

Exhibit to Agenda Item #2

PUBLIC RATE HEARING

Chief Executive Officer and General Manager's Report and Recommendation on Rates and Services (Volumes 1 & 2) dated June 15, 2023 ("CEO & GM Report").

Special Board of Directors Meeting

Wednesday, August 30, 2023, scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium

2023 rate process timeline

Apr 18

Board Committee Meeting @ 6 p.m.
Overview of the 2023 rate process

Public outreach process contacts:

- 30+ direct presentations
- 1,200+ community & business leaders
- 55 local elected officials
- 125 community & business partners
- 300+ commercial customers

Aug 30

- Public rates hearing @ 6 p.m.
- Draft rates resolution introduced

Jun 15

Released the CEO & GM Reports
and Recommendations on Rates
and Services

Jul 13 & Aug 3

Hosted public rates workshops

Sep 21

Final decision on rates
resolution at SMUD Board
meeting

EXTENSIVE PUBLIC OUTREACH THROUGHOUT

Apr

Jun

Jul

Aug

Sep

3 main proposed changes

1



**Rate increases
for 2024 & 2025**

2



**Additional discount
for our most
vulnerable customers**

3



**Miscellaneous
changes**

Changes needed due to cost pressures in:



Infrastructure & reliability improvements to our grid.



Compliance to meet state requirements.



Vegetation management, wildfire insurance & outage response for severe weather.



Inflation and supply chain pressures.

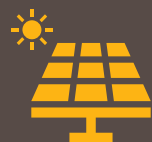
Rate increase drivers

World class reliability



Infrastructure & reliability improvements to our grid.

- Infrastructure investments of \$370M include:
 - Spending for new generation & storage capital projects, such as Solano 4 Wind Turbine Project, and several solar and storage projects and our long-duration energy storage projects.
 - Spending for substation and line capacity projects to ensure our grid stays reliable.
- Reliability for our hydro facilities and thermal generation plants.



Compliance to meet state requirements.

- In order to meet new state renewable portfolio standards requirements, commodity costs are increasing by \$85M annually.
- SMUD is investing in clean energy resources like more wind, solar, geothermal, hydropower, battery storage and biogas.

Rate increase drivers

Wildfire risk & severe weather



Vegetation management, wildfire insurance & outage response for severe weather.

- Increased spending of approximately \$10M to prevent and mitigate wildfires. Investing to improve reliability and visibility into outage responses to severe winter storms.

Customer programs



Customer programs to create a carbon free future.

- Increased spending of about \$15M in electric vehicles, rooftop solar and battery storage, and electrification of homes & businesses.

Rate increase drivers

Inflationary impacts across all spending



- Higher costs for materials, services and labor we use every day. This translates to \$25M in additional costs per year.
- Global supply chain impacts have disproportionately impacted costs for certain key items.
- Some key examples*:
 - 72% increase in costs for distribution substation transformers and 80+ week lead time.
 - 40% increase in costs for line transformers and station equipment.
 - 24% increase in costs for wood and steel poles.

What we've already done to reduce costs & increase funding



millions
more

In 2022 from one time and ongoing permanent operational cost reductions.

Support the community through partnerships with regional agencies to receive grant funding.



Rate proposal and bill impacts

Rate proposal	Rates & effective date		Customer groups Impacted
2024 – 2025 Rate increases	2.75% effective on Jan. 1, 2024 2.75% effective on May 1, 2024	2.75% effective on Jan. 1, 2025 2.75% effective on May 1, 2025	All customers

