

Exhibit to Agenda Item #2

Approve an increase to the aggregate contract not-to-exceed amount for distribution substation transformers by \$6 million, from \$32.4 million to \$38.4 million, for Contract No. 4600001232 with Pennsylvania Transformer Technology, Inc. and Contract No. 4600001382 with Siemens Energy, Inc.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Wednesday, June 14, 2023, immediately following the Energy Resources &
Customer Services Committee Meeting and Special SMUD Board of Directors
Meeting scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium

Distribution substation transformers



Distribution substation transformers

- Two sources for distribution substation transformers
- Agreements were established in 2019
- Pennsylvania Transformer, manufacturing in Raeford, NC
- Siemens Energy, manufacturing in Tenjo, Colombia
- There is no SEED availability in the category

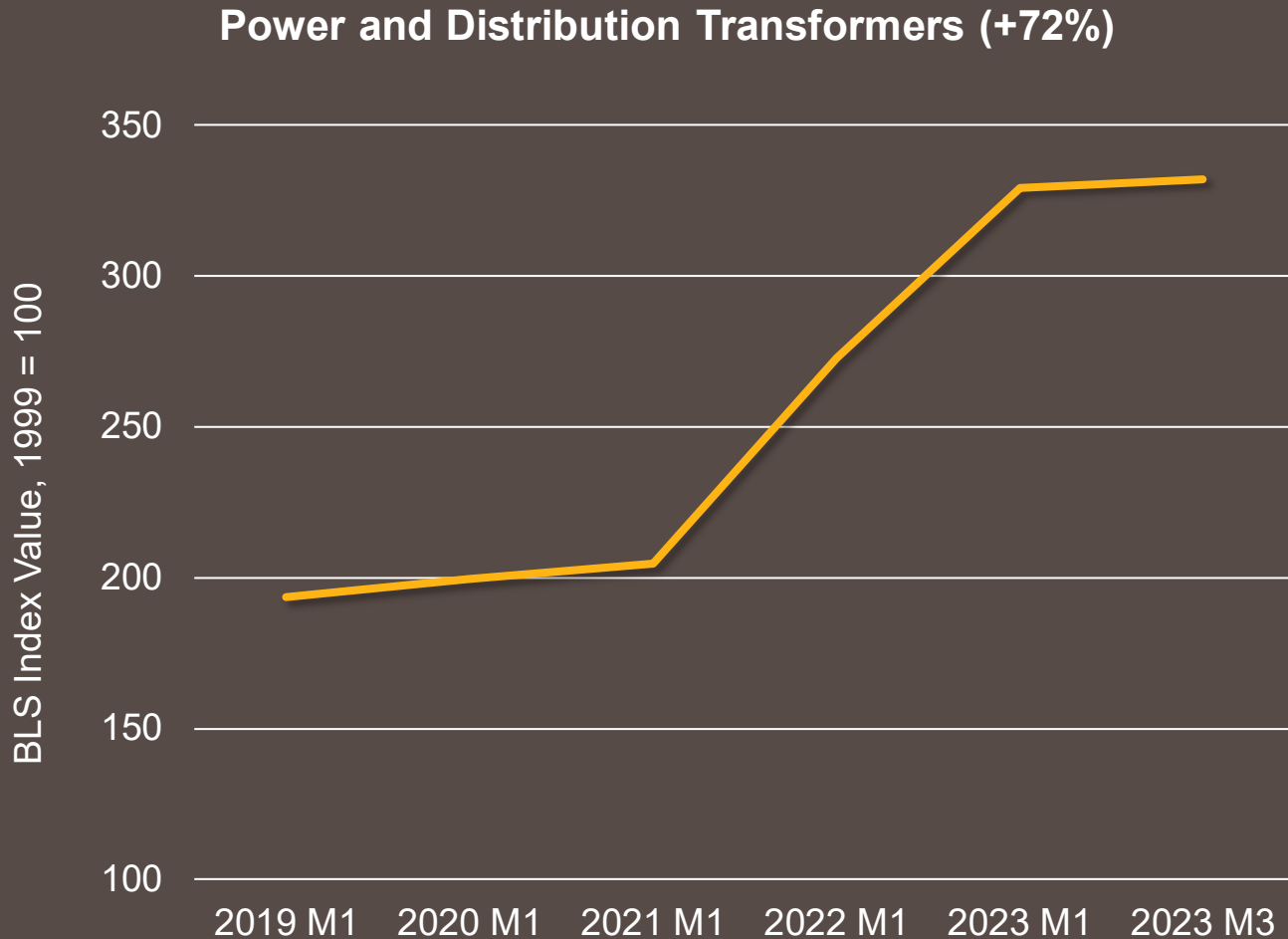
SIEMENS



Reasons for contract change

