

RESOLUTION NO. 15-06-08

WHEREAS, on April 2, 2015, the Chief Executive Officer and General Manager released the “Chief Executive Officer and General Manager's Report and Recommendation on Rates and Services, *Volumes 1 and 2*” (“Report”), which is incorporated by reference herein; and

WHEREAS, on May 8, 2015, the Chief Executive Officer and General Manager released Errata No. 1 to the Report, *Volume 3*, which is incorporated by reference herein; and

WHEREAS, by Resolution 15-04-04 , adopted April 2, 2015, a public hearing on the Report was scheduled for June 18, 2015 at 9:00 a.m.; and

WHEREAS, notice of the hearing was duly published, the public hearing was held at the aforementioned time at SMUD’s headquarters (6201 S St., Sacramento, CA 95817), and all interested persons were given an opportunity to comment and submit testimony; and

WHEREAS, pursuant to SMUD Ordinance No. 15-1, SMUD conducted the two required public workshops on April 29, 2015 and May 13, 2015 to receive and respond to customer comments and questions; and

WHEREAS, SMUD conducted approximately sixty community public outreach meetings to receive and respond to customer comments and questions; and

WHEREAS, SMUD received from members of the public written questions, as well as comments and alternative recommendations to the rate changes proposed; and

WHEREAS, pursuant to SMUD Ordinance No. 15-1, this resolution was introduced on June 18, 2015 by this Board of Directors to be circulated for a minimum of ten days for public review, input and comment; and

WHEREAS, the Report and Errata No. 1 set forth in detail the factors necessitating the proposed rate action, including:

1. The need to meet SMUD's financial targets in years 2016 and 2017 as a result of the following:
 - A. Higher cost of meeting state mandated renewable energy targets in SMUD's portfolio of resources; and
 - B. Higher commodity costs to provide electricity to SMUD's customers; and
 - C. An increase in operating and maintenance expenses necessary to support customer programs and to maintain SMUD's delivery infrastructure; and
2. The need to improve the optional residential time-of-use (TOU) rates to better align prices with SMUD's cost to serve, change certain customer eligibility for the residential TOU option, and provide the foundation for what SMUD expects to propose as a standard residential TOU rate design in 2018; and
3. The need to increase SMUD's customer base and retail revenue by promoting commercial development; and

4. The need to provide customers additional rate options; and

WHEREAS, it is necessary for SMUD to increase annual retail revenues by two and one-half percent (2.5%) across all customer classes, effective January 1, 2016 and by two and one-half percent (2.5%) across all customer classes, effective January 1, 2017, in order to continue to meet the objectives and metrics set forth in this Board of Directors' Strategic Directions, to offset rising costs of procuring renewable energy as mandated by California state law, to cover higher commodity cost, and to provide for increases in operating and maintenance expenses necessary in supporting customer programs and maintaining SMUD's delivery infrastructure; and

WHEREAS, the recommendations in the Report and Errata No. 1 create a new optional residential TOU rate (RTOU) that better aligns prices with the cost to serve customers and provides a better TOU option than the current TOU rates that will be eliminated (TOU1 and TOU2); and

WHEREAS, the recommendations in the Report and Errata No. 1 to offer a 1.5 cents/kWh credit to Plug-in Electric Vehicle (PEV) customers for charging between midnight – 6 a.m. reflects the lower cost for SMUD to serve these customers when there is less demand on SMUD's infrastructure and electricity and capacity costs are less; and

WHEREAS, the proposed TOU rate structure supports Strategic Direction 2, Competitive Rates, where electricity prices better reflect the cost of electricity when it is used. This Board of Directors has already taken steps to transition to standard TOU rates by setting a multi-year rate transition to gradually eliminate the tiered pricing

structure by 2017, which would provide the foundation and allow a better transition to a TOU rate structure as the standard rate in 2018; and

WHEREAS, the recommendations in the Report and Errata No. 1 include that this Board of Directors declares its intent to make TOU rates the standard rate for residential customers beginning in 2018; and

WHEREAS, the recommendation in the Report and Errata No. 1 to permit day-of notifications for demand response under the Smart Pricing Options PowerStat program increases the value of demand response by allowing greater flexibility to respond to changes in the weather on Conservation Days; and

