



Errata to the Chief Executive Officer & General Manager's Report and Recommendation

on Rates and Services

April 27, 2017 • Errata No. 1

Powering forward. Together.





April 27, 2017
GM 17-075

BOARD OF DIRECTORS

RELEASE OF ERRATA NO. 1 TO THE CHIEF EXECUTIVE OFFICER & GENERAL MANAGER'S REPORT AND RECOMMENDATION ON RATES AND SERVICES, DATED MARCH 16, 2017

Dear Board Members:

I am releasing Errata No. 1 to the Chief Executive Officer & General Manager's Report and Recommendation (Report). Errata No. 1 contains minor corrections to the Report.

Errata No. 1 is comprised of the following:

1. Corrections to Table 1 (Forecast of Selected Financial and Rate Information) in Volume 1 of the Report;
2. Corrections to Table 2 (SMUD vs. PG&E Comparison Class Average Rate) in Volume 1 of the Report due to SMUD's small commercial through agriculture average annual rate being populated incorrectly;
3. Clarify language to the first paragraph of page 33 in Volume 1 of the Report regarding net-energy metering;
4. Corrections to the System Infrastructure Fixed Charge per month on the 2018 and 2019 Rate Schedules GS-TDP and GS-TOU1 in Volumes 1 and 2 of the Report to keep rounding consistent throughout rate structures;
5. Spelling corrections in the AG rate schedule in Volume 2 of the Report; and
6. Corrections to Table 14 (Pro Forma Consolidated Income Statement) in Volume 1 of the Report.

These items will be integrated into the community outreach presentation slides as applicable and posted on the SMUD website. If you would like more information relating to this or any other issues please let me know.

Sincerely,

A handwritten signature in blue ink, appearing to read "Arlen Orchard", is written over a large, light blue circular watermark or background graphic.

Arlen Orchard
Chief Executive Officer & General Manager

Arlen Orchard, Chief Executive Officer & General Manager

*Chief Executive Officer & General Manager's
Report and Recommendation on*

Rates and Services

Errata No. 1

April 27, 2017

A Sacramento Municipal Utility District Publication

Chief Executive Officer & General Manager's Report and
Recommendation on Rates and Services, Errata No. 1

April 27, 2017

Prepared by: Sacramento Municipal Utility District's
Pricing Division of Planning, Pricing, Performance & Risk

Under the direction of: Arlen Orchard, CEO & General Manager

For additional copies of this errata, or for information on issues included
in the report, call SMUD at: 1-855-736-7655

Errata No.1 to the Chief Executive Officer & General Manager's Report and Recommendation on Rates and Services March 16, 2017

SMUD has identified a few minor corrections to the Chief Executive Officer & General Manager's Report and Recommendation on Rates and Services dated March 16, 2017 (GM Report). The GM Report is amended as follows:

1) Amend Table 1 on page 17 of Volume 1 as follows:

	<u>2017 Budget</u>	<u>2018 Projection</u>	<u>2019 Projection</u>	<u>2020 Projection</u>
Residential System Rate Change	*	1.5%	0.0%	**
Cumulative Residential Rate Change		1.5%	1.5%	
Commercial System Rate Change	*	1.0%	1.0%	**
Cumulative Commercial Rate Change		1.0%	2.0%	
Net Income (\$M)	\$ 128	\$ 123	\$ 99	\$ 50
Fixed Charge Ratio	1.82	1.99	1.85	1.63
Amount of Debt Issued (\$M)	\$ -	\$ 100	\$ 130	\$ 130
Net Change in Debt (\$M)	\$ (132)	\$ (19)	\$ 5	\$ 2
Equity Ratio	39%	41%	42%	43%
Net Debt Per Customer	\$ 2,940	\$ 2,930	\$ 2,870	\$ 2,960
Days Cash on Hand	189	159	157	131

*2017 Rate increase of 2.5% for both Residential and Commercial already adopted and not presented here.

