

# Exhibit to Agenda Item #1

Provide the Board an overview of the **SMUD 2023 Rate Process**.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting  
Tuesday, April 18, 2023, scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium

# Agenda

- Introduction
- Overview of rate increase drivers
- Rate increase discussion
  - Options
  - Timeline
  - Bill impacts
- System Infrastructure Fixed Charge (SIFC) discussion
- Rate Holiday updates
- Energy Assistance Program Rate (EAPR) discussion
- Public outreach of rate process

# Rate increase drivers

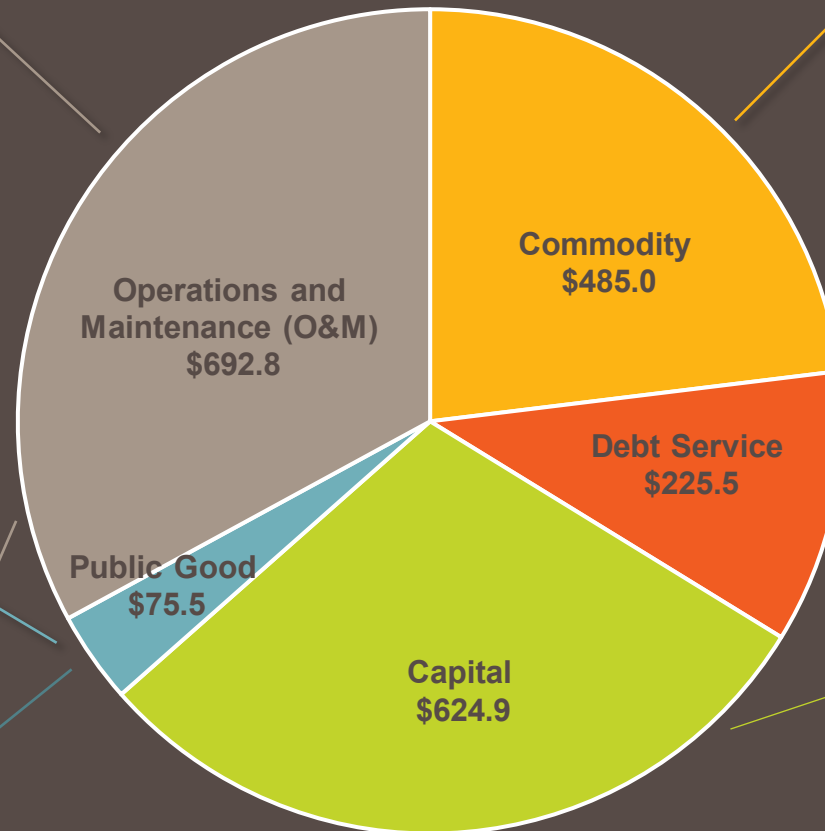
2023 Budget resolution amounts

**Reliability** – Wildfire & vegetation management increase of \$10M (17%).

**Reliability** – Hydro & thermal generation increase of \$15M (17%).

**Programs** to support 2030 Clean Energy Vision increase of \$15M (65%).

**Inflationary impacts** on materials, services & labor increase of \$25M (2%).



**Reliability – Commodity** increase of \$93M (19%).  
*Of which \$33M of commodity increase is for additional zero carbon commodities.*

**Interest on borrowing for Capital Projects:**  
New Generation & Storage  
Grid Reliability & Capacity projects

Total Capital spend of ~\$370M

# Examples of projects & programs

## Programs to support 2030 Clean Energy Vision:

- Load Flexibility & Load Management
- Transportation Electrification
- Distributed Energy Resources
- Low-income Electrification



All dollars in Millions	2023 Plan	2024 Forecast	2025 Forecast	2023-2025 Increase
Programs to support 2030 Clean Energy Vision	\$23	\$38	\$53	\$30

# Examples of Projects & Programs

## Capital Projects to support Compliance:

- **New Generation & Storage:**
  - Solano 4 Wind Turbines
  - Coyote Creek Solar & Storage
  - Long Duration Energy Storage
- **Grid Reliability & Capacity projects:**
  - Substations
  - Line Capacity projects



All dollars in Millions	2023 Plan	2024 Forecast	2025 Forecast
New Generation & Storage Capital Cost	\$271	\$151	\$74
Grid Reliability & Capacity Projects – Capital Cost	\$135	\$221	\$217
Borrowing Cost for New Generation & Storage Capital and Grid Reliability & Capacity Projects	N/A	\$17	\$31

