

# Exhibit to Agenda Item #1a

2024 Proposed SMUD Budget Overview, including Debt Service, Pay Schedule and Special Compensation, Corporate Services, Legal, Government Affairs & Reliability Compliance, Communications, Marketing & Community Relations, and Enterprise Strategy.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting  
Tuesday, November 7, 2023, scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium



# SMUD Overview 2024 Proposed Budget

**Jennifer Davidson**  
Chief Financial Officer

# Thank you!

## SMUD Corporate

Cara Chatfield  
Casey Fallon  
Claire Rogers  
Erin Sabin  
James Leigh-Kendall  
Jennifer Restivo  
Joe Schofield  
Lisa Limcaco  
Rhonda Staley-Brooks  
Rob Lechner  
Russell Mills  
Steve Lins

## Business Relationship Managers

Mandar Nimkar  
Nathan Hall  
Sandeep Singh  
Sandra Curry

## Business Partners

Angela Hutson  
Erin Page  
Gabe Lewall  
Helen Patton  
Jennifer Howard  
Lisa Dean  
Matthew Powell  
Sara Pena  
Sharon Huntsman

## Zero Carbon Energy Solutions

Ed Hamzawi  
Heather Wilson  
James Frasher  
Joel Ledesma  
Jon Olson  
Joyce Hribar

## Planning & Performance

Brandi Yang  
Brian Matheson  
Brandon Clendenin  
Brian Howell  
Camelia Micuda  
Christina Kemmler  
Danielle Silva  
Debbie Hacker  
Sandsu Lee  
Eric Hansen  
George Vaughn  
Greg Spagnola

## Customer & Community Services

Erik Krause  
Ivan Rostami  
Shari Little  
Tracy Carlson

Henry Martinez  
Ethan Moua  
Janette Cruz  
Isabella Rocilli  
Jennifer Grady  
Justin Foster  
Kaiyee Ng  
Kamieka Hairston  
Katrina Major  
Laura Budd  
Marcum Jones  
Melissa Rosenberg

## Information Technology

AJ Jacobs  
Amber Connors  
Oliver Daniels  
Steve Kustin

Michael Davidian  
Nicoleta Roman  
Rachel Dillon  
Patrick Browning  
Phillip Goldsby  
Stephanie Shiu  
Stephen Tarsoly  
Suki Dosanjh  
Ted Evans  
Tom Carbajal  
Tracey McKinney  
Walter Laughlin

## Enterprise Strategy

Alcides Hernandez  
Bryan Swann  
Michelle Kirby  
Jillian Rich  
Rachel Huang

## Commodity Resource Mgmt.

Andrew Richardson  
James Osborne  
Jason Powers  
Jon Anderson  
Lily Yu  
Ryan McManus  
Yayoi Whetstone

## Operational Excellence

Emerita Valdez  
Kay Saechao  
Stacey Rae Arao  
Susan Borja

## Enterprise Prioritization

Fay Gibbs  
Wade Hollan  
Raquel Mata

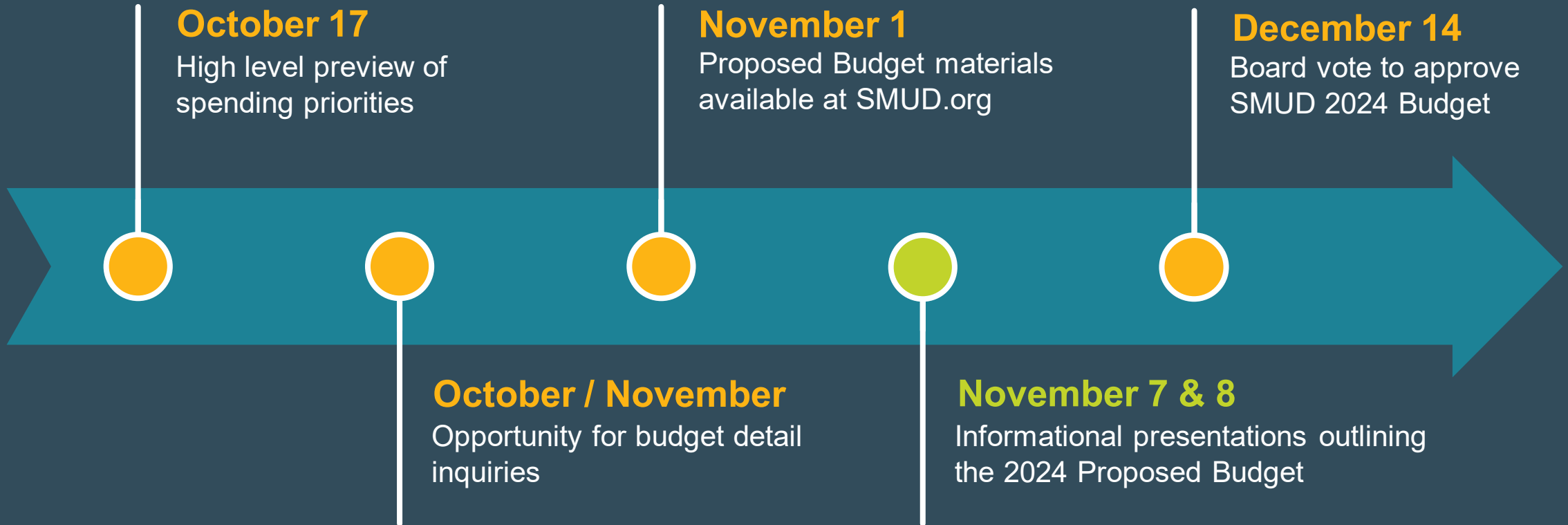
## Energy Delivery & Operations

Ellias Van Ekelenberg  
Eric Poff  
Jason McAlister  
Jon Murray  
Katarina Miletijev  
Lucas Raley  
Maria Veloso-Koenig

## Workforce, Diversity & Inclusion

Jacobe Caditz  
Laurie Rodriguez  
Markisha Webster  
Shiloh Costello  
Suzanne Dizon

# 2024 Budget timeline



# Requesting Board approval for:

## 2024 SMUD Budget

- 2024 spending authorization and staffing level
- Amendments to public good charge funding level and percentage allocation
- Authority for Rate Stabilization Fund transfers
- Provisions for adjusting budget authority

## Debt management

- Declaration of intent to issue debt
- Reimbursement of capital expenditures from bond proceeds

## Employee pay schedules as required by State law

# Basis of SMUD's financial plan

**Strong financial metrics and maintaining a positive credit rating help keep SMUD's rates affordable now, and in the future**

## Business Assumptions

- Forecasted load, peak, and customer count
- Strategic Directions set by Board
- Compliance with California mandates
- Normal water year
- Normal weather year
- Includes risk mitigations for atypical or unexpected events
- Includes 2024 rate increases

## Risks

- Weather and impact on load, commodity costs, precipitation
- Increased commodity market volatility
- Continued inflation
- Global supply chain constraints
- Higher interest rates
- Continued economic uncertainty