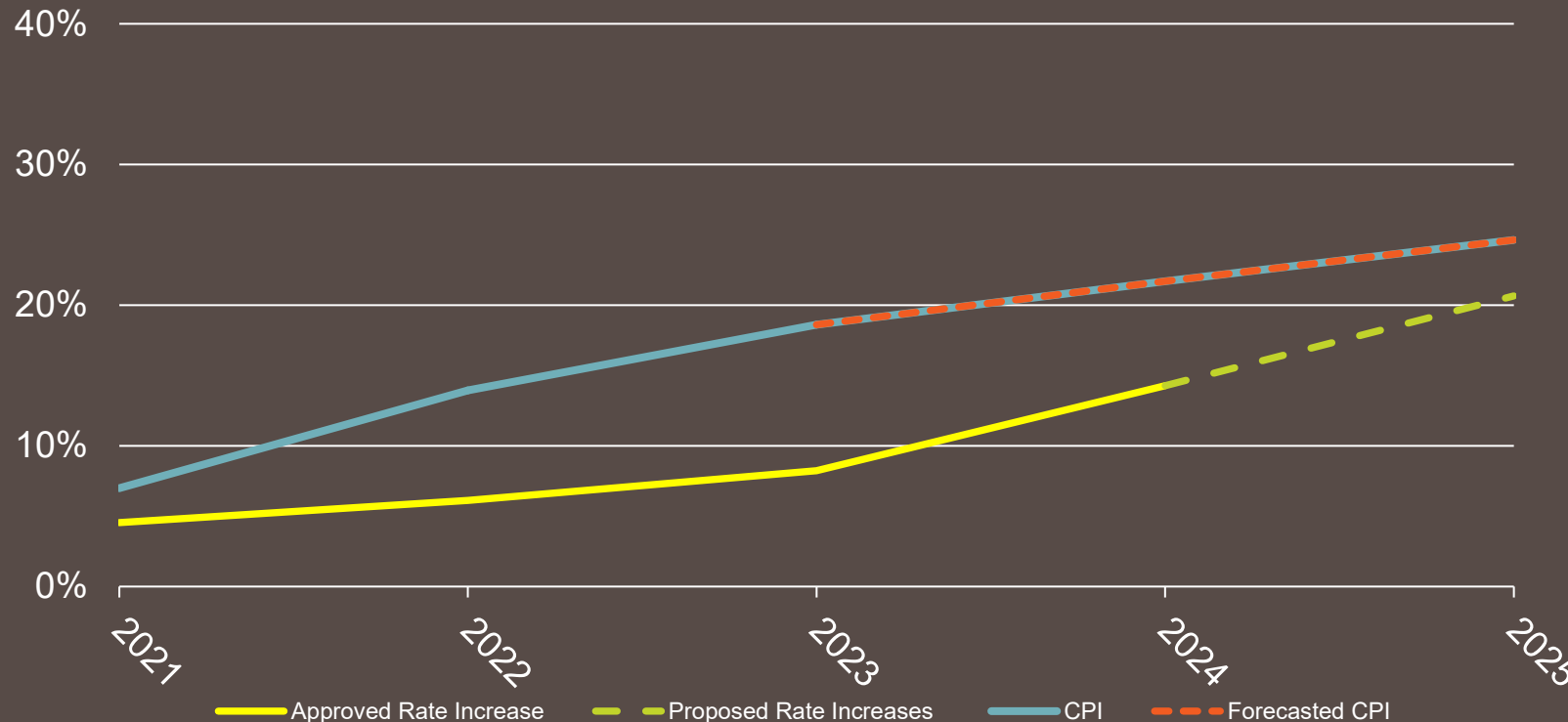
Average Monthly Bill Impacts

Size	Average Monthly Bill	2.75% Rate Impact Jan. 1, 2024	2.75% Rate Impact May 1, 2024	2.75% Rate Impact Jan. 1, 2025	2.75% Rate Impact May 1, 2025	Total Bill Impact
Average residential at 750kWh usage	\$131.40	\$3.61	\$3.72	\$3.81	\$3.92	\$15.06
Small Commercial (<20 kW)	\$194.11	\$5.34	\$5.48	\$5.64	\$5.79	\$22.25
Small Commercial (20 – 299 kW)	\$3,121	\$86	\$88	\$91	\$93	\$358
Medium Commercial (500 – 999 kW)	\$27,173	\$747	\$768	\$789	\$811	\$3,115
Large Commercial (>1,000 kW)	\$103,221	\$2,839	\$2,917	\$2,997	\$3,079	\$11,831
Agriculture (Ag & Pumping)	\$445	\$12	\$13	\$13	\$13	\$51

Customers on our low-income Energy Assistance Program Rate (EAPR) & Medical Equipment Discount rate will see slightly different bill impacts than standard rate customers. Amounts may reflect minor rounding differences

