



# 2024 Budget

Sacramento Municipal Utility District

Powering forward. Together.



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# Message from the General Manager





November 1, 2023  
GM 23-191

Board of Directors

**Re: 2024 SMUD Budget**

Dear Board Members:

I'm pleased to present SMUD's proposed 2024 Budget. The proposed 2024 Budget Authorization request is **\$2.1 billion**. It provides funding for Operations and Maintenance (O&M), Public Good and Capital Programs needed to successfully meet the Board's Strategic Directions, meet legislative and regulatory requirements, and continue the progress on our 2030 Clean Energy Vision. Staff will present detailed information at the Finance & Audit Committee meetings on Nov. 7 and 8. The proposed 2024 Budget supports 3 priorities: infrastructure investment, 2030 Zero Carbon Plan, and community impact.

**Executive Summary**

Each year, we look holistically at our budget, programs, projects and initiatives to ensure SMUD continues to deliver value to our customers and community. The proposed 2024 Budget reflects staff's focus on ensuring SMUD's responsible and sustainable financial stewardship, our commitment to keeping rates as low as possible, and consistently among the lowest in California.

Upholding our foundational commitment to provide safe, reliable electric service, the proposed Budget funds necessary infrastructure investments, ensures compliance with mandates and supports our customers and community through investments that serve our purpose to improve their quality of life. Wherever possible, staff identified cost savings and sought external grant funding to offset the inflationary cost pressures that impact every component of providing electric power and help fund planned initiatives to reduce the impacts to the requested Budget for 2024.

SMUD was recently awarded a \$50 million grant from the Department of Energy (DOE) for the Grid Resilience & Innovative Partnerships (GRIP) Program. Starting in 2024, this funding offsets costs for planned projects in five elements: next generation metering technology, Distributed Energy Resource Management System (DERMS) enhancements, Outage Management System (OMS) modernization, enabling technologies and Wilton Rancheria job training for grid technologies. Importantly, this funding brings forward the timeline on planned work that supports our transition to a clean energy future.

The proposed 2024 Budget funds activities that are critically important to support our customers and community today, while also funding activities that support SMUD's

Paul Lau, Chief Executive Officer & General Manager

long-term success and leadership position, including investments to meet carbon reduction mandates, maintaining and improving our infrastructure, and delivering positive community impact through our many community programs and outreach. By partnering with key community and customer stakeholders, we'll continue to deliver maximum community impact by ensuring every dollar we spend delivers the most value possible.

Our O&M and Public Good budgets (lines b and c in the following table) are increasing by \$45.8 million. Key initiatives in our 2024 O&M and Public Good budgets include our Community Impact Plan, electric transportation and building electrification incentives and implementation of other carbon reduction efforts. The O&M budget also includes funding for equipment maintenance, vegetation management, wildfire mitigation, cybersecurity, and property and casualty insurance, which have all seen significant inflationary increases. Staff works day-in and day-out to minimize budget impacts from these items through ongoing Operational Excellence initiatives, which help minimize the impact of many increases outside of our control. Over the past year, we captured \$60 million in cost savings, some of which have reduced the proposed 2024 Budget, and others that will result in future savings. We'll continue our Operational Excellence work across the organization throughout 2024 and beyond, to aggressively capture additional and sustainable savings.

Our Capital budget (line e) is decreasing by \$70 million as prior-year renewable and clean energy investment projects are nearing completion. Major capital projects for 2024 include:

- Completing the Solano 4 Wind Project
- Ongoing construction for the Country Acres and Coyote Creek solar and storage projects
- Continuing work on our ESS iron-flow battery partnership projects
- Beginning work on Station H Substation
- Designing and planning for our new Power Control Center.

The proposed 2024 Budget also includes funding for new and continuing technology projects reflecting the growing and critical role technology has in our operations and enterprise support.

The proposed Budget authorizes 2,250 full-time positions, an increase of 8 positions, primarily for our operations staff. Also included is funding for our future workforce pipeline needs and flexibility for shorter-term needs, with limited-term, student, and part-time positions.

In 2024, we expect an increase in our customer count and system peak load, which will drive up the Commodity budget (line a). However, total system kWh energy sales are expected to be lower due to a reduction in total energy sales to a large commercial customer. Our Commodity budget is increasing by \$87 million; much of that increase is driven by the increased need for Resource Adequacy (RA) required to serve the higher peak. The cost to purchase RA has also significantly increased. Other market conditions impacting the Commodity budget are continued extreme price volatility for power and



gas. The proposed 2024 Budget includes assumptions for a normal water year. The Commodity budget also assumes the Solano 4 wind project is online June 1, 2024.

We recognize the potential for new growth related to building electrification, electric vehicle adoption and mixed-use commercial/residential sales growth, and have maintained conservative planning assumptions so we can act nimbly as business conditions change. To manage potential impacts to our budget and operations, we'll monitor these and other factors throughout the year, including the local economy, construction costs, and any supply chain and labor shortages.

The proposed 2024 Budget will allow SMUD to:

- Maintain reliable service through a reliable grid — today and in the future — through strong investments in our infrastructure.
- Execute on SMUD's vision to provide safe, reliable and affordable energy in a way that is equitable for all.
- Invest in a clean energy future for the Sacramento region.
- Deliver on key priorities while meeting key financial metrics.

## Budget breakdown

The table below provides a brief overview of the proposed 2024 Budget compared to the 2023 Budget:

	2023 (\$M)	2024 (\$M)	Change (\$M)
Commodity (a)	\$485.0	\$572.0	\$87.0
Public Good excluding subsidies (b)	75.5	67.9	(7.6)
Other O&M (c)	692.8	746.2	53.4
<b>Subtotal</b>	<b>\$1,253.2</b>	<b>\$1,386.1</b>	<b>\$132.8</b>
Debt Service (d)	225.5	202.3	(23.2)
Capital (e)	624.9	555.0	(69.9)
<b>Total Budget Authorization</b>	<b>\$2,103.6</b>	<b>\$2,143.4</b>	<b>\$39.7</b>

*Totals may reflect minor rounding differences.*

Note: The total Public Good budget is \$106.6 million; the public good spending for rate subsidies are not included in the Budget Authorization listed above because the Board previously approved these as a component of the rate tariff. The rate subsidy budget is increasing by \$4.4 million. The remaining portion of the public good budget is decreasing as research work is being operationalized; when that occurs the budget dollars move from Public Good to O&M budget category.

## Additional budget details

The following sections provide details on the major initiatives and programs funded in the proposed 2024 Budget, grouped by the Board's Strategic Directions (SD).

## **Competitive Rates (SD-2)**

The proposed 2024 Budget reflects the first year of rate increases that the Board adopted in September 2023. Even with these rate increases, our rates continue to be among the very lowest in California. As of September 2023, our system rates are on average 50% lower than Pacific Gas & Electric's average rates, which translates to about \$1.3 billion in annual bill savings for our customers – money that stays in our local economy each year.

Part of the recent rate proposal included an additional Energy Assistance Program Rate (EAPR) discount of up to \$35 per month for our customers most in need. The additional discount for customers increases the rate subsidy portion of the Public Good budget accounts by \$1.9 million of the \$4.4 million total increase in rate subsidies.

As part of the budget resolution, the Board will be asked to approve provisions that transfer money to and from a rate stabilization fund, dependent upon precipitation amounts and amount of energy deliveries from the Western Area Power Administration's (WAPA) Central Valley Project. The intent of fund transfer is to reduce impacts to customer bills by being able to rely on the rate stabilization fund and provide a financial buffer when purchasing replacement power on the open market in years with minimal precipitation.

We'll enter 2024 with approximately \$96.4 million in the Hydro Rate Stabilization Fund (HRSF) and \$3.9 million in the Rate Stabilization Fund (RSF) (this excludes funds in RSF for Low Carbon Fuel Standard (LCFS), Cap-and-Trade (AB32) and Deferred Revenue).

## **Access to Credit Markets (SD-3)**

We proactively manage our financial position to ensure financial strength and strong credit ratings. Strong credit ratings maintain and improve access to credit markets and deliver a lower cost of borrowing, which is especially important in times of high/rising interest rates and provides more and lower cost options for funding our zero carbon projects.

We target strong financial metrics in our cash flow coverage (fixed charge) and liquidity (days cash). For SMUD's annual budget, the Board sets a minimum fixed charge of 1.50 times operating cash flow, however, as a practice, we plan to a minimum of 1.70. This higher performance standard has proven valuable during the last 3 years of economic uncertainty as investors seek high-quality investments.

We manage a strong liquidity position by setting a minimum number of days cash-on-hand, maintaining an additional \$300 million commercial paper program and a \$100 million line of credit. A strong liquidity position is important in demonstrating to our customers, investors and rating agencies that SMUD can withstand various financial stresses. Our current days cash-on-hand threshold is 150 days; the minimum amount of cash-on-hand before triggering a new debt or commercial paper issuance to replenish cash balances. The commercial paper and line of credit programs allow for short-term



borrowing when needed, similar to a credit card or home equity line of credit, in lieu of issuing long-term debt. Any unused commercial paper or line of credit further enhances our liquidity position, which is viewed positively by investors and ratings agencies.

### **Reliability (SD-4)**

Providing reliable electric service to our customers is always a top priority. The 2024 Budget includes funding to ensure our transmission and distribution (T&D) systems have sufficient capacity and load serving capability to serve the needs of our customers safely, reliably and cost-effectively, while meeting regulatory compliance requirements.

Key Reliability investments in the proposed 2024 Budget include:

- Power Control Center (PCC) to replace the existing Energy Management Center (EMC) building. This is a multi-year project; \$6M planned in 2024.
- Substation investments: \$155 million of capital investments to add capacity to support reliability and load growth.
- Vegetation management & wildfire mitigation: \$53 million in the 2024 budget for reliability and risk reduction for wildfire.
- Pole and cable replacements: \$36 million of capital investment to replace 1,200 poles and 240,000 circuit feet of underground cable.
- Maintenance, including inspections, overhauls, compliance activities to maintain reliable operations of our existing assets.

### **Customer Relations (SD-5), Outreach & Communication (SD-15)**

In 2024, we'll continue to deliver on the needs of our customers, focusing on outreach, education, and awareness to achieve a carbon-free future by 2030 that our customers can equitably participate in.

We're engaging with members of our diverse communities to deliver wide-reaching benefits, including expanded workforce development programs. Our Community Impact Plan will continue to provide ways to diversify our portfolio of offerings, creating a more inclusive economic development opportunities and expanding our community education and outreach efforts to ensure no community is left behind.

Key Customer Relations, Outreach & Communication investments in the proposed 2024 Budget include:

- Continuing to implement our Community Impact Plan, budgeting \$14 million in 2024 as part of a multi-year, \$41 million program that commits to meaningful investments in under-resourced communities to ensure equitable participation in a clean energy future. We'll leverage partnerships; increase energy efficiency, electrification, weatherization, solar, and electric vehicle (EV) readiness for our low- and median-income customers; provide \$450,000 in Shine Awards; launch our Business District Electrification program; connect technical training partners and community organizations to offer workforce development training, and increase community education and communication.

- Positioning SMUD as the authority on how to accelerate decarbonization in a way that's safe, reliable, affordable, and equitable. In 2024, we'll launch new multi-language campaigns; share ideas with customers so they can reduce their carbon footprint, and deliver on our youth strategy to create advocates and influencers to amplify SMUD's story.
- Enhancing our customers' experiences. 2023 saw significant investment in our outage processes. In 2024, we will continue to build on these improvements by:
  - Expanding information in the outage center, such as outage status.
  - Improving online outage map search functionality.
  - Two-way texting with customers about outage status.
- Leveraging our existing partnerships and pursuing new opportunities to connect with customers across our service area, continuing to leverage flagship partnerships such as our support for the SMUD Museum of Science & Curiosity (MOSAC), Sacramento Kings, Sacramento River Cats, and Sacramento Republic, and deepening outreach to community groups to understand individual community priorities through our Speakers Bureau and Homeowners Association strategy.
- Our Sustainable Communities Programs will continue to support our community in various ways. In 2024, we'll visit classrooms and community events with hands-on, engaging activities; lead student field trips to stimulating locations like SMUD's Cosumnes Power Plant, hydropower facilities, dairy digesters, and host commercial, residential and educator workshops to provide technical education to professionals and businesses.

### **Safety Leadership (SD-6)**

We continue to implement safety initiatives that maintain SMUD's position as a recognized leader in safety, while keeping the safety of our employees, contractors and the public a top priority. In 2024, we'll continue to make progress with our Safety Road Map and to further our journey toward our zero-incident goal.

Key Safety Leadership investments in the proposed 2024 Budget include expanding the use of our field ergonomics injury prevention program to support high-risk field operations; continue enhancements to promote SMUD's Public Safety program; increasing Public Safety Electrical training for battery storage areas; and improve SMUD's Confined Space Rescue Program.

### **Environmental Leadership (SD-7)**

SMUD is recognized as an environmental leader. Our commitment to deliver clean, reliable and safe power to our community is unmatched, and we work hard to improve the lives of our customers in all that we do. We're always looking to reduce our impact on the environment, conserve resources and better the environment for current and future generations.

Key Environmental Leadership investments in the proposed 2024 Budget include:

- Replacing 4 69kv oil-based circuit breakers with non-SF6 (Sulfur Hexafluoride) vacuum breakers, reducing environmental emissions. SF6 is a potent greenhouse gas.
- Installing SMUD's first ever ester-based (non-fossil fuel) oil transformer at the new Fianza-Albatross substation construction. Ester oil is less hazardous, less flammable and more environmentally friendly than mineral oil.
- Adding more EV pickup trucks, such as the Chevy Silverado and the Ford F-150 Lightning, to our commercial fleet
- Electrifying 100% of the tools issued by our warehouse.
- Continuing support surrounding soil management reuse, transformer demolition and solar PV panel recycling and reuse.

### **Employee Relations (SD-8)**

Priorities in 2024 will focus on strengthening the employee experience and SMUD's talent pipeline. From technological efficiencies and Total Rewards offerings to regional education and outreach, the culture and workforce we build today will be vital to the success of SMUD's 2030 Clean Energy Vision.

Key Employee Relations investments in the proposed 2024 Budget include continuing to execute on SMUD's Diversity, Equity, Inclusion & Belonging (DEIB) Strategy; reviewing and enhancing job descriptions with a focus on modernization, brand voice and application of a DEIB lens, and delivering a robust and comprehensive Field Leader Development Program to strengthen future leaders' skills and their ability to create safe operational environments.

### **Resource Planning (SD-9)**

In implementing our 2030 Zero Carbon Plan, we're reimagining our power generation portfolio by replacing/retooling our natural gas assets, expanding local and regional investments in proven clean technologies and launching pilot projects and programs for new and emerging technologies.

Key Resource Planning investments in the 2024 Budget include:

- Expanding renewables and increasing reliability:
  - Completing construction of the Solano 4 Wind Project (85.5 MW) - \$51M spend in 2024.
  - Continuing evaluation and development of several local and regional utility-scale solar and battery storage projects and other renewable technologies, with targeted online dates from 2025-28.
- Launching pilot projects and programs for new and emerging technologies:
  - Deploying long-duration energy storage through our partnership with ESS, Inc. beginning with 4MW/24MWh at several locations in Phase 1 of the partnership - \$15M in spend in 2024.

- Investigating partnership opportunities and preparing for carbon capture and storage projects.
- Implementing IT upgrades to enable Distributed Energy Resources (DERs) and Virtual Power Plants (VPPs).
- Continuing to expand and support energy efficiency and building electrification through our programs and services. Some new initiatives include:
  - Increasing energy efficiency, electrification, weatherization, solar and EV readiness for our low- and median-income customers, including owners and renters in Meadowview and other under-resourced communities.
  - Launching the Commercial Kitchen Electrification program, which provides funding for energy-related kitchen improvements for commercial customers in priority areas identified on our Sustainable Communities Priorities Map.
  - Launching the Commercial Business District Electrification program, which provides customized "energy bundle" recommendations for lighting, energy efficiency, building electrification and/or EV charging.
  - Evaluating and updating the design of our SmartHomes program in alignment with a new statewide single family and multifamily all-electric new construction program.
- Supporting the increased adoption of EVs and charging infrastructure through our programs and services including:
  - Expanding our residential Charge@Home program that provides incentives and rebates through our SMUD Energy Store for home charger and electrical circuit installation.
  - Launching a new commercial EV online estimation tool.
  - Kick off SMUD's delivery of the California Energy Commission (CEC) FAST grant public DC fast chargers at multiple locations (Sacramento International Airport, Sacramento State University, and the Sacramento Valley Amtrak station).
- Expanding and growing our load flexibility, demand response and customer storage options. Examples include:
  - Launching a new Commercial VPP program at a multifamily development.
  - Launching a version of the State's Demand-Side Grid Support (DSGS) program to enable SMUD Commercial & Industrial (C&I) customers to receive state-funded incentives to reduce load during grid emergencies.
- Continuing to build and evolve our green pricing and solar program offerings, including:
  - Launching targeted marketing and growing participation in low/median income (LMI) SolarShares.
  - Expanding our community solar programs to include hosted community solar in partnership with local school districts; and examining opportunities to partner with other non-profit organizations.

## **Innovation (SD-10)**

Research and development and implementing new business models helps us deliver innovative solutions, products and services to our customers. In 2024, we'll further align our research with strategic partnerships and grants to meet the needs of our 2030 Clean Energy Vision. We'll focus on researching and deploying technologies, projects and programs that can address critical gaps in current initiatives and/or accelerate the implementation of emerging projects.

Key Innovation investments in the 2024 Budget include:

- Accelerating research in customer load flexibility to allow for Virtual Power Plant (VPP) growth during the transition of SMUD's thermal fleet.
- Researching and addressing key barriers to building and transportation electrification, including:
  - Quantifying load impacts from home electrification retrofits to support the development of tools and systems to facilitate decisions about utility service upgrades.
  - Deploying a pilot that transitions EV charging in under-resourced communities. More than 100 Level 2 chargers will be installed across 6 multifamily housing sites, in partnership with Sacramento Metropolitan Air Quality Management District and Mutual Housing California with grant support from the California Energy Commission.
  - Continue recruitment, data collection, and evaluation of the Residential Managed EV Charging pilot with electric vehicles from Tesla, Ford, BMW, and GM.
- Investigating carbon reducing generation technologies, such as modular long duration energy storage iron-flow battery project in partnership with ESS, Inc. and researching and testing advanced functionality of smart (communication capable) inverters to increase customer hosting capacity, and reliability of solar and storage resources.
- Continuing to evaluate the potential to create natural habitats with pollinators and native plant species to reduce the operational costs of vegetation management, erosion control and fire protection. Examples include:
  - The Country Acres Agrivoltaic Research project, which focuses on crop production in conjunction with PV.
  - The hedgerows and pollinator gardens that will be planted this fall at the Rancho Seco "Carbon Farming" pollinator project.
  - Adding native habitat at the American River restoration project near the entrance to the Orangevale substation and adjacent to the new Citrus Heights bike trail.

## **Public Power Business Model (SD-11)**

We'll continue to promote the public power business model and advocate for policies that provide us with the flexibility to pursue innovative solutions that meet the needs of our

customers and community, while providing safe, reliable, affordable and sustainable electricity.

Key Public Power Business model investments in the proposed 2024 Budget include:

- Pursuing grant initiatives to support SMUD's 2030 Zero Carbon Plan, including the recently awarded GRIP grant and Congresswoman Matsui's earmark.
- Advocating at the CEC for funds from the DSGS and Distributed Energy Backup Assets Program (DEBA) Programs to support grid investment.
- Providing input to key legislative and regulatory proceedings to ensure that any proposed legislation or regulations align with our business objectives and provide necessary flexibility.
- Enhancing our relationship with the Balancing Authority of Northern California (BANC) and participating in regulatory proceedings involving the creation of the Extended Day Ahead Market (EDAM).

### **Economic Development (SD-13)**

SMUD promotes the economic vitality of our region and the growth of our customer base through strategic leadership and active contributions to regional economic development. We're also helping build a strong innovation ecosystem through support for start-ups, entrepreneurs and business incubators, with a focus in under-resourced business communities.

In 2024 we'll continue to increase awareness and adoption of the 2030 Clean Energy Vision through engagement with partner chambers and Property & Business Improvement Districts; maximize and diversify participation in the Supplier Education and Economic Development (SEED) program, and enhancing resources for small businesses in under-resourced communities to encourage adoption of clean energy solutions and spur inclusive economic development.

### **System Enhancement (SD-14)**

In 2024, staff will continue working with several local jurisdictions on their multi-year undergrounding projects as follows:

- Citrus Heights: Auburn Blvd. (from Rusch Park to I-80) with a planned construction start date in 2024; \$2.8M budgeted.
- Elk Grove: Elk Grove Blvd. (between Waterman & School Streets) with a planned construction start date in 2024; \$1.2M budgeted.
- Ranch Cordova: Anticipate start of detailed planning discussions for their proposed project on Folsom Blvd between Bradshaw Rd. and Sunrise Blvd.

Altogether, these projects will underground approximately 5.5 miles of existing overhead lines when completed.

### **Information Management and Security (SD-16)**

Technology is essential to SMUD's business. The proposed 2024 budget funds solutions and strategies to implement cybersecurity policies and measures to effectively



manage cyber risk and enable SMUD's people, processes, and technology to securely accomplish business priorities and operational objectives.

Key Information Management and Security investments in the proposed 2024 budget include:

- Enhancing necessary Vulnerability Response and Management capability and technology in alignment with the National Institute of Standards and Technology (NIST) Cybersecurity Framework Security and Privacy Control families.
- Continuing to build on momentum and experience from achieving a 100% pass rate for consecutive North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection (CIP) compliance audits.
- Continuing to update our Disaster Recovery strategy to reduce the risk of IT service disruptions.

### **Enterprise Risk Management (SD-17)**

The proposed 2024 Budget fully funds key risk mitigation activities. SMUD's enterprise-level risks span the spectrum of operational and strategic business risks, and include energy procurement, strategy, operations, natural hazards, political and regulatory issues, economics, and the environment. Risk remains a core focus on key decision-making for senior leaders at SMUD. Risk assessments and mitigation plans continue to be refined and improved by considering SMUD's changing internal and external risk environment and enhancing how SMUD addresses its risks.

Key Enterprise Risk Management initiatives in the 2024 Budget include:

- Continuing to mitigate wildfire risk and potential impacts to SMUD's operations, customers, and the community.
- Updating SMUD's Hazard Mitigation Plan to continue to qualify for mitigation grants from the Federal Emergency Management Agency (FEMA).
- Enhancing and improving SMUD's emergency preparedness and response capabilities leveraging lessons learned and tabletop exercises.

### **Diversified Business (SD-19)**

Broadening and diversifying our products and services is a key value for SMUD. In 2024, we'll pursue opportunities that align zero carbon initiatives with diversified business opportunities. Desirable outcomes will benefit our customers and community, create economic value, achieve a balanced and diversified portfolio and leverage our strengths, all while maintaining our financial health and reputation.

Key Diversified Business investments in the proposed 2024 Budget include:

- Continuing to collaborate with the California Mobility Center to focus on workforce development initiatives.
- Seeking to expand our client portfolio for Community Energy Services in support of public power. Expansion would include additional services and collaboration with new and existing clients.

The 2030 Clean Energy Vision provides clear direction for collaboration and partnership with SMUD. Our industry-leading work is creating new opportunities for companies to work with SMUD to accelerate marketable and scalable solutions that support decarbonization, while also meeting our aggressive timing, reliability, and cost objectives.

SMUD is modeling the way for a zero carbon future, and that leadership inspires others to join us. In a variety of innovative and creative ways, we're showcasing our excitement and commitment to work with public and private partners that are interested in joining us. Collaboration and partnership are not limited to the companies and technologies that we work with. Our communities are also contributing to these opportunities.

SMUD's ambitious and flexible 2030 Zero Carbon Plan and innovative work that supports it, serve as model for others to follow. Around the nation and our industry, others are taking notice of our holistic approach to a carbon free economy that's guided by the guardrails of continuing to provide safe, reliable and affordable electricity, while decarbonizing our power supply in a way that benefits everyone.

I'm extremely excited to see all we will accomplish in 2024. The incredible amount of work we've done in just a few short years to implement our 2030 Zero Carbon Plan gives me great confidence in what we can accomplish in these next six years to get to 2030. Through creative programs and services to innovative partnerships and industry-leading pilots, we're utilizing a diverse approach to reach a clean energy future that will have a lasting impact for generations to come.