# Board approval provides authorization to staff

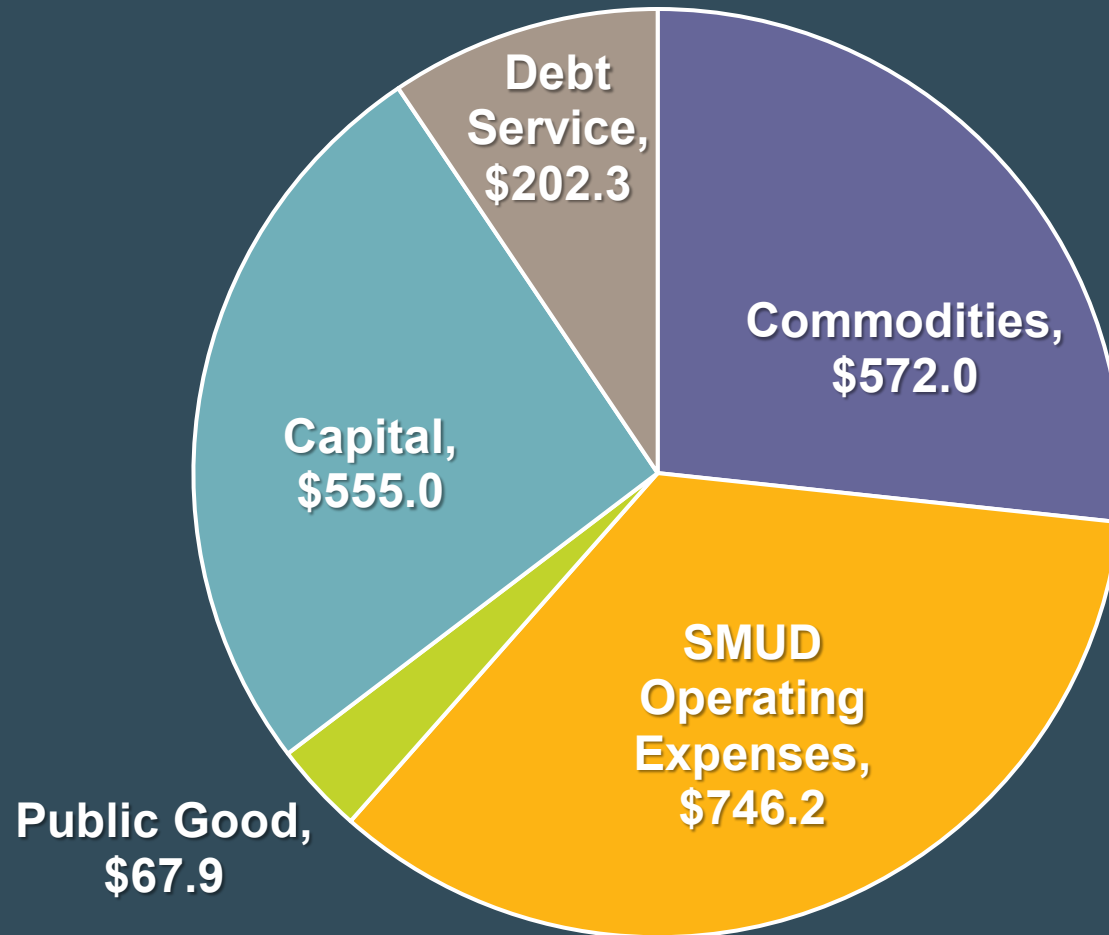
	2023 Forecast	2023 Budget	2024 Budget	\$ Change vs Budget	% Change vs Budget
Commodities	\$499.6	\$485.0	\$572.0	\$87.0	18%
SMUD Operating Expenses	\$672.8	\$692.8	\$746.2	\$53.4	8%
Public Good Expenses	\$62.1	\$75.5	\$67.9	\$(7.6)	-10%
Capital	\$475.6	\$624.9	\$555.0	\$(69.9)	-11%
Debt Service	\$218.9	\$225.5	\$202.3	\$(23.2)	-10%
<b>Total Budget Authorization</b>	<b>\$1,929.0</b>	<b>\$2,103.7</b>	<b>\$2,143.4</b>	<b>\$39.7</b>	<b>2%</b>

\$ Millions

# 2024 SMUD budget authorization request

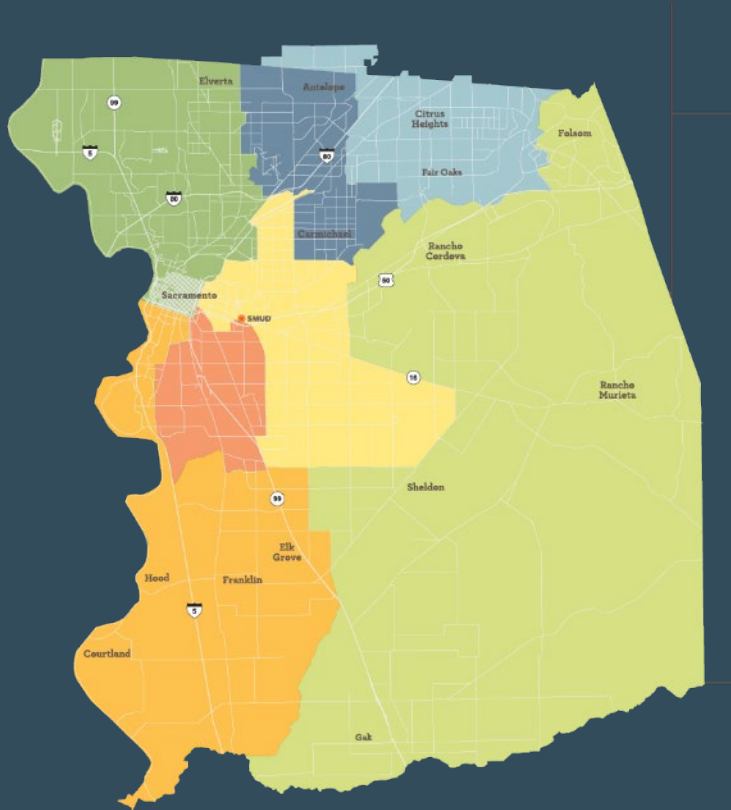
## 2024 Budget Request: \$2,143.4 million

The Energy Assistance Program Rate (EAPR) and Med Rate subsidies of \$38.7 million, plus Public Good budget of \$106.6 million, make the total budget request \$2,182.1 million





# Electric sales drive revenue and commodity costs



**Over 665,000** customers by Dec. 2024



**Increase of 10,000** residential customers (1.7% in count)



**Increase of 1,000** commercial customers (1.3% in count)



**1% decrease** in energy sales – 10,302 GWh planned



**6% increase in peak** forecasted in 2024 (2,966 MW)



**Win-win pricing:** Time-of-Day and EV charging, Commercial Rate Restructure with super off-peak rates

# Commodity Highlights

**Commodity budget funds the cost to provide energy to customers. It is increasing by \$87 million, or 17% to \$572 million**

