

SACRAMENTO MUNICIPAL UTILITY DISTRICT  
BOARD OF DIRECTORS' MEETING

ITEM 5: Rates and Services

REPORTER'S TRANSCRIPT OF PUBLIC MEETING

Thursday, June 18, 2015

9:11 a.m. to 9:41 a.m.

SMUD AUDITORIUM

6201 S Street

Sacramento, California

June 18, 2015

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Reported by SANDRA L. HOPPER, CSR No. 7110

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THURSDAY, JUNE 18, 2015, 9:11 A.M.

SACRAMENTO, CALIFORNIA

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PRESIDENT KERTH: Item No. 5 is to hold a public hearing on this Chief Executive Officer and General Manager's report, and the recommendations on Rates and Service Dates dated April 2nd, 2015, Volumes No. 1 and 2 Report and Eratas No. 1 to the report dated May 8th, 2015, Volume 3.

The public hearing will be transcribed by a court reporter. And under the Rate Ordinance, members of the public will -- who -- that have not submitted a request for additional time at least ten days in advance of today's meeting will have up to three minutes to speak on the General Manager's Rate Report. I would ask speakers to confine your comments to the Rate Report. If you have comments on other SMUD matters, you will have the opportunity to speak during the Statements From the Public portion of the agenda.

At this time I would like to open up the public hearing. Before taking public comment, there will be a staff presentation by Rob Landon, the Rates Administrator.

Mr. Landon.

1 MR. ROB LANDON: Thank you.

2 PRESIDENT KERTH: We were careful to mix up the  
3 presentations before you up here.

4 MR. LANDON: Yes, I noticed that.

5 I have it on my flash drive. Back up. I've  
6 got it.

7 PRESIDENT KERTH: You got it?

8 MR. LANDON: Yeah. Yeah. Got five. Okay.

9 Yes. Good morning. Thank you.

10 PRESIDENT KERTH: I, for one, have to say I'm  
11 impressed. You have -- you had the spare. And with all  
12 of us watching, you pulled it out and turned it on.  
13 So...

14 MR. ROB LANDON: Yes.

15 Okay. We've been very busy out in the community  
16 with the outreach presentations, over 60, and I'll get  
17 to that. We've also had two workshops. This is the  
18 public hearing, and I'll proceed with the presentation.

19 Let me start by telling you a little bit about  
20 SMUD. SMUD is your electric -- electric utility, and  
21 we've been that way for nearly seven years -- 70 years.  
22 We are community owned and not for profit. That's  
23 important because our priority is to keep rates low and  
24 provide reliable service. We want to protect the  
25 environment and develop programs and services that

1 benefit our community and help you manage your energy  
2 use. We do not have shareholders. SMUD is governed by  
3 an elected board of directors. These Board Members live  
4 in the wards they serve, and they're especially  
5 interested in your feedback. The Board will be voting  
6 on this rate proposal specifically based on your input.

7 Just a high-level view of the rate process  
8 summary -- process -- the 2015 Rate Process Summary. We  
9 released a CEO and General Manager's Report and  
10 Recommendations on Rates and Services on April 2nd,  
11 2015. We released Erata No. 1 on Friday, May 8th. We  
12 hosted two public workshops at SMUD Headquarters:  
13 Wednesday, April 29th, at 6:00 p.m., and Wednesday,  
14 May 13th, at 10:00 a.m. We are holding the public  
15 hearing today. And a final decision of the SMUD Board  
16 Meeting will be on Thursday, July 16th at 9:00 a.m.

17 A very high-level summary of the CEO and GM  
18 Report proposals. We propose a 2 1/2 percent increase  
19 in 2016 and '17. This increase is based on budget  
20 estimates in November of 2014 -- we -- SMUD's best  
21 estimate of revenue required in 2016 and 2017. So some  
22 of the line items have changed up or down, but this  
23 is -- this 2 1/2 percent is based on our best estimate  
24 that was made back in November of 2014.

25 We'd like to increase the proposals to increase

1 energy rates for residential and very small commercial.  
2 That's energy rates only. So the fixed charge component  
3 would not increase. For the commercial and  
4 agricultural, we would propose to increase all rate  
5 components by 2 1/2 percent.

