

Exhibit to Agenda Item #3a

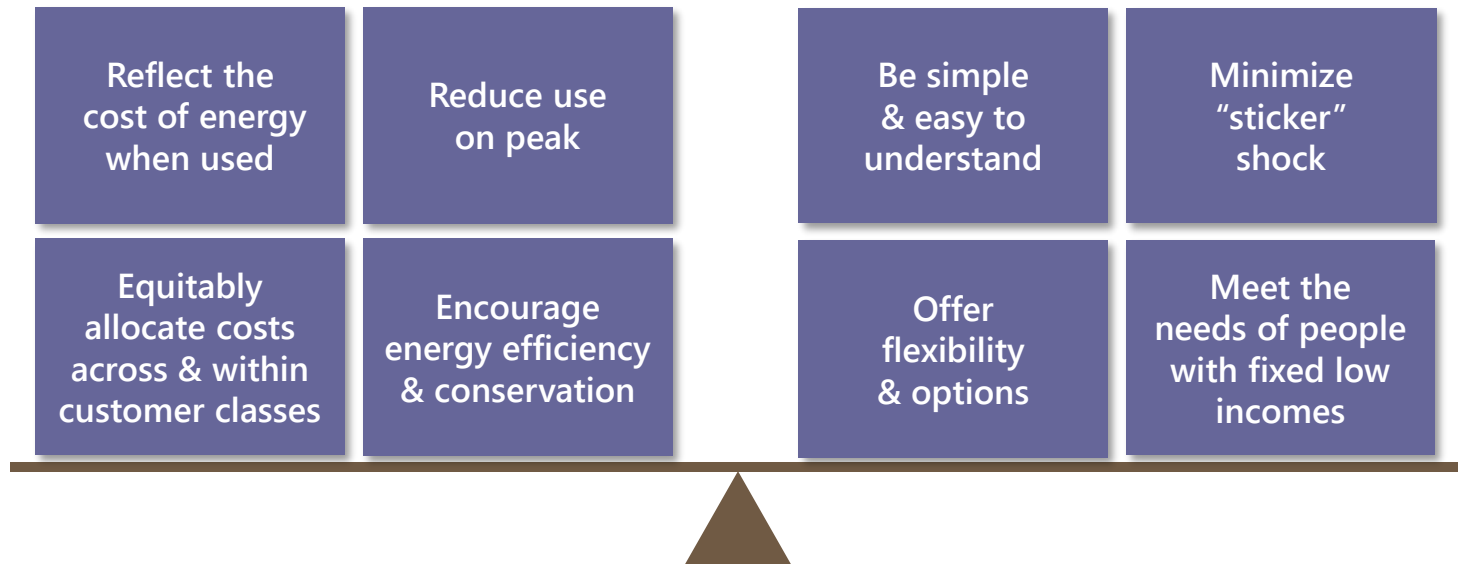
Board Finance & Audit Committee Meeting and Special SMUD Board of Directors Meeting

Tuesday, February 19, 2019 scheduled to begin at 5:30 p.m.