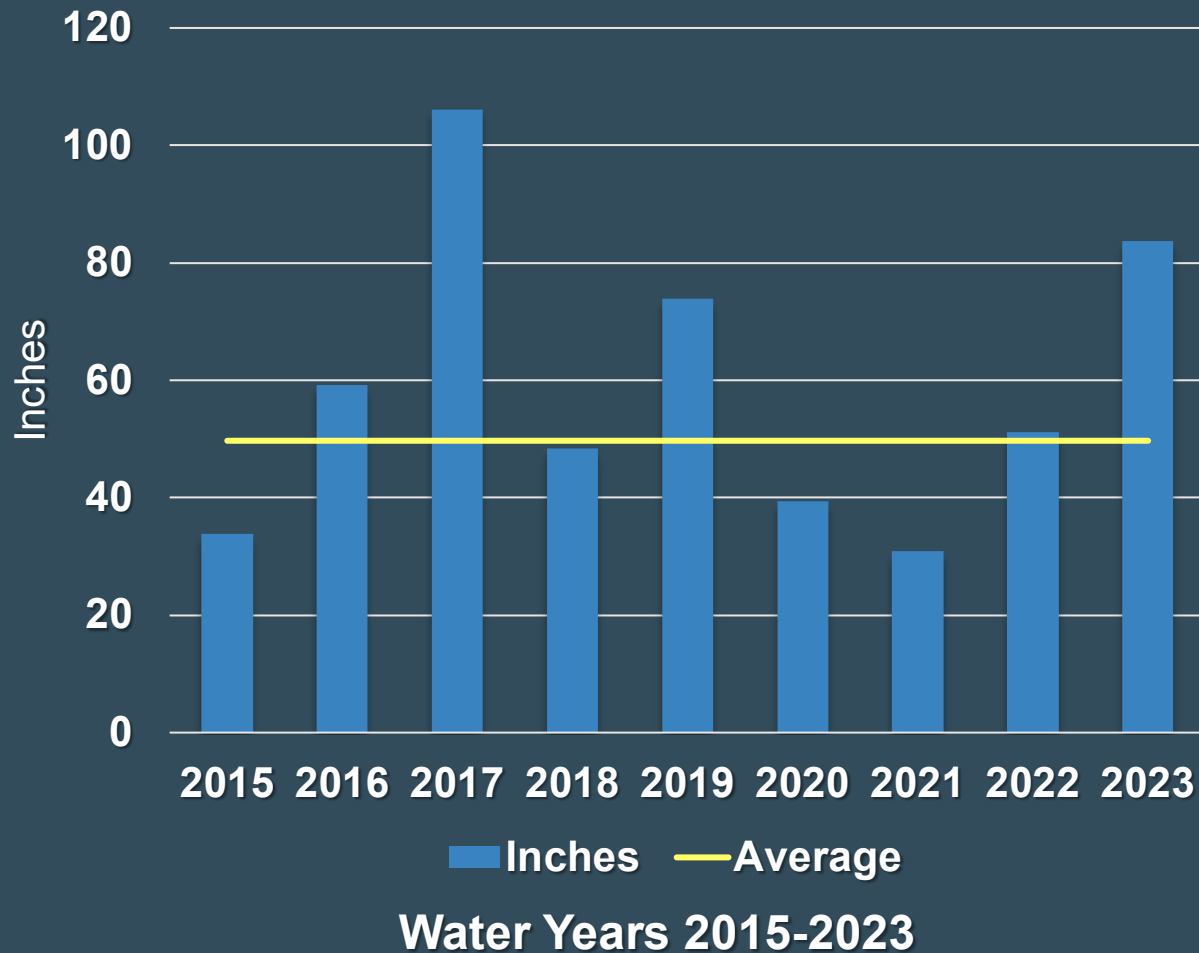
- Continuing issues affecting the commodity budget
  - Weather uncertainty
  - Increased price volatility for both power and gas
  - Increased costs in California's carbon market
- New impacts to the commodity budget
  - Significant cost increase for resource adequacy

**Increasing mandates and growing competition for renewables and zero carbon resources**

- California mandates: achieve 44% Renewable Portfolio Standard (RPS) by 2024 and 52% by 2027
- Other western states, including Oregon and Washington are also adopting energy goals

# Provisions to adjust the budget resolution

Requesting Board approval to increase flexibility in times of uncertainty



**Commodity budget** is based on a normal water year and planned retail sales GWh.



**Adjusts automatically** for

- Lower precipitation at Upper American River Project (UARP)
- Lower energy deliveries from Western Area Power Administration (WAPA)
- Higher energy sales to customers

# SMUD 2024 Proposed Budget Priorities



**Infrastructure Investment**

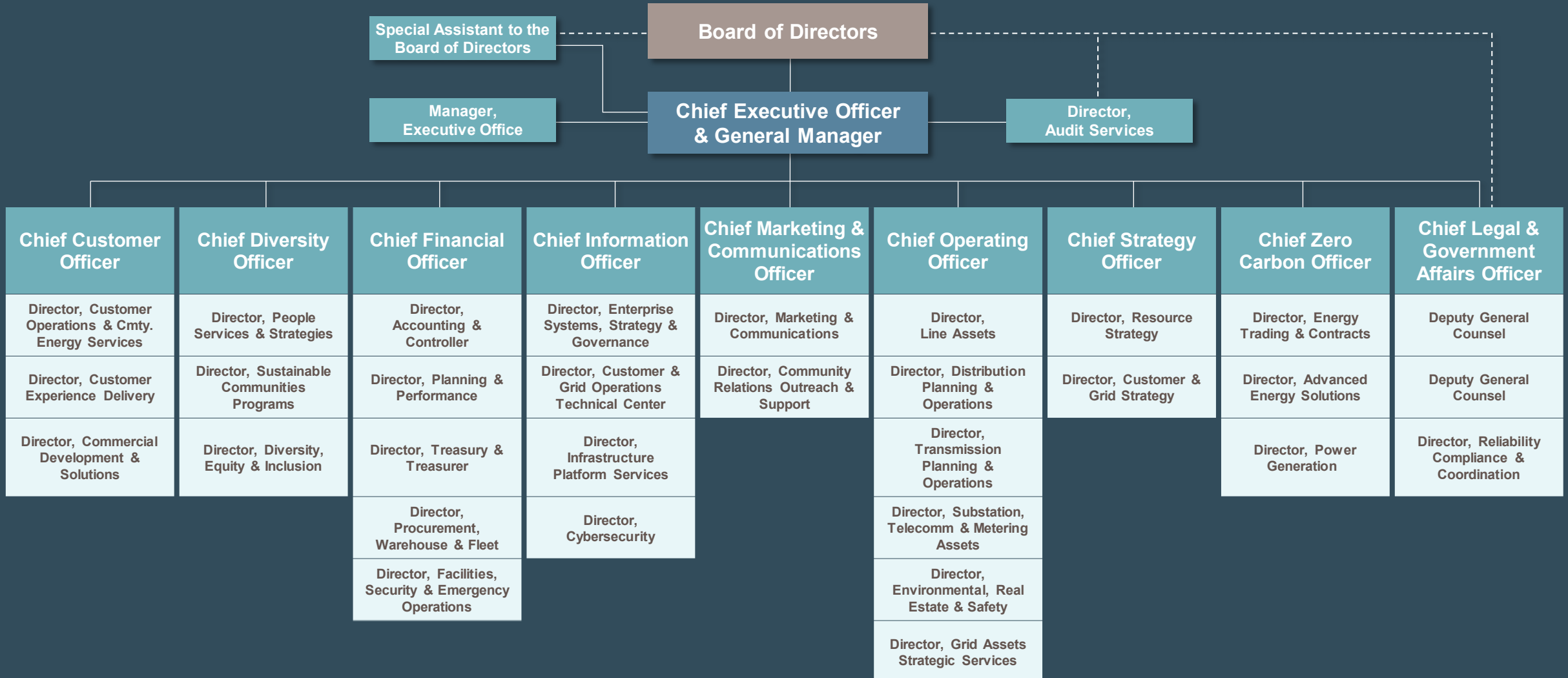


**Zero Carbon Plan**



**Community Impact**

# Organization chart by executive



# Position request for 2024

## Request of 2,250 full time positions

- Additional positions for operational staff
- Plus, funding for 43 limited-term and 211 part-time and student positions