WHEREAS, the recommendations in the Report and Errata No. 1 include expansion of SMUD's Economic Development Rate (EDR) to allow additional types of businesses to qualify and address important factors such as business retention and growth in high unemployment/poverty areas, which help stabilize the regional economy, provide additional load growth, and increase SMUD's revenue base; and

WHEREAS, the recommendations in the Report and Errata No. 1 support additional miscellaneous changes as follows: SolarShares® program expansion for commercial customers and new rate schedule price offering; Medical Equipment Discount Program (MED) rate eligibility change to allow participation in residential TOU rates; Net Energy Metering (NEM) language change to clarify definition of 5% program cap calculation; Rule 4 addition to include reference to a previously adopted SMUD Board resolution for customer tailored rates; and

WHEREAS, the recommendations in the Report and Errata No. 1, on balance, meet the rate competitiveness targets and the rate design metrics in Strategic Direction 2, Competitive Rates, including:

- Establish rate targets that are 18 percent below Pacific Gas and Electric (PG&E) and at least 10 percent below PG&E's published rates for each customer class;
- Reflect the cost of energy when it is used;
- Reduce use of energy during on-peak periods;
- Encouraging energy efficiency and conservation;
- Minimize "sticker" shock in the transition from one rate design to another;
- Offer flexibility and options;
- Be simple and easy to understand;
- Meet the electricity service needs of people with fixed low incomes and severe medical conditions; and
- Equitably allocating costs across and within customer classes; and

WHEREAS, the recommendations in the Report and Errata No. 1 will ensure SMUD meets or exceeds the financial targets in Strategic Direction 3, Access to Credit Markets, and continues to meet the metrics and targets in the other Strategic Directions adopted by this Board of Directors, including those addressing system reliability, customer relations, environmental protection, and resource planning; and

WHEREAS, in light of the adoption of Proposition 26 on November 2, 2010, which precludes certain new fees, levies or charges but is not retroactive as to

local governments, this Board of Directors desires to maintain certain pre-Proposition 26 rates. This Board of Directors understands that Proposition 26 does not vitiate legislation adopted prior to November 3, 2010, and any changes in rates since this date are cost-justified under the analysis in the respective Chief Executive Officer and General Manager's Report and Recommendation on Rates and Services that supported the adoption of the rates; and

WHEREAS, the recommendation to increase rates 2.5% in 2016 and 2.5% in 2017 are made on an across-the-board basis to reflect SMUD's cost increases of proportionate impact on all customer classes and therefore does not require an examination of the allocation of costs among customer classes or of class definitions; and

WHEREAS, SMUD's current EDR, which provides certain commercial/industrial customers a temporary discount from the standard rate, was adopted on April 19, 2001 by Board Resolution No. 01-04-19. It is therefore a pre-Proposition 26 legislative policy that is grandfathered by Proposition 26.

WHEREAS, for the recommendation in the Report to amend the EDR, while it does not modify the schedule of discounts over the five-year period or the demand of 300 kW or greater threshold for commercial/industrial customers, it expands eligibility in two ways by first, providing a customer the ability to retain 50 jobs, not just create 50 jobs, and establishes a 25 jobs creation/retention standard for customers located in high unemployment and poverty areas in SMUD's service territory, and second, broadens the types of eligible customers by adding ten additional North American Industrial Classification System (NAICS) designations; and

WHEREAS, SMUD historically had high contributions-to-margin for rates paid by commercial/industrial customers with demand of 300 kW or greater and its policy to do so is pre-Proposition 26 legislation that is grandfathered by the measure. SMUD's existing rates for the commercial/industrial customers that are eligible for the ED discount all exceed the cost-of-service consistent with that pre-Proposition 26 policy. The proposed changes to the EDR reduce restrictions and broaden the class of customers eligible to receive the discount. However, even under the EDR, these customers will still pay above their cost-of-service as permitted by pre-Proposition 26 legislative choices which survive it. Consequently, because the proposed rate changes decrease the extent to which newly eligible customers pay more than the cost of service (i.e., bringing them closer to service cost), they comply with Proposition 26 as cost-justified rates; and