# Percentage & timing for rate increases

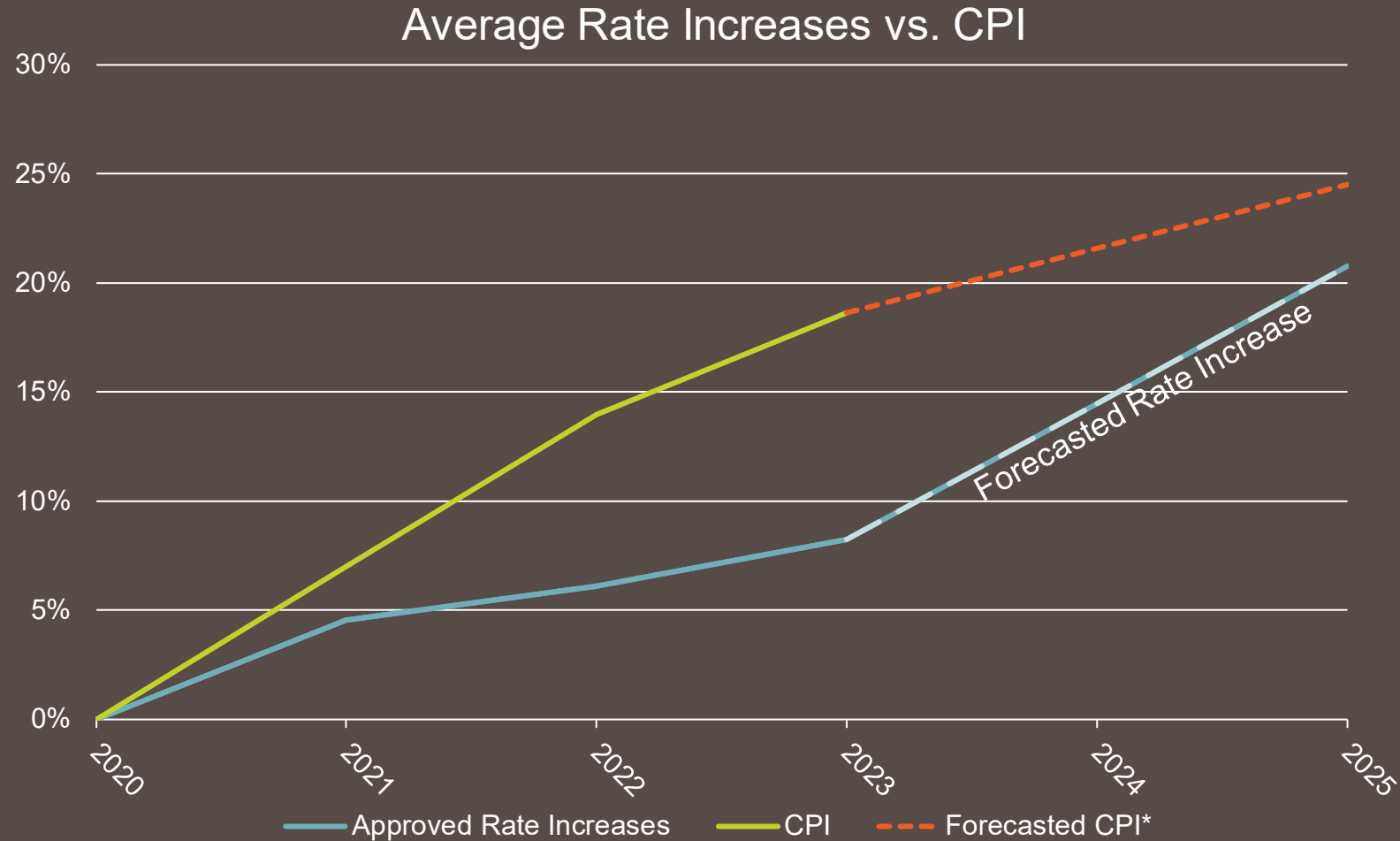
2024	January 1	3.00%
	June 1	2.75%
2025	January 1	2.75%
	June 1	2.75%

# Different timing & percentage options

	2024 - Revenue Requirement \$75M				2025 – Revenue Requirement \$170M			
	Increase 1		Increase 2		Increase 1		Increase 2	
	Month	Increase	Month	Increase	Month	Increase	Month	Increase
Option 1	Jan.	3.00%	Jun.	2.75%	Jan.	2.75%	Jun.	2.75%
Option 2	Jan.	2.75%	May	2.75%	Jan.	2.75%	May	2.75%
Option 3	Jan.	5.50%	N/A	N/A	Jan.	5.00%	N/A	N/A
Option 4	Mar.	4.75%	Oct.	4.00%	Mar.	1.75%	N/A	N/A
Option 5	Mar.	5.00%	Oct.	2.75%	Mar.	2.50%	Oct.	2.00%
Option 6	Jan.	4.50%	Oct.	2.00%	Jan.	3.75%	N/A	N/A

N/A – No rate increase in that time period.

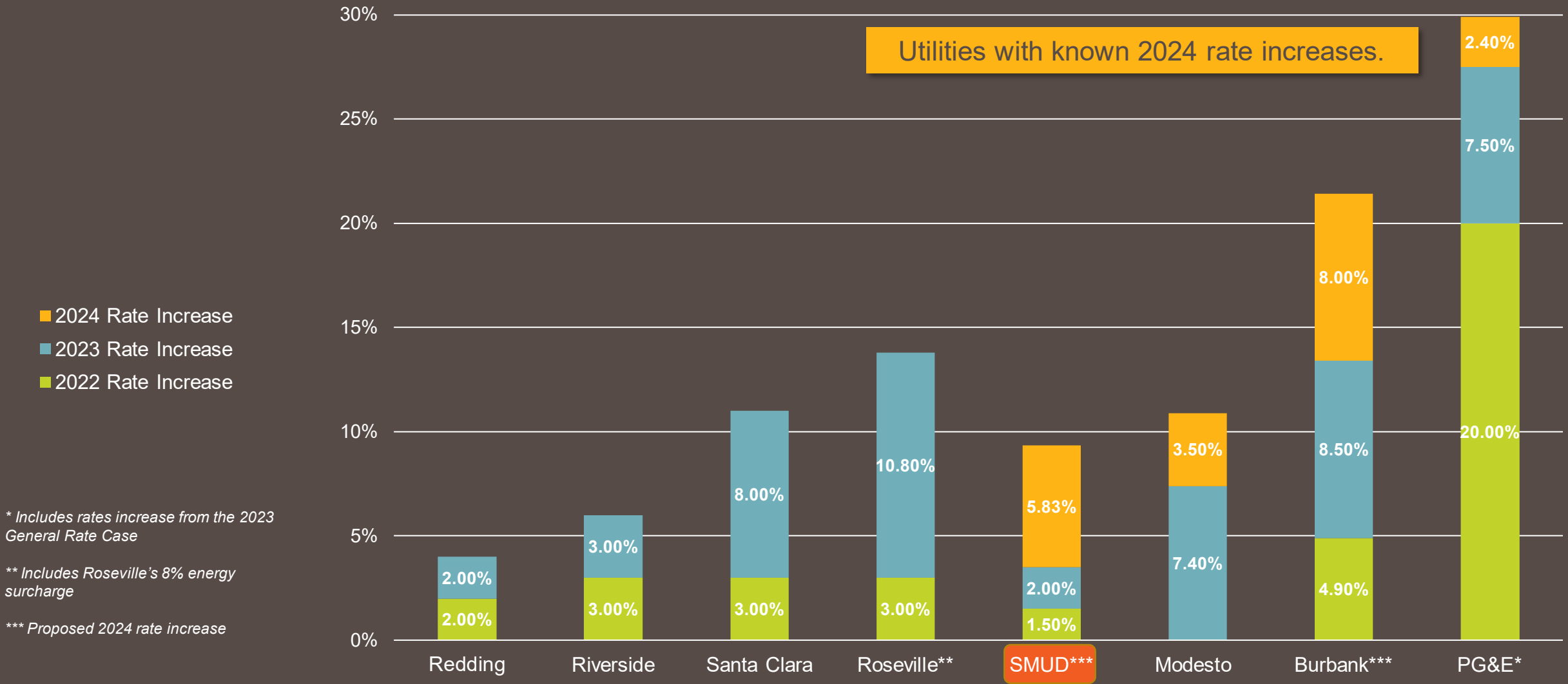
# Approved rate increases vs. Consumer Price Index