6 We'd like to offer new optional residential  
7 plan-of-use rates which are available to customers on  
8 current TOU rates. That's our TOU -- our optional TOU 1  
9 and 2. Electric vehicle customers, those are customers  
10 that own and have registered an electric vehicle. And  
11 solar customers, we'd like to offer the optional TOU  
12 rate on January 1st of 2016.

13 Existing TOU rates, I mentioned the TOU 1 and 2  
14 optional rates would be closed at that point. So we  
15 would only have a single optional time-of-use rate  
16 for our residential customers. And then we'd like to  
17 open that rate up, make it available to all customers  
18 in -- January 1st of 2017.

19 Another element of the GM Report is requesting  
20 that the Board declare its intent to move to time-of-use  
21 as a standard residential rate in 2018. Another  
22 proposal is to expand eligibility for the Economic  
23 Development Rate. We'd also like to expand Solar  
24 Shares, which has been a SMUD program for some time, but  
25 expanding the program and offering new pricing. We'd

1 like to clarify our net metering cap, and we'd like to  
2 allow same-day notification for our Smart pricing  
3 option. That would be the notification for some of the  
4 Smart pricing rates to curtail those when they're  
5 called. And I'll get into more detail in each of these  
6 elements.

7 First, what are the proposed rate changes?  
8 We're asking for an average increase of 2.5 percent in  
9 2016 and 2017. For the residential customers, as I  
10 mentioned, this would be an energy-only increase. That  
11 would be the per-kilowatt-hour rates would increase.  
12 The fixed charge portion, what we're calling the SIFC,  
13 System Infrastructure Fixed Charge, would not change  
14 from previous rate process approval.

15 The -- we'd also like to modify the current  
16 optional residential time-of-use rate structure and, as  
17 I mentioned, close the two optional time-of-use rates  
18 that have been on our tariff sheets for some time now,  
19 and then open up a new single optional time-of-use rate.

20 For the commercial and agricultural customers,  
21 for the very small commercial customers, we would also  
22 propose an energy-only increase. That would be the  
23 per-kilowatt-hour pricing increase component. The SIFC  
24 would not change from previously approved rates for that  
25 group. All component increase for other classes; so the

1 fixed charge, other rate elements would change by 2 1/2  
2 percent for all other commercial classes and  
3 agriculture.

4 Why is a rate increase needed? SMUD's been a  
5 long -- or SMUD's long been an environmental leader.  
6 But a State mandate requires that 33 percent of our  
7 energy must be sourced by renewables by 2020, and there  
8 are increased costs to meet that mandate. SMUD's also  
9 seen an increase in costs associated with purchasing  
10 other sources of energy and providing electricity to  
11 you. And like many other businesses, we have seen an  
12 increase in our operation and maintenance costs.

13 We've -- we're committed to being good financial  
14 stewards, and we're always looking for ways to improve  
15 our efficiency. Our preference is to tighten and  
16 strengthen or streamline our own operations before we  
17 consider changing your rates. So these are some of the  
18 things SMUD has done to control our costs.

19 First, we've streamlined our programs and  
20 operations. For example, we have a program to reduce  
21 driving time and align staff schedules with the Call  
22 Center volume. We've increased our use of technology.  
23 We are offering more technology-based choices for  
24 customers, like online bill pay and creating web site  
25 applications that can answer questions about customer

1 energy usage. We've invested in projects to extend the  
2 life of our systems and equipment. And this will  
3 ultimately reduce our costs to customers overall. For  
4 example, we have a project that will extend the life of  
5 wind blades used for wind generation at Solano Wind  
6 Farm. We've paid off some higher-interest debt early  
7 and locked in prices of potentially volatile commodities  
8 to reduce future risk.

9 So how would this proposal impact your bill?  
10 We've displayed bill impacts at various usage levels --  
11 energy usage level. At the lower usage level, 500  
12 kilowatt hours, the 2016 currently approved bill would  
13 be \$72.32; the 2016 proposed bill would be \$73.97.  
14 That's a \$1.65 monthly increase.