Our executive team members will share an overview of SMUD's key proposed 2024 initiatives during the Nov. 7 and 8 Finance & Audit Committee meetings, and I look forward to providing the Board with regular updates on progress throughout the upcoming year.

Respectfully submitted,



Paul Lau  
Chief Executive Officer and General Manager

cc: Executive Team  
Special Assistant to the Board  
Corporate Files

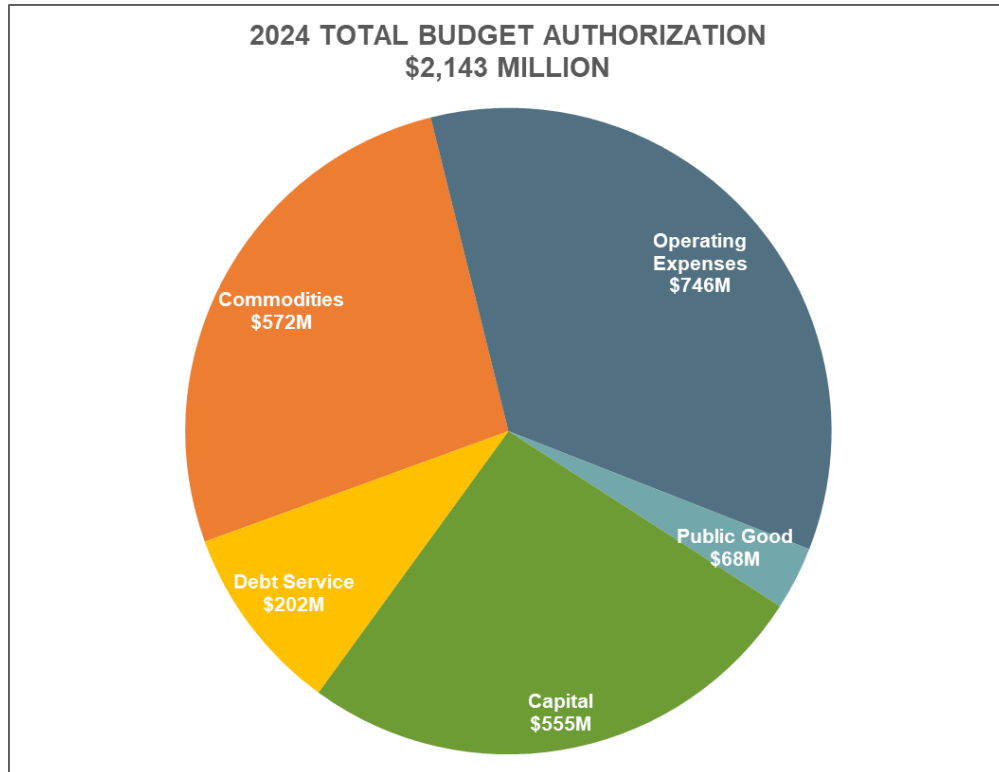
## About SMUD

As the nation's sixth-largest, community-owned, not-for-profit electric service, SMUD has been providing low-cost, reliable electricity to Sacramento County since 1946. SMUD is a recognized industry leader and award winner for its innovative energy efficiency programs, renewable power technologies and its sustainable solutions for a healthier environment.

We provide electric service to most of Sacramento County and small, adjoining portions of Placer and Yolo Counties. Our service area is divided into seven wards, each represented by an elected board member who serves a 4-year term. Our Board of Directors determines policy direction and appoints our Chief Executive Officer & General Manager, who is responsible for SMUD's day-to-day operations.

SMUD became a Control Area, presently called a Balancing Authority (BA), in June 2002 and since then has operated its transmission and generation system independently. On January 1, 2006, the Western Area Power Administration's Sierra Nevada Region (WAPA-SNR) was integrated into the SMUD BA, followed on December 1, 2006, by the California-Oregon Transmission Project (COTP) – a 500kV transmission line - and the Modesto Irrigation District (MID). On May 8, 2009, together with MID and the cities of Redding and Roseville, SMUD entered into a Joint Powers Agreement to create the new Balancing Authority of Northern California (BANC). With regulatory approval on May 1, 2011, the operations of SMUD BA were transferred to BANC BA. BANC uses SMUD's existing employees and physical resources to be the BANC Operator. BANC's General Manager reports to a five-person Commission made up of SMUD, MID, City of Redding, City of Roseville, and Trinity Public Utility Districts chief executives. This BA, as an independent entity, is not subject to market disruptions that result from financially induced supply shortages within the California Independent System Operator (CAISO) or investor-owned utilities. SMUD is still subject to certain CAISO transmission, grid management and other costs for transactions that use the CAISO controlled grid. These costs have been included in SMUD's 2024 Budget.

## SMUD At a Glance



### Service Area Population

1.5 million people

### Size of our service area

900 square miles

### Expected System Peak

2,966 MW

### Credit Rating

Standard & Poors: AA

Moody's: Aa3

Fitch: AA

### Accounts Served (average)

588,625 Residential

77,633 Commercial

### Miles of Power Lines We Own

10,912

### Expected Retail Energy Sales

10,302 GWh

### Public Good Budget (incl subsidy)

\$106.6 million (proposed)

## SMUD Governance

### Our Board of Directors

SMUD is owned by its customers, who elect a seven-member Board of Directors. Each director represents a different geographic area or "ward." During their four-year terms, they establish policies and values about how we serve you and to set the long-term direction SMUD will take as we move forward.

SMUD's Board of Directors establish our vision and guidelines. The Board reviews and approves strategies, such as Community Impact, Diversity, Equity, Inclusion & Belonging (DEI&B), Electric Vehicle (EV) and Fleet, Wildfire, and Zero Carbon. The Board has the final approval for large expenditures, such as bond issuances, contracts, land purchases, and power purchase agreements. For the annual budget process, the Board approves the budgeted expenses, or authorization to spend, and monitors performance through strategic direction reporting and monthly financial updates.

**2023 SMUD Board of Directors:**



Brandon Rose  
Ward 1



Nancy Bui-Thompson  
Ward 2



Gregg Fishman  
Ward 3



Rosanna Herber  
Ward 4  
Board Vice President



Rob Kerth  
Ward 5  
Board Committee  
Chair, Finance & Audit  
Committee



Dave Tamayo  
Ward 6



Heidi Sanborn  
Ward 7  
Board President



## Strategic Direction – Purpose, Vision & Values

Our Strategic Direction guides us in the decisions we make about SMUD’s policies and operations. Our Board continually reviews and refines these guidelines to make sure we’ll meet your energy needs, both now and in the future.

### **Purpose Statement** ([policy number: SD-1A](#))

SMUD’s purpose is to enhance the quality of life for our customers and community by providing reliable and affordable electricity and leading the transition to a clean energy future.

### **Vision Statement** ([policy number: SD-1B](#))

SMUD’s vision is to be a trusted and powerful partner in achieving an inclusive, zero carbon economy. SMUD will leverage its relationships to accelerate innovation, ensure energy affordability and reliability, protect the environment, eliminate greenhouse gas emissions, catalyze economic and workforce development, promote environmental justice, and enhance community vitality for all.

### **Core Values**

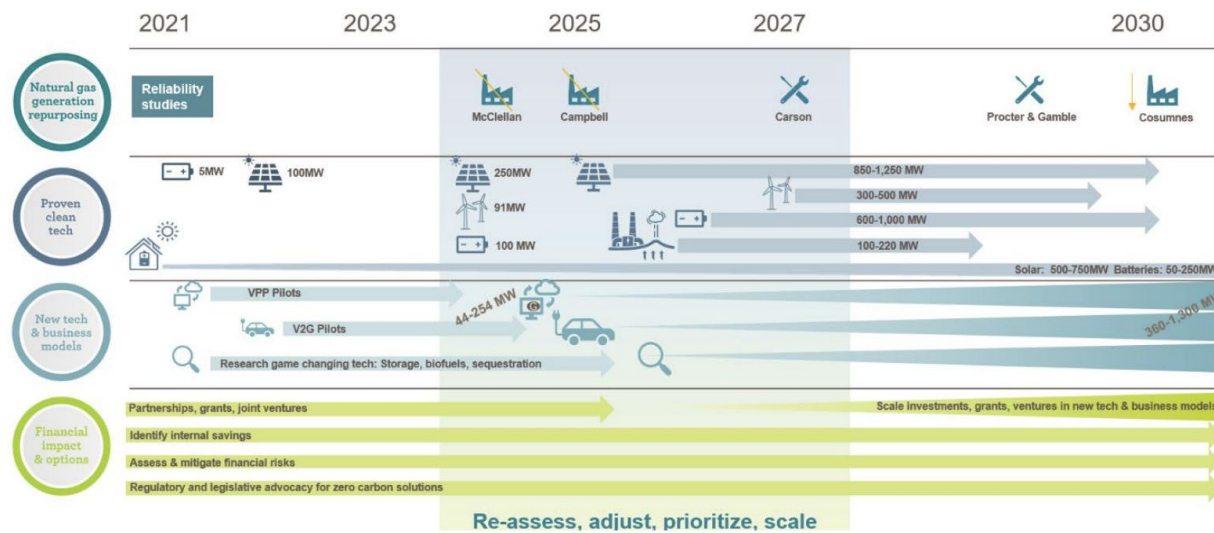
- Competitive Rates ([policy number: SD-2](#))
- Access to Credit Markets ([policy number: SD-3](#))
- Reliability ([policy number: SD-4](#))
- Customer Relations ([policy number: SD-5](#))
- Safety Leadership ([policy number: SD-6](#))
- Environmental Leadership ([policy number: SD-7](#))
- Employee Relations ([policy number: SD-8](#))
- Resource Planning ([policy number: SD-9](#))
- Innovation ([policy number: SD-10](#))
- Public Power Business Model ([policy number: SD-11](#))
- Ethics ([policy number: SD-12](#))
- Information Management and Security ([policy number SD-16](#))
- Enterprise Risk Management ([policy number: SD-17](#))

### **Key Values**

- Economic Development ([policy number: SD-13](#))
- System Enhancement ([policy number: SD-14](#))
- Outreach and Communication ([policy number: SD-15](#))
- Diversified Business ([policy number: SD-19](#))

## 2030 Zero Carbon Plan

### High-level summary of the key elements and actions in our 2030 Zero Carbon Plan.



We are committed to achieving our 2030 Zero Carbon Plan and keeping rates affordable. While the plan represents significant new investments, there are several opportunities to manage the impact to customer bills. This strategy depends on regional, national, and international partnerships to share the costs of common goals and fund the development and acceleration of new technologies. We'll continue to expand new revenue sources, such as Low Carbon Fuel Standard (LCFS) credits, U.S. EPA electric Renewable Identification Number, Inflation Reduction Act direct pay provisions, grants and carbon credits. This strategy also focuses on leveraging use of our low-cost of capital, mechanisms such as green bonds and commodity prepaids that may lower costs and improve efficiency in delivery of our operational services. As technologies progress, we'll regularly review the financial impact and manage our finances to keep rate increases low and stable.

If you're interested in learning more about our 2030 Zero Carbon Plan, please visit our [2030 Clean Energy Vision site](#) and check out how we're doing with our latest [2030 Zero Carbon Plan Progress Report](#).

## Budget Process and Assumptions

The process to complete the 2024 Budget began with setting financial limits to ensure that the budget would result in achieving our key financial metrics: Positive Net Income, Fixed Charge Ratio of at least 1.70 and Days Cash of 150 or more. With input from every business unit, we looked holistically at the work planned for the upcoming year and identified the most important work that must be done to support our Clean Energy Vision, our customers, and community. In October 2023, we presented an early look of the budget to the Board before the budget was finalized. The load, revenue, and commodity forecasts were then completed which results in the final proposed 2024 Budget.

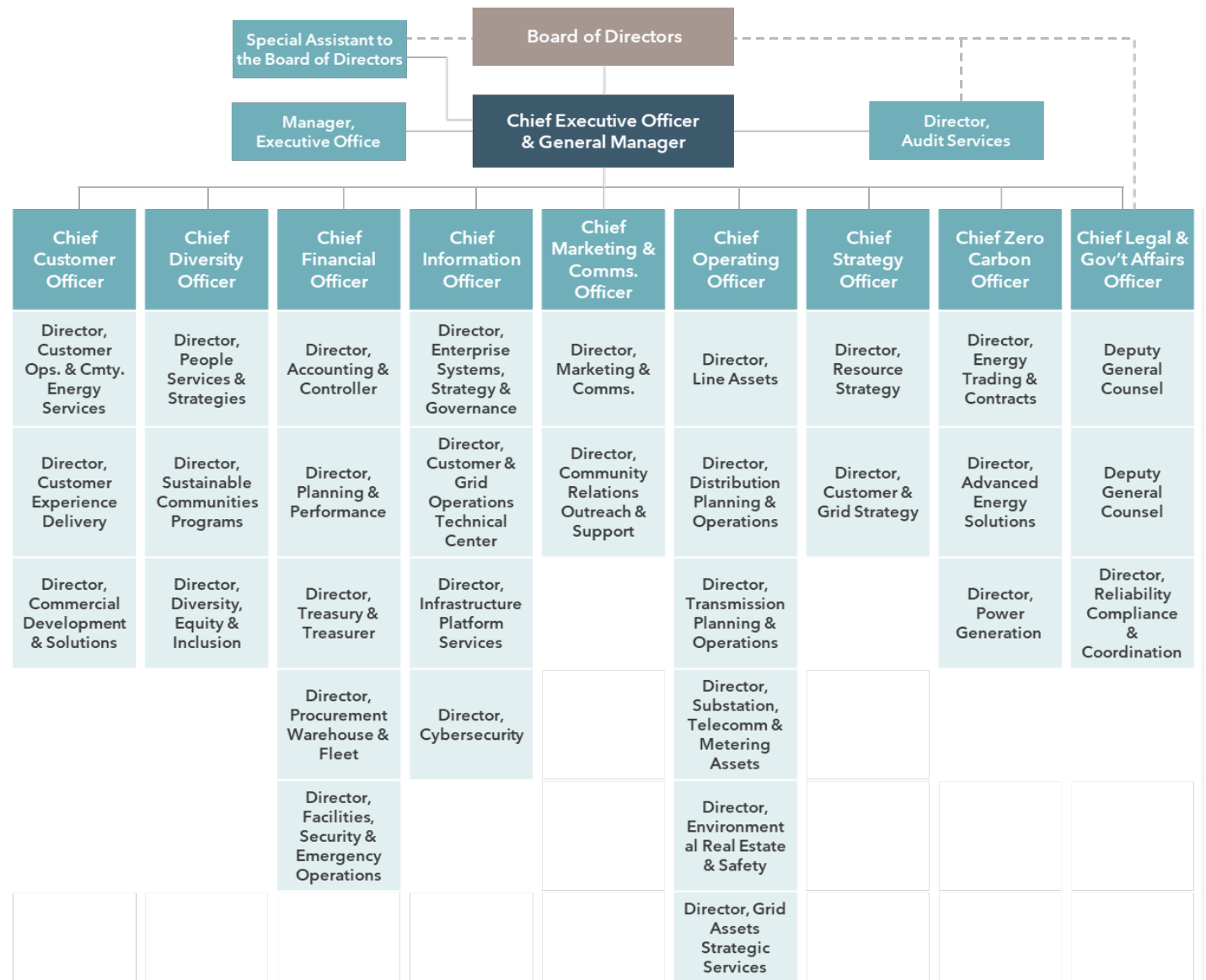
Our planning and budgeting philosophy is to plan and measure the total cost of SMUD business processes and set performance improvement targets for the processes and Business Units that will most efficiently accomplish strategic goals. This budgeting methodology also most efficiently allocates and plans resources throughout SMUD to the Business Units and work processes.

SMUD's Board of Directors has autonomous authority to establish the rates charged for all SMUD services. SMUD typically reviews and sets rates on a two-year cycle. This rate approval process is separate from the annual budget process. SMUD plans its revenue by using the Board approved rates in conjunction with the load forecast. Through approval of the budget, the Board provides the authorization to spend for SMUD to support the work we do to carry out our purpose of enhancing the quality of life for our customers and community by providing reliable and affordable electricity and leading the transition to a clean energy future. To learn more about our rate process please refer to the latest [General Manager's Report](#).

# Organizational Structure

## Organization Chart by Executive

SMUD resources support Business Unit processes regardless of organization/functional affiliation.



### Executive Team

SMUD's senior management consists of the following:

**Chief Executive Officer & General Manager.** Paul Lau reports to the SMUD Board of Directors. As CEO & GM, he leads the sixth largest community-owned electric utility in the nation, serving a population of approximately 1.5 million residents and managing a \$2.1 billion budget. Paul serves on several national and local boards, including the Large Public Power Council, California Municipal Utilities Association, American Public Power Association, and Smart Electric Power Alliance, and as a Commissioner of the Balancing Authority of Northern California (BANC).

**Chief Operating Officer.** Frankie McDermott is responsible for providing strategic leadership and tactical oversight related to transmission and delivery of energy to customers, ensuring efficient planning, construction, operation and maintenance of transmission, and distribution facilities. He also leads the teams responsible for environmental, safety & real estate, strategic services project management and operational excellence.

**Chief Financial Officer.** Jennifer Davidson is responsible for corporate accounting, procurement, treasury operations, risk management, and planning and performance functions as well as key corporate services, including facilities, security, emergency operations and warehouse and fleet.

**Chief Customer Officer.** Brandy Bolden provides leadership and oversight of customer operations including customer care and revenue management, business intelligence, strategic account management, customer experience and segmentation strategy, channel management, customer program and service delivery, and special assistance. This area is also responsible for commercial development and business attraction and oversees Community Energy Services.

**Chief Information Officer.** Suresh Kotha oversees Information Technology (IT) functions including Strategy & Governance, Infrastructure Platform Services, Customer & Grid Technology Center, Enterprise Solutions Engineering & Emerging Technologies, and Cybersecurity.

**Chief Diversity Officer.** Jose Bodipo-Memba is responsible for company-wide programs and services such as people services and strategies, workforce development, diversity and inclusion, workforce business planning and SMUD's Sustainable Communities program. The business area's focus is to advocate diversity, inspire an inclusive culture based on trust and respect, and to create belonging and connection. Through the Sustainable Communities, the Chief Diversity Officer is responsible for leading the alignment of programs, goals, and investments around supporting healthy, vibrant, and economically sustainable neighborhoods for all customers.

**Chief Strategy Officer.** Scott Martin is responsible for looking holistically at all strategies across the company and driving prioritization including zero carbon, rates and pricing, enterprise strategic planning and enterprise prioritization. He leads the teams responsible for establishing and meeting SMUD's long-term goals for carbon reduction, renewable energy and distributed resources while maintaining power system reliability and affordable rates.

**Chief Legal & Government Affairs Officer and General Counsel.** Laura Lewis reports to the Board and to the CEO & GM and manages SMUD's legal office. She serves as the secretary to

SMUD's elected board of directors. She also oversees SMUD's government affairs and reliability compliance function.

**Chief Zero Carbon Officer.** Lora Anguay is responsible for leadership oversight of SMUD's Energy Supply which includes Energy Trading and Contracts and SMUD's Power Generation Assets. This role is also responsible for the delivery of SMUD's plan to provide 100% carbon free energy resources by 2030. This includes obtaining new grants and partnerships, overseeing research and development, designing distributed energy resource programs, enabling processes to settle distributed energy transactions with SMUD's customers and transitioning SMUD's power generation assets and energy contracts to zero carbon resources.

**Chief Marketing & Communications Officer.** Farres Everly is responsible for all aspects of the utility's marketing, market research, corporate communications, website, graphic design, video services, data analytics, social media, community engagement & outreach, crisis communications and public affairs activities.



### Business Units & Segments

The SMUD Budget is planned by Business Unit processes which in some cases differ from the organizational/functional reporting structure. The Business Units and Segments are categorized based on work processes and operations and provides better alignment and allocation of costs to specific business functions.

Customer & Community Services	Energy Delivery & Operations	Zero Carbon Energy Solutions	Enterprise Strategy	Information Technology	Workforce, Diversity & Inclusion	Corporate / Enterprise
Customer Experience Delivery	Transmission Planning & Operations	Power Generation	Resource Strategy	Enterprise Systems, Strategy & Governance	People Services & Strategies	Governance
Customer Operations	Distribution Planning & Operations	Advanced Energy Solutions	Revenue Strategy	Infrastructure Platform Services	Diversity, Equity & Inclusion	Finance
Community Energy Services	Line Assets	Commodity Procurement & Sales	Customer & Grid Strategy	Enterprise Solutions, Engineering & Emerging Technology	Sustainable Communities	Legal, Gov't Affairs & Compliance
Commercial Dev. & Solutions	Substation, Telecom, Network & Metering	Grants, Research & New Business Development	Enterprise Prioritization	Customer & Grid Operations Technology Center		Facilities, Security & Emergency Operations
Business Performance & Optimization	Strategic Services & Operations PMO			Cybersecurity		Procurement, Warehouse & Fleet
	Environmental, Safety & Real Estate Services					Comms. Marketing & Community Relations
	Operational Excellence					Enterprise Affairs

# Budget Summary

## Overview

The 2024 Budget Authorization totals \$2.1 billion. This represents an increase of \$39.7 million from the 2023 Budget. The 2024 Budget is a request to authorize spending.

Funding Type \$000s	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
Commodities	\$499,626	\$484,984	\$572,000	\$87,016	18%
Operating Expenses	672,845	692,762	746,217	53,455	8%
Public Good Expenses	62,133	75,459	67,889	(7,570)	-10%
Capital	475,622	624,924	554,966	(69,958)	-11%
Debt Service	218,860	225,492	202,263	(23,229)	-10%
<b>TOTAL Budget Authorization</b>	<b>\$1,929,087</b>	<b>\$2,103,621</b>	<b>\$2,143,336</b>	<b>\$39,715</b>	<b>2%</b>
Miscellaneous Revenues	(147)	(864)	(1,974)	(1,109)	128%
Net	\$1,928,941	\$2,102,756	\$2,141,362	\$38,606	2%

The 2024 SMUD Budget summarized on the following pages is a blueprint of planned commodity, operating, public good, debt service expenses and capital expenditures for the fiscal year beginning January 1, 2024. Historical comparisons to the 2023 Budget adopted by the Board on December 8, 2022, are shown to put the proposed 2024 Budget into perspective. A forecast of actual 2023 expenses is also shown.

The O&M and Capital Budgets are shown by Business Unit. SMUD Business Units correspond to business processes which deliver specific products and services to SMUD customers. The core business processes are represented by Customer & Community Services, Energy Delivery & Operations and Zero Carbon Energy Solutions Business Units. Included within Zero Carbon and Customer/Community are Public Good costs related to energy efficiency, low-income assistance, renewable generation and research and development. These costs are shown separately because they are designated as Public Goods programs as determined by statute.

The Enterprise Strategy, Information Technology, Workforce, Diversity & Inclusion and Corporate Business Units provide services which enable the other business units to perform their work. The Enterprise Business Unit contains contingency and reserve estimates for the organization.

Within each Business Unit budget, work processes are subdivided into business segments and individual business processes. Business segments and processes enable each business unit to effectively plan and measure performance of its operations at a manageable level.

The budgeted costs shown under each core Business Unit include all the costs of performing the work planned for 2024. These include labor costs from departments throughout SMUD which perform work in the core business processes. Labor costs include employee benefits. Also



## SMUD 2024 Budget

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included in the budget is a surcharge allocation of service costs such as fleet, facilities, information technology (IT), workforce management and support, environmental services, real estate, safety and security. The Corporate budget includes insurance and risk management, and cash and debt management; a portion of this budget is allocated to Capital and Public Good.

For detailed descriptions of the cost categories that make up SMUD's budget please see the Supplemental Information section of this document or follow these links – [Cost Categories](#) and [Expense Type Descriptions](#).

## O&M Budget Summary

The O&M Proposed Budget for 2024 totals \$1,386.1 million, which is \$132.9 million or 11 percent higher than the 2023 Budget. The O&M budget consists of commodity costs, business unit operating costs, public good and other employee benefit costs. The following sections present detail for these O&M components.

