

Crystal Richardson:

Thank you for joining us tonight. We're going to get started in two minutes.

Thank you so much for joining us tonight and for allowing us to speak with you this evening. My name is Crystal Richardson. I'm the member of our community relations team here at SMUD. I'm joined here today by some of my colleagues and subject matter experts from SMUD as well. We are here to have a conversation today about our rate change proposal that our board of directors will vote on later this year. I want to note that this is a proposal and has not yet been approved.

Whenever there's a rate proposal, we reach out to the community and make sure we engage in an open and transparent process that allows for public input and discussion. As part of our process, we are here today to share this information with you and to receive feedback. This presentation includes a broad overview of the proposal and time for specific questions and comments at the end, so please hold your questions and comments until then. Before we get into the details, I'd like to go over a few housekeeping items. For those who are joining us in person in the event of emergency, please note the emergency exits and evacuation plan shown on the screen. You'll see the doors located behind you. Please in the case of emergency vacate immediately.

We have up to 90 minutes for today's workshop and that includes about 30 minutes for our presentation and up to 30 minutes each for moderated virtual comments or in-person comments. So today this meeting is being recorded and will be transcribed. For our virtual attendees, questions submitted through the virtual Q&A box will be available post-meeting at smud.org/rateinfo. Questions can be typed in the Q&A box you see at the bottom of your screen. Comments and statements that are placed in that Q&A box will not be addressed during this meeting. The moderator will read questions and invite a team member to answer those questions. All questions must be relevant to the proposals in this rate process.

For our in-person attendees, pre-registered in-person members of the public can ask questions or provide verbal comments, a three minute limit per person. For attendees who are unable to pre-register, we have a clipboard in the back of the room for you to sign up. Again, all questions must be relevant to the proposals in this rate process. If we're out of time, questions and comments can always be submitted via email to contactus@smud.org. Or you could speak at a future public workshop. Actually, I apologize. No more future public workshops. This is our second workshop, but we have the public hearing coming up, which we'll be talking about a little bit later.

Today we're joined by a few SMUD representatives. Jennifer Davidson is our chief financial officer and has been with SMUD for 17 years. Jennifer Restivo is director of planning and performance and has been with SMUD for 24 years. Alcides Hernandez is the revenue strategy manager and has worked for SMUD for 12 years, and Melissa Kwong is the supervisor of pricing department and has worked for SMUD for 12 years. I'd like to invite Jennifer Davidson to the podium to do a quick welcome, Jennifer.

Jennifer Davidson:

Thank you Crystal, and welcome and thank you to everybody who has joined us tonight. I really appreciate you spending your evening with us for our second rate workshop. So I'm going to speak here tonight just briefly as SMUD's chief financial officer, and then I'll turn it over to Alcides who will go over the proposal in more detail. But I really wanted to highlight some of the points that you will hear Alcides make about our business and the economy and how it relates to our rate proposal. So first of all, the economy. You have all felt firsthand the impacts of the inflation in all aspects of your life. Economists use the word pervasive, persistent, and it's no different for SMUD. We are also seen in all parts of our business, sharp increase in costs of goods, services, energy, the things that we need to buy to keep the lights on, be able to make continued investments in our grid.

And while inflation has somewhat tamed, prices are still increasing and those price increases are on top of the very sharp increases we have experienced the last two years. A few examples, 72% increase in distribution substation transformers, 40% for other substation equipment, 40% for line transformers, 24% for poles, and so on and so forth. And in spite of these many cost increases, we have worked really hard to keep our rate increases as low as possible. So in the presentation, Alcides is going to show you what other utilities are proposing. Either proposed or they've enacted. And you are going to see that our rate increase is lower than many, and that is because we work really hard for all those cost increases to find cost savings so that we can offset and at the end have a lower rate increase for our customers.

The rate proposal that Alcides will share with you reflects a carefully planned and thoughtful proposal that delivers on our commitment to provide safe and reliable power, to be in compliance with state regulations, to keep SMUD financially healthy and to keep our rate increases within the rate of inflation and among the lowest in the state.

So with that, I'm going to turn it over to Alcides and he's going to give you more details of our proposal.