Customer Service Center, Rubicon Room

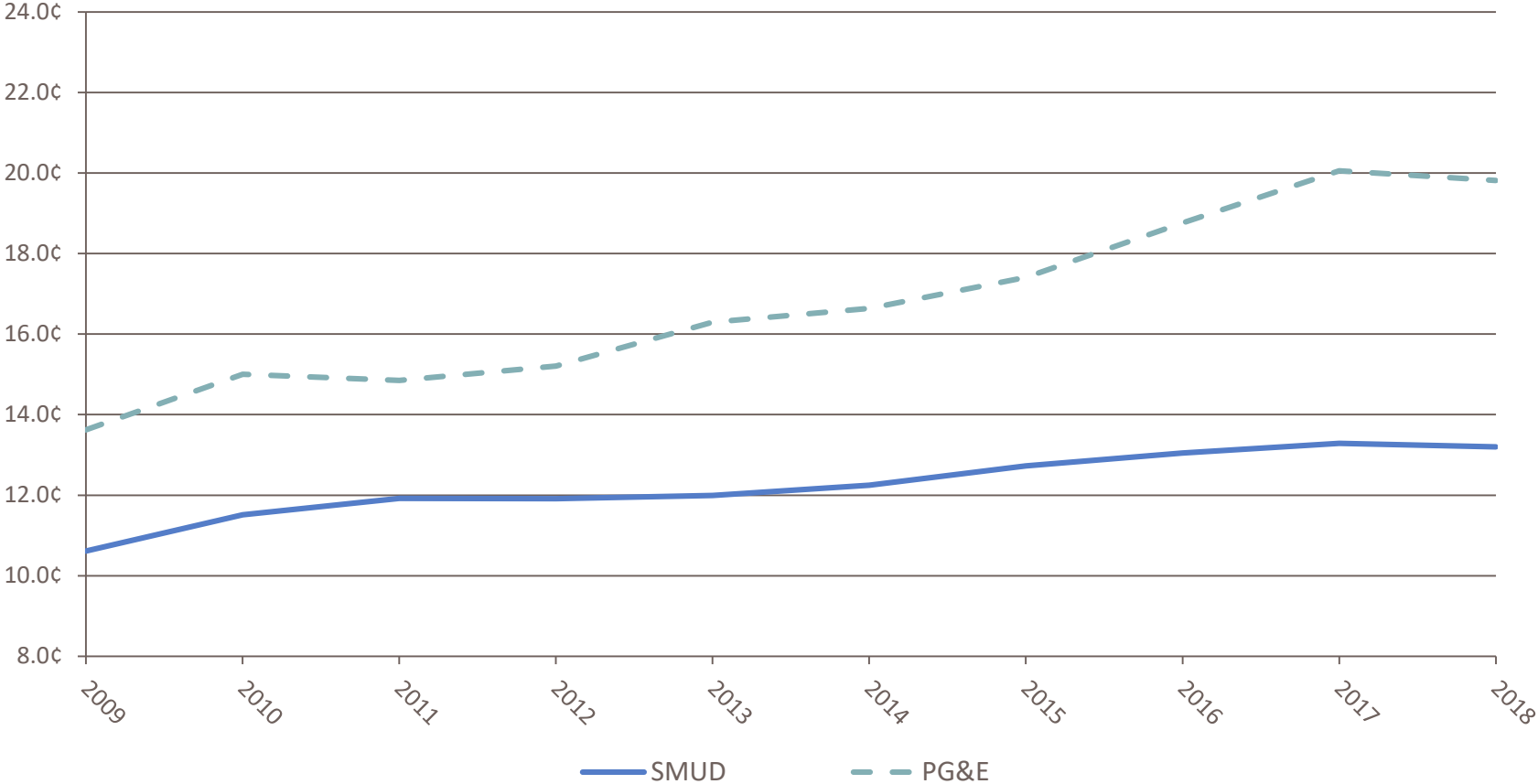
SD-2 Competitive Rates

- SMUD is 18% below PG&E's rates (system average basis)
- SMUD's rate of change for both rates and bills shall be competitive with other local utilities (system average basis)
- Rates are designed to balance and achieve the following goals



