

Board Policy Committee Meeting and Special SMUD Board of Directors Meeting

Date: Wednesday, June 12, 2024

Time: Scheduled to begin at 6:00 p.m.

Location: SMUD Headquarters Building, Auditorium
6201 S Street, Sacramento, CA

Powering forward. Together.



AGENDA

BOARD POLICY COMMITTEE MEETING

AND SPECIAL SMUD BOARD OF DIRECTORS MEETING

Wednesday, June 12, 2024
SMUD Headquarters Building, Auditorium
6201 S Street, Sacramento, California
Scheduled to begin at 6:00 p.m.

Remote Telephonic Locations:

Millennium Hilton New York
One UN Plaza
New York, NY 10017

The Ritz-Carlton, Lake Tahoe
13031 Ritz Carlton Highlands Court
Truckee, CA 96161

This Committee meeting is noticed as a joint meeting with the Board of Directors for the purpose of compliance with the Brown Act. In order to preserve the function of the Committee as advisory to the Board, members of the Board may attend and participate in the discussions, but no Board action will be taken. The Policy Committee will review, discuss and provide the Committee's recommendation on the following:

Virtual Viewing or Attendance:

Live video streams (view-only) and indexed archives of meetings are available at:
http://smud.granicus.com/ViewPublisher.php?view_id=16

Zoom Webinar Link: [Join Board Policy Committee Meeting Here](#)

Webinar/Meeting ID: 161 918 1469

Passcode: 394520

Phone Dial-in Number: 1-669-254-5252 or 1-833-568-8864 (Toll Free)

Verbal Public Comment:

Members of the public may provide verbal public comment by:

- Completing a sign-up form at the table outside of the meeting room and giving it to SMUD Security.
- Using the "Raise Hand" feature in Zoom (or pressing *9 while dialed into the telephone/toll-free number) during the meeting at the time public comment is called. Microphones will be enabled for virtual or telephonic attendees when the commenter's name is announced.

Written Public Comment:

Members of the public may provide written public comment on a specific agenda item or on items not on the agenda (general public comment) by submitting comments via email to PublicComment@smud.org or by mailing or bringing physical copies to the meeting. Email is not monitored during the meeting. Comments will not be read into the record but will be provided to the Board and placed into the record of the meeting if received within two hours after the meeting ends.

DISCUSSION ITEMS

1. Katarina Miletijev Discuss the monitoring report for **Strategic Direction SD-4, Reliability**.
Presentation: 20 minutes
Discussion: 10 minutes

2. Eric Douglas
LEADING RESOURCES, INC. Discuss proposed revisions to:
 - a. **Board-Staff Linkage BL-1, Board-CEO Relationship;**
 - b. **Board-Staff Linkage BL-5, Unity of Control;** and
 - c. **Board-Staff Linkage BL-6, Evaluating the CEO's Performance.**Presentation: 10 minutes
Discussion: 5 minutes

3. Laura Lewis Discuss potential revisions to **Governance Process GP-15, Board Travel and Training Reimbursement**.
Presentation: 1 minute
Discussion: 5 minutes

4. Jillian Rich
 - a. Enterprise Risk Management Update.
 - b. Discuss potential revisions to the **Energy Risk Management and Energy Trading Standards**.Presentation: 10 minutes
Discussion: 5 minutes

5. Dave Tamayo Board Monitoring: **Board-Staff Linkage BL-6, Evaluating the CEO's Performance; Board-Staff Linkage BL-7, Delegation to the CEO; and Board-Staff Linkage BL-8, Delegation to the CEO with Respect to Procurement**.
Presentation: 5 minutes
Discussion: 5 minutes

INFORMATIONAL ITEMS

6. Rosanna Herber Board Work Plan.
Presentation: 2 minutes
Discussion: 3 minutes

7. Public Comment

8. Dave Tamayo Summary of Committee Direction.
Discussion: 1 minute

Members of the public shall have up to three (3) minutes to provide public comment on items on the agenda or items not on the agenda, but within the jurisdiction of SMUD. The total time allotted to any individual speaker shall not exceed nine (9) minutes.

Members of the public wishing to inspect public documents related to agenda items may click on the Information Packet link for this meeting on the smud.org website or may call 1-916-732-7143 to arrange for inspection of the documents at the SMUD Headquarters Building, 6201 S Street, Sacramento, California.

ADA Accessibility Procedures: Upon request, SMUD will generally provide appropriate aids and services leading to effective communication for qualified persons with disabilities so that they can participate equally in this meeting. If you need a reasonable auxiliary aid or service for effective communication to participate, please email Toni.Stelling@smud.org, or contact by phone at 1-916-732-7143, no later than 48 hours before this meeting.

SSS No. DP&O 24-002

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date Policy - June 12, 2024
Board Meeting Date June 20, 2024

TO	TO
1. Claire Rogers	6.
2. Frankie McDermott	7.
3. Brandy Bolden	8.
4. Farres Everly	9. Legal
5. Suresh Kotha	10. CEO & General Manager

Consent Calendar	<input checked="" type="checkbox"/>	Yes		No <i>If no, schedule a dry run presentation.</i>	Budgeted	<input checked="" type="checkbox"/>	Yes		No <i>(If no, explain in Cost/Budgeted section.)</i>
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FROM (IPR) Katarina Miletijev	DEPARTMENT Distribution Planning & Operations	MAIL STOP EA502	EXT. 6235	DATE SENT 5/17/24
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NARRATIVE:

Requested Action: Accept the monitoring report for **Strategic Direction SD-4, Reliability.**

Summary: The purpose of this report is to provide the Board with an update on SD-4, Reliability for the year 2023. The information in the monitoring report can be used by the Board to determine if any policies or metrics need to be changed or further developed.

Board Policy: *(Number & Title)* Strategic Direction SD-4, Reliability. The information in the monitoring report will provide a summary of system reliability, availability, and related activities for 2023.

Benefits: Allows the Board of Directors and Executive staff a better understanding of the Board Policies and gives them an opportunity to make revisions if necessary.

Cost/Budgeted: Contained in internal labor budget.

Alternatives: Provide the Board written report and communications through the CEO & General Manager.

Affected Parties: Power Generation, Transmission Planning & Operations

Coordination: Power Generation, Transmission Planning & Operations

Presenter: Katarina Miletijev, Interim Director, Distribution Planning & Operations

Additional Links:

SUBJECT SD-4, Reliability Board Monitoring Report	ITEM NO. <i>(FOR LEGAL USE ONLY)</i>
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ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

OFFICE MEMORANDUM

TO: Board of Directors

DATE: May 23, 2024

FROM: Claire Rogers *CR 5/23/24*

**SUBJECT: Audit Report No. 28007745
Board Monitoring Report; SD-4: Reliability**

Internal Audit Services (IAS) received the SD-4 *Reliability* 2023 Annual Board Monitoring Report and performed the following:

- Selected a sample of statements and assertions in the report for review.
- Interviewed report contributors and verified the methodology used to prepare the statements in our sample.
- Validated the reasonableness of the statements in our sample based on the data or other support provided to us.

During the review, nothing came to IAS' attention that would suggest the items sampled within the SD Board Monitoring report did not fairly represent the source data available at the time of the review.

CC:

Paul Lau

Board Monitoring Report 2023

SD-4 Reliability



1) Background

Strategic Direction SD-4 Reliability states that:

Meeting customer energy requirements is a core value of SMUD.

Therefore:

- a) SMUD will assure all customer energy requirements are met. This will be accomplished through the use of: (i) its generation resources and purchase power portfolio 100 percent of the time; and (ii) its transmission assets to assure an overall availability of at least 99.99 percent.

- b) SMUD will achieve distribution system reliability by:

Limiting the average frequency of outage per customer per year to:

With major event: 0.99 – 1.33
Excluding major event: 0.85 – 1.14

Limiting the average duration of outages per customer per year to:

With major event: 67.5 – 93.3 minutes
Excluding major event: 49.7 – 68.7 minutes

Ensuring that no individual circuits exceed these targets for more than two consecutive years. For circuits that exceed these targets for two consecutive years, a remedial action plan will be issued and completed within eighteen months.

- c) SMUD will maintain the electric system in good repair and make the necessary upgrades to maintain load serving capability and meet regulatory standards.

2) Executive summary

Improving reliability is essential to meeting customer energy requirements and drives customer loyalty.

SMUD was in compliance for both generation and transmission availability. SMUD met all energy supply requirements 100% of the time through its generation resources and purchased power. At a peak load of 3,092 megawatts (MW) (which occurred on

August 16), 53% of the generation was provided by internal resources and 47% was provided by purchased power. The transmission availability was at 100% for the year.

SMUD was in compliance for System Average Interruption Frequency Index (SAIFI) (excluding major events). Reliability targets were exceeded for System Average Interruption Duration Index (SAIDI) excluding major events (75.6 minutes), as well as SAIFI (1.42) and SAIDI (318.2 minutes) including major events. The 2023 distribution system reliability performance is summarized in Table 1 below.

Table 1: 2023 Distribution System Reliability Performance

	Including Major Events		Excluding Major Events	
	SD-4 Limit	2023 Results	SD-4 Limit	2023 Results
SAIFI	1.33	1.42	1.14	1.01
SAIDI (minutes)	93.3	318.2	68.7	75.6

Major events are defined as events caused by earthquake, fire, or storms of sufficient intensity which result in a state of emergency being declared by the government. Absent the declaration of a state of emergency, any other natural disaster may be excluded only if it affects more than 15% of the system facilities or 10% of the customers, whichever is less.

There are 763 distribution circuits of which 98.7%, or 753 circuits, met the SD-4 reliability criteria. Twenty projects (primarily cable replacement) were issued to improve reliability, of which eleven have been completed. The remaining nine projects are on schedule to be completed within the eighteen-month requirement. These projects include cable replacement, avian mitigation, tripsaver installations and other work.

3) Additional supporting information

Generation

Hydro Generation Facilities

The availability rate for SMUD’s hydro generation system in 2023 was 86.41% and for the June 1st through September 30th period, hydro generation availability was 88.11%. SMUD’s Upper American River Project (UARP) hydro system generated 2,375 gigawatt hours (GWh). The budgeted generation was 1,635 GWh.

The lower hydro availability rate was due to an unscheduled outage at Camino resulting from a transformer failure (T1). This outage began in June and extended through the end of the year. The failed transformer was replaced in March 2024.