Alcides Hernandez:

Thank you, Jennifer. Thank you for the introduction. Good evening everyone, whether you're here in person or virtually. My name is Alcides Hernandez, revenue strategy manager. I'm going to provide you an overview of the presentation of the proposal. Thank you for joining us in this secondary workshop. Let me start by providing you a high level overview about SMUD. There are plenty of statistics here on this slide. I just wanted to emphasize that SMUD is your community owned electric utility non-for-profit. We have done that for over 75 years. We are governed by our seven members and board of directors. They live in the areas that they serve and they are very, very interested in your feedback. So every time that we bring a recommendation, we report feedback to them, which they will vote on this recommendation the next month. It is our priority to keep rates low, provide safe and reliable service, and develop programs and services that help you manage your energy use, protect the environment, and benefit to the community.

Today, just to let you know and Jennifer made mention of that, we are one of the cleanest utilities in the nation and we are committed to eliminating a hundred percent of the greenhouse gas emissions from our power supply by 2030. We're doing this because providing carbon free energy is essential in improving our air quality and creating a better cleaner environment for the future for our region. To learn more, you can join the charge and get involved. You can visit cleanpowercity.org.

Now while we're here today, as I mentioned earlier, we're going to discuss a rate proposal. Crystal mentioned this has not been approved by the board. It's just a proposal. It is our policy to actively communicate key business decisions that may affect the bills and the customers. So whenever there is a rate proposal, we reach out to the community. We make sure that we engage in an open and transparent process that allow us for public inputs and discussion. Today, we will explain the proposal, answer your questions as best as we can, and take note of any feedback you may have for us.

Here are our proposed changes. I will discuss each one's in detail in the next following slides. First, we are recommending rate increases for all customer classes for years 2024 and 2025. We'll provide more details on each of those rate increases. Please I want to also let the audience know that before coming and discuss a rate proposal, SMUD focused on finding cost savings to ensure that these rate adjustments that we're proposing will have as little financial impact on our customers as possible. The second part of the recommendation is to provide additional discount to our most vulnerable customers, and we will provide details on that part of the recommendation. And lastly, every time we bring a rate proposal, we have the opportunity to do some cleanup items and tariffs, so we're going to provide some high level overview of those changes.

Now, Jennifer provided an overview of the need of this rate increase, and we know that when we come to you and ask for a rate increase, it is never easy. We want to be sure that we are transparent about why we are proposing these changes. The current state of the economy has created challenges for everyone, including SMUD, due to increases in our compliance requirements as well as cost increases in our goods, services, and energy prices. All these changes are necessary. We see specifically cost increases in the areas that you see here on the screen. I'll briefly walk through some of them. Those include improving infrastructure to maintain our grid reliability. Costs for compliance to meet the state's requirements. Increasing costs for wildfire prevention and insurance, and improving outreach response management for severe weather. And lastly, and not least, and Jennifer also mentioned that inflation and supply chain pressures. The following slides, we provide additional details on each of these items.

Maintaining our world-class reliability is one of the cornerstones of our mission. We continue to invest to ensure we can provide you safe and reliable energy. So here are a few areas that we are seeing cost increases. Building energy infrastructure requires large investments. So we are investing approximately \$370 million toward key projects. We will need, for example, new resources to produce power. So we're investing in new generation projects, you see some of them listed here, the Solano 4 Wind Turbine Project and several solar projects in addition to our loan duration energy storage projects.

To ensure that our grid remains reliable, we are also spending on sub stations and line capacity projects. Additionally, we are increasing spending on our hydro and thermal generation facility to ensure reliability. So in order also to meet our state renewable portfolio standards, those are requirements by the state when investing in more clean energy resources. So we see an impact of about \$85 million a year in energy costs. So these includes wind, solar, geothermal, hydropower, as well as battery storage and biogas for our own generation. So wildfire is another component of the drivers of this rate increase. The wildfire risk continues to grow in California as we continue to invest in vegetation management to help reduce the risk of fires. Additionally, wildfire insurance costs continue to increase at an exponential pace, and you may have seen that in your own budget with the increasing home insurance. So severe weather

Alcides Hernandez:

Events are becoming more common in our area and the state. So, we are investing to improve our reliability and visibility into our outreach response for severe weather storms. We see increases in that area of about \$10 million. That's in addition to what we already doing in that area of wildfire mitigation. Our customers in the community are the key to creating a carbon-free future. So, we are investing about \$50 million in customer programs such, for example, electric vehicles, rooftop solar, and battery storage, and also helping our customers electrify their homes and businesses. So, we will move towards a zero carbon future with equity in mind. This will ensure that no one will be left behind in this transition, and will improve air quality for all our region.

