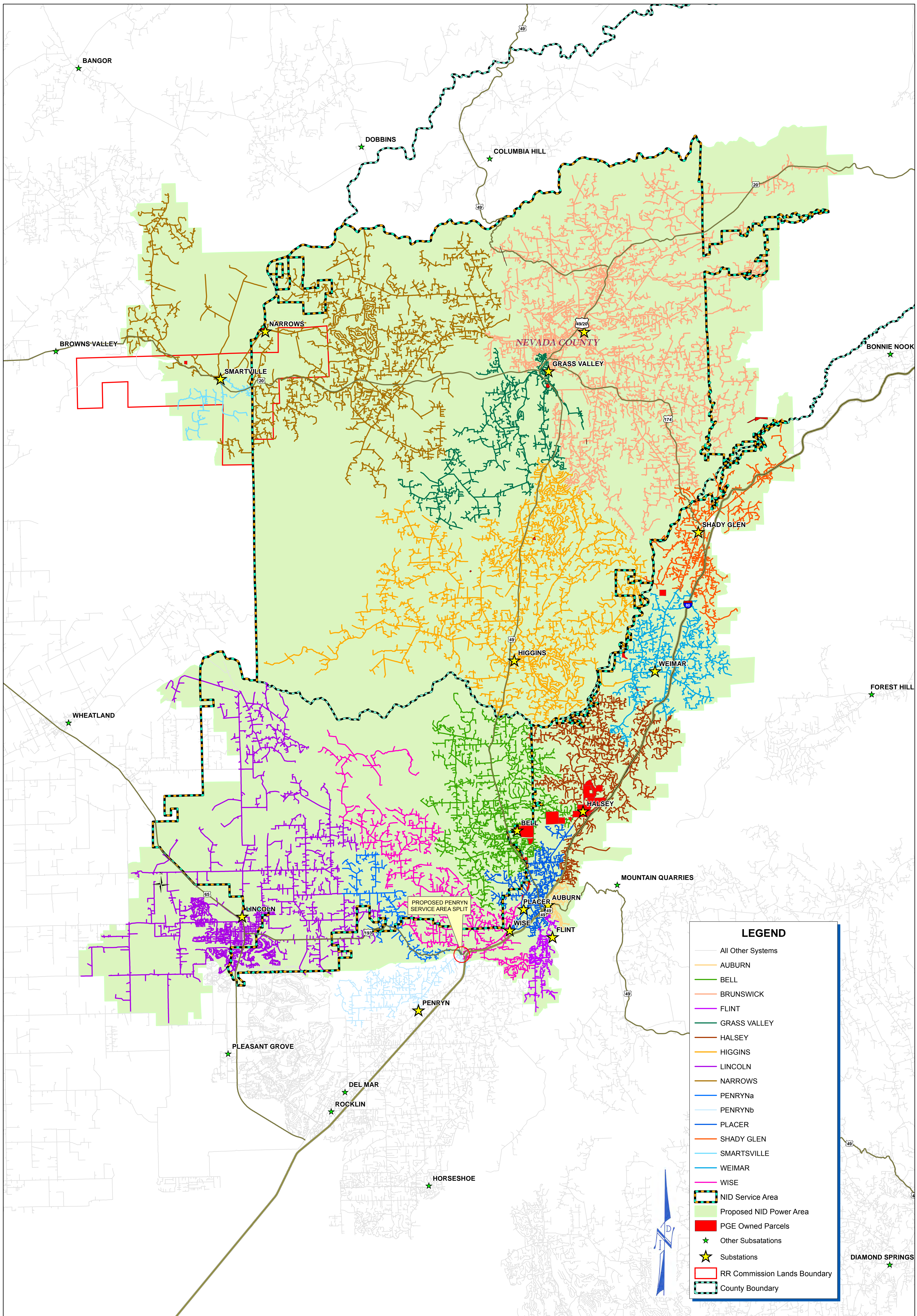
The District will integrate the new ECIP with the existing Water Capital Improvement Plan looking for opportunities to bundle projects and improve Plans in a cost-effective manner.

6. Provide information about how each of those services will be financed and a total estimated cost to provide the service.

The proposed cost to acquire the system is three hundred million one hundred ninety-six thousand nine hundred dollars (\$300,196,900). To fund the proposed acquisition price to PG&E, establish a self-insurance fund (\$2.4 billion over 20 years), to fund startup & 5 Year capital spending (\$111 million), and to successfully deliver of the service, the District anticipates issuing revenue bonds in the amount of approximately \$550 million dollars.