Cost Type \$000s	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
Labor & Benefit Costs	\$256,225	\$265,261	\$280,409	\$15,148	6%
Materials & Equipment	13,328	9,458	10,782	1,324	14%
Other Expenses	54,946	46,619	49,692	3,073	7%
Outside Sevices	183,178	205,323	210,302	4,979	2%
Insurance	35,727	32,795	40,863	8,068	25%
Rebates & Incentives	31,159	34,837	34,253	(585)	-2%
Commodites (excl reimbursements)	502,739	505,399	572,000	66,601	13%
<b>Total Operating Expenses</b>	<b>1,077,303</b>	<b>1,099,692</b>	<b>1,198,300</b>	<b>98,608</b>	<b>9%</b>
Reimbursements	(19,656)	(37,960)	(16,727)	21,233	56%
Allocations/Surcharges	164,814	151,448	163,463	12,015	8%
<b>Expenditures Subtotal</b>	<b>1,222,461</b>	<b>1,213,180</b>	<b>1,345,036</b>	<b>131,856</b>	<b>11%</b>
JPA Interest	4,441	4,441	4,067	(374)	-8%
Other Employee Benefits	7,703	35,584	37,004	1,420	4%
<b>Total O&amp;M Budget</b>	<b>\$1,234,605</b>	<b>\$1,253,204</b>	<b>\$1,386,106</b>	<b>\$132,902</b>	<b>11%</b>
Miscellaneous Revenues	(61)	(25)	(26)	(1)	3%
<b>Net O&amp;M</b>	<b>\$1,234,544</b>	<b>\$1,253,179</b>	<b>\$1,386,081</b>	<b>\$132,901</b>	<b>11%</b>

### Business Unit O&M Budget

The following report highlights the O&M Proposed Budget for 2024 categorized by Business Unit. This gives a different perspective of the O&M expenditures (including Public Good) by where the work is performed.

Total Business Unit O&M and Public Good, excluding Commodity and Other Employee Benefits, is \$777.1 million, which is \$44.5 million higher than the 2023 Budget. The 2024 Proposed Budget includes mandatory spending for Vegetation Management and Wildfire Mitigation. The 2024 Budget also funds ongoing efforts for community initiatives like our Community Impact Plan, maintaining operations, and Transportation Electrification. Transportation Electrification is a critical part of our 2030 Zero Carbon Plan and an important part of our strategy to continue to provide a leadership role in the region's transformation to a zero-carbon future.

## SMUD 2024 Budget

Business Unit \$000s	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
Customer & Community Services	\$102,565	\$102,005	\$105,515	\$3,510	3%
Energy Delivery & Operations	229,479	212,598	223,110	10,512	5%
Zero Carbon Energy Solutions	208,482	226,066	240,590	14,525	6%
Enterprise Strategy	14,002	16,824	17,398	573	3%
Information Technology	30,077	39,316	44,871	5,555	14%
Workforce, Diversity & Inclusion	12,518	17,547	16,526	(1,021)	-6%
Corporate	119,438	116,762	127,248	10,486	9%
Enterprise	10,715	1,519	1,845	326	21%
<b>Total O&amp;M Business Unit Budget</b>	<b>\$727,275</b>	<b>\$732,637</b>	<b>\$777,103</b>	<b>\$44,466</b>	<b>6%</b>
Commodity (incl reimbursements)	499,626	484,984	572,000	87,016	18%
Other Employee Benefits	7,703	35,584	37,004	1,420	4%
<b>Total O&amp;M Budget</b>	<b>1,234,605</b>	<b>1,253,204</b>	<b>1,386,106</b>	<b>132,902</b>	<b>11%</b>
Miscellaneous Revenue	(61)	(25)	(26)	(1)	3%
Net O&M	\$1,234,544	\$1,253,179	\$1,386,081	\$132,901	11%

More detailed and specific information is provided within each Business Unit's documentation of their proposed budget. Please refer to this section for the detailed Business Unit budgets - [Business Unit Budgets](#).

### Public Good Budget

Public Good is included in the total O&M budget and is captured within the costs of the Business Unit responsible for the work. Therefore, these costs are not shown on a separate line of the O&M budget and are provided here for *information only* and to present details as to the programs covered. Total Public Good is \$106.6 million, a decrease of \$3.2 million, after inclusion of rate subsidies. The Public Good 2024 Proposed Budget is \$67.9 million and is the cash disbursement portion of the program that requires Board authorization.

Total subsidies are \$38.8 million. The total cost of the Energy Assistance Program Rate (EAPR) subsidy is budgeted at \$36.1 million in 2024, an increase of \$3.7 million from 2023, and the subsidy for customers using medical equipment increased by \$0.7 million for a total of \$2.7 million. By December 2024, the number of subsidized customers is expected to be approximately 97,912.

Energy efficiency proposed spending of \$50.4 million decreased \$3.0 million over prior year. Incorporation of savings from codes and standards is included as a component of the energy efficiency portfolio to match standard industry practice. Building electrification is included in Energy Efficiency public good. The Energy Efficiency budget remains in line with the goal of achieving savings of 1.5% of average annual retail energy sales and reflects our goals of reaching zero carbon by 2030. Residential Assistance decreased slightly, \$0.3 million, as we shifted some operational costs to O&M. Research & Development decreased \$4.2 million to \$8.9 million to right size the funding needed to investigate new and emerging technologies.

## SMUD 2024 Budget

Description \$000s	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
Energy Efficiency	\$46,108	\$53,437	\$50,430	(\$3,006)	-6%
Residential Assistance	8,236	8,855	8,512	(342)	-4%
Research & Development	7,355	13,168	8,946	(4,221)	-32%
Renewables	435	-	-	-	-
<b>Total Public Good Budget</b>	<b>\$62,133</b>	<b>\$75,459</b>	<b>\$67,889</b>	<b>(\$7,570)</b>	<b>-10%</b>
Rate Subsidy	35,022	34,356	38,754	4,398	13%
Net Public Good	\$97,155	\$109,815	\$106,643	(\$3,172)	-3%

### Commodity Budget

Commodity costs are part of the total O&M budget. The Commodity budget for 2024 of \$572 million is \$87 million higher than the 2023 Budget. Commodities are net of surplus power sales. The budget for commodities assumes a typical water year. Purchased power is increasing primarily due to resource adequacy costs, zero/low carbon power purchases and higher Renewable Energy Credit (REC) purchases. Fuel for Generation is increasing due to higher forecasted thermal generation.

Further details on power supply information can be found in the Supplemental Information of this document on these pages – [Power Supply & Requirements](#), [SMUD Generation Sources](#), and [Purchased Power](#).

Description \$000s	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
Purchased Power	\$281,537	\$264,907	\$284,311	\$19,405	7%
Fuel for Generation	180,100	184,973	251,533	66,560	36%
Transmission	37,990	35,104	36,155	1,051	3%
<b>Total Commodities</b>	<b>\$499,627</b>	<b>\$484,984</b>	<b>\$572,000</b>	<b>\$87,016</b>	<b>18%</b>

### Other Employee Benefits Budget

Other Employee Benefits are part of the total O&M budget. These benefit costs are not allocated or included as a labor expense in the Business Unit expenditures. SMUD's Other Employee Benefits are \$37.0 million, an increase of \$1.4 million. This budget consists of the O&M portion (unfunded liability) of Other Post-Employment Benefits (OPEB) expense of \$33.9 million which is an increase of \$2.1 million from the prior year due to adjustments to the unfunded liability balance, and \$3.1 million of workers compensation which is a decrease of \$0.7 million from the prior year's budget resulting from reducing reserve estimates.



## SMUD 2024 Budget

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Benefit Type \$000s	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
Other Post-Employment Benefits (OPEB)	\$6,145	\$31,814	\$33,904	\$2,090	7%
Workers Compensation	1,558	3,770	3,100	(670)	-18%
<b>Total Other Employee Benefits</b>	<b>\$7,703</b>	<b>\$35,584</b>	<b>\$37,004</b>	<b>\$1,420</b>	<b>4%</b>

## Capital Budget Summary

The Capital Proposed Budget for 2024 totals \$555 million, which is \$70 million or 11 percent lower than the 2023 Budget. This decrease is mainly due to two key projects for the Zero Carbon Plan in 2024 – the Solano 4 Wind Project and the Country Acres Solar + Storage Project – having significantly less scheduled costs in the 2024 Proposed Budget. Both projects are key to us meeting our Renewable Portfolio Standard (RPS) requirement.

Cost Type \$000s	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
Labor & Benefit Costs	\$62,675	\$77,310	\$77,030	(\$281)	0%
Materials & Equipment	73,695	75,427	113,704	38,277	51%
Other Expenses	45,250	93,291	71,914	(21,377)	-23%
Outside Sevices	270,843	346,141	264,161	(81,980)	-24%
Insurance	580	765	800	34	4%
<b>Total Expenses</b>	<b>453,044</b>	<b>592,934</b>	<b>527,608</b>	<b>(65,326)</b>	<b>-11%</b>
Reimbursements	(35,677)	(29,301)	(37,035)	(7,734)	26%
Allocations/Surcharges	58,255	61,291	64,393	3,102	5%
<b>Total Capital Budget</b>	<b>\$475,622</b>	<b>\$624,924</b>	<b>\$554,966</b>	<b>(\$69,958)</b>	<b>-11%</b>
Miscellaneous Revenues	(85)	(839)	(1,948)	(1,108)	132%
Net Capital	\$475,537	\$624,085	\$553,018	(\$71,067)	-11%

The proposed 2024 capital investment budget is for planned investments in generation, transmission, distribution, buildings, vehicles, technology, and other assets critical to meeting the energy needs of our customers. Proposed capital expenditures go through a rigorous evaluation and prioritization process, based on value and risk, to ensure we fund those that have the highest contribution to the Board’s strategic directions.

Major capital expenditures planned in 2024 include the Station H substation and Elverta substation rebuild, continued work for additions to our wind farm with Solano Phase 4, the Country Acres solar project, and ongoing improvements in our Upper American River Project (UARP) area as part of our hydro relicensing. Programmatic capital planned in 2024 includes cable and pole replacement programs, installing new meters, and new fleet vehicle purchases. Technology investments included in the 2024 Proposed Budget are the Distributed Intel (DI) at the Grid Edge and the Outage Management System replacement.

## SMUD 2024 Budget

The following report shows the Capital Proposed Budget for 2024 categorized by Business Unit. This gives a different perspective of the capital expenditures by where the work is performed.

Business Unit \$000s	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
Customer & Community Services	\$5,640	\$7,570	\$7,884	\$314	4%
Energy Delivery & Operations	169,200	184,921	239,294	54,373	29%
Zero Carbon Energy Solutions	231,593	340,223	179,860	(160,363)	-47%
Information Technology	38,537	45,261	60,161	14,900	33%
Corporate	30,652	23,798	45,160	21,363	90%
Enterprise	-	23,152	22,607	(545)	-2%
<b>Total Capital Business Unit Budget</b>	<b>\$475,622</b>	<b>\$624,924</b>	<b>\$554,966</b>	<b>(\$69,958)</b>	<b>-11%</b>
Miscellaneous Revenue	(85)	(839)	(1,948)	(1,108)	132%
Net Capital	\$475,537	\$624,085	\$553,018	(\$71,067)	-11%

More specific and detailed information is provided within each of the previously mentioned Business Unit's sections of this documentation. Please refer to this section for the Business Unit detailed budgets - [Business Unit Budgets](#).

The following is additional detail of 2024 capital project costs for each Business Unit organized by major project grouping.

Business Unit / Project Group	Major Projects \$000s	2024 Proposed
<b>Customer &amp; Community Services</b>		<b>\$7,884</b>
Meters	Purchase and installation of meters	7,884
<b>Energy Delivery &amp; Operations Capital Projects</b>		<b>239,294</b>
Distribution Substation Improvements	Large substation improvements including capacity projects such as Crystal Creamery bank 1 upgrade and feeder, Rio Del Oro site #1 substation, Meister Lonetree, Herald Twin Cities, Placerville Grand-Prairie sub bank addition, Whiterock-Sunrise bank #2, Waterman-Grantline bank #2 and Intel #2 substation. Also substation improvement replacement projects such as Network Proactive Transformer & Protection, UCD Med Center phase 1 civil UG line and structure rehabilitation.	70,529
Transmission Substation Improvements	Major transmission substation projects including Station H, Elverta rebuild, 230kV replacements for Foothill and Hurley and multiple 69kV replacements for Hurley.	56,985
Line Distribution Projects	Equipment replacement and upgrades and line work including Natomas 69kV and Rio Del Oro line extensions, Rule 16 projects, Elverta 69kV feeder tie, Elvira-Fulton and El Camino 4kV conversion, Whiterock-Sunrise bank #2 and Waterman-Grantline bank #2.	27,856
Cable Replacement & Rehabilitation	Program to reduce the yearly number of primary underground cable failures which decreases future outages, repair costs, customer issues and the quantity of poorly performing circuits.	24,803
New Services Connections	Projects associated with the connection of Commercial/Industrial & Residential customers. Includes: subdivisions, local agency projects, Regional Transit and system enhancements.	22,030
Pole Replacement & Reinforcement	Includes replacing poles that have failed an inspection and must be replaced as well as pole reinforcements.	11,276
Environmental Projects	Developing and implementing soil/groundwater investigation and remediation projects under agency oversight within Sacramento County, including the Formerly Community Linen site with the majority of the spending on 59th street remediation.	6,960
Transmission Interconnection Projects	Customer interconnection project planning efforts.	6,954
Distribution Replacements (Non-network)	Work to repair, replace or install transformers, switchgear, reclosers, capacitor banks, down line wires, air switches, etc.	6,625
Transmission Line Projects	Transmission line structure replacement program.	2,120
Substation Easement & Land	Various land acquisitions such as Big Horn-Kammerer, Grant Line, Stonehouse Road, and other distribution substation & easement land purchases.	1,746
Grid Modernization	69kV motorized switches and line sensor upgrades, Distribution Automation (DA) recloser replacements	789
Other Various Projects		621

Business Unit / Project Group	Major Projects \$000s	2024 Proposed
<b>Zero Carbon Energy Solutions</b>		<b>179,860</b>
Solano Wind	Solano Wind Phase 4 EPC contract and on-going work related to Phase 4 of the project.	51,253
Renewable Projects	Country Acres solar, Country Acres II solar + storage, Waegell solar + storage and Trick-Meiss solar.	50,116
Hydro Generation	Annual regulatory fees associated with the UARP license including Loon Lake, Robbs Peak and Union Valley unit breaker & switchgears, crane controls upgrade, Camino 1 rehab, Camino U1 turbine shut-off valve & runner, hydro plant improvements, Gerle Canal relining project, Loon Lake transformer replacement, Hydromet system assessment & upgrade.	24,657
Storage Projects	Energy Storage Systems (ESS) Ph 1-Site 1 - Warehouses at Hedge and ESS Ph 1-Site 2- Centers at Hedge.	15,400
Hydro License & Other	Includes recreation plan projects such as Union Valley mountain bike trail, Junction Reservoir boat launch, and UARP culvert mitigation phase 2.	14,744
Thermal Projects	Cosumnes power plant projects including CT Rotor LTEs, CT hardware & repair, Unit 3 hot reheat bypass replacement.	7,625
Decommissioning	Used fuel management of the Rancho Seco Independent Spent Fuel Storage Installation (ISFSI) in accordance with Nuclear Regulatory Commission (NRC) regulation and SMUD specific license requirements.	7,140
Gas Pipeline	Improvements and testing of the local gas pipeline.	3,762
Fuel Supply Improvements	Capital improvements and modifications to SMUD's portion of PG&E lines.	2,902
Other Various Projects		2,261
<b>Information Technology</b>		<b>60,161</b>
New Technology Projects	Development and implementation of new technologies including Distributed Intel (DI) at the Grid Edge, Outage Management System (OMS) replacement implementation project, Customer Tech Platform (CTP), S/4 Hana implementation, conference room technology, Workforce Optimization (WFO) mobility & scheduling, Vegetation Work Management Solution phase 2, DO-Distributed Energy Resource Management System (DERMS) and DERMS Phase 4, Valley Sonet transformation phase 2, ED&O long-term project resource planning tool and Talent Technology Transformation (T3) phase 2.	49,485
Lifecycle Projects	Upgrades of hardware, storage, and network equipment that has reached the end of useful life. This Includes network lifecycle, infrastructure lifecycle, GTECH upgrades and Cloud connectivity.	5,411
Enhancement Projects	Improvements to existing technology including consolidating Interactive Voice Response (IVR) on Genesys Cloud platform, digitalized network inspection forms, Contact Center Technology (CCT) & IVR interaction & routing, Extended Day Ahead Market (EDAM), SMUD charging network-EV app, real-time pole top LIDAR weather station, outage claims processing & damage reporting and field data collection system replacement.	5,265

## SMUD 2024 Budget

Business Unit / Project Group	Major Projects \$000s	2024 Proposed
<b>Corporate</b>		<b>\$45,160</b>
Facilities Projects	Energy Management Center (EMC) building replacement/Power Control Center (PCC) pre-planning efforts, ECOC yard west side EV infrastructure, 59th Street demolition, PACS replacement, HQ site civil work, HQ/EMC perimeter fence, building and site infrastructure development, EV charging at ECOC and Sacramento Power Academy.	34,115
Vehicle Replacement	Electric vehicle purchases and replacements related to work efficiency, legal and regulatory compliance and lifecycle.	11,045
<b>Enterprise</b>		<b>\$22,607</b>
Contingency		15,000
Interconnections & Other	Coyote Creek interconnection fees and Habitat Conservation Plan (HCP) mitigation bank credits	7,607
<b>Total Capital Expenditures</b>		<b>\$554,966</b>

## Allocated Budget Summary

The 2024 Allocated Proposed Budget totals \$152.3 million, which is \$15.4 million higher than the 2023 Budget. This is shown as *information only* as 100% of these allocated expenditures are included in the budgeted dollars of all SMUD O&M and Capital described in this documentation.

Cost Type \$000s	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
Labor & Benefit Costs	\$63,493	\$63,053	\$68,730	\$5,677	9%
Materials & Equipment	41,811	37,383	38,073	690	2%
Other Expenses	2,369	2,640	2,502	(138)	-5%
Outside Sevices	16,430	15,702	23,784	8,082	51%
Insurance	-	450	-	(450)	-100%
Total Operating Expenses	124,103	119,228	133,089	13,861	12%
Reimbursements	(272)	(65)	(65)	-	0%
Allocations/Surcharges	19,966	17,828	19,322	1,494	8%
<b>Total Allocated Budget</b>	<b>\$143,797</b>	<b>\$136,991</b>	<b>\$152,346</b>	<b>\$15,355</b>	<b>11%</b>

Portions of Energy Delivery & Operations, Information Technology, Workforce, Diversity & Inclusion and Corporate business unit costs are allocated to all other business units based on the quantity of labor hours.

The following report shows the Allocated Proposed Budget for 2024 categorized by Business Unit. This gives a different perspective of the allocated expenditures by where the work is performed.

Business Unit \$000s	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
Information Technology	\$70,606	\$63,765	\$73,631	\$9,866	15%
Corporate	53,936	52,552	56,553	4,000	8%
Workforce, Diversity & Inclusion	13,586	15,252	16,711	1,459	10%
Energy Delivery & Operations	5,669	5,422	5,452	30	1%
<b>Total Allocated Business Unit Budget</b>	<b>\$143,797</b>	<b>\$136,991</b>	<b>\$152,346</b>	<b>\$15,355</b>	<b>11%</b>

More specific and detailed information is provided within each of the previously mentioned Business Unit's sections of this documentation. Please refer to this section for the Business Unit detailed budgets - [Business Unit Budgets](#).



## Position Count Summary

The full-time count of 2,250 is identified in the Board Resolution for approval. Total position growth for the 2024 budget year is an increase of 0.3% over the prior year.

Executive Group	2023 Full-time	2023 Limited Term	2023 Part-time	2023 Positions Planned	2024 Full-time	2024 Limited Term	2024 Part-time	2024 Positions Planned	Increase/Decrease
CEO & General Manager	34	0	0	34	32	0	0	32	(2)
Chief Communications & Mktg Officer	71	0	3	74	71	0	3	74	0
Chief Legal & Govt Affairs Officer	38	0	4	42	38	0	4	42	0
Chief Financial Officer	304	1	12	317	305	2	19	326	9
Chief Operating Officer	823	20	13	856	831	21	13	865	9
Chief Zero Carbon Officer	266	2	9	277	265	3	8	276	(1)
Chief Strategy Officer	48	0	2	50	48	0	2	50	0
Chief Customer Officer	298	6	101	405	298	3	101	402	(3)
Chief Diversity Officer	90	14	24	128	92	10	23	125	(3)
Chief Information Officer	270	5	38	313	270	4	38	312	(1)
<b>Full-time</b>				<b>2,242</b>				<b>2,250</b>	<b>8</b>
<b>Limited Term</b>				<b>48</b>				<b>43</b>	<b>(5)</b>
<b>Part-time</b>				<b>206</b>				<b>211</b>	<b>5</b>
<b>Total Positions</b>	<b>2,242</b>	<b>48</b>	<b>206</b>	<b>2,496</b>	<b>2,250</b>	<b>43</b>	<b>211</b>	<b>2,504</b>	<b>8</b>

## Labor Cost Summary

The labor summary reflects the cost of wages for SMUD employees. The budget for labor and associated benefit costs is shown as *information only* as 100% of these expenditures are included in the budgeted dollars of all SMUD O&M and Capital described in this documentation.

The cost-of-living increase for SMUD salaries and wages during 2024 is based on formulas contained in negotiated bargaining agreements and estimates established for unrepresented employees.

Executive Group \$000s	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
CEO & General Manager	\$7,616	\$7,481	\$8,214	\$733	10%
Chief Marketing & Communications Officer	8,494	8,907	9,249	343	4%
Chief Legal & Govt Affairs Officer	6,189	6,203	6,486	283	5%
Chief Financial Officer	38,132	37,084	39,497	2,413	7%
Chief Operating Officer	139,606	138,858	144,958	6,100	4%
Chief Zero Carbon Officer	39,572	40,343	43,622	3,279	8%
Chief Strategy Officer	6,324	7,442	7,745	303	4%
Chief Customer Officer	34,469	35,787	36,514	727	2%
Chief Diversity Officer	13,084	14,617	15,332	716	5%
Chief Information Officer	39,677	41,739	43,924	2,185	5%
<b>Total Salaries &amp; Wages</b>	<b>300,685</b>	<b>315,578</b>	<b>333,406</b>	<b>17,180</b>	<b>6%</b>
<b>Total Overtime</b>	<b>32,478</b>	<b>22,880</b>	<b>22,135</b>	<b>(743)</b>	<b>-3%</b>
<b>Total Salary Costs</b>	<b>\$333,163</b>	<b>\$338,459</b>	<b>\$355,541</b>	<b>\$17,082</b>	<b>5%</b>

## Benefits Summary

The Benefits Summary reflects allocated costs for active employee benefits, the costs to administer those benefits, and Social Security and retirement contributions for current staff. The 2024 Proposed Budget of \$146.3 million is an increase of \$4.1 million over the 2023 Budget resulting from increased retirement plan contributions driven by higher payroll costs and changes to liability funding, increased employer Social Security/Medicare contributions, offset somewhat by lower health care benefit costs.

The budget for benefit costs is shown as *information only* as 100% of these expenditures are included in the budgeted dollars of all SMUD O&M and Capital described in this documentation.

Benefit Type \$000s	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
Retirement Contribution	\$96,731	\$63,638	\$66,989	\$3,351	5%
Social Security Contribution	23,687	24,795	26,314	1,519	6%
<b>Total Retirement &amp; Social Security</b>	<b>120,417</b>	<b>88,433</b>	<b>93,303</b>	<b>4,870</b>	<b>6%</b>
Health & Welfare	46,896	51,658	50,739	(919)	-2%
Administer Benefits	1,994	2,086	2,276	190	9%
<b>Total Health &amp; Welfare</b>	<b>48,891</b>	<b>53,745</b>	<b>53,015</b>	<b>(729)</b>	<b>-1%</b>
<b>Total Benefits Budget</b>	<b>\$169,308</b>	<b>\$142,177</b>	<b>\$146,319</b>	<b>\$4,141</b>	<b>3%</b>

## Debt Service

The following schedules show the summary and details of the 2024 Proposed Debt Service Budget. SMUD issues electric revenue bonds and commercial paper notes to finance long-lived capital assets. The Debt Service Budget includes accrued interest expense on outstanding electric revenue bonds and commercial paper notes, net of any swap revenues tied to debt issues, scheduled principal repayments of bonds and commercial paper, trustee fees associated with administration of debt service payments, and interest expense and issuance costs associated with planned new debt issues.