Gas Pipeline Operations

SMUD's gas pipeline had a 100% availability rating in 2023 and provided a constant flow of gas to SMUD's thermal generation facilities. All necessary maintenance activities were successfully completed in accordance with our operations and maintenance plans and procedures.

Thermal Generation Facilities

The overall availability rate for SMUD's thermal generation facilities in 2023 was 80.83% and for the June 1st through September 30th period, thermal plant availability was 96.55%. SMUD's thermal generation facilities generated a net total of 4,442 GWh against the budgeted generation of 5,156 GWh.

Transmission and Distribution

SMUD has approximately 488 miles of transmission lines and 10,882 miles of distribution lines including 69 kilovolt (kV). Approximately 40% of the distribution lines are installed overhead and 60% are installed underground. The transmission system is predominately overhead except for 19 miles of underground lines located in the Carmichael and downtown areas.

Staff monitors circuit reliability regularly to assess circuits that could potentially exceed the reliability limits. Outage causes, trends, and reliability impacts are analyzed to identify corrective actions that will bring the reliability of these circuits within the acceptable range.

4) Challenges

On the evening of December 31, 2022, the first of nine atmospheric river storms hit northern California. The impact of these storms started in 2022 and carried over into 2023 causing significant damage to the grid, affecting approximately 264,000 customers, a SAIDI contribution of 242.6 minutes, and a SAIFI contribution of 0.41 in 2023. The unexpected storms brought over 60 miles per hour (mph) wind gusts, with 48 mph sustained winds, coupled with almost two inches of rain. With the ground saturated by heavy rains combined with high winds, over 1000¹ trees over several days were uprooted all over the Sacramento region with many trees falling onto SMUD's overhead lines. These types of tree related outages take longer to resolve since the trees must be removed from the tangled powerlines prior to the start of rebuilding the lines.

¹ <https://www.cpradio.org/articles/2023/01/12/why-did-so-many-trees-fall-in-sacramento-what-to-know-about-damage-to-citys-tree-canopy-amid-storms/#:~:text=%E2%80%9Cive%20been%20here%202022,fallen%20since%20New%20Years'%20Eve.>

Drivers for Reliability Performance

The main drivers for the distribution system performance excluding major events, along with the mitigation measures for each, are summarized below.

Non-Preventable Tree Outages

The leading cause of outages in 2023 was non-preventable tree outages. Overall, there was a 143% increase in the number of non-preventable tree outages, with a 609% increase in SAIDI minutes and a 285% increase in SAIFI, when comparing with 2022. This dramatic increase in non-preventable tree outages was caused by the numerous storm days in the first quarter of 2023 that did not qualify as major event days.

To further improve on the impact of non-preventable tree outages on the grid, SMUD's vegetation management department continues to be proactive in our maintenance activities. This will improve the reduction of non-preventable tree outages.

Equipment Failures

Equipment failures are associated with a wide variety of distribution line components, such as fuses, poles, wire hardware, broken connectors, broken jumpers, failed transformers, broken cutouts and more. Outages due to failed equipment continue to be evaluated to locate and address any systemic deficiencies.

Failed equipment was the second leading cause of outages in 2023. When compared to 2022, outages due to equipment failures increased by 17%, SAIDI minutes increased by 37% and SAIFI decreased by 12%. This decrease in SAIFI was caused by a reduction in the number of customers experiencing equipment related outages from 107,206 customers in 2022 to 95,915 customers in 2023.

Multiple inspection and maintenance programs are in place to identify and correct deficiencies before they result in failure. We have annual line patrols to detect obvious deficiencies. In addition, we perform detailed line inspections (DLI) every five years. During a DLI, the inspector examines every attachment on the pole and documents deficiencies found. The deficiencies are prioritized and repaired based upon pre-determined schedules.

Underground Cable Failures

In 2023, underground cable failures were the third leading driver to quantity of outage events. The number of outages due to cable failures decreased by 12% compared to 2022. Additionally, SAIDI and SAIFI values decreased by 1% and 7% respectively. Improved performance in this area is primarily driven by targeted selection of cables.

Furthermore, there has been a 15% reduction in number of single-phase circuit failures in 2023 compared to 2022, which has led to the reduction of overall cable outages. Additionally, cable injection work in 2024, will target 69kV circuits, which impact a large number of customers. Injection is expected to improve reliability of those lines for up to 25 additional years.

5) **Recommendation**

It is recommended that the Board accept the Monitoring Report for SD-4 Reliability.

6) **Appendices**

Appendix 1: Generation Supplementary Information

Hydro Generation Facilities

Major hydro generation maintenance and construction activities include:

- Ice House spillway chute wall drainage remediation project.
- Big Hill Emergency backup generator.
- Robb's Peak emergency generator and transfer switch.
- Loon Lake scroll case bleed valve replacement.
- Buck Island gate operator upgrade.
- White Rock penstock reconductoring.
- Camino 1 controls upgrade.
- Jaybird transformer temperature relay redesign.
- Robbs forebay hydraulic skid replacement.
- Camino transformers Transformer 1 & Transformer 2 Dissolved Gas Analysis/Bushing monitor installation.
- Loon Lake fire protection.
- Camino 1 Runner Repair.

Gas Pipeline Operations (GPO)

Capital improvements and major maintenance activities include:

- Clay Station Road Inspection Dig - Line 800C
- Franklin Blvd. Inspection Dig – Line 800C
- Quantitative Risk Assessment Model Contract Award
- Pipeline Hazardous Materials Safety Administration (PHMSA) Integrity Management Program Audit
- Performed In-Line Inspection (ILI) on Line 800C to check for pipe subsidence due to heavy rains and flooding event.
- Pipeline Corrosion Assessment

- Completed installation of wireless gateway transmitters for new Edge Remote Terminal Units (RTU) at (Winters Intertie, Main Line Valve 1, Main Line Valve 2).
- Replaced Valve 205 and Valve 805 Actuators
- Completed GPO station assessment report for low stress piping at Carson Ice and Campbell Soup Metering and Regulating Stations.

Thermal Generation Facilities

Major thermal generation maintenance and construction activities completed include:

- Carson Power Plant:
 - Started Seam Turbine major overhaul.
- Procter & Gamble Power Plant:
 - Completed chiller 1A replacement.
 - Completed Combustion Turbine Engine 185-117 Overhaul.
- Campbell Power Plant & McClellan Power Plant:
 - Completed Combustion Turbine Major overhaul.
 - Completed Carbon Dioxide (CO2) Fire Systems Upgrades.
 - Completed Steam Turbine & Combustion Turbine Generator Inspections.
- Cosumnes Power Plant:
 - Completed Steam Turbine Generator Stator Repair.
 - Completed Combustion Turbine #2 Major overhaul.
 - Completed Combustion Turbine #2 Generator Major Inspection.

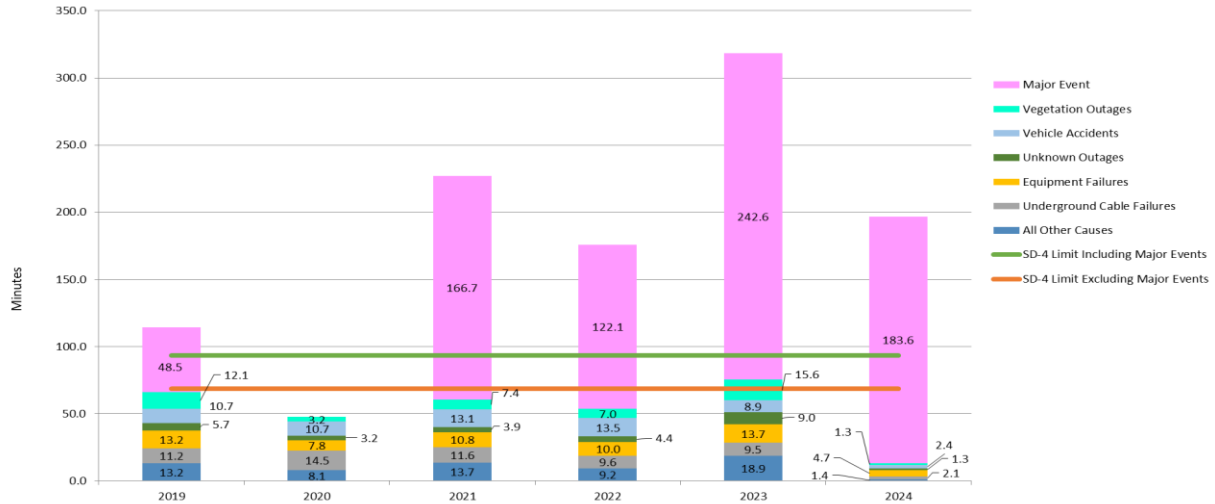
Appendix 2: Graphs

The graphs below provide a five-year comparison of the impacts of outage causes to the average frequency (SAIFI) and duration (SAIDI) of outages. 2024 SAIDI and SAIFI are year-to-date through Apr. 30, 2024.

Graph 1: Multi-Year Comparison System Average Frequency Index (SAIFI)



Graph 2: Multi-Year Comparison
System Average Duration Index (SAIDI)



Appendix 3: Reliability Comparison

Table 3 below provides a comparison between SMUD’s average distribution system performance compared to that of Pacific Gas and Electric’s (PG&E)’s distribution system. PG&E defines its distribution system as operating voltages less than 60kV and uses the Institute of Electrical and Electronics Engineers (IEEE) 1366 standards to define major event days, while SMUD includes the 69kV operating voltage as part of the distribution system and uses an alternate method to determine major event days. The information regarding PG&E’s system average performance was obtained from the 2022 reliability report posted on the California Public Utilities Commission (CPUC) website. PG&E’s 2023 Reliability Report is not posted on the CPUC website yet.

Table 3: Distribution System Reliability Comparison (excluding major events)

Year	SAIDI (minutes)		SAIFI	
	SMUD	PG&E	SMUD	PG&E
2019	66.0	103.1	1.04	0.88
2020	47.6	111.2	0.90	0.93
2021	60.4	160	1.04	1.03
2022	53.7	184.5	0.93	1.28
2023	75.6	N/A	1.01	N/A
Notes: 1. Listed SAIFI and SAIDI numbers are based on outages greater than 5 minutes (CPUC criteria).				