NID has performed a 20 year financial forecast consisting of revenues, operating and maintenance costs, capital costs, cash reserves and self-insurance reserves requirements. The District has used a conservative revenue forecast of electric power rate projections in its modeling. Financial feasibility analyses performed on the District's behalf indicate that proposed service area billing will generate revenues in excess of \$160 million per year, furnishing adequate revenue to fund system operations & maintenance, power purchases, capital projects, salaries & benefits, funding reserves, and debt service. **The District will provide its financial feasibility analyses to LAFCO under separate cover upon the submission of this application.**

Considering the District's current bond rating of AA-, NID's financial advisors have indicated the District can issue a 50 year revenue bond at an average coupon rate of 4.5%. The two most significant ratios required by rating agencies are the Debt Service Coverage (DSC) and Days Cash on Hand (DCOH). Given NID's forecast assumptions, these ratios remain strong and exceed agency ratings.



NEVADA IRRIGATION DISTRICT

NEVADA COUNTY - PLACER COUNTY
GRASS VALLEY, CALIFORNIA

LOGICAL SERVICE AREA

Drawn By: D. HUNT

Date: 11/5/2019

Scale: NO SCALE

EXHIBIT 'A'

LAFCo Resolution of Application
to
Provide a New or Different Service
and to
Amend the District's Sphere of Influence

DECEMBER 11, 2019



Services to be extended to the affected territory and the level of service currently provided

- California Government Code, Sections 56824.12(a)(1)-(6), 56653 and 56700 – **Application for Change of Organization:**
 - Provide a new or different service, and to amend the District's Sphere of Influence to enable the District to provide electric service
- NID proposes to become the electrical service provider to lands and properties within NID's existing service boundary and, through a sphere of influence amendment, to certain adjacent lands and properties which are currently located outside NID's existing boundary
- NID's proposal will result in **local representation** of the energy utility customer base, **local & targeted investment** in the system infrastructure, and **emergency planning and response**, all of which benefit the community.
- As an **additional benefit** to the customer base, NID will fold the electric utility service business line into its existing organizational structure, creating a higher level of service and at an anticipated cost savings when compared to the existing service model

Level and range of services, cost to customers, and financial impact to existing customers.

NID would provide electricity to an estimated 87,000 customers who currently receive electric service from PG&E.

NID anticipates providing electrical service at rates that are 5% less than those currently charged by PG&E.

NID would also provide income qualified assistance programs that are comparable to those currently provided by PG&E.

When can services be extended to the affected territory and alternatives for the establishment of services

The electric distribution infrastructure is already in place and in service for the Logical Service Area. New service extensions and connections would be added as growth occurs in the area.

Potential alternatives to NID providing electric service include:

- No change to the existing service from PG&E. The existing 87,000 customers would continue to receive electricity service from PG&E, or its successor, as designated in the Bankruptcy Plan of Reorganization.
- Other jurisdictional alternatives including Joint Power Authorities or Municipal Utility Districts of regional counties, municipalities and/or water agencies with established latent powers to provide electrical service.

The Proposal is consistent with the spheres of influence of cities, districts, and counties located within the Proposed Logical Service Area

The Logical Service Area NID proposes to serve encompasses the boundaries of a number of Cities, Counties, and Districts.

The Proposal is consistent with the spheres of influence of those entities because those entities do not provide electric service to their respective constituents.

NID's proposal will not overlap or duplicate any of the services provided by the other public entities located within the Logical Service Area.

Improvement, upgrading, or conditions NID would impose or require within the affected territory if the reorganization is completed

Immediate Improvements

- Separation Switches
- Penryn Substation Improvements
- Lincoln Substation Improvements

Years 0-5 Improvements

- 54 Smart Node Installations
 - Terrain Features
 - Hospital/Critical Care Facilities
 - First Responders
 - Government Facilities
 - Schools
 - Commercial Centers & Corridors
 - Gas Stations & Convenience Stores
 - HOAs & Suburban Neighborhoods
 - Residential Meter Count

Long-Term Improvements

- ECIP
 - Electrical Capital Improvement Plan
- Benefits
 - Single disruption of services
 - Single disruption of roadway access
 - Larger pavement repair in one project
 - Reduction in pavement overlay events
 - Reduction in overall project costs

How services will be financed and total estimated cost to provide service

The proposed cost to acquire the system is three hundred million one hundred ninety-six thousand nine hundred dollars (\$300,196,900).

District anticipates issuing revenue bonds in the amount of approximately \$550 million dollars to successfully deliver of the service:

- ✓ fund the proposed acquisition price to PG&E,
- ✓ establish a self-insurance fund (\$2.4 billion over 20 years),
- ✓ to fund startup & 5 Year capital spending (\$111 million),