Now the third component, and as Jennifer emphasized in introduction, has to do with the inflation. We all have seen the impacts of inflation either in our personal level or business levels, and how that has caused cost increases. SMUD's not different. We have seen sharp increases in cost of materials, services, and labor that we use every day. So, we all have experienced issues perhaps getting products and services and the lead times that now it takes to get those. So, the global supply chains as we know it has impacted everybody including SMUD. Although availability of some of the goods and services that we get today are better than we used to, it is still anticipated that these supply chain issues for utilities and materials that we need will continue for several years into the future. So, the resulting of this is higher cost and much longer lead time for key materials that we use regularly.

So for example, and this was mentioned earlier by Jennifer, the distribution substation transformers, we have seen now 80 plus weeks of lead time to order these materials, which requires to order additional transformers now to make sure that they are delivered, and we receive by the time we need it. We also have seen an increase in that kind of material and equipment by 72%, this is compared to 2019. Similarly, we see increases of 40% in cost for line transformers and station equipment, similar in cost for wood and steel poles by 24%. Those are very significant increases for materials and equipment crucial to maintain reliability of our grid. Now every time when we bring a rate proposal, we keep in mind that our goal is also to keep rates as low as possible, and we focus on incorporating operational and efficiency savings into all what we do.

More than ever, we are working to creating permanent cost reductions and operational efficiencies. And just to give you an example, we have saved in the neighborhood of \$60 million, which is a combination of a one-time savings and ongoing savings of these operational efficiencies that we do. Some examples of those savings include refunding of our bonds, we have lower payments of interest, recovery of costs from the Department of Energy for our Rancho Seco Fuel Storage, and also we have the sale of our loan portfolio to a local bank, and reduction of SMUD labor costs, we know impact to loan customers. Those are examples of activities that we do that tend to save cost. We have also partnered with agencies in our area, which has enabled some projects to get grant funding. Such an example of those, The Neighborhood Electrification Project. And in addition, we have grants application spending, which will help future rate pressures, may not help the need that we have right now, but it definitely will help in the future.

Now I will dive more in details about the rate increase proposal. You see here on the screen, the rate increases that we're recommending for all customers, we are recommending a 2.75% effective in the years as illustrated on the slide in January 1st, 2024. The same percentage for May 1st, 2024 and similar for year 2025, 2.75% in January 1st and May 1st of that year. Just to give you an illustration of the impact of this proposed rate increase, once again, this is a proposal it has not been approved yet by the board. We see here the average bill of a typical customer is around \$131. The table illustrate what will be the impact of each of those proposed rate increases, less than \$4 per month. So, by the time we finish the fourth rate increases, there will be an impact, cumulative impact of about \$15 per month. This is just to provide an illustration.

Important to know that our customers on our low income Energy Assistance Program Rate, we call it EAPR, and also Medical Equipment Discount Customers, we call those MED customers, they will see a slightly different billing packs because they receive a rate discount. And also we have an additional proposal to help reduce the energy bill of some of those customers, especially those in the lowest federal poverty level range. And I will provide more details of that part of recommendation later. The proposed rate increases for all customers will be applied to all items on a monthly bill.

Now the overview of the non-residential customers is displayed here in this slide. We are recommending the same amount of rate increases 2.75% effective the same times January 1st, 2024, 2.75%, May 1st, 2024, and similar to the next year, 2.75% January 1st, 2025 and 2.75% effective May 1st, 2025. So with that, the impacts of the commercial customers is slightly different because we have from very small to very large companies. So, just to give you an illustration, we have here a comparison of those impacts and for example, just to describe one of them, the small commercial group in the first row, that is an example of a small office.

The average bill is about less than \$200, about \$195. You will see the impacts of each of the proposed rate increases of less than \$6 per month. So, with a cumulative impact of about \$22 by the time we finish the four proposed rate increases. Again, there are more impacts there showing for different levels of commercial customers. They vary dependent on their size. This is just for illustration to provide an

overview of the impacts. The proposed increases similar to residential will apply to all commercial customers and to all components of the electric bill.

Now, rate increases are necessary to balance keeping rates affordable, making sure we maintain financial viability, meet our board strategic directions, achieve stable, reliable targets, and continue to provide safe, reliable, and affordable power. So, this proposed rate increases stays with our commitment to continue to keep rate increases within the rate of inflation. And as you can see here on the chart, the line toward the bottom that illustrates the rate increases that we adopted since 2021 plus the projected rate increases for '24 and '25. And the line above that illustrates the cumulative inflation for the same period. As you can see for the same period of time, our cumulative rate increases if this rate increase were to be approved, it will be under 21% cumulative compared to about 24.6% of cumulative inflation for that period. Note that here we're projecting the inflation, we'll know as the time goes for '24 and '25.