We're committed to keeping rate increases within the rate of inflation

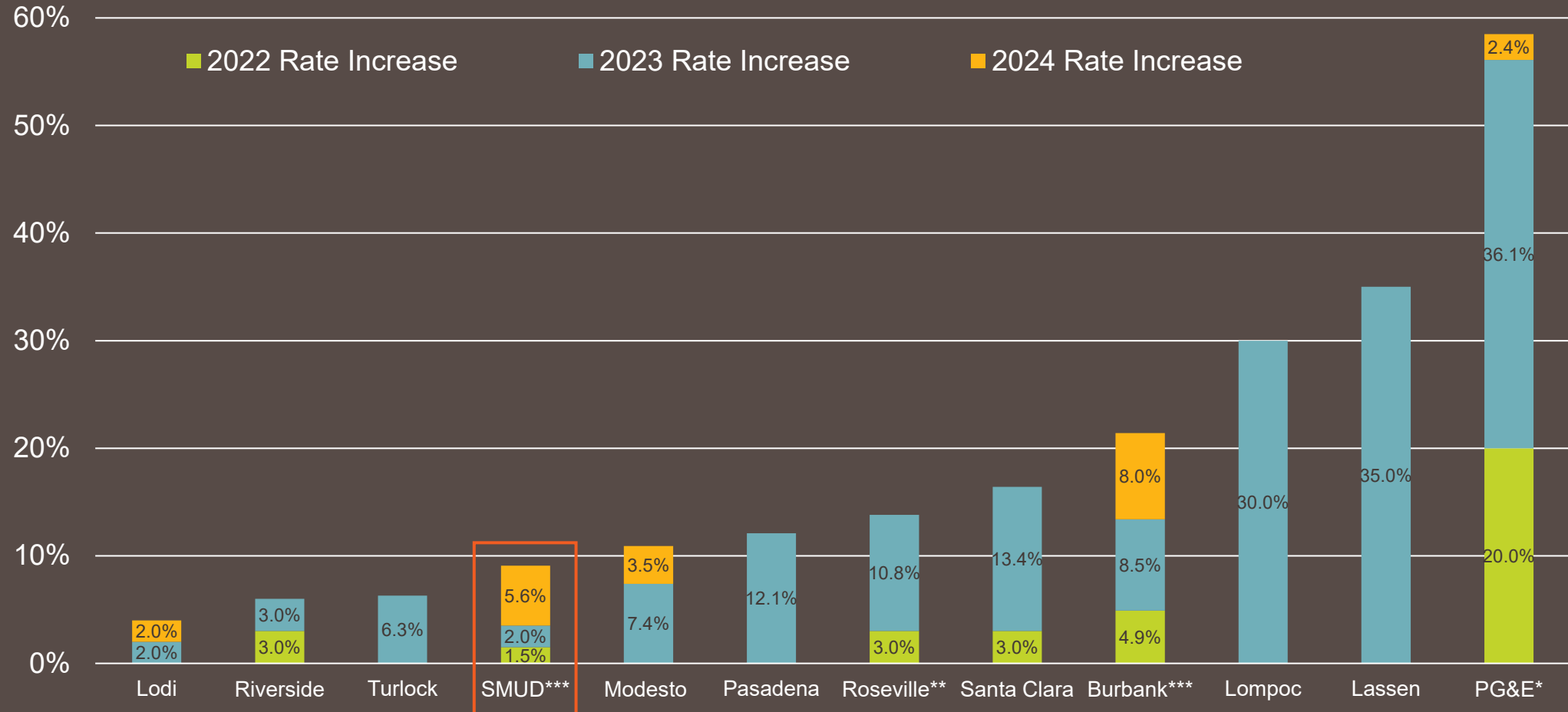
Consumer Price Index (CPI) vs. Cumulative annual rate increases 2021 - 2025



- Our proposed rate increases are below inflation.
- From 2021 – 2025 cumulative inflation was 24.6% and cumulative rate increases were 20.7%.

Sources: SMUD's historical adopted rate increases from 2021 through 2023 and proposed rate increases for 2024 and 2025. Historical CPI data from Bureau of Labor Statistics. Forecasted CPI data for 2023-2025 from IHS Markit.

