

STATE SENATE INFORMATIONAL HEARING

OVERVIEW & STATUS OF THE

RENEWABLES PORTFOLIO STANDARD

Tuesday, February 1, 2011

9:30 AM

State Capitol, Room 3191

Testimony

Of

James R. Shetler, Assistant General Manager, Energy Supply

Sacramento Municipal Utility District

- Good morning Mr. Chairman and members of the Committee
- My name is James Shetler – Assistant General Manager, Energy Supply, SMUD
- I'm pleased to be here to represent SMUD and to update the Committee on SMUD's RPS program. I'd also like to welcome the new members of the Committee which may also be new SMUD customers. As you tackle energy issues in the coming months, we hope you'll see SMUD as a valuable resource.
- SMUD is 2nd largest POU in CA and the 6th largest in the USA. We are starting our 65th year in serving ~600,000 customers in a 900 sq. mi. territory in the Sacramento region.
- First, I'd like to announce that SMUD is proud that we have met **and exceeded** both the State's and SMUD's RPS goal of 20% renewable energy supply for 2010. Combined with our green pricing program called Greenergy, our energy portfolio generated over 24% of our retail sales with eligible renewable energy supply in 2010. This was accomplished with a renewable energy mix of ~53% out of state and ~47% in state resources. We are also on track to meet our Board's renewable goal of 33% by 2020.
- As a POU we are focused on delivering the promise of value to the end use consumer – our customer-owners
- Our customer-owners have repeatedly told us this promise means delivering electricity that is reliable, affordable, and doing so as a good environmental steward
- We accomplish this through a traditional business model of a vertically integrated utility with firm, physical access to resources that we either own or through bilateral contracts. Our ability to implement local solutions also allows us creativity in meeting this promise.
- Feedback we have heard from our customer-owners tells us we are delivering on that promise (J D Powers results:)

- According to the Commercial J.D. Power 2010 study we were ranked #1 in the region and #1 in the state for power quality and reliability
- We are one of the lowest cost utilities in CA
- We are viewed as a leader in delivering electricity solutions in an environmentally friendly manner
- Our environmental leadership is further verified by our goal to reduce GhG emissions to 10% of 1990 level by 2050, supported by our substantial efforts to promote renewable energy:
 - SMUD was one of the first utilities in CA to adopt an RPS (in 2001, one year before the state mandate)
 - Not only do we have an RPS program but we also promote renewable energy through our voluntary customer green pricing program called Greenergy which has been in existence since 1997
 - SMUD early on determined that its renewable energy supply would meet all CEC eligibility requirements for the RPS and Center for Resource Solutions Green-E eligibility requirements for our Greenergy program.
 - Since 2002, SMUD has grown its RPS from ~4-5% to exceeding 20% in 2010.
 - The handout I have provided shows that we are also well on our way to meeting the SMUD Board's established RPS goal of 33% by 2020. Combined with Greenergy, this will mean 37% of our retail sales will come from renewable resources in 2020.
- We also recognize the need to grow renewable energy locally, and have a very aggressive DG renewable program that includes:
 - 100 MW Feed-in-Tariff (fully subscribed in ~1 week from posting)
 - Local biomass waste-to-energy programs (diary digesters; food/grease waste)
 - SB-1 customer solar roof top program
 - Solar Shares Program
 - Solar Highways Initiative

- However, in meeting these ambitious goals, we cannot forget the other parts of the customer promise: reliability and affordability
- Reliability is a critical goal of SMUD. SMUD is a member and provides management support to the Balancing Authority of Northern California (BANC) which includes transmission from the Oregon border to central California. Our operations all meet stringent NERC and FERC reliability standards. Our transmission accesses generation sources primarily to the north of Sacramento, so that is where we naturally seek renewable energy supplies coordinating with the Northwest Power Pool to assure reliable operations. We also are on the cutting edge of new technology by implementing the Smart Grid to speed communications, data and control throughout our system of generation, transmission, distribution and end use consumers.
- With the economic decline in California, Affordability of electricity has significantly more importance today. Sacramento has been hard hit by the recession and is still at 12.6% unemployment compared to the State's rate of 12.3% and the nation at 9.6%. SMUD's Energy Assistance Program Rate (EAPR) and other low income subsidies have soared from \$12 million in 2005 to a projected \$38 million in 2010. While SMUD is committed to a sustainable path of future increased renewable goals, renewable energy projects come at a premium in price. We also are committed to minimizing rate shock to our customer-owners. We have managed the impacts from renewable energy through proactively seeking competitive bids for renewable resources that provide diversity in location and resource mix.
- We support the concept of flexible compliance provisions in the RPS statute, recognizing that new energy projects come in bunches and often have delays, so utilities have to buy more than needed to assure goals are met. Since SMUD has taken early action to meet the State's RPS goals, it is a high priority for us to wisely use excess renewable generation for future years. Retroactive changes to the RPS carryover rules can cost SMUD ratepayers tens of millions of dollars. We also would like to see a robust market for renewable energy supplies for California that assures

competition in both pricing and diversity of resource mix. A must for minimizing impacts to the consumers are consistent eligibility rules that do not penalize early action or leave resources stranded with substantial costs imposed on end use customers.

- We believe that SMUD has been very successful at meeting both the state's and the SMUD Board's renewable energy goals in a way that keeps our promise to our customer-owners.
- Thank you for the opportunity to share SMUD's story and I look forward to answering any questions you might have.