

**DOCKETED**

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*Comment Received From: Steve Uhler*  
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## **BSTD-19-08 Net Metering, retail sales, renewable energy credits and local taxes**

BSTD-19-08 Net Metering, retail sales, renewable energy credits and local taxes

10-115 (a) 3. B. says, the energy savings benefits allocated to the building shall be in the form of utility energy reduction credits that will result in virtual reductions in the building's energy consumption that is subject to energy bill payments. A sale is the exchange of a commodity for money. When a building's energy consumption that is not subject to energy bill payments, there is no retail sale.

Renewables Portfolio Standard (RPS) and Renewable Energy Credits (REC) are based on retail sales. Net metering where the building's owner takes all of the renewable energy produced, does not produce a RPS eligible RECs. Under PUC 399.30. (c) (4), Kilowatthours that are not retail sales can't be excluded from retail sales because they are not included in retail sales.

Local taxes, such as Sacramento City utility tax is 7.5% (5% 2.5%) on fixed charges and energy charges.

Sacramento City tax code

3.32.050 Electricity user tax.

A. There is imposed a tax upon every person in the city, other than an electrical corporation or a public agency rendering electric utility service, or a gas corporation using electrical energy in the city. The tax imposed by this section shall be at the rate of five percent of the charges made for such energy, including minimum charges for service, and shall be paid by the person paying for such energy.

B. As used in this section, the words "using electrical energy" shall not be construed to mean the storage of such energy by a person in a battery, owned or possessed by him or her for use in an automobile or other machinery or device apart from the premises upon which the energy was received, provided, however, that the term shall include the receiving of such energy for the purpose of using it in the charging of batteries, nor shall the term be construed to mean the receiving of such energy by an electrical corporation or a governmental agency at a point within the city for resale to service users, or the use of such energy in the production or distribution of water by a water corporation or a governmental agency.

C. The tax imposed in this section shall be collected from the service user by the person supplying such electrical energy. The amount of tax collected in one month shall be remitted to the city collector on or before the last day of the following month. (Prior code suzy 41.06.053)

### 3.32.060 Additional electricity user tax.

In addition to the tax imposed by Section 3.32.050 of this chapter, there is imposed a tax upon every person in the city, other than an electrical corporation or a public agency rendering electric utility service, or a gas corporation using electrical energy in the city. The tax imposed by this section shall be at the rate of two and one-half percent of the charges made for such energy, including minimum charges for service, and shall be paid by the person paying for such energy. The provisions of this chapter, including subsections B and C of Section 3.32.050 of this chapter shall apply to the additional tax imposed by this section. (Prior code suzy 41.06.053-1)

See

[http://www.qcode.us/codes/sacramento/view.php?topic=3-3\\_32-3\\_32\\_050&frames=on](http://www.qcode.us/codes/sacramento/view.php?topic=3-3_32-3_32_050&frames=on)  
and

[http://www.qcode.us/codes/sacramento/view.php?topic=3-3\\_32-3\\_32\\_060&frames=on](http://www.qcode.us/codes/sacramento/view.php?topic=3-3_32-3_32_060&frames=on)

Attached is a letter from SMUD staff to a Sacramento City Council member.

In the letter, SMUD staff failed to address that fixed charges are taxed at 7.5% regardless of any credits and energy must be transferred from the utility user to the utility at a point within the city to avoid being taxed.

In my case, SolarShares power plant was outside of the city limits and the taxes on the SMUD bill did not cover the fixed charges alone.

Please consider the effort required to ensure the city gets all taxes due and the home buyers are able to dispute and appeal any complaints with SMUD.

Steve Uhler  
sau@wwmpd.com

*Additional submitted attachment is included below.*



August 22, 2014  
L&RA 14-043

Maria Alvarez, District Director  
Office of Councilmember Kevin McCarty  
City Hall  
915 I Street  
Sacramento, CA 95814

Dear Ms. Alvarez,

Thank you for your email inquiry regarding our customer and your constituent, Steven Uhler. Although SMUD is not able to provide specific customer information to third parties, I can provide you with general information on how taxes are calculated for customers who live in the City as well as information on our SolarShares<sup>®</sup> program.

SMUD believes clean environmentally-friendly solar energy should be available and affordable for everyone, but putting a solar system on their roof is not always an option. SMUD's SolarShares<sup>®</sup> gives everyone the opportunity to benefit from the sun's power whether a customer rents or own their home. And, SolarShares<sup>®</sup> is 100% local with the solar farm located in our service area, providing local environmental benefits.

When a customer joins SolarShares<sup>®</sup>, a portion of the solar power produced at a local solar farm will be credited to their monthly SMUD bill. The customer gets the benefit of solar energy without having to install solar panels on their home. Their monthly bills will be offset by a credit for the solar electricity they get each month. That reduces the amount they would otherwise pay for non-solar power, after the cost of their program participation is deducted. Participation costs generally run between \$5 and \$65 a month, depending on their typical energy use and the size SolarShare that they choose.

Mr. Uhler appears to be claiming that SMUD is not properly collecting Sacramento's Utility Users Tax from its SolarShares<sup>®</sup> customers. As explained below, SMUD is collecting the City's Utility User Tax in accordance with the City Code.

As you know, the City Code imposes a Utility Users Tax upon every person or business "using electrical energy" in the city. The City Code further requires that SMUD collect City taxes at the rate of 7.50% of the charges made for such energy, including minimum service charges. Taxes on SMUD bills are automatically calculated based on the local jurisdiction where a customer lives. As such, our customers (including any SolarShares<sup>®</sup> customers) who live in Sacramento are



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being charged the standard City tax rate of 7.50% of the monthly energy charges, including any minimum service charges. The physical location of the generation used to serve the SolarShares® customers has no bearing on the amount of Utility Users Taxes that the customer pays. For purposes of assessing the Utility Users Tax, the only relevant consideration is whether a customer is using electrical energy in the City and the monthly charges for such energy, including any applicable minimum service charges.

It is worth noting that we worked with the City's Finance Department last year to ensure that we were calculating the taxes for our SolarShares® customers correctly.

I hope that you find this information regarding SMUD's tax calculations and SolarShares® program useful. Please let us know if you have any additional questions about the manner in which we collect the City's Utility Users Tax for our SolarShares® customers.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Johns", written in a cursive style.

Steve Johns  
Local Government Relations Manager

cc: Corporate Files