

Exhibit to Agenda Item 11

Board of Directors Meeting
Thursday, September 20, 2018
6:00 p.m.
Customer Service Center, Rubicon Room

2018 Rate Change Proposal Summary

- Released Chief Executive Officer and General Manager's Report and Recommendation on Rates and Services on June 21, 2018.
 - Economic Development Rate (EDR) Tariff, Development Fees (Rule 16), Hydro Generation Adjustment (HGA), Residential System Infrastructure Fixed Charge (SIFC) proration.
- Hosted two public workshops at SMUD Headquarters
 - Tuesday, July 17, 2018 @ 10:00 am
 - Thursday, July 26 , 2018 @ 6:00 pm
- Public Hearing on August 16 @ 6:00 pm
- Introduced Draft Rate Resolution on August 16
 - 14 day public comment period ended August 31
- Decision on Rate Resolution on Sep 20, 2018

Proposed changes

This rate process does *not* include a rate increase



Economic Development Rate

- Increase and extend the EDR.
- Change contract period and qualification requirements, offer new discounts.



Development Fees (Rule 16)

- Offset fees charged to business customers for required SMUD infrastructure.



Hydro Generation Adjustment

- Modify Hydro Rate Stabilization Fund and add precipitation cap to calculation.



Prorate Residential System Infrastructure Fixed Charge

- Automatically prorate for customers who receive less than 27 days of service.

Economic Development Rate (EDR) Proposed changes

Increase term from 5 to 10 years

Increase discount

Provide customer choice:

- Level discount for first 5 years, then declining discount for the last 5 years
- OR a slightly lower level discount for 10 years

The greatest economic discount rate will be offered for those companies that locate in designated disadvantaged communities

Remove the following requirements:

- Industry (NAICS code restriction)
- Jobs Threshold
- Full Service (must get all energy from SMUD)

3rd party verification

Economic Development Rate (EDR) Proposed discount options

Proposed Economic Development Rate Discount Options

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Option 1 Discount	6%	6%	6%	6%	6%	5%	4%	3%	2%	1%
Option 2 Discount	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%

Proposed Economic Development Rate Discount Options for Disadvantaged Communities

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Option 1 Discount	8%	8%	8%	8%	8%	6.5%	5%	3.5%	2%	0.5%
Option 2 Discount	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%

Development fees

Proposed changes

Amend connection fee (Rule 16) to create a fee offset for work performed by SMUD

Provide a per kW offset of development fee for Commercial/Industrial/Mixed Use projects 300kW or greater

Set the 2018/2019 fee offset at \$125 per kW

Evaluate the per kW fee amount yearly (based on SMUD system and financial impacts)

Other Proposed Rate Changes

- Hydro Generation Adjustment (HGA)
 - Add cap of 80” of precipitation (rain and snow) to calculation
 - Increase total HRSF cap from 5% to 6% of budgeted annual gross retail revenue
 - Give the SMUD Board of Directors authority to decide on the use of funds exceeding the cap on the HRSF derived from high hydro generation
- System Infrastructure Fixed Charge Proration
 - Prorates the charge for customers receiving less than 27 days of service.

Customer Outreach through Direct Engagement

- Approximately **100 community and business representatives** received information at public outreach meetings
 - SMUD representatives presented rate information at 6 different collaborative meetings, where over **65 organizations** were represented
- **10 state legislators** whose districts include portions of the SMUD service area were offered informational meetings including information on the rate proposals
- **47 elected officials** were mailed information packets
- SMUD provided information about the rate proposal via **email, mail, newsletters, advertising, social media and smud.org**
- SMUD hosted **2 public workshops** that were attended by approximately 10 members of the public

Letters of Support for Economic Development and Rule 16 Changes

- SMUD received letters of support from the following agencies:
 - Downtown Sacramento Partnership's Board of Directors
 - Mohanna Development Company
 - Heller Pacific Inc. (Managing Partner ICE BLOCKS)
 - The City of Rancho Cordova
 - Folsom Economic Development Corporation
 - City of Elk Grove/EDDT
 - County of Sacramento, Office of Economic Development
 - Franklin Boulevard Business District
 - Sacramento Metropolitan Chamber of Commerce

Alternative Recommendation

- **a) Action requested on EDR**
 - Limit customers to those who have sustainable energy plan that will advance SD-7 goals
 - Match load increases with delivered renewable energy
 - Publish real-time energy source data
 - Full Material Resource Plan discrete simulation of EDR using SAP or other MRP system instead of analog modeling (E3 RESOLVE, PATHWAYS and PLEXOS)
- **Staff Assessment:** This recommendation does not support SMUD's SD-2 policy for the following reasons:
 - All customers that qualify for the new EDR, not just those that have sustainable energy use plans, will help lower costs to current customers
 - Staff proposal on EDR promotes economic development by eliminating a number of requirements instead of adding more requirements
 - Matching load increases with delivered renewable energy is inconsistent with the Board's direction and would not affect customer eligibility for the EDR
 - Publishing energy source data would not affect EDR eligibility
 - SMUD uses industry standard models for resource planning and such models were not utilized in the EDR proposal

Alternative Recommendation (cont.)

- **b) Action requested on prorating service charge**
 - Adjust daily prorated charge to 10% below PG&E's Delivery Minimum Bill Amount (\$ per meter per day) of \$0.32854 (E-1)
- **Staff Assessment:** This recommendation does not support SMUD's SD-2 policy for the following reasons:
 - The alternate recommendation would create a revenue reduction of approximately \$75 million per year which is significant and would require a rate increase to offset this revenue loss.
 - GM Report does not include changing the current SIFC to a \$ per meter per day

Alternative Recommendation (cont.)

- **c) Action requested on HRSF**
 - Do away with the fund, it is fundamentally flawed.
 - Reliably increase the value of hydro power by directly marketing its environmental attributes to Sacramento County customers in a tracible “value for what you pay” (SD-5) way.
 - Do this by “soft metering” the power to electric vehicle owners who want to show in real-time their commitment to reducing Sacramento County greenhouse gas and toxic emissions without subsidization.
 - Full Material Resource Plan discrete simulation for Hydro power using SAP or other MRP system instead of analog modeling (E3 RESOLVE, PATHWAYS and PLEXOS)
- **Staff Assessment:** This recommendation does not support SMUD’s SD-2 policy for the following reasons:
 - The HGA mechanism helps to provide predictable rates and protects customers against sudden changes in the cost of power.
 - SMUD’s hydro power benefits all customers because it reduces overall Greenhouse Gas (GHG) emissions. Maintaining ownership of all of SMUD’s hydro power attributes ensures a reliable system, cleaner environment, and translates to lower costs for all of our customers.
 - SMUD currently has no plans to “soft meter” hydroelectric power to electric vehicle customers, but may explore concepts around green energy for electric vehicle charging in the future.
 - SMUD uses industry standard models for resource planning; these models were not utilized in the HGA proposal.

End of Presentation

Powering forward. Together.