As non-for-profit community owned electric utility, we have a policy, and this is to ensure that our rates remain among the lowest in California, but while also providing safe and reliable power. This graph shows that our rates remained low compared to other utilities as of 2022, and you see that our average price for that year is highlighted towards the bottom in the orange color of the bar. This illustration is to provide an overview of other rate increases that we see in neighboring utilities for years '22 through 2024. You can see the trend we highlighted SMUD toward the left side of the chart in that red rectangle that again, we are only illustrating here years 2022 through 2024. There's no public information about others rate increases for 2025. And just to let you know you see the trend there, for example, top of the right side rate increases of 30 plus percent. For example, in the case of a PG&E and other utilities here in California as well of 30 plus percent. So, our proposed rate increases are relatively modest compared to other larger rate increases that we have observed across the state.

Now, I mentioned earlier that we are bringing a recommendation to help our most vulnerable customers saved. This is the overview of that recommendation. First, with this proposal, we recognize that our Energy Assistance Program Rate or EAPR customers are strongly impacted by the proposed rate increases, especially those that are in the range of the zero to 50% of the federal poverty level. We use the acronym FPL to make reference to that wording. So, we look at the Electric Bill Burden. We also call that EBB, which basically is a measurement that compares the affordability of the electric bills. So, how much of the income that this family gets is needed to pay the electric bill. We noticed that this group, between zero to 50% of the federal and poverty level has an unusual high Electric Bill Burden or basically their bills are less affordable compared to the rest.

That's why we're recommending these additional benefits to this group in specific. To help these customers, we are proposing an extra benefit of up to \$35 per month. So, the total available discount will increase from up to \$70 that they have today of up to \$105 per month. The financial impact of this recommendation is estimated to be about \$2 million a year, and we plan to fund this proposed new benefit with non-rate revenue. All EAPR customers or Energy Assistance Program Rate customers will continue to receive a discount keeping electric service affordable for low income customers.

This slide provides an overview of number of programs and information that we have available to our customers, so they can continue to save. For example, we offer appliance rebates, incentives and financing, free home electrification and weatherization for low income customers, and other programs and services designed to help our customers manage their energy use and reduce their electric bill. We also offer this tool, we call it SMUD Energy Tools online to all our customers, so they are able to see their energy use and what is costing them. So, it's a really good tool to manage the electric bill and their budget related to the electricity payment. You can see more details about the other programs and information that we offer here on the screen and also by visiting [SMUD.org](https://www.smud.org).

Now the third item of the rate recommendation as I mentioned earlier, it's a series of miscellaneous proposed changes to all rates, rules, and regulation. Every time we have an opportunity to bring a recommendation to the board, we take that time to review certain things in those rules and regulation. For example, we are proposing to align our rate holidays to the federal holidays, which means adding the Juneteenth National Holidays in the month of June. We are also proposing to clarify language stating about the standby service charge is one of the components of the rate, especially for those customers that use SMUD for backup service. We have also part of the recommendation some changes regarding our hydro generation adjustment. We call it HGA Tariff. This is related to adding the Western Area Power Administration Hydro Generation. We call it in short WAPA, the acronym of Western Area Power Administration.

We're blending those two as we have this normal hydro [inaudible 00:30:58] and the current tariff. Plus, we are also updating the measurement station, how we measure precipitation and associated calculations. Other rate language that we are taking the opportunity to clean up is related to, we call it legacy rates. Every time when we do implement new rates, we tend to keep the other rates in there because of the transition. When those transitions are completed, then those rates are no longer needed, so we take the opportunity to clean up our tariff, it makes it more cleaner. So, we're taking that opportunity right now as well as other miscellaneous updates, for example, in campus billing and other miscellaneous changes. If you're interested to know more about these additional changes, there's detailed information in the General Manager's Report. It's a very comprehensive document is available at smud.org/rateinfo. With that, I think I cover the information about the proposal

Alcides Hernandez:

Crystal and I turn the controlling meeting back to you.

Crystal Richardson:

Great, thank you, Alcides.

I'm going to circle back a little bit for folks that didn't join us at the beginning of the meeting to just go over what our meeting procedures will be for the Q&A portion of the program.