Source: SMUD's historical adopted rate increases from 2020 through 2023 and proposed rate increases for 2024 to 2025. Historical CPI data from Bureau of Labor Statistics. \*Forecasted CPI data for 2023 to 2025 from IHS Markit

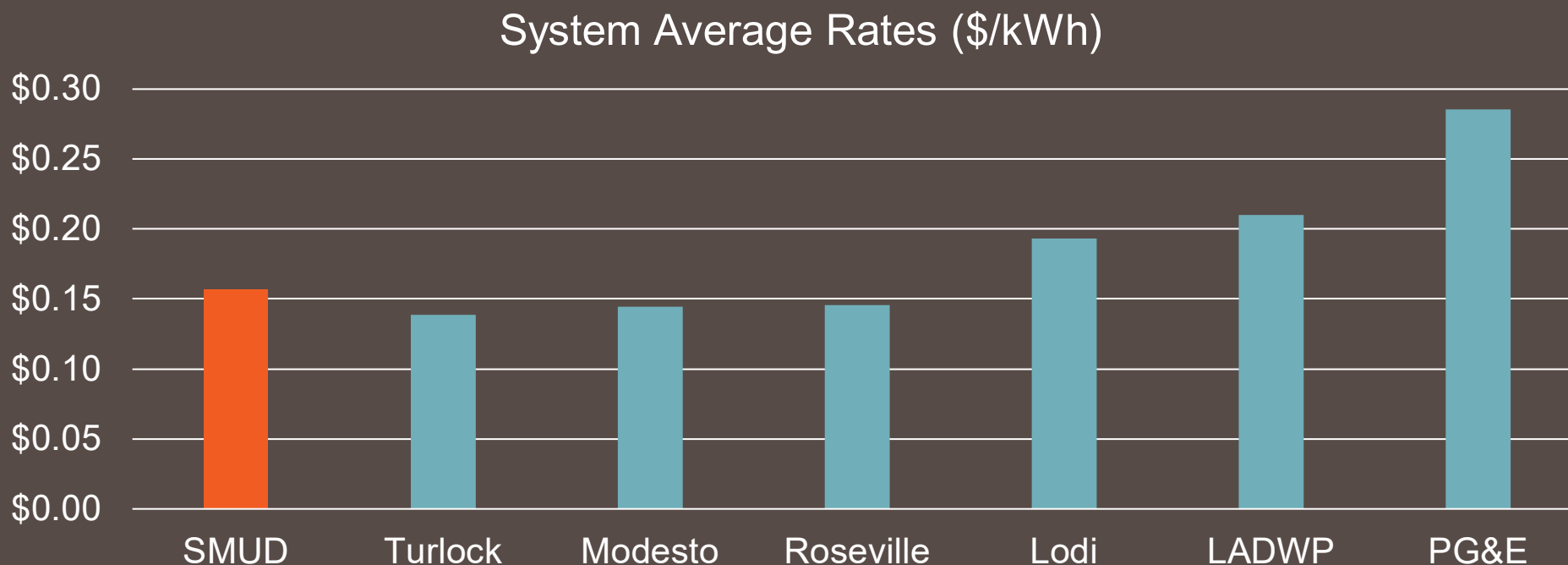


# Other utilities rate increases (%)



# Rate Comparison - 2022

**SMUD continues to have one of the lowest system average rates as compared to other neighboring utilities.**



System Average Rate

Total rates revenue  
(SIFC, demand charges, energy)



Total kWh sold

Source: Preliminary 2022 information. Combination of EIA 826 monthly data and self-reported

# Potential average bill impacts (Jan./June)

Potential Monthly Bill Impacts						
Size	Average Monthly Bill	3.00% Rate Impact January 1, 2024	2.75% Rate Impact June 1, 2024	2.75% Rate Impact January 1, 2025	2.75% Rate Impact June 1, 2025	Total Bill Impact
Average residential at 750kWh usage	<b>\$131.40</b>	\$3.94	\$3.73	\$3.82	\$3.93	<b>\$15.42</b>
Small Commercial (20-299 kW)	<b>\$3,121</b>	\$94	\$88	\$91	\$93	<b>\$366</b>
Medium Commercial (500-999 kW)	<b>\$27,173</b>	\$815	\$770	\$791	\$813	<b>\$3,188</b>
Large Commercial (>1,000 kW)	<b>\$103,221</b>	\$3,097	\$2,924	\$3,004	\$3,087	<b>\$12,111</b>
Agriculture (Ag & Pumping)	<b>\$445</b>	\$13	\$13	\$13	\$13	<b>\$52</b>