**Any rate action for 2020 would be in next filing

2) Amend Table 2 on Page 19 of Volume 1 as follows:

Customer		Average Annual Rate*		SMUD Difference		
Class	Description	PG&E	SMUD	Below PG&E		
		2017	2017	2017	2018**	2019**
Residential	Standard	\$0.2307	\$0.1487	-35.6%	-34.5%	-33.9%
	Low Income	\$0.1366	\$0.0951	-30.4%	-28.6%	-27.0%
All Residential		\$0.2040	\$0.1385	-32.1%	-31.0%	-30.3%
Small Commercial	<= 20 kW	\$0.2302	\$0.1464	-36.4%	-35.7%	-34.9%
	21 - 299 kW	\$0.2216	\$0.1360	-38.6%	-38.0%	-37.3%
Medium Commercial	300 - 499 kW	\$0.2035	\$0.1278	-37.2%	-36.5%	-35.9%
	500 - 999 kW	\$0.1779	\$0.1198	-32.6%	-32.0%	-31.2%
Large Commercial	=> 1 MW	\$0.1420	\$0.1023	-28.0%	-27.7%	-27.3%
Lighting	Traffic Signals	\$0.2202	\$0.1194	-45.8%	-45.0%	-44.1%
	Street Lighting	\$0.2197	\$0.1286	-41.5%	-40.8%	-40.2%
Agriculture	Ag & Pumping	\$0.1782	\$0.1322	-25.8%	-25.0%	-24.3%
System Average		\$0.1909	\$0.1299	-32.0%	-31.2%	-30.7%

* PG&E average prices in 2017 reflect rates effective 3-01-17, per Advice Letter 5011-E-A.

** PG&E average prices in 2018 and 2019 do not reflect PG&E's requested 2017 GRC of 2.67% and 2.34%

3) Clarify the first paragraph on page 33 of Volume 1 to read:

“These customers will be transitioned to the standard residential rate effective January 1, 2023 with the ability to opt-out to the Fixed Rate at that time.”

4) On page 73 of Volume 1 of the GM Report - “Detail of Rate Changes,” the System Infrastructure Fixed Charge per month for “Large Commercial TOU (1000+ kW)” and “Temperature Dependent Pricing Rate (TDP)” for proposed 2018 and proposed 2019 are amended as shown below:

Large Commercial TOU (1000+ kW)

Season and Charge Component	Unit	Proposed	
		2018	2019
Service at Secondary Voltage Level (GUS_L)			
System Infrastructure Fixed Charge	per month	\$108.00 \$107.95	\$109.15 \$109.05
Service at Primary Voltage Level (GUP_L)			
System Infrastructure Fixed Charge	per month	\$108.00 \$107.95	\$109.15 \$109.05
Service at Transmission Voltage Level (GUT_L)			
System Infrastructure Fixed Charge	per month	\$286.00 \$285.90	\$289.05 \$288.85

Temperature Dependent Pricing Rate (TDP)

Season and Charge Component	Unit	Proposed	
		2018	2019
System Infrastructure Fixed Charge	per month	\$286.00 \$285.90	\$289.05 \$288.85

The System Infrastructure Fixed Charge per month per meter on the Rate Schedule GS-TDP (Closed to new customers)/ Temperature-Dependent Pricing/Economic Retention (1-GS-TDP-1) Volume 2 – 2018 Rates, Rules and Regulations page 20 are amended as shown below:

	Voltage Level Rate Category	Subtransmission GDT_99
Winter Season – October 1 through May 31		
System Infrastructure Fixed Charge per month per meter		\$286.00 \$285.90
Summer Season – June 1 through September 30		
System Infrastructure Fixed Charge per month per meter		\$286.00 \$285.90

The System Infrastructure Fixed Charge per month per meter on the Rate Schedule GS-TOU1/ Large General Service Time-of-Use (1-GS-TOU1-1) Volume 2 – 2018 Rates, Rules and Regulations page 24 are amended as shown below:

	Voltage Level Rate Category	Large C&I Secondary GUS_L	Large C&I Primary GUP_L	Large C&I Subtransmission GUT_L
Winter Season - October 1 through May 31				
System Infrastructure Fixed Charge – per month per meter		\$108.00 \$107.95	\$108.00 \$107.95	\$286.00 \$285.90
Summer Season - June 1 through September 30				
System Infrastructure Fixed Charge – per month per meter		\$108.00 \$107.95	\$108.00 \$107.95	\$286.00 \$285.90

The System Infrastructure Fixed Charge per month per meter on the Rate Schedule GS-TDP (Closed to new customers)/ Temperature-Dependent Pricing/Economic Retention (1-GS-TDP-1) Volume 2 – 2019 Rates, Rules and Regulations page 17 are amended as shown below:

	Voltage Level Rate Category	Subtransmission GDT_99
Winter Season – October 1 through May 31		
System Infrastructure Fixed Charge per month per meter		\$289.05 \$288.85
Summer Season – June 1 through September 30		
System Infrastructure Fixed Charge per month per meter		\$289.05 \$288.85

