(Beginning of videotape, time marker 00:00:00.)

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(Audio silence until time marker 00:02:29.)

RHONDA STALEY-BROOKS: Welcome. We will be starting our presentation in just a few minutes.

(Audio silence until time marker 00:03:43.)

RHONDA STALEY-BROOKS: Thank you for joining this morning. We will be starting in just a few minutes.

(Audio silence until time marker 00:05:37.)

SMUD RHONDA STALEY-BROOKS: Hello and welcome to SMUD's 2021 Rate Change Proposal Public Workshop.

My name is Rhonda Staley-Brooks, and I'm a member of the Corporate Communications, Marketing, and Community Relations team here at SMUD. I'm joined today with my other colleagues and subject-matter experts from SMUD as well.

We are here this morning to have a conversation about a rate change proposal that our Board of Directors will vote on later this year.

The presentation includes a broad overview of the proposal, and we'll have time for specific questions and comments at the end.

Before we get into the details, I'd like
to go over a few of our housekeeping items. Next slide.

You will notice at the bottom of the screen you have a Q&A icon. Please, at any time use that Q&A to put any of your questions into that chat.

Let me -- letting you know here in advance, this meeting is being recorded. The meeting and questions answered through Q&A will be transcribed and available post meeting at SMUD.org\RateInfo. Questions can be typed in our Q&A at any time, and we will try to address as many of those as possible this morning.

If for some reason you'd like to do a verbal comment, please do so by emailing PublicComment@SMUD.org, and we will place you in queue and allow for a three-minute-limit comment.

Questions today are only going to be about the topic at hand: the rates proposal. Any other questions we will direct you to another subject matter expert. Next slide.

So it's my pleasure to introduce our panelists this morning: Jennifer Davidson is our Chief Financial Officer. Alcides Hernandez is our Pricing Supervisor, and Eric Poff is our newly named
Director of Substation, Telecommunication, and
Metering Assets. Thank you all for joining us this
morning.

I'd like to turn it over to Jennifer
Davidson.

SMUD CFO JENNIFER DAVIDSON: Thank you
very much, Rhonda. Is that echoing? There you go.
I think it's okay.

So good morning, everybody. SMUD -- next
slide, please.

SMUD has been your community-owned
not-for-profit electric company for over 70 years.
And as you look at the slide, you'll see there are
very many interesting points, but in the interest of
time, I'm going to highlight just a few key items.

I think the first, most important one,
especially relative to the rate process, is we are
governed by a seven-member board of directors. This
makes us unique. They live in the wards they serve,
and they are interested in your feedback on this
proposal, and they will be the deciders. They'll be
voting on this proposal in September.

It is our priority to keep rates low,
provide safe and reliable service, and develop
programs and services that help you, our customers,
manage your energy use, protect the environment, and
also benefit the full community.

Today, we are one of the cleanest
utilities in the nation, and we are committed to
eliminating 100 percent of greenhouse gas from our
power supply by 2030. You may have already heard.
It's called our 2030 Zero Carbon Plan, and it is one
of the most ambitious carbon-reduction plans in the
U.S. today.

We're doing this because providing
carbon-free energy is essential to improving our air
quality and to also create a better, cleaner
environment for the future for our region. And if
you're interested in more information about this,
you can go to the website, CleanPowerCity.org.

And you might be thinking: This is a
rates workshop, why are we talking about our
environmental goals? And we talk about it because
it provides important context and background for our
rate proposal.

SMUD has long been a supporter of the
solar industry, both utility scale and rooftop
solar. And we were a contributor, with your help,
to the solar success story turning a nascent
industry into the thriving industry it is today.
And now back to the Zero Carbon Plan, as we look towards accomplishing that very, very aggressive goal, we recognize there is not going to be one silver bullet. The solution is going to be a silver buckshot, a myriad of solutions.

And because of that, we recognize we need a balanced approach. We won't be able to rely on just one technology. We're going to want to be able to invest in many technologies. And we also are going to want to be able to press on the accelerator of certain technologies when it's time, and that time is now for storage. And just like we helped with solar, with your help we want to be part of the success story for storage.

You're going to hear more about this in our proposals and how our rates are a key strategic lever to achieve the 2030 plan. Next slide, please.

So just real quickly, as we said -- a little bit of repeat, but I think it's important, some of the points that Rhonda said -- this is a rates workshop. We'll be reviewing details. Our first priority is to answer questions you have about the proposal.

And we are also going to be, after we answer your questions, able to provide -- to capture
your feedback. Whether it be verbal or in the Q&A, we'll be capturing that, and it will be part of the official record. And we'll be sharing that with our board members who will be, as we said, the ultimate deciders of this proposal.

So with that, with the next slide, I'm going to pass it on to Alcides, and he leads the rates team at SMUD, and he's going to share details about the proposal with you.

SMUD ALCIDES HERNANDEZ: Thank you, Jennifer. And good morning, everyone.

As Jennifer said, there are three main proposal changes, and I will go over those. As you can see on this slide however, only one of those proposals affects all our customers. So we'll discuss them, each of them, in detail.

First, it is a proposed rate increase for all customers in 2022 and in 2023. Next, we have a new solar-and-storage rate for customers who generate energy in our stored energy with additional programs and incentive options.

Finally, we are proposing an optional rate for residential customers to help when energy use is at its highest, for example, those that occur during a heat storm. We have experienced some of those
this year and last year. The term that we're using for now is a technical term, is "Critical Peak Pricing," but we're working on a more customer friendly name for that rate. The proposal also includes minor tariff language and changes, and I will cover that in the next few slides. Next slide, please.

Now, let's talk about why the proposed changes are needed. SMUD rates and programs are designed to be community-focused and offer our customers choice. We need to make these changes to continue to deliver safe, reliable, and clean, and affordable energy solutions. We're continuing to update our pricing to better our rates with costs to supply energy, support new technologies, invest in environmental initiatives, and, ultimately, better serve our region.

Through our 2030 Zero Carbon Plan, we're encouraging the adoption of things like solar and battery storage, electric vehicles, and other electrification efforts to benefit reliability and a clean energy future for all of our customers. Next slide, please.