	2023 Budget	2024 Proposed	Proposed vs. Budget
Full time	2,242	2,250	8
Limited term	48	43	-5
<b>Total</b>	<b>2,290</b>	<b>2,293</b>	<b>3</b>

### Number of full-time positions by executive business unit

831	Chief Operating Officer
305	Chief Financial Officer
298	Chief Customer Officer
270	Chief Information Officer
265	Chief Zero Carbon Officer
92	Chief Diversity Officer
71	Chief Coms. & Marketing Officer
48	Chief Strategy Officer
38	Chief Legal & Gov't Affairs Officer
32	CEO & GM
<b>2,250</b>	<b>Total full-time positions</b>

# Salaries & Benefits

	2023 Forecast	2023 Budget	2024 Budget	\$ Change vs Budget
Salaries & Wages	\$300.7	\$315.6	\$333.4	\$17.8
Overtime	32.5	22.9	22.1	(0.8)
<b>Total Salaries &amp; Overtime</b>	<b>\$333.2</b>	<b>\$338.5</b>	<b>\$355.5</b>	<b>\$17.0</b>
Retirement Contribution	96.7	63.6	67.0	3.4
Social Security Contribution	23.7	24.8	26.3	1.5
Health & Welfare	46.9	51.7	50.7	(1.0)
Administer Benefits	2.0	2.1	2.3	0.2
<b>Total Benefits</b>	<b>\$169.3</b>	<b>\$142.2</b>	<b>\$146.3</b>	<b>\$4.1</b>
<b>Total Salaries &amp; Benefits</b>	<b>\$502.5</b>	<b>\$480.7</b>	<b>\$501.8</b>	<b>\$21.1</b>

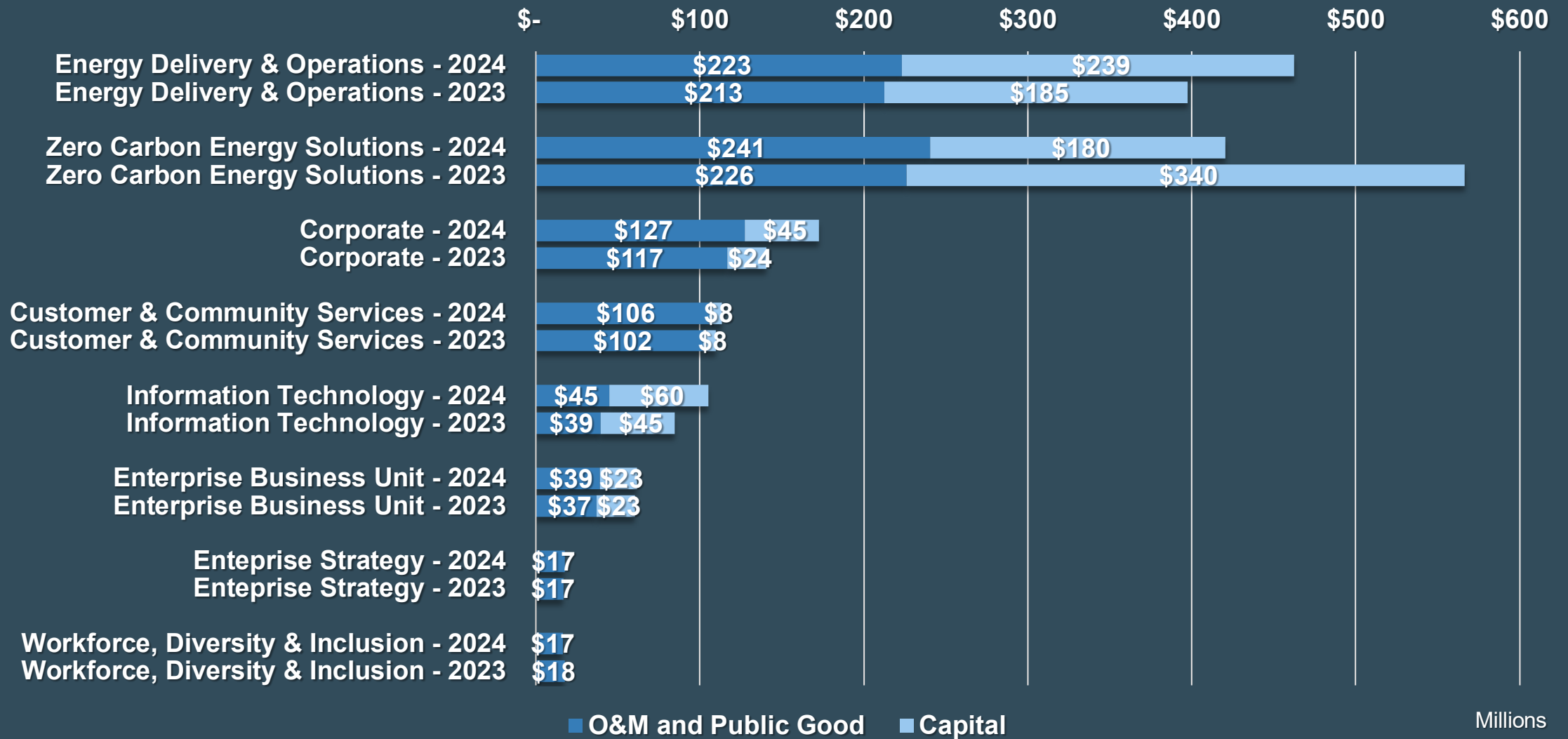
Millions

# SMUD Business units

Corporate / Enterprise	Enterprise Strategy	Zero Carbon Energy Solutions	Customer & Community Services	Energy Delivery & Operations	Information Technology	Workforce, Diversity & Inclusion
Governance	Resource Strategy	Power Generation	Customer Experience Delivery	Transmission Planning & Operations	Enterprise Systems, Strategy & Governance	People Services & Strategies
Finance	Revenue Strategy	Advanced Energy Solutions	Customer Operations	Distribution Planning & Operations	Infrastructure Platform Services	Diversity, Equity & Inclusion
Legal, Government Affairs & Reliability Compliance	Customer & Grid Strategy	Grants, Research & New Business Development	Community Energy Services	Line Assets	Enterprise Solutions, Engineering & Emerging Technology	Sustainable Communities
Facilities, Security & Emergency Operations	Enterprise Prioritization	Commodity Procurement & Sales	Commercial Development & Solutions	Substation, Telecom, Network & Metering	Customer & Grid Operations Technology Center	
Procurement, Warehouse & Fleet		Commodity & Operations Settlements	Business Performance & Optimization	Strategic Services & Operations PMO	Cybersecurity	
Communications Marketing & Community Relations				Environmental, Safety & Real Estate Services		
Enterprise Affairs				Operational Excellence		