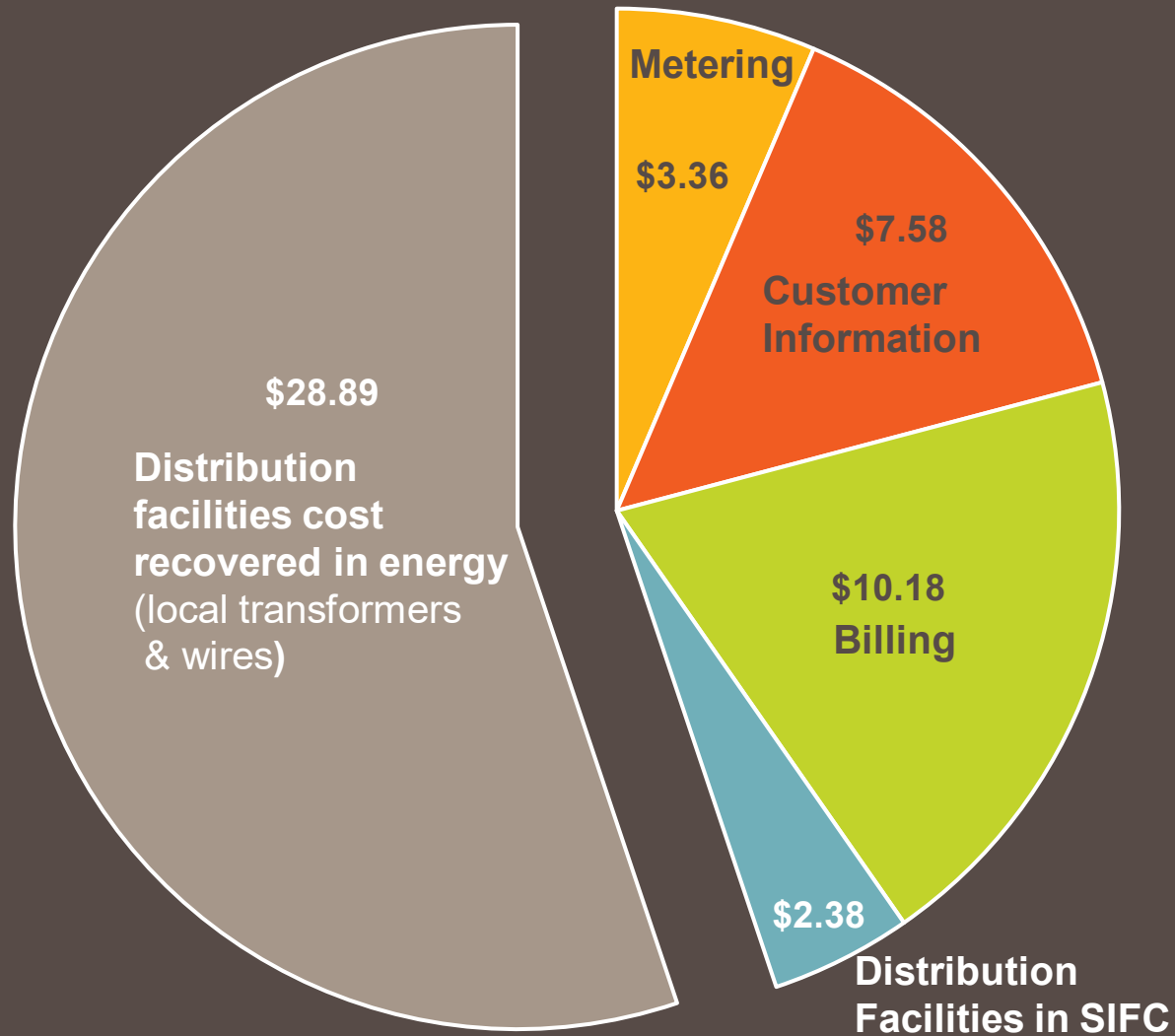
# Energy Assistance Program Rate (EAPR) potential bill impacts Jan./June

		<div> <div>Jan 2024 3.00%</div> <div>June 2024 2.75%</div> <div>Jan 2025 2.75%</div> <div>June 2025 2.75%</div> </div>				
FPL	Avg. Monthly Bill* (2023)					Total Bill Impact
0% -50%	\$65	\$3.34	\$3.13	\$3.27	\$3.37	\$13.12
50% - 100%	\$73	\$3.21	\$2.99	\$3.12	\$3.20	\$12.52
100% - 150%	\$96	\$3.38	\$3.14	\$3.26	\$3.34	\$13.13
150% - 200%	\$108	\$3.46	\$3.22	\$3.34	\$3.42	\$13.44

\* Average monthly bills include current EAPR credit by Federal Poverty Level (FPL).

# System Infrastructure Fixed Charge (SIFC) discussion

# Current System Infrastructure Fixed Charge (SIFC)



- The current SIFC recovers ~45% of total cost of service of **\$52.39/month**.
  - The **\$23.50** reflects mostly fixed customer-related costs.
  - EAPR customers pay **\$13.50** after receiving a \$10 discount.
- Exploring approach based on panel size to reflect cost of transformers and wires.

# Concepts explored



Multifamily/Single  
Family

Usage data

Panel size

- Staff recommends basing future increases to the SIFC on panel size.
- There's no perfect solution, but panel size offers a good approximation to recover cost based on how transformers and wires are sized and used.



# Common types of panel sizes (illustration only)

Panel size aligns with the use of the grid.