WHEREAS, the recommendation in the Report to provide a 1.5 cents/kWh credit for PEV customers to encourage vehicle charging during off-peak hours of midnight to 6 a.m. reflects the reasonable cost-of-service. SMUD's analysis demonstrates that costs to power PEV charging during this six hour time period are approximately 1.5 cents/kWh lower than SMUD's costs to serve new PEV load during other periods of the day due to reduced electricity and capacity costs, as well as less demand on transformers and other infrastructure. Accordingly, because the proposed new PEV credit rate is a voluntary opt-in rate (i.e. it is not "imposed" within the meaning of Proposition 26) and it reflects the reasonable cost-of-service, it complies with Proposition 26; and

WHEREAS, the recommendation in the Report for the new RTOU optional rate raises no Proposition 26 issue because it is voluntarily undertaken by customers (i.e. it is not “imposed”) and it reasonably reflects cost-of-service by providing lower rates in off-peak times when electricity is less costly for SMUD to produce or purchase and to deliver; and

WHEREAS, the recommendation in the Report for the new optional SolarShares® rate reflects SMUD’s cost to procure solar electricity and provide delivery services, and therefore complies with Proposition 26 because it is voluntarily undertaken (and not “imposed”) by customers and reasonably reflects the cost-of-service; and

WHEREAS, SMUD’s MED rate was adopted on June 16, 2009 by Board Resolution No. 09-06-05 and provides a discount for eligible residential customers. The recommendation in the Report to allow customers enrolled in the MED rate to take service under the new optional RTOU rate complies with Proposition 26 because the eligibility criteria and discount will be maintained without change in the form it existed in November 2010 and therefore is grandfathered as to Proposition 26; and

WHEREAS, this Board of Directors has carefully considered the Report and Errata No. 1, public comment, input, and alternatives from community meetings, public rate workshops, the noticed public hearing, and comments received by mail, telephone and email; and

WHEREAS, this Board of Directors finds that the proposed action is reasonable and in the best interests of the public and SMUD’s customers; NOW, THEREFORE,

**BE IT RESOLVED BY THE BOARD OF DIRECTORS
OF SACRAMENTO MUNICIPAL UTILITY DISTRICT:**

Section 1. BOARD DECLARES ITS INTENTION ON RESIDENTIAL TIME-OF-USE (TOU) RATES: This Board of Directors hereby declares its intention to make TOU rates the standard rates for residential customers in 2018. Any standard residential TOU rates will be adopted by this Board in a future rate action.

Section 2. RATE INCREASE FOR RESIDENTIAL RATES: Effective January 1, 2016, adopt an increase in residential service rates by an average of two and one-half percent (2.5%). Effective January 1, 2017, adopt an increase in residential service rates by an average of two and one-half percent (2.5%). The increase shall be collected through an addition to the electricity usage charges and miscellaneous charges on customer bills per the attached Rates, Rules and Regulations.

Section 3. NEW OPTIONAL RESIDENTIAL TIME-OF-USE (RTOU) RATE: Effective January 1, 2016, and January 1, 2017, adopt the respective new revised optional TOU Rate Schedule R-TOU per the attached Rates, Rules and Regulations. The System Infrastructure Fixed Charge (SIFC) shall continue to be \$18 in 2016 and \$20 in 2017 as previously adopted by this Board of Directors per Resolution No. 11-08-06. The revisions to the Rate Schedules are as follows:

- a. Effective January 1, 2016, adopt a new optional residential TOU rate (RT01) as shown below:

Season	Period	2016 Price (\$/kWh)	Date Types and Hours
Jun 1 - Sep 30	Summer Super	\$0.3093	Weekdays between 4:00 p.m. and 7:00 p.m.

	Peak		
Year-round (Jan 1 - Dec 31)	Peak	\$0.1467	Weekdays between 9:00 a.m. and 9:00 p.m. except during the Summer Super Peak hours.
	Off-Peak	\$0.0867	All other hours, including weekends and the holidays.