Other utilities' rate increases (%)

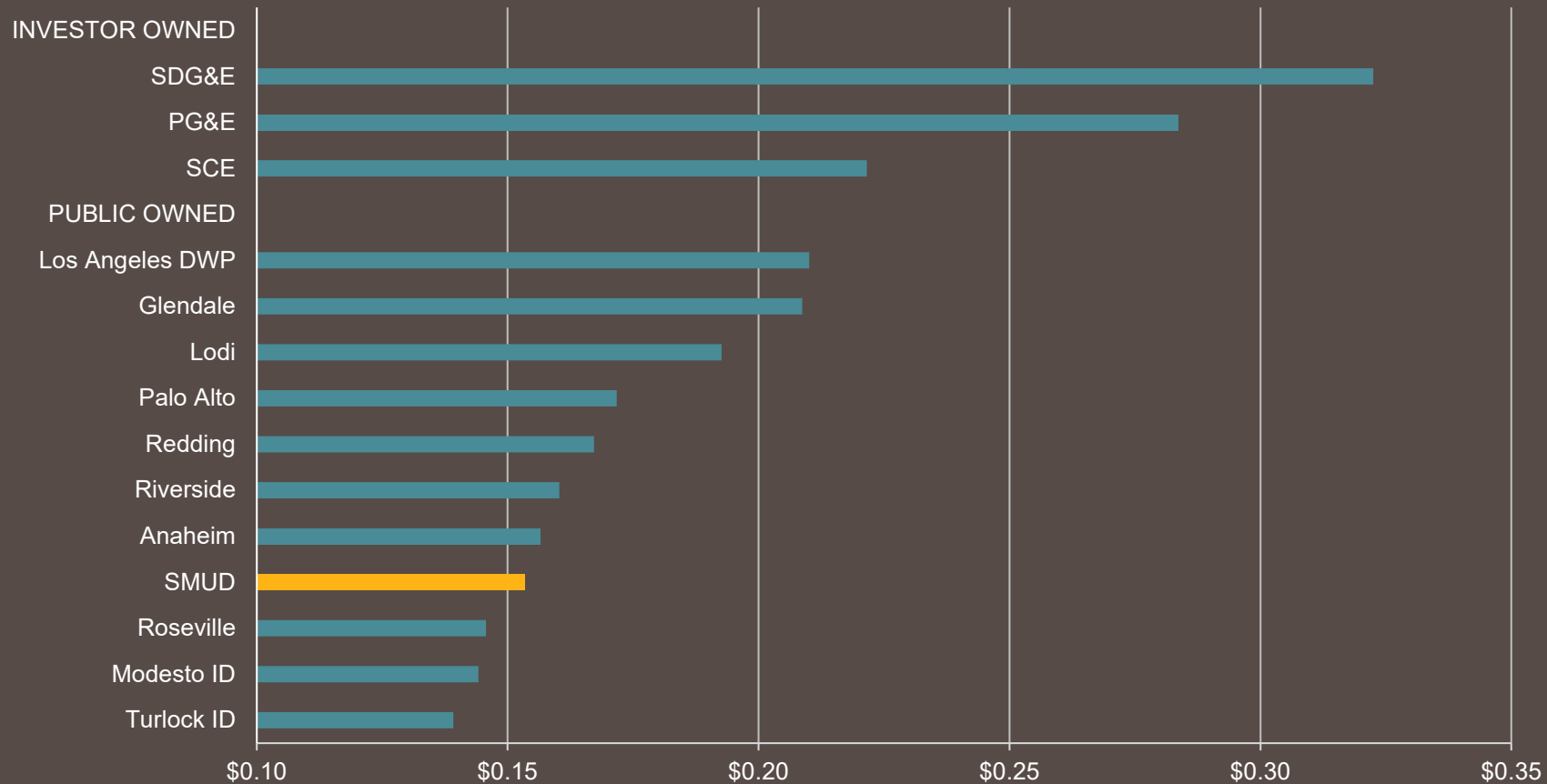


* Includes rates increase from the 2023 General Rate Case, pending California Public Utilities Commission approval

** Includes Roseville's 8% energy surcharge

*** Includes 2024 proposed rate increase

2022 Average System Rate Comparison (\$/kWh)



Source: EIA 861M 2022 and self-reported annual data from the 2022 EIA 861 annual survey

Energy Assistance Program Rate (EAPR) Program Recommendation

Using non-rates revenue, create additional funding for customers at the 0-50% Federal Poverty Level (FPL) to receive an extra benefit of up to \$35 per month. Total potential benefit would increase from \$70 up to \$105 per customer. Financial impact is estimated to be approx. \$2M.

