Restructured Rates at SMUD

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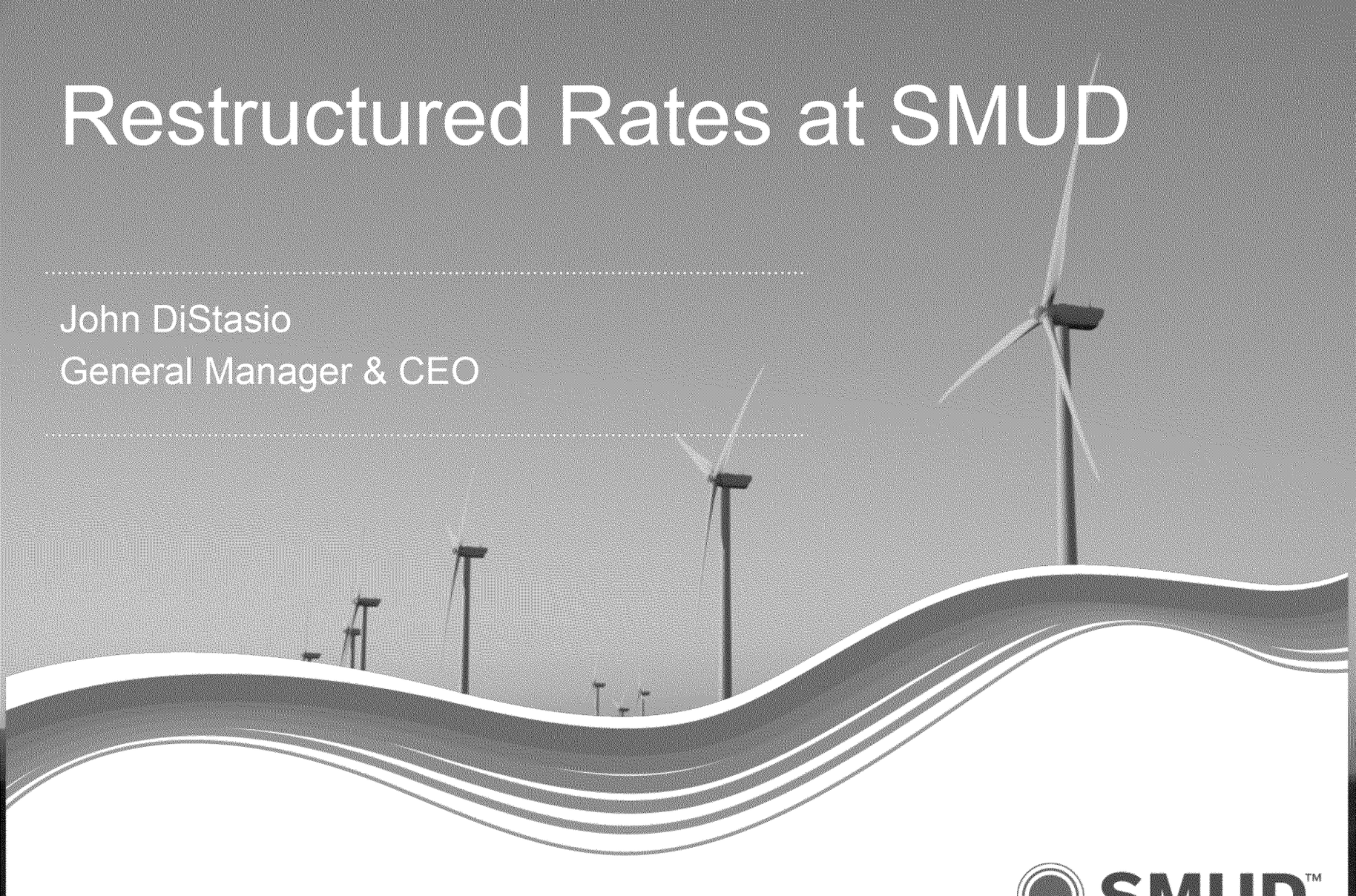

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SMUD Pricing – Options and Opportunities

- SMUD has many pricing options that provide customers ways to save money, expand renewables and benefit the environment
  - All customers have multiple pricing options, including time of use rates
  - Green programs allow customers to purchase more renewable energy
  - Incentives encourage customers to install renewable generation
  - Options allow low income and multi-family housing to participate in expanding renewables
- SMUD pricing is progressive
  - Testing the future of pricing designs now
  - Smart grid investments and new technology will help customers save
  - Customer communication and engagement are key to pricing
  - Subsidies are being addressed
  - New pricing options for electric vehicles and demand response are coming
- SMUD pricing will keep pace with new competition, new technology and new service options customers demand

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SMUD Ratemaking Principles

- SMUD's rates are designed to balance and achieve the following objectives
  - Reflect the cost of energy when it is used
  - Reduce use on peak
  - Encourage energy efficiency and conservation
  - Minimize "sticker" shock
  - Offer flexibility and options
  - Be simple and easy to understand
  - Meet the needs of people with fixed low incomes and severe medical conditions
  - Equitably allocate costs across and within customer classes