The System Infrastructure Fixed Charge per month per meter on the Rate Schedule GS-TOU1/ Large General Service Time-of-Use (1-GS-TOU1-1) Volume 2 – 2019 Rates, Rules and Regulations page 21 are amended as shown below:

	Voltage Level Rate Category	Large C&I Secondary GUS_L	Large C&I Primary GUP_L	Large C&I Subtransmission GUT_L
Winter Season - October 1 through May 31				
System Infrastructure Fixed Charge – per month per meter		\$109.15 \$109.05	\$109.15 \$109.05	\$289.05 \$288.85
Summer Season - June 1 through September 30				
System Infrastructure Fixed Charge – per month per meter		\$109.15 \$109.05	\$109.15 \$109.05	\$289.05 \$288.85

- 5) Amend Section II, Subsections C and D of the 2017 through 2019 Agricultural Service Rate Schedules AG in Volume 2 by changing the word “transferring” to “transferring”.

6) Amend Table 14 on page 102 of Volume 1 as follows:

**PRO FORMA CONSOLIDATED INCOME STATEMENT
2017-2019 (\$ Millions)**

	<u>2017 Budget</u>	<u>2018 Projection</u>	<u>2019 Projection</u>
<u>Operating Revenues:</u>			
Billed Sales	\$ 1,405.1	\$ 1,386.5	\$ 1,382.7
EAPR/MED Discounts	(47.1)	(47.1)	(43.0) ¹
Recommended Revenue Adjustment		16.5	24.0
Uncollectable Electric Sales	(5.4)	(5.4)	(5.3)
Net Sales	1,352.6	1,350.5	1,358.4
Other Revenue	15.0	24.4	24.1
Total Revenue	1,367.6	1,374.9	1,382.5
<u>Operating Expenses:</u>			
Commodity	468.9	427.6	445.5
Energy Operations	68.6	78.2	87.1
Energy Assets	194.2	201.6	197.9
Customer/Commodity	99.0	104.6	109.0
Internal	43.0	43.7	42.6
Technology	24.2	24.1	25.7
Corporate	43.5	46.9	48.9
Public Good (excluding EAPR/MED Discount)	66.7	60.6	63.0) ¹
Total Operations	1,008.1	987.3	1,019.7
Depreciation, Depletion, and Amortization	192.6	204.7	207.1
Total Operating Expenses	1,200.7	1,192.0	1,226.8
Net Operating Income	166.9	182.9	155.7
<u>Other (Income) Expenses:</u>			
Interest Income and Other	(10.9)	(9.3)	(9.4)
Other Non Cash	(32.8)	(17.6)	(16.6)
Total Interest Income & Other	(43.7)	(26.9)	(26.0)
<u>Interest Expense</u>			
Interest Expense	82.9	86.6	83.2
Net Interest Charges	82.9	86.6	83.2
Change in net position - Net Income (Loss)	\$ 127.7	\$ 123.2	\$ 98.5
<u>Cash Available for Fixed Debt Service</u>			
Cash Available for Fixed Debt Service	\$ 424.4	\$ 435.9	\$ 407.4
Interest Payments	93.7	93.3	88.4
Principal Payments	139.4	125.9	132.0
Total Fixed Debt Service	233.1	219.2	220.5
Fixed Charge Coverage Ratio	1.82	1.99	1.85

1 Reflects \$3.8M of Net impact of EAPR restructure in 2019; offset by corresponding increase in public good expenses for EAPR Energy Efficiency

Environmental Assessment

1.0 Section 21080(b)(8) of the California Public Resources Code and Section 15273 of the California Environmental Quality Act (CEQA) Guidelines (California Code of Regulations, Title 14, Sections 15000, et seq.) provide that CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, and other charges by public agencies which the public agency finds are for the purpose of:

- (1) Meeting operating expenses, including employee wage rates and fringe benefits;
- (2) Purchasing or leasing supplies, equipment, or materials;
- (3) Meeting financial reserve needs and requirements;
- (4) Obtaining funds for capital projects necessary to maintain service within existing service areas; or
- (5) Obtaining funds that are necessary to maintain such intra-city transfers as are authorized by city charter.

2.0 Section 15061(b) (3) of the CEQA Guidelines provides that where it can be said with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

3.0 It can be seen with certainty that there is no possibility that the proposed action to make minor corrections to the Chief Executive Officer and General Manager's Report and Recommendation on Rates and Services may have a significant effect on the environment. Therefore, this proposed action is not subject to CEQA.

4.0 The proposed action to make small rate adjustments is for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.