Appendix 4: Year-to-Date 2024 Reliability Update

Table 4: 2024 Year-to-Date Distribution System Reliability Performance

	Excluding Major Events			Including Major Events		
	SD-4 Limit	Jan.1 – Apr. 30, 2024	2024 Year End Projection	SD-4 Limit	Jan.1 – Apr. 30, 2024	2024 Year End Projection
SAIFI	1.14	0.21	0.81	1.33	0.90	1.65
SAIDI (minutes)	68.7	13.2	48.8	93.3	196.7	275.8

SMUD service territory was yet again hit hard by major rain and wind events in February causing year end projected SAIDI and SAIFI values to exceed SD-4 limits.

SSS No. LEG 2024-0078

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date Policy – 06/12/24
Board Meeting Date June 20, 2024

TO	TO
1. Farres Everly	6.
2. Brandy Bolden	7.
3. Suresh Kotha	8.
4.	9. Legal
5.	10. CEO & General Manager

Consent Calendar	<input checked="" type="checkbox"/>	Yes		No <i>If no, schedule a dry run presentation.</i>	Budgeted		Yes	<input checked="" type="checkbox"/>	No <i>(If no, explain in Cost/Budgeted section.)</i>
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FROM (IPR) Laura Lewis	DEPARTMENT Executive Office	MAIL STOP B308	EXT. 6123	DATE SENT 05/22/24
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NARRATIVE:

Requested Action: Approve proposed revisions to

- a. **Board-Staff Linkage BL-1, Board-CEO Relationship;**
- b. **Board-Staff Linkage BL-5, Unity of Control;** and
- c. **Board-Staff Linkage BL-6, Evaluating the CEO’s Performance.**

Summary: At the Board of Directors Workshop on March 26, 2024, Board Consultant Eric Douglas facilitated a review of multiple policies to identify potential revisions to existing language. Based on the review, potential revisions to BL-1, BL-5, and BL-6 are provided in redline and “clean” formats for the Board’s discussion and potential approval at the June Board meeting.

Board Policy: *(Number & Title)* Governance Process GP-3, Board Job Description – a) Produce and maintain written policies that ensure high quality of governance and clear roles in decision-making between Board and staff.

Benefits: Enables Board members to review, edit, and update language to keep policies current.

Cost/Budgeted: N/A

Alternatives: Maintain the existing policies; approve different revisions; table discussion for a later time.

Affected Parties: Board of Directors, Executive Office

Coordination: Board Consultant, Board Office, and Legal

Presenter: Eric Douglas, Board Consultant, Leading Resources, Inc.

Additional Links:

SUBJECT Proposed Revisions to BL-1, BL-5, and BL-6	ITEM NO. <i>(FOR LEGAL USE ONLY)</i>
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ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SMUD BOARD POLICY



Category: Board-Staff Linkage
Policy No.: BL-1
Title: Board-CEO Relationship

The Board of Directors governs the Sacramento Municipal Utility District and is the policy-making body of SMUD. The Board operates under the provisions of the Municipal Utility District Act of the State of California (the MUD Act) and all other applicable statutes and laws.

- a) The Board of Directors is responsible for the following:
 - i) Identify and define the purpose, values and vision of SMUD, along with the results that are acceptable and not acceptable for SMUD to achieve, and communicate them in the form of policy.
 - ii) Make certain operational decisions as are designated by law.
 - iii) Hire, evaluate, and terminate the Chief Executive Officer and General Manager (CEO).
 - iv) Serve as a conduit of community input to the CEO.

- b) The CEO is responsible for the following:
 - i) Manage all operations and business affairs of SMUD.
 - ii) Achieve the results established by the Board within the appropriate and ethical standards of business conduct set by the Board.
 - iii) Prepare and submit to the Board for approval each year a budget to achieve the Board's strategic directives.
 - iv) Enforce SMUD ordinances, administer the civil service system (including hiring and terminating of all officers and employees except the Chief Legal Officer and General Counsel and the Board Special Assistant), attend meetings of the Board and report on the general affairs of SMUD, and keep the Board advised as to the needs of SMUD.
 - v) Establish and enforce a code of ethics applicable to all employees, which provides clear guidelines for ethical standards and conduct.
 - vi) Implement and maintain an integrated enterprise risk management process that identifies, assesses, prudently manages and mitigates a variety of risks facing SMUD.
 - vii) Ensure the smooth continuous operation of SMUD in the event of the planned or unplanned absence of the CEO.

- viii) Interact with the public and other utilities and government agencies, pursuant to policies adopted by the Board. The CEO shall assure, in cooperation and consultation with the Board, that SMUD is appropriately represented in the community it serves.
- ix) Perform other responsibilities as may be delegated by the Board either by resolution or through the CEO's contract of employment.

DRAFT

Monitoring Method: Board Report

Frequency: Annual

Versioning:

December 19, 2002	Resolution No. 02-12-14	Date of Adoption.
October 16, 2003	Resolution No. 03-10-14	Date of Revision.
May 6, 2004	Resolution No. 04-05-05	Date of Revision.
December 6, 2007	Resolution No. 07-12-02	Date of Revision.
December 20, 2007	Resolution No. 07-12-13	Date of Revision.
October 16, 2008	Resolution No. 08-10-09	Date of Revision.
January 21, 2010	Resolution No. 10-01-07	Date of Revision.
February 18, 2010	Resolution No. 10-02-11	Date of Revision.
January 20, 2011	Resolution No. 11-01-09	Date of Revision.
July 16, 2015	Resolution No. 15-07-02	Date of Revision.
September 21, 2023	Resolution No. 23-09-02	Date of Revision. [Current Policy]
<u>June 20, 2024</u>	<u>Resolution No. 24-06-XX</u>	<u>Date of Revision. [Current Policy]</u>

SMUD BOARD POLICY



Category: Board-Staff Linkage
Policy No.: BL-1
Title: Board-CEO Relationship

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- a) The Board of Directors is responsible for the following:
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 - ii) Make certain operational decisions as are designated by law.
 - iii) Hire, evaluate, and terminate the Chief Executive Officer and General Manager (CEO).
 - iv) Serve as a conduit of community input to the CEO.
- b) The CEO is responsible for the following:
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 - iii) Prepare and submit to the Board for approval each year a budget to achieve the Board's strategic directives.
 - iv) Enforce SMUD ordinances, administer the civil service system (including hiring and terminating of all officers and employees except the Chief Legal Officer and General Counsel and the Board Special Assistant), attend meetings of the Board and report on the general affairs of SMUD, and keep the Board advised as to the needs of SMUD.
 - v) Establish and enforce a code of ethics applicable to all employees, which provides clear guidelines for ethical standards and conduct.
 - vi) Implement and maintain an integrated enterprise risk management process that identifies, assesses, prudently manages and mitigates a variety of risks facing SMUD.
 - vii) Ensure the smooth continuous operation of SMUD in the event of the planned or unplanned absence of the CEO.

- viii) Interact with the public and other utilities and government agencies, pursuant to policies adopted by the Board. The CEO shall assure, in cooperation and consultation with the Board, that SMUD is appropriately represented in the community it serves.
- ix) Perform other responsibilities as may be delegated by the Board either by resolution or through the CEO's contract of employment.

DRAFT

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Frequency: Annual

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October 16, 2003	Resolution No. 03-10-14	Date of Revision.
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December 20, 2007	Resolution No. 07-12-13	Date of Revision.
October 16, 2008	Resolution No. 08-10-09	Date of Revision.
January 21, 2010	Resolution No. 10-01-07	Date of Revision.
February 18, 2010	Resolution No. 10-02-11	Date of Revision.
January 20, 2011	Resolution No. 11-01-09	Date of Revision.
July 16, 2015	Resolution No. 15-07-02	Date of Revision.
September 21, 2023	Resolution No. 23-09-02	Date of Revision.
June 20, 2024	Resolution No. 24-06-XX	Date of Revision. [Current Policy]

SMUD BOARD POLICY



Category: Board-Staff Linkage
Policy No.: BL-5
Title: Unity of Control

Only decisions of the Board acting as a body are binding on the Chief Executive Officer and General Manager (CEO), the Chief Legal Officer and General Counsel, and the Internal Auditor.

Specifically, ~~in or out of the Board meeting:~~

- a) Decisions or instructions of individual Board members, officers, or committees are not binding on the CEO, Chief Legal Officer and General Counsel or Internal Auditor except in instances when the Board has specifically authorized such exercise of authority.
- b) In the case of Board members or committees requesting information or assistance without Board authorization, the CEO, Chief Legal Officer and General Counsel or Internal Auditor must refuse such requests that require, in their opinion, a material amount of staff time, or funds, ~~or are disruptive.~~
- c) Board members may communicate directly with SMUD employees or contractors. However, the Board as a body and the Board members will never give direction to persons who report directly or indirectly to the CEO, with the exception of the Chief Legal Officer and General Counsel, Internal Auditor and Special Assistant. If individual Board members are dissatisfied with the response they receive, they may seek a resolution by the Board.
- d) Board members may provide feedback about staff, but Board Members ~~members~~ will refrain from evaluating, either formally or informally, any staff.
- e) The Board as a body will refrain from evaluating, either formally or informally, any staff other than the CEO, the Chief Legal Officer and General Counsel, the Internal Auditor, and the Special Assistant.
- f) Board members will refrain from attending any staff meetings unless explicitly invited by the CEO, the Chief Legal Officer and General Counsel, or the Internal Auditor.

Monitoring Method: Board Report

Frequency: Annual

Versioning:

December 19, 2002	Resolution No. 02-12-14	Date of Adoption.
October 16, 2003	Resolution No. 03-10-14	Date of Revision.
June 15, 2006	Resolution No. 06-06-05	Date of Revision.
September 21, 2023	Resolution No. 23-09-02	Date of Revision. [Current Policy]
<u>June 20, 2024</u>	<u>Resolution No. 24-06-XX</u>	<u>Date of Revision. [Current Policy]</u>

SMUD BOARD POLICY



Category: Board-Staff Linkage
Policy No.: BL-5
Title: Unity of Control

Only decisions of the Board acting as a body are binding on the Chief Executive Officer and General Manager (CEO), the Chief Legal Officer and General Counsel, and the Internal Auditor.