If you've joined us virtually, just as a reminder to all this meeting is being recorded and will be transcribed. For our virtual attendees, questions can be submitted through the Q&A box you see at the bottom of your screen. I will read those questions out to our subject matter experts who will address those questions. As a reminder, all questions must be relevant to the proposals in this rate process.

For customers who are joining us in person. If you were able to pre-register for a public comment, wonderful, we will be available to allow you to provide verbal comments or questions with a three minute limit per customer. If you weren't able to pre-register, we do have a sign up in the back of the room if you'd like to sign up to make a comment as well. Again, all questions must be relevant to the proposals in this rate process.

If we run out of time addressing comments or questions, just as a reminder to all, they can be submitted to contact us at smud.org or you can join us for the upcoming public hearing.

At this point I'm going to move to the virtual Q&A and see what we have available. Just one moment please.

We don't have any virtual questions at this time, so we'll circle back around after we do our in-person portion of the program.

Thank you very much. We'd like to invite our customer, Mark Graham to the podium to provide his public comment. It looks like there was some documents that were provided. We'd be happy to share these documents with our board of directors who will be voting on the proposal.

Mark Graham:

Okay, thank you, Crystal. Thank you everybody on SMUD staff. My name's Mark Graham. I live in Elk Grove. I did send in some questions by email. In previous years you've allowed more than three minutes, but in the CEO and General manager's report, it says on page 76 "The cost of service analysis that demonstrates cost justification for the proposed rates is the SMUD rate costing study (rate study), which is incorporated herein by this reference."

That is one of the documents that I presented to you, so you have a copy of it right there in your hand, Crystal, and I have a few questions about it. What is cost justification? What does SMUD have to do to cost justify the proposed rates?

Second one, please describe the methodology of the 2022 rate costing study. Why did you do it the way you did it?

Number three, why doesn't the 2022 rate costing study present the cost justification in terms of dollars per kilowatt hour? These are the units in which SMUD bills its customers.

Number four, the 2022 rate costing study says, and I quote, "The rate costing study reflects the 2022 marginal cost, which is a foundation to design rates." That's on page four. My question is why did SMUD only provide the foundation? What about the rest of the house or in other words, the rest of the cost justification?

And number five, in late 2016, SMUD did a rate design study, which is called the 2017 residential time of use rate design study, to which the previous CEO and GM report referred, and it was actually 2018. But anyway, the rate design study presented the cost justification for the original time of day rates in units of dollars per kilowatt hour. SMUD has not done a rate design study for the current rate action, but why not? That's my question. Why not?

Now, I've given you not only a copy of the 2022 rate costing study, but also the page from the CEO and GM report where it says that the cost justification is in the 2022 rate costing study. I also gave you a copy of the 2018 residential time of use rate design study, so you know exactly the document that I'm talking about.

Questions about the EAPR in Alcides' presentation, are the EAPR class and the other classes subsidizing those of us who are not in the EAPR class of customers? Do we have a subsidy going on or proposed from one class of residential customers to the EAPR and the Medi-Cal classes? And you mentioned there's an extra benefit of up to \$35 per month for our most vulnerable customers. Are we subsidizing that?

Also, Alcides said "We will fund this with non rate revenue," I do not understand what that means. When you get a chance, could you please explain what do you mean "We will fund this with non rate revenue?" I also emailed your staff and I said, "Where can we find in the CEO and general manager's report the following?" And I quote, "Insufficient detail to permit an assessment of the need for any proposed changes, a statement of each category of expense for the proceeding two years and estimates of each category of expense for the two years following." Your staff wrote back to me yesterday and said, "Hello, Mr. Graham. Page 88 of the GM report has the 2023 to 2025 data, and page 17 of the report of independent auditors at the end of the GM report has years 2022 and 2021." All right.

Crystal Richardson:

I'm sorry to interrupt you. We know we found that the mic is not working for our guests that are joining us virtually, so if you wouldn't mind stepping up here, I need to ask you to restate your comments. We want to make sure that all the guests are hearing all the questions that you're providing.

Mark Graham:

Sure.

Crystal Richardson:

If you don't mind stepping up to this mic.

Mark Graham:

Do you want me to start over?

Crystal Richardson:

Well, it's up to you.

Mark Graham:

I'd be glad to.

Crystal Richardson:

We will transcribe the meeting, but the portion of the community that is with us on virtually, they're not able to hear you.

Mark Graham:

Sure, I'll be glad to start over.

Crystal Richardson:

I'll just get this, sorry.