This is the first part of the recommendation. Now, we are -- we do know, right,
that every time when we discuss rate increases, it's not an easy conversation. And we wanted to be sure that we are transparent about why we are requesting this change. We're committed to keeping future rate changes at or below the forecasted rate of inflation. Next slide, please.

As a not-for-profit community-owned utility, as Jennifer said in the introduction, we have a policy to ensure that SMUD's rates remain among the lowest in California. And this graph just illustrates that. As you can see, we're very low compared to other utilities and will still be among the lowest with the proposed rate adjustments.

In fact, SMUD's projected 2021 system average rate is in the neighborhood of 35.6 percent lower than PG&E. That is a significant difference. And as you can see in the chart, SMUD's average system rate is represented in the orange part toward the bottom of the graph. As you can see, we are among the lowest in the state. This is something that we -- we are committed to keep and do over the next few years until we reach the 2030 Zero Carbon Plan and beyond. Next slide, please.

Now, let's talk -- let's take a look at the proposed rate change and how this will affect
all our customers. And just to let you know, before coming to the public to discuss a rate proposal, SMUD focused on finding cost savings to ensure these rate adjustments will have as little financial impact on our customers as possible.

For example, we've been making improvements to power line inspection and controls that have resulted in ongoing cost savings, and, also, we have been refunding bonds to capture savings from lower interest rates. And those savings, obviously, avoided energy rate increases.

We're also proposing -- part of this recommendation -- a rate increase of 1.5 percent on March 1 of 2022, and then additional 2.0 percent on January 1 of 2023, which is in alignment with our commitment to keep future rate changes at or below the rate of inflation.

Each rate class will see an overall revenue increase of 1.5 percent in the first year and then an additional overall revenue increase of 2 percent in the second year. Just to give you an illustration, this translates to about $1.91 increase on an average residential customer's monthly bill in the year 2022 and another $2.57 per month in year 2023. Also reflected in this chart is
an example of what these increases will look like for an average small business customer, as you can see on the table.

And important to know that customers on our Low Income Energy Assistance Program Rate, called EAPR, and Medical Equipment Discount see slightly different bill impacts than the standard rate customers that do not see those benefits. So just know that the amounts and prices may reflect minor rounding and differences as we have them in the time sheets. The next slide, please.

The proposed adjustments are needed because -- like many other businesses -- the costs for SMUD to provide service is going up, is increasing. We're seeing higher costs for wildfire insurance and the need for ongoing wildfire prevention mitigation efforts including new requirements.

We need to continue to make infrastructure improvements to maintain reliable power, keep the lights on, and to meet regulatory requirements. We're also investing in clean energy resources like more wind, solar, biogas, and in general, more renewables to meet the state requirements.

And as you may know, the COVID pandemic
that we just suffered over the past year, you know, it has significant impacts on global supply chain. So we're seeing increasing operating costs, including materials and labor.

These slides summarize the first part of the recommendation. So the next slides -- the next slide, please -- will cover the proposed new solar-and-storage rates.

We are very, very excited about this recommendation. This change -- this change will only affect those customers who have solar and storage or plan to get one, and we have very, very special conditions for those who already have it. And now Eric Poff will cover that in full details, so.

SMUD ERIC POFF: Yes. Thank you, Alcides. I am Eric Poff. Super excited to talk to you about this new solar-and-storage rate. Next slide, please.

So let's go in the way-back machine and go all the way back to 1998, and that is when the legislation went in place for net energy metering. And maybe you're really familiar with that, but if you're not really familiar with how that works, we put this little pictorial together.
So at times there will be -- a customer with solar on the roof, for example, would be buying energy just like any other SMUD customer, but when there's good PV generation and not much, you know, what we call self-consumption happening at the home, that same customer will be selling energy back to SMUD. And we would be paying that customer retail rate compensation, and that's a very generous rate for that energy, and that was very much done on purpose to try to get a nascent industry off the ground.

And that criteria for the 1998 mandate was met for SMUD back in 2017. And so this is our new proposed rate that we've been working on for several years to try to develop a win-win solution. Next slide.

So the first thing I really want to get across -- and if you don't hear anything else that I have to say, I want you to hear this: If you are an existing solar customer under NEM 1.0, Net Energy Metering 1.0 -- is the rate we call it -- then it will have no impact to you.

We are making a recommendation to the board in our proposal that all of our existing NEM 1.0 customers be allowed to stay on that
existing rate through January -- December 31st, 2030. So there will be no impact to you on this.

But for new customers that are going to interconnect, we are really proud of the time that we spent working with the solar industry over the last six months. We're very proud of our public support that we have for this solution as we are really trying to move to an existing solar-only market, to a solar-plus-storage market. And, again, we are very proud of the support that we have, public support, from Tesla, California Energy Storage Association, STEM, and then several others within the solar community for this new rate design.

And we're also very proud of our environmental experts that are coming out and supporting this rate design from Natural Resources Defense Council, NRDC, and Environmental Defense Fund. And, again, if you're not familiar with those folks, they're big -- big hitters in the environmental community. So we are very proud to have their public support. Next slide.

So let's talk about how this would work and how this would impact. Again, I'm just going to reemphasize if you're an existing solar customer with us and you've interconnected before
January 1st, 2022, no changes, no impacts, to you until 2031, I guess I would say.

Now, if you're a new solar customer and you're going to interconnect with us, the new solar rate that SMUD is proposing to the Board is 7.4 cents, so that's exactly what you would get for every kilowatt hour that is exported back to SMUD.

There's also an interconnection fee. We are trying to cost -- this is a cost-based fee that we're trying to collect, and this is to cover those expenses for those customers that we have to apply the interconnection fee, roll a SMUD truck out there during the interconnection process. And for most customers, residential customers, that fee will go for about $475 as a onetime, up-front interconnection fee. Next slide.

So we also have existing solar customers who say, you know: I'm an existing NEM 1.0 customer, and I want to add storage. No problem. If you want to add storage on your own, there would be no interconnection fee that would apply to you, and we'll talk a little bit more about this incentive piece next.

