

SMUD News Release

Sacramento Municipal Utility District
For Immediate Release

• News Media Services

• 916•732•5111
March 31, 2009

SMUD invites public input on rates

Proposed increase still keeps rates among lowest in California

At its meeting this Thursday, the Sacramento Municipal Utility District (SMUD) Board of Directors will consider the need for a general rate increase that would go into effect later this year. If the Board decides to proceed, it would hold public workshops and a hearing before initiating any rate changes.

SMUD General Manager and CEO John DiStasio is recommending a two-step rate action. The first step would be a 9.5 percent rate increase to take effect September 1, after the Sacramento region's demanding summer peak-use period is over. The second step would be a 3.5 percent rate increase in January 2011.

The economic recession has greatly impacted electricity revenue, while turmoil in the credit markets has caused borrowing costs to rise and interest earnings to plunge. There are other factors as well that are adversely affecting SMUD's budget and have contributed to SMUD staff requesting the rate increase from the Board of Directors:

- SMUD's reserve fund, which is needed to cover unforeseen disruptions in the wholesale power market, could be depleted, forcing SMUD to seek immediate emergency rate hikes.
- SMUD and other utilities are vying to secure contracts for more renewable energy, for which costs are rising.
- SMUD needs to upgrade an aging energy infrastructure to ensure continued reliability and meet new federal grid security and reliability requirements.
- SMUD's natural gas contracts executed in 2008 were significantly more costly than the contracts they replaced.

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SMUD is making every effort to limit the impact of economic factors on its customers through aggressive cost containment in all discretionary areas of the 2009 budget and is continually reassessing spending until the economy stabilizes. “Our first priority is maintaining outstanding customer service and reliability. We have cut every expense not critical to providing this service level,” said DiStasio. “Given the extreme external uncertainties we must take measures now to avoid serious financial consequences for our customers in the future.”

SMUD has implemented many belt-tightening measures to lessen the rate impact to its customers:

- In 2008, SMUD saved about \$65 million through budget cuts and other mitigating factors such as early completion of Rancho Seco decommissioning and recouping funds from companies that overcharged SMUD during the energy crisis.
- SMUD staff has cut its budget by \$25 million in 2009 and up to \$40 million by 2011. Some of those cuts include reducing the number of positions through attrition.
- SMUD is also forgoing cost of living adjustments for its non-union employees, which make up about half of SMUD’s payroll.
- Staff is delaying some capital projects related to system expansion and those not needed due to slower customer growth, which will save money. SMUD delayed capital projects in 2008 that saved about \$30 million. These delays will not diminish the quality of SMUD’s reliability or customer service in any way.

Even with the recommended increase, SMUD rates would still be among the lowest in California and would be approximately 23 percent lower than those of neighboring PG&E. If the Board of Directors adopts the proposed rate increase, a residential household using 750 kilowatt hours in a month would see its bill increase by about \$8 to a total of \$86.22 (see chart.) and by about \$3 in January 2011. Customers participating in the SMUD Energy Assistance Program will see their bills increase by an average of less than \$5 and by less than \$2 in January 2011.

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Public presentations, workshops and hearing:

This spring, SMUD staff will undertake an extensive public process to meet with, inform and gather input from as many customers as possible about the proposed rate increase. SMUD will conduct presentations throughout the service territory. The SMUD Board of Directors will also hold two public workshops and a public hearing at SMUD Headquarters located at 6201 S Street:

First Board workshop:

April 23, 2009 at 6 p.m. in the SMUD Headquarters Conference Center

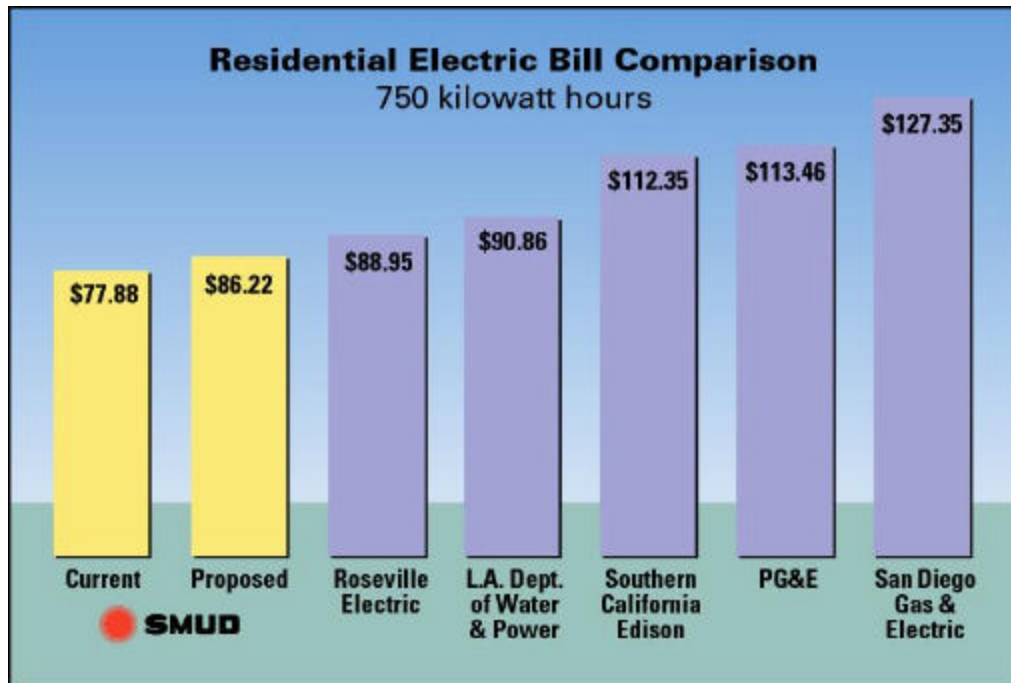
Second Board workshop:

May 13, 2009 at 9 a.m. in the SMUD Headquarters Conference Center

Public Hearing:

June 4, 2009 at 6 p.m. in the SMUD Headquarters Auditorium

More information on the proposed rate increase and the schedule for meetings can be found on smud.org. Customers who have questions may call Rob Landon, SMUD Rates Administrator at (916) 732-6222. Written comments may be sent to him at rates@smud.org or MS A451, SMUD, P.O. Box 15830 Sacramento, CA 95852-1830.



Caption: Even with the rate increase, SMUD's rates will remain among the lowest in the state. This graphic shows the costs to residential customers using 750 kilowatt hours per month.

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