15 At the 750-kilowatt-hour level, the average  
16 customer usage, the 2016 current approved bill would be  
17 \$99.48, and the 2016 proposed bill would be \$101.95. So  
18 that's a \$2.47 increase per month.

19 At the 1,300-kilowatt-hour level, slightly  
20 higher usage, the current 2016 bill -- approved bill  
21 would be \$179.46, and the 2016 proposed bill would be  
22 \$184.38. That's a \$4.92 increase.

23 This change would also affect the Energy  
24 Assistance Program Rate, EAPR, we call it, and the  
25 Medical Equipment Discount Med Rate customers. The

1 average EAPR bill will go from \$56.48 to \$58.95 per  
2 month. It would still receive the current discount that  
3 they currently get.

4 You may be able to lower your bill by changing  
5 your energy use habits. We can help you find tools to  
6 manage your energy use. So we're looking at this  
7 optional TOU rate as -- as another way for customers to  
8 manage their bill.

9 We are committed to keeping your bill as low as  
10 possible. As you can see from this chart, the average  
11 monthly bill for our residential customers is relatively  
12 low compared to other utilities in the State. Even with  
13 the potential 2 1/2 percent increase, SMUD's rates would  
14 still be significantly lower than other providers in the  
15 market. And you can see from this chart, the \$99.48  
16 current approved rate bill in 2016 would go to \$101.95,  
17 a \$2.47 month increase for the 2016 proposed rates. But  
18 that compares very favorably to PG&E, which would -- I  
19 think we ran a bill with 750-kilowatt-hour usage on  
20 their rates. It's 100 -- it's about \$155. And similar  
21 results for other area utilities, going up to \$166 for  
22 San Diego Gas & Electric. So the point is SMUD is still  
23 one of the lowest utilities in the State as far as  
24 bills.

25 What is time-of-use pricing? We've gotten that

1 question from a number of our customers. So time-of-use  
2 is currently an optional rate for our residential  
3 customers. With time-of-use, prices are higher in the  
4 summer during the hours of 4:00 to 7:00, a very small  
5 period of time of three hours, but -- and only in the  
6 summer months -- that would be June, July, August,  
7 September -- but lower the other 21 hours of the day.  
8 This better aligns pricing with the actual cost of  
9 providing service. Customers can better control their  
10 bill by reducing their use during the hours of 4:00 p.m.  
11 to 7:00 p.m.

12 And our current proposed TOU changes, we  
13 mentioned that we were going to -- we currently have two  
14 different optional residential time-of-use rates. About  
15 300 customers currently participate on those rates. The  
16 proposed rate -- time-of-use rate, having the 4:00 p.m.  
17 to 7:00 p.m. peak period, we would have one optional  
18 residential time-of-use rate starting in January of 2016  
19 available only to those groups that I had mentioned  
20 earlier, the current residential TOU 1 and TOU 2  
21 customers. The solar and plug-in electric vehicle  
22 customers and other residential customers can take  
23 advantage of the rate in -- starting in January of 2017.  
24 We will consider making TOU standard for all residential  
25 customers in 2018.

1           So what would this look like, this new TOU rate?  
2       Here's an example of the rate structure and the prices.  
3       First, we have three periods and three prices. That's  
4       essentially what the rate would look like. The first  
5       period would be our off-peak period, and it's at 8.67  
6       cent per kilowatt hour. It would be all year round.  
7       The same price, the same period. And that would be from  
8       9:00 p.m. to 9:00 a.m. in the morning and all hours on  
9       the weekends and holidays. So every weekend would be an  
10      off-peak price during the entire day and every holiday.

11           The second period would be what we call our peak  
12      period. And, again, it's all year round. The price for  
13      that period would be 14.67 cents in 2016. That period  
14      definition would be the flip side of the off-peak. It  
15      would be 9:00 a.m. to 9:00 p.m. And then that would be  
16      year round as well.

17           And then in the summer, those summer months,  
18      June, July, August, September, we would have a very  
19      small period of time, three hours, 4:00 p.m. to 7:00  
20      p.m., only for those months that the price would reflect  
21      our costs in the market, which is around 30.93 cents for  
22      2016. We call that our summer super peak period.