Now, if you are an existing solar customer that wants to add storage and you want to
participate in some of the storage incentives that I'll cover in a minute, then you will have to go onto the new solar storage rate, which will transition you from NEM 1.0 to the new solar-and-storage rate, and that's where we will pay 7.4 cents for every kilowatt hour that you export. But you can definitely participate in our storage incentives. And, again, I'll go over those in a minute.

And if you are a brand-new solar-and-storage customer, you can -- you will be exposed to that interconnection fee, but you will be -- definitely participate in those storage incentives, and we want to be able to partner with you in that. And we'll go over that in a minute. Next slide.

So I think this is really the big point here -- and Jennifer alluded to this; Alcides mentioned it: We are very -- this is -- our wildly important goal is to achieve our 2030 Zero Carbon Plan. So when you think about the design of the new solar-and-storage rate, it is very much focused on trying to achieve that 2030 Zero Carbon Plan.

We believe that -- we did an analysis, and our average SMUD customer before, you know, adopting
any of these solar storage technologies has about a 1.3 metric ton carbon footprint annually. We believe by adopting these solar and storage and partnering us with our Virtual Power Plant, that you can reduce -- that customers can reduce their carbon footprint by one metric ton.

Our goal -- it's just a goal; if we exceed it, that's great -- is that we want to add 30,000 solar-and-storage customers by 2030. If we reach that goal, that would be equivalent to removing 7500 gasoline cars off the road annually. So very exciting times. Next slide.

So before I get too far into our storage incentives, the first thing I want to talk you about is this optional Critical Peak Pricing rate. As Alcides mentioned, we're going to come up with a better marketing name for it, but that's what we're naming it right now. And, again, keep in mind, this is completely optional if a customer wants to participate in this. Next slide.

So who can participate in this? So it's got a pretty -- a pretty wide net here for customers who choose to sign up for this Critical Peak Pricing rate. If you've got a smart thermostat, you can participate. If you've got solar and storage, you
can participate. If you've got storage-only, you can participate. If you've got solar-only, you can participate.

And what it is -- just kind of in a quick nutshell -- we're trying to address those times where the grid is -- think of the grid being at its most stressed or during its highest peak load times, SMUD is going to be having the ability to declare a Critical Peak Pricing event for customers that opt for this rate. And we're going to be asking customers to conserve energy or dispatch their storage devices or their batteries during these -- during these events. In exchange for being on this, we're going to provide a discount for those summer off-peak and mid-peak hours.

So per -- we put some pretty tight parameters around this, that we would only be calling these Critical Peak Pricing events from January 1st through September 30th, and they would be between one to four-hour per event. And we would be calling for no more than 50 hours per summer -- not 50 events, but 50 total hours per summer.

And, again, the main point here is we're trying to send a pricing signal during these hot -- hottest points of the year where the grid has its
most stress to conserve energy or, if you have a
storage unit, to dispatch that energy back to the
grid. Next slide.

Okay. Let's talk about some of these
supporting programs and incentives I mentioned
earlier. Next slide.

So I talked a little bit about
transformation, and I know that word gets thrown
around a lot these days, but this is really -- we're
trying to do something that, as Jennifer mentioned,
with our 2030 Zero Carbon Plan. It is the most
ambitious plan for our size utility. So we are
making a very transformative leadership move here.

SMUD has invested $250 million to help
support the solar industry and get customers to
adopt storage. And then since 1998, we've had
approximately 35,000 customers adopt solar, but only
300 customers have adopted solar plus storage.

So to really get to where we want to be in
the solar-plus-storage market, we are going -- SMUD
is going to invest $25 million for customers to
partake of these incentives to help reduce those
initial capital costs to adopt storage.

And, again, I mentioned that 30,000
number. We think we can take our existing
300 customers, and we're wanting to make that 30,000 solar-and-storage customers. That's a hundred X multiplier.

And, by the way, you can see that we're also wanting to at least double our solar PV-only, so that would -- we would go from our existing 35,000, you know, plus solar-and-storage customers to 100,000 solar-only and solar-plus-storage customers, so transformational. We're not aware of anybody else that is providing this level of the $25 million of incentives for their customers to adopt solar and storage. Next slide.

So real quick, we know that folks that have been interested in adopting storage, we have heard quite a bit from them. And so we've adopted this, kind of, three different tier levels. The more interaction you'll be having with SMUD, the higher the incentive levels.

So let's take a look at that first one. We simply called it Battery Storage Incentive and -- where SMUD is going to provide up to $500 for customers who just want to adopt storage but are not looking to have much interaction with the utility.

And, again, there's a win-win there. They're going to be reducing -- using their storage
device to reduce their peak load, which is going to help reduce SMUD's peak load, so there's a good justifiable reason to incent these customers to adopt storage.

We talked a lot about Critical Peak Pricing, so we are going to offer up to $1500 for customers that want to adopt storage and partner with us and go on the Critical Peak Pricing rate. But the largest one here -- and this is where we're really trying to send a strong financial message that we want people to join us as a Virtual Power Plant partner -- and so up to $2500 SMUD is going to provide that incentive to help reduce -- again, reduce those capital costs for storage.

And on top of that initial investment, the initial incentive, SMUD is going to be making ongoing payments for this Virtual Power Plant partnership where we will be sending a signal back and forth to this behind-the-meter storage device and dispatching it as needed -- a portion of that battery as needed as a Virtual Power Plant partner.

So we're really excited about this. This is really looking at bringing a lot of value for not just, you know, these customers that are adopting these technologies but think about the neighbors
that are also getting these battery, you know, clean, renewable energy dispatched to them. So it's really helping all of our customers. Next slide.

So one of the other programs that I think, as staff, I can speak for that where we're most excited about is this Virtual Net Energy Metering Program that we are making a recommendation to the Board for this next program. And it's specifically targeted for underresourced communities, and that has been a big concern at SMUD.

And I know in our six-month discussions with the solar industry, we've heard equal concerns from them about the underresourced communities are not adopting these technologies but -- within that community. And we want to make sure this -- that they are. This is our commitment to bringing the benefits of solar to underresourced community.

So if you're not familiar with this -- I know we probably have some experts on the line in this area. But if you've never heard of this Virtual Net Energy Metering, you'll know what this is about. Let me take you through this little pictorial here just to make sure we all understand, kind of, what the basics are.