Debt Service \$000s	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
Interest Expense	\$103,946	\$106,688	\$106,205	(\$483)	0%
Interest on New Debt Issuance	5,250	8,500	8,500	-	0%
Principal Repayments	111,165	111,165	84,590	(26,575)	-24%
Fees/Bond Issuance Cost	2,132	2,772	6,297	3,526	127%
Total Debt Service	222,493	229,125	205,592	(23,533)	-10%
Allocated to JPAs	(3,633)	(3,633)	(3,329)	304	-8%
<b>Net Debt Service</b>	<b>\$218,860</b>	<b>\$225,492</b>	<b>\$202,263</b>	<b>(\$23,229)</b>	<b>-10%</b>

Interest Expense on existing debt totals \$106.2 million in the 2024 Proposed Budget, a decrease of \$0.5 million from 2023. Revenue bond interest is decreasing \$9.7 million to \$101.7 million. Commercial paper interest totals \$4.5 million in the 2024 Proposed Budget, an increase of \$0.7 million. Included in interest expense are Build America Bonds which are gross of the rebate of \$9.3 million expected in 2024. The Debt Service Budget includes net debt related swap payments and interest on long-term, variable rate, and subordinated debt. The budget assumes an interest rate of 4.26% (including all related fees & swaps) on an average commercial paper balance of \$100 million.

Interest on new debt issuance totals \$8.5 million in the 2024 Proposed Budget. This is an estimate of interest expense for new debt expected to be issued within 2024.

Scheduled principal repayments of revenue bonds and commercial paper notes total \$84.6 million in 2024, a \$26.6 million decrease from the 2023 Budget.

Fees/bond issuance cost of \$6.3 million are included for new 2024 bond issuances and related fees.

Please refer to this section for a [Summary of Debt Service on Existing SMUD Bond Issues](#).

## Budget Financial Statements

The SMUD financial statements depict the expected results of operations (Income Statement) and cash position (Statement of Cash Flow) at the end of the 2024 budget year. The Income Statement also include "non-cash" expenses such as depreciation and amortization of capital and regulatory assets, which are not included in the 2024 Budget because funds were expended in prior budget years.

The pro forma financial statements include the consolidated accounts and operations of SMUD, the Sacramento Financing Authority (SFA), the Northern California Gas Agency No. 1 (NCGA No. 1) and the Northern California Energy Authority (NCEA). SFA is a joint powers authority between SMUD and other entities which have issued debt to construct the Carson Cogeneration plant, Procter & Gamble Cogeneration plant, Campbell Soup Cogeneration plant and the Cosumnes Power Plant, respectively, and own and operate the plants. SMUD has entered into a Power Purchase Agreement with SFA to purchase all the plants' output and pay for Joint Powers Authority (JPA) and plant costs. NCGA No.1 is a joint powers authority that has issued bonds and used the proceeds to prepay long-term natural gas supply contracts. SMUD has entered into an agreement to buy all the gas procured by NCGA No.1 but is not liable for repayment of the bonds in the event of a default. NCEA is a joint powers authority that has issued bonds and used the proceeds to prepay long-term commodity supply contracts. SMUD has entered into an agreement to buy all the commodities procured by NCEA but is not liable for repayment of the bonds in the event of a default. The relationship between SMUD, SFA, NCGA No.1 and NCEA meets the criteria established by the Governmental Accounting Standards Board (GASB) for consolidation in the controlling entity's financial statements.

## Pro Forma Consolidated Income Statement

\$ Millions	2023 Forecast	2023 Budget	2024 Proposed
Operating Revenues:			
Sales to Customers	\$1,643.3	\$1,669.2	\$1,765.4
RSF & Other Deferrals	(20.4)	28.7	36.8
Other Electric Revenue	44.0	31.5	34.6
<b>Total Operating Revenues</b>	<b>1,666.8</b>	<b>1,729.4</b>	<b>1,836.8</b>
Operating Expenses:			
Commodities	499.6	485.0	572.0
Customer & Community Services	94.9	93.8	97.5
Energy Delivery & Operations	230.6	212.6	223.1
Zero Carbon Energy Solutions	157.9	163.6	182.4
Enterprise Strategy	12.9	15.6	16.2
Workforce, Diversity & Inclusion	10.8	15.9	16.1
Information Technology	30.1	39.3	44.9
Corporate Services	119.0	114.8	127.2
Enterprise	42.4	37.1	38.8
Public Good (including EAPR & MED Discount)	97.2	109.8	106.6
Total Operations	1,295.3	1,287.5	1,424.8
Depreciation, Depletion, and Amortization	238.8	246.1	244.2
<b>Total Operating Expenses</b>	<b>1,534.1</b>	<b>1,533.6</b>	<b>1,669.0</b>
<b>Net Operating Income</b>	<b>\$132.7</b>	<b>\$195.8</b>	<b>\$167.8</b>
Other (Income) Expenses:			
Interest Income and Other	(\$95.0)	(\$18.1)	(\$44.3)
Other Non Cash	(15.1)	(12.6)	(5.0)
<b>Total Interest Income &amp; Other</b>	<b>(110.0)</b>	<b>(30.7)</b>	<b>(49.3)</b>
Interest Expense:			
Interest expense	88.6	95.5	91.7
<b>Net Interest Charges</b>	<b>88.6</b>	<b>95.5</b>	<b>91.7</b>
<b>Change in Net Position - Net Income (Loss)</b>	<b>\$154.1</b>	<b>\$131.0</b>	<b>\$125.3</b>
Interest Payments			
Interest Payments	\$91.8	\$107.7	\$114.2
Principal Payments	117.1	117.1	103.1
<b>Total Fixed Costs</b>	<b>208.9</b>	<b>224.7</b>	<b>217.3</b>
Cash Available to Pay Fixed Costs	\$489.3	\$466.8	\$451.9
Fixed Charge Coverage Ratio	2.34	2.08	2.08
Rate Stabilization Fund	\$3.5	\$3.5	\$3.9

## SMUD 2024 Budget

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The 2024 Budget will produce \$125.3 million of net income for SMUD, which is a decrease of \$5.7 million from the 2023 Budget. The fixed charge coverage is planned at 2.08 times operating cash flow. Revenue from electric sales has increased compared to the 2023 Budget due to the impact of the 2024 rate increase.

The budgeted and actual fixed charge ratio and net income as shown on the Pro Forma Income Statement are primary measures of SMUD's financial performance which are monitored closely by the bond rating agencies in setting SMUD's bond rating. The fixed charge ratio is a measure of the number of times net operating cash flow before interest expense covers total cash debt service payments, including both interest and principal, for SMUD, the JPAs and SMUD's share of Transmission Agency of Northern California (TANC) debt service. Net income is the residual after deducting all expenses from revenues for the period.

For detailed descriptions of the financial statement line items please refer to the Supplemental Information section or to this link – [Financial Statement Line Item Descriptions](#).



## Pro Forma Statement of Cash Flows

\$ Millions	2024 Proposed
<b>Operating Uses/Sources of Funds:</b>	
Receipts from Customers	\$1,722.7
Other Electric Revenue	54.0
Total Operating Sources of Funds	1,776.7
Net Operating Expenses	810.0
Commodity Expenses	514.0
Total Operating Uses of Funds	1,324.0
<b>Net Source of Funds from Operations</b>	<b>452.7</b>
<b>Financing Uses/Sources of Funds:</b>	
Proceeds from Debt Issuance	340.0
Commercial Paper Issuance	0.0
Total Financing Sources of Funds	340.0
Capital Expenditures & Other Cash Payments	553.0
Net Loans	(0.1)
Principal Payments on Debt	97.7
Interest Payments on Debt	95.8
Total Financing Uses of Funds	746.4
<b>Net (Use) of Funds from Financing</b>	<b>(406.4)</b>
<b>Investing Uses/Sources of Funds:</b>	
Interest Income	27.9
<b>Net Source of Funds from Investing</b>	<b>27.9</b>
<b>Net Funds from 2024 Proposed Budget</b>	<b>\$74.1</b>
<b>Projected Unrestricted Cash Balance @ 1/1/24</b>	<b>\$502.6</b>
Net Cash Outflow from 2024 Proposed Budget	(265.9)
New Debt & Commercial Paper Issue	340.0
<b>Projected Unrestricted Cash Balance @ 12/31/24</b>	<b>\$576.7</b>

The 2024 Pro Forma Cash Flow Statement shows the budgeted sources and uses of cash and the projected year-end unrestricted cash balance for 2024. SMUD's current practice is to maintain unrestricted cash and Rate Stabilization Fund (RSF) balances at a minimum of 150 days cash on hand. At the end of 2024, SMUD's unrestricted cash balance is projected to be \$576.7 million, in addition to the Rate Stabilization Fund balance of \$3.9 million. The Hydro Rate Stabilization Fund balance, which is expected to be \$96 million, is not included in this target minimum.

SMUD generates positive net cash flow from operations because of net income and non-cash expenses such as depreciation and amortization. In 2024, cash generated from operations is estimated to total approximately \$452.7 million. The primary uses of this cash are capital investments, scheduled debt principal repayments and interest payments. The 2024 Budget for capital investment totals \$555 million. Scheduled debt principal repayments in 2024 total \$84.6 million for SMUD and \$13.1 million for SFA (detail included in SFA budget documentation).

We currently maintain \$300 million in commercial paper capacity and a \$100 million line of credit. Any new money needs can be handled through short-term borrowing or issuing new long-term debt.

## **Business Unit Budgets**

The following pages show the detailed budgets and organizational information for each Business Unit of SMUD.

## Customer & Community Services

The Customer & Community Services budget includes all residential and commercial customer-focused services such as the Contact Center, retail client services and customer experiences. Also included are costs for billing, revenue assurance, and commercial development. Lastly, this budget includes support of Community Energy Services.

### Segments & Work Processes

The Customer Operations segment is SMUD's frontline organization planning for and providing services to care for our customers. These services include billing and payment, contact center operations, field services, lobby operations, revenue assurance, and self-service digital operations.

The Customer Experience Delivery segment develops and drives implementation of SMUD's Customer Experience framework. We leverage data analytics and customer insights to deliver high-touch positive experiences for our commercial, residential, special assistance and interconnection customers. We collaborate across SMUD to provide tools, insights, expertise, and recommendations to ensure the success of SMUD's 2030 Zero Carbon Plan.

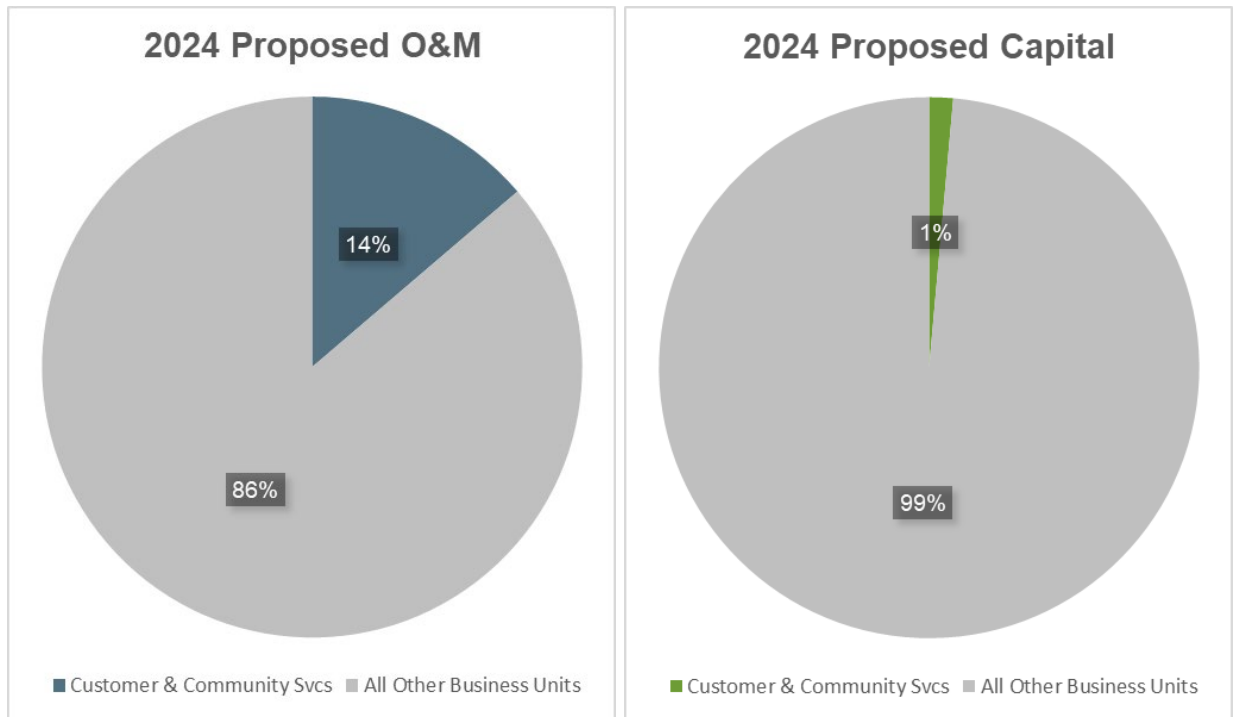
The Community Energy Services segment is SMUD's retail organization that provides strategic and operational products and services in support of public power.

The Commercial Development & Solutions segment assists prospective businesses and developers and serves existing commercial customers coordinating all touch points within SMUD. We act as a liaison to increase awareness on zero carbon goals and facilitate integration with other utility services for ease of business and to maximize our impact in the community.

The Business Performance & Optimization segment leads operational excellence efforts, supports, and trains operations staff and analyzes data to deliver high-quality dashboards that optimize data-driven decisions.

### Business Unit Budget Summary

The following section includes the budget report for the Business Unit presented by its segments and by the cost categories. Additionally, you can see from the charts what proportion the Customer & Community Services Business Unit represents for SMUD in each of the cost categories.



Customer & Community Services Budget Summary by Segment (\$000s)

Segment by Funding Type	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
<b>Customer Operations</b>					
O&M Expense	\$60,023	\$60,153	\$59,349	(\$804)	-1%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	60,023	60,153	59,349	(804)	-1%
Capital Expenditures	5,640	7,570	7,884	314	4%
<b>Segment Total</b>	<b>65,664</b>	<b>67,723</b>	<b>67,233</b>	<b>(490)</b>	<b>-1%</b>
<b>Customer Experience Delivery</b>					
O&M Expense	6,344	5,958	6,924	966	16%
Public Good Expense	7,711	8,216	8,062	(153)	-2%
Total O&M Expenses	14,055	14,174	14,987	813	6%
Capital Expenditures	-	-	-	-	-
<b>Segment Total</b>	<b>14,055</b>	<b>14,174</b>	<b>14,987</b>	<b>813</b>	<b>6%</b>
<b>Community Energy Services</b>					
O&M Expense	14,422	13,533	14,794	1,261	9%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	14,422	13,533	14,794	1,261	9%
Capital Expenditures	-	-	-	-	-
<b>Segment Total</b>	<b>14,422</b>	<b>13,533</b>	<b>14,794</b>	<b>1,261</b>	<b>9%</b>
<b>Commercial Development &amp; Solutions</b>					
O&M Expense	8,143	9,868	9,639	(229)	-2%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	8,143	9,868	9,639	(229)	-2%
Capital Expenditures	-	-	-	-	-
<b>Segment Total</b>	<b>8,143</b>	<b>9,868</b>	<b>9,639</b>	<b>(229)</b>	<b>-2%</b>
<b>Business Performance &amp; Optimization</b>					
O&M Expense	5,922	4,277	6,746	2,470	58%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	5,922	4,277	6,746	2,470	58%
Capital Expenditures	-	-	-	-	-
<b>Segment Total</b>	<b>5,922</b>	<b>4,277</b>	<b>6,746</b>	<b>2,470</b>	<b>58%</b>
<b>Customer &amp; Community Services Business Unit</b>					
O&M Expense	94,853	93,789	97,452	3,663	4%
Public Good Expense	7,711	8,216	8,062	(153)	-2%
O&M Revenue	-	-	-	-	-
Net O&M Expenses	102,565	102,005	105,515	3,510	3%
Capital Expenditures	5,640	7,570	7,884	314	4%
Capital Revenue	-	-	-	-	-
Net Capital Expenditures	5,640	7,570	7,884	314	4%
<b>Total Business Unit Budget</b>	<b>\$108,205</b>	<b>\$109,574</b>	<b>\$113,399</b>	<b>\$3,824</b>	<b>3.5%</b>

## SMUD 2024 Budget

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The 2024 Proposed O&M Budget of \$97.5 million is higher than the 2023 Budget by \$3.7 million, or 4%. The increase is primarily due to a shift of costs resulting from an organizational restructure with no net increase to SMUD. We continue to prioritize our residential and commercial customers and segments, including small and medium businesses with enhanced customer experience, channels, tools and outage support.

The 2024 Proposed Public Good Budget of \$8.1 million is lower than the 2023 Budget by \$0.2 million, or -2%. In addition to supporting the implementation of the EAPR Stabilization Fund which provides additional discounts to customers in the 0-50% federal poverty level, our 2024 Proposed Budget remains focused on and in support of our low income and underserved communities. Another focus area is our newly implemented Community Impact Plan with a goal of offering a zero-carbon journey that ensures our most under-resourced customers reap the benefits of a clean energy future.

The 2024 Proposed Capital Budget of \$7.9 million is higher than the 2023 Budget by \$0.3 million or 4%. The increase is driven by the continued growth our region is experiencing and the resources required to manage the purchase and installation of meters.



### Energy Delivery & Operations

The Energy Delivery & Operations budget includes the costs of generating electricity, delivering it to our customers and maintaining the ability to do so safely and reliably. Also, the cost of electrical transmission, line inspections, corrective and preventative maintenance, vegetation management, and underground cable work are included here. Lastly, this budget includes program management services for construction and other non-technology projects, transmission and distribution planning and operations, environmental, safety and real estate services.

#### Segments & Work Processes

The Line Assets segment includes all activities associated with design, modification, and installation of transmission and distribution lines, wildfire hardening and vegetation management, transmission and distribution system inspection, and prioritized system maintenance and improvement. This segment also includes design and installation of residential meters, service conductors, subdivision facilities, commercial, 3rd party attachments – industrial developments, overhead and underground line extensions, outdoor lighting, and traffic signals.

The Substation, Telecom, Network & Metering segment includes all activities associated with design, modification, and installation of transmission and distribution substations, network underground installation and maintenance, transmission and distribution substation system inspection, and prioritized system maintenance and improvement. This segment also includes design and installation of meters, the downtown network system, and telecommunication systems relaying critical substation information to the Power System Operations team.

The Transmission Planning & Operations segment develops short-term and long-term system plans for SMUD's transmission grid to meet load serving capability, reliability, and regulatory compliance requirements. TP&O manages and operates the assets which remotely control and monitor fuel to generation sources and SMUD's extra high voltage transmission, generation, and gas pipeline system to deliver electrical energy to SMUD's distribution system. This segment also operates the Balancing Authority of Northern California (BANC) that includes transmission and generation facilities for Western Area Power Administrations (WAPA), United States Bureau of Reclamation (USBR), City of Roseville, City of Redding, Modesto Irrigation District, and the 500kV COTP, which stretches SMUD's operational control from the California-Oregon border to south of Modesto.

The Distribution Planning & Operations segment develops short-term and long-term plans for SMUD's distribution system and asset management strategies for its transmission and distribution assets to ensure safety, capacity, reliability, and regulatory compliance requirements are achieved. DP&O operates SMUD's distribution system for the safe and reliable delivery of energy to our customers.

The Strategic Services & Operations PMO segment provides portfolio management, program and project execution, continuous business process and technology solutions. This segment also delivers innovative solutions and provides business value by effectively managing the Operations PMO portfolio of projects and continuous improvement initiatives to reduce costs, increase efficiencies, and improve customer and stakeholder satisfaction.

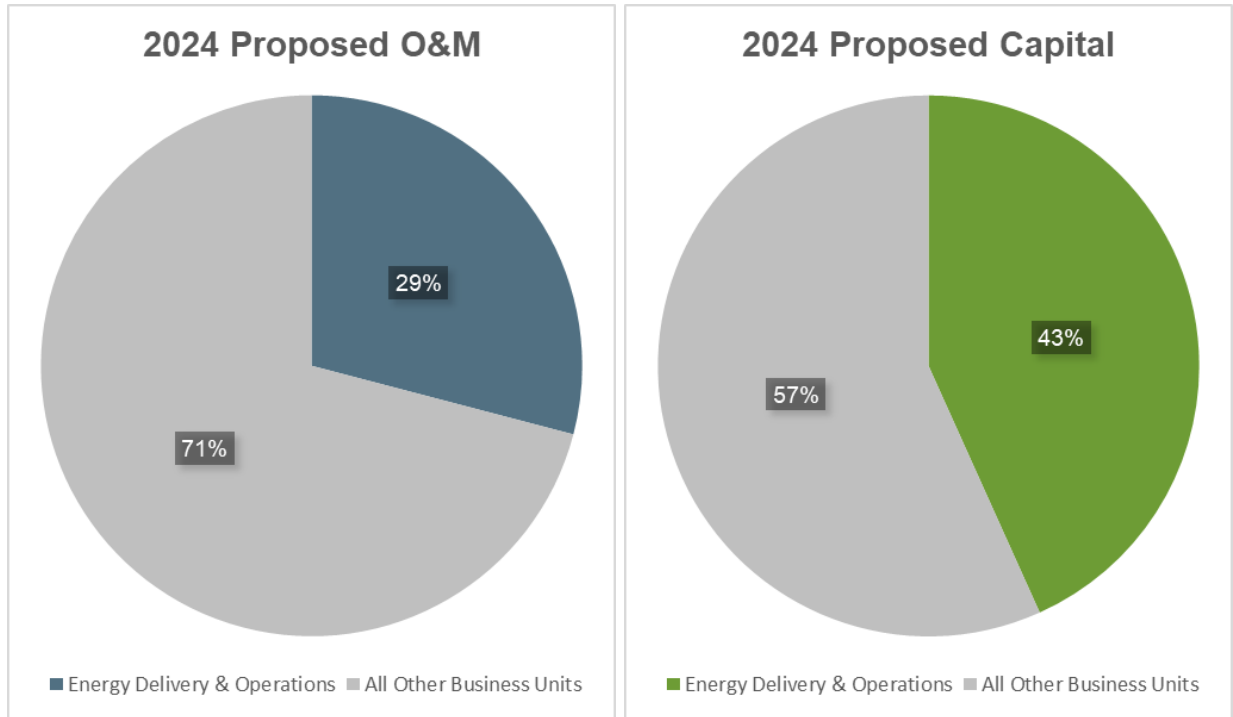
This segment includes the Sacramento Power Academy (SPA), a vital resource to SMUD and the community that works to build skills and grow careers by providing the best training to our employees from development to analysis and delivery. The Sacramento Power Academy manages training for all Energy Delivery & Operations and Power Generation, as well as manages all skilled trades apprenticeship programs which includes the twelve apprenticeship programs that are state and/or federally certified.

The Environmental, Safety & Real Estate Services segment provides environmental compliance, environmental stewardship, employee, contractor, and public safety, and real estate/land asset management services. This segment supports SMUD's business unit needs to achieve a zero-injury culture, a commitment to environmental leadership and key support to the Clean Energy Vision.

The Operational Excellence segment supports the Clean Energy Vision by developing and managing a framework to reduce costs, increase efficiency and drive a culture of continuous improvement across the company.

### Business Unit Budget Summary

The following section includes the budget report for the Business Unit presented by its segments and by the cost categories. Additionally, you can see from the charts what proportion the Energy Delivery & Operations Business Unit represents for SMUD in each of the cost categories.