Again, if you're joining us, thank you. We apologize for the technical difficulties. We want to make sure you're able to hear us, so we're inviting Mr. Graham to the podium to restate his comments. Bear with us please.

Right here, this mic is on for you. [inaudible 00:39:11].

Mark Graham:

All right, here we go again.

Thank you, Crystal, and good afternoon everybody on SMUD staff and all the SMUD customers who are listening. My name is Mark Graham and I live in Elk Grove and I have some questions regarding the proposed rate increases. Let's see, where do we start?

I emailed some questions to the staff and I also provided a few documents to the staff here, one of which is the 2022 rate costing study. And the reason for this is, on page 76 of the current CEO and General Manager's report on the proposed rates, it says that the cost justification for the proposed rates is provided by the 2022 rate costing study, which is incorporated herein by this reference. So I have a few questions about it.

Number one, what is cost justification? What does SMUD have to do to justify the proposed rates?

Two, please describe the methodology of the 2022 rate costing study. Why did you do it the way you did it?

Number three, why doesn't the 2022 rate costing study present the cost justification in terms of dollars per kilowatt hour? These are the units in which SMUD bills its customers.

Number four, the 2022 rate costing study says, and I quote, "This rate costing study reflects the 2022 marginal cost, which is a foundation to design rates," and that's on page four. My question is why did SMUD only provide the foundation? What about the rest of the house? In other words, the rest of the cost justification.

Number five, in late 2016, SMUD did a rate design study which was titled 2017 Residential Time-of-Use Rate (RT02) Design Study, end of the title, to which the CEO and General Manager's report from 2017 referred, "The rate design study presented the cost justification for the original time of day rates in units of dollars per kilowatt hour. SMUD has not done a rate design study for the current rate action." My question is why not?

I have also provided to staff here a copy of the page 76 from this current CEO and General Manager's report where it says, "The cost of service analysis that demonstrates cost justification for the proposed rates is the SMUD rate costing study, 2022 Rate Study," which is incorporated here by this reference. The staff has it. And this is just to let you know that my questions are directly related to the proposals.

I also gave staff a copy of the 2018 Residential Time-of-Use Rate (RT02) Design Study, so they have a copy. A couple of questions about Alcides' presentation. He mentioned the EAPR category of customers and Medi-Cal, and said that they're going to have a rate discount including an extra benefit of up to \$35 per month for our most vulnerable customers. And my question is, are other classes of customers subsidizing the EAPR and the Medi-Cal classes?

My other question is, Alcides said, if I heard him correctly, "We will fund this with non rate revenue." I do not understand what that means. Could you please explain what that means, the funding for this?

I sent a question to the staff and I'm following up, I'd like to get an answer today. Well, staff did give me an answer, but it's incomplete. And I said, "Will you please tell me where in the current CEO and General Manager's report I can find the following?" And this is something required by the Public Utilities code. And I quote, "Insufficient detail to permit an assessment of the need for any proposed changes, a statement of each category of expense for the preceding two years and estimates of each category of expense for the two years following." That's what is required to be in there.

Staff replied to my email yesterday and said, "Hello, Mr. Graham. Page 88 of the GM report has years 2023 to 2025, and page 17 of the report of independent auditors at the end of the GM report has years 2022 and 2021." All right, very helpful. And I have printed out, and I also gave the staff a copy of each page that this response refers to, page 88 and then page 17 from the report of independent auditors.

I'm looking at the categories of expenses and they do not line up. Not only the descriptions of each category of expenses are not the same, but the total, well the totals, you wouldn't expect them to be the same because they're talking about different years. But for example, in December 31st, 2021 and 2022, "The categories are under operations," it says. "Purchased power, production, transmission and distribution." And then there are other categories of expenses which are not operations, "Administrative, general and customer, public good, maintenance, depreciation and amortization," and finally, "regulatory amounts collected in rates." Those are the categories of operating expenses.

By contrast, in the pro forma tables, and this is for 2023, 24 and 25, the operating expenses are different categories. Let me tell you, they are as follows, "Commodity, enterprise strategy, zero carbon energy

solutions, energy delivery and operations, customer/community, workforce diversity and inclusion, information technology, corporate, enterprise," and finally "public good excluding EAPR/Med discount."

I'm not objecting to anything. What I'm saying is I don't think that it's possible to do a comparison from the last two years to the projected next couple of years, because your categories of operating expenses do not match. And I've read you each the last two years in the proposed next three years. How are we, as SMUD customers, supposed to make an assessment of the need for any proposed changes when the categories of expenses do not line up.