So imagine we're at an underresourced, you
know, affordable housing unit, and we have a PV solar generating unit on-site. So what would happen here is SMUD would receive all of that solar generation. We would call that an in-front-of-the-meter interconnected solution, and then SMUD would turn around and provide credits, bill credits, to all of those customers, all of those VNEM customers that live at that facility. And those credits will be on top of or in addition to those bill credits that they are receiving for Energy Assistant Program rate or med discount rate. It's not going to discount or take away from those existing credits. It will be on top of those existing credits. Okay, next slide.

So I'm going to turn it back here to Alcides, and he's going to take us through this Open Access Transmission tariff.

SMUD ALCIDES HERNANDEZ: Thanks, Eric. Every time we have a rate action, we take the opportunity to make changes and amendments to certain tariffs. So this update is part of the miscellaneous rate changes while updating our SMUD Open Access Transmission tariff -- the acronym of that is OATT -- to reflect current costs using this slide to revise prices in dollars per megawatt of
reserved capacity. And for additional details in
the tariff, we've included here the multiples of the
monthly price because as the tariff expressed that
number in weekly, daily, or hourly price.

So very important to note that this rate
does not impact SMUD's residential and commercial
customers. This is for incidental transmission
sales at the level of 230 kV or kilowatts. The next
slide, please.

We are almost reaching the end of the
presentation. There are a few additional
miscellaneous proposed changes to certain rates,
rules, and regulations, and types. So if you're
interested in that, you can find more details at the
link here at SMUD.org\RateInfo. And additional
information also can be found in the actual General
Manager's Reports that are also available at that
link. The next slide, please.

Now, what happens next? We hosted two
public rate workshops, including this one -- this is
the second public rate workshop. A public hearing
will be on August 31st at 5:30 via Zoom; that is a
virtual public hearing. And the final decision will
be made by our Board of Directors at the board
meeting on September 16. These are all public
meetings, these remaining two meetings, so you're welcome to attend and provide comments on the rate proposal. The next slide. Thank you.

If you would like any more information, there are a number of sources for you. Our website SMUD.org\RateInfo has plenty of information, several links to access the CEO and General Manager's Reports.

You also have additional questions or comments after today's workshop, we encourage you to email us at ContactUs@SMUD.org or give us a call at the numbers shown on the slide below. You can also check out information on the website for energy efficiency tips and any other programs and services that you may be interested in. We welcome your comments and suggestions throughout these outreach periods. The next slide, please.

I think we've reached the end of the presentation. Thank you, again, for allowing me to speak to you.

And thanks, Eric and Jennifer, for giving us the opportunity to share with you the overview of the rate recommendation. Our team will be happy to answer any additional questions you may have.

It's the end of the rate workshop, and now
back to you, Rhonda.

SMUD RHONDA STALEY-BROOKS: Thank you, Alcides. Thank you, Jennifer, and a big thank you to you as well, Eric.

So as I said at the beginning of the presentation, we will start our Q&A section of this presentation. So, please, if you can, add your questions at the bottom, and we'll start into those soon. So we're going to start with the Q&A in the chat, and then we will go to our public comments.

All right. So for this first question, I'm going to have one of our SMUD subject-matter experts, James, come on the line with me.

Hello, James. I have a question for you.

SMUD JAMES FRASHER: Hello.

SMUD RHONDA STALEY-BROOKS: All right.

So is the $500 credit per battery or just a one-off?

SMUD JAMES FRASHER: Got it. Awesome.

Thank you for the question.

So the $500 credit -- and so that's the base incentive level for the battery -- that is an up-to number. So customers could get up to $500 at that base level. And that operation is for the customer to utilize that, that battery, to help
manage their time-of-day rates, have energy for
backup power but to not be part of those programs.

And so that $500 number increases up to
$1500 for an -- as an eligible incentive at that
Tier 2 for that Critical Peak Price layer, and then
$2500 at that Tier 3, the highest tier, the Virtual
Power Plant.

So the idea is that, yes, it is a cap at
$500 for that base level, but the more that a
customer is willing to allow their battery to engage
with SMUD and to operate in kind of a partnered
operating mode, the higher that incentive cap goes.

SMUD RHONDA STALEY-BROOKS: Okay, great.

Thank you so much, James.

And, Bella, can you go back to the contact
slide, please, as I go on to the other questions.

So for this next one, I'm going to have
Eric come back on the line. Welcome back, Eric.

So from my understanding,
customers can only install enough
panels to satisfy their current
electrical usage. Does this mean
that this limit would not exist
anymore so that people can put as
many panels up as they're able to
provide as much solar energy to the
community as possible?

SMUD ERIC POFF: Yeah -- no. That's a
great question -- I don't know -- anonymous
attendee. Thank you for the question.

We had a lot of discussion about this, and
actually -- we actually lifted some of the language
that CALSSA recommended in their CPUC proposal. We
are increasing that existing, you know, up to
100 percent of their electric usage to 110 percent.
So that language you'll find right inside of the
tariff language if you're interested in reading the
exact.

But we wanted to leave some additional
room for additional, you know, future
electrification, you know, PV adoption, that type of
thing, so we've increased that limit size to
110 percent.

One other little thing I would just put
a -- not to put too fine of a point on it is, you
know, you really want to be mindful right-sizing
your systems. Because, especially with a new solar
storage rate, right, the more you can
self-consume -- and that's why we are putting out
this $25 million of incentives for storage to help
improve customers' self-consumption -- the better
your payback is, the better rate of return you're
going to have on your investment versus if you, you
know, greatly oversize the system. That is going to
increase the payback of your system. So it's just
something to be mindful of, but we are putting a
110 percent limit, if you will, on -- recommended to
the Board in the new solar-and-storage rate
recommendation.

SMUD RHONDA STALEY-BROOKS: Great. Thank
you so much, Eric.

All right. Jennifer, this one is for you.

Thank you for coming back on.

Any plans to extend VNEM to all
multi-family complexes? Any plans
to support future community solar
projects by nonprofits or
municipalities?