Historical Comparison to PG&E Rates

SMUD vs. PG&E System Average Rate



Source: SMUD & PG&E Historical Comparison 2018.xls



Comparison to PG&E Rates

Projected 2018 Average Price Comparison in \$/kWh

				Average Annual Rate*		Difference Below PG&E*	Difference Below PG&E*
				PG&E	SMUD		
Customer		Rate Categories		2018	2018	2018	2017
Class	Description	PG&E	SMUD				
Residential	Standard	E-1	RSCH/EH/GH RWCH/EH/GH	\$0.2332	\$0.1501	-35.6%	-35.6%
	Low Income	CARE**	EAPR & EAPRMED	\$0.1332	\$0.0969	-27.3%	-30.4%
All Residential				\$0.2052	\$0.1417	-30.9%	-32.1%
Small Commercial***	<= 20 kW	A-1	GSN/GSN_T	\$0.2415	\$0.1478	-38.8%	-36.4%
	21 - 299 kW	A-6	GSS/GSS_T	\$0.2310	\$0.1375	-40.4%	-38.6%
Medium Commercial***	300 - 499 kW	A-10	TOU-3	\$0.2149	\$0.1288	-40.1%	-37.2%
	500 - 999 kW	E-19	TOU-2	\$0.1857	\$0.1211	-34.8%	-32.6%
Large Commercial***	=> 1 MW	E-20	TOU-1	\$0.1498	\$0.1026	-31.5%	-28.0%
Lighting	Traffic Signals	TC-1	TS	\$0.2309	\$0.1186	-48.6%	-47.3%