Specifically:

- a) Decisions or instructions of individual Board members, officers, or committees are not binding on the CEO, Chief Legal Officer and General Counsel or Internal Auditor except in instances when the Board has specifically authorized such exercise of authority.
- b) In the case of Board members or committees requesting information or assistance without Board authorization, the CEO, Chief Legal Officer and General Counsel or Internal Auditor must refuse such requests that require, in their opinion, a material amount of staff time or funds.
- c) Board members may communicate directly with SMUD employees or contractors. However, the Board as a body and the Board members will never give direction to persons who report directly or indirectly to the CEO, with the exception of the Chief Legal Officer and General Counsel, Internal Auditor and Special Assistant. If individual Board members are dissatisfied with the response they receive, they may seek a resolution by the Board.
- d) Board members may provide feedback about staff, but Board members will refrain from evaluating, either formally or informally, any staff.
- e) The Board as a body will refrain from evaluating, either formally or informally, any staff other than the CEO, the Chief Legal Officer and General Counsel, the Internal Auditor, and the Special Assistant.
- f) Board members will refrain from attending any staff meetings unless explicitly invited by the CEO, the Chief Legal Officer and General Counsel, or the Internal Auditor.

Monitoring Method: Board Report

Frequency: Annual

Versioning:

December 19, 2002	Resolution No. 02-12-14	Date of Adoption.
October 16, 2003	Resolution No. 03-10-14	Date of Revision.
June 15, 2006	Resolution No. 06-06-05	Date of Revision.
September 21, 2023	Resolution No. 23-09-02	Date of Revision.
June 20, 2024	Resolution No. 24-06-XX	Date of Revision. [Current Policy]

SMUD BOARD POLICY



Category: Board-Staff Linkage
Policy No.: BL-6
Title: Evaluating the CEO's Performance

The CEO's job performance shall be evaluated by comparing the organization's results, operations and their personal performance to the policies established by the Board.

Specifically:

- a) The Board shall evaluate the CEO's performance on an annual basis in December. ~~In the same month, the CEO shall propose performance criteria for the following year that represent their reasonable interpretation of achieving the results defined by the Board.~~
- b) The evaluation will be based on a review of the organization's performance and the CEO's ~~personal~~ performance against the ~~performance criteria proposed under subsection a), as accepted by the Board~~ Board's Strategic Direction policies and Board-Staff Linkage policies.
- c) The Board will use data to determine the degree to which Board policies are being met.
- ~~d)~~ In the same month ~~December~~, the CEO shall ~~will~~ propose performance criteria for the following year that represent their reasonable interpretation of achieving the results defined by the Board.
- ~~d)e)~~ Additional performance discussions and check-ins with the CEO should occur at mid-year.
- ~~d)~~ ~~The Board will use data to determine the degree to which Board policies are being met.~~
- e)f) All policies that instruct the CEO shall be monitored at a frequency and by a method chosen by the Board.

Monitoring Method: Board Report

Frequency: Annual

Versioning:

December 19, 2002	Resolution No. 02-12-14	Date of Adoption.
October 16, 2003	Resolution No. 03-10-14	Date of Revision.
November 3, 2005	Resolution No. 05-11-03	Date of Revision.
December 18, 2008	Resolution No. 08-12-16	Date of Revision.
November 19, 2009	Resolution No. 09-11-07	Date of Revision.
December 10, 2020	Resolution No. 20-12-06	Date of Revision.
September 21, 2023	Resolution No. 23-09-02	Date of Revision. [Current Policy]
<u>June 20, 2024</u>	<u>Resolution No. 24-06-XX</u>	<u>Date of Revision. [Current Policy]</u>

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Specifically:

- a) The Board shall evaluate the CEO's performance on an annual basis in December.
- b) The evaluation will be based on a review of the organization's performance and the CEO's performance against the Board's Strategic Direction policies and Board-Staff Linkage policies.
- c) The Board will use data to determine the degree to which Board policies are being met.
- d) In December, the CEO will propose performance criteria for the following year that represent their reasonable interpretation of achieving the results defined by the Board.
- e) Additional performance discussions and check-ins with the CEO should occur at mid-year.
- f) All policies that instruct the CEO shall be monitored at a frequency and by a method chosen by the Board.

Monitoring Method: Board Report

Frequency: Annual

Versioning:

December 19, 2002	Resolution No. 02-12-14	Date of Adoption.
October 16, 2003	Resolution No. 03-10-14	Date of Revision.
November 3, 2005	Resolution No. 05-11-03	Date of Revision.
December 18, 2008	Resolution No. 08-12-16	Date of Revision.
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December 10, 2020	Resolution No. 20-12-06	Date of Revision.
September 21, 2023	Resolution No. 23-09-02	Date of Revision.
June 20, 2024	Resolution No. 24-06-XX	Date of Revision. [Current Policy]

SSS No. LEG 2024-0076

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date

Policy – 06/12/24

Board Meeting Date

June 20, 2024

TO		TO	
1.	Jose Bodipo-Memba	6.	
2.	Farres Everly	7.	
3.	Brandy Bolden	8.	
4.	Suresh Kotha	9.	Legal
5.		10.	CEO & General Manager

Consent Calendar	<input checked="" type="checkbox"/>	Yes		No <i>If no, schedule a dry run presentation.</i>	Budgeted		Yes	<input checked="" type="checkbox"/>	No <i>(If no, explain in Cost/Budgeted section.)</i>
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FROM (IPR) Laura Lewis	DEPARTMENT Executive Office	MAIL STOP B308	EXT. 6123	DATE SENT 05/21/24
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NARRATIVE:	
Requested Action:	Approve proposed revisions to Governance Process GP-15, Board Travel and Training Reimbursement.
Summary:	At the Policy Committee meeting of January 17, 2024, the Board requested staff to provide a recommendation on proposed policy revisions to Governance Process GP-15, Board Travel and Training Reimbursement to include payment of American Leadership Forum (ALF) dues as part of the annual training budget. Copies of the proposed revisions are attached in redline and “clean” format.
Board Policy: <i>(Number & Title)</i>	Governance Process GP-15, Board Travel and Training Reimbursement.
Benefits:	Enables Board members to review the policy in light of present-day factors.
Cost/Budgeted:	N/A
Alternatives:	Maintain the existing policy; approve a different revision.
Affected Parties:	Board Members
Coordination:	Executive Office, Board Office, People Services & Strategies, and Legal
Presenter:	Laura Lewis, Chief Legal & Government Affairs Officer and General Counsel

Additional Links:

SUBJECT Proposed Revisions to Governance Process GP-15, Board Travel and Training Reimbursement	ITEM NO. (FOR LEGAL USE ONLY)
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ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SMUD BOARD POLICY



Category: Governance Process
Policy No.: GP-15
Title: Board Travel and Training Reimbursement

Board members shall have the opportunity to attend conferences, meetings, training, and various activities that are appropriate to their work as Directors and provide value to SMUD.

As part of this policy:

- a) Each Board member shall have an annual budget for travel and training, which shall be adjusted annually for inflation based on the Travel Price Index (July-June) and rounded to the nearest hundred dollars. The training budget shall include funds for attendance at community functions and baseline dues for membership in the American Leadership Forum.
- b) The Board shall approve its travel and training budget as part of the annual budget process. Budgeted travel and training funds shall expire at the end of each calendar year with no rollover option.
- c) The Board travel and training budget shall be managed by the Special Assistant to the Board as part of the Board Office budget.
- d) Requests for travel, training and events in excess of \$1,000 shall be accompanied by a written justification of the benefits to SMUD and consistency with Board policy and submitted to the Board Special Assistant. Written travel and training justifications, along with a status report on the Board's travel and training budget and individual directors' expenditures, shall be distributed to all Board members monthly for the purposes of transparency and oversight.
- e) Board members shall submit all relevant travel and training receipts to Board Office staff within two weeks for reconciliation.
- f) Board members shall publicly report the results of their travel and training at a Board meeting.
- g) New Board members shall receive an orientation in the Board's travel and training policy.

Monitoring Method: Board Report

Frequency: Annual

Versioning:

November 13, 2008	Resolution No. 08-11-07	Date of Adoption. (Effective Date = January 1, 2009)
August 20, 2009	Resolution No. 09-08-15	Date of Revision.
October 6, 2011	Resolution No. 11-10-02	Date of Revision.
December 1, 2016	Resolution No. 16-12-03	Date of Revision.

September 21, 2023
February 15, 2024
June 20, 2024

Resolution No. 23-09-02
Resolution No. 24-02-04
Resolution No. 24-06-XX

Date of Revision.
Date of Revision. ~~[Current Policy]~~
Date of Revision. [Current Policy]

DRAFT

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Policy No.: GP-15
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- g) New Board members shall receive an orientation in the Board's travel and training policy.

Monitoring Method: Board Report

Frequency: Annual

Versioning:

November 13, 2008	Resolution No. 08-11-07	Date of Adoption. (Effective Date = January 1, 2009)
August 20, 2009	Resolution No. 09-08-15	Date of Revision.
October 6, 2011	Resolution No. 11-10-02	Date of Revision.
December 1, 2016	Resolution No. 16-12-03	Date of Revision.
September 21, 2023	Resolution No. 23-09-02	Date of Revision.
February 15, 2024	Resolution No. 24-02-04	Date of Revision.
June 20, 2024	Resolution No. 24-06-XX	Date of Revision. [Current Policy]

SSS No. CFO 24-008

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date Policy - 06/12/24
Board Meeting Date June 20, 2024

TO				TO				
1.	Jon Olson	6.	Suresh Kotha					
2.	Russell Mills	7.						
3.	Scott Martin	8.						
4.	Farres Everly	9.	Legal					
5.	Brandy Bolden	10.	CEO & General Manager					
Consent Calendar	<input type="checkbox"/> X	Yes	<input type="checkbox"/> Yes	No <i>If no, schedule a dry run presentation.</i>	Budgeted	<input type="checkbox"/> X	Yes	No <i>(If no, explain in Cost/Budgeted section.)</i>
FROM (IPR)	DEPARTMENT			MAIL STOP	EXT.	DATE SENT		
Jillian Rich	Enterprise Strategy & Risk			B205	n/a	5/22/2024		

NARRATIVE:

Requested Action: a) Enterprise Risk Management update.
b) Discuss proposed revisions to the Energy Risk Management and Energy Trading Standards.

Summary: Staff issued a memo in January 2024 outlining recent organizational changes to SMUD’s Enterprise Risk Management (ERM) program and committing to a Board update in June 2024.

The annual Monitoring Report for Strategic Direction SD-17, Enterprise Risk Management is generally presented at the Policy Committee meeting in November. Staff proposes changes to ERM Board reporting in response to industry trends and a recent maturity assessment led by Internal Audit Services. Part of the proposed changes include amendments to the Energy Risk Management and Energy Trading Standards under Board-Staff Linkage BL-12, Delegation to the CEO with Respect to Transactions Involving Transmission and Wholesale Energy, Fuel, and Environmental Attributes, to align and coordinate commodity risk reporting with overall enterprise risk reporting.