23           There's one other little element to the rate.  
24      For those customers that are owning and operating EVs  
25      and charging them, we're encouraging them to charge from

1 midnight to 6:00 a.m. So for that period, we're calling  
2 that our charge -- electric vehicle charging period.  
3 There would be a 1 1/2 cent discount -- 1 1/2 cent per  
4 Kilowatt hour off of the 8.67 cents.

5 Why time of use? Well, TOU rates better align  
6 with the actual costs of providing service and can help  
7 keep rates low. So that's another tool that a customer  
8 can use, our optional TOU rate, to manage their bill.

9 TOU benefits the environment and the health of  
10 our community, especially during the summer super peak  
11 period, 4:00 p.m. to 7:00 p.m., in those summer months  
12 I'd mentioned, June, July, August, September. SMUD  
13 occasionally needs to buy or operate power from  
14 inefficient plants or plants that are not as efficient  
15 as our -- what we call our base-load plants. So we want  
16 to try to avoid that as much as possible and encourage  
17 customers to shift load out of those periods. That's  
18 one way of benefiting the environment and help our  
19 community. Also, TOU can help customers better  
20 understand and control their energy costs, a few reasons  
21 why you might want to consider time-of-use rates.

22 There are a few other minor changes in our  
23 General Manager Report. I'll just go down through them  
24 now. I mentioned the Economic Development Rate change.  
25 We're not really changing the discount that we've had in

1 place for several years. We're proposing to expand the  
2 eligibility criteria for the Economic Development rate  
3 from four industries currently to fourteen industries.

4 I mentioned our Solar Shares Program. We're  
5 proposing to expand that program and offer new pricing.  
6 Solar Shares is an excellent way to participate in solar  
7 without having solar on your rooftop. Essentially, it's  
8 a central-station generation unit. So it takes  
9 advantage of the utility scale economies of scale, and  
10 customers can buy shares of that solar program and  
11 participate in solar without having to put it on their  
12 rooftop.

13 The Medical Equipment Discount Rate, currently  
14 we do not allow what we call Med Rate customers to  
15 participate on residential time of use. And we feel  
16 that there might be some that would like to participate.  
17 So we would change that eligibility to allow their  
18 participation.

19 Net Energy Metering 5 percent cap language  
20 changed. We're just clarifying what we mean by a  
21 5 percent cap. And it would be based on Net System  
22 Coincident Peak. In -- I believe it was 2006, that  
23 Coincident Peak was thirty-two ninety-nine, I believe,  
24 megawatts. So it would be 5 percent of that value.

25 Our Rule 4, we're adding a reference to customer

1       taylored rates. We're adding the following language to  
2       require a contract for previously adopted SMUD Board  
3       resolution.

4               And then our Residential Smart Pricing Pilot,  
5       language changed. We're adding language to allow  
6       same-day notification for customers that have technology  
7       that automatically adjusts for conservation days.

8               Let me talk a little bit about our public  
9       outreach process. I mentioned earlier that from April  
10      to July we will have met with more than 60 community  
11     groups to get feedback on proposed rate changes. There  
12     were also 60 or more organizations that requested and  
13     received brochures and newsletter articles in lieu of  
14     meetings. And there were over 450 organizations  
15     contacted by SMUD by way of phone and email, including  
16     residential groups, service organizations, resource  
17     agencies, diverse and hard-to-reach segments,  
18     faith-based organizations, elected officials, business  
19     groups, economic development groups, and PPID's, and key  
20     account groups.

21              We've included information in print  
22     advertisements, news releases, outreach meetings,  
23     community events, SMUD bill inserts, and on our web  
24     site, [smud.org](http://smud.org). To date, staff has responded to  
25     approximately 67 emails and answered over 350 questions.

1 And we -- we welcome your questions and comments. You  
2 can email us at [rates@smud.org](mailto:rates@smud.org). And if you have  
3 questions on commercial energy management, you can call  
4 1-877-622-7683. That's our Commercial Energy Hotline.  
5 For tips on residential energy management, you can visit  
6 [smud.org](http://smud.org) or call 1-888-742-7683.

