2019 Rate Proposal
Public Hearing
June 4th, 2019

Powering forward. Together.
2019 rate process summary

- Released Chief Executive Officer and General Manager’s Report and Recommendation on Rates and Services on March 21, 2019

- Released Addenda modifying and removing the proposed Grid Access Charge
  - No. 1 dated April 12, 2019
  - No. 2 dated April 22, 2019

- Hosted two public workshops
  - Tuesday, April 23, 2019 at 10 am
  - Thursday, May 9, 2019 at 6 pm

- Public Hearing on June 4, 2019 at 6 pm
  - Introduce draft rates resolution

- Decision on draft rates resolution on June 24, 2019
Proposed changes

1. Rate increases for 2020 & 2021
2. Commercial customer rate restructure
Why are these changes needed?

- To improve pricing consistency and equity for all customers.
- To ensure rates keep pace with the changing utility industry, technology, climate and customer needs.
- To update the grid to incorporate clean energy resources like solar.
What have we already done to reduce costs?

- $28M in annual savings from permanent operational cost reductions.
- $28M savings reduced rate increases by 2%

<table>
<thead>
<tr>
<th>Savings examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>$14M</td>
</tr>
<tr>
<td>$6.8M</td>
</tr>
<tr>
<td>$3.3M</td>
</tr>
<tr>
<td>$1.6M</td>
</tr>
</tbody>
</table>
Rate increases for 2020 & 2021
Rate increase video

we’re proposing rate increases of

4.75% in 2020

and

4.5% in 2021
## Rate increase for 2020 & 2021

### Sample 2020 bill increases

<table>
<thead>
<tr>
<th>Category</th>
<th>Increase ($)</th>
<th>Average Monthly Bill ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small (20 - 299 kW)</td>
<td>$123</td>
<td>$2,598</td>
</tr>
<tr>
<td>Medium (500 – 999 kW)</td>
<td>$1,077</td>
<td>$22,675</td>
</tr>
<tr>
<td>Large (&gt;1,000 kW)</td>
<td>$4,082</td>
<td>$85,937</td>
</tr>
<tr>
<td>Agriculture (Ag &amp; Pumping)</td>
<td>$16</td>
<td>$329</td>
</tr>
<tr>
<td>Sample residential</td>
<td>About $5.40</td>
<td>$114</td>
</tr>
</tbody>
</table>

June 4, 2019 Public Rate Hearing
What will the changes support?

- **Wildfire mitigation**
- **Capacity for peak demand**
- **Technology**
- **Carbon reduction program**
Our policy is to keep bills as low as possible

California utilities system average rates ($/kWh)

INVESTOR OWNED
SDG&E
PG&E
SCE
PUBLIC OWNED
Glendale
Alameda
Redding
Anaheim
Lodi
Los Angeles DWP
Modesto ID
Riverside
Turlock ID
Roseville
SMUD
Palo Alto
Merced ID

*Source: EIA 861 2017. The 2018 data is not yet available.
### Alternative rate increase options

<table>
<thead>
<tr>
<th></th>
<th>Staff Proposal</th>
<th>Option 1*</th>
<th>Option 2</th>
<th>Option 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 2020</td>
<td>4.75%</td>
<td>3.95%</td>
<td>3.75%</td>
<td>3.75%</td>
</tr>
<tr>
<td>October 2020</td>
<td>-</td>
<td>-</td>
<td>3.50%</td>
<td>3.00%</td>
</tr>
<tr>
<td>January 2021</td>
<td>4.50%</td>
<td>4.25%</td>
<td>1.50%</td>
<td>2.00%</td>
</tr>
<tr>
<td>October 2021</td>
<td>-</td>
<td>-</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
<tr>
<td>January 2022</td>
<td>n/a</td>
<td>4.95%*</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Cumulative Increase</strong></td>
<td><strong>9.5%</strong></td>
<td><strong>13.7%</strong></td>
<td><strong>11.7%</strong></td>
<td><strong>11.7%</strong></td>
</tr>
<tr>
<td><strong>Additional Revenue in 2020-2021 (millions)</strong></td>
<td><strong>$193</strong></td>
<td><strong>$168</strong></td>
<td><strong>$189</strong></td>
<td><strong>$188</strong></td>
</tr>
</tbody>
</table>

Totals may not add due to rounding. Totals will not match the income statement due to unbilled revenue and other factors. Deferring rate increases decreases revenue in the short term and requires higher rate increases in the future.

*2022 rate increase may be legally problematic.

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*2022 rate increase may be legally problematic.
Commercial customer rate restructure
Recommendation #1
Adjust fixed & energy use charges

Revenue neutral
Recommendation #2
Adjust time periods

- **New Non-Summer Off-Peak Saver rate for low energy prices when energy costs less.**
- **No peak on weekends & holidays.**
- Aligns with current market prices and is simpler to follow.
- Greater consistency across all commercial customer types and sizes to make it easier to predict your energy costs.
Recommendation #3
Consistency across customer types

- Makes the rate structure more consistent for all commercial customers.
- Eases bill shock if a customer moves between different classes.
- Changes impact the following groups:

<table>
<thead>
<tr>
<th>Customer Type</th>
<th>Site Infrastructure Charge (SIC)*</th>
<th>Summer Peak Demand Charge</th>
<th>Energy usage charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Office, Strip Mall Store (GSN_T)</td>
<td>+</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Restaurant, Bank (GSS_T)</td>
<td>✅</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Large Retail, Manufacturing, Hospital (GUT_M)</td>
<td>✅</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>All large manufacturing (GUS_L, GUP_L, GUT_L)</td>
<td>✅</td>
<td>+</td>
<td>-</td>
</tr>
</tbody>
</table>

* SIC monthly charge for GSN_T based on monthly maximum demand.