Those are my questions. I appreciate your time. I appreciate being able to repeat them so that the reviewing listening audience can ask their questions and I look forward to your answers.

Sure.

Crystal Richardson:

Thank you again, Mr. Graham. And apologies to all of those that have joining us for the technical difficulties. At this time, I'd like to invite our subject matter experts and staff to address the questions.

Alcides Hernandez:

Let me check first, Crystal, this mic is working. Okay, we're good? Well, thanks, Mrs. Graham for the questions and comments. There were several and also we received your emails, I think we have responded most of them, but it's still working in some of them. So please appreciate your patience as we get back to you with some of those emails with several questions in it.

I took notes as you were providing your comments, so I'll provide some of the highlights of some of the questions that you asked.

Yes, we did receive some of those emails that you made reference and then I think we got back to you on most of them, but it's still working and several of them. So appreciate the time for writing us comments on the proposal and also the patient from us to get back to you.

You made reference about page 76 that cite the rate costing study from year 2022. I think we provided a copy in one of those responses from the emails, and I think you made reference about the cost justification on that. Normally, when we do a costing study is

Alcides Hernandez:

... A study that helped us inform how cost went, and the 2022 study shows that the cost went up. So we are corresponding increasing our rates to reflect that trend. The actual amount of the rate increases is driven by the categories that we already provided in the presentation and those are needed to meet financial obligations and key metrics that are described in one of the attachments in the report. You'll ask, I think, what's the methodology used in the '22 costing study. So we used something that we call marginal study, marginal cost study. That's the approach that we used. And you also say that the study describes something in the page about the foundation of designing rates, something in that context.

Yes, the costing study is costing of units. So how the different components of our business from, for example, generation, capacity, distribution and things like that, have increased. Those eventually are used when we perform rate design. And then you may reference, why it's only the foundation. Because normally that is eventually used when we do perform rate design, it's like the basics. So from there we can perform rate design. About the units, I think you make a comment about the units. Yes, the actual units in the study, they are consistent. Every time we do this study, we do the components in the units. For example, if it's energy we use dollars per KWH. If it is related to, I'll use this word capacity, then it's in dollars per KW. And if it's customer related, we tend to use dollars per customer.

So that's very consistent. Year over year we have done those studies, it's very consistent. Yes, you say that in 2017, I think you were making reference to a study, a redesign study and SMUD has done a new study. That is correct. We haven't done a new study. The only 2017 that you were making reference, if I am understanding that right, the question. Yeah, it was the study that was done back around that year to propose at the time a new residential rate. We have not designed any new residential rates, so we haven't done any new study. About the EAPR question... And just to clarify, when we said that we are going to be using non-rate revenues, SMUD has some revenue that are not necessarily rate revenue from actually retail rates. One example of those is a late payment fees, for example.

And that is, for example, one of the sources that we are considering to fund this new benefit to customers. And you mentioned we subsidizing the EAPR rate, I think I'm understanding that question. The Energy Assistance Program Rate had existed for a number of years, decades at SMUD, and that program had remained for a number of years in terms of subsidy has been approved by the board, and the program continued to be in place and predated a number of years, included 2010. It's been there for a number of years. The non-great revenue, in the context that I was describing, Mr. Graham, again is revenue that doesn't come from rates. It comes from, in this case, late payment fees. About the last, I think it's one of the last ones toward the end, you were making reference about where to find information about the... Do you want to address that, Jennifer? Okay.

Jennifer Restivo:

Can you hear me? Can you hear me? I'm Jennifer Restivo, Director of Planning and Performance. So you asked the question about the prior year's financial statements and the future year financial statements. The prior year financial statements are the audited financial statements and they're presented on a fork basis. The future projections of financial statements are done on the way we show our board the budget, because that's how they approve our budget. And so, that is the presentation that we provide so that you can compare across budget years.

Alcides Hernandez:

Let me go back and see if we have any pending... Yeah, the category of expenses, right? That's the one you addressed already, and I think we covered most of them. Thank you, Mr. Graham, for the questions and comments. I appreciate it.

Crystal Richardson:

Okay, we now have some questions that came in from our virtual customers. So for the first question, "Has SMUD ever reduced rate cost, and is there any thought of having 5:00 to 8:00 p.m. high demand rate carry over to the weekend?"

Alcides Hernandez:

Can you repeat the first part of the question, first?

