Board Finance & Audit Committee Meeting and Special SMUD Board of Directors Meeting

Date: Tuesday, March 19, 2024

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

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

Powering forward. Together.

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AGENDA
BOARD FINANCE & AUDIT COMMITTEE MEETING
AND SPECIAL SMUD BOARD OF DIRECTORS MEETING

Tuesday, March 19, 2024
SMUD Headquarters Building, Auditorium
6201 S Street, Sacramento, California
Scheduled to begin at 6:00 p.m.

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

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

Zoom Webinar Link: Join Board Finance & Audit Committee Meeting Here
Webinar/Meeting ID: 160 636 6521
Passcode: 773663
Phone Dial-in Number: 1-669-254-5252 or 1-833-568-8864 (Toll Free)

Verbal Public Comment:
Members of the public may provide verbal public comment by:

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

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

INFORMATIONAL ITEMS

1.	Aaron Worthman, CPA PARTNER, BAKER TILLY US, LLP	SMUD's 2023 Financial Statements Independent Audit Report. Presentation: 20 minutes Discussion: 3 minutes
2.	Lisa Limcaco	SMUD's Financial Results for the year 2023. Presentation: 5 minutes Discussion: 2 minutes
3.	Lisa Limcaco	Provide the Board with SMUD's financial results for the year-to-date period and a summary of SMUD's current Power Supply Costs. Presentation: 5 minutes Discussion: 2 minutes

DISCUSSION ITEMS

4.	James Frasher	Discuss authorization to submit a SMUD **Clean PowerCity Pathways** project grant application to the **Department of Energy (DOE)** for the **Grid Resilience and Innovation Partnerships (GRIP) Topic Area 1 (TA1) Grant (Grant)** and authorize the Chief Executive Officer and General Manager to negotiate and execute in the name of Sacramento Municipal Utility District a **GRIP** grant recipient contract with **DOE** as well as all grant documents, including, but not limited to, applications, agreements, amendments and requests for payment, necessary to facilitate grant participation. Presentation: 8 minutes Discussion: 3 minutes
5.	James Frasher	Discuss authorization to submit a SMUD **ReImagining Thermal Resources Operations: Fleet in Transition (RETROFIT)** project grant application to the **Department of Energy (DOE)** for the **Grid Resilience and Innovation Partnerships (GRIP) Topic Area 3 (TA3) Grant (Grant)** and authorize the Chief Executive Officer and General Manager to negotiate and execute in the name of Sacramento Municipal Utility District a **GRIP** grant recipient contract with **DOE** as well as all grant documents, including, but not limited to, applications, agreements, amendments and requests for payment, necessary to facilitate grant participation. Presentation: 7 minutes Discussion: 2 minutes

6. James Frasher — Discuss proposed revisions to **Board-Staff Linkage BL-13, Delegation to the CEO with Respect to Grants**.
Presentation: 5 minutes
Discussion: 2 minutes

7. Laura Lewis — Discuss potential revisions to **Governance Process GP-12, Board Compensation and Benefits.**
Presentation: 3 minutes
Discussion: 2 minutes

INFORMATIONAL ITEMS (*cont.*)

8. Public Comment.

9. Rob Kerth — Summary of Committee Direction.
Discussion: 1 minute

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

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

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

SSS No. ACC 24-003	**BOARD AGENDA ITEM** **STAFFING SUMMARY SHEET**	Committee Meeting & Date Finance & Audit March 19, 2024 Board Meeting Date N/A

TO		TO	
1.	Lisa Limcaco	6.	
2.	Scott Martin	7.	
3.	Jose Bodipo-Memba	8.	
4.	Lora Anguay	9.	**Legal**
5.		10.	**CEO & General Manager**

Consent Calendar		**Yes**	x	**No** *If no, schedule a dry run presentation.*	**Budgeted**	x	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Kathy Ketchum	Accounting	B352	5661	2/9/2024

NARRATIVE:

Requested Action: SMUD's 2023 Financial Statements Independent Audit Report.

Summary: SMUD's external auditor, Baker Tilly US, LLP will present an informational overview of the 2023 financial statements independent audit report. SMUD's financial statements are required to be audited by an external auditor annually, to access credit markets.