SMUD CFO JENNIFER DAVIDSON: So we
definitely know the ask is out there. And so we are
starting with VNEM, Virtual Net Energy Metering, for
customers -- disadvantaged customers because we
think it's most important to start with these
customers. It doesn't mean that we won't look to
expanding later on, but at this point our focus is
really on getting solar -- access to solar from customers who haven't, up until now, really been able to access solar.

SMUD RHONDA STALEY-BROOKS: Fantastic.

All right. Any other questions out there about this presentation? Give you guys a second.

(Audio silence.)

SMUD RHONDA STALEY-BROOKS: All right.

Alcides, how about you? We'll have you come back on for this next one. So it says:

SMUD management presented, and the Board approved, a series of rate increases impacting customers through 2020 and 2021. Part of this increase was that they would look to avoid any subsequent rate increases for the next couple of years following those increases.

Why is SMUD reverting back to holding rate increases which was communicated to customers for that series of increases but now introducing this next set of increases?

SMUD CFO JENNIFER DAVIDSON: Do you
actually mind? I'm actually going to jump in here in front of Alcides, if you don't mind, Rhonda.

   And I apologize, Alcides.

   So I actually -- if -- if -- I do not remember us saying that. So if we did, then -- then maybe that was -- we were not clear.

   But I don't think we ever promise that we will do certain things with rates just because we don't know what's coming our way. So, for example, if you look at many of what we are spending money on, rate increases, they are things that are not in our control: Wildfire mitigation is an example, requirements that we have in terms of compliance with the State.

   So -- so I will say that we actually were on par to have greater-than-inflation rate increases, and one of the things that our CEO, our new CEO, Paul Lau, has done is he has made a goal for us -- an important goal -- that we're going to try to keep our rate increases at or below inflation.

   And so when you look at 1.5 percent in '22 and 2 percent in '23, and if you've been reading what is potentially some inflation, that we feel very confident that this is at or below forecasted
inflation.

SMUD RHONDA STALEY-BROOKS: Fantastic.

Thank you for that, Jennifer.

All right. So let's go with Eric on this next one.

If I want to add panels and batteries to my system because I want to buy an EV, it appears I will lose my grandfather status which runs through 2030. This is a huge disincentive. Why would anyone do this if they are going to lose their NEM 1.0 status?

SMUD ERIC POFF: Yep. Great question, Alan, and really appreciate it.

And, you know, we've done quite a bit of analysis on this. You know, would a NEM 1.0 customer, like yourself, take us up on our storage incentives and become a Virtual Power Plant partner with us and -- would they do this? And what we came back was -- I could give you, I think, a pretty good value proposition to do that.

Now, is -- if we're going to look at it purely from a financial model, you would have to make a mental jump of $20, approximately, a month,
is what our modeling shows, that it is worth it to
you and to your family to have that storage device
at your property and have that additional, you know,
resiliency.

If you don't value that battery at $20 a
month, then it probably is not going to be, you
know, financially worth it for you. But if you can
make that, you know, mental jump that that's worth
$20 a month to you, then there is an actual value
proposition for you to make that jump.

So, yeah, we think there is a value prop
there, but you have to see some internal value of
having that resiliency at your home.

SMUD RHONDA STALEY-BROOKS: Perfect.

Thank you, Eric.

A lot of the customers are thanking you
guys for answering these questions this morning.

I want to turn it over to Sway. Do we
have any public comments out there? Do we have --

SMUD JOSUE SWAY GARCIA: Sorry.

I was going to say, yes, we do have a
public comment from a Mr. Ben Davis.

I'll go ahead and enable your mike,
Mr. Davis. Give me one moment here. And your
microphone is enabled. You can unmute yourself and
speak when you're ready.

PUBLIC MEMBER BEN DAVIS: Hey, good morning. This is Ben Davis, California Solar and Storage Association.

Hey, Eric, Alcides, and Jennifer.

So overall we have some significant concerns with the NEM 2.0 proposal, but I do want to say that this is obviously a significant improvement from the NEM 2.0 proposal back in March 2019 most notably because there is no solar fee or fees on behind-the-meter consumption, right?

So if you want to change the compensation structure for customers tied with solar, I think that SMUD is using the right mechanism, which is a change in the export rate.

But we are very concerned that a 7.4 cent export rate that would be applied to projects interconnected in January -- and I realize the rate probably wouldn't go into effect until later in the year, but it would be applied to projects that were interconnected in January. We're concerned that the 7.4 export rate would make the solar market in SMUD contract until the price of batteries comes down, and that's even with the proposed battery subsidies.

And this is because a 7.4 export rate will
lengthen the payback period past the point to where
many customers are comfortable making the
investment. And then also evidence from other
utilities show that when they have cut the export
rate, similar to how SMUD's proposed -- you know,
what SMUD's proposal would do, those utilities have
seen significant drops in the market.

So I realize I only have a -- three
minutes, but, Jennifer and Eric, we would appreciate
the opportunity to dive in on our calculations with
you folks sometime in the near future. And there's
an email in your in-boxes to hopefully get that set
up.

And then, also, in terms of the Battery
Subsidy Program, there is some concern among our
members that -- it's hard for us to, you know, have
a sense of whether or not that will result in 30,000
additional energy storage projects because we -- it
doesn't look like the details have been made public,
right? Like how often are the batteries going to be
called upon under the Virtual Power Plant Program?
What's the export rate at those times?

So we look forward to seeing the details
of the battery programs in the near future as well.

And then I also -- I just wanted to, I
think, correct the record. Eric, you said that regarding our position to the PUC, our position has always been to allow customers to oversize systems past 110 percent for planned future electrification, and PG&E already allows that.

I think the 110 percent in the PUC filing that you refer to might be without planned future electrification. So it would be great if SMUD could look into, you know, if someone's planning to get an EV in the future, it's going to increase their electric load by more than 10 percent, it would be great if SMUD could allow solar systems to be sized appropriately. And thank you.

SMUD RHONDA STALEY-BROOKS: Well, thank you. Look at you, right on the money.

So, Jennifer Davidson would like to come back and respond to some of that. Jennifer.

SMUD CFO JENNIFER DAVIDSON: I have just a few comments.

I would say the first thing is, absolutely, as customers go ahead and they have additional electrification, certainly, we will -- we encourage customers to increase their panels to match their electrification. And we are increasing, you know, the limit that we are allowing now because
we do want to get the sizings.

