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.
MR. ROB LANDON: Thank you.

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

MR. LANDON: Yes, I noticed that.

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

PRESIDENT KERTH: You got it?


Yes. Good morning. Thank you.

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

MR. ROB LANDON: Yes.

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

Let me start by telling you a little bit about SMUD. SMUD is your electric -- electric utility, and we've been that way for nearly seven years -- 70 years. We are community owned and not for profit. That's important because our priority is to keep rates low and provide reliable service. We want to protect the environment and develop programs and services that
benefit our community and help you manage your energy use. We do not have shareholders. SMUD is governed by an elected board of directors. These Board Members live in the wards they serve, and they're especially interested in your feedback. The Board will be voting on this rate proposal specifically based on your input.

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

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

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

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

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

Another element of the GM Report is requesting that the Board declare its intent to move to time-of-use as a standard residential rate in 2018. Another proposal is to expand eligibility for the Economic Development Rate. We'd also like to expand Solar Shares, which has been a SMUD program for some time, but expanding the program and offering new pricing. We'd
like to clarify our net metering cap, and we'd like to allow same-day notification for our Smart pricing option. That would be the notification for some of the Smart pricing rates to curtail those when they're called. And I'll get into more detail in each of these elements.

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

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

For the commercial and agricultural customers, for the very small commercial customers, we would also propose an energy-only increase. That would be the per-kilowatt-hour pricing increase component. The SIFC would not change from previously approved rates for that group. All component increase for other classes; so the
fixed charge, other rate elements would change by 2 1/2 percent for all other commercial classes and agriculture.

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

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

First, we've streamlined our programs and operations. For example, we have a program to reduce driving time and align staff schedules with the Call Center volume. We've increased our use of technology. We are offering more technology-based choices for customers, like online bill pay and creating web site applications that can answer questions about customer
energy usage. We've invested in projects to extend the
life of our systems and equipment. And this will
ultimately reduce our costs to customers overall. For
example, we have a project that will extend the life of
wind blades used for wind generation at Solano Wind
Farm. We've paid off some higher-interest debt early
and locked in prices of potentially volatile commodities
to reduce future risk.

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

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

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

This change would also affect the Energy
Assistance Program Rate, EAPR, we call it, and the
Medical Equipment Discount Med Rate customers. The
average EAPR bill will go from $56.48 to $58.95 per month. It would still receive the current discount that they currently get.

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

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

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

And our current proposed TOU changes, we
mentioned that we were going to -- we currently have two
different optional residential time-of-use rates. About
300 customers currently participate on those rates. The
proposed rate -- time-of-use rate, having the 4:00 p.m.
to 7:00 p.m. peak period, we would have one optional
residential time-of-use rate starting in January of 2016
available only to those groups that I had mentioned
earlier, the current residential TOU 1 and TOU 2
customers. The solar and plug-in electric vehicle
customers and other residential customers can take
advantage of the rate in -- starting in January of 2017.
We will consider making TOU standard for all residential
customers in 2018.
So what would this look like, this new TOU rate?
Here's an example of the rate structure and the prices.
First, we have three periods and three prices. That's essentially what the rate would look like. The first period would be our off-peak period, and it's at 8.67 cent per kilowatt hour. It would be all year round.

The same price, the same period. And that would be from 9:00 p.m. to 9:00 a.m. in the morning and all hours on the weekends and holidays. So every weekend would be an off-peak price during the entire day and every holiday.

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

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

There's one other little element to the rate. For those customers that are owning and operating EVs and charging them, we're encouraging them to charge from
midnight to 6:00 a.m. So for that period, we're calling that our charge -- electric vehicle charging period. There would be a 1 1/2 cent discount -- 1 1/2 cent per Kilowatt hour off of the 8.67 cents.

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

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

There are a few other minor changes in our General Manager Report. I'll just go down through them now. I mentioned the Economic Development Rate change. We're not really changing the discount that we've had in
place for several years. We're proposing to expand the eligibility criteria for the Economic Development rate from four industries currently to fourteen industries.