7 Just to summarize customer feedback in our  
8 outreach meetings about the rate proposal, first of all,  
9 the objectives, we wanted to inform customers of the  
10 rate proposal. We wanted to answer questions, address  
11 concerns. We wanted to obtain constructive feedback.  
12 And we wanted to direct customers to appropriate energy  
13 efficiency resources. And our customer response has  
14 been very good. It's average audience response has been  
15 good to strong, an average of 4.53 on a scale of 5.

16 The customers seem to understand the rate  
17 proposal and the reasons behind it. Customers don't --  
18 do not like the increase, but most understand the  
19 purpose of the increase and find it reasonable. Energy  
20 efficiency resources and information have been well  
21 received. And SMUD is seen as a trusted community  
22 partner.

23 Some of the key areas of interest in the  
24 outreach: Renewables, especially the costs and future,  
25 ROI of solar and battery storage, hydro and the impact

1 of ongoing drought, electric vehicles and the  
2 integration of chargers in communities, our system  
3 infrastructure fixed charge that was approved on a prior  
4 rate process, the Smart Meter Program, and the Smart  
5 Meter Opt Out Policy that was approved in previous Board  
6 proceedings.

7 That ends the presentation.

8 Does the Board have any questions?

9 PRESIDENT KERTH: Thank you very much.

10 Questions from Directors?

11 Not at this time.

12 MR. ROB LANDON: Okay. Thank you.

13 PRESIDENT KERTH: Okay. At this time we'll take  
14 comments from the public on the General Manager's  
15 Report. Please speak into the microphone. State your  
16 name for the record. Please do not move the microphone  
17 as it is designed to pick up your voice at a distance.  
18 Please remember to direct your comments to the Board.  
19 If you have written materials you wish to provide to the  
20 Board, please hand them to the security officer to  
21 distribute.

22 At this time I only have one card. We did  
23 receive one request for additional time to provide an  
24 alternative rate proposal. Mr. Graham will have five  
25 minutes to present his comments and alternative rate

1 proposal.

2 Mr. Graham.

3 MR. MARK GRAHAM: Good morning, Mr. President,  
4 Directors, and staff. My name is Mark Graham, and I  
5 live in Elk Grove. Please give me your complete and  
6 undivided attention for the next five minutes.

7 This rate hearing is governed by Public  
8 Utilitites Code Sections 14401 through 14403.5, and SMUD  
9 Ordinance 15-1.

10 First thing, you saw -- you should have received  
11 two emails through Ms. Lesch from me yesterday regarding  
12 today's hearing. And I just wanted to address something  
13 in the beginning.

14 Mr. Kerth, you sent me a letter of June 10th and  
15 you told me that I should address alternatives to the  
16 rate changes proposed in the report. As I pointed out,  
17 that's incorrect. According to Ordinance 15-1,  
18 Section 2, I can address -- I can present comments,  
19 recommendations and alternatives for the Board's  
20 consideration, and that's what I intend to do. It also  
21 says I should have a full and fair opportunity to  
22 present this, and that means, to me, no interruptions  
23 and no hassles from the Board.

24 All right. It also -- I -- the ordinance also  
25 says written documents made by members of the public

1 that are directly relevant to the report shall be made  
2 available to the public on SMUD's web site, and that's  
3 what I'm asking you to do.

4 Now, I've sent you a few recommendations. This  
5 is the one I'm going to spend the most time on. It was  
6 in the second email that I sent you yesterday, called  
7 "The Report and Recommendations on an Alternative to the  
8 Rate Changes Proposed by the General Manager." This is  
9 my proposal. And that is that SMUD should raise rates  
10 in an amount that is equal to the sum of the rate  
11 increase proposed by the General Manager plus the amount  
12 of money that SMUD would need to purchase and install an  
13 analogue electric meter for each SMUD customer who  
14 requests one after SMUD provides your customers -- all  
15 of your customers with the information that's in  
16 paragraph C of my proposal through the channels and  
17 media and methods of communication that are in  
18 paragraph B of my proposal.