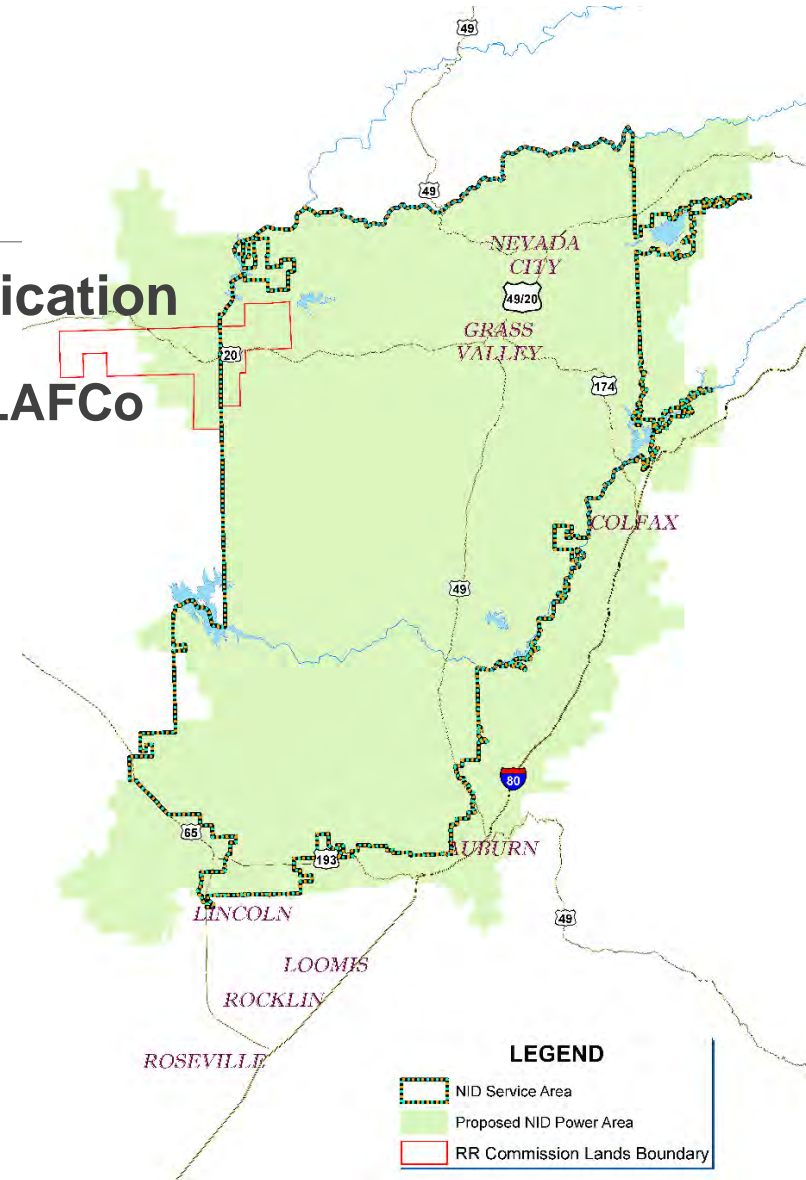
Financial feasibility analyses performed indicate that the proposed service area will generate revenues in excess of \$160 million per year, furnishing adequate revenue to fund system operations & maintenance, power purchases, capital projects, salaries & benefits, funding reserves, and debt service.

District's current bond rating of AA-

- Estimate 50 year revenue bond at an average coupon rate of 4.5%

Approval Process

- **Public Hearing & Resolution of Application**
- **Local Agency Formation Commission, LAFCo**
 - **Municipal Services Review, MSR**
 - Fiscal Feasibility Study
 - Risk Feasibility Study
 - **Activate Latent Powers**
 - **Amend Sphere Of Influence, SOI**
- **CPUC Review**
- **Vote of the Public**
- **LAFCo Annexation of Parcels**



Key Benefits: Local Electric Power Distribution Utility

- Local representation (and control) of retail policies and practices
- Access to locally elected policy-makers
 - Improved customer service
 - Increased reliability of service
- Reduction of utility revenue leakage from local economy
- Not-for-Profit
- Investment of utility revenues into local electric system infrastructure
- Lower Rates on Average

Risks

Insurance

Financial

- Bonding Capacity

CARE/FERA Programs

- Dis-proportionate Number in Service Area
- 30% to 35% Discount on Rates from PG&E
- Erodes Ability to Offer Deep Discounts to Entire Customer Base

Staffing

- Recruitment / Candidate Pool
- Relocation / Commute Factors
- IBEW Local 1245
- Staff Salaries and Negotiations

Mitigations

Self-Insure / Risk Pool

Ability to Set Rates to Cover Costs

Disadvantaged Income Customers Already Included in Revenue Models

Transition Plan to Address Challenges

- Early Reliance on Contractors and Consultants
- Staff Additions over Time

Comparable Offers

Agency	Approximate Number of Connections	Offer	Cost/ Customer
San Francisco Public Utilities Commission	375,000	\$ 2,500,000,000	\$ 6,667
Valley Clean Energy	75,000	\$ 300,000,000	\$ 4,000
Nevada Irrigation District	85,000	\$ 300,196,900	\$ 3,532
South San Joaquin Irrigation District	40,000	\$ 115,995,500	\$ 2,900

Thank You / Questions



More information:

<https://nidwater.com/local-power-solutions/>