Apartment Complex

60-125  
Amps  
each unit



Smaller Home

75-125  
Amps



Medium Size Home

200  
Amps



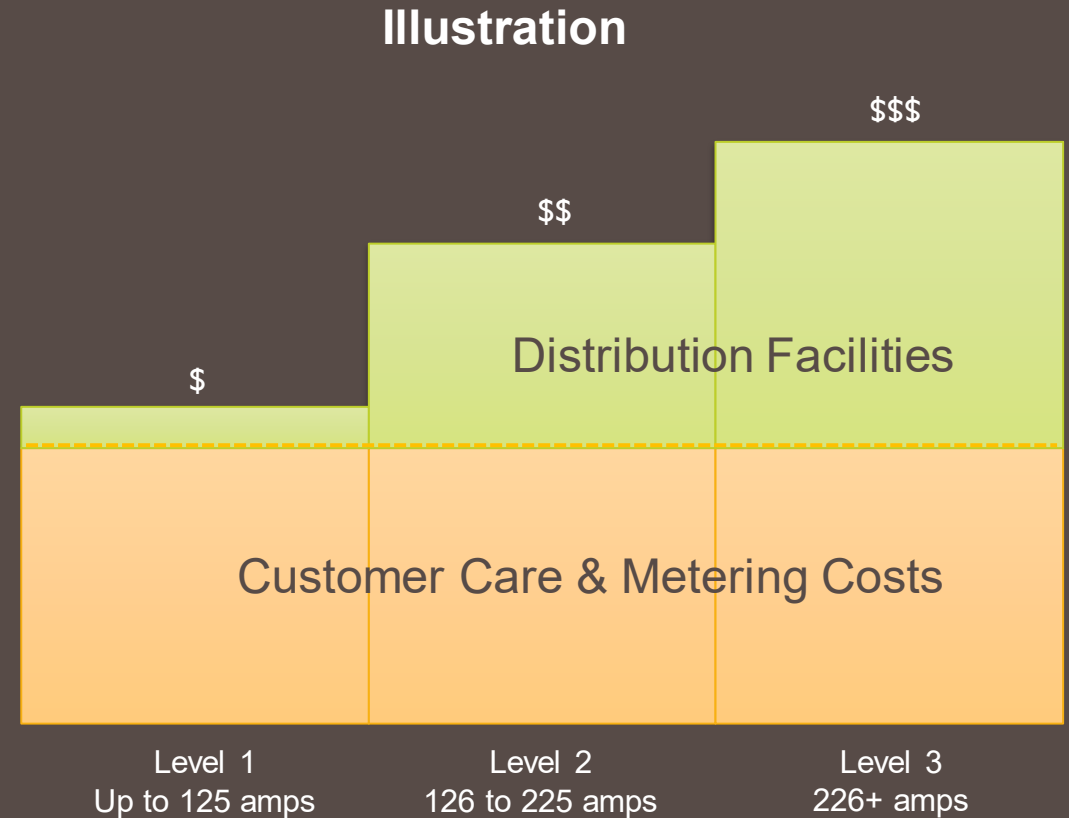
Largest Home

400+  
Amps



# Staff recommended approach

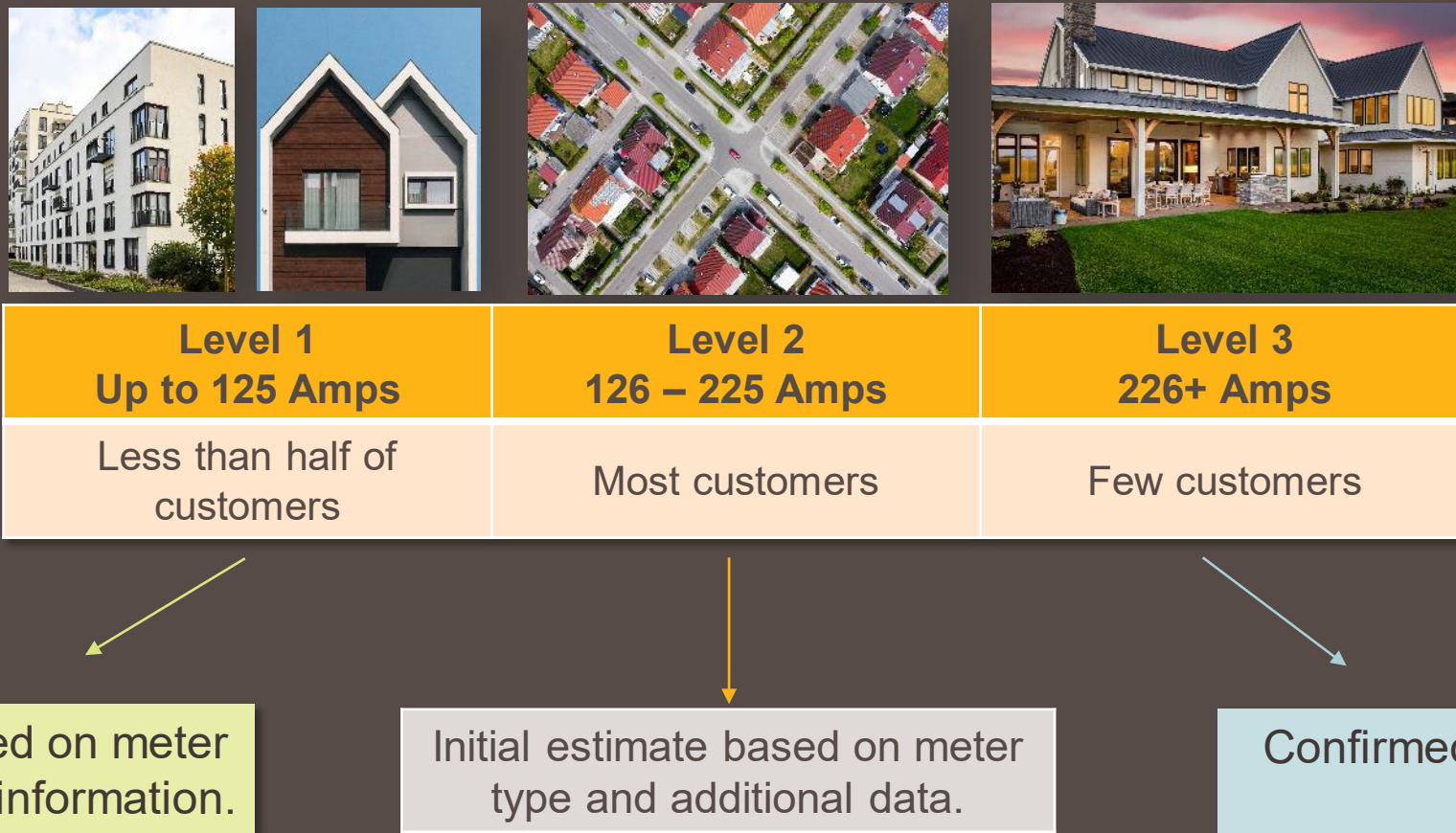
- Glidepath to introduce tiered SIFC based on panel size.
  - Better reflects use of distribution facilities.
- **Example of SIFC ranges:**
  - **Level 1** – Up to 125 Amps\*
  - **Level 2** – 126 to 225 Amps
  - **Level 3\*\*** – Larger than 225 Amps