But I also want to also say the point that Eric made is that: We really want customers to be really thoughtful about their sizing and their batteries so they can really make the best investment for them.

And then when you talk about the payback, we've actually done some paybacks because we do want to make sure that people are still -- we're very much committed to the idea of solar and storage. We think especially storage is so important because the shortage that we're having right now in California, it actually is coming between 6:00 and 8:00 at night after the sun goes down. And that is why we just really are trying to encourage our customers to be pairing their solar with storage so that we can attack kind of this -- I think it's a short-term problem, but it's a problem right now that: How do we keep the lights on in California after the sun goes down, after the solar stops generating? And, of course, the solution for that is storage.

And then the other part that I just wanted to say in terms of the proposal, you know, we did work with -- we invited a host of industry people to work with us, and we had some companies that work
with us to help design this rate. They are comfortable with it.

We also got comments from NRDC and -- which is the Natural Resources Defense Council and Environmental Defense Fund, who obviously is very, very concerned about the environment. And they really have used words such that -- thinks that we've kind of found this nice kind of thread of the needle in terms of making sure that we're sending good price signals to continue investments and also allow us to have money to invest in other technologies too, as we said, whether we want to investigate more electrification, more energy efficiency, maybe we want to look into carbon sequestration. You know, these are all really exciting solutions, and we want to be able to be looking into all of these so that we can achieve our very ambiguous 2030 goals.

SMUD RHONDA STALEY-BROOKS: Okay. Thank you again, Jennifer.

Thank you, Mr. Davis, for your questions.

I was transitioning over to the public comment and missed the last question in the Q&A. So, Eric, if you could help me address this one before we close out.
How did SMUD come up with their prediction of future number of rooftop solar installs if the proposed solar increases are passed?

And you're on mute.

SMUD ERIC POFF: Sorry. I mis-clicked there.

Now, thanks again for the question, Alan. And we did -- went back. We looked at our 2030 Zero Carbon projections to come up with those estimates, and then we peeled back some of those modeling forecast assumptions.

What was really interesting, what we found was, you know, all of that work was happening, you know, amidst the value of solar study that was being done, so we didn't have the 7.4 cent number to really do the modeling with. So when we looked back and we looked at those underlying assumptions used in the model, we actually used a lower export compensation than the 7.4 cent.

So, you know, we were -- you could even say some of those estimates could be lower. You know, if you believe exactly, you know, the model is going to -- you know, it's 100 percent accurate, you could say, wow, if we would have used the 7.4 cent
number as the export compensation, then some of 
those 30,000 estimates could be low or conservative. 
So hopefully that answers your question. 
SMUD RHONDA STALEY-BROOKS: Perfect. 
And it looks like we slid in one more. 
Jennifer, are you okay with coming back on 
the line? 
SMUD CFO JENNIFER DAVIDSON: Sounds good. 
SMUD RHONDA STALEY-BROOKS: Perfect, 
perfect. 
So it's a long question here. So I'm 
going to dive right into the actual -- the really 
guts of it. It looks like it says: 
If the solar rate changes are 
passed, what analysis was conducted 
by SMUD to ensure that the local 
solar industry would not be gutted 
like what happened in Nevada? 
How many solar systems will not be 
built because the economic payback 
period has extended too much to not 
be economically feasible for the 
majority of SMUD customers? 
And what impact will that have on 
GHG emissions if rooftop solar is
replaced by other power sources?

Got all that one?

SMUD CFO JENNIFER DAVIDSON: I did. I did get that. And I think there's some comments in there that are noted, so we'll be sure to capture that.

But the other thing I just want to share, again, to kind of come back to some of the comments, is we did lots of analysis. But when it comes down to it -- and we did complicated internal rate of return and different things like that.

But when it comes down to it, the payback period is still within half the system life so that we believe that if you have a system that is going to have, like, a 25-year life -- some people even say 30 -- but if you use 25 years, the system will pay for it by the time it's 12 or 13 years old.

And so we think that then the last second half of the life, the remaining 12 to 13 years, that is when the investment is completely paid off. And when you have that sort of value proposition where that your internal rate of return -- now to use the technical -- is 8.7 percent, when you pair it with storage, we think that that still makes a great investment, 8.7 percent.
And the other thing is the person mentioned carbon. I just want to, you know, again, remind people that it's the solar plus the storage is really that -- I'll say the silver -- the silver nugget in this particular solution that really gets at the greatest carbon reduction.

But so, yes, in general, the question is: Have we done the analysis? Yes, we've done extensive analysis, and we are -- we believe that the customers will still continue because of the high 8.7 percent internal rate of return for that investment.

SMUD RHONDA STALEY-BROOKS: Fantastic.

All right, you guys. Thank you so much for joining us again this morning for this proposed rate structure workshop.

SMUD.org\RateInfo or you can also reach us at ContactUs@SMUD.org. We thank you for your time this morning, and we will try to address anything that comes up in any of those emails.

Thank you so much for your time. Have a wonderful day.

(End of audio at 00:57:18.)

--oOo--
PUBLIC WORKSHOP NUMBER 2

REPORTER'S CERTIFICATE

--oOo--

I, CHERYL L. KYLE, a Certified Shorthand Reporter for the State of California, duly commissioned and a disinterested person, certify:

That the foregoing transcript, pages 1 through 42, was taken from an audio file as herein set forth;

That all audible statements of all parties contained on the audio file are contained in the foregoing transcript.

IN WITNESS WHEREOF, I subscribe my name on this 23rd day of August, 2021.