	Street Lighting	Various	SLS,NLGT	\$0.2329	\$0.1381	-40.7%	-41.3%
Agriculture	Ag & Pumping	AG	ASN/D,AON/D	\$0.2035	\$0.1315	-35.4%	-25.8%
System Average				\$0.1982	\$0.1320	-33.4%	-32.0%

Projected 2018 average prices for SMUD with rates effective 01-01-18. PG&E average prices in 2018 reflect rates effective 09-01-18, per Advice Letter 5339-E. The rate difference in year 2017 reflects PG&E average rates as of 03-01-17, per Advice Letter 5011-E-A dated 02-24-17, and SMUD rates effective 01-01-17.

** CARE vs EAPR includes EAPR & EAPRMED customers

*** Commercial rates include WAPA credits. The revenue forecast does not consider economic development discounts for year 2018

Comparison to Local Utilities

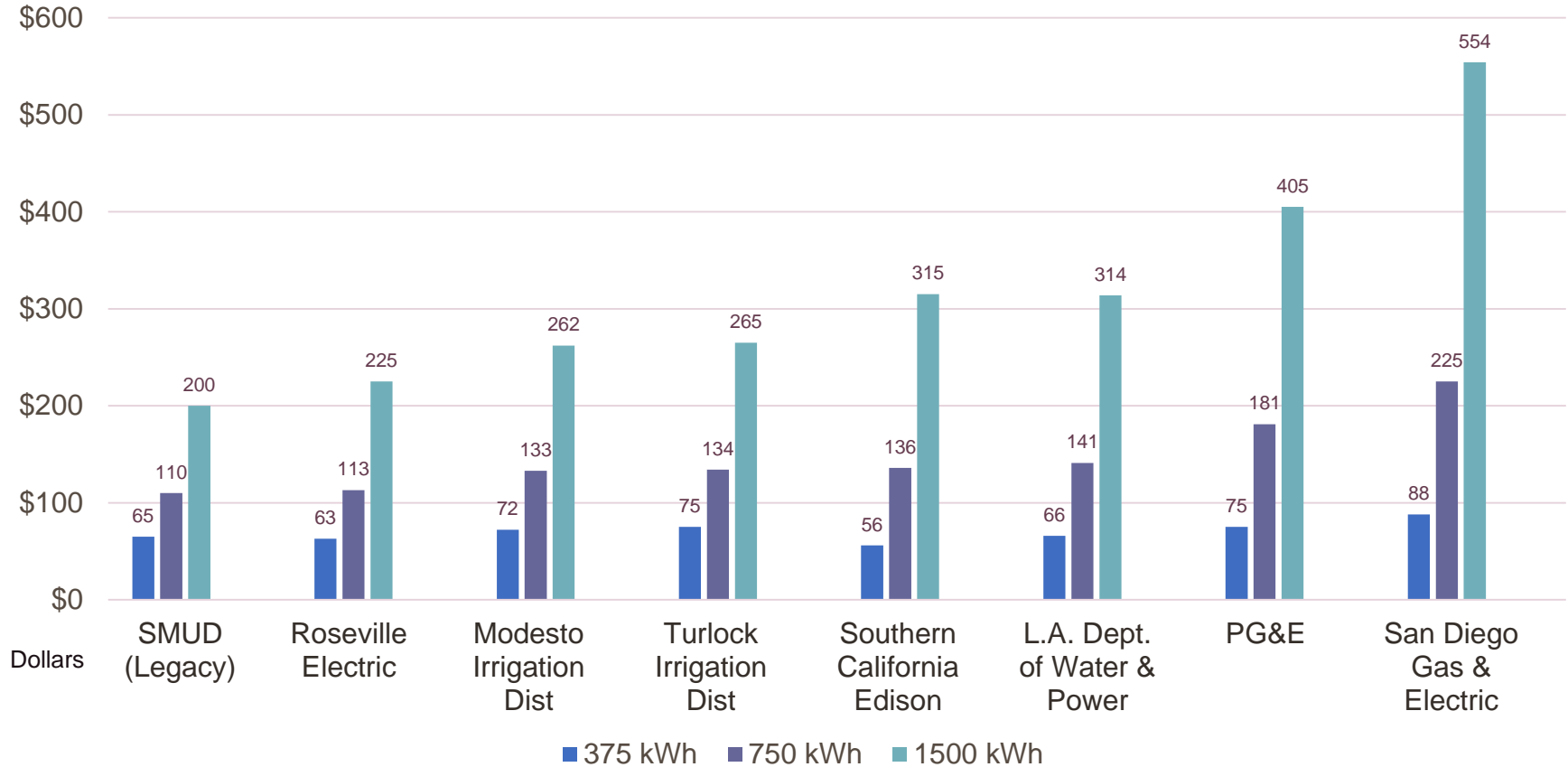
Average Annual Bill Rate of Change		SMUD	Local Utilities *	Local Utilities * without PG&E
Average Across Time	10-Year Average (2008-2017)	2.39%	2.77%	2.75%
	5-Year Average (2013-2017)	2.15%	1.48%	0.35%