19 The reason, as -- as I've said previously, the  
20 Opt Out Program and the analogue meter option are, to  
21 this date, SMUD's big secret. They're SMUD's big secret  
22 because other than a page on your website, which very  
23 few customers ever see, you've never notified customers  
24 that -- about the Opt Out Program and the analogue meter  
25 options. They need to know. So the reason for

1 providing the information that I've put in paragraph C  
2 of my proposal is so that SMUD customers can make a  
3 complete and informed decision. In the slide show that  
4 we just saw, you explained how thoroughly -- you had  
5 multiple meetings, you sent out communication, you sent  
6 out information through multiple meetings to reach your  
7 customers so that they would know about this rate  
8 hearing and so on, the proposal. Unfortunately that was  
9 never done with the Opt Out Program and the analogue  
10 meter option.

11 So once the Board -- once SMUD notifies the  
12 customers through the means and the channels in  
13 paragraph B of my proposal of the information that  
14 are in paragraph C of my proposal, they will be able to  
15 make an informed decision whether to accept an analogue  
16 meter, and the analogue meters that you will be able to  
17 purchase by the additional rate increase that I'm  
18 proposing. What would be the benefits? The benefits  
19 would -- first of all, I want to say this is a  
20 temporary -- my proposal is for a temporary additional  
21 rate increase. It wouldn't have to last all that long,  
22 only long enough for you to figure out how much -- how  
23 to raise the extra money for the new analogue meters and  
24 install them. The benefits would be allowing your  
25 customers to make an informed choice. Right now they

1 have a choice, but they don't know that they have a  
2 choice and they don't have the information that they  
3 would need -- but to -- on to which to base an informed  
4 choice.

5 And the second benefit would be to reduce their  
6 health risks. We know that -- my colleagues and I  
7 explained to you and have shown you multiple  
8 peer-reviewed scientific studies that Smart Meters  
9 radiation is hazardous to human health. And there are  
10 no studies, and we've asked for the Board for these  
11 things in multiple years, 2012, '13, '14 and '15, but  
12 there are no studies that you have that shows Smart  
13 Meters and Smart Meter radiation is safe. So this is  
14 something that I'm asking the Board to consider and act  
15 on and, because it's directly relevant to the General  
16 Manager's proposal, to put it on the SMUD web site.

17 Part of it is, change the Residential Rate  
18 Guide. In the section that's called "Other Options,"  
19 there's nothing right now about the Opt Out Program or  
20 Smart Meters. My proposal is that you should put  
21 something in there in that section of the Residential  
22 Rate Guide, revise the one from 2015 and include it in  
23 the 2016 and '17 Residential Rate Guide to inform  
24 customers. And, also, you should put a link that says,  
25 "For more information about this, please see," and then

1 you'll have a link to a page on the web site, which does  
2 not exist yet, but you will create that web page, and  
3 that web page will contain the information that's in  
4 paragraph C of my proposal and also information about  
5 the Opt Out Program and the analogue meter option.  
6 You'll give your customers an informed choice and  
7 ability to protect their health and their family's  
8 health.

9 PRESIDENT KERTH: Thank you, Mr. Graham.

10 MR. MARK GRAHAM: You are welcome.

11 PRESIDENT KERTH: Are there other speakers who  
12 wish to comment on the 2015 rate proposal at this time?

13 Seeing none, I think we will close the public  
14 hearing.

15 (Item 5 was concluded at 9:41 a.m.)

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R E P O R T E R ' S C E R T I F I C A T E

STATE OF CALIFORNIA        )  
  )  SS.  
COUNTY OF SACRAMENTO    )

I, SANDRA L. HOPPER, a Certified Shorthand Reporter, do hereby certify that the foregoing 21 pages comprise a transcription of the proceedings at the hearing in the hereinbefore-entitled matter.

Dated this 26th day of June, 2015, at Sacramento, California.



SANDRA L. HOPPER, CSR No. 7110  
Certified Shorthand Reporter  
in and for the  
County of Sacramento,  
State of California

Ref. No. 15186SAM