Cheryl L. Kyle, CSR No. 7014
Certified Shorthand Reporter

Ref. No. 21200
| levels (2)          | 12:20 |
| --                   | 7:12;18:23 |
| lever (1)           | 11:20 |
| life (3)            | 11:20;13:15,19 |
| lifted (1)          | 20:16,18 |
| lights (2)          | 6:17 |
| limit (4)           | 4:19;41:24 |
| link (2)            | 11:21;37:19 |
| load (4)            | 27:23;28:17;29:7;36:25 |
| local (1)           | 5:1;27:1 |
| long (2)            | 6:9;10:4;12:25; |
| look (15)           | 10:14;34:9 |
| many (8)            | 11:13;27:25;31:10; |
| March (2)           | 14:9;9:19;20:34:22; |
| marker (4)          | 15:24; |
| Marketing (2)       | 35:2;40:19 |
| match (1)           | 14:12; |
| materials (1)       | 2:1,3,6,10 |
| matter (1)          | 14:9;9:19;20:34:22; |
| may (5)             | 36:24 |
| may be (3)          | 12:23;31:6;38:14 |
| mean (2)            | 12:4 |
| mechanism (1)       | 2:15;17:17 |
| med (1)             | 3:21 |
| Medical (1)         | 3:24 |
| meet (2)            | 11:6 |
| meeting (4)         | 22:7;35:2;38:9 |
| meetings (2)        | 5:1;27:1 |
| megawatt (1)        | 10:6;13:23;19:13; |
| member (2)          | 27:16;22:22;29:21 |
| member (2)          | 11:21;24: |
| members (2)         | 5:1;27:1 |
| message (1)         | 22:7;35:2;38:9 |
| Mental (2)          | 5:1;27:1 |
| mile (1)            | 10:6;13:23;19:13; |
| mile (1)            | 27:16;22:22;29:21 |
| mind (3)            | 13:13 |
| mind (3)            | 13:13 |
| mind (3)            | 25:1,1 |
| mind (3)            | 10:11;11:22:5; |
| minor (2)           | 29:23;34:9 |
| minor (2)           | 5:1;27:1 |
| minutes (3)         | 11:17;31:12 |
| minutes (3)         | 12:4 |
| missed (1)          | 32:23 |
| mis-clicked (1)     | 39:6 |
| mode (1)            | 38:23 |
| mode (1)            | 16:2;9;15 |
| mode (1)            | 38:23 |
| model (3)           | 17:18;31:12 |
| moment (1)          | 2:15;17:17 |
| moment (1)          | 36:24 |
| money (3)           | 33:1;39:12;17 |
| more (16)           | 33:24 |
| much (12)           | 34:9 |
| multi-family (1)    | 25:1,1 |
| multiple (1)        | 18:15 |
| multiplier (1)      | 10:11;11:22:5; |
| municipalities (1)  | 29:18 |
| mute (1)            | 39:5 |
| myriad (1)          | 29:15 |
| N                   | 24:2 |
| name (3)            | 2:14;8;4;17:17 |
| named (1)           | 3:25 |
| naming (1)          | 17:18 |
| nascent (2)         | 5:24;13:10 |
| nation (1)          | 11:17;31:12 |
| Natural (2)         | 14:16;38:4 |
| near (2)            | 27:12 |
| need (4)            | 35:11;24 |
| needed (4)          | 6:6;8;11;11:16;19 |
| needle (1)          | 4:2;15;17:24 |
| neighborhood (1)    | 8:9;11:12;21:20;21 |
| neighbors (1)       | 38:9 |
| offer (2)           | 9:15 |
| offer (2)           | 12:22;13:20;17:22; |
| Officer (1)         | 20:23;7:24;18:22 |
| official (1)        | 22:6;21:29:21 |
| Nevada (1)          | 40:18 |
| new (16)            | 7:19;8:15;11:17; |
| Next (39)           | 12:7;18;13:13;14:3; |
| number (8)          | 13:15;3:4;16:3;4,21; |
| numbers (1)         | 28:22;29:8;31:18 |
| nice (1)            | 3:25 |
| night (1)           | 3:1,21;4:9;6:17;7:9; |
| notably (1)         | 3:12;4:14;6:9; |
| not (1)             | 3:12;4:14;6:9; |
| not-for-profit (2)  | 12:22;14: |
| notice (1)          | 37:13 |
| NRDC (2)            | 39:5 |
| nugget (1)          | 4:2;15;17:24 |
| official (1)        | 22:6;21:29:21 |
| number (8)          | 19:25;22:4;25:5; |
| numbers (1)         | 25:12 |
| nutshell (1)        | 18:5 |
| O                   | 23:24 |
| OATT (1)            | 10:11;34:8;38:5 |
| obviously (3)       | 7:24 |
| occur (1)           | 13:10;17:11;41:20 |
| offer (2)           | 8:10;21:6 |
| Officer (1)         | 3:24 |
| official (1)        | 916-492-1010 |
SMUD 2021 Rate Change Proposal

PUBLIC WORKSHOP NUMBER 2
July 27, 2021

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(6) off-peak - PV-only
Q&A (8)  
3:4,5,9,12;7:1;26:6;9:38:23  
quality (1)  
5:12  
queue (1)  
3:17  
quick (2)  
18:4;20:13  
quickly (1)  
6:18  
quite (2)  
20:15;32:16