Board Policy: *(Number & Title)* Governance Process GP-14, External Auditor Relationship, and Strategic Direction SD-3, Access to Credit Markets

Benefits: Provide information to the Board of Directors regarding the results of the independent audit of SMUD's 2023 financial statements by SMUD's external auditor.

Cost/Budgeted: Cost is included in Baker Tilly US, LLP's contract.

Alternatives: Provide information from Baker Tilly US, LLP to the Board outlining the 2023 financial statements independent audit report.

Affected Parties: SMUD

Coordination: Accounting

Presenter: Aaron Worthman, Baker Tilly US, LLP

Additional Links:

SUBJECT	ITEM NO. ***(FOR LEGAL USE ONLY)***
SMUD 2023 Financial Statements Independent Audit Report	

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

Aaron Worthman, CPA
Partner, Baker Tilly

Aaron Worthman, partner and leader of the power and utilities team, has been with Baker Tilly since 1998. Aaron specializes in serving tribal, governmental and utility entities. His experience includes performing financial audits and agreed-upon procedure reviews as well as preparing rate studies, cost of service studies, rate designs and financial forecasts.

Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards*

Independent Auditors' Report

To the Board of Directors of
Sacramento Municipal Utility District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Sacramento Municipal Utility District, which comprise the statement of net position as of December 31, 2023, and the statement of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 23, 2024. As noted in the report, the Sacramento Municipal Utility District adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective January 1, 2023. Our opinion was not modified with respect to this matter.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sacramento Municipal Utility District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sacramento Municipal Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sacramento Municipal Utility District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sacramento Municipal Utility District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Madison, Wisconsin
February 23, 2024

Reporting and insights from the 2023 audits:

Sacramento Municipal Utility District and Sacramento Municipal Utility District – Joint Power Authorities (JPAs)

December 31, 2023

Executive summary

February 23, 2024

The Board of Directors
Sacramento Municipal Utility District (SMUD) and SMUD JPAs
6201 S Street
Sacramento, California 95817

We have completed our audits of the financial statements of the Sacramento Municipal Utility District (SMUD) and the SMUD Financing Authority (SFA), Northern California Gas Authority No. 1 (NCG1) and Northern California Energy Authority (NCEA) (collectively referred to as “SMUD JPAs”) for the year ended December 31, 2023, and have issued our reports thereon dated February 23, 2024. This letter presents communications required by our professional standards.

Your audits should provide you with confidence in your financial statements. The audits were performed based on information obtained from meetings with management, data from your systems, knowledge of your operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audits.

Additionally, we have included information on key risk areas SMUD and SMUD JPAs should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organizations’ financial stability and future planning.

If you have questions at any point, please connect with us:

- Aaron Worthman, Partner: Aaron.Worthman@bakertilly.com or +1 (512) 975 7281
- Ryan O’Donnell, Senior Manager: Ryan.Odonnell@bakertilly.com or +1 (608) 240 2606

Sincerely,

Baker Tilly US, LLP

Aaron Worthman

Aaron Worthman, CPA, Partner

Ryan O'Donnell

Ryan O’Donnell, CPA, Senior Manager

Responsibilities

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the SMUD and SMUD JPAs' internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing opinions based on our audits about whether the financial statements prepared by management, with the oversight of the Board of Directors:
  - Are free from material misstatement.
  - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America.
- Performing tests related to compliance with certain provisions of laws, regulations, contracts and grants, as required by *Government Auditing Standards (*SMUD only).
- Our audits do not relieve management or the Board of Directors of their responsibilities.

We are also required to communicate significant matters related to our audits that are relevant to the responsibilities of the Board of Directors, including:

- Internal control matters
- Qualitative aspects of SMUD and SMUD JPAs' accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

Audit status

Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

Audit approach and results

Planned scope and timing

Audit focus

Based on our understanding of SMUD, SMUD JPAs and environment in which you operate, we focused our audits on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audits was determined based on specific qualitative and quantitative factors combined with our expectations about the SMUD and SMUD JPAs' current year results.