Energy Delivery & Operations Budget Summary by Segment (\$000s)

Segment by Funding Type	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
<b>Line Assets</b>					
O&M Expense	\$126,988	\$113,390	\$119,195	\$5,804	5%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	126,988	113,390	119,195	5,804	5%
Capital Expenditures	103,680	109,382	96,132	(13,249)	-12%
<b>Segment Total</b>	<b>230,669</b>	<b>222,772</b>	<b>215,327</b>	<b>(7,445)</b>	<b>-3%</b>
<b>Substation, Telecom, Network &amp; Metering</b>					
O&M Expense	29,868	28,111	29,514	1,404	5%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	29,868	28,111	29,514	1,404	5%
Capital Expenditures	53,275	66,256	127,501	61,245	92%
<b>Segment Total</b>	<b>83,143</b>	<b>94,366</b>	<b>157,015</b>	<b>62,649</b>	<b>66%</b>
<b>Transmission Planning &amp; Operations</b>					
O&M Expense	34,898	34,455	35,633	1,178	3%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	34,898	34,455	35,633	1,178	3%
Capital Expenditures	1,631	2,398	6,954	4,556	190%
<b>Segment Total</b>	<b>36,529</b>	<b>36,853</b>	<b>42,587</b>	<b>5,734</b>	<b>16%</b>
<b>Distribution Planning &amp; Operations</b>					
O&M Expense	23,828	21,584	24,213	2,629	12%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	23,828	21,584	24,213	2,629	12%
Capital Expenditures	2,210	1,601	1,746	146	9%
<b>Segment Total</b>	<b>26,038</b>	<b>23,184</b>	<b>25,959</b>	<b>2,775</b>	<b>12%</b>
<b>Strategic Services &amp; Operations PMO</b>					
O&M Expense	7,823	8,828	8,257	(572)	-6%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	7,823	8,828	8,257	(572)	-6%
Capital Expenditures	-	-	-	-	-
<b>Segment Total</b>	<b>7,823</b>	<b>8,828</b>	<b>8,257</b>	<b>(572)</b>	<b>-6%</b>
<b>Environmental, Safety &amp; Real Estate Services</b>					
O&M Expense	4,612	4,844	4,795	(49)	-1%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	4,612	4,844	4,795	(49)	-1%
Capital Expenditures	8,404	5,285	6,960	1,675	32%
<b>Segment Total</b>	<b>13,016</b>	<b>10,129</b>	<b>11,755</b>	<b>1,626</b>	<b>16%</b>
<b>Operational Excellence</b>					
O&M Expense	1,463	1,386	1,503	117	8%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	1,463	1,386	1,503	117	8%
Capital Expenditures	-	-	-	-	-
<b>Segment Total</b>	<b>1,463</b>	<b>1,386</b>	<b>1,503</b>	<b>117</b>	<b>8%</b>
<b>Energy Delivery &amp; Operations Business Unit</b>					
O&M Expense	229,479	212,598	223,110	10,512	5%
Public Good Expense	-	-	-	-	-
O&M Revenue	-	-	-	-	-
Net O&M Expenses	229,479	212,598	223,110	10,512	5%
Capital Expenditures	169,200	184,921	239,294	54,373	29%
Capital Revenue	-	-	-	-	-
Net Capital Expenditures	169,200	184,921	239,294	54,373	29%
<b>Total Business Unit Budget</b>	<b>\$398,679</b>	<b>\$397,519</b>	<b>\$462,404</b>	<b>\$64,885</b>	<b>16%</b>

## SMUD 2024 Budget

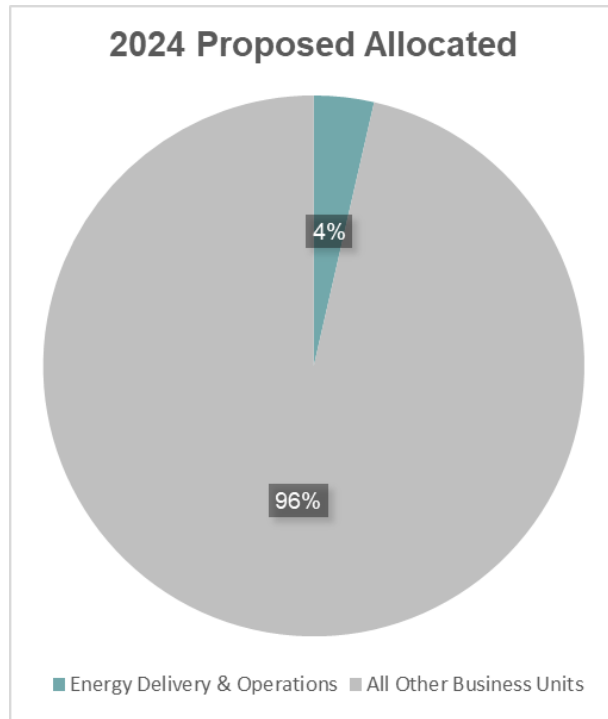
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The 2024 Proposed O&M Budget of \$223.1 million is higher than the 2023 Budget by \$10.5 million, or 5%. This is primarily due to increases in network corrective maintenance, service reconnect & repair, transmission and underground corrective maintenance work, additional labor costs associated with increased labor rates as well as the hiring of additional apprentices to meet the 2024 planned workload.

The 2024 Proposed Capital Budget of \$239.3 million is higher than the 2023 Budget by \$54.4 million or 29%. This is primarily due to a large increase in substation construction projects for future load growth (e.g., Meister-Lonetree, Waterman-Grantline, Whiterock-Sunrise Bank #2, Rio Del Oro, Hearld-Twin Cities, McClellan, and Placerville-Grand Prairie) and continued reliability (e.g., Truxel #2 bank replacement, Hurley 230kV and 69kV breaker replacement, Foothill 230kV breaker replacement, and relay upgrades). There is also an additional increase for substation design for future construction (e.g., Elverta Bulk Substation, Station H). The proposed budget for Transmission Planning & Operations is higher mainly due to the Energy Management System (EMS) lifecycle upgrade. There was a decrease in Line Asset capacity projects.

**Energy Delivery & Operations Allocated Budget Summary by Segment (\$000s)**

Allocated expenditures are included in all SMUD Business Unit O&M and Capital line items. The Allocated Budget of this Business Unit is presented here for *informational purposes only* and is not additive to the previously presented budget amounts.



Segment and Funding Type	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
<b>Environmental, Real Estate &amp; Safety</b>					
Allocated Expense	\$5,669	\$5,422	\$5,452	\$30	1%
<b>Energy Delivery &amp; Operations Business Unit</b>					
<b>Total Allocated Expense</b>	<b>\$5,669</b>	<b>\$5,422</b>	<b>\$5,452</b>	<b>\$30</b>	<b>1%</b>

The 2024 Proposed Allocated Budget is higher than the 2023 Budget by \$30 thousand, or 1%.

### Zero Carbon Energy Solutions

The Zero Carbon Energy Solutions budget includes the design, construction, maintenance, and transition of SMUD's power generation assets, the sale and procurement of energy resources and settlements of energy transactions, and customer program implementation. This consists of operating and maintaining SMUD's hydroelectric reservoirs and powerhouses, thermal and cogeneration power plants, gas pipeline, and renewable generation wind and solar resources. Also included is establishing and developing new business partnerships that align and support SMUD's 2030 zero carbon goal.

#### Segments & Work Processes

The Power Generation segment consists of the physical assets which provide natural gas and generate electrical power from hydro, thermal and renewable generation power sources and the employees who design, construct, operate, maintain, and manage those physical assets. Also included in the Power Generation segment is decommissioning, which is responsible for the monitoring of long-term fuel storage facilities.

The Advanced Energy Solutions segment is responsible for planning and implementation of customer programs and products in support of SMUD's 2030 Zero Carbon Plan goals. Areas of focus include building electrification and energy efficiency, green pricing, electric vehicles, load flexibility, and energy storage.

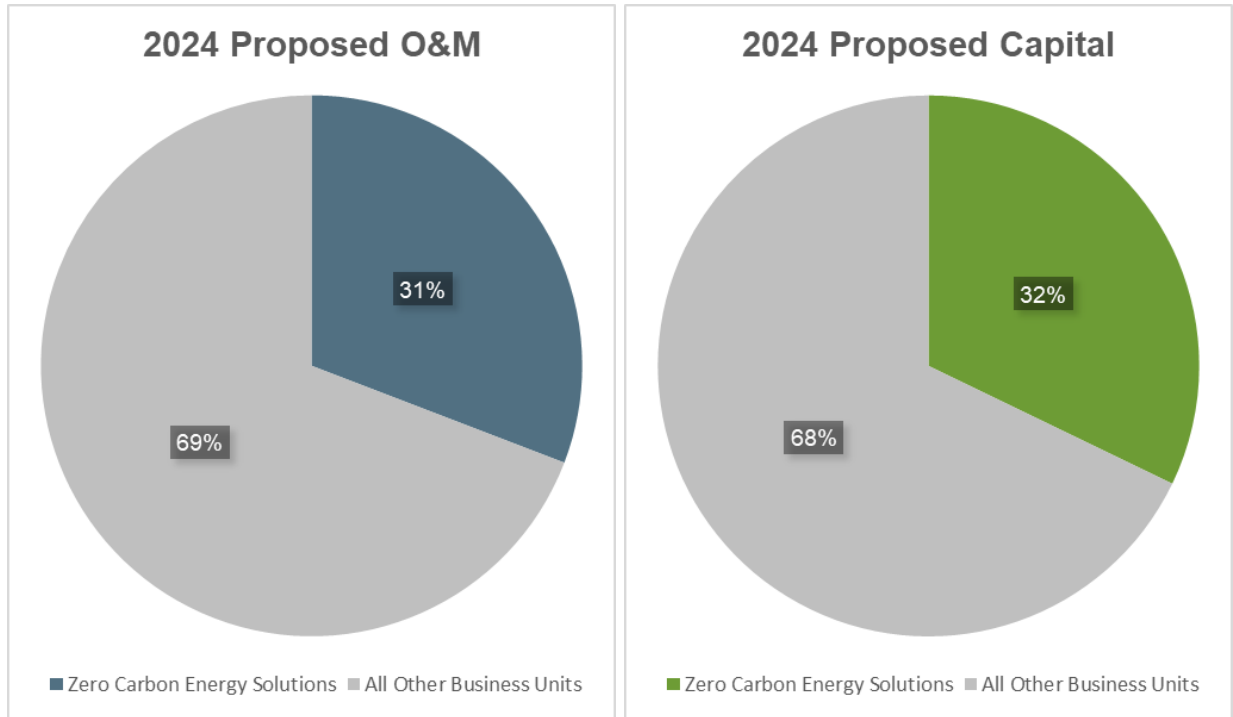
The Commodity Procurement & Sales segment is responsible for the development, procurement, and administration of long, medium, and short-term power, electric transmission, and natural gas contracts. This segment also conducts the associated day-to-day management of and trading activities for resources required to optimize renewable contracts and maintain adequate, cost-effective supplies of natural gas to thermal generation units as well as electrical energy to SMUD customers. Finally, this segment participates in various regulatory forums to protect SMUD's resources and interests.

The Grants, Research & New Business Development segment is responsible for identifying and investigating partnerships and technologies that can contribute to the reliability and affordability of achieving the Zero Carbon Plan. This segment develops partnerships with community partners, peer utilities and technology developers to accelerate technology development and deployment that aligns with the needs of SMUD, as well as the region. Collaboration includes pursuit of grant funding, execution of pilot projects, and transitioning research-based initiatives into standard practices. Internal to SMUD, this group focuses on identification of gaps and barriers that exist along the path to zero carbon and focuses on delivering solutions that help overcome those key challenges.



### Business Unit Budget Summary

The following section includes the budget report for the Business Unit presented by its segments and by the cost categories. Additionally, you can see from the charts what proportion the Zero Carbon Energy Solutions Business Unit represents for SMUD in each of the cost categories.



Zero Carbon Energy Solutions Budget Summary by Segment (\$000s)

Segment by Funding Type	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
<b>Power Generation</b>					
O&M Expense	\$106,160	\$105,096	\$121,586	\$16,489	16%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	106,160	105,096	121,586	16,489	16%
Capital Expenditures	228,829	336,690	174,697	(161,993)	-48%
<b>Segment Total</b>	<b>334,988</b>	<b>441,786</b>	<b>296,282</b>	<b>(145,504)</b>	<b>-33%</b>
<b>Advanced Energy Solutions</b>					
O&M Expense	29,253	34,014	34,732	719	2%
Public Good Expense	43,371	49,293	49,219	(74)	0%
Total O&M Expenses	72,624	83,307	83,951	644	1%
Capital Expenditures	-	-	-	-	-
<b>Segment Total</b>	<b>72,624</b>	<b>83,307</b>	<b>83,951</b>	<b>644</b>	<b>1%</b>
<b>Commodity Procurement &amp; Sales</b>					
O&M Expense	14,523	15,087	16,756	1,669	11%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	14,523	15,087	16,756	1,669	11%
Capital Expenditures	2,638	3,400	2,902	(498)	-15%
<b>Segment Total</b>	<b>17,161</b>	<b>18,487</b>	<b>19,658</b>	<b>1,171</b>	<b>6%</b>
<b>Grants, Research &amp; New Business Development</b>					
O&M Expense	3,380	4,968	5,284	317	6%
Public Good Expense	7,355	13,168	8,946	(4,221)	-32%
Total O&M Expenses	10,734	18,135	14,231	(3,905)	-22%
Capital Expenditures	126	133	2,261	2,128	>999%
<b>Segment Total</b>	<b>10,861</b>	<b>18,268</b>	<b>16,492</b>	<b>(1,776)</b>	<b>-10%</b>
<b>Zero Carbon Energy Solutions Business Unit</b>					
O&M Expense	153,315	159,165	178,359	19,194	12%
Public Good Expense	50,726	62,461	58,165	(4,296)	-7%
O&M Revenue	(25)	(25)	(26)	(1)	3%
Net O&M Expenses	204,016	221,600	236,498	14,898	7%
Capital Expenditures	231,593	340,223	179,860	(160,363)	-47%
Capital Revenue	(85)	(839)	(1,948)	(1,108)	132%
Net Capital Expenditures	231,508	339,384	177,912	(161,471)	-48%
JPA Interest Expense	4,441	4,441	4,067	(374)	-8%
<b>Total Business Unit Budget</b>	<b>\$439,965</b>	<b>\$565,424</b>	<b>\$418,477</b>	<b>(\$146,948)</b>	<b>-26%</b>

The 2024 Proposed O&M Budget is higher than the 2023 Budget by \$19.2 million, or 12%. The primary cost increase driver is Power Generation, driven by dam safety, gas pipeline regulation and critical maintenance requirements to ensure operational reliability. Other areas of increased focus and budget are transportation electrification, load flexibility and strategic grant capture and partnerships.

The 2024 Proposed Public Good Budget of \$58.2 million is lower than the 2023 Budget by \$4.3 million, or -7%. The decrease is primarily due to reductions in research and development to help fund new business development opportunities. Efforts remain focused on building electrification, Community Impact Plan programs and the implementation of highly prioritized research and development efforts such as EV charging at multi-family dwellings through the ChargeReady Community Grant, long duration energy storage, managed EV charging and virtual power plants.

The 2024 Proposed Capital Budget of \$179.9 million is lower than the 2023 Budget by \$160.4 million, or -47%. The primary driver is that the Solano 4 Wind and Country Acres Solar and Storage projects are multi-year efforts that had significantly more scheduled costs in 2023 than 2024. We are focused in 2024 on the completion of Solano 4 Wind, construction of Country Acres and other capital improvement projects required to maintain existing assets.

### Enterprise Strategy Business Unit

The Enterprise Strategy budget includes enterprise strategic planning and prioritization, resource market strategy and planning, customer, and grid strategy support of Distributed Energy Resources (DERs), integrated distributed resources, low carbon fuel standard work, Zero Carbon and R&D strategies. Also, included are revenue strategy functions like load forecasting and rates and pricing.

#### Segments & Work Processes

The Customer & Grid Strategy segment is responsible for the development of the strategic roadmap for distributed energy resources, the research and demonstration of innovative and emerging technologies, and the coordination of their execution. This includes developing and launching pilots to determine feasibility, infrastructure, and resource investments at scale, developing business cases and return on investment for integration into production, and working with key stakeholders to transition to implementation.

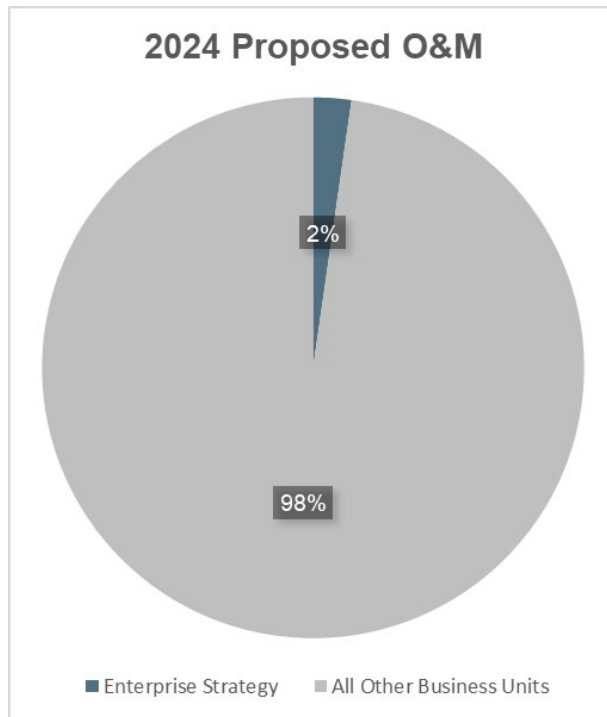
The Resource Strategy segment provides the organization with strategic, long-term integrated resource planning and market strategy to help SMUD achieve our long-term greenhouse gas goals, meet all state resource and environmental related mandates, expand renewable generation, and maintain a reliable electric system at reasonable rates.

The Revenue Strategy segment is responsible for development of customer pricing of retail energy and load forecasting. Pricing includes development of a rates roadmap, costing and marginal cost studies, rates reports, public rate proceedings, rate implementation support, interpretation of rates and rules, revenue forecasts and analysis of rate impacts. Load Forecasting includes research of customer class energy use, and development of system energy, sales energy and customer forecasts.

The Enterprise Prioritization segment helps to identify and facilitate strategic decisions that have a material impact on our success in meeting our long-term strategic goals of Zero Carbon, world-class reliability, affordable rates, and inclusion. The team supports enterprise-wide planning and strategy by providing a coordinated process and methodologies for prioritizing projects and programs across all business areas. The team works closely with business leaders across SMUD and the executive team.

### Business Unit Budget Summary

The following section includes the budget report for the Business Unit presented by its segments and by the cost categories. Additionally, you can see from the chart what proportion the Energy Strategy Business Unit represents for SMUD in each of the cost categories.



Enterprise Strategy Budget Summary by Segment (\$000s)

Segment by Funding Type	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
<b>Customer &amp; Grid Strategy</b>					
O&M Expense	\$4,014	\$4,826	\$5,605	\$779	16%
Public Good Expense	1,065	1,193	1,212	19	2%
Total O&M Expenses	5,078	6,019	6,817	798	13%
Capital Expenditures	-	-	-	-	-
<b>Segment Total</b>	<b>5,078</b>	<b>6,019</b>	<b>6,817</b>	<b>798</b>	<b>13%</b>
<b>Resource Strategy</b>					
O&M Expense	4,091	4,548	4,710	161	4%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	4,091	4,548	4,710	161	4%
Capital Expenditures	-	-	-	-	-
<b>Segment Total</b>	<b>4,091</b>	<b>4,548</b>	<b>4,710</b>	<b>161</b>	<b>4%</b>
<b>Revenue Strategy</b>					
O&M Expense	3,681	4,844	4,629	(215)	-4%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	3,681	4,844	4,629	(215)	-4%
Capital Expenditures	-	-	-	-	-
<b>Segment Total</b>	<b>3,681</b>	<b>4,844</b>	<b>4,629</b>	<b>(215)</b>	<b>-4%</b>
<b>Enterprise Prioritization</b>					
O&M Expense	1,152	1,413	1,242	(171)	-12%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	1,152	1,413	1,242	(171)	-12%
Capital Expenditures	-	-	-	-	-
<b>Segment Total</b>	<b>1,152</b>	<b>1,413</b>	<b>1,242</b>	<b>(171)</b>	<b>-12%</b>
<b>Enterprise Strategy Business Unit</b>					
O&M Expense	12,938	15,631	16,186	555	4%
Public Good Expense	1,065	1,193	1,212	19	2%
O&M Revenue	-	-	-	-	-
Net O&M Expenses	14,002	16,824	17,398	573	3%
Capital Expenditures	-	-	-	-	-
Capital Revenue	-	-	-	-	-
Net Capital Expenditures	-	-	-	-	-
<b>Total Business Unit Budget</b>	<b>\$14,002</b>	<b>\$16,824</b>	<b>\$17,398</b>	<b>\$573</b>	<b>3%</b>

The 2024 Proposed O&M Budget is higher than the 2023 Budget by \$0.6 million or 4%. The increase is primarily due to adding funding for the Integrated Distributed Resources Plan.

The 2024 Proposed Public Good Budget is higher than the 2023 Budget by \$19 thousand, or 2%.

### Information Technology Business Unit

The Information Technology budget includes costs to deliver technology solutions to our community and employees that are secure, reliable, and supportive of SMUD's current and future technology needs. This includes delivery and support of information technology systems, applications, and hardware, protecting SMUD's technology and information assets, setting enterprise technology strategy, and planning for and deploying future evolutions in technology in alignment with SMUD's 2030 Zero Carbon Plan.

#### Segments & Work Processes

The Enterprise Systems, Strategy & Governance segment provides architecture, analysis, design, configuration, development, platform administration, application security, and ongoing support for SMUD's core business platforms. In addition, the team provides oversight and governance for IT's project management office, strategic planning, and relationship building services. Together, these teams enable feature-rich, reliable technology solutions for SMUD employees and customers, in alignment with SMUD's Enterprise Strategy and 2030 Zero Carbon Plan.

The Customer & Grid Operations Technology Center segment is responsible for the development, oversight and implementation of Customer and Grid technology programs, projects, and solutions while ensuring the delivery of safe and reliable power. The team is focused on technology solutions to support the transformation of the distribution grid, which provide the building blocks necessary to accomplish SMUD's 2030 Zero Carbon Plan.

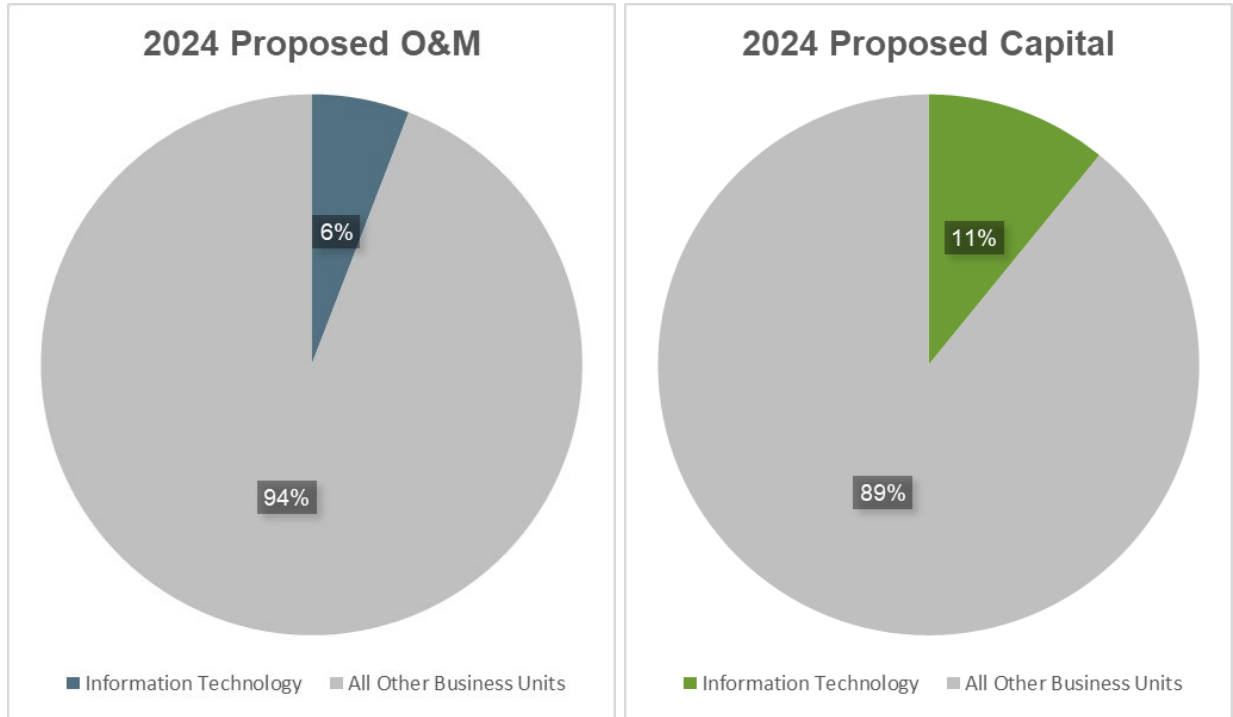
The IT Infrastructure Platform Services segment provides reliable, highly available technology infrastructure, services, and solutions. The Infrastructure Platform Services segment provides corporate data/voice network, server/storage infrastructure, corporate email, and system administration services, IT support center, endpoint computing, computer operations, data center administration, infrastructure change management, IT Disaster Recovery, and IT asset management.