# 2024 Proposed O&M and Capital compared to 2023 Budget



Millions

# Operations & Maintenance (O&M) Highlights

SMUD's O&M budget is increasing by \$53 million, or 8% to \$746 million for ongoing costs, including support and business operations



**Corrective & preventative** maintenance for power generation and grid: \$100 million



**Vegetation management** & wildfire mitigation: \$53 million



**Customer programs**, transportation electrification & load mgmt. programs: \$53 million



**Community initiatives**, including Community Impact Plan: \$21 million



**Insurance** – Property, casualty & other insurance: \$29 million

# Public Good Highlights

**SMUD's total budget for public benefit toward clean energy costs is \$107 million**

- \$68 million as part of budget authorization, plus \$39 million for rate subsidies
- Total budget decreased by \$3 million, or 3%



**Building electrification:** \$37 million



**Energy efficiency:** \$12 million



**Research & development:** \$9 million

*Public good was defined by California Energy Commission (CEC) in 1996 and many of SMUD's zero carbon program costs not included*

# Allocated Highlights

## Costs which enable the business units to perform work

- These costs are included in the O&M and Capital budget totals presented; information is provided as additional detail
- \$152 million; increase of \$15 million, or 11%

### Including:



**Technology support**



**Facilities; Procurement, Warehouse & Fleet**



**People Services & Strategies; Diversity, Equity & Inclusion**



**Environmental, Real Estate & Safety**

# Capital Highlights

Investments in our business to support reliability, compliance with California mandates and our Zero Carbon goals

Many multi-year projects requesting 2024 spending totaling \$555 million, including:



**Resource Projects:** Solano Wind Farm \$51 million, Country Acres Solar and Storage Project \$49 million, Coyote Creek Solar and Storage \$4 million