- b. Effective January 1, 2016, eliminate rate Option 1 (TOU1) and Option 2 (TOU2), rate categories RTCH, RTEH, RTGH, RTE5, RTC5, and RTG5. Existing customers on those rate categories as of December 31, 2015 shall be placed on the new optional RTOU rate (new rate category RT01) effective with the beginning of the first full billing cycle in January 2016.
- c. Effective January 1, 2016, customers who have a photovoltaic generation facility on their premise and customers who own or lease Plug-in Electric Vehicles (PEV) can choose to be on the new optional RTOU rate (new rate category RT01) as early as January 1, 2016. This includes Energy Assistance Program (EAPR) and Medical Equipment Discount Program (MED) rate, or combination EAPR/MED rate customers. Master-metered service customers (rate category RSMM) are not eligible for the new optional RTOU rate. After voluntarily enrolling in the RT01 rate option, customers must stay on this rate for at least 12 months.
- d. Effective January 1, 2016, eliminate the Residential Thermal Energy Storage Option (RTES) credit for the RTEH rate category. Move one customer currently under the optional TOU1 rate with RTES credit to

the new RTOU rate (rate category RT01) effective with the beginning of the first full billing cycle in January 2016.

- e. Effective January 1, 2017, adopt the optional residential TOU rate (RT01) to allow other residential customers, including EAPR, MED rate or combination EAPR/MED rate customers, with the exception of master-metered service customers (rate category RSMM), the option to enroll, as shown below:

Season	Period	2017 Price (\$/kWh)	Date Types and Hours
Jun 1 - Sep 30	Summer Super Peak	\$0.3161	Weekdays between 4:00 p.m. and 7:00 p.m.
Year-round (Jan 1 - Dec 31)	Peak	\$0.1485	Weekdays between 9:00 a.m. and 9:00 p.m. except during the Summer Super Peak hours.
	Off-Peak	\$0.0866	All other hours, including weekends and the holidays.

After voluntarily enrolling in the RT01 rate option, customers must stay on this rate for at least 12 months.

Revisions described above are detailed in the attached Rate Schedule R-TOU included in SMUD’s Rates, Rules and Regulations.

Section 4. RESIDENTIAL PLUG-IN ELECTRIC VEHICLE (PEV)

CREDIT:

- a. Effective January 1, 2016, the currently closed RTEV and RTEV4S rates from the Rate Schedule R-TOU shall be eliminated. Existing customers on those rate categories as of December 31, 2015 shall be

placed on the new optional RTOU rate (new rate category RT01) at the beginning of the first full billing cycle in January 2016.

- b. Effective January 1, 2016, adopt a new residential PEV credit of \$0.0150/kWh that applies from midnight to 6:00 a.m. daily under Rate Schedule R-TOU for customers with PEVs.
- c. Effective January 1, 2016, adopt modified language in the *Applicability* section of Rate Schedule R-TOU to include customers who own or lease PEVs.

Additions and revisions described above are detailed in the attached Rates, Rules and Regulations.

Section 5. RESIDENTIAL SMART PRICING PILOT RATES: Effective January 1, 2016, the language for “Conservation Days” under the *Conditions of Service* section of Rate Schedule R-SPO shall be amended to allow better use of technology in offering customers same day notifications and more operating flexibility, as follows:

“Up to twelve summer weekdays between 4 p.m. and 7 p.m., excluding the July 4 and Labor Day holidays. Conservation Days are announced by SMUD a day in advance. *However, if customers have technology designed to automatically adjust for Conservation Days, announcements may occur the same day as the event.*”

This change is detailed in the attached Rates, Rules and Regulations.

Section 6. RATE INCREASE FOR COMMERCIAL AND AGRICULTURAL RATES:

a. Effective January 1, 2016, General Service, General Service Time-of-Use, General Service Temperature Dependent, Agricultural Service, Distribution Wheeling Services, and Combined Heat & Power Distributed Generation rates (rate category GSS_T, and Rate Schedules GS-LEG, GS-TOU1, GS-TOU2, GS-TOU3, GS-TDP, AG, DWS and CHP), shall be increased an average of two and one-half percent (2.5%) through the following components:

- Electricity Usage Charges;
- (SIFC);
- Summer Super Peak Demand Charges;
- Site Infrastructure Charges;
- Generator Standby Charges;
- Power Factor and other miscellaneous charges;
- Distribution Wheeling Charge;
- Reserved Capacity Charge/Rate

b. Effective January 1, 2016, the small commercial rate for customers with demand that does not exceed 20 kW (rate category GSN_T), shall increase an average of two and one-half percent (2.5%). The increase shall be collected through an addition to the electricity usage charges and miscellaneous charges on customer bills per the attached Rates, Rules and Regulations.