The Enterprise Solutions Engineering & Emerging Technology segment designs and implements technology solutions that streamline operations, deliver innovative digital customer experiences, and provide the integration fabric that interconnect SMUD's utility systems. Using the latest in web, mobile, SAP, systems integration and intelligent automation technologies, this team ensures that SMUD remains capable of achieving its goals.

The Cybersecurity segment works as strategic advisors and subject matter experts to protect our people, processes, and technologies from possible cyberattacks and intrusions, using an organization-wide risk management approach.

### Business Unit Budget Summary

The following section includes the budget report for the Business Unit presented by its segments and by the cost categories. Additionally, you can see from the charts what proportion the Information Technology Business Unit represents for SMUD in each of the cost categories.





Information Technology Budget Summary by Segment (\$000s)

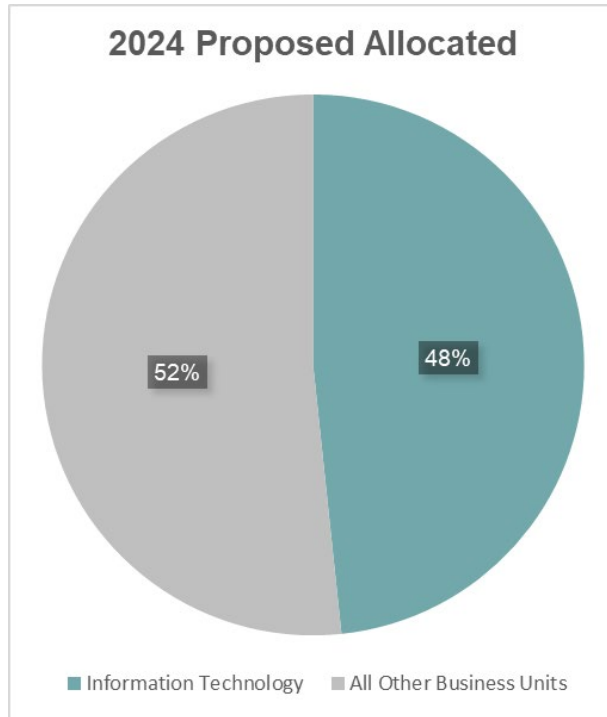
Segment by Funding Type	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
<b>Enterprise Systems, Strategy &amp; Governance</b>					
O&M Expense	\$17,618	\$22,339	\$21,688	(\$651)	-3%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	17,618	22,339	21,688	(651)	-3%
Capital Expenditures	7,677	7,431	6,120	(1,312)	-18%
<b>Segment Total</b>	<b>25,295</b>	<b>29,770</b>	<b>27,808</b>	<b>(1,963)</b>	<b>-7%</b>
<b>Customer &amp; Grid Operations Technology Center</b>					
O&M Expense	7,163	8,807	12,489	3,682	42%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	7,163	8,807	12,489	3,682	42%
Capital Expenditures	20,159	28,775	40,995	12,220	42%
<b>Segment Total</b>	<b>27,322</b>	<b>37,583</b>	<b>53,485</b>	<b>15,902</b>	<b>42%</b>
<b>IT Infrastructure Platform Services</b>					
O&M Expense	726	912	1,855	942	103%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	726	912	1,855	942	103%
Capital Expenditures	8,896	6,910	7,936	1,025	15%
<b>Segment Total</b>	<b>9,622</b>	<b>7,823</b>	<b>9,790</b>	<b>1,968</b>	<b>25%</b>
<b>Enterprise Solutions, Engineering &amp; Emerging Technology</b>					
O&M Expense	2,429	4,693	6,007	1,314	28%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	2,429	4,693	6,007	1,314	28%
Capital Expenditures	1,023	1,540	4,197	2,657	173%
<b>Segment Total</b>	<b>3,452</b>	<b>6,233</b>	<b>10,204</b>	<b>3,971</b>	<b>64%</b>
<b>Cybersecurity</b>					
O&M Expense	2,141	2,564	2,832	268	10%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	2,141	2,564	2,832	268	10%
Capital Expenditures	782	604	913	309	51%
<b>Segment Total</b>	<b>2,923</b>	<b>3,168</b>	<b>3,745</b>	<b>577</b>	<b>18%</b>
<b>Information Technology Business Unit</b>					
O&M Expense	30,077	39,316	44,871	5,555	14%
Public Good Expense	-	-	-	-	-
O&M Revenue	-	-	-	-	-
Net O&M Expenses	30,077	39,316	44,871	5,555	14%
Capital Expenditures	38,537	45,261	60,161	14,900	33%
Capital Revenue	-	-	-	-	-
Net Capital Expenditures	38,537	45,261	60,161	14,900	33%
<b>Total Business Unit Budget</b>	<b>\$68,613</b>	<b>\$84,577</b>	<b>\$105,032</b>	<b>\$20,455</b>	<b>24%</b>

The 2024 Proposed O&M Budget of \$44.9 million is higher than the 2023 Budget by \$5.6 million, or 14%. This is due to increased spending on enterprise-level initiatives, Zero Carbon Plan, and cybersecurity, offset by a shift in O&M costs to the Allocated cost category. Areas of focus for 2024 are customer and grid-based projects to automate operations and increase reliability, new tools to aid in strategic planning, critical hardware infrastructure to support field work, outage map functionality, a residential bill pre-pay pilot, enhancements in support of real estate services and collection of field data, Critical Infrastructure Plan (CIP) compliance and asset management tool and planning efforts around the new enterprise SAP system.

The 2024 Proposed Capital Budget of \$60.2 million is higher than the 2023 Budget by \$14.9 million or 33%. This is due to increased efforts in support of the 2030 Zero Carbon Plan with projects such as advanced analytical “grid-edge” sensors to enhance grid capacity and flexibility, an Outage Management System (OMS) replacement and a new phase of the Distributed Energy Resource Management System (DERMS). Other areas of focus for 2024 include conference room technology upgrades, deployment of additional security monitoring, continuation of the Customer Technology Platform replacement, development of an Electric Vehicle (EV) Charging app, consolidating accident and damage claims reporting information, consolidating our Interactive Voice Response (IVR) system on a new cloud platform and further development of our Cloud Center of Excellence.

**Information Technology Allocated Budget Summary by Segment (\$000s)**

Allocated expenditures are included in all SMUD Business Unit O&M and Capital line items. The Allocated Budget of this Business Unit is presented here for informational purposes only and is not additive to the previously presented budget amounts.



Segment and Funding Type	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
<b>Enterprise Systems, Strategy &amp; Governance</b>					
Allocated Expense	\$16,505	\$15,526	\$10,809	(\$4,717)	-30%
<b>Customer &amp; Grid Operations Technology Center</b>					
Allocated Expense	13,611	14,114	19,696	5,581	40%
<b>IT Infrastructure Platform Services</b>					
Allocated Expense	26,799	23,389	27,283	3,894	17%
<b>Enterprise Solutions, Engineering &amp; Emerging Technology</b>					
Allocated Expense	5,356	2,625	6,762	4,137	158%
<b>Cybersecurity</b>					
Allocated Expense	8,335	8,110	9,080	970	12%
<b>Information Technology Business Unit</b>					
<b>Total Allocated Expense</b>	<b>\$70,606</b>	<b>\$63,765</b>	<b>\$73,631</b>	<b>\$9,866</b>	<b>15%</b>

## SMUD 2024 Budget

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The 2024 Proposed Allocated Budget of \$73.6 million is higher than the 2023 Budget by \$9.9 million, or 15%. The increase is due to a shift of billing and payment platform support costs to Allocated from O&M, along with additional contract labor. This budget includes required spending for software licenses, maintenance and support, and scheduled upgrades of staff computer equipment. Additionally, scheduled hardware replacements for field workers are planned. Lastly, a reorganization of business unit functions resulted in a shift of work and related costs from the Enterprise Systems, Strategy & Governance segment to other segments.

### Workforce, Diversity & Inclusion

The Workforce, Diversity & Inclusion budget includes the costs of employee services such as talent management, benefits management, learning and development programs as well as work for developing and implementing strategies and initiatives to establish SMUD as a diverse and inclusive employer. Also included are Sustainable Communities initiatives and programs which support community partnerships and help drive energy equity ensuring all in our service territory benefit from SMUD's 2030 Zero Carbon goal.

#### Segments & Work Processes

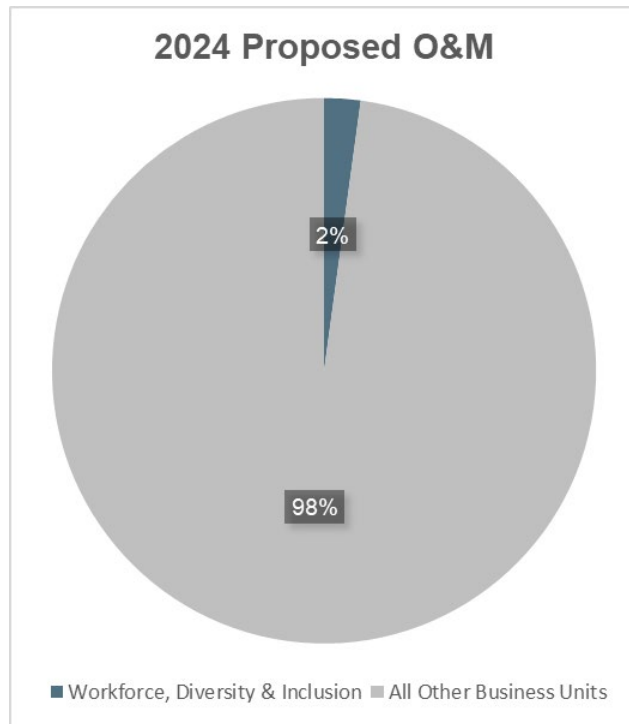
The People Services & Strategies segment provides services, programs, and proactive strategic solutions for developing and maintaining a high quality and diverse workplace that engages and inspires employees to commit to SMUD's purpose, vision, and values. This segment delivers human resource services and strategies that include talent outreach & acquisition, benefits, performance, policies, employee & labor relations, change management, employee learning & development and wellness programs to create an inclusive environment where SMUD employees thrive and do their best.

The Diversity, Equity, Inclusion, and Belonging segment serves as a catalyst for change focused on embedding diversity, equity, inclusion, and belonging into all SMUD's operations, policies, and procedures. The segment develops and implements the DEIB strategy, inclusive of four focus areas: Diverse Workforce, Inclusive Culture, Community Impact, and Applying Equity, DEIB initiatives, and programs to establish SMUD as a diverse and inclusive employer, and position SMUD as a key player in the utility industry to achieve equity for the communities it serves.

The Sustainable Communities segment serves as a regional convener focused on leveraging collective impact to deliver energy equity throughout our service territory, ensuring all cultural and social identities share in the benefits of SMUD's clean energy transition. With a focus on our region's historically under-resourced communities, we're investing in community partnerships that strengthen our neighborhoods and provide equitable support to encourage inclusive economic development in our region. Through our Regional Workforce programs, we are creating an equitable and diverse pathway to zero carbon jobs through education and on-the-job opportunities for underrepresented individuals participating in our workforce training programs.

### Business Unit Budget Summary

The following section includes the budget report for the Business Unit presented by its segments and by the cost categories. Additionally, you can see from the charts what proportion the Workforce, Diversity and Inclusion Business Unit represents for SMUD in each of the cost categories.



**Workforce, Diversity & Inclusion Budget Summary by Segment (\$000s)**

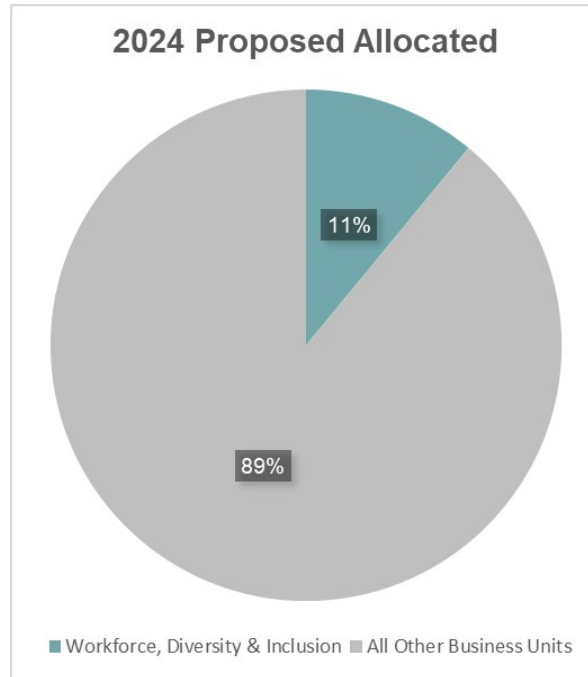
Segment by Funding Type	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
<b>People Services &amp; Strategies</b>					
O&M Expense	\$3,181	\$6,233	\$4,326	(\$1,906)	-31%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	3,181	6,233	4,326	(1,906)	-31%
Capital Expenditures	-	-	-	-	-
<b>Segment Total</b>	<b>3,181</b>	<b>6,233</b>	<b>4,326</b>	<b>(1,906)</b>	<b>-31%</b>
<b>Diversity, Equity, &amp; Inclusion</b>					
O&M Expense	-	-	-	-	-
Public Good Expense	-	-	-	-	-
Total O&M Expenses	-	-	-	-	-
Capital Expenditures	-	-	-	-	-
<b>Segment Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sustainable Communities</b>					
O&M Expense	7,581	9,648	11,750	2,102	22%
Public Good Expense	1,757	1,667	450	(1,217)	-73%
Total O&M Expenses	9,337	11,315	12,200	886	8%
Capital Expenditures	-	-	-	-	-
<b>Segment Total</b>	<b>9,337</b>	<b>11,315</b>	<b>12,200</b>	<b>886</b>	<b>8%</b>
<b>Workforce, Diversity &amp; Inclusion Business Unit</b>					
O&M Expense	10,762	15,881	16,076	196	1%
Public Good Expense	1,757	1,667	450	(1,217)	-73%
O&M Revenue	-	-	-	-	-
Net O&M Expenses	12,518	17,547	16,526	(1,021)	-6%
Capital Expenditures	-	-	-	-	-
Capital Revenue	-	-	-	-	-
Net Capital Expenditures	-	-	-	-	-
<b>Total Business Unit Budget</b>	<b>\$12,518</b>	<b>\$17,547</b>	<b>\$16,526</b>	<b>(\$1,021)</b>	<b>-6%</b>

The 2024 Proposed O&M Budget is higher than the 2023 Budget by \$0.2 million, or 1%. This increase is comprised of a shift in costs from Public Good to O&M, mostly offset by a cost reduction due to the delay and rescope of the human resources technology replacement project.

The 2024 Proposed Public Good Budget is lower than the 2023 Budget by \$1.2M, or -73%. No funding was reduced in the Sustainable Communities segment, rather the decrease reflects a shift in costs from Public Good to O&M.

**Workforce, Diversity & Inclusion Allocated Budget Summary by Segment (\$000s)**

Allocated expenditures are included in all SMUD Business Unit O&M and Capital line items. The Allocated Budget of this Business Unit is presented here for informational purposes only and is not additive to the previously presented budget amounts.



Segment and Funding Type	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
<b>People Services &amp; Strategies</b>					
Allocated Expense	\$11,997	\$12,527	\$14,267	\$1,740	14%
<b>Diversity, Equity, &amp; Inclusion</b>					
Allocated Expense	1,588	2,725	2,444	(281)	-10%
<b>Sustainable Communities</b>					
Allocated Expense	-	-	-	-	-
<b>Workforce, Diversity &amp; Inclusion Business Unit</b>					
<b>Total Allocated Expense</b>	<b>\$13,586</b>	<b>\$15,252</b>	<b>\$16,711</b>	<b>\$1,459</b>	<b>10%</b>

The 2024 Proposed Allocated Budget is higher than the 2023 Budget by \$1.5 million, or 10%. The increase is due to the return of labor resources that were charging the human resources technology replacement project in 2023. No additional headcount was added, just a return of hours from project to operational work.



### Corporate Business Unit

The Corporate budget includes the costs associated with corporate governance such as executive management and internal audit; strategic and finance functions like accounting, treasury, financial planning, and enterprise performance; and enterprise services such as procurement, warehouse, vehicle fleet operations, facilities operations and maintenance, security, and communications, marketing, and community relations. Also included are legal functions including legislative, regulatory, government affairs, corporate legal and records management, as well as ensuring adherence to all industry reliability and compliance standards and requirements.

#### Segments & Work Processes

The Governance segment is responsible for the planning, organizing, staffing, leading/engaging, and controlling/monitoring of overall activities to ensure that SMUD goals are achieved.

The Finance segment coordinates the development and reporting of strategic and operational plans, budgets, financial statements, and performance metrics for SMUD and JPAs. This segment also manages accounting functions, investments, insurance programs and funding requirements, monitors enterprise-wide risk exposures, industry and market power issues and updates business and economic forecasts.

The Communications, Marketing & Community Relations segment promotes the adoption of the SMUD brand and increases awareness of programs, services, and value to the community through marketing, market research, community engagement, digital communication channels and image production and postal services.

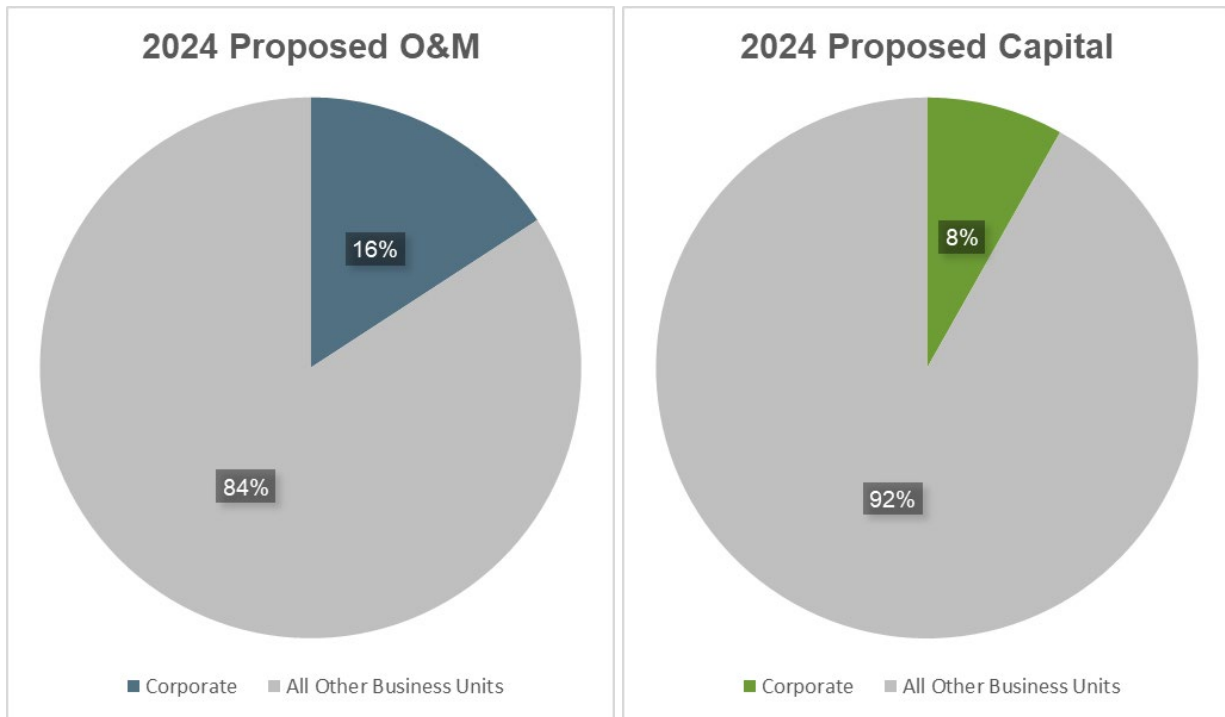
The Legal, Government Affairs & Reliability Compliance segment has the responsibility for all legal matters to which SMUD is a party or to which it is legally interested, and is responsible for enterprise records, management, and coordination regarding federal and state regulatory requirements, legislative initiatives and governmental policies, local and regional ordinances and policies and compliance filings to meet mandatory reliability standards. This segment is also monitoring, lobbying, and impacting state and federal legislative and regulatory proposals, coordinating internally and externally to assure the adequacy of controls, developing, and tracking compliance programs, and advancing laws and regulations that allow the greatest innovation and flexibility for SMUD.

The Facilities, Security Operations & Emergency Preparedness/Enterprise Continuity segment provides planning, coordination, operations, and maintenance services for SMUD grounds and facilities. The segment also provides essential fire, physical security, emergency preparedness/response, and enterprise continuity services for SMUD.

The Procurement, Warehouse & Fleet segment provides fleet equipment and services, warehousing and logistics support, and contracting solutions that support all other areas of SMUD. The segment is primarily focused on providing safe and reliable resources with environmental sustainability, community focused, and cost-effective outcomes.

### Business Unit Budget Summary

The following section includes the budget report for the Business Unit presented by its segments and by the cost categories. Additionally, you can see from the charts what proportion the Corporate Business Unit represents for SMUD in each of the cost categories.



Corporate Budget Summary by Segment (\$000s)

Segment by Funding Type	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
<b>Governance</b>					
O&M Expense	\$13,069	\$12,929	\$14,288	\$1,358	11%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	13,069	12,929	14,288	1,358	11%
Capital Expenditures	-	-	-	-	-
<b>Segment Total</b>	<b>13,069</b>	<b>12,929</b>	<b>14,288</b>	<b>1,358</b>	<b>11%</b>
<b>Finance</b>					
O&M Expense	50,256	49,207	54,366	5,160	10%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	50,256	49,207	54,366	5,160	10%
Capital Expenditures	-	-	-	-	-
<b>Segment Total</b>	<b>50,256</b>	<b>49,207</b>	<b>54,366</b>	<b>5,160</b>	<b>10%</b>
<b>Communications, Marketing &amp; Community Relations</b>					
O&M Expense	28,243	26,902	31,485	4,583	17%
Public Good Expense	439	1,922	-	(1,922)	-100%
Total O&M Expenses	28,683	28,824	31,485	2,661	9%
Capital Expenditures	-	-	-	-	-
<b>Segment Total</b>	<b>28,683</b>	<b>28,824</b>	<b>31,485</b>	<b>2,661</b>	<b>9%</b>
<b>Legal, Gov't Affairs &amp; Reliability Compliance</b>					
O&M Expense	12,986	14,420	15,417	997	7%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	12,986	14,420	15,417	997	7%
Capital Expenditures	-	-	-	-	-
<b>Segment Total</b>	<b>12,986</b>	<b>14,420</b>	<b>15,417</b>	<b>997</b>	<b>7%</b>
<b>Facilities, Security Ops &amp; Emergency Preparedness</b>					
O&M Expense	10,115	9,098	10,601	1,503	17%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	10,115	9,098	10,601	1,503	17%
Capital Expenditures	22,022	14,474	34,115	19,641	136%
<b>Segment Total</b>	<b>32,136</b>	<b>23,572</b>	<b>44,716</b>	<b>21,144</b>	<b>90%</b>
<b>Procurement, Warehouse &amp; Fleet</b>					
O&M Expense	1,570	1,779	1,091	(687)	-39%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	1,570	1,779	1,091	(687)	-39%
Capital Expenditures	8,630	9,323	11,045	1,722	18%
<b>Segment Total</b>	<b>10,200</b>	<b>11,102</b>	<b>12,136</b>	<b>1,035</b>	<b>9%</b>
<b>Enterprise Affairs</b>					
O&M Expense	2,759	505	-	(505)	-100%
Public Good Expense	-	-	-	-	-
Total O&M Expenses	2,759	505	-	(505)	-100%
Capital Expenditures	-	-	-	-	-
<b>Segment Total</b>	<b>2,759</b>	<b>505</b>	<b>-</b>	<b>(505)</b>	<b>-100%</b>
<b>Corporate Business Unit</b>					
O&M Expense	118,999	114,839	127,248	12,409	11%
Public Good Expense	439	1,922	-	(1,922)	-100%
O&M Revenue	(36)	-	-	-	-
Applied to SMUD Capital & Public Good	(4,225)	(5,497)	(5,961)	(464)	8%
Net O&M Expenses	115,177	111,265	121,287	10,022	9%
Capital Expenditures	30,652	23,798	45,160	21,363	90%
Capital Revenue	-	-	-	-	-
Net Capital Expenditures	30,652	23,798	45,160	21,363	90%
<b>Total Business Unit Budget</b>	<b>\$145,829</b>	<b>\$135,062</b>	<b>\$166,447</b>	<b>\$31,385</b>	<b>23%</b>



## SMUD 2024 Budget

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The 2024 Proposed O&M Budget of \$127.2 million is higher than the 2023 Budget by \$12.4 million, or 11%. This is primarily due to increases in insurance premiums for general, liability and wildfire insurance. Other notable increases are the start of the planning phase of SMUD's new Primary Control Center (PCC), additional outside support for audit and legal services, and a shift of marketing costs to O&M from Public Good with no decrease in overall funding.