**Long-duration** battery energy storage at SMUD's Hedge facility, \$15 million

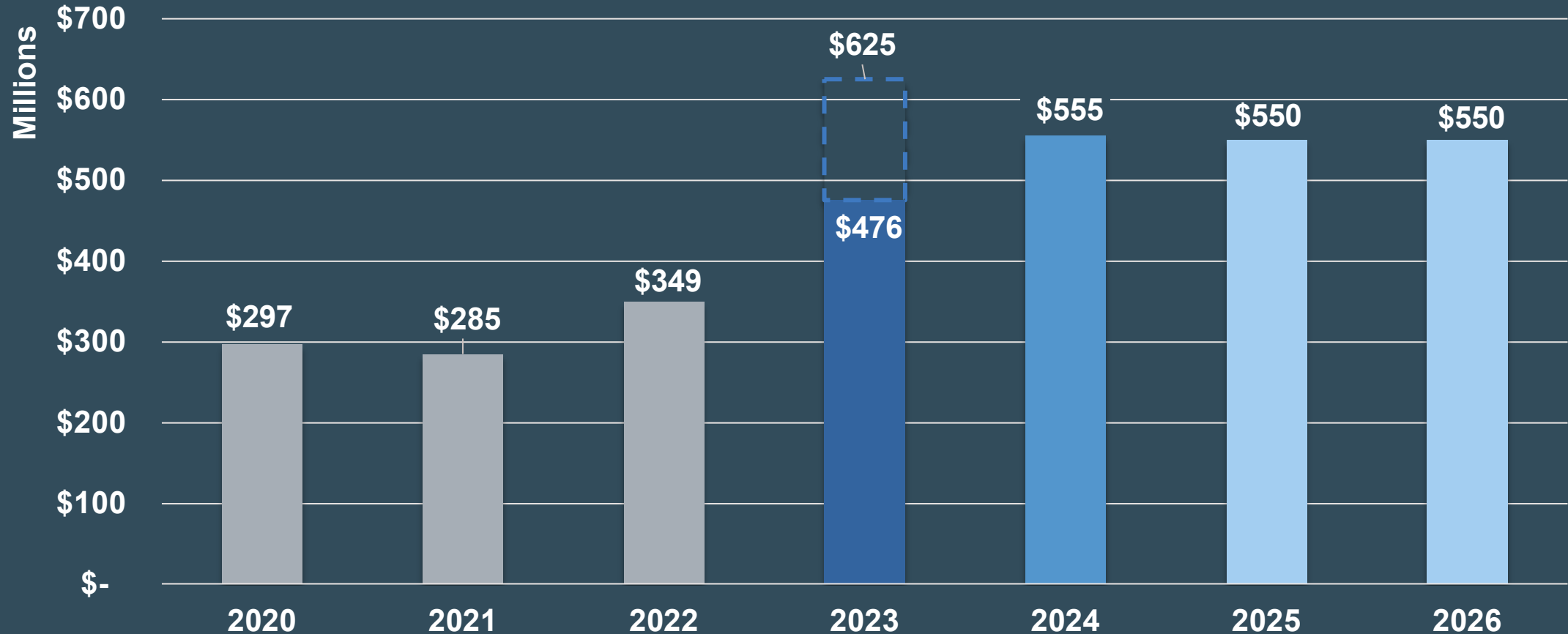


**Substation builds:** Elverta and Station H substations, \$46 million

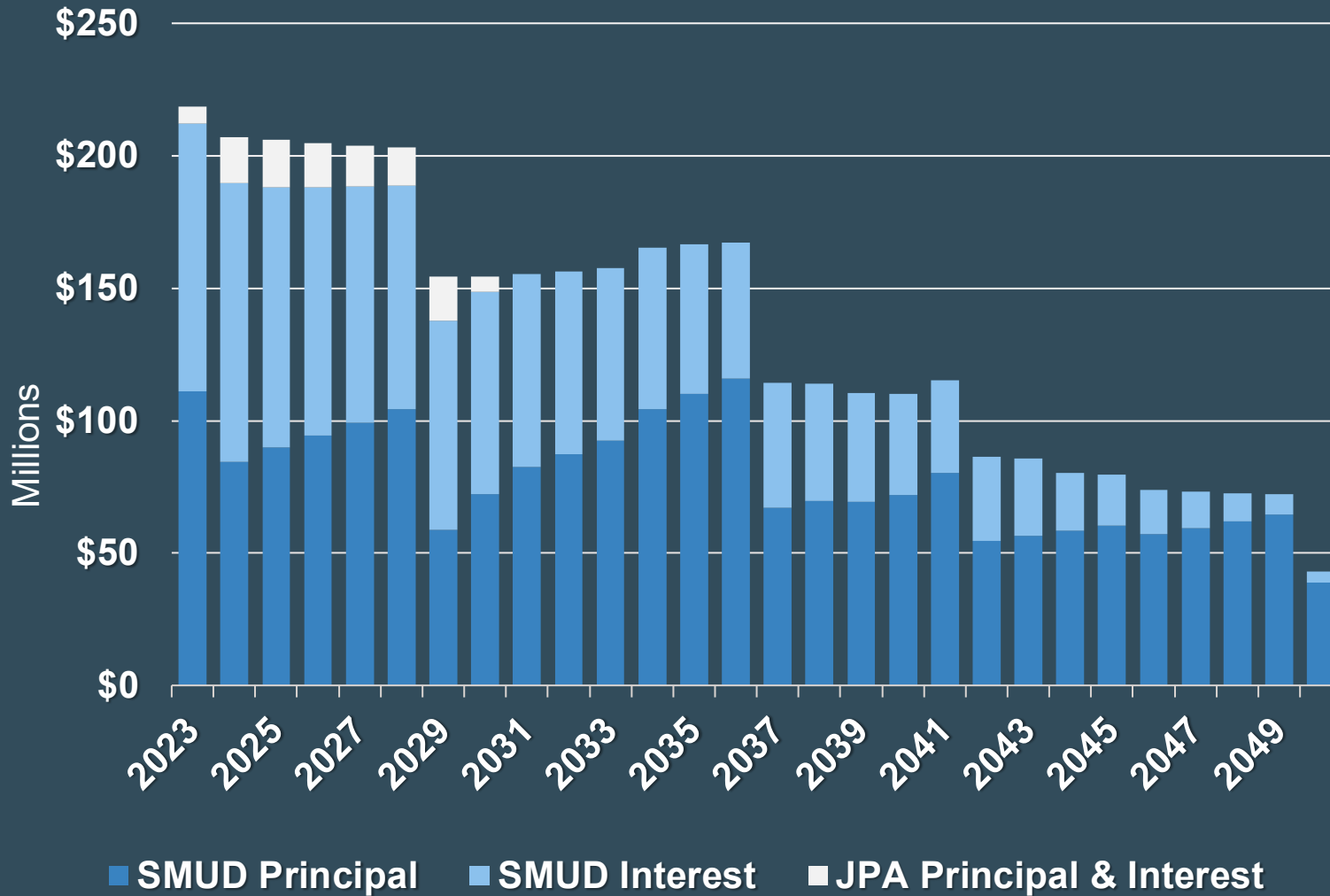


**Technology:** Grid Resilience and Innovative Partnerships Program (GRIP) grant, \$36 million

# Increasing capital investments



# Existing Debt Service



Finance strategy is to cash-fund ~50% of capital investments

Recent refundings reduced existing debt costs

Step-down in debt service schedule provides future borrowing capacity

# Debt Management Assumptions & Activity

## Requesting Board establish additional bonding authority

- Unrestricted cash balance forecast for December 2024: \$577 million, or 150-days cash on hand
- Issue new debt to preserve a 150-day minimum threshold for number of days cash on hand
- 2024 plan assumes \$340 million of new debt
- Establish additional bonding authority: declare intent to issue debt, \$400 million
- During 2024, staff will request Board's authorization for any new transactions



# Debt Service

	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
Interest Expense	\$103.9	\$106.7	\$106.2	(\$0.5)	0%
Interest on New Debt Issuance	5.2	8.5	8.5	0.0	0%
Principal Repayments	111.2	111.2	84.6	(26.6)	-24%
Fees/Bond Issuance Cost	2.1	2.8	6.3	3.5	127%
<b>Total Debt Service</b>	<b>\$222.5</b>	<b>\$229.1</b>	<b>\$205.6</b>	<b>(\$23.5)</b>	<b>-10%</b>
Allocated to Joint Power Authorities	(3.6)	(3.6)	(3.3)	0.3	-8%
<b>Net Debt Service</b>	<b>\$218.9</b>	<b>\$225.5</b>	<b>\$202.3</b>	<b>(\$23.2)</b>	<b>-10%</b>

\$Millions

# Income Statement & Key Financial Metrics

	2023 Forecast	2023 Budget	2024 Proposed
Electric Sales	\$1,643	\$1,658	\$1,762
Energy Assistance Program Rate/MED Discounts	\$(35)	\$(34)	\$(39)
<b>Net Sales</b>	<b>\$1,608</b>	<b>\$1,624</b>	<b>\$1,724</b>
Other Revenue	\$24	\$60	\$71
<b>Total Revenue</b>	<b>\$1,632</b>	<b>\$1,684</b>	<b>\$1,795</b>
Commodity	\$500	\$485	\$572
Business Unit O&M	\$761	\$768	\$814
Other Costs/Income	\$217	\$300	\$284
<b>Change in net position – Net Income (Loss)</b>	<b>\$154</b>	<b>\$131</b>	<b>\$125</b>
<b>Key Financial Metrics</b>			
Fixed Charge Coverage Ratio	2.34	2.08	2.08
Days Cash on Hand	151	151	150

2024 Budget  
**achieves key  
financial metrics**

Positive net income  
(cash portion) is  
**reinvested**  
in future capital  
costs

Totals may not add due to rounding

\$Millions

# 2024 Budget Summary



## **Responsive**

Adjusting to changing business conditions



## **Performance**

Funds compliance efforts and achievement of Board's Strategic Direction



## **Balanced**

Measured between short-term needs and long-term goals



## **Maximizes**

SMUD's community impact; maximum value for every dollar spent

A photograph of a multi-story brick building at night. The building has many windows, some of which are lit up. In the foreground, there is a light blue car, possibly a taxi or a delivery vehicle, with some motion blur. The sky is dark blue.