Board Policy: *(Number & Title)* Board-Staff Linkage BL-12, Delegation to the CEO with Respect to Transactions Involving Transmission and Wholesale Energy, Fuel, and Environmental Attributes; Governance Process GP-3, Board Job Description – a) Produce and maintain written policies that ensure high quality of governance and clear roles in decision-making between Board and staff.

Benefits: Provides the Board the opportunity to give input on SMUD’s Enterprise Risk Management program and reporting mechanisms.

Cost/Budgeted: N/A

Alternatives: Do not make the proposed revision to Energy Risk Management and Energy Trading Standards, meaning that enterprise risk and commodity risk would continue to be reported separately.

Affected Parties: Board Office, Legal, Commodity Risk Management, Enterprise Strategy & Risk

Coordination: Board Office, Legal, Commodity Risk Management, Enterprise Strategy & Risk

Presenter: Jillian Rich, Manager, Enterprise Strategy & Risk

Additional Links:

SUBJECT Enterprise Risk Management Update and Energy Trading Standards Proposed Revisions	ITEM NO. (FOR LEGAL USE ONLY)
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ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

ENERGY RISK MANAGEMENT AND ENERGY TRADING STANDARDS SACRAMENTO MUNICIPAL UTILITY DISTRICT

PURPOSE

The wholesale energy markets are exposed to numerous risks including, but not limited to, market price risk, supply risk, credit risk and regulatory risk. The purpose of the Energy Risk Management and Energy Trading Standards (the “Standards”) is to establish protocols for prudent risk mitigation and management.

SCOPE

The Standards apply to:

- The operation of SMUD-owned or controlled generation, transmission, natural gas and other fuel reserves and pipeline assets;
- Contracts for and related to the purchase and sale of wholesale electricity, electric capacity and storage, natural gas and clean and emissions-free fuel, and environmental products;
- Contracts for and related to transmission, natural gas and clean or emissions-free fuel transportation, and storage; and
- Contracts for and related to financially hedging or mitigating risks associated with wholesale electricity, electric capacity and natural gas and other fuel prices, supplies and markets.

PRIORITIES

The Chief Executive Officer/General Manager (CEO/GM) implement the Standards in accordance with Board policies and with the following priorities, listed in order of importance:

Priority 1. Manage resource mix to comply with Board Strategic Direction (SD-4) Reliability.

Priority 2. Minimize net commodity energy purchase costs while operating within the targets established in Board Strategic Direction (SD-3) Access to Credit Markets.

Priority 3. Optimize SMUD-owned or controlled assets, including but not limited to, generation, transmission, fuel reserves, pipeline assets, fuel storage and contract resources to create additional value for SMUD and its customers, while complying with Board policies and all applicable laws and regulations.

Priority 4. Provide our customers and community with a sustainable power supply in accordance with Board Strategic Direction (SD-9) Resource Planning.

DIVERSIFICATION AND PORTFOLIO MIX

SMUD will maintain a diverse portfolio of generation, transmission, fuel-related assets and contracts to reasonably mitigate risk and to support its clean energy goals. Risks associated with wholesale contracts will be mitigated through diversified terms and conditions, contract periods and durations, delivery points, counter-parties, and product types.

PORTFOLIO RISK MANAGEMENT PROCEDURES

The CEO/GM will develop and maintain written procedures to implement the Standards and will ensure that appropriate internal controls and limits are in place to ensure compliance with Board policies, the Standards and applicable laws and regulations. Consistent with Board policies and the Standards, the CEO/GM will analyze and implement risk mitigation measures, as appropriate. For illustrative purposes, examples of identified risks and risk mitigation tools are as follows:

<u>Risks</u>	<u>Risk Description</u>	<u>Risk Identification/Mitigation Tools</u>
Market Price Risk	The risk that the absolute price of a given commodity (power, gas) will fluctuate, thereby exposing the District to potential financial losses.	<ul style="list-style-type: none"> • Market and volatility analysis • Forward price curve development • Net position and financial exposure analysis • Mark-to-market analysis • Net income-at-risk analysis • Diversification of product purchases • Dollar-average over time by programmatic purchases
Weather/Volumetric Risk	The potential adverse economic impact of anticipated changes in supply and/or demand. For example, the risk of having less than average generation from SMUD’s hydro project due to a drier than normal year, or less than anticipated retail sales due to a cooler than normal summer.	<ul style="list-style-type: none"> • Frequent snow surveys • Runoff forecast update • Diversification of volumetric hedging programs • Temperature vs. load analysis • Frequent hydro spill risk assessment • Maintain Hydro Stabilization Fund • Diversification of product purchases

<u>Risks</u>	<u>Risk Description</u>	<u>Risk Identification/Mitigation Tools</u>
Credit/Counter-party Risk	The potential financial loss resulting from a counter-party's failure to honor its obligations, including the obligation to settle on a timely basis. For example, a bankrupt counter-party may force SMUD to cover the contracted obligation from the market at a higher price than originally contracted.	<ul style="list-style-type: none"> • Credit Analysis • Credit Limits • Minimum rating levels • Diversification of counter-parties • Guarantees and financial assurances • Netting Agreements
Supply/Delivery Risk	The risk of loss due to non-delivery of power and/or fuel; which could decrease SMUD's system reliability and/or increase financial exposure.	<ul style="list-style-type: none"> • Diversification of delivery points • Retain delivery point flexibility/optionality when practicable • Transmission and pipeline capacity outage duration risk analysis • Natural gas and other fuel storage
Unplanned Outage Risk	The risk of under-supply due to unexpected plant outages, which may increase SMUD's system reliability and/or financial exposure.	<ul style="list-style-type: none"> • Historical plant performance risk analysis • Plant Outage Insurance • Planning and Operating Reserve Analysis • 24-hour trading desk to balance system needs on real-time basis

<u>Risks</u>	<u>Risk Description</u>	<u>Risk Identification/Mitigation Tools</u>
Operational/Human Risk	The risk of human error or fraud, or the risk that the system of controls will fail to adequately record, monitor, and account for transactions or positions.	<ul style="list-style-type: none"> • Develop written trading rules and limits • Establish procedures and standards • Establish system of controls for transaction approval, scheduling and payment • Minimize manual hand-off and multiple input of transaction information • Standardize software applications as appropriate • Implement cross-functional training • Implement structured area expertise training • Conduct periodic audits
Regulatory Risk	Market structure and operational risks associated with shifting state and federal regulatory policies, rules and regulations.	<ul style="list-style-type: none"> • Analysis of regulatory, regional and industry trends • Participation in regulatory forums
Extreme Event Risk	The potential financial risk and or reliability risk created by extreme events such as the 2000-2001 energy crisis and the summer 2020 western heat wave.	<ul style="list-style-type: none"> • Portfolio stress testing • Scenario/sensitivity analysis • Maintain Rate Stabilization Fund
Legislative Risk	Risks associated with actions by international, federal and state legislative bodies.	<ul style="list-style-type: none"> • Legislative analysis and monitor industry wide initiatives • Advocacy of issues consistent with Board established policies.

PROHIBITED TRANSACTIONS

SMUD will not engage in the following prohibited transactions:

- Any transaction that is not related to serving load and/or reducing financial exposure;
- Sale of any **uncovered** financial “Put” and/or “Call” options on electric energy, gas, electric transmission or gas pipeline capacity;
- Sale of any other **uncovered** Financial Options;
- Unless adequate credit support is provided, transactions with any counter-party of: (i) longer than one year in duration, with a credit rating less than investment grade; or (ii) one year or less in duration, with a credit rating less than the Standard and Poors equivalent of BB, except for the following transactions with counter-parties having a credit rating equivalent to Standard and Poors B: (a) purchases which are within the next seven days; and (b) sales which are within the current calendar month that do not present at anytime, payment risk to SMUD (i.e., no associated receivable after exercising netting rights which apply offsetting purchases; this transaction restriction does not apply to sales of ancillary services to the California Independent System Operator;
- Any deceptive transactions, including but not limited to transactions that: (i) are intended to manipulate the market; (ii) circumvent market rules; (iii) manipulate market prices; or (iv) inflate volumes traded or available in any region or market; or
- Any transactions prohibited by federal and/or state laws and regulations.

AUTHORIZED TRANSACTIONS

Any transaction or contract entered into by the CEO/GM that is consistent with the Standards and the Delegation of Authority will be deemed authorized and approved by the Board at the time of execution by the CEO/GM or his/her designee.

DELEGATION OF AUTHORITY

Consistent with the Board policies and the Standards, the CEO/GM or his/her designee is delegated the following authority:

Section 1. Transactional Authority. To negotiate and execute on behalf of SMUD the types of contracts and transactions listed below, provided that: (i) such agreement(s) do not have a term greater than three (3) years, as measured from the commencement of performance by either party (e.g., the first date of delivery of

electricity, transmission capacity, fuel, or pipeline capacity); (ii) the commencement of performance is no longer than three (3) years from the date of execution; and (iii) the prices paid under such agreements are at or below prevailing market rates for similar products at the time the contract is made.

- * Purchases, sales and exchanges of electricity, electric capacity and storage, natural gas and clean and emissions-free fuel commodity.
- * Purchases and sales of transmission capacity.
- * Purchase and sales of ancillary services including, but not limited to, spinning reserve, non-spinning reserve, and regulation.
- * Purchase of put and/or call options for electricity and natural gas commodity.
- * Purchase and sale of natural gas and other fuel pipeline capacity.
- * Purchase and sale of natural gas and other fuel storage capacity.
- * Sales of covered call and put options.
- * Purchase and sale of Renewable Energy Credits evidencing the renewable attribute associated with Renewable Energy.
- * Contracts for financial fixed-for-floating or floating-for-fixed price swaps, options and other financially settled energy derivative transactions for purposes of hedging and/or mitigating the price risk of: (i) an underlying physical position in electricity, natural gas or other energy used for the production of District electricity matching a retail load obligation; or (ii) embedded in the pricing formula of a Power Purchase and Sale Agreement; or (iii) for purposes of hedging against the potential financial impact of unpredictable weather conditions, such as heat storms in the District's service territory and/or below average precipitation in the District's Upper American River Project.
- * Purchases and sale of carbon allowances, offsets, and other GHG related products, including both physical and financial transactions.
- * Purchase and sale of low carbon fuel standard credits.