\* Staff estimates that initial population in this group would be mostly apartments, small homes, duplexes, etc.

\*\* Customers with 3 phase service voltage pay an additional charge

# Recommended approach with data we have



# Rate Holiday updates

# Proposed change to rate holidays

- Our rate holidays provides off-peak pricing and have not been updated in decades.
- State and federal governments recently added Juneteenth as a recognized holiday.
- Staff recommends aligning our rate holidays to federal holidays.

This would require the following changes:

- Remove Lincoln Birthday on Feb. 12.
- Add Juneteenth on June 19.

Rate Holiday	Month	Date
New Year's Day	January	1
Martin Luther King Jr. Day	January	Third Monday
<del>Lincoln's Birthday</del>	<del>February</del>	<del>12</del>
Presidents Day	February	Third Monday
Memorial Day	May	Last Monday
<b>Juneteenth National Independence Day</b>	<b>June</b>	<b>19</b>
Independence Day	July	4
Labor Day	September	First Monday
Indigenous Peoples' Day/Columbus Day	October	Second Monday
Veterans Day	November	11
Thanksgiving Day	November	Fourth Thursday
Christmas Day	December	25

# Energy Assistance Program Rate (EAPR) Discount enhancement



# Energy Assistance Program Rate (EAPR) Overview

Current EAPR program assigns the rate discount based on income level  
We are exploring an enhancement to the current program.

## 2023 Federal Poverty Level (FPL) Yearly Income Guidelines

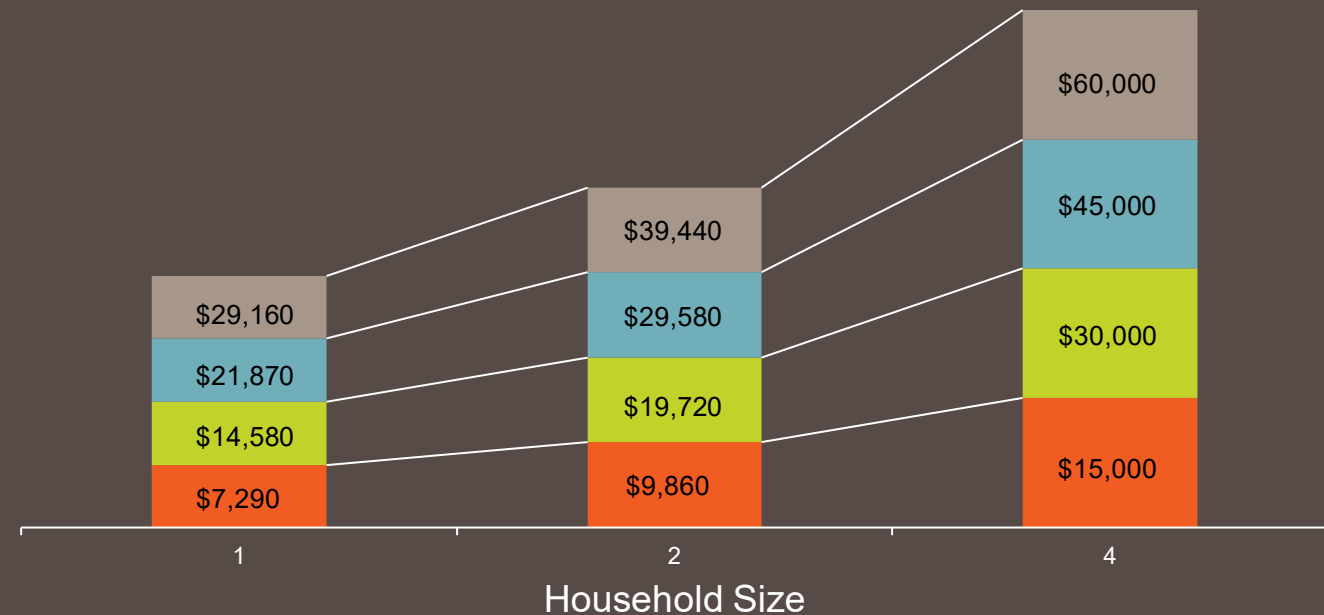
FPL*	Customers	Current Discount
0-50%	8,000	\$70
50-100%	34,000	\$42
100-150%	29,000	\$20
150-200%	22,000	\$10