# Corporate Financial & Enterprise Services 2024 Proposed Budget & Initiatives

**Jennifer Davidson**

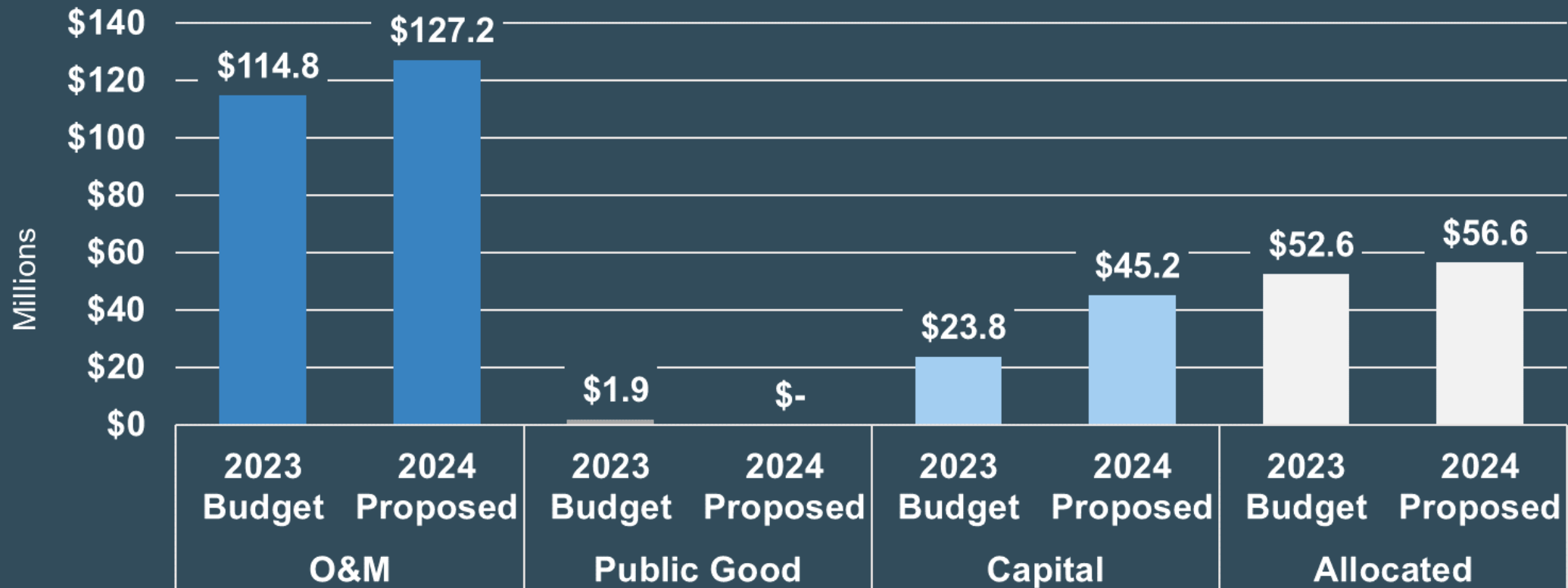
Chief Financial Officer

# SMUD Business units

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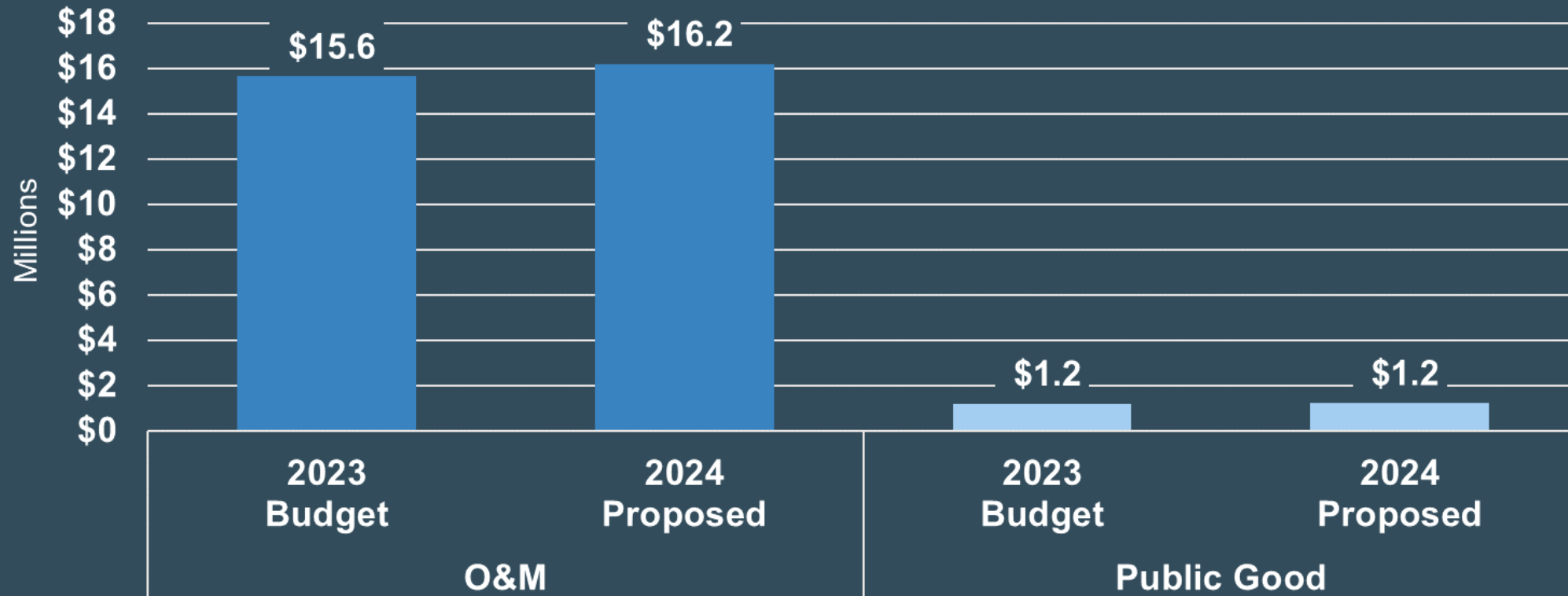
# Corporate 2024 Proposed Budget

## 2024 Proposed Budget



# Enterprise Strategy 2024 Proposed Budget

## 2024 Proposed Budget





# Infrastructure Investment

Alignment to Strategic Direction: SD-4 SD-6 SD-8 SD-11 SD-14 SD-16 SD-17

- **Construction of new Power Control Center (PCC)**
  - Building \$10 million of \$127 million total
- **Fleet capital investment**
  - \$11 million, including fleet electrification
- **Strengthen SMUD's physical security posture**
- **Provide support to the enterprise**
  - Planning, risk analysis, financial modeling, procurement, warehousing, contract management, financing, accounting, resource planning, legal and government affairs
    - Emergency and storm operations
    - Maintenance and day-to-day operations
    - Grant support
    - Renewable energy projects
    - Local and regional collaboration