Crystal Richardson:

Sure. I'm going to go ahead and repeat the question. "Has SMUD ever reduced rate cost, and is there any thought of having the 5:00 p.m. to 8:00 p.m. high demand rate carry over to the weekend?"

Alcides Hernandez:

I probably will go with the first one. I'm trying to understand rates cost word I think is probably intending to cost reduction, perhaps. If I take it from that, we mentioned throughout the presentation that one of the very aggressive programs that we do internally is operational excellence in looking for efficiency in cost reductions. In fact, I made reference about \$60 million that we have saved in a one-time situation that we did, and also ongoing savings that we have done. That has saved actually a significant amount of a proposed rate increase without doing it. So it's part of the ongoing programs that we do to try to keep a cost low. Plus, we have a very comprehensive prioritization process. It was implemented over close to two years ago now, and that program help us definitely prioritize on the work that we do and also produces cost savings as well. That gets reflected into cost reductions, or price reduction you can call it.

Because we don't increase rates, because we save that cost. As far as, I think the second question went about if we were to consider the 508 time period, 507, 508 to the weekend. At this time when we design the rate that is the current residential time of standard residential time of the rate, we receive a lot of feedback through the research that we did with customers before we embarked on making that rate design, and the weekday was the feedback that we receive. And in order to also comply with the board directives of rate simplicity, it was that at the time that was the recommendation and the board approved it. We have no, at this time, any analysis or recommendation to change that over the weekend. And normally that is a cause relation there. Over the weekend, electricity and the demand of electricity is normally less than we see on weekdays, but at this time we don't have a recommendation to change that. I hope that addresses the question?

Crystal Richardson:

Yeah. Jennifer, did you have something you wanted to add?

Jennifer Restivo:

Yes, I just wanted to add that we do have a hydro generation adjustment, and that's part of this rate process as well. So when there are low hydro years, when there's not a lot of rainfall, we can implement a rate increase. And then when we have good water years, that rate increase would come back off. So that technically, it would be considered a rate decrease. So that is governed through that rate process.

Crystal Richardson:

Thank you. Okay, our next question. "If I use the current rate per KW, and the proposed rate increases 2.75%, can I accurately calculate the proposed new rate per KW?"

Alcides Hernandez:

Thanks for the question. And we have a volume too of the general manager's report that actually we describe the details of the components being increased. So indicates for example, if the question is about the per KW, normally the per KW charges for commercial customers, so is one of the components. So we also have dollars per KWH charges in that rate, and also dollars per customer. So the 2.75% will be added to each of those components, whether it is dollars per KW, dollars per KWH, or dollar per customer.

Crystal Richardson:

Thank you. Okay. Our last question right now in the Q&A is, "Are SMUD's rate proposals subject to the CPUC oversight?"

Jennifer Restivo:

Are we subject to CPUC?

Alcides Hernandez:

Our regulatory body, when we have a rate action, is our board. So we meet this requirement by hosting this public proceeding. So we have to release a certain time and host this outreach time and hosting a public hearing event. And then after that, we have to schedule a board decision where the board at a public board meeting will consider this recommendation. Once again, this is a recommendation, so we are governed by our board as a regulatory body when we have a reduction. We are not regulated or have oversight by the California Regulatory Commission.

Crystal Richardson:

Okay. So what happens next? On the slide you see in front of you, you see a couple of check marks. We've completed our first public workshop which was held on July 13th, and our second public workshop tonight. Next up we have our final board public hearing on August 30th at 6:00 p.m., either via Zoom or here at the SMUD headquarters. And then the final decision will be due to a board vote on September 21st at 6:00 p.m., either via Zoom or here at the SMUD headquarters. These are all public meetings and you are all welcome to attend and comment.

So if you'd like more information, there's a number of sources for you here. You can visit our website at smud.org/rateinfo where you can read the CEO and general manager's report. If you have questions or comments after today, we encourage you to email us at contactus@smud.org, or give us a call, the number you see on the slide. Please also check out information on the website for energy efficiency tips and other programs and services, and we welcome your questions and comments throughout this outreach period. At this point, we're going to conclude the meeting.

Speaker 1:

May I ask one follow-up?

Crystal Richardson:

You know what, we'll go ahead and wrap the meeting and then staff would be happy to have a conversation with you.

Speaker 1:

All right.

Crystal Richardson:

Okay?

Speaker 1:

Yeah.

Crystal Richardson:

All right. Thank you so much for joining us this evening, and we hope you have a wonderful night.

Alcides Hernandez:
Thanks, Crystal.