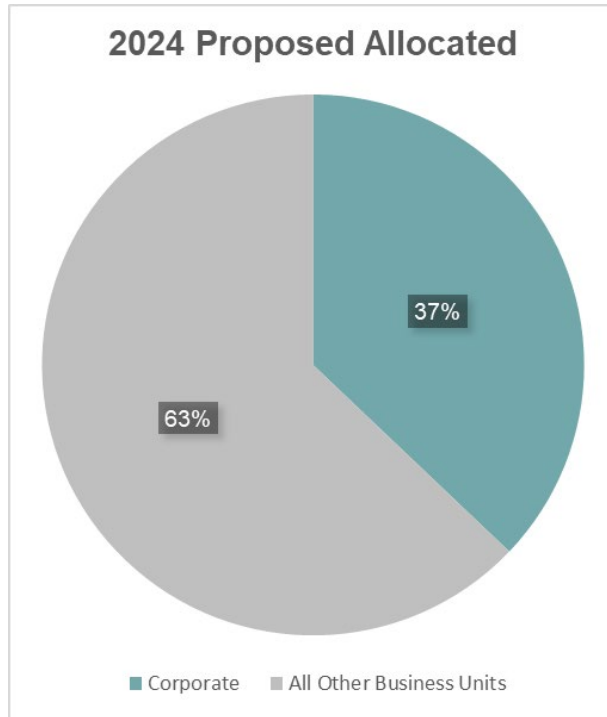
The 2024 Proposed Public Good Budget is lower than the 2023 Budget by \$1.9 million, or -100%. The budget for marketing was shifted to O&M with no overall reduction in funding to better align the work with the funding type.

The Applied to SMUD Capital & Public Good line on the report above indicates the amount of administrative and general expenses that Federal Energy Regulatory Commission (FERC) allows to be allocated to capital and public good work processes. SMUD has chosen a portion of Treasury and Risk Management (including Insurance) as the base of this allocation. Therefore, the allocation applied to other Business Units is shown in the report above to avoid duplication of overall O&M dollars.

The 2024 Proposed Capital Budget of \$45.2 million is higher than the 2023 Budget by \$21.4 million, or 90%. This is primarily driven by Facilities asset lifecycle replacement projects and the start of the PCC building project.

**Corporate Allocated Budget Summary by Segment (\$000s)**

Allocated expenditures are included in all SMUD Business Unit O&M and Capital line items. The Allocated Budget of this Business Unit is presented here for informational purposes only and is not additive to the previously presented budget amounts.



Segment and Funding Type	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
<b>Facilities, Security Ops &amp; Emergency Preparedness</b>					
Allocated Expense	\$24,927	\$24,548	\$27,700	\$3,152	13%
<b>Procurement, Warehouse &amp; Fleet</b>					
Allocated Expense	28,342	26,447	28,853	2,406	9%
<b>Communications, Marketing &amp; Community Relations</b>					
Allocated Expense	668	1,558	-	(1,558)	-100%
<b>Corporate Business Unit</b>					
<b>Total Allocated Expense</b>	<b>\$53,936</b>	<b>\$52,552</b>	<b>\$56,553</b>	<b>\$4,000</b>	<b>8%</b>

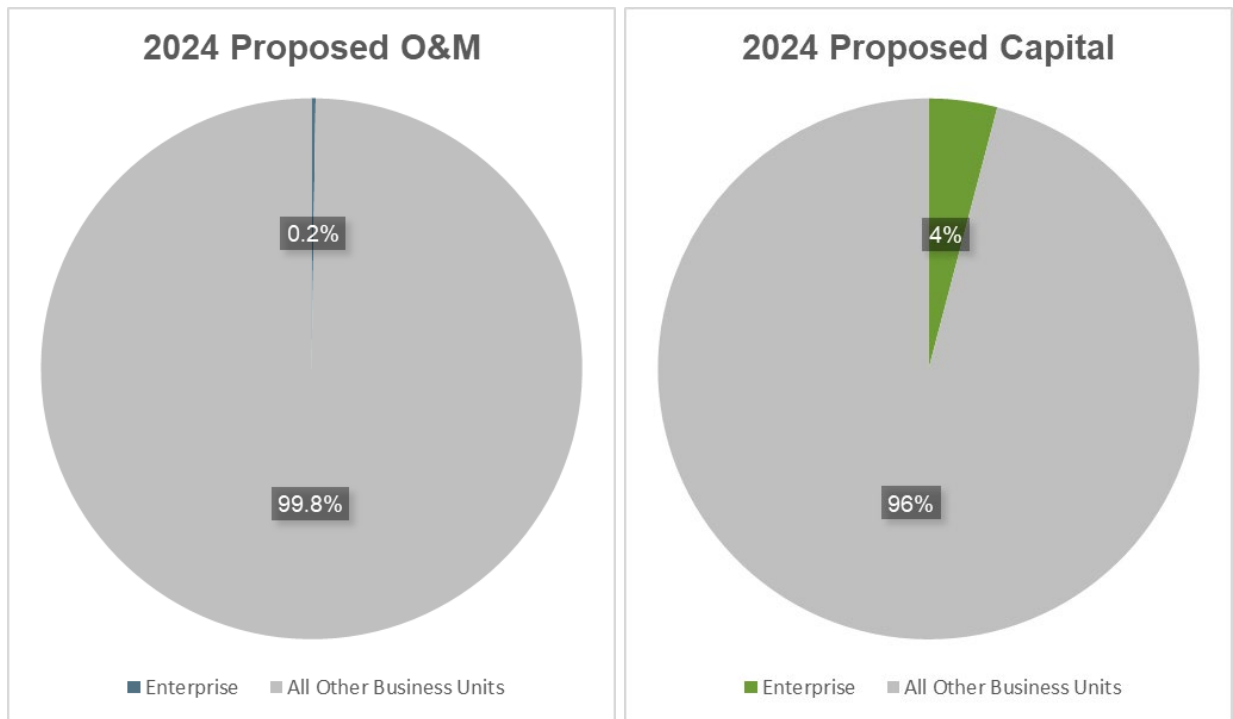
The 2024 Proposed Allocated Budget is higher than the 2023 Budget by \$4.0 million, or 8%. This is primarily driven by additional building maintenance, security coverage at our power generation facilities, fleet maintenance and warehouse materials (including electric tool conversion from gas powered tools).

## Enterprise Business Unit

The Enterprise budget includes corporate contingency, claims, reserves, settlements, and other company-wide special items. Also included is the cost of worker's compensation and other post-employment benefits.

### Business Unit Budget Summary

The following section includes the budget report for the business unit presented by its segments and by the cost categories. Additionally, you can see from the charts what proportion the Enterprise Business Unit represents for SMUD in each of the cost categories.



Enterprise Budget Summary by Segment (\$000s)

Segment by Funding Type	2023 Forecast	2023 Budget	2024 Proposed	\$ Change vs Budget	% Change vs Budget
<b>General</b>					
O&M Expense	\$10,280	\$1,519	\$1,845	\$326	21%
Public Good Expense	435	-	-	-	-
Total O&M Expenses	10,715	1,519	1,845	326	21%
Capital Expenditures	-	8,152	7,607	(545)	-7%
<b>Segment Total</b>	<b>10,715</b>	<b>9,671</b>	<b>9,452</b>	<b>(219)</b>	<b>-2%</b>
<b>Contingency</b>					
O&M Expense	-	-	-	-	-
Public Good Expense	-	-	-	-	-
Total O&M Expenses	-	-	-	-	-
Capital Expenditures	-	15,000	15,000	-	0%
<b>Segment Total</b>	<b>-</b>	<b>15,000</b>	<b>15,000</b>	<b>-</b>	<b>0%</b>
<b>Enterprise Business Unit</b>					
O&M Expense	10,280	1,519	1,845	326	21%
Public Good Expense	435	-	-	-	-
O&M Revenue	(0)	-	-	-	-
Net O&M Expenses	10,714	1,519	1,845	326	21%
Capital Expenditures	-	23,152	22,607	(545)	-2%
Capital Revenue	-	-	-	-	-
Net Capital Expenditures	-	23,152	22,607	(545)	-2%
<b>Total Business Unit Budget</b>	<b>\$10,714</b>	<b>\$24,671</b>	<b>\$24,452</b>	<b>(\$219)</b>	<b>-1%</b>

The 2024 Proposed O&M Budget is higher than the 2023 Budget by \$0.3 million, or 21%. There is a planned increase in claims administration costs in 2024.

The 2024 Proposed Capital Budget is lower than the 2023 Budget by \$0.5 million, or -2%. There is a decrease in the interconnection fees for the Coyote Creek project, which is offset by planned expenses for the Habitat Conversation Plan (HCP) Mitigation Bank credits.

## Supplemental Information

1. Power Supply & Requirements
  - a. Power Supply Assumptions
  - b. Energy Sales & Requirements
  - c. Energy Requirements
2. SMUD Generation Sources
3. Purchased Power
4. Greenhouse Gas Emissions Estimate
5. Cost Categories
6. Cost Category Descriptions
7. Financial Statement Line Item Descriptions
8. Summary of Debt Service on Existing SMUD Bond Issues
9. Performance Metrics
10. Resolutions



## Power Supply & Requirements

### Power Supply Assumptions

The 2030 Zero Carbon Plan is the basis for the operating assumptions for the 2024 Budget. Electricity and natural gas prices are forecasted to be lower than what was projected in the 2023 Budget. The Upper American River Project (UARP) generation will be lower due to more planned outages, renewable generation is expected to be lower than the 2023 Budget due to biogas sales. Thermal generation is expected to be higher due to less outages than 2023.

### Energy Sales & Requirements

Total expected supply requirements for the 2024 Proposed Budget are forecasted to be approximately 1% lower than the 2023 Budget. Our expected retail energy sales to customers are projected to decrease and our expected system peak load is forecasted to increase.

The following tables provide additional information regarding generation, purchased power and market transactions.

Description	2023 Budget	2024 Proposed	Change vs Budget
Expected System Peak (MW)	2,806	2,966	160
Expected Retail Energy Sales (GWh)	10,458	10,302	(156)
Expected Wholesale Sales, Distribution & Transmission Losses (GWh)	452	475	23
Expected Supply Requirements (GWh)	10,910	10,777	(133)
<b>Generation:</b>			
Total SMUD Generation (GWh)	7,429	8,718	1,289
SMUD Generation as a % of expected supply requirement	68%	81%	13%
<b>Purchased Power:</b>			
Net Purchased Power (GWh)	3,481	2,059	(1,422)
Net Purchased Power as % of expected supply requirement	32%	19%	-13%
<b>Gas:</b>			
Expected Gas Burn (NG+Biogas) for Thermal Generation and Steam Sales (mmBtu)	38,291,660	46,329,132	8,037,472
Committed Fuel (NG+Biogas) Purchases (mmBtu)	31,722,212	37,658,451	5,936,239
Committed Purchases (NG+Green Gas) as a % of Expected for Thermal Generation and Steam Sales	83%	81%	-2%
<b>Actual / forward prices of uncommitted transactions:</b>			
On Peak Power Price Forecast (\$/MWh)	\$88	\$90	\$2
Off Peak Power Price Forecast (\$/MWh)	\$75	\$63	(\$12)
Flat Power Price Forecast (\$/MWh)	\$82	\$78	(\$4)
Forward Natural Gas Price Forecast (\$/mmBtu)	\$6.55	\$5.56	(\$0.99)

**Energy Requirements**

Summary (GWh)	2023 Budget	2024 Proposed	Change vs Budget	% Change vs Budget
<b>Generation:</b>				
SMUD-Owned Large Hydro	1,576	1,528	(48)	-3%
SMUD-Owned Gas Fired	4,380	6,263	1,883	43%
SMUD-Owned Renewable	1,473	927	(546)	-37%
Total Generation	7,429	8,718	1,289	17.4%
<b>Market Energy:</b>				
Market Sales	(3,607)	(3,992)	(385)	11%
Long-Term Contracts	5,424	5,411	(13)	0%
Short-Term Purchases	0	314	314	100%
Market Purchases	1,707	331	(1,376)	-81%
Total Market Transactions	3,524	2,064	(1,460)	-41%
<b>Market Energy:</b>				
Transmission Losses	(43)	(5)	38	-89%
<b>Total Supply Requirement</b>	<b>10,910</b>	<b>10,777</b>	<b>(133)</b>	<b>-1%</b>

The following pages have details about the budget assumptions for SMUD’s power supply by generation and purchasing sources.

Return to [O&M Budget Summary](#) section

### SMUD Generation Sources

#### **SMUD Hydroelectric (Upper American River Project)**

The 2024 Budget assumes median rainfall and normal starting reservoir levels in 2024. Generation is expected to be 1,581 GWh.

#### **Other SMUD Generation: South Fork, Chili Bar, Photovoltaic, Hedge Battery, Solano Wind**

The 2024 Budget assumes average generation subject to limitations governing the operation of each plant. The largest contributor, Solano Wind, is expected to generate 776 GWh. This includes the additional 91 MW wind capacity (Solano 4) that is forecasted in Q2 2024.

#### **Cosumnes Power Plant**

This 603 MW gas-fired combined cycle power plant began commercial operation in February 2006. Forecasted generation from this plant in 2024 is 4,178 GWh.

#### **Carson Cogeneration**

This gas-fired cogeneration project, which began commercial operation in October 1995, consists of a 65 MW combined cycle unit and a 42 MW peaking unit. With the installation of an auxiliary steam boiler in 2017, if running the cogeneration unit is uneconomic, it can be turned off. Energy will be supplied from the auxiliary boiler instead of the cogeneration unit. The forecasted generation from this facility in 2024 is 429 GWh.

#### **Procter & Gamble Cogeneration**

This gas-fired cogeneration plant began commercial operation in March 1997. It consists of a 136 MW combined cycle power plant and a 50 MW peaking unit that became operational in May 2001. With the installation of an auxiliary steam boiler in 2016, if running the cogeneration unit is uneconomic, it can be turned off. Steam will be supplied from the auxiliary boiler instead of the cogeneration unit. Forecasted generation from this facility in 2024 is 764 GWh.

#### **Campbell Soup Cogeneration**

This gas-fired combined cycle plant began commercial operation in December 1997. It consists of a 160 MW combined cycle power unit. Beginning in 2008 the 72 MW McClellan gas turbine is also included under SPA. Forecasted generation from these two units in 2024 is 951 GWh.

Return to the [O&M Budget Summary](#) section.

## Purchased Power

The 2024 Budget assumes delivery of energy and capacity from the following contracts:

Counterparty	Capacity MW	Energy GWh	Expiration Date
Western Area Power Administration (WAPA) / Central Valley Project (CVP)	318 MW	511 GWh	2024
Western Area Power Administration (WAPA Wheeling)	18 MW	30 GWh	2024
Santa Cruz Landfill	1.4 MW	9 GWh	2024
Sutter Energy Center	258 MW	1,437 GWh	2026
Kiefer Landfill	13 MW	109 GWh	Kiefer I - 2025 Kiefer II - 2026
IBR Highwinds	75 MW	73 GWh	2025
MM Yolo	2.4 MW	21 GWh	2026
enXco - Solar	.5 MW	2 GWh	2028
Feed-in-Tariff Solar Projects	100 MW	209 GWh	2030
Calpine Geysers Geothermal	100 MW	878 GWh	2032
Van Warmerdam Dairy Biogas	0.5 MW	2 GWh	2033
New Hope Dairy Biogas	0.4 MW	2 GWh	2033
Patua (aka Gradient) Geothermal	19 MW	144 GWh	2033
Conergy Solar	1.3 MW	2 GWh	2034
Van Steyn Dairy Biogas	0.12 MW	1 GWh	2035
Rancho Seco Solar I	11 MW	22 GWh	2036
Recurrent Solar	60 MW	170 GWh	2037
CalEnergy	30 MW	224 GWh	2039
Grady Wind	200 MW	900 GWh	2044
Wildflower Solar	13 MW	31 GWh	2045
Rancho Seco Solar II	160 MW	332 GWh	2051
Drew Solar	100 MW	301 GWh	2051

The balance of energy requirements to meet forecasted sales to customers will be met by short-term purchases of energy.

Some of the long-term and short-term contracts will be delivered over SMUD's 528 MW share of the California-Oregon Transmission Project (Northwest) or under the South-of-Tesla transmission agreement with PG&E (Southwest & Southern California). These purchases are coordinated through SMUD's membership in the Western Systems Power Pool (WSPP), which facilitates sales and exchanges among its 30 member utilities, and through market trading.

Lastly, another 5-year extension to the WAPA Custom Product ~300-MW sale/purchase contract with WAPA allows SMUD to import additional power from California Oregon Border through 2024.

Return to [O&M Budget Summary](#) section.

## Greenhouse Gas Emissions Estimate

Source	Emissions (MMT CO <sub>2</sub> e)
Thermal Emissions less any Cogen Steam Sales *	
Cosumnes	1,533
Proctor	330
Campbell	412
Carson	196
McClellan	17
Calpine Sutter	557
Short-Term Purchases	135
Uncommitted Purchases, Sales and Losses	(944)
<b>Total</b>	<b>2,234</b>

\*SMUD thermal emissions are estimates based on 2024 forecast and historical emissions factors.

Based on 2024 budgeted generation from SMUD thermals, purchased power, hydro generation, and renewables, our SD-7 greenhouse gas emissions are estimated to be about 2.2 million metric tonnes. This estimate is based on normal conditions, and the use of our thermals and associated emissions could be lower or higher based on actual conditions in the 2024 operating year. Further, the estimate assumes our short-term power purchases are from general market power which carry an emissions factor. While carbon-free power purchases are subject to hydro conditions and availability year to year, SMUD’s Energy Traders continually look for opportunities to purchase clean power from the market to reduce greenhouse gas emissions in our portfolio.

### Cost Categories

The Budget includes the following major components:

**Operating Expenses (O&M):** Expenses related to producing and acquiring energy, operating and maintaining the electrical delivery system, providing service to customers including public goods (energy efficiency, low-income assistance, new renewable generation sources, and research and development of advanced technologies) programs, and corporate activities. Included within this category as a separate line item are commodity costs associated with energy supply. These costs include purchased power, fuel for energy production, and transmission wheeling costs.

Also included in O&M under Zero Carbon Energy Solutions Business Unit are fuel, operating and interest expense associated with SFA: Carson Cogeneration plant, Procter & Gamble plant, Campbell Soup Cogeneration plant, Cosumnes Power Plant; NCGA No. 1, and NCEA pass-through gas costs. These expenses are shown in the SMUD Budget because SMUD will reimburse SFA, NCGA No. 1 and NCEA for their costs under the terms of the Power and Gas Purchase Agreements. The detailed SFA, NCGA No. 1 and NCEA Budgets are also in separate booklets and/or resolutions as they will be approved by the SFA, NCGA No. 1 and NCEA Commissions.

**Capital Investments:** Investment in additions and improvements to SMUD's property, plant and equipment. The Capital Investment budget includes all qualifying costs related to acquiring or constructing tangible and intangible assets which meet SMUD's capitalization guidelines - cost exceeding \$5,000 and an estimated service life greater than two years. SMUD follows Federal Energy Regulatory Commission (FERC) capitalization guidelines which dictate the inclusion of all direct costs (labor, employee benefits, materials, services and other) and a proportionate share of indirect costs (engineering and construction supervision and support, transportation, insurance, etc.) related to capital projects. Capital assets are depreciated on a straight-line basis over their estimated useful service life.

**Allocated Expenses:** A portion of the costs in four business units: Information Technology, Workforce, Diversity & Inclusion, Energy Delivery & Operations and Corporate, which enable the business units to perform work. These costs are pooled and then allocated to both O&M and capital costs based on the quantity of labor hours planned in the receiving business unit. The aggregated allocated costs are presented in the budget documentation separately as information only; the actual costs are reflected in each of the Business Unit's budgets as part of the total cost of their work processes. Examples of allocated costs are enterprise-wide used software, safety services, human resources, procurement and fleet services.

**Debt Service:** Interest expense on and principal repayments of SMUD's outstanding long-term debt and commercial paper notes, any revenues or payments on interest rate swaps, and trustee fees and debt issuance costs.

Return to [Budget Summary Overview](#) section

## Expense Type Descriptions

**Activity Type Labor:** SMUD employee labor planned to a business unit work process. Each Activity Type has a standard hourly charge-out rate that is based on work (non-leave) hours, average annual employee salaries, and includes benefits.

**Materials & Equipment:** Materials and equipment either issued from inventory or purchased for a specific project or task.

**Other Expenses:** Is a grouping of several non-material costs including dues and publications, memberships, training, travel, rents, leases, license fees, taxes, advertising, utilities, and postage.

**Outside Services:** The cost of outside services contracts, consultants, and outside legal counsel services.

**Insurance:** The cost of property and liability insurance.

**Rebates & Incentives:** The cost of rebates and incentives paid to customers for energy efficiency, building electrification and electric transportation programs.

**Commodities:** The cost of purchased power, wheeling, and fuel for SMUD and JPA generating plants, net of surplus/wholesale power sales which represents revenues from the sale of generation and bulk power purchases which are surplus to our generation needs.

**Reimbursements:** Reimbursements, cost-sharing grants, or pass-through amounts received from outside parties to reduce net costs.

**Allocations/Surcharges:** Includes cost center overheads and surcharges. Cost center overheads are a rate developed to recover the indirect costs of a Cost Center and includes labor for administration, supervision, training, and miscellaneous expenses such as office supplies and travel. It is assessed per hour of labor planned directly to the work processes. Surcharge rates are developed to recover 1) an allocation of internal service costs such as transportation and technology assessed per hour of labor planned directly to the work processes, 2) the costs of procuring outside service agreements and costs of procuring, storing, and handling materials and equipment and 3) miscellaneous general and administrative SMUD expenses including insurance and risk management, cash management, debt management, and other assessed to capital and public good projects based on a flat percentage of overall SMUD labor.

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## Financial Statement Line Item Descriptions

**Sales to Customers:** The Sales to Customers budget is the revenue received from our residential and commercial electrical customers for power usage.

**RSF & Other Deferrals:** The Rate Stabilization Fund (RSF) & Other Deferrals budget includes revenues deferred to or recognized from the rate stabilization fund.

**Other Electric Revenue:** The Other Electric Revenue budget is the revenue received from other services such as Community Energy Services in support of Community Choice Aggregators, LCFS revenues, steam sales, rental income and miscellaneous services revenues.

**Commodities:** The Commodities budget includes the long, medium and short-term power, electric transmission, and natural gas purchases. The budget is shown net of surplus and wholesale power sales revenue, which represents revenues from the sale of generation and bulk power purchases which are surplus to our generation needs.

**Customer & Community Services:** Follow this [link](#) to learn more about this business unit.

**Energy Delivery & Operations:** Follow this [link](#) to learn more about this business unit.

**Zero Carbon Energy Solutions:** Follow this [link](#) to learn more about this business unit.

**Enterprise Strategy:** Follow this [link](#) to learn more about this business unit.

**Information Technology:** Follow this [link](#) to learn more about this business unit.

**Workforce, Diversity & Inclusion:** Follow this [link](#) to learn more about this business unit.

**Corporate:** Follow this [link](#) to learn more about this business unit.

**Enterprise:** Follow this [link](#) to learn more about this business unit.

**Public Good:** Public Goods programs include customer public good programs such as solar rebates and incentives, low income & medical rate subsidies and administration, emerging technologies, energy efficiency, transportation electrification and building electrification. It also includes energy operations public good programs such as EV charging, research and development, renewable initiatives such as biomass gasification, and distributed technology.

**Depreciation, Depletion and Amortization:** The depreciation, depletion and amortization budget is the depreciation of SMUD's electric utility property, plant and equipment as well as the assets of SFA. The Budget amount is based on existing property, plant and equipment and estimated completion dates for construction work-in-progress, and the most current depreciation rates. It also includes amortization of costs associated with the operating license for SMUD's Upper American River Project (UARP) hydroelectric generation facilities and Rancho Seco fuel decommissioning.