- Unanticipated cost increases based on market factors that have far exceeded the original forecast for this contract when put in place during 2019.
- Due to current +80-week lead time (increasing) for distribution substation transformers, SMUD needs to order additional transformers now to ensure on time delivery for planned construction.

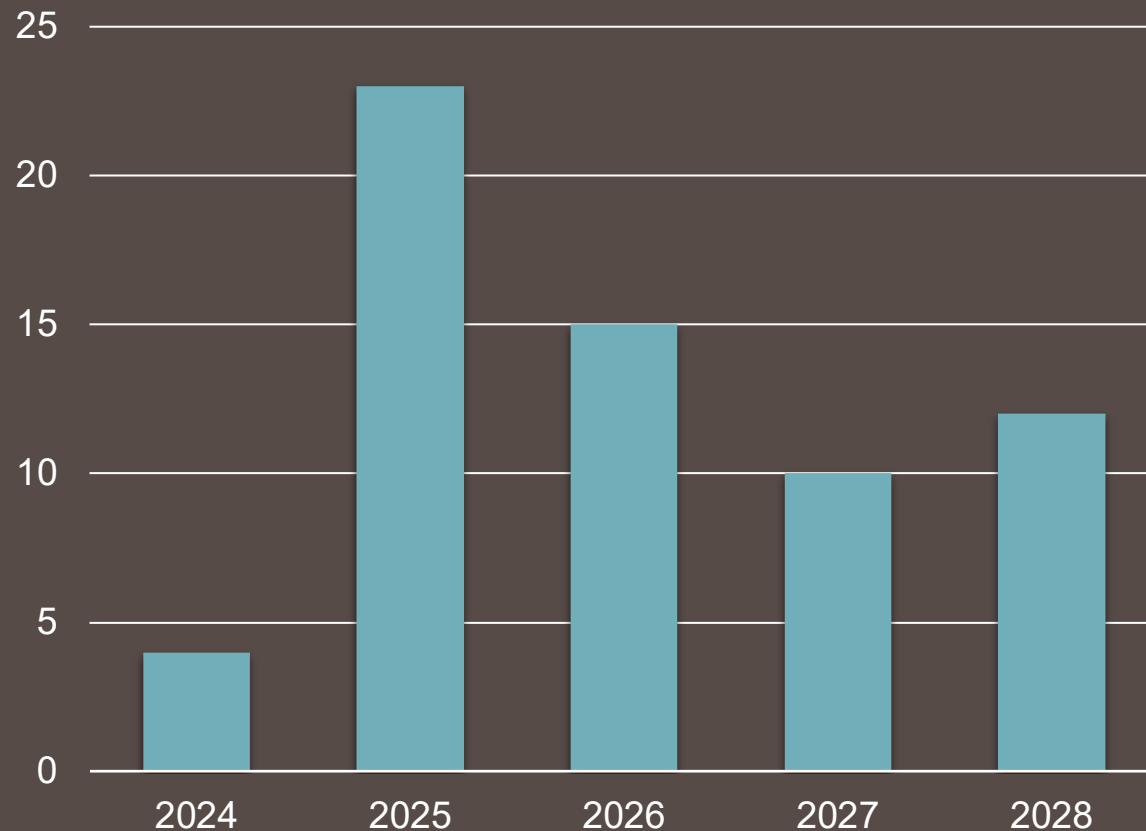
Cost pressure



- Cost pressures driven by commodities, labor, and demand increases through this period
- From the start of 2019 our unit prices have increased by 72%
- The power and distribution transformer cost index has increased by 72% in the same time period because the contract rates escalations are governed by the index

5-year plan

Transformer unit forecast



- 5-year plan forecasts a need for 60-70 transformer units through 2028
- Substation development is planned to support residential expansion, economic growth in the region, replacing end of life assets, and to support electrification
- Staff is soliciting new contracts and anticipates those to be in place by the end of 2023