■ 150% - 200% FPL

■ 100% - 150% FPL

■ 50% - 100% FPL

■ 0% - 50% FPL



# Defining Electric Bill Burden

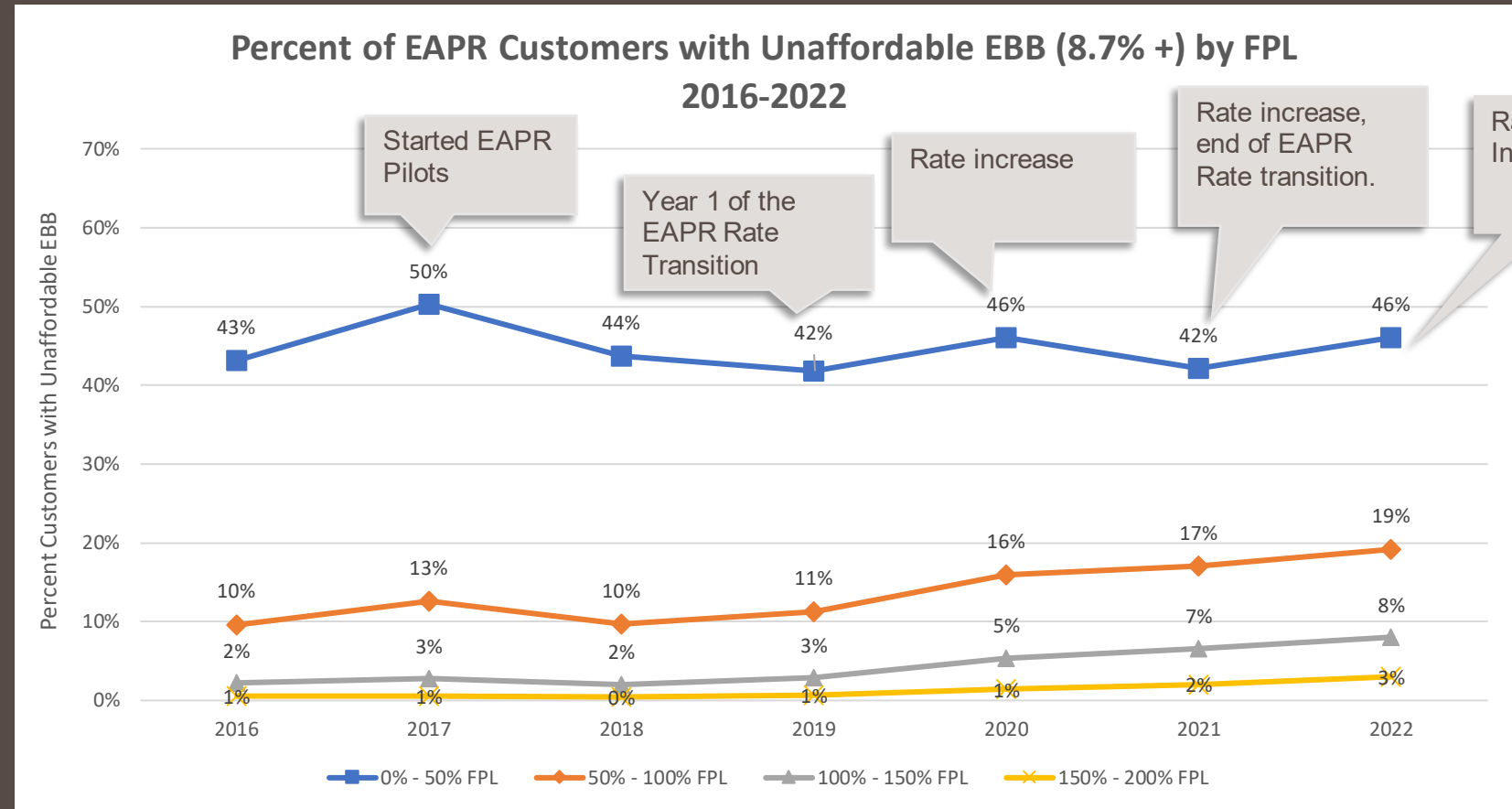
Electric Bill Burden (EBB) is the percentage of gross household monthly income spent on the electric bill.

**Our goal is to help Energy Assistance Program Rate customers obtain an Electric Bill Burden at or below 8.7%.**

Electric Bill Burden (electricity only)			
Ideal	Affordable	Unaffordable	Highly Unaffordable
0 – 4.8%	4.8 – 8.7%	8.7 – 25%	>25%

# Customers are still struggling

- 46% of our customers in the 0-50% Federal Poverty Level have electric bill burdens above 8.7%.
- We were successful in decreasing the percentage of customers in the 0-50% FPL with unaffordable bill burdens, between 2016 and 2022.
- However, these improvements have been offset by income changes and rate increases
- Our intent is to help mitigate these impacts to the customers in the 0-50% FPL.





# EAPR Program Recommendation

Create a stabilization fund with non-rates revenue allowing additional funding for customers at the 0-50% FPL level to receive an extra benefit of up \$35 per month. Total potential benefit would increase from \$70 up to \$105 per customer. Financial impact is estimated to be approx. \$1.7M.