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Recent Price Restructuring

- Not a revenue increase
- Eliminate subsidies caused by misalignment of prices and costs
  - Prepare for competition
  - Address long term inequities from net metering
  - Fairly compensate customers for renewables
- Customer engagement and community feedback key to successful process
- Five year rollout
  - Increase fixed charges and reduce usage charges
  - Commercial Time of Use Rates

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SMUD Residential Pilot Rates

- Smart Pricing Options® Rates
  - Residential Time of Use Overlay Rates
    - Overlays a TOU price on a standard two-tier residential rate
    - TOU price applies from 4-7 pm for four months (June – Sept.), all other times tiered rates apply
    - Keeping existing tiered rates minimizes bill impacts while TOU overlay aligns prices with costs
  - Dynamic Pricing Pilot Rates
    - Increases peak prices (4-7pm) during 12 critical events/year in exchange for lower tiered or TOU pricing the rest of the year
    - Aligns prices and costs and provides clear incentives to lower demand during the 12 worst days/year
    - Evaluate customer acceptance, satisfaction, load reduction, price sensitivity, communication options, and technology options (pilots use in home displays to communicate to customers)
- Electric Vehicle Pilot Rates
  - Studying multiple options depending on charging requirements
    - Level 1 charging – standard wall outlet, no separate meter requirements
      - Whole House EV TOU Rate
      - Likely no need for transformer upgrades
    - Level 2 charging – sub-metered, higher voltage, quick charging (2-4 hours)
      - TOU rate for sub-metered EV charging, separate rate design for the house load
      - Cost recovery for metering expense
      - Transformer upgrades may be required and will be recovered through rates
    - Level 2 charging - phase 2
      - TOU rate for sub-metered EV charging, with a demand charge that applies during 12 critical events/year
      - New technology allows SMUD to turn off EV charger during events

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Low Income Rates

- Energy Assistance Program Rate Discount Restructure
  - Usage greater than 600 kWh beyond applicable base usage no longer receives low income discount
  - Additional discounts for customers who stay under threshold
  - Overall low income subsidy unchanged
  - Encourages energy efficiency for high use customers
- Better align fixed charges with fixed costs
  - No change in 2012 monthly fixed charges
  - Increase fixed charges in 2013 and reduce usage charges

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Energy Program Assistance Rate (EAPR)

- Low Income discount structure
  - 35% discount on base usage
  - 30% discount on up to 600 kWh of base plus usage
  - Encourage energy efficiency solutions for base plus usage over 600 kWh

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Rate Class Characteristics

Class	Accounts	Energy	Peak	Revenue	Average Rates
Residential	528,690 (88.5%)	43.8%	58.8%	45.4%	$0.1242
Small Commercial Energy Metered (GSN, < 21 kW)	50,934 (8.5%)	5.4%	4.0%	6.2%	$0.1393
Small Commercial Demand Metered (GSS, 21-299 kW)	10,822 (1.8%)	17.3%	14.5%	18.9%	$0.1278
Small Commercial TOU (GS-TOU3, 300-499 kW)	1,087 (0.18%)	8.3%	6.3%	8.2%	$0.1182
Medium Commercial TOU (GS-TOU2, 500-999 kW)	297 (0.05%)	7.2%	6.1%	6.6%	$0.1099
Large Commercial TOU (GS-TOU1, 1000 kW +)	155 (0.03%)	16.7%	9.7%	13.5%	$0.0966
Other (Ag & Lighting)	5,112 (0.86%)	1.3%	0.6%	1.2%	$0.1131
SMUD System Totals * 2010 Annual Report	597,097	10,284,810 MWh	3,299 MW	$1,196,349,000	$0.1194

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Smart Pricing Options®
Pricing Pilot Sample

Rate	Option	Technology	Participants	Postponed Enrollment Oct 1, 2012	Control Group
Time-Of-Use	Opt-In	No	942	942	942
		Yes	1,570	1,570	1,570
	Opt-Out	Yes	992		37,682
Critical Peak Pricing	Opt-In	No	150		
		Yes	1,131		20,998
	Opt-Out	Yes	345		16,928
Time-Of-Use with Critical Peak Pricing	Opt-Out	Yes	300		
	Total Participants		**5,430**	**2,512**	**78,120**

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California Municipal Rate Group Rate Restructure

Utility	(a) Increase Fixed Costs		(b) Mandatory or Optional TOU		(c) Pilots to Test TOU/CPP/SP		(d) NM, EV and Low Income		(e) Other Innovative Rate Design	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Pasadena	x		x		x		x			
City of Colton	x			x		x	x			x
Alameda	x			x		x	x		x	
Anaheim		x		x		x	x			x
Redding	x		x			x	x			x
Palo Alto		x			x		x			x
Modesto ID	x		x			x	x			
Lodi		x		x		x	x			x
Roseville		x		x		x				
Glendale	x		x		x		x			x
Azusa		x		x		x	x			x
Turlock ID		x		x		x	x			Maybe
Merced ID	x		x		x		x		x	
Port of Oakland		x	x			x	x			x
SMUD	x		x		x		x		x	
Counts	8	7	7	7	5	10	14	0	3	8

- About half of CMRG respondents are or will consider increases in fixed cost and address TOU rate options.
- Only about one third of CMRG respondents may consider pilots rates, and only a few are considering innovative rate options at this time.

Source: CMRG survey dated 02/27/12

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