

Exhibit to Agenda Item #11

Authorize the Chief Executive Officer and General Manager to approve the inclusion of **SMUD's** disclosure information (Appendix A) in the **Preliminary Official Statement** pursuant to the commodity prepay transaction with **Northern California Energy Authority (NCEA)** as the bond issuer, and execute the **Commodity Supply Agreement** and any other related documents necessary to facilitate this transaction.

Board of Directors Meeting

Thursday, March 21, 2024, scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium

What is a Prepay?

- 2003 IRS Regulations allow for tax-exempt debt to be issued for the prepayment of natural gas/electricity to serve load
- Commodity supply agreement where buyer commits to purchase the commodity over a term, receiving a discount to the market price
- Cost of funding is lower than supplier would otherwise receive borrowing from taxable market or from using internal funding at their cost of capital
- Bond investor risk is tied to supplier and corporate guarantor (not SMUD) to make debt service payments and redeem bonds if termination events occur or bankruptcy

Commodity Prepay Summary

- In 2018 Bonds were issued the Northern California Energy Authority (NCEA), to prepay for a 30-year supply of commodities
 - \$0.48/dekatherm discount = \$3 million annual commodity savings from 2019-2023
- The 2018 prepay bonds require repricing by July 2024
 - NCEA plans to issue up to \$800 million of similar bonds this spring for a 6-year term that optimizes the savings that SMUD receives
- Current pricing indicates SMUD will save \$3+ million annually on commodity costs from a \$0.50-0.55/dekatherm discount

Prepay Flexibility

Flexibility to support SMUD's Zero Carbon Plan

- Allows for a switch to renewables or biogas to align with resource plans or adapt to new technologies or regulatory changes
- Natural Gas is currently needed to support reliability and new technologies such as Carbon Capture and Sequestration (CCS)
- Reduces operating costs to help SMUD reach zero carbon by 2030
- Contractual provisions protect SMUD savings

Questions?