c. Effective January 1, 2016, the small non-demand, non-metered service rate (rate category GFN) shall increase an average of 2.5% in all rate

components except for the electricity usage charges which shall be billed at the average of the GSN_T rate's annual electricity usage charges.

d. Effective January 1, 2017, General Service, General Service Time-of-Use, General Service Temperature Dependent, Agricultural Service, Distribution Wheeling Service, and Combined Heat & Power Distributed Generation rates, (rate category GSS_T, and Rate Schedules GS-LEG, GS-TOU1, GS-TOU2, GS-TOU3, GS-TDP, AG, DWS and CHP) shall be increased an average of two and one-half percent (2.5%) through the following components:

- Electricity Usage Charges;
- SIFC;
- Summer Super Peak Demand Charges;
- Site Infrastructure Charges;
- Generator Standby Charges;
- Power Factor and other miscellaneous charges;
- Distribution Wheeling Charge;
- Reserved Capacity Charge/Rate

e. Effective January 1, 2017, the small commercial rate for customers with demand that does not exceed 20 kW (rate category GSN_T), shall increase an average of two and one-half percent (2.5%). The increase shall be collected through an addition to the electricity

usage charges and miscellaneous charges on customer bills per the attached Rates, Rules and Regulations.

- f. Effective January 1, 2017, the small non-demand, non-metered service rate (rate category GFN) shall increase an average of 2.5% in all rate components except for the electricity usage charges which shall be billed at the average of the GSN_T rate's annual electricity usage charges.

Revisions described above are detailed in the attached Rates, Rules and Regulations.

Section 7. ECONOMIC DEVELOPMENT RATE (EDR): Effective January 1, 2016, adopt a new Rate Schedule EDR and move section IV. C. *Economic Development (ED) Rate Option* of Rate Schedules GS-TOU1, GS-TOU2, and GS-TOU3 to the new Rate Schedule EDR. The new Rate Schedule EDR shall include the following revisions to the *ED Rate Option*:

- a. Amend the eligibility requirement to include the North American Industrial Classification System (NAICS) designations as follows:

Eligible Industries

Agriculture, Forestry, Fishing & Hunting (NAICS 11)
Mining, Quarrying, and Oil & Gas Extraction (NAICS 21)
Utilities (NAICS 22)
Construction (NAICS 23)
Manufacturing (NAICS 31-33)
Wholesale Trade (NAICS 42)
Transportation & Warehousing (NAICS 48-49)
Information (NAICS 51)
Finance & Insurance (NAICS 52)
Real Estate & Rental & Leasing (NAICS 53)
Professional, Scientific, & Leasing (NAICS 54)
Management of Companies and Enterprises (NAICS 55)
Administrative & Support Services (NAICS 56)
Health Care & Social Assistance (NAICS 62)

- b. The EDR qualifying criteria shall continue to be a maximum demand of at least 300 kW on a single meter for three consecutive months for the facilities with site activity that falls under one of the fourteen NAICS sectors listed in section II. of Rate Schedule EDR; and
- c. Add a business retention component to the EDR, which requires an affidavit and third party verification. An existing eligible SMUD customer may qualify with the retention of at least 50 full-time equivalent (FTE) jobs in SMUD service territory within two years of the date the EDR agreement is signed. This requires the execution of an affidavit by a company executive attesting that SMUD's EDR was a key factor in the company's decision to stay in SMUD's service territory, and third party verification by the Greater Sacramento Area Economic Council (Greater Sacramento); and
- d. Add a tiered job requirement for areas of high unemployment and poverty, which permits eligible customers in certain designated areas, to create or retain at least 25 FTE jobs in SMUD's service territory. The facility must create at least 25 new FTE jobs to SMUD service territory within two years of the date the EDR agreement is signed if it is located in an area of high unemployment and poverty, known as a Designated Geographic Area (DGA) as determined by the California Franchise Tax Board. Or, an existing SMUD customer may qualify with the retention of at least 25 FTE jobs in SMUD service territory within

two years of the date the EDR agreement is signed if it is located in a DGA. This latter qualification would also require the execution of a signed affidavit by a company executive and third party verification by the Greater Sacramento.