Section 2. Long-term Fuel and Power Transactional Authority. To negotiate and execute on behalf of SMUD long-term natural gas, clean and emissions-free fuel, and power supply agreements to purchase discounted tax-exempt fuel and power subject to the following parameters: (i) total purchases from all suppliers shall not exceed 80,000 average dekatherms per day for fuel and 500,000 MWh annually for power; (ii) supplier diversification under this authority shall be maintained by requiring no single supplier

provides more than 30,000 average dekatherms per day for fuel or 200,000 MWh annually for power; (iii) contract durations shall not exceed thirty years; (iv) prices paid to suppliers must have expected market discounts at least 75 percent as great as otherwise achievable from a SMUD-sponsored pre-paid transaction; and (v) suppliers must have a proven track record in successfully executing similar transactions.

Section 3. Ancillary Services Transactional Authority. Notwithstanding the credit support restrictions set forth in “Prohibited Transactions,” to make sales of ancillary services to the California Independent System Operator.

Section 4. Enabling Agreement Authority. To negotiate and execute on behalf of SMUD enabling agreements, irrespective of term, including but not limited to the agreements sponsored by the Western Systems Power Pool (“WSPP”), Edison Electric Institute (“EII”), North America Energy Standards Board (“NAESB”), Gas Industry Standards Board (“GISB”), International Swap Dealers Association (“ISDA”) and other prevailing industry form agreements for purposes of facilitating the negotiation of future transactions specified in Section 1, above. An Enabling Agreement does not commit SMUD to any specific transaction; rather it is an agreement setting forth standard terms and conditions (other than terms and conditions for transaction specific agreements, such as, price, quantity, term and delivery point), which will apply to future transactions entered into under the respective Enabling Agreement. All transactions entered into under any Enabling Agreement will be subject to the limits set forth in Section 1, above.

Section 5. Tariff Related Agreement Authority. To negotiate and execute on behalf of SMUD transmission, facilities, distribution, generator and scheduling agreements, irrespective of term, pursuant to approved tariffs.

Section 6. Transmission Planning Agreement Authority. To negotiate and execute on behalf of SMUD agreements intended to facilitate regional transmission planning, irrespective of term; provided the agreement does not commit SMUD to the development, support for or funding of any particular transmission project or projects.

Section 7. GHG Market-Based Compliance Program Related Authority. To transact in, and to negotiate and execute on behalf of SMUD all agreements necessary to participate in, the auctions administered by the California Air Resources Board or successor entity as part of California’s greenhouse gas market-based compliance program.

Section 8. Advance Funding Authority. To negotiate and execute on behalf of SMUD revisions to Exhibit C of the Agreement for the Funding of Operation and Maintenance for the Central Valley Project Power Facilities for the purposes of establishing SMUD’s advance funding contribution to the Western Area Power Administration (Western) in an amount no greater than the estimated annual power deliveries from Western.

Section 9. Purchase, Sale, or Exchange of Air Emission Reduction Credits (ERCs). To negotiate and execute on behalf of SMUD agreements for the:

- i) Purchase of ERCs (a) that are needed or anticipated to be needed for SMUD operations; (b) that are priced at or below fair market value and (c) that do not exceed \$10 million.
- ii) Sale of ERCs that are (a) are surplus to SMUD's actual or anticipated needs; (b) are for use within the SMUD service territory; (c) are priced at or above fair market value; and (d) do not exceed \$100,000.
- iii) Exchange of ERCs that (a) provide present or future operational flexibility; (b) are of equal or superior quality and value; and (c) do not exceed a fair market value of \$100,000.

REPORTING

The CEO/GM will report to the Board of Directors as follows:

Annually - Submit a five (5) year commodity budget forecast report.

| **QuarterlyMonthly** - Submit a report to include: (i) a current year commodity budget update; and
(ii) a current and next year commodity financial exposure update.

| **QuarterlyMonthly** – Report on any new multi-year contracts entered into under the Delegation of Authority for wholesale energy, fuel and environmental attribute transactions and contracts.

ENERGY RISK MANAGEMENT AND ENERGY TRADING STANDARDS SACRAMENTO MUNICIPAL UTILITY DISTRICT

PURPOSE

The wholesale energy markets are exposed to numerous risks including, but not limited to, market price risk, supply risk, credit risk and regulatory risk. The purpose of the Energy Risk Management and Energy Trading Standards (the “Standards”) is to establish protocols for prudent risk mitigation and management.

SCOPE

The Standards apply to:

- The operation of SMUD-owned or controlled generation, transmission, natural gas and other fuel reserves and pipeline assets;
- Contracts for and related to the purchase and sale of wholesale electricity, electric capacity and storage, natural gas and clean and emissions-free fuel, and environmental products;
- Contracts for and related to transmission, natural gas and clean or emissions-free fuel transportation, and storage; and
- Contracts for and related to financially hedging or mitigating risks associated with wholesale electricity, electric capacity and natural gas and other fuel prices, supplies and markets.

PRIORITIES

The Chief Executive Officer/General Manager (CEO/GM) implement the Standards in accordance with Board policies and with the following priorities, listed in order of importance:

Priority 1. Manage resource mix to comply with Board Strategic Direction (SD-4) Reliability.

Priority 2. Minimize net commodity energy purchase costs while operating within the targets established in Board Strategic Direction (SD-3) Access to Credit Markets.

Priority 3. Optimize SMUD-owned or controlled assets, including but not limited to, generation, transmission, fuel reserves, pipeline assets, fuel storage and contract resources to create additional value for SMUD and its customers, while complying with Board policies and all applicable laws and regulations.

Priority 4. Provide our customers and community with a sustainable power supply in accordance with Board Strategic Direction (SD-9) Resource Planning.

DIVERSIFICATION AND PORTFOLIO MIX

SMUD will maintain a diverse portfolio of generation, transmission, fuel-related assets and contracts to reasonably mitigate risk and to support its clean energy goals. Risks associated with wholesale contracts will be mitigated through diversified terms and conditions, contract periods and durations, delivery points, counter-parties, and product types.

PORTFOLIO RISK MANAGEMENT PROCEDURES

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<u>Risks</u>	<u>Risk Description</u>	<u>Risk Identification/Mitigation Tools</u>
Market Price Risk	The risk that the absolute price of a given commodity (power, gas) will fluctuate, thereby exposing the District to potential financial losses.	<ul style="list-style-type: none"> • Market and volatility analysis • Forward price curve development • Net position and financial exposure analysis • Mark-to-market analysis • Net income-at-risk analysis • Diversification of product purchases • Dollar-average over time by programmatic purchases
Weather/Volumetric Risk	The potential adverse economic impact of anticipated changes in supply and/or demand. For example, the risk of having less than average generation from SMUD’s hydro project due to a drier than normal year, or less than anticipated retail sales due to a cooler than normal summer.	<ul style="list-style-type: none"> • Frequent snow surveys • Runoff forecast update • Diversification of volumetric hedging programs • Temperature vs. load analysis • Frequent hydro spill risk assessment • Maintain Hydro Stabilization Fund • Diversification of product purchases

<u>Risks</u>	<u>Risk Description</u>	<u>Risk Identification/Mitigation Tools</u>
Credit/Counter-party Risk	The potential financial loss resulting from a counter-party's failure to honor its obligations, including the obligation to settle on a timely basis. For example, a bankrupt counter-party may force SMUD to cover the contracted obligation from the market at a higher price than originally contracted.	<ul style="list-style-type: none"> • Credit Analysis • Credit Limits • Minimum rating levels • Diversification of counter-parties • Guarantees and financial assurances • Netting Agreements
Supply/Delivery Risk	The risk of loss due to non-delivery of power and/or fuel; which could decrease SMUD's system reliability and/or increase financial exposure.	<ul style="list-style-type: none"> • Diversification of delivery points • Retain delivery point flexibility/optionality when practicable • Transmission and pipeline capacity outage duration risk analysis • Natural gas and other fuel storage
Unplanned Outage Risk	The risk of under-supply due to unexpected plant outages, which may increase SMUD's system reliability and/or financial exposure.	<ul style="list-style-type: none"> • Historical plant performance risk analysis • Plant Outage Insurance • Planning and Operating Reserve Analysis • 24-hour trading desk to balance system needs on real-time basis

<u>Risks</u>	<u>Risk Description</u>	<u>Risk Identification/Mitigation Tools</u>
Operational/Human Risk	The risk of human error or fraud, or the risk that the system of controls will fail to adequately record, monitor, and account for transactions or positions.	<ul style="list-style-type: none"> • Develop written trading rules and limits • Establish procedures and standards • Establish system of controls for transaction approval, scheduling and payment • Minimize manual hand-off and multiple input of transaction information • Standardize software applications as appropriate • Implement cross-functional training • Implement structured area expertise training • Conduct periodic audits
Regulatory Risk	Market structure and operational risks associated with shifting state and federal regulatory policies, rules and regulations.	<ul style="list-style-type: none"> • Analysis of regulatory, regional and industry trends • Participation in regulatory forums
Extreme Event Risk	The potential financial risk and or reliability risk created by extreme events such as the 2000-2001 energy crisis and the summer 2020 western heat wave.	<ul style="list-style-type: none"> • Portfolio stress testing • Scenario/sensitivity analysis • Maintain Rate Stabilization Fund
Legislative Risk	Risks associated with actions by international, federal and state legislative bodies.	<ul style="list-style-type: none"> • Legislative analysis and monitor industry wide initiatives • Advocacy of issues consistent with Board established policies.

PROHIBITED TRANSACTIONS

SMUD will not engage in the following prohibited transactions:

- Any transaction that is not related to serving load and/or reducing financial exposure;
- Sale of any **uncovered** financial “Put” and/or “Call” options on electric energy, gas, electric transmission or gas pipeline capacity;
- Sale of any other **uncovered** Financial Options;
- Unless adequate credit support is provided, transactions with any counter-party of: (i) longer than one year in duration, with a credit rating less than investment grade; or (ii) one year or less in duration, with a credit rating less than the Standard and Poors equivalent of BB, except for the following transactions with counter-parties having a credit rating equivalent to Standard and Poors B: (a) purchases which are within the next seven days; and (b) sales which are within the current calendar month that do not present at anytime, payment risk to SMUD (i.e., no associated receivable after exercising netting rights which apply offsetting purchases; this transaction restriction does not apply to sales of ancillary services to the California Independent System Operator;
- Any deceptive transactions, including but not limited to transactions that: (i) are intended to manipulate the market; (ii) circumvent market rules; (iii) manipulate market prices; or (iv) inflate volumes traded or available in any region or market; or
- Any transactions prohibited by federal and/or state laws and regulations.