See handout in the back for more details.
Recommendation #3
Transition schedule for restructure (not including rate increase)

Up to 8-year transition schedule for rate restructure based on customers’ type of rate class to mitigate bill impacts.

average monthly increases under
5% per year
for 95% of commercial customers

Under $5 average monthly increases per year for smallest commercial customers (GSN_T)

See handout in the back for transition details.
Independent Opinions on Proposed Commercial Restructure (NERA and The Brattle Group)

- The market and customer energy usage has changed significantly since 2010
- Electric utilities across the U.S. are addressing the same issues
- Proposed rates more closely align with marginal cost and cost causation
- Proposal provides appropriate rate consistency
- New structure offers more efficient and accurate price signals
- The transition to uniform rate structure is appropriate and reasonable
2019 addendum changes

- There have been 2 addenda posted on smud.org/RateInfo related to a Grid Access Charge for customers who have on-site generation, such as solar, who use the grid differently than most customers.

- SMUD is committed to making rates and fixed cost recovery fairer and more equitable for all customers.

- SMUD will launch a public stakeholder process in 2019-2020 to examine our rates for customers with on-site generation and develop additional analysis addressing the costs, benefits and subsidies related to these systems.

- We’ll use feedback from our analysis and customers/stakeholders feedback to further explore a successor NEM rate related to customer self-generation and appropriate assignment of costs and benefits.
Additional changes

- Additional miscellaneous changes to some rates, rules and regulations.
- Some of these relate to the Power Factor Waiver, Rule 16 and other minor amendments to some tariff language for clarifications.
- Get details at smud.org/RateInfo.
Public Outreach Process
Integrated communications campaign

Complementary Channels

- Community Engagement
  - Informational roundtables (2)
  - Community outreach meetings
  - Public workshops (2)
  - Videos, emails, info packets

- PR, Marketing & Advertising
  - Printed newsletters to residential and commercial customers
  - Press release issued to all local media
  - Public notices published (3)
  - Fact sheets
  - Newsletter articles

- Internal Communications
  - Daily updates
  - Internal news stories (ENNs)
  - Board memos
  - Employee brown bag sessions – recorded
  - Intranet resource site
  - Tailored workgroup presentations

- Bi-lingual Capabilities
  - Rate materials were available to be produced other languages upon request
  - Bi-lingual speakers trained in Russian, Tagalog, French, Spanish, Vietnamese, Punjabi & Hindi

- Email, Web & Digital
  - Dedicated pages on SMUD.org
  - E-newsletters
  - Videos
  - Social media postings

- SMUD™
Robust engagement customized by audience

Vulnerable Populations
Low income, Fixed income, Seniors

Community & Business Leaders
Chambers, CBOs, Opinion Leaders

Neighborhood, Svc & Faith Based
HOAs, Rotary, Kiwanis, Large Churches, etc.

Elected Officials
State, City and County elected officials

Direct Engagement

- 70+ organizations received in-person presentations, including 29 at roundtables, 26 community/elected, and 20 at our Business Advisory Council meeting
- 200+ community & business leaders were invited to the roundtables and offered meetings
- 550+ neighborhood associations, churches and service groups were contacted about the rate process and offered additional information
- 56 elected officials were mailed info packets and offered additional meetings; 9 meetings held
- 368,000+ customers and organizations were emailed details on the rate process.
- 20+ chambers and PBIDs sent rate action information and details to their memberships
Customer feedback about rate proposal

Customer Responses

• Most customers seem to understand the rate increase portion of the proposal and the reasons behind it

• Many customers expressed concerns about the Grid Access Charge (removed from proposal on April 22) – we did receive a few emails in support of the proposal

• After the Grid Access Charge was removed from the proposal, we received positive feedback for listening to customers

• Majority of concerns regarding rate increase came from fixed-income customers

• Some commercial customers had positive reactions to how commercial changes will impact them

Key Areas of Interest

• Grid Access Charge

• Involvement in stakeholder process for future NEM proposal

• Fixed cost recovery

• Impact of all rate changes on low-income/fixed-income customers

• Wildfire mitigation

• Forecasting for future increases

• Low-income benefits and programs

• What is SMUD doing with EVs?

June 4, 2019 23 Public Rate Hearing
What happens next?

- Draft Board Resolution out for public review/comment
- Final decision at the SMUD Board meeting
  - June 24, 2019 at 6 p.m.
Need more information?

- Visit smud.org/RateInfo
- Read the Chief Executive Officer and General Manager’s Report on smud.org/RateInfo
- Email questions or comments to ContactUs@smud.org or call 1-855-736-7655.
- For tips on energy management, visit smud.org.
- For commercial customer service, call 1-877-622-7683
- For residential customer service, call 1-888-742-7683
Thank you