

Exhibit to Agenda Item #2

Board Finance & Audit Committee Meeting and Special SMUD Board of Directors Meeting
Tuesday, April 16, 2019 scheduled to begin at 5:30 p.m.
Customer Service Center, Rubicon Room

Request

- Board to determine the use of approximately \$7.9 million in excess funds contained in the Hydro Rate Stabilization Fund (HRSF) due to the wet water year, pursuant to the Hydro Generation Adjustment (HGA) tariff

Background

- Hydro generation is highly dependent upon the amount of precipitation received in the UARP
- Hydro Rate Stabilization Fund (HRSF) created as a mechanism to fund commodity costs when actuals vary from plan
- Savings during wet years are placed in the HRSF until a cap is reached
- The cap amount is set by the tariff - equal to 6% of revenue

Favorable 2018 – 2019 Water Year

- 17 inches of precipitation over the median of 51” at Pacific House, CA
- The estimated commodity savings in 2019 from the surplus rainfall is \$26,286,000
- \$18,384,350 will be transferred into the HRSF – increasing the HRSF from \$64M to its cap of \$82M
- The excess above the cap is \$7,902,006
- Under the hydro generation adjustment tariff, the Board is authorized to determine the use of the excess funds in support the Board’s Strategic Directions

Staff Recommendation

- Use funds to pay off early the Proctor and Gamble (Sacramento Cogeneration Authority) debt, scheduled to be paid off in 2021
 - Supports financial health, fixed charge metric, financial flexibility
- Action aligned with SD-3, Access to Credit

Other Alternatives

- Pay down the pension liability
- Use the funds for a monthly or annual HGA credit back to customers
 - A residential customer using 750 kWh per month would receive a monthly credit of \$0.57 per month or a one-time credit of \$6.84
 - Most (86%) commercial customers would receive an average one-time credit of approximately \$11
 - Large commercial customers on average would receive a one-time credit of \$5,705

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