Federal Poverty Level (FPL)	# Customers**	Current EAPR Discount	Total Current Discount	Discounts Up To*	Total Discount with Recommended Funding
0% - 50% FPL	8,000	\$70	\$5.9M	\$105	\$7.6M
50% - 100% FPL	34,000	\$42	\$16.6M	\$42	\$16.6M
100% - 150% FPL	29,000	\$20	\$6.9M	\$20	\$6.9M
150% - 200% FPL	22,000	\$10	\$2.6M	\$10	\$2.6M

*\*EAPR discount numbers are estimates and will change annually based on non-rates revenue available and customer count.*

*\*\*Approximate customer enrollments by Federal Poverty Level*

# Energy Assistance Program Rate (EAPR) + EAPR Stabilization Fund (ESF) Potential Bill Impacts Jan/June

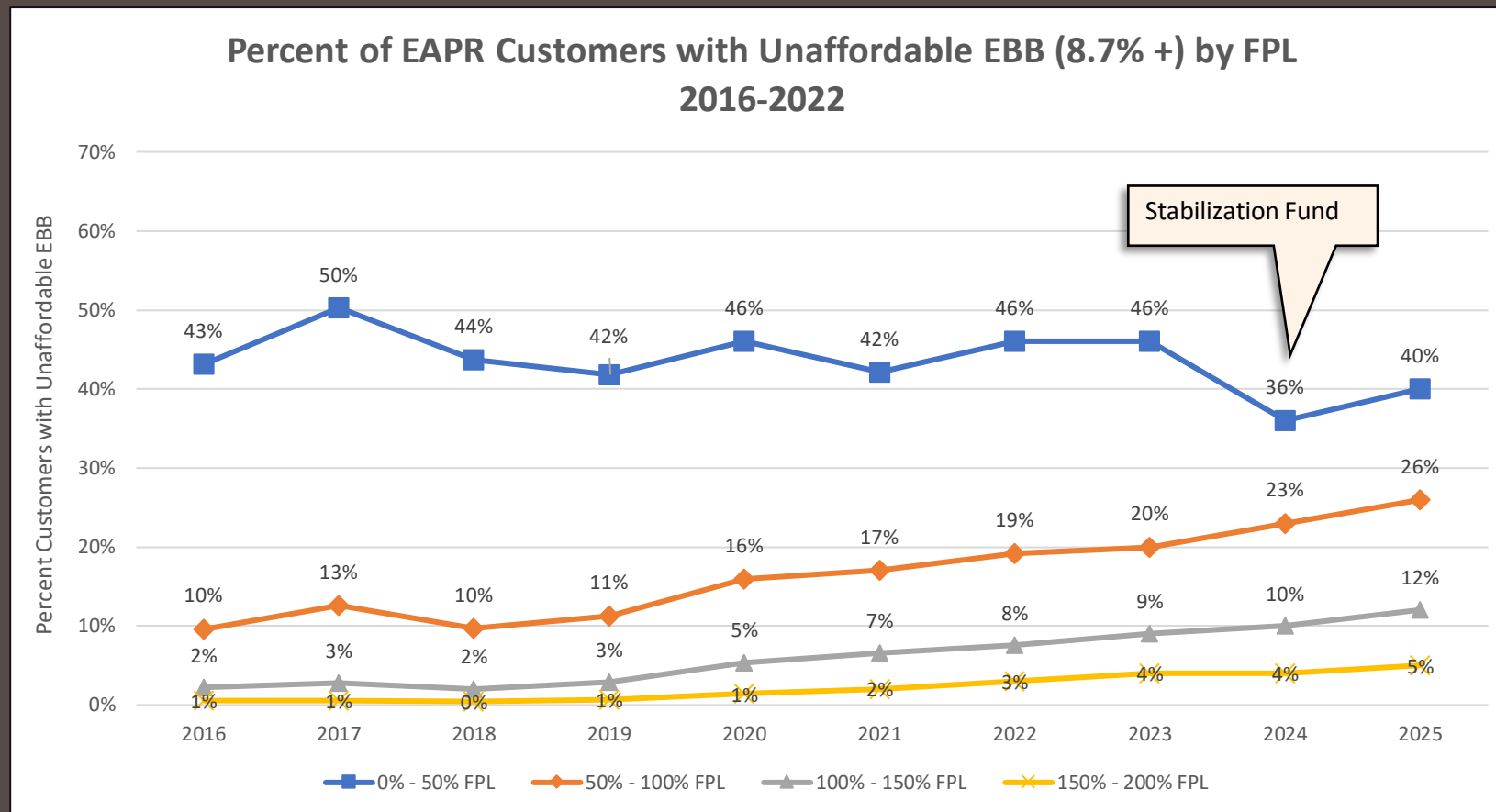
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FPL	Avg. Monthly Bill* (2023)					Total Bill Impact
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50% - 100%	\$73	\$3.21	\$2.99	\$3.12	\$3.20	\$12.52
100% - 150%	\$96	\$3.38	\$3.14	\$3.26	\$3.34	\$13.13
150% - 200%	\$108	\$3.46	\$3.22	\$3.34	\$3.42	\$13.44

\*Average monthly bills for 2023 include current EAPR credit by Federal Poverty Level (FPL).

\*\*Average monthly bills for 2024 and 2025 include current EAPR credit and stabilization fund credit by FPL.

# Future Impact of Stabilization Fund

- The Stabilization Fund is impactful in helping customers in the 0-50% FPL have an affordable EBB over the next couple of years
- The percentage of customers in the 0-50% Federal Poverty Level that have a high EBB drops from 46% to 36% in 2024



# Public Outreach of Rate Process

- Extensive outreach to educate customers on proposed rate changes:
  - In-person and virtual meetings.
  - SMUD channels: Media, social media, newsletters, email, website.
  - Leverage partners' communication channels.
- Obtain feedback from customers and community partners.

Key Date	Description
6/15/23	Release General Manager's Report & Set Public Hearing Date
7/13/23	Public Workshop #1 – Hybrid format
8/3/23	Public Workshop #2 – Hybrid format
8/30/23	Public Hearing at Board Meeting & Resolution Drafted
9/21/23	Board Resolution Approved
1/1/2024	Target Implementation Date - Earliest Effective Date for new rates
76	Days for Outreach

# Next steps

- Incorporate feedback from the public meeting.
- Finalize rate recommendations.
- Robust community outreach.
- Publish the General Manager's Report in June.
  - Consider declaring intent to move toward panel size pricing.
- Conduct rate process from mid-June thru mid-September.
  - 2 rates workshop and public hearing.
  - Robust community engagement.
  - Board vote in mid-September.