Revisions described above are detailed in the attached Rates, Rules and Regulations.

Section 8. LIGHTING SERVICES: Lighting Services (Rate Schedules SLS, TSS, TC ILS, and NLGT) billing components, except electricity usage surcharges, shall be increased an average of two and one-half percent (2.5%) effective January 26, 2016, and an average of two and one-half percent (2.5%) effective January 25, 2017. The rate increases do not apply to monthly leasing and maintenance charges for street lighting lamps and fixtures.

Revisions described above are detailed in the attached Rates, Rules and Regulations.

Section 9. SOLARSHARES® PROGRAM: Effective no later than January 1, 2017, adopt a new SolarShares® Program Rate Schedule SS, which includes an energy cost component to reflect the cost of the solar energy and a delivery service cost component to reflect other costs. Prices for both components shall be posted on SMUD's website, www.smud.org, no later than January 1, 2017. The Chief Executive Officer and General Manager (CEO and GM), or his or her designee, is authorized to update the SolarShares® Program's energy cost and delivery service cost components on a regular basis to be effective January 1 of each year, provided that the adjustment to the delivery service cost component shall be by an amount consistent with general rate increases/decreases as adopted by this Board of Directors.

The delivery service charge, which varies by rate category, shall include the following rate elements:

- Generation capacity
- Ancillary services
- Delivery services (transmission and distribution)
- Public goods
- Fixed distribution facilities recovered in energy
- Power factor adjustments
- Program administration

Additions described above are detailed in the attached Rates, Rules and Regulations.

Section 10. MEDICAL EQUIPMENT DISCOUNT PROGRAM (MED)

RATE LANGUAGE CHANGE: Effective January 1, 2016, delete the term “non-time-of-use” from section 1. *Applicability* in Rate Schedule MED to allow MED rate customers to participate in the RTOU rate option, as follows:

Applicability

This Rate Schedule 1-MED applies to customers receiving service under ~~non-time-of-use~~ residential rates, who certify, in writing, that the customer or a full-time resident in the customer’s home:

- Is dependent on a qualifying medical equipment device used in the home; or
- Has a medical condition with special electric heating needs or air conditioning needs.

Revisions described above are detailed in the attached Rates, Rules and Regulations.

Section 11. NET ENERGY METERING LANGUAGE CHANGE:

Effective January 1, 2016, the language of section III. *Conditions of Service B.*

Limitations shall be amended to add the wording “based on net system coincident peak” to describe aggregate customer peak demand, as follows:

...”SMUD’s aggregate customer peak demand *based on net system coincident peak.*”

Revisions described above are detailed in the attached Rates, Rules and Regulations.

Section 12. UPDATE RULE AND REGULATION 4: Effective January 1, 2016, Rule and Regulation 4 shall be amended to include a reference to a previously adopted board resolution regarding customer tailored rates, as follows:

“7. In the case of customer tailored rate arrangements, a contract is required *per previously adopted Board resolution.*”

Revisions described above are detailed in the attached Rates, Rules and Regulations.

Section 13. ALTERNATIVE RECOMMENDATION 1: SMUD received the following written recommendation from a member of the public on an alternative to the rate changes proposed in the Report:

SMUD’s time-of-use proposal needs to take into account the solar “duck curve” – net demand. With more solar penetration the “critical peak” will shift from 4PM-7PM to 6PM-9PM.

This Board of Directors has considered this alternative recommendation and has determined to not adopt the alternative recommendation because the rate proposal reflects current market conditions, but the “duck curve” may impact the system peak at some point in the future. Accordingly, this provides at least two more years to evaluate how statewide solar penetration affects the market and if SMUD sees significant load shifting to different time periods, this Board of Directors plans to address the matter in

the future. SMUD is upgrading its systems and processes to handle changes to time periods without impacting billing processes significantly.

Section 14. ALTERNATIVE RECOMMENDATION 2: SMUD received smart meter and smart meter opt-out fee related written recommendations from members of the public. This Board of Directors has considered the recommendations and has determined to not adopt them because this Board of Directors has already adopted policies related to smart meters, including a reasonable opt-out policy, and does not believe changes are warranted at this time.