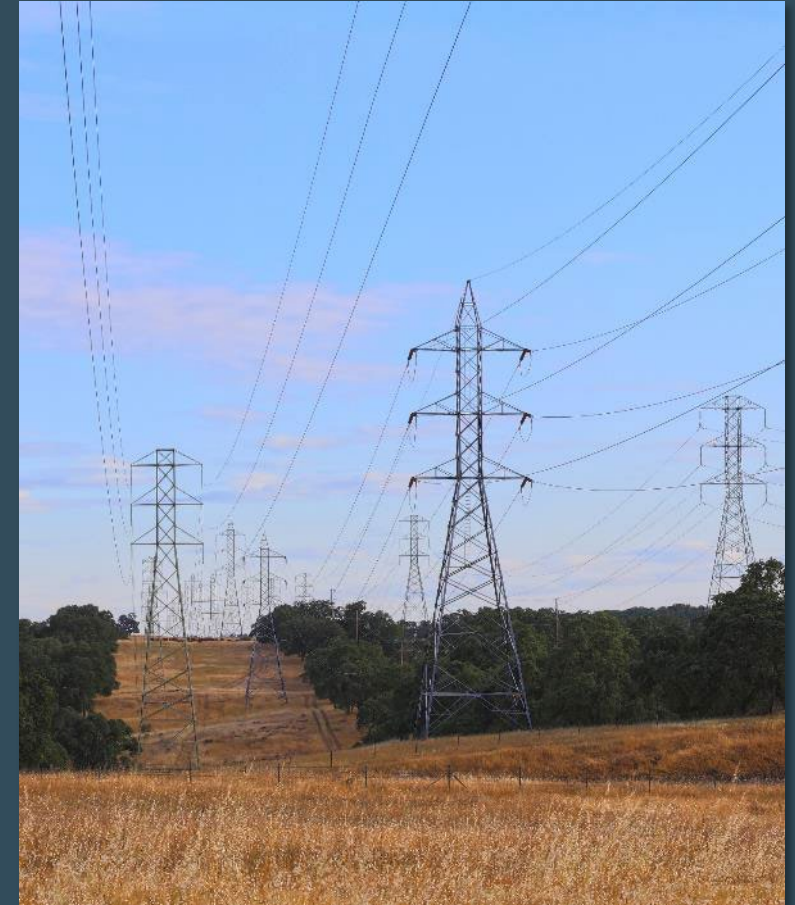




# Infrastructure Investment

Alignment to Strategic Direction: SD-4 SD-6 SD-8 SD-11 SD-14 SD-16 SD-17

- **Advocate for streamlined and expedited** approval processes for transmission and other energy projects
- **Manage required North American Electric Reliability Corporation (NERC) regulatory compliance monitoring and enforcement program requirements**
- **Update SMUD's** Integrated Distribution Resource Plan (IDRP)





# Zero Carbon Plan

Alignment to Strategic Direction: SD-2 SD-3 SD-7 SD-9 SD-10 SD-19

- **Implement decision framework** to determine SMUD generation project ownership vs. traditional Power Purchase Agreements (PPAs)
- Enable processes for complying with requirements to receive the direct pay tax credits from **new Inflation Reduction Act**
- Funds to achieve **100% tool electrification** in 2024



SMUD's Electric Solectrac e25G compact tractor



# Zero Carbon Plan

Alignment to Strategic Direction: SD-2 SD-3 SD-7 SD-9 SD-10 SD-19

- **Proactive advocacy at the local, state, and federal level** that advances our strategic directives
  - Preservation of flexibility related to Cap-and-Trade allowances
  - Strategic Reliability Reserve Programs
  - Recognition of Carbon Capture and Storage Technology
- **Develop innovative service partnerships** with potential for non-stock equity acquisitions
- **Sponsor legislation** to extend SMUD's authority to obtain non-stock equity
- **Complete Evaluation, Measurement, and Verification (EM&V)** of strategically important pilots and initiatives





# Community Impact

Alignment to Strategic Direction: SD-5 SD-13 SD-15

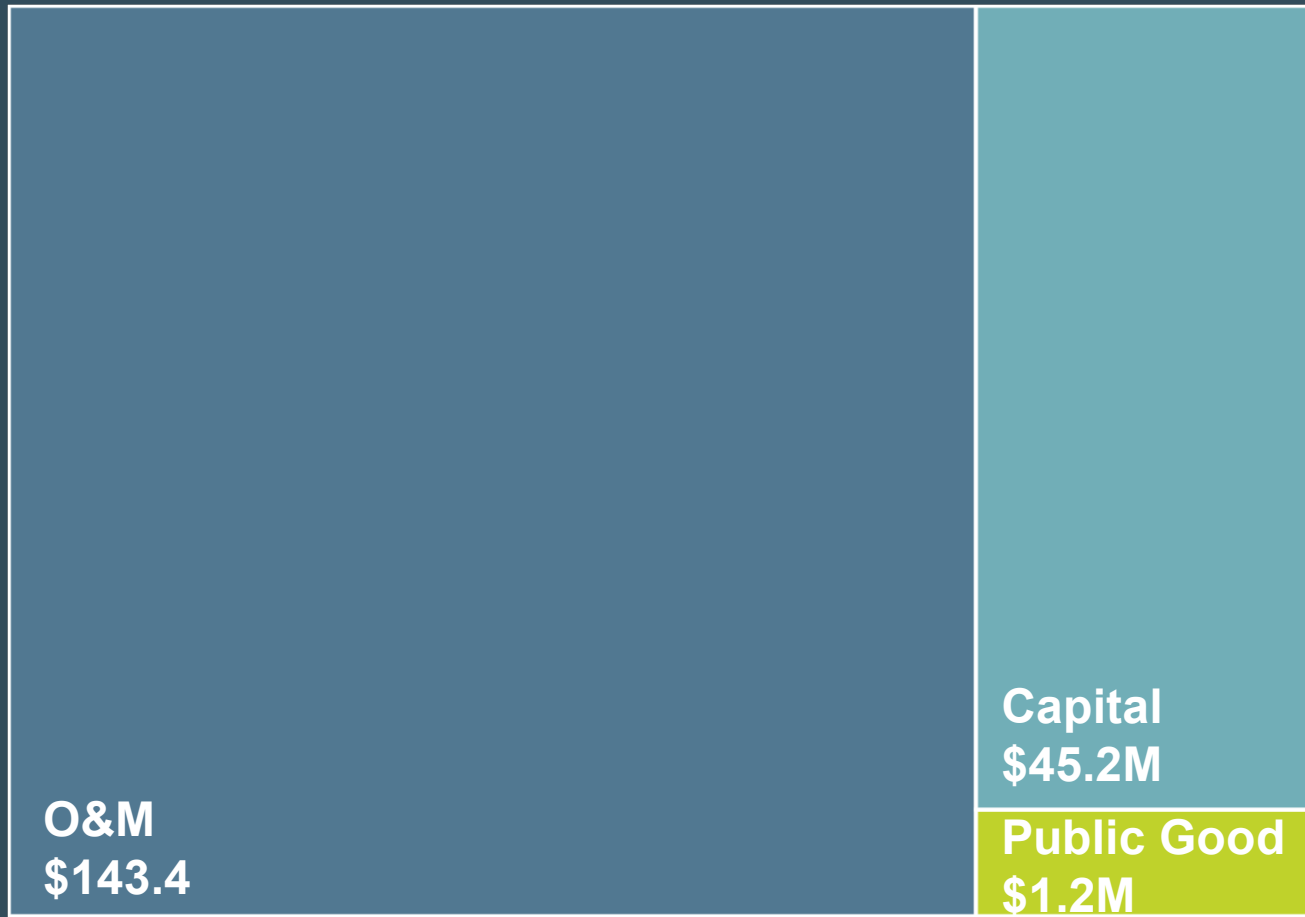
## Continue sustainable procurement and supply chain efforts

- Educate and seek suppliers with environmental performance and goals
- Supplier code of conduct
- Supplier diversity and SEED contracts
- Maximize recycling and diversion from landfills
- Optimize reuse in circular economy



# Corporate & Enterprise Strategy

## 2024 Proposed budget details



Major Budget Items
<b>O&amp;M</b>
• Insurance Premiums: \$29.2 million
• Corporate Operations: \$54.8 million
• Business Support Operations: \$11.7 million
• Enterprise Strategy: \$16.2 million
<b>Capital</b>
• Power Control Center: \$6.4 million
• Facilities Projects: \$27.7 million
• Vehicles: \$11 million
<b>Public Good</b>
• Measurement and Valuation: \$1.2 million