AUTHORIZED TRANSACTIONS

Any transaction or contract entered into by the CEO/GM that is consistent with the Standards and the Delegation of Authority will be deemed authorized and approved by the Board at the time of execution by the CEO/GM or his/her designee.

DELEGATION OF AUTHORITY

Consistent with the Board policies and the Standards, the CEO/GM or his/her designee is delegated the following authority:

Section 1. Transactional Authority. To negotiate and execute on behalf of SMUD the types of contracts and transactions listed below, provided that: (i) such agreement(s) do not have a term greater than three (3) years, as measured from the commencement of performance by either party (e.g., the first date of delivery of

electricity, transmission capacity, fuel, or pipeline capacity); (ii) the commencement of performance is no longer than three (3) years from the date of execution; and (iii) the prices paid under such agreements are at or below prevailing market rates for similar products at the time the contract is made.

- * Purchases, sales and exchanges of electricity, electric capacity and storage, natural gas and clean and emissions-free fuel commodity.
- * Purchases and sales of transmission capacity.
- * Purchase and sales of ancillary services including, but not limited to, spinning reserve, non-spinning reserve, and regulation.
- * Purchase of put and/or call options for electricity and natural gas commodity.
- * Purchase and sale of natural gas and other fuel pipeline capacity.
- * Purchase and sale of natural gas and other fuel storage capacity.
- * Sales of covered call and put options.
- * Purchase and sale of Renewable Energy Credits evidencing the renewable attribute associated with Renewable Energy.
- * Contracts for financial fixed-for-floating or floating-for-fixed price swaps, options and other financially settled energy derivative transactions for purposes of hedging and/or mitigating the price risk of: (i) an underlying physical position in electricity, natural gas or other energy used for the production of District electricity matching a retail load obligation; or (ii) embedded in the pricing formula of a Power Purchase and Sale Agreement; or (iii) for purposes of hedging against the potential financial impact of unpredictable weather conditions, such as heat storms in the District's service territory and/or below average precipitation in the District's Upper American River Project.
- * Purchases and sale of carbon allowances, offsets, and other GHG related products, including both physical and financial transactions.
- * Purchase and sale of low carbon fuel standard credits.

Section 2. Long-term Fuel and Power Transactional Authority. To negotiate and execute on behalf of SMUD long-term natural gas, clean and emissions-free fuel, and power supply agreements to purchase discounted tax-exempt fuel and power subject to the following parameters: (i) total purchases from all suppliers shall not exceed 80,000 average dekatherms per day for fuel and 500,000 MWh annually for power; (ii) supplier diversification under this authority shall be maintained by requiring no single supplier

provides more than 30,000 average dekatherms per day for fuel or 200,000 MWh annually for power; (iii) contract durations shall not exceed thirty years; (iv) prices paid to suppliers must have expected market discounts at least 75 percent as great as otherwise achievable from a SMUD-sponsored pre-paid transaction; and (v) suppliers must have a proven track record in successfully executing similar transactions.

Section 3. Ancillary Services Transactional Authority. Notwithstanding the credit support restrictions set forth in “Prohibited Transactions,” to make sales of ancillary services to the California Independent System Operator.

Section 4. Enabling Agreement Authority. To negotiate and execute on behalf of SMUD enabling agreements, irrespective of term, including but not limited to the agreements sponsored by the Western Systems Power Pool (“WSPP”), Edison Electric Institute (“EII”), North America Energy Standards Board (“NAESB”), Gas Industry Standards Board (“GISB”), International Swap Dealers Association (“ISDA”) and other prevailing industry form agreements for purposes of facilitating the negotiation of future transactions specified in Section 1, above. An Enabling Agreement does not commit SMUD to any specific transaction; rather it is an agreement setting forth standard terms and conditions (other than terms and conditions for transaction specific agreements, such as, price, quantity, term and delivery point), which will apply to future transactions entered into under the respective Enabling Agreement. All transactions entered into under any Enabling Agreement will be subject to the limits set forth in Section 1, above.

Section 5. Tariff Related Agreement Authority. To negotiate and execute on behalf of SMUD transmission, facilities, distribution, generator and scheduling agreements, irrespective of term, pursuant to approved tariffs.

Section 6. Transmission Planning Agreement Authority. To negotiate and execute on behalf of SMUD agreements intended to facilitate regional transmission planning, irrespective of term; provided the agreement does not commit SMUD to the development, support for or funding of any particular transmission project or projects.

Section 7. GHG Market-Based Compliance Program Related Authority. To transact in, and to negotiate and execute on behalf of SMUD all agreements necessary to participate in, the auctions administered by the California Air Resources Board or successor entity as part of California’s greenhouse gas market-based compliance program.

Section 8. Advance Funding Authority. To negotiate and execute on behalf of SMUD revisions to Exhibit C of the Agreement for the Funding of Operation and Maintenance for the Central Valley Project Power Facilities for the purposes of establishing SMUD’s advance funding contribution to the Western Area Power Administration (Western) in an amount no greater than the estimated annual power deliveries from Western.

Section 9. Purchase, Sale, or Exchange of Air Emission Reduction Credits (ERCs). To negotiate and execute on behalf of SMUD agreements for the:

- i) Purchase of ERCs (a) that are needed or anticipated to be needed for SMUD operations; (b) that are priced at or below fair market value and (c) that do not exceed \$10 million.
- ii) Sale of ERCs that are (a) are surplus to SMUD's actual or anticipated needs; (b) are for use within the SMUD service territory; (c) are priced at or above fair market value; and (d) do not exceed \$100,000.
- iii) Exchange of ERCs that (a) provide present or future operational flexibility; (b) are of equal or superior quality and value; and (c) do not exceed a fair market value of \$100,000.

REPORTING

The CEO/GM will report to the Board of Directors as follows:

Annually - Submit a five (5) year commodity budget forecast report.

Quarterly - Submit a report to include: (i) a current year commodity budget update; and (ii) a current and next year commodity financial exposure update.

Quarterly – Report on any new multi-year contracts entered into under the Delegation of Authority for wholesale energy, fuel and environmental attribute transactions and contracts.

SSS No. BOD 2024-013

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date Policy – June 12, 2024
Board Meeting Date N/A

TO	TO
1. Scott Martin	6.
2. Suresh Kotha	7.
3. Brandy Bolden	8.
4. Farres Everly	9. Legal
5.	10. CEO & General Manager

Consent Calendar		Yes	<input checked="" type="checkbox"/>	No <i>If no, schedule a dry run presentation.</i>	Budgeted	<input checked="" type="checkbox"/>	Yes	No <i>(If no, explain in Cost/Budgeted section.)</i>
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FROM (IPR) Dave Tamayo / Crystal Henderson	DEPARTMENT Board Office	MAIL STOP B307	EXT. 6155	DATE SENT 05/21/24
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NARRATIVE:

Requested Action: Allow the Board of Directors an opportunity to monitor existing policies: Board-Staff Linkage BL-6, Evaluating the CEO’s Performance; Board-Staff Linkage BL-7, Delegation to the CEO; and Board-Staff Linkage BL-8, Delegation to the CEO with Respect to Procurement.

Summary: A schedule to monitor Board policies was agreed upon by the Policy Monitoring Ad Hoc Committee. Monitoring established policies creates a better understanding of the policies and gives the Board an opportunity to make corrections, additions, or changes, if necessary.

Board Policy: *(Number & Title)* This monitoring supports Governance Process GP-2, Governance Focus, which states that “[t]he Board will direct, evaluate and inspire the organization through the establishment of written policies reflecting the Board’s values.”

Benefits: Monitoring policies helps ensure the policies are current and in keeping with the current will of the Board.

Cost/Budgeted: Included in budget.

Alternatives: Not review these policies at this time.

Affected Parties: Board of Directors

Coordination: Crystal Henderson, Special Assistant to the Board of Directors

Presenter: Dave Tamayo, Policy Chair

Additional Links:

SUBJECT Board Monitoring of BL-6, BL-7, and BL-8	ITEM NO. <i>(FOR LEGAL USE ONLY)</i>
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ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SMUD BOARD POLICY



Category: Board-Staff Linkage
Policy No.: BL-6
Title: Evaluating the CEO's Performance

The CEO's job performance shall be evaluated by comparing the organization's results, operations and their personal performance to the policies established by the Board.

Specifically:

- a) The Board shall evaluate the CEO's performance on an annual basis in December. In the same month, the CEO shall propose performance criteria for the following year that represent their reasonable interpretation of achieving the results defined by the Board.
- b) The evaluation will be based on a review of the organization's performance and the CEO's personal performance against the performance criteria proposed under subsection a), as accepted by the Board.
- c) Additional performance discussions and check-ins with the CEO should occur at mid-year.
- d) The Board will use data to determine the degree to which Board policies are being met.
- e) All policies that instruct the CEO shall be monitored at a frequency and by a method chosen by the Board.

Monitoring Method: Board Report

Frequency: Annual

Versioning:

December 19, 2002	Resolution No. 02-12-14	Date of Adoption.
October 16, 2003	Resolution No. 03-10-14	Date of Revision.
November 3, 2005	Resolution No. 05-11-03	Date of Revision.
December 18, 2008	Resolution No. 08-12-16	Date of Revision.
November 19, 2009	Resolution No. 09-11-07	Date of Revision.
December 10, 2020	Resolution No. 20-12-06	Date of Revision.
September 21, 2023	Resolution No. 23-09-02	Date of Revision. [Current Policy]

SMUD BOARD POLICY



Category: Board-Staff Linkage
Policy No.: BL-7
Title: Delegation to the CEO

The Board will instruct the Chief Executive Officer and General Manager (CEO) through written policies that define the results that the organization is to achieve, and which describe the delegation of authority to the CEO.

Specifically:

- a) The Board shall identify and define those results or conditions of SMUD that are acceptable and not acceptable to the Board and communicate them in the form of policy.
- b) The Board shall develop policies that define the delegation to the CEO with regard to the CEO's authority.
- c) The CEO is authorized to establish all further policies, make all decisions, take all actions, establish all practices, and develop all activities related to the operations or business affairs of SMUD.
- d) The CEO shall use prudent judgment in the exercise of the delegations and in a manner that is operationally and economically sound, serves the best interests of SMUD's customers and the community, comports with prudent business practices, balances the risks and benefits of the actions, and does not expose SMUD to unreasonable risk. If the CEO reasonably determines that an activity related to the delegations presents, regardless of the size of the financial commitment: (i) a unique and significant operational risk to SMUD; (ii) a significant impact to customers; (iii) a significant impact to community relations; (iv) a significant impact to SMUD's reputation; or (v) materially compromises the policies and goals established by the Board, the CEO shall timely inform the Board and may request the Board to take appropriate actions.
- e) The Board may change its delegation to the CEO at any time, subject to the conditions of the Board's contract with the CEO, thereby expanding or limiting the authority of the CEO. But as long as any particular delegation is in place, the Board will abide by the CEO's decisions in those areas that are delegated to him or her.