Section 15. ALTERNATIVE RECOMMENDATION 3: SMUD received the following written recommendation from a member of the public on an alternative to the rate changes proposed in the Report:

SMUD's governing body should only approve the 2016 rate increases, in order to give time for SMUD's staff to join the late 20th century when it comes to using modern computing power.

Only after SMUD staff makes use of the job costing features and reporting in SAP, should SMUD's governing body entertain the 2017 rate increases in GM rate report.

This Board of Directors has considered this alternative recommendation and has determined to not adopt the alternative recommendation for the following reasons:

1. Based on SMUD staff analysis, SMUD's cash flow and net operating income would be insufficient for 2017 projections. Without a 2.5% rate increase in 2017, SMUD would have to borrow more money to finance the capital projects that are in the three year budget cycle that have

been planned to meet the Board's Strategic Directions. Accordingly, a bigger part of the capital spending would come from debt borrowing.

2. SMUD's fixed charge coverage ratio will fall below projections in 2017, and put negative pressure on credit ratings. Current credit ratings generate approximately \$1.0 million per year in savings compared to SMUDs previous ratings which are reflected in lower operating costs and lower average rates.
3. SMUD staff is in the process of adopting several technology upgrades and process changes that will reduce cost and improve customer service. Therefore, tying the 2017 rate increase to one specific technology is not prudent.

Section 16. MODIFICATIONS: The CEO and GM is authorized to make non-substantive revisions to the Rates, Rules, and Regulations.

Section 17. ENVIRONMENTAL COMPLIANCE:

1.0 Section 21080(b)(8) of the California Public Resource Code and Section 15273 of the California Environmental Quality Act (CEQA) Guidelines (California Code of Regulations, Title 14, Sections 15000, et seq.) provide, in relevant part, 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 purposes set forth in (A) through (D) below, and that a public agency shall incorporate written findings in the record in any

proceeding in which an exemption is claimed setting forth with specificity the basis for the claim for exemption:

- (A) meeting operating expenses, including employee wage rates and fringe benefits,
- (B) purchasing or leasing supplies, equipment, or materials,
- (C) meeting financial reserve needs and requirements, or
- (D) obtaining funds for capital projects necessary to maintain service within existing service areas.

2.0 This Board of Directors finds and declares:

(A) That revenue from this rate increase is intended to fund among other things: higher cost of meeting state mandated renewable energy targets in SMUD's portfolio of resources; higher commodity costs to provide electricity to SMUD's customers; and an increase in operating and maintenance expenses necessary to support customer programs and to maintain SMUD's delivery infrastructure.

(B) That all revenue produced by each and every one of the rate actions set forth in this Resolution shall exclusively be used for purposes permitted by Sections 21080(b)(8)(A) through (D) of the California Public Resource Code, and that no amount of revenue obtained from this rate increase shall be used for any other purpose. Therefore, all of the foregoing rate actions are exempt from CEQA.

(C) The above findings are based on information set forth in the Report and Errata No. 1.

3.0 Section 15061(b)(3) of the CEQA Guidelines provides that, “[w]here it can be seen with certainty that there is no possibility that [an] activity ... may have a significant effect on the environment, the activity is not subject to CEQA.”

This Board of Directors finds and declares that it can be said with certainty that there is no possibility that non-revenue producing actions, including changes to the Rates, Rules and Regulations, set forth in this Resolution shall cause a substantial, or potentially substantial, adverse change in the environment. This finding is based upon information contained in the Report and Errata No. 1.

Section 18. The new and revised Rate Schedules and Rules and Regulations referenced in this Resolution are attached and incorporated herein as **Attachment A.**

To the extent there is a discrepancy between this Resolution and the new and revised Rate Schedules and Rules and Regulations attached hereto, the new and revised Rate Schedules and Rules and Regulations shall control.

Adopted: June 18, 2015

INTRODUCED: DIRECTOR SLATON				
SECONDED: DIRECTOR TAYLOR				
DIRECTOR	AYE	NO	ABSTAIN	ABSENT
KERTH	X			
BUI-THOMPSON				X
TAYLOR	X			
FISHMAN	X			
SHIROMA	X			
TAMAYO				X
SLATON	X			