To SMUD Board of Directors,

I am writing to urge the Board to reject the solar fee increase proposal at the June 28, 2019 SMUD Board hearing.

I am a retired Caltrans civil engineer/certified project manager and have resided in Sacramento for the last 15 years. Because I now live on fixed retirement income, I installed a small solar rooftop system in November 2017 to take advantage of the expiring federal tax credit, reduce my ongoing household energy costs, (and future energy cost increases) promote green energy and to lessen my carbon footprint.

Going forward I intend to state a concern and then follow up with questions. Most of my concerns and question are in regards to how this proposed solar fee increase will affect the issues enumerated above that led to my decision to install a roof top solar system:

A prudent man would conclude that if this proposal is adopted, the solar fee increase will result in a decrease in solar system installations and a corresponding increase in greenhouse gas emissions in order to provide the additional power that otherwise would have been provided by home solar systems. Personally speaking, I would not have purchased my solar system if this fee were in effect at the time of my solar system install. Because my solar system was installed prior to 2018, I understand that my system will be grandfathered in and I will not have to pay approximately $500 year in additional solar fees. However, if I sell my house the new owner will be responsible for this fee, which will certainly escalate in the years to come. This will have a negative impact on the resell value of my home and associated property tax losses to the State and County.

This leads to my first question, how was the grandfather process considered? As a subjective measure of fairness or was there a quantitative analysis done to ascertain the fiscal impact of the grandfathering in of solar systems prior to 2019 and the fiscal impact of not allowing home ownership transference with a corresponding solar fee waiver? as far as I can tell the bottom line is not only will I eventually face a large increase in my energy costs, I would also immediately lose resell value of my home. I am sure the chamber of commerce, realtors, local and state tax collectors will share my property value concerns.

I am also considering adding additional panels to my system as my system was undersized upon permit application. I was also waiting for the cost of batteries to come down so I could add additional panels, solar storage. Addition of solar storage batteries would lessen peak demand system needs. After that I could buy an electric vehicle that I could charge via my home solar system. I will not go forward with this plan if it means my current system grandfather status is voided and now I am subjected to additional solar fees. My reaction in rejecting further solar system enhancements to avoid personal electrical cost increases would result in increasing green house gas emissions is logical and predictable. I can only conclude that there is an INTENDED negative environmental consequence (not unintended) if this solar fee increase proposal is approved. So my next question is... how will additions to my existing solar system affect my grandfathered status?
In reading the CEO & General Manager’s Report and Recommendations on Rates and Services dated March 21, 2019 I could not find detailed analysis on how staff came up with the proposed solar fee increase. The report stated that solar users cost SMUD an additional $30 million and will increase to $80 million annually by 2030, simply because solar owners use less electricity provided by SMUD than before. This statement seems simplistic in nature and does not cover all benefits that solar systems bring to SMUD, its customers and to the environment.

So my next question is, how was this analysis conducted and what assumptions were used? This does not appear to be a transparent analysis. One cannot deduce if ALL costs and benefits of the proposed solar fee increase and associated impacts were addressed. It is a given that additional solar systems contributing to SMUD’s power delivery lessens the need to invest in expensive new power plants. Was this benefit taken into account? How was the social benefit of increasing green energy factored in? How was the social cost of increasing greenhouse emissions due to solar fee increase factored in?

The report inferred that home solar customers are not paying for their fair share of SMUD’S fixed costs. Again no financial data to back up this claim. I do know that I pay $20 month in fixed infrastructure costs and have also voluntarily paid an additional $6 per month to promote green energy use. So my next question is... please provide financial data to justify the claim that solar users are not paying their fair share of fixed costs. How does SMUD determine fair customer fixed costs? It would seem reasonable to assume high energy users drive need for additional infrastructure, maintenance and labor costs. Thus it would be more equitable to base fix cost on ones energy use. The more one uses energy, the higher the assigned fixed cost. Finally, staff contended that solar customers were utilizing the grid infrastructure at a higher rate due to their unique "back and forth" relationship and therefore should be charged more. Applying that logic one could proposed that the highest energy users (like large businesses) should be charged more, as they utilize the grid much more than my family (two people) home energy needs. The bottom line is this reasoning is flawed and unfairly targets home solar users.

I also note that SMUD is exempt from CEQA review for a variety of operational process including fee increases. However, CEQA review could be necessary if the proposed solar fee increase results in significant impacts to the environment. As no analysis was conducted to affirm this I could argue that the proposed solar fee increase would lead to an increase in green house gas emissions and this requires an analysis to determine if CEQA review is required.

Going forward I implore the board to reject the solar fee cost increase proposal.

Instead I recommend that the board convene a stakeholder meeting facilitated by SMUD and guided by SMUD’S mission, vision and core values in order to hear and our concerns and questions.

I do not mind paying my fair share, Indeed for years I have paid SMUD additional dollars to promote green energy. But any fee increase should:

1) Be justified by a transparent accounting of all costs and benefits associated with the fee proposal.

2) Should not be in conflict with SMUD’S mission, vision and core values
3) SMUD should conduct stakeholder outreach to unique customers affected, like solar system customers and solar industry businesses.

4) Analysis should be conducted to ensure impacts of fee increase will or will not require CEQA review.

Thank you for your attention in this important matter.

Sincerely,

Alan E.

PS: Instead of embedding my comments in regard to my perceived conflicts with SMUD's mission, vision and core values in the main letter above, I instead detailed them below.

I think a strong argument could be made that SMUD did not follow its mission statement that "SMUD is community-owned. Our purpose is to enhance the quality of life for our customers and community through creative energy solutions." Actions that result in a reduction in green energy solutions and a corresponding increase in greenhouse emissions seems in conflict with SMUD's mission statement.