**Interest Income and Other:** The interest income and other budget is SMUD's interest income, based on the assumption that SMUD will earn an average of approximately 3.09 percent on unrestricted and restricted cash balances. This line also includes any interest earned by SFA, NCGA No. 1 and NCEA on their fund balances. Also included in this line is miscellaneous income.

**Other Non-Cash:**

The other non-cash budget includes write-off of project costs, corporate capital surcharge, Contributions in Aid of Construction (CIAC), advance capacity payments and uncollectable expense for non-retail sales. Write-off of project costs includes an estimate of current projects undergoing feasibility studies that will not be developed. CIAC represents the recognition of money received for development costs, grant projects and capital items, which is offset by depreciation expense in the same period.

**Interest Expense:** The interest expense budget includes accrual basis interest on long-term debt and commercial paper which reflects SMUD's obligation for existing debt, and interest expense on SFA, NCGA No. 1 and NCEA bonds.

**Interest Payments:** Represents the cash basis interest payments on SMUD, SFA, NCGA No.1 and NCEA bonds, commercial paper notes, and SMUD's share of TANC bonds, not including amortization of deferred bond issuance costs and gain/loss on bond refundings.

**Principal Payments:** Represents scheduled repayment of long-term debt.

**Cash Available to Pay Fixed Costs:** Represents the net cash flow before interest expense on a consolidated basis.

**Fixed Charge Coverage Ratio:** The fixed charge coverage ratio is a measure of the number of times net cash flow before interest expense on a consolidated basis covers total cash debt service payments, including both interest and principal, for SMUD, SFA and SMUD's share of TANC debt service.

**Rate Stabilization Fund:** Fund set up by the Board to provide protection against a rate increase in years where weather conditions or other non-controllable events cause large budget variances. No transfers in or out of the Rate Stabilization Funds are budgeted.

**Unrestricted Cash:** Cash available for operating and capital expenditures. Detail of change is shown on the Pro Forma Sources and Uses of Cash.

**Restricted for Debt Service:** Amounts deposited in restricted debt service funds as fixed by Bond Resolutions.

**Decommissioning Fund:** Amounts set aside with external trustee to cover estimated cost of decommissioning Rancho Seco. SMUD received a certification of completion of decommissioning from the Nuclear Regulatory Commission (NRC) in 2009. The remaining funds are for decommissioning of the spent fuel storage facility in 2028.

Return to [Financial Statements](#) section

## Summary of Debt Service on Existing SMUD Bond Issues

Date Issued	Issue \$000s	1/1/2024 Principal Balance	Issued Interest Rate	Final Maturity Date	2024 Scheduled Principal Payment	2024 Interest Expense
<b>Electric Revenue Bonds</b>						
Jun-97	Series K (1)	\$19,570	5.25% to 5.90%	2024	\$19,570	\$351
May-09	Series V (2)	200,000	6.322% (4.11% net)	2036	-	12,644
Jul-10	Series W (3)	250,000	6.156% (4.00% net)	2036	-	15,390
Sep-11	Series X (Refunding)	0	1.50% to 5.00%	2028	-	0
Jan-12	Series Y (Refunding)	0	3.00% to 5.00%	2033	-	0
May-13	Series A	0	3.75% and 5.00%	2041	-	0
May-13	Series B (Refunding)	0	3.00% to 5.00%	2033	-	0
Jul-16	Series D (Refunding)	84,680	5.00%	2028	9,895	3,954
Dec-17	Series E (Refunding)	89,415	3.00% to 5.00%	2028	27,845	3,945
Aug-18	Series F (Refunding)	76,580	5.00%	2028	14,440	3,556
Apr-19	Series G	191,875	5.00%	2041	-	9,352
May-20	Series H	400,000	4.00% to 5.00%	2050	-	18,699
Jul-21	Series I (Refunding)	91,525	5.00%	2028	-	4,576
Jun-22	Series J (Refunding)	119,205	2.06%	2032	11,290	5,747
Jun-23	Series L (Refunding)	61,115	5.00%	2041	1,550	3,026
Jun-23	Series K	200,000	5.00%	2033	-	10,000
	<b>Subtotal</b>	<u>1,783,965</u>			<u>84,590</u>	<u>91,240</u>
<b>Subordinated Electric Revenue Bonds</b>						
Jul-19	Series B	100,000	5%	2049	-	5,000
Jun-23	Series C (4)	132,820	Variable	2041	-	461
Jun-23	Series D	<u>100,000</u>	5%	2049	<u>-</u>	<u>5,000</u>
	<b>Subtotal</b>	<u>332,820</u>			<u>-</u>	<u>10,461</u>
	Total Outstanding Bonds	<u>\$2,116,785</u>		Principal & Interest Payments	<u>84,590</u>	<u>101,701</u>
	<b>Total Debt Service</b>				<b><u>\$84,590</u></b>	<b><u>\$101,701</u></b>

### Debt Service Footnotes:

1. Swapped to a variable rate for the life of the debt, interest expense net of swap payment. Interest expense without swap would be \$0.5 million.
2. Interest expense gross of federal government Build America Bond rebate of \$4.2 million.
3. Interest expense gross of federal government Build America Bond rebate of \$5.1 million.
4. Swapped to a fixed rate for the life of the debt, interest expense net of swap payment. Interest expense without swap would be \$4.0 million.

Return to [Debt Service](#) section.

## Performance Metrics

Strategic Direction	Metric	2023 Forecast	2023 Target	2024 Target
SD-2 Competitive Rates	<b>Competitive System Average Rates</b>			
	Percent below Pacific Gas & Electric	50.1%	18.0%	18.0%
	Percent below each Customer Class	48.6%	Meet 10% Goal for each Customer class	Meet 10% Goal for each Customer class
SD-3 Access to Credit Markets	<b>Fixed Charge Ratio of at least 1.50</b>	2.34	2.08	2.08
	<b>SMUD Availability of Generation Assets [1]</b>	93%	97%	97%
	<b>Overall Availability of Transmission Assets</b>	100%	>99.99%	>99.99%
	<b>Distribution System Reliability [2]</b>			
	<b>Duration of Outages (SAIDI)</b>			
	SAIDI With Major Event	365.7	67.5 - 93.3 min	67.5 - 93.3 min
	SAIDI Excludes Major Event	79.70	49.7 - 68.7 min	49.7 - 68.7 min
	<b>Frequency of Outages (SAIFI)</b>			
SAIFI With Major Event	1.65	0.99 - 1.33	0.99 - 1.33	
SAIFI Excludes Major Event	1.09	0.85 - 1.14	0.85 - 1.14	
SD-5 Customer Relations	<b>Customer Satisfaction Survey</b>	97%	95%	95%
	<b>Value for What You Pay [3]</b>	72%	70%	70%
SD-6 Safety	<b><u>Shift safety culture, improve safety results, and maintain positive financial performance</u></b>			
	<b>Leading Indicator</b>			
	Employee-Supervisor Interactions [4]	133%	95%	95%
	Incident Reports ≤ 3 days [5]	100%	95%	95%
	Incident Investigations ≤ 5 days [6]	100%	95%	95%
	<b>Days Away Restricted Time (DART) [7]</b>			
Severity incidents to 13 or less than by 2025	19	19	15	
<b>Workers' Compensation [8]</b>				
Workers' compensation program performance	\$0.36	\$0.67	\$0.58	
SD-8 Employee Relations	<b>Employee Engagement [9]</b>			
Sustain Employee Engagement	N/A	N/A	>80%	
SD-9 Resource Planning	<b>Reduce carbon emissions</b>			
	Energy efficiency and electrification from buildings [10] (2030 goal: 365,000 metric tonnes)	91,355 [a]	99,987 [b]	96,992 [b]
	Energy efficiency and electrification from transportation [11] (2030 goal: 1,000,000 metric tonnes)	143,859 [a]	117,000	172,781 [b]
	<b>Procure Renewable Energy to achieve SMUD's Renewable Portfolio Standards requirements [12]</b>			
% of SMUD's Retail Sales (Statutes require: 44% by 2024, 52% by 2027, and 60% by 2030)	48.0%	41.25%	44.0%	
SD-13 Economic Development	<b>Supplier Education and Economic Development (SEED) - Percent of Contract Dollars</b>	25%	20%	20%

Notes to Performance Metrics:

Footnotes	
[1]	2023 under target due to the unscheduled outage at Camino and the scheduled outage at Campbell.
[2]	Atmospheric storm activity in January (Q1) had significant impact on the distribution system. January storms resulted in 195% of average rainfall and 60+ MPH winds in downtown Sacramento causing service disruption throughout the County from downed powerlines, poles, and other impacted SMUD assets. We are projected to miss SAIDI targets including and excluding major events and SAIFI including major events targets but are on track to meet the goal for SAIFI excluding major events target.
[3]	The overall Value for What you Pay (VFP) score through September is 71%, staying nearly the same as 2022 despite tremendous customer impacts of the winter storms and higher cost-of-living burdens. Year-to-date residential VFP is at 70% and commercial is at 72%. The steady score is due to SMUD's extensive customer support, responsiveness during critical events, and tailored and new outreach, education, and solutions for our unique communities. The overall Value for What you Pay (VFP) targets are 70% by the end of 2025 and 80% by the end of 2030.
[4]	As of the end of September, 8,034 Employee-Supervisor Interactions have been reported. This is well over the 6,050 target and puts SMUD on track to meet this metric.
[5]	As of the end of September, 16 of the 16 incident reports included in this metric were reported within 3 days of the supervisor being notified of the incident. The prediction is based off the performance in the last 9 months.
[6]	As of the end of September, 13 of the 13 incidents included in this metric have been investigated and completed in Benchmark Gensuite on or before the due date. The prediction is based off the performance in the last 9 months.
[7]	As of the end of September, 14 OSHA Recordable cases resulted in Lost Time or Restricted Work. Based off the performance in the last 9 months SMUD will likely miss this metric.
[8]	\$0.67 represents the projected funding at the 50% confidence level on the fiscal anniversary date of 6/30/2022. The trend development that has occurred, however as of 6/30/2023 now reflects that figure is \$0.36. That lower projection is based on 2023 historical lows in both the number of claims received, as well as the payout patterns and losses incurred. The \$0.58 reflects the 50% confidence level for funding on 6/30/2023 for the 2024 fiscal year taking all of these factors into account.
[9]	Employee Engagement Survey is planned to be launched by the second quarter of 2024.
[10]	All figures in for this metric are cumulative based on the impacts from both energy efficiency and building electrification measures in place in a given year. [a] Forecast is lower than target primarily because of the following: - Commercial energy efficiency and electrification programs experienced reduced activity and participation as businesses continue to experience challenging financial conditions, inflationary impacts, and increased project costs: [b] 2023 and 2024 targets are set based on the resource modeling tools and framework of the 2019 IRP which is being updated to reflect the resource mix assumptions in the updated Zero Carbon Plan projections.
[11]	All figures in this metric series are cumulative [a] Carbon emission reductions from transportation electrification are based on an updated average of 3.1 tonnes per equivalent light duty vehicle in 2023 and 3.2 tonnes per equivalent light duty vehicle in 2024. [b] 2024 target developed reflecting the most current resource planning and carbon reduction data and assumptions in the Zero Carbon Plan.
[12]	SMUD expects its 2023 Renewable Portfolio Standard (RPS) percentage to be ~48% using in year purchases. The RPS statutes allow renewables procured above the compliance period targets to be carried over and applied in future compliance periods. We and are on track to fulfill our RPS obligations for compliance period 4 which runs from 2021 to 2024.

## **Resolutions**

1. 2024 Budget Resolution
2. Debt Resolution

RESOLUTION NO. Draft

WHEREAS, the proposed 2024 Budget is expected to result in a positive net income for 2024; NOW THEREFORE,

**BE IT RESOLVED BY THE BOARD OF DIRECTORS OF SACRAMENTO MUNICIPAL UTILITY DISTRICT:**

**Section 1.** This resolution may be referred to as the 2024 Budget Resolution.

**Section 2.** (a) There is hereby appropriated from the General Fund sufficient monies for the payment of demands against SMUD which relate to obligations incurred for the purposes and within the amount specified for such purposes in the following projection of SMUD’s program for the period January 1, 2024, through December 31, 2024.

Operations and maintenance:

Commodity - purchased power, fuel, and wheeling	\$572,000,004
Public Goods	67,888,971
Customer, energy delivery, zero carbon, enterprise strategy, workforce diversity & inclusion, information technology, corporate services and Rancho Seco	746,217,455
Sub-Total	\$1,386,106,430
Debt Service	202,263,155
Capital and reserve	554,965,979
<b>TOTAL</b>	<b>\$2,143,335,564</b>

(b) The Commodity line item budget is based on assumptions of average rainfall and temperatures during 2024. SMUD has in place a Hydro Generation Adjustment (SMUD HGA) mechanism whereby, based on the actual rainfall amounts between April 1, 2023 and March 31, 2024 in comparison to the budget assumptions, SMUD may transfer funds to or from the Hydro Rate Stabilization Fund and, once pre-established limits are met,

increase or decrease customer rates. The Commodity line item budget will be increased or reduced based on the actual transfer and/or change in customer revenues from the SMUD HGA adjustment.

(c) SMUD also has in place or may enter into additional agreements under which monies will be received by SMUD in the event actual weather conditions are drier than average. In the event of below average rainfall, the Commodity line item budget will be increased by an amount equal to the payments received under these contracts.

(d) SMUD has budgeted to receive energy in 2024 under its contract with the Western Area Power Administration (WAPA). SMUD has in place a WAPA Hydro Generation Adjustment (WAPA HGA) mechanism whereby, based on the actual delivery from WAPA between April 1, 2023 and March 31, 2024 in comparison to the budget assumptions, SMUD may transfer funds to or from the WAPA Rate Stabilization Fund and, once pre-established limits are met, increase or decrease customer rates. This energy primarily is generated at Central Valley Project hydroelectric plants, and the actual quantity of energy received will be dependent on rainfall, carryover water storage and operation of the WAPA system to meet contractual water deliveries. Because WAPA generation facilities are spread over a wide area, insurance is not practical for offsetting variations of energy deliveries due to weather. One purpose of the Rate Stabilization Fund is to mitigate such variations. The Commodity line item budget will be increased or reduced based on the actual transfer and/or change in customer revenues from the WAPA HGA adjustment

(e) Budgeted energy purchases necessary to meet customer energy sales requirements (10,302 GWh) are based on average weather conditions and expected customer growth in 2024. Should actual weather conditions or growth levels cause SMUD retail sales and related energy requirements to be higher, the Commodity line item budget will be



increased by the NP15 power price per megawatt-hour of additional retail energy sales to offset the cost of these sales.

(f) SMUD participates in regulatory programs such as Low Carbon Fuel Standard (LCFS) and Cap-and-Trade. Under these programs, SMUD has the option to monetize the credits and allowances applicable to these programs through sales transactions. When SMUD collects revenues through these sales, it is required to apply the proceeds toward specific expenses that support the program goals. An additional purpose of the Rate Stabilization Fund is to mitigate fluctuations from regulatory programs. The Accountant is hereby authorized to transfer funds to or from the Rate Stabilization Fund to match LCFS and Cap-and-Trade revenues with expenses. The budgeted amount will be increased or decreased accordingly.

(g) For purposes of Section 11891.6 of the Municipal Utility District Act, there shall be deemed added to each line item, in section 2a, a 10 percent contingency. Demands against SMUD which relate to obligations incurred for each line item and are within such line item amount plus the 10 percent contingency may be paid without prior specific approval of this Board, provided the total of such payments during 2024 may not exceed the total budget amount plus this 10% contingency, plus the commodity contingency and adjustments for weather hedge contracts, higher retail sales and Rate Stabilization transfers as set forth in paragraphs (b), (c), (d), (e) and (f) above.

**Section 3.** Demands against SMUD may be paid without the prior specific approval of this Board if they relate to obligations incurred for the purpose and within the amounts specified in Section 2, provided such demands are approved by the CEO & General Manager or someone to whom he has delegated such approval authority. It is the purpose and intent of this paragraph to delegate to the CEO & General Manager authority to make purchases, to negotiate and execute contracts, and expend funds in any manner necessary or appropriate to the

administration of the business affairs of SMUD, all within the amounts and for the purposes set forth above, and subject to the provisions of existing law and of all the duly passed resolutions of this Board, including the Board-approved delegations of authority.

**Section 4.** At monthly intervals the Treasurer shall transfer from the General Fund appropriate amounts into each of the various funds established to service SMUD's general obligation indebtedness, its Electric System Revenue Bond indebtedness, and its Electric Revenue Bond indebtedness in approximately equal installments as set forth in the tabulations on file with the Accountant. Investment authority, for all funds, is delegated to the Treasurer for a one-year period in accordance with California Code Section 53607.

**Section 5.** The number of permanent full-time employees during 2024 shall not exceed 2,250 employees plus a five percent contingency without further authorization of this Board.

**Section 6.** The Public Goods Charge shall be adjusted from 16.77 percent of 1994 revenues to 16.28 percent of 1994 revenues. The percentage allocation for the public goods charge expenditures shall be adjusted from 6.60 percent to 7.22 percent for low-income assistance, and from 8.16 percent to 7.70 percent for energy efficiency, and from 2.01 percent to 1.37 percent for research and development, and stayed the same at 0.00 percent for new renewable generation.

RESOLUTION NO. Draft

Supplemental Resolution (Supplemental )  
to Resolutions No. 6457, 8107, 83-7-26 as amended )  
by Resolution No. 87-10-22, No. 92-12-29, No. 93- )  
12-19, No. 94-12-16, No. 95-12-10, No. 96-12-07, )  
No. 97-12-18, No. 98-11-12, No. 99-12-10, No. 00- )  
12-11, No. 01-12-02, No. 02-11-04, No. 03-12-14, )  
No. 04-12-11, No. 05-12-13, No. 06-12-08, No. 07- )  
12-08, No. 08-12-05, No. 09-12-08, No. 10-12-03, )  
No. 11-12-08, No. 12-12-06, No. 13-12-09, No. 14- )  
12-13, No. 15-12-08, No. 16-12-14, No. 17-12-13, )  
No. 18-12-12, No. 19-11-05, No. 20-12-14, No. 21- )  
12-11 and No. 22-12-06) declaring the intention of )  
the Board of Directors of the Sacramento Municipal )  
Utility District to authorize the issuance of additional )  
Revenue Bonds )  
)  
)

**WHEREAS**, Sacramento Municipal Utility District (“SMUD”) on July 23, 1970, May 2, 1974, and July 21, 1983, by the adoption by its Board of Directors of Resolutions No. 6457, 8107, and 83-7-26, as amended by Resolution No. 87-10-22 adopted October 1, 1987; Resolutions No. 92-2-11, No. 92-12-29, No. 93-12-19, No. 94-12-16, No. 95-12-10, No. 96-12-07, No. 97-12-18, No. 98-11-12, No. 99-12-10, No. 00-12-11, No. 01-12-02, No. 02-11-04, No. 03-12-14, No. 04-12-11, No. 05-12-13, No. 06-12-08, No. 07-12-08, No. 08-12-05, No. 09-12-08, No. 10-12-03, No. 11-12-08, No. 12-12-06, No. 13-12-09, No. 14-12-13, No.15-12-08, No.17-12-13, No. 18-12-12, 19-11-05, 20-12-14, 21-12-11, 22-12-06 adopted by the Board of Directors on February 6, 1992, December 17, 1992, December 16, 1993, December 15, 1994, December 14, 1995, December 19, 1996, December 17, 1997, November 30, 1998, December 2, 1999, December 7, 2000, December 6, 2001, November 7, 2002, December 4, 2003, December 2, 2004, December 1, 2005, December 7, 2006, December 6, 2007, December 4, 2008, December

3, 2009, December 3, 2010, December 1, 2011, December 6, 2012, December 5, 2013, December 4, 2014, December 3, 2015, December 1, 2016, December 21, 2017, December 20, 2018, November 21, 2019, December 10, 2020, December 9, 2021, and December 8, 2022, respectively (collectively, the “Prior Resolutions”), found and determined that it was necessary to raise funds by the issuance of revenue bonds in the maximum principal amount of \$8,655,000,000 pursuant to Sections 12850, et seq., of the California Public Utilities Code (the “Act”); and

**WHEREAS**, in order to provide reliable electric service to its customers, it is necessary for SMUD to make certain capital improvements and other capital expenditures to its system, which capital improvements and other capital expenditures are designed to have useful lives of up to 40 years, or more; and

**WHEREAS**, to fairly apportion the costs of such capital improvements and other capital expenditures among SMUD’s customers who will receive the benefits of such improvements, SMUD has determined to authorize the financing of such improvements and expenditures with bonds of SMUD; and

**WHEREAS**, to provide bond financing for such improvements and expenditures, it now appears necessary to increase the authorized issue of revenue bonds that may be issued by SMUD pursuant to the Act; and

**WHEREAS**, the Board of Directors of SMUD desires to inform its customers and the public of its plans for financing capital improvements and other capital expenditures to its system by specifying certain items for which the proceeds of said revenue bonds are to be used, which uses shall not include daily maintenance and operations costs; **NOW, THEREFORE**,

**BE IT RESOLVED BY THE BOARD OF DIRECTORS  
OF SACRAMENTO MUNICIPAL UTILITY DISTRICT:**

**Section 1.** The Board of Directors of SMUD declares its intention to authorize the issuance of additional revenue bonds or Clean Renewable Energy Bonds for the purpose of financing, in whole or in part, the costs of the capital items identified in SMUD's 2024 capital budget, 2022 and 2023 capital expenditures not previously financed, the prepayment of purchased power or natural gas and the purchase of natural gas reserves, pipelines or storage facilities, for all of which SMUD is authorized by law to issue such bonds. SMUD has paid or reasonably expects to pay certain expenditures (the "Reimbursement Expenditures") in connection with such capital items prior to the issuance of such bonds, and hereby officially declares its intent to use certain proceeds of such bonds to reimburse the Reimbursement Expenditures. The declarations contained in this section are made solely for purposes of establishing compliance with Section 1.150-2 of the U. S. Treasury Regulations, and do not bind SMUD to make any expenditure, incur any indebtedness or proceed with the above-mentioned capital expenditures.

**Section 2.** The maximum principal amount of the additional revenue bonds proposed to be issued under this supplemental resolution is \$400,000,000. Such maximum principal amount is in addition to the \$8,655,000,000 principal amount of revenue bonds authorized pursuant to the Prior Resolutions. Such additional bonds may be issued in series from time to time, and it shall not be necessary that all of the bonds proposed to be issued be issued at any one time.

Proceeds from the issuance of these bonds will be used to finance capital improvements identified in SMUD's 2024 capital budget, 2022 and 2023 capital expenditures not previously financed, capital expenditures for the prepayment of purchased power or natural gas and the purchase of natural gas reserves, pipelines, or storage facilities. The declarations in this section are made solely to establish compliance with Section 12852 of the California Public

Utilities Code, and do not bind SMUD to make any expenditure, incur any indebtedness or proceed with the above-mentioned capital expenditures.

**Section 3.** The maximum term of any of such bonds is 40 years. In the event the maximum authorized amount under a series of bonds is divided into two or more series, the said maximum term shall be calculated in each case from the date of each divided series of bonds.

**Section 4.** The maximum rate of interest to be payable upon such bonds shall not exceed the interest rate per annum equal to the greater of fifteen percent (15 percent) per annum or the yield of United States Treasury bonds having a remaining term equal, as nearly as practicable, to the final maturity of such bonds, as determined by SMUD as of the date of sale of such bonds, plus three percent (3 percent). The maximum discount with respect to such bonds shall not exceed ten percent (10 percent).

**Section 5.** This resolution shall take effect immediately, subject only to the right of referendum provided in Article 6a of Chapter 6 of Division 6 of the California Public Utilities Code (beginning at Section 12850 thereof).

**Section 6.** The Secretary of SMUD is hereby directed to publish a copy of this resolution once a week for two successive weeks in a newspaper of general circulation published within SMUD's boundaries. At any time within 60 days after the date of the second such publication, a referendum petition signed by voters in number equal to at least three percent (3 percent) of the total vote cast, as defined in Section 11507 of the California Public Utilities Code, demanding the submission of this resolution to a vote of the voters of SMUD for their assent to the issuance of the proposed bonds, may be filed with the Secretary of SMUD. Upon presentation to the Secretary of SMUD of such a referendary petition, this resolution shall not be of effect unless and until it has been assented to by the voters.