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

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

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

Our Rule 4, we're adding a reference to customer
taylored rates. We're adding the following language to require a contract for previously adopted SMUD Board resolution.

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

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

We've included information in print advertisements, news releases, outreach meetings, community events, SMUD bill inserts, and on our web site, smud.org. To date, staff has responded to approximately 67 emails and answered over 350 questions.
And we -- we welcome your questions and comments. You can email us at rates@smud.org. And if you have questions on commercial energy management, you can call 1-877-622-7683. That's our Commercial Energy Hotline. For tips on residential energy management, you can visit smud.org or call 1-888-742-7683.

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

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

Some of the key areas of interest in the outreach: Renewables, especially the costs and future, ROI of solar and battery storage, hydro and the impact
of ongoing drought, electric vehicles and the
integration of chargers in communities, our system
infrastructure fixed charge that was approved on a prior
rate process, the Smart Meter Program, and the Smart
Meter Opt Out Policy that was approved in previous Board
proceedings.

That ends the presentation.

Does the Board have any questions?

PRESIDENT KERTH: Thank you very much.

Questions from Directors?

Not at this time.

MR. ROB LANDON: Okay. Thank you.

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

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

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

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

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

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

All right. It also -- I -- the ordinance also says written documents made by members of the public
that are directly relevant to the report shall be made
available to the public on SMUD's web site, and that's
what I'm asking you to do.

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

The reason, as -- as I've said previously, the
Opt Out Program and the analogue meter option are, to
this date, SMUD's big secret. They're SMUD's big secret
because other than a page on your website, which very
few customers ever see, you've never notified customers
that -- about the Opt Out Program and the analogue meter
options. They need to know. So the reason for
providing the information that I've put in paragraph C of my proposal is so that SMUD customers can make a complete and informed decision. In the slide show that we just saw, you explained how thoroughly -- you had multiple meetings, you sent out communication, you sent out information through multiple meetings to reach your customers so that they would know about this rate hearing and so on, the proposal. Unfortunately that was never done with the Opt Out Program and the analogue meter option.

So once the Board -- once SMUD notifies the customers through the means and the channels in paragraph B of my proposal of the information that are in paragraph C of my proposal, they will be able to make an informed decision whether to accept an analogue meter, and the analogue meters that you will be able to purchase by the additional rate increase that I'm proposing. What would be the benefits? The benefits would -- first of all, I want to say this is a temporary -- my proposal is for a temporary additional rate increase. It wouldn't have to last all that long, only long enough for you to figure out how much -- how to raise the extra money for the new analogue meters and install them. The benefits would be allowing your customers to make an informed choice. Right now they
have a choice, but they don't know that they have a choice and they don't have the information that they would need -- but to -- on to which to base an informed choice.

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

Part of it is, change the Residential Rate Guide. In the section that's called "Other Options," there's nothing right now about the Opt Out Program or Smart Meters. My proposal is that you should put something in there in that section of the Residential Rate Guide, revise the one from 2015 and include it in the 2016 and '17 Residential Rate Guide to inform customers. And, also, you should put a link that says, "For more information about this, please see," and then
you'll have a link to a page on the web site, which does not exist yet, but you will create that web page, and that web page will contain the information that's in paragraph C of my proposal and also information about the Opt Out Program and the analogue meter option. You'll give your customers an informed choice and ability to protect their health and their family's health.

PRESIDENT KERTH: Thank you, Mr. Graham.

MR. MARK GRAHAM: You are welcome.

PRESIDENT KERTH: Are there other speakers who wish to comment on the 2015 rate proposal at this time? Seeing none, I think we will close the public hearing.

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

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REPORTER'S CERTIFICATE

STATE OF CALIFORNIA    )
COUNTY OF SACRAMENTO    ) SS.

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