Average Annual System Rate of Change		SMUD	Local Utilities *	Local Utilities * without PG&E
Average Across Time	10-Year Average (2008-2017)	3.03%	3.33%	3.24%
	5-Year Average (2013-2017)	2.00%	1.75%	0.93%

* Local Utilities: Roseville, Modesto, Turlock, and PG&E

Pass-throughs – reliance on automatic price adjustments to cover cost increases/decreases	
Lodi	Energy Cost Adjustment
Modesto	Capital Infrastructure Adjustment, Environmental Energy Adjustment
Roseville	Renewable Energy Surcharge, Greenhouse Gas Surcharge, Hydroelectric Adjustment
Turlock	Power Supply Adjustment, Environmental Charge, Public Benefits Surcharge

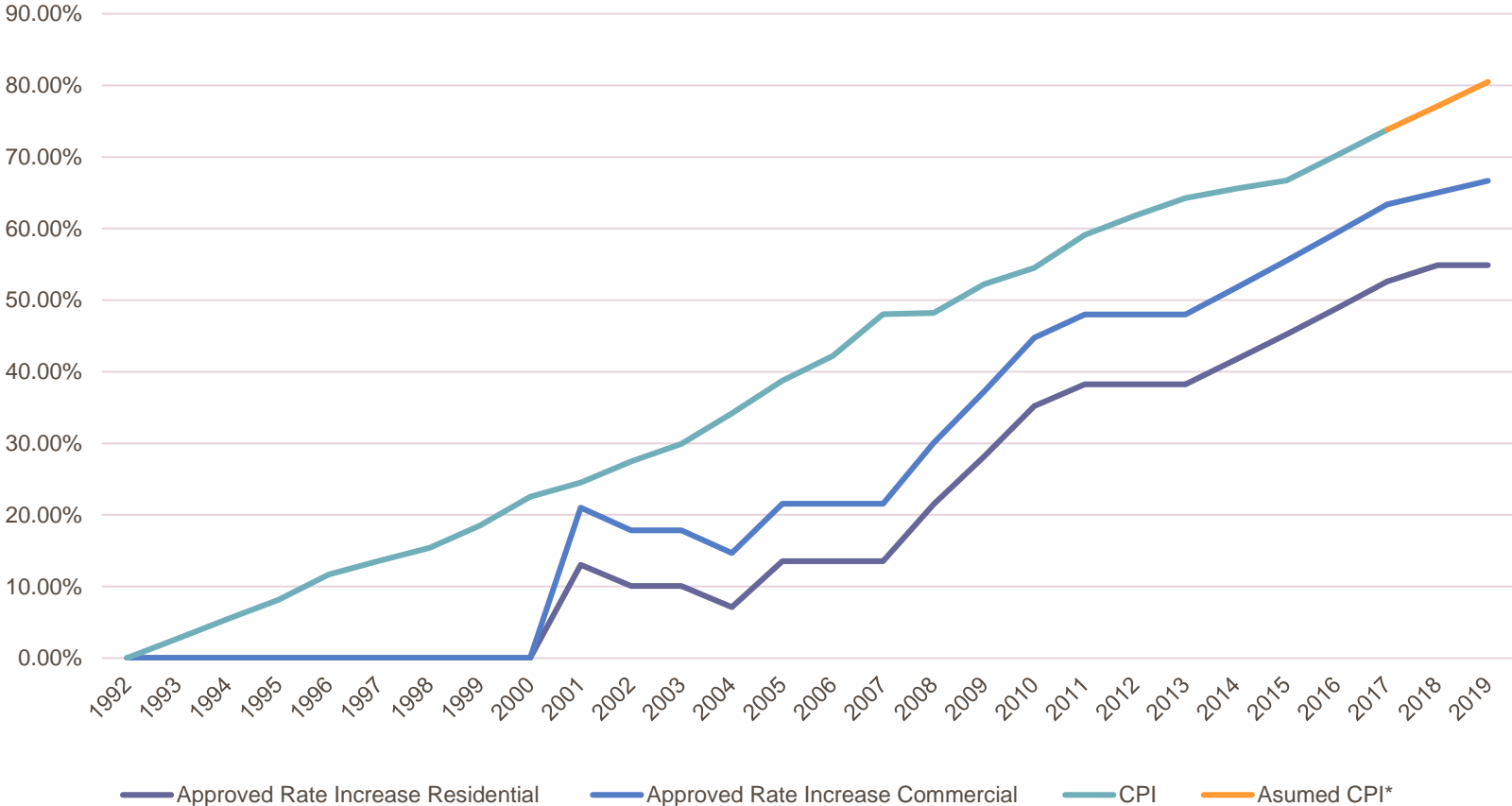
Average Monthly Residential Customer Bill



* Legacy rates effective as of October 1, 2018. Average bills include applicable fixed monthly charge, energy charge and exclude local taxes and surcharges.

SMUD Cumulative Rates Lower Than CPI

Annual Rate Increase vs CPI



Rate Increase Drivers

Known 2020-2021 Revenue Requirement		
Drivers	2020	2021
Wildfire Mitigation	1.00%	0.25%
Load Serving Capability	1.25%	-
Revenue Forecast (load flattening or reduction/weather uncertainty)	1.00%	0.75%
Technology (investment and ongoing support)	1.75%	0.50%
PERS	-	0.50%
Staffing/Labor/Benefit Increases	1.00%	0.75%
Integrated Resource Plan	0.75%	1.00%
Cost Increases for Materials, Goods and Services*, Other	-	0.75%
Permanent Cost Reductions	-2.00%	-
Recommended Rate Increase	4.75%	4.50%

- **SMUD** is experiencing general cost increase pressure that is the result of a strong economy, plus prices of materials impacted by tariffs
- **Future Unknown Drivers:** Electric sales, Regulatory Mandates, Weather, and the Economy

Tax Act Impact on Metric

- Requires SMUD system average rates to be 18% below PG&E system average rates
- Tax Cut and Jobs Act of 2017 reduced corporate federal taxes from 35% to 21%
 - The tax cut reduces the tax benefit of being a municipal entity by approximately 3%
 - Under the new tax law, the 18% requirement would drop to 15%
- Staff does not recommend changing the SD-2 requirement

Future Opportunities

- Using SD-2 as guidance, leverage pricing strategy to ensure SMUD's long-term ability to deliver on our vision and purpose
 - SMUD's long-term financial health
 - Fair share of costs between customers
 - Support IRP's strategy to deliver on low-carbon future goals

Recommendation

- Board accept the SD-2 Monitoring Report