

SACRAMENTO MUNICIPAL UTILITY DISTRICT

PUBLIC UTILITY REGULATORY POLICIES ACT OF 1978 AS AMENDED BY THE INFRASTRUCTURE
INVESTMENT AND JOBS ACT OF 2021

Board Determination on the Demand-Response Practices Standard

Summary

The Sacramento Municipal Utility District's (SMUD) Board of Directors has made its determination on the Demand-Response Practices Standard set forth in Section 111(d)(20) of the Public Utility Regulatory Policies Act of 1978 (PURPA), as amended by the Infrastructure Investment and Jobs Act of 2021 (IIJA). The Board considered the Demand-Response Practices Standard on the basis of its effect on conservation of energy, efficient use of facilities and resources, and equity among electrical consumers, and the objective and requirements of the Municipal Utility District Act (Cal. Pub. Util. Code, § 11501 et seq.).

Statement of Facts

The IIJA was enacted on November 15, 2021, adding new obligations under Title 1 of PURPA. IIJA amended Section 111(d) of PURPA to require each non-regulated utility to consider a new proposed regulatory standard which encourages utilities to promote the use of demand-response practices by customers to reduce electricity consumption during periods of unusually high demand. SMUD is a covered utility for purposes of PURPA.

SMUD commenced consideration of the standard on October 20, 2022, through Board Resolution No. 22-10-15. On October 18, 2023, the Staff Report and Findings on the Demand-Response Practices Standard (Staff Report) was presented and discussed at a public hearing conducted by the SMUD Board at the Energy Resource and Customer Services Committee meeting. SMUD provided public notice of the hearing and the Staff Report was also made available to the public on SMUD's web site (www.smud.org) prior to the hearing. Comments were requested from the public as to the need and desire for SMUD to adopt the Demand-Response Practices Standard. Transcript copies of the public hearing and written materials submitted are available for public inspection.

Determination

The Board has considered the information contained in the Staff Report and adoption of the Demand-Response Practices Standard. The Board has determined that its consideration of the Demand-Response Practices Standard, and the determinations made with respect thereto, are in accord with the provisions of the Municipal Utility District Act and PURPA, as amended by the IIJA. The Demand-Response Practices Standard has been considered in light of the record developed during the proceedings on the standard. The Board recognizes the importance of and concurs in the purpose of

conservation of electrical energy, efficiency in the use of facilities and resources, and equitable rates as described in PURPA. These purposes were considered in reaching the determination below.

The Board's determination follows.

I. Standard Under Consideration:

DEMAND-RESPONSE PRACTICES STANDARD

"Section 111(d)(20) -

(A) In general

Each electric utility shall promote the use of demand-response and demand flexibility practices by commercial, residential, and industrial consumers to reduce electricity consumption during periods of unusually high demand.

(B) Rate recovery

...

(ii) Nonregulated electric utilities

A nonregulated electric utility may establish rate mechanisms for the timely recovery of the costs of promoting demand-response and demand flexibility practices in accordance with subparagraph (A)."

II. Findings:

1. SMUD has adopted Competitive Rates Strategic Direction No. 2 (SD-2) which, among other things, requires rates be designed with a goal to reflect the cost of energy when it is used, reduce consumption during periods of high system demand, encourage energy efficiency and conservation, provide customers flexibility and choices.
2. SMUD has adopted Environmental Leadership Strategic Direction No. 7 (SD-7) which, among other things, requires SMUD to conduct its business affairs and operations in a sustainable manner by minimizing environmental impacts and conserving resources, and promotes the efficient use of energy by our customers.
3. SMUD has adopted Resource Planning Strategic-Direction Policy No. 9 (SD-9) which prioritizes carbon emissions reduction by, among other things, pursuing energy efficiency and new technologies which serve to provide flexible demand response capability.
4. SMUD has for decades provided demand-response programs to promote the more efficient use of electricity and reduce usage during periods of high demand, including the PowerDirect program for commercial/industrial customers and an air conditioning load management program for residential customers.
5. SMUD's 2030 Zero Carbon Plan contemplates 360 – 1,320 MW of Virtual Power Plants (VVPs) contributing to our demand-response supply, made up of residential and commercial loads, as well as managed electric vehicle charging and vehicle-to-grid (V2G) dispatch. SMUD

launched a new residential VPP demand-response program in 2022 focused on thermostats and another one in 2023 focused on load control switches, and anticipates incorporating battery storage and potentially V2G into our VPP programs.

6. SMUD is actively engaged in V2G pilot programs and is exploring ways to ensure customers are charging their vehicles at optimum times for the grid, and anticipates by 2030 as many as 1 in 3 kWhs SMUD delivers will be used to serve electric vehicles.
7. SMUD has partnered with electric vehicle manufacturers to offer residential customers access to a managed charging program and has program offerings that incentivize the adoption of Automated Load Management Systems which shifts charging load to low demand periods.
8. SMUD's demand-response programs are designed to account for the variance in costs of purchasing and generating electricity, and therefore do not require separate rate recovery mechanisms because the program costs are offset by the savings on our commodity budget.
9. SMUD has adopted Time-of-Day pricing for its commercial/industrial customers which promotes demand-response during the peak period of 4-9 p.m. and for residential customers during the peak period of 5-8 p.m., and also in the summer months during mid-peak periods of 12-5 p.m. and 8 p.m.-midnight.
10. SMUD has a Critical Peak Pricing rate which further incentivizes residential customer participation in demand-response programs that utilize thermostats and batteries to reduce electricity consumption during high demand periods.
11. As reflected in the Strategic Direction, and through its various programs, initiatives, and rates, SMUD's demand-response practices meet the new federal standard.

III. Determination by the SMUD Board

The Demand-Response Practices Standard is appropriate for use by SMUD.