R

Rate (72)  
2:12;20:4;17:5;20;7:17;19;22:8;4;9;1;4;5;13;15;18;25;10;2;4;11;13;16;17;18;11;5;8;12;18;13;8;14;21;14;11;13;16;15;5;16;3;5;22;17;15;24;18;10;21;8;23;11;11;19;22;24;5;20;21;5;22;25;28;23;29;2;30;12;16;20;31;11;16;20;34;15;17;18;22;25;35;5;22;38;1;40;14;41;10;22;42;11;16 rates (14)  
3:19;4;23;5;17;6:16;21;7;8;9;14;9;9;10;10;12;8;24;12;27;13;8 reach (3)  
9:22;17;9;42;17 reached (1)  
25:18 reaching (1)  
24:10 reading (2)  
28;12;31;23 ready (1)  
34;1 real (2)  
6:18;20;13 realize (2)  
34;18;35;8 really (27)  
12;23;24;13;17;14;4;8;16;17;19;9;19;21;10;22;23;22;3;28;21;30;1;2;32;15;37;3;4;5;15;38;7;15;39;13;17;40;12;42;4;5 reason (2)  
3:14;21;3 receive (1)  
23;3 receiving (1)  
23:10 recognize (2)  
6:3;6 recommendation (8)  
8:25;10;13;12;6;10;13;23;22;7;25;23;29;9 recommended (2)  
28;8;29;7 record (2)  
7;3;36;1 recorded (1)  
3:8 reduce (7)  
17;5;5;19;22;21;1;2;13;14 reducing (1)  
20;25 reduction (1)  
42;6 reemphasize (1)  
14;24 refer (1)  
36;7 reflect (2)  
11;9;23;24 reflected (1)  
10;25 refunding (1)  
10;9 regarding (1)  
36;2 region (2)  
5;13;8;17 regulations (1)  
24;13 regulatory (1)  
11;21 Relations (1)  
2;16 relative (1)  
4;17 reliability (1)  
8;21 reliable (3)  
4;24;8;12;11;20 rely (1)  
6;7 remain (1)  
9;9 remaining (2)  
25;1;41;19 remember (1)  
31;5 remind (1)  
42;3 removing (1)  
17;10 renewable (1)  
22;2 renewables (1)  
11;24 repeat (1)  
28;15 6:19 replaced (1)  
41;1 Reports (2)  
24;17;25;8 represented (1)  
9;18 requesting (1)  
9;3 requirements (4)  
11;18;21;24;31;13 reserved (1)  
24;1 residential (4)  
7;23;10;23;15;14;24;6 resiliency (2)  
33;4;13 resources (3)  
11;22;14;16;38;4 respond (1)  
36;17 result (1)  
35;17 resulted (1)  
10;8 retail (1)  
13;7 return (4)  
29;24;41;11;22;42;11 revenue (2)  
10;19;20 reverting (1)  
30;19 reviewing (1)  
6;21 revise (1)  
23;25 RHONDA (21)  
2;4;7;11;14;4;7;6;20;26;1;2;16;27;13;29;10;30;4;8;31;2;32;2;33;14;36;14;38;19;4;40;4;9;42;13 right (18)  
8;25;17;18;26;11;16;28;11;23;29;12;30;5;8;32;4;34;11;14;35;20;36;15;37;12;18;40;12;42;14 right-sizing (1)  
28;21 road (1)  
17;11 roll (1)  
15;12 roof (1)  
13;2 rooftop (3)  
5;22;39;3;40;25 room (1)  
28;15 rounding (1)  
11;10 rules (1)  
24;13 runs (1)  
32;10 safe (2)  
4;24;8;12 sales (1)  
24;8 same (1)  
13;6 satisfy (1)  
27;21 savings (4)  
10;3;8;10;11 saying (1)  
31;5 scale (1)  
5;22 screen (1)  
3;4 second (4)  
10;21;24;21;30;6;41;18 section (1)  
26;6 seeing (3)  
11;15;12;3;35;23 self-consume (1)  
28;24 self-consumption (2)  
13;5;29;1 selling (1)  
13;6 send (2)  
18;24;21;10 sending (2)  
21;18;38;9 sense (1)  
35;17 September (3)  
4;22;18;19;24;25 sequestration (1)  
38;15 series (2)  
30;12;22 serve (2)  
4;19;8;17 service (2)  
4;24;11;14 services (2)  
4;25;25;14 set (2)  
30;23;35;12 seven-member (1)  
4;18 several (3)  
13;14;14;12;25;6 share (3)  
17;24 slide (1)  
40;5 slide (32)  
3;2;21;4;10;13;6;17;7;6;14;8;6;23;9;6;23;11;11;12;7;19;13;16;14;21;15;16;16;16;17;12;20;19;3;6;20;12;22;3;23;14;25;24;9;18;25;3;12;17;27;16 slides (3)  
8;6;12;5;6 slightly (1)  
11;7 small (1)  
11;2 smart (1)  
17;24
SMUD 2021 Rate Change Proposal

PUBLIC WORKSHOP NUMBER 2
July 27, 2021

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(8) SMUD - under
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PUBLIC WORKSHOP NUMBER 2
July 27, 2021

underlying (1)
39:18
underresourced (4)
22:9,13,17,25
unique (1)
4:19
unit (3)
19:2;23:1,2
unmute (1)
33:25
up (16)
11:14;17:16,23;
20:21,21:6,12,26:23;
27:3,25:28:9,30:2;
32:18,35:13,39:1,10;
42:20
update (2)
8:14,23:21
updating (1)
23:22
up-front (1)
15:15
upon (1)
35:21
up-to (1)
26:23
usage (2)
27:22,28:10
use (5)
3:4;5:1;7:23;41:16,
22
used (4)
38:7;39:18,19,25
using (4)
8:1;20:25;23:24;
34:14
utilities (4)
5:4;9:12,35:4,6
utility (4)
5:22,9:8,19:12;
20:23
utilize (1)
26:25

V

value (8)
21:23,32:22;33:5,9,
1,12,39:15,41:21
vehicles (1)
8:20
verbal (2)
3:15,7:1
versus (1)
29:3
via (1)
24:22
videotape (1)
2:1
Virtual (11)
17:4;21:11,17,21;
22:6,21;24:23;27:6;
29:21,32:19,35:21

W

wants (2)
15:25;17:19
wards (1)
4:19
way (3)
12:21,20;43:11
way-back (1)
12:20
website (3)
5:15,25:5,13
weekly (1)
24:4
Welcome (5)
2:4,12;25:2,15;
27:18
what's (2)
31:9,35:22
wide (1)
17:22
wildfire (3)
11:15,16;31:12
wildly (1)
16:19
willing (1)
27:10
wind (1)
11:23
win-win (2)
13:15,20:24
within (3)
14:13,22:14,41:13
without (1)
36:7
wonderful (1)
42:22
word (1)
19:8
words (1)
38:7
work (5)
14:22,37:24,25,25;
39:14
working (3)
8:3,13:14,14:5
works (1)
12:24
Workshop (7)
2:13,5:17,6:21;
24:21,25:10,25,42:16
workshops (1)
24:20
worth (3)
33:1,7,8
wow (1)

Y

year (10)
2:21,8:1,110:19;
21,24,25:12:1,18:25;
34:20
years (7)
4:12:9,22:13:15;
30:17:41,16,17,19
Yep (1)
32:14

Z

Zero (8)
7:6,18:8,9:22;
16:20,23:19,11:39:10
Zoom (1)
24:22

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(9) underlying - 8:00