A similar argument could be made that the proposed solar fee increase is in conflict with SMUD's vision statement:

SMUD's vision is to be the trusted partner with our customers and community, providing innovative solutions to ensure energy affordability and reliability, improve the environment, reduce our region's carbon footprint, and enhance the vitality of our community.

This proposed solar fee increase also seems to be in conflict with a number of SMUD's core values highlighted in bold below:

1) competitive rates

Maintaining competitive rates is a core value of the District. Therefore:

c) In addition, SMUD's rates shall be designed to balance and achieve the following goals:

i) Reflect the cost of energy when it is used;

ii) Reduce use on peak;
iii) Encourage energy efficiency and conservation;

iv) Minimize “sticker” shock in the transition from one rate design to another;

v) Offer flexibility and options.

2) Environmental leadership

Environmental leadership is a core value of SMUD. The Board is committed to environmental leadership through community engagement, continuous improvement in pollution prevention, carbon reduction, energy efficiency, and conservation. Therefore:

a) SMUD will conduct its business affairs and operations in a manner that reduces adverse environmental impacts, reduces pollution, and enhances resource conservation and stewardship.

b) SMUD will provide leadership in the reduction of the region’s total emissions of greenhouse gases through proactive programs in all SMUD activities and development and support of national, State, and regional climate change policies and initiatives.

c) SMUD will promote the efficient use of energy by its customer-owners.

d) SMUD will proactively engage its customer-owners and other stakeholders in meeting this directive.

3) Innovation

Delivering innovative solutions, products and services to our customers is a core value. To assure our long-term competitiveness, SMUD shall invest in research and development projects that support its core and key values, and integrate emerging technologies and new business models into SMUD’s customer offerings in a way that balances risk and opportunity and benefit our customers and community.

A solar fee increase does not seem to benefit this customer and other solar customers and does not seem to encourage emerging technology like solar storage.

4) Reliability

Meeting customer energy requirements is a core value of SMUD. Therefore:

a) SMUD will assure all customer energy requirements are met. This will be accomplished through the use of: (i) its generation resources and purchase power portfolio 100 percent of the time; and (ii) its transmission assets to assure an overall availability of at least 99.99 percent.

b) SMUD will achieve distribution system reliability by...
Limiting the average frequency of outage per customer per year to:
• With major event: 0.99 – 1.33
• Excluding major event: 0.85 – 1.14

Limiting the average duration of outages per customer per year to:
• With major event: 67.5 – 93.3 minutes
• Excluding major event: 49.7 – 68.7 minutes
Ensuring that no individual circuits exceed these targets for more than two consecutive years. For circuits that exceed these targets for two consecutive years, a remedial action plan will be issued and completed within eighteen months.

c) SMUD will maintain the electric system in good repair and make the necessary upgrades to maintain load serving capability and meet regulatory standards.

I proposed that the solar fee increase would decrease usage of solar systems on SMUD's power distribution and thus would degrade customer reliability.

5) Resource Planning:

If one believes the proposed solar fee increase will reduce solar system installation and conversely increase green house gas emissions then the solar fee increase proposal is in conflict with the following Resource Planning core value in bold.

"It is a core value of SMUD to provide its customer-owners with a sustainable power supply through the use of an integrated resource planning process. A sustainable power supply is defined as one that reduces SMUD's net long-term greenhouse gas (GHG) emissions to serve retail customer load to Net Zero by 2040. Net Zero is achieved through investments in vehicle and building electrification, energy efficiency, clean distributed resources, RPS eligible renewables, large hydro, and biogas. SMUD shall assure reliability of the system, minimize environmental impacts on land, habitat, water quality, and air quality, and maintain a competitive position relative to other California electricity providers:"

In keeping with this policy, SMUD shall also achieve the following:

a) SMUD's goal is to achieve Energy Efficiency equal to 15% of retail load over the next 10-year period. On an annual basis, SMUD will achieve energy efficiency savings of 1.5% of the average annual retail energy sales over the three-year period ending with the current year. To do this, SMUD will acquire as much cost effective and reliable energy efficiency as feasible through programs that optimize value across all customers. SMUD shall support additional energy efficiency acquisition by targeting one percent (1%) of retail revenues for above market costs associated with education, market transformation, and programs for hard to reach or higher cost customer segments. The market value of energy efficiency will include environmental attributes, local capacity value and other customer costs reduced by an efficiency measure.

b) Provide dependable renewable resources to meet 33% of SMUD's retail sales by 2020, 44% by 2024, 52% by 2027, and 60% of its retail sales by 2030 and thereafter, excluding additional renewable energy acquired for certain customer programs.

c) In meeting GHG reduction goals, SMUD shall emphasize local and regional environmental benefits.
d) SMUD will continue exploring additional opportunities to accelerate and reduce carbon in our region beyond the GHG goals in this policy.

e) Promote cost effective, clean distributed generation through SMUD programs

Finally a SMUD key value is **Outreach and Communication** which states:

"Providing broad outreach and communication to SMUD’s customers and the community is a key value of SMUD. Specifically:

a) SMUD shall provide its customers the information, education and tools they need to best manage their energy use according to their needs.

b) SMUD will use an integrated and consistent communication strategy that recognizes the unique customer segments that SMUD serves.

c) SMUD’s communication and community outreach activities shall reflect the diversity of the communities we serve. SMUD shall use a broad mix of communication channels to reach all customer segments. This communication shall be designed to ensure that all groups are aware of SMUD’s major decisions and programs."

I may be wrong, but I do not think there was a communication strategy to address SMUD’s unique solar system customers segment? I believe SMUD simply addressed this issue to all SMUD customers at the same time and in the same manner.