Monitoring Method: Board Report

Frequency: Annual

Versioning:

December 19, 2002	Resolution No. 02-12-14	Date of Adoption.
October 16, 2003	Resolution No. 03-10-14	Date of Revision.
November 3, 2005	Resolution No. 05-11-02	Date of Revision.
December 6, 2007	Resolution No. 07-12-03	Date of Revision.
November 19, 2009	Resolution No. 09-11-06	Date of Revision.
August 21, 2014	Resolution No. 14-08-03	Date of Revision.
August 20, 2015	Resolution No. 15-08-06	Date of Revision.
September 21, 2023	Resolution No. 23-09-02	Date of Revision. [Current Policy]

Category: Board-Staff Linkage
Policy No.: BL-8
Title: Delegation to the CEO with Respect to Procurement

The procurement of goods and services is an integral part of SMUD operations. SMUD's procurement activities shall take place in accordance with the following principles:

- a) **Competition:** SMUD's procurement activities shall be competitive whenever practical.
- b) **Direct Procurement:** Direct procurement may be utilized when it is in SMUD's best interest. Direct procurement is the purchase of goods or services without competition when multiple sources of supply are available.
- c) **Sole Source Procurement:** Sole source procurement shall be performed only in the case of emergency or when a competitive process would be an idle act.
- d) **Inclusiveness:** SMUD's procurement practices shall promote inclusiveness of the entire supplier community in its contracting opportunities.
- e) **Economic Development:** SMUD's procurement practices shall promote the economic development of the community we serve.
- f) **Environmental Procurement:** SMUD shall minimize the impact on the environment through its procurement practices. In making procurement decisions, staff shall consider the environmental impacts in assessing total cost and benefits.
- g) **Responsible Bidder:** SMUD shall only do business with reputable and responsible suppliers. A Responsible Bidder demonstrates trustworthiness, quality, capacity, financial capability, fair labor practices, and experience to satisfactorily perform SMUD work through the bidding and evaluation process. In addition, SMUD will determine Responsible Bidders by considering a supplier's social, environmental ethical, and safety accountability where applicable.
- h) **Supplier Code of Conduct:** SMUD shall set minimum expectations or standards for all suppliers to follow in the course of doing business with SMUD (in some cases by submitting data and reporting annually) including but not limited to, labor and human rights, environmental, social, governance (ESG), health and safety accountability, ethics and compliance, and diversity, equity, inclusion, and belonging practices.
- i) **Best Value Procurement:** SMUD may procure goods and services by the best value at the lowest cost methodology, where cost and other factors are used to obtain the maximum value while ensuring a fair and equitable process.

- j) **Leveraged Procurement Agreement (LPA):** SMUD may procure goods and services where another lead public agency or organization competitively procures the same goods or services under applicable state and federal laws to streamline procurement processes and leverage collective buying power of multiple agencies to achieve cost savings and other benefits to SMUD. Leveraged procurement agreements are generally referred to by other public agencies as “Cooperative Purchasing Agreements.”
- k) **Strategic Alliances:** SMUD may enter into strategic alliance contracts for the procurement of goods or services. A Strategic Alliance is a competitively bid multi-year contract for goods and/or services in which the Supplier and SMUD work collaboratively over the life of the contract to improve quality, and to explore design and process improvements to reduce the cost of production, service delivery, and the total cost of ownership. These benefits are shared both by SMUD and the Supplier.
- l) **Supply Chain Risk:** SMUD’s procurement activities shall identify, manage, and mitigate supply chain risks through a coordinated effort across the enterprise.
- m) **Protest Policy:** SMUD shall ensure that suppliers are afforded the opportunity to have their grievances heard through a fair protest process.
- n) **Delegation of Authority to the CEO:** The Chief Executive Officer and General Manager (CEO) is delegated authority to perform and approve the procurement activities in accordance with the below matrix. This delegation includes the authority to amend contracts for time extensions or other changes that create no additional cost to SMUD.

<u>Category</u>	<u>Amount*</u>
Competitive Awards:	
Operational Inventory	\$11 million
Non-inventory Materials	\$11 million
Construction and Maintenance Services	\$11 million
Information Technology	\$11 million
Professional and Consulting Services	\$3 million
Rents and Leases	\$1 million
Sole Source:	
All types except Maintenance/Licensing Fees	\$1.5 million
Maintenance/Licensing Fees	\$3 million or original approved amount
Direct Procurement:	
Materials/Supplies/Services	\$50k**
Government Entities	\$1 million
Nonprofit Entities (services/goods)	\$1 million

<u>Category</u>	<u>Amount*</u>
Emergency Procurements:	
All types	\$2 million
Nonprofit Entities:	
Memberships/Project Participation Agreement	\$3 million
Contingencies:	
Board Awarded Contracts	Up to 10% of Contract Award

***The amounts for all categories except Direct Procurement Materials/Supplies/Services shall be adjusted automatically on an annual basis beginning Jan 1, 2024, consistent with the U.S. Bureau of Labor Statistics (BLS) published national consumer price index (CPI) per the Federal Reserve Bank of Minneapolis Average Annual CPI calculator.**

****The amount shall be adjusted automatically on an annual basis pursuant to the implicit price deflator as set forth in California Public Utilities Code section 12751, using the base year of 1997.**

Monitoring Method: CEO Report

Frequency: Quarterly

Versioning:

August 21, 2003	Resolution No. 03-08-07	Date of Adoption.
October 16, 2003	Resolution No. 03-10-14	Date of Revision.
June 3, 2004	Resolution No. 04-06-04	Date of Revision.
October 16, 2008	Resolution No. 08-10-09	Date of Revision.
October 1, 2009	Resolution No. 09-10-05	Date of Revision.
August 4, 2011	Resolution No. 11-08-04	Date of Revision.
November 17, 2011	Resolution No. 11-11-06	Date of Revision.
March 15, 2012	Resolution No. 12-03-13	Date of Revision.
August 21, 2014	Resolution No. 14-08-03	Date of Revision.
December 15, 2016	Resolution No. 16-12-18	Date of Revision.
July 16, 2020	Resolution No. 20-07-05	Date of Revision.
March 18, 2021	Resolution No. 21-03-04	Date of Revision.
June 15, 2023	Resolution No. 23-06-04	Date of Revision.
September 21, 2023	Resolution No. 23-09-02	Date of Revision. [Current Policy]

SSS No. BOD 2024-05

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date POLICY – 2024
Board Meeting Date N/A

TO				TO					
1.	Suresh Kotha			6.					
2.	Brandy Bolden			7.					
3.	Farres Everly			8.					
4.				9.	Legal				
5.				10.	CEO & General Manager				
Consent Calendar		<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No		<i>If no, schedule a dry run presentation.</i>		
Budgeted		<input type="checkbox"/>	Budgeted	<input checked="" type="checkbox"/>	Yes		No <i>(If no, explain in Cost/Budgeted section.)</i>		
FROM (IPR) Rosanna Herber / Crystal Henderson				DEPARTMENT Board Office			MAIL STOP B307	EXT. 5424	DATE SENT 12/21/23

NARRATIVE:

Requested Action: Enable the Board of Directors and Executive Staff an opportunity to review the Board Work Plan.

Summary: The Board President reviews the Board Work Plan at the Policy Committee meeting to ensure agenda items support the work of the Board.

Board Policy: *(Number & Title)* This review of the work plan supports Governance Process GP-6, Role of the Board President, which states, in part, that the Board President “shall ensure that the Board’s agendas meet the goals of the annual work plan.”

Benefits: Reviewing the Work Plan allows the Board members and Executive staff to make changes to the Work Plan and Parking Lot items as necessary.

Cost/Budgeted: Included in budget

Alternatives: Not review the Work Plan at this time.

Affected Parties: Board of Directors and Executive staff

Coordination: Crystal Henderson, Special Assistant to the Board

Presenter: Rosanna Herber, Board President

Additional Links:

SUBJECT Board Work Plan	ITEM NO. <i>(FOR LEGAL USE ONLY)</i>
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ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SSS No. BOD 2024-03

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date POLICY - 2024
Board Meeting Date N/A

TO				TO			
1.	Suresh Kotha	6.					
2.	Brandy Bolden	7.					
3.	Farres Everly	8.					
4.		9.	Legal				
5.		10.	CEO & General Manager				
Consent Calendar		Yes	<input type="checkbox"/>	No	<i>If no, schedule a dry run presentation.</i>		
FROM (IPR)		Budgeted		<input type="checkbox"/>	Yes	No <i>(If no, explain in Cost/Budgeted section.)</i>	
Dave Tamayo / Crystal Henderson		DEPARTMENT		MAIL STOP	EXT.	DATE SENT	
		Board Office		B304	5424	12/21/23	

NARRATIVE:

Requested Action: A summary of directives is provided to staff during the committee meeting.

Summary: The Board requested an ongoing opportunity to do a wrap up period at the end of each committee meeting to summarize various Board member suggestions and requests that were made at the meeting to make clear the will of the Board. The Policy Committee Chair will summarize Board member requests that come out of the committee presentations for this meeting.

Board Policy: *(Number & Title)* Governance Process GP-4, Board/Committee Work Plan and Agenda Planning, states, among other things, “the Board will develop and follow an annual work plan that ensures the Board...focuses on the results the Board wants the organization to achieve....”

Benefits: Having an agendized opportunity to summarize the Board’s requests and suggestions that arise during the committee meeting will help clarify the will of the Board.

Cost/Budgeted: Included in budget.

Alternatives: Not to summarize the Board’s requests at this meeting.

Affected Parties: Board of Directors and Executive Staff

Coordination: Crystal Henderson, Special Assistant to the Board of Directors

Presenter: Dave Tamayo, Policy Chair

Additional Links:

SUBJECT Summary of Committee Direction - Policy	ITEM NO. <i>(FOR LEGAL USE ONLY)</i>
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ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.