Federal Poverty Level (FPL)	# Customers**	Current EAPR discount	Discounts Up To*
0% - 50% FPL	8,000	\$70	\$105
50% - 100% FPL	34,000	\$42	\$42
100% - 150% FPL	29,000	\$20	\$20
150% - 200% FPL	22,000	\$10	\$10

*EAPR discount numbers are estimates and will change annually based on non-rates revenue available and customer count.

**Approximate customer enrollments by Federal Poverty Level

Other Rate Updates

Rate Holidays

- Rate holidays mean customers pay low off-peak prices just like weekends.
- Align SMUD rate holidays to federal holidays.
- Remove Lincoln's Birthday and add Juneteenth.

Generator Standby Charge

- Clarify that facilities that produce all of their own power needs and use SMUD only for back up service are subject to the charge.
- No impact to solar customers since they are exempt from the charge.

Hydro Generation Adjustment

- Add Western Area Power Administration (WAPA) hydro generation to the HGA tariff.
- Change measuring station and associated numbers.

Commercial Power Theft

- Simple \$/kWh rate to estimate unrecovered commercial revenue.
- Not published in the tariff.

Clean-up

- Remove residential and commercial legacy rates.
- General clean-up of tariffs.

Extensive outreach and communications

Our Rate Action outreach delivered transparent, clear outreach to the widest possible range of partners and customers. We provided our external partners with many options of resources to support communication with their diverse constituents.

Extensive proactive outreach

Reached out to 750+ groups with a menu of options to share the proposed rate changes. Included email and personalized phone outreach to targeted groups.

Many options to support partners

Offered external partners an opportunity for SMUD to speak at virtual or in-person meeting, newsletter articles, slide decks, video, informational collateral, FAQs, etc.

Tailored presentations

For groups requesting a meeting, we tailored presentations based on audience type and time allotted and identified the most appropriate presenter(s).

Maximize outreach across service area

Emphasized balanced outreach across SMUD territory to reach customers. Prioritized groups who have expressed interest in the past to make sure they received rate change information.

Multi-pronged communications and outreach



Public outreach process: direct engagement

276,000+

Emails to customers, local organizations and to our Listserv subscribers.

Community & business leaders received emails, letters and/or phone calls to offer meetings & information.



1,200+



Community & business partners were provided information and fact sheets to share with their constituents, members and networks.

300+

Local elected officials were mailed info packets and offered to meet.



55



~125

Community organizations or neighborhood associations received presentations, attended a roundtable or received a recorded presentation.

What we've heard from customers and stakeholders

Customers understand the proposal, find it straightforward and have been appreciative of our outreach. Below is some of the feedback received:

- *"I'm okay with rate increase and appreciated the low-income stabilization fund."*
- *"This rate increase will translate to increased food prices in restaurants."*
- *"I'm glad you were here to explain that because I did not realize the rates were increasing four times and right before it gets expensive in September."*
- *"Even if I say something SMUD is going to do what it wants."*
- *"Med rate customers offset should be increased."*
- *"So we'll have 4-5 years of increases, and then you'll be back. It's hard on a fixed income when everything keeps going up."*
- *"Thank you for bringing us this information. Does SMUD have rebates?"*
- *"SMUD is so much lower than what I pay at my utility."*

What happens next?

Ten day public review and comment period on draft rates resolution

Final decision @ SMUD Board meeting - Sept. 21, 2023 @ 6:00 p.m.

via Zoom & at SMUD HQ - 6201 S Street, Sacramento

Need more information?

- Read the CEO & GM's Report on smud.org/RateInfo.
- Email questions or comments to ContactUs@smud.org or call 855-736-7655.
- For tips on energy management, visit smud.org/EnergyTips.
- To join the charge and be a Clean PowerCity Champion, visit CleanPowerCity.org.
- For commercial customer service, call 1-877-622-7683.
- For residential customer service, call 1- 888-742-7683.



We welcome your
questions and
comments!