

Exhibit to Agenda Item #1

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

Tuesday, September 17, 2019 scheduled to begin at 5:30 p.m.

Customer Service Center, Rubicon Room

Requested Action

- Authorize the Chief Executive Officer and General Manager to execute a 10-year, customer-tailored, retail Electric Services Agreement between Messer LLC and SMUD.

Summary

- Messer's costs will increase ~\$240K in 2020 and additional ~\$300K in 2021 due to SMUD's recently approved rate increases for a total increase of ~\$540k.
- Electricity costs of ~\$5.4M/year represents 60% of Messer's operating budget.
- Messer has objected to this increase and made statements regarding relocation outside of SMUD territory.

Summary – Cont'd

- The SMUD Board approved the Economic Development Rate (EDR) to attract new and retain at-risk businesses by offering discounted rates over 10 years.
- Currently Messer is grandfathered on the Temperature Dependent Pricing (GS-TDP) closed rate. This rate was not identified as eligible under the EDR.

Customer Tailored Agreement Structure

- 6% discount in all 10 years of the agreement.
January 1, 2020 – December 31, 2030.
- Curtailment arrangement at pricing values and renewal durations determined by SMUD.
June 1, 2020 – December 31, 2030.

Benefits to SMUD

- SMUD will retain this at-risk customer.
- SMUD will prevent an adverse economic impact to this community which holds a Disadvantaged Community designation under the California Office of Environmental Health and Hazard Assessment.

Benefits to SMUD

- Messer will curtail up to 6.5 MW of load within 10 minutes notice from SMUD's Energy Trading Desk.
- Contract provides SMUD with an energy curtailment resource for a maximum of 12 events per year and 6 hours per event.
- Curtailment can mitigate wholesale power cost volatility and increased Green House gas emissions (GHG).

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