Key areas of focus and significant findings

Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audits, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinions
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinions

Other areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Payroll	Pension and OPEB liabilities (assets)	Long-term debt
Capital assets	Inventory	Financial reporting and required disclosures
Regulatory debits and credits	Accrued liabilities	Derivative instruments
Asset retirement obligation	Information technology	Pollution remediation liability
Lease accounting	SBITA accounting	

Internal control matters

We considered the SMUD and SMUD JPAs' internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing opinions on the financial statements. We are not expressing an opinion on the effectiveness of SMUD and SMUD JPAs' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entities' financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Other comments and recommendations

Accrued Liabilities Estimates

Due to the short length of time between period end and period closing, SMUD and SMUD JPAs currently estimate accrued liabilities for invoices not received prior to closing. Such estimates are made by working directly with the internal departments within SMUD and the SMUD JPAs. Currently, there is no formal processes or controls surrounding a retrospective review of these estimates after actual invoices are received for these estimates.

We recommend SMUD and SMUD JPAs create a formal policy for performing the aforementioned review. This policy should include a dollar threshold to limit the review to items that are significant or material. A dollar and/or percentage threshold should also be set that triggers an actual adjustment within the general ledger when there is a variance between actual and estimated liabilities.

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by SMUD and SMUD JPAs are described in Note 2 to the financial statements. As described in Note 2, SMUD changed accounting policies related to subscription-based information technology arrangements by adopting Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* in 2023. Accordingly, the accounting change has been retroactively applied to the prior period presented. No other new accounting policies were adopted and the application of existing accounting policies was not changed during 2023. We noted no transactions entered into by the SMUD or SMUD JPAs during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.

- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Fuel hedges	Evaluations based on future forward pricing using third party specialist	Reasonable in relation to the financial statements as a whole
Interest rate swaps	Evaluations based on discounted expected cash flows at corresponding zero coupon rate	Reasonable in relation to the financial statements as a whole
Net pension asset, liability and related deferrals	Evaluation of information provided by the CALPERS Retirement System	Reasonable in relation to the financial statements as a whole
Asset retirement obligation	Evaluation based on current value of future outlays expected to be incurred	Reasonable in relation to the financial statements as a whole
Allowance for doubtful accounts	Evaluation of historical revenues and loss levels with the analysis on collectability of individual amounts	Reasonable in relation to the financial statements as a whole
Net/Total OPEB asset, liability and related deferrals	Key assumptions set by management with the assistance of a third party	Reasonable in relation to the financial statements as a whole

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Depreciation	Evaluate estimated useful life of the asset and original acquisition value	Reasonable in relation to the financial statements as a whole
Subscription assets/liabilities	Evaluation of subscriptions by management and incremental borrowing rate used for present value calculation	Reasonable in relation to the financial statements as a whole
Pollution remediation obligation	Evaluation based on current value of future outlays expected to be incurred	Reasonable in relation to the financial statements as a whole
Unbilled revenue	Evaluation volume used by customers from their last billing date through the end of the month	Reasonable in relation to the financial statements as a whole
Accrued compensation absences	Evaluation of hours earned and accumulated in accordance with employment policies and average wage per hour rates	Reasonable in relation to the financial statements as a whole
Accrued liabilities	Evaluation of estimates made by management of internal departments for invoiced to be received post-closing for services related to the prior period	Reasonable in relation to the financial statements as a whole
Lease right-to-use assets, and related deferrals	Evaluation based on present value of expected future lease payments	Reasonable in relation to the financial statements as a whole

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for SMUD or SMUD JPAs or that otherwise appear to be unusual due to their timing, size or nature.

Significant difficulties encountered during the audits

We encountered no significant difficulties in dealing with management and completing our audits.

Disagreements with management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' reports. We are pleased to report that no such disagreements arose during the course of our audits.

Audit report

There have been no departures from the auditors' standard reports.

Audit consultations outside the engagement team

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

Uncorrected misstatements and corrected misstatements

Professional standards require us to accumulate misstatements identified during the audits, other than those that are clearly trivial and to communicate accumulated misstatements to management. Management is in agreement with the misstatement we have identified, and it has been corrected in the financial statements. While the misstatement is not material, in our judgment, it may not have been detected except through our auditing procedures. In our judgment, the misstatement that management has corrected does not indicate matters that could have had a significant effect on SMUD or SMUD JPAs financial reporting process.

Other audit findings or issues

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as SMUD and SMUD JPAs' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other information in documents containing audited basic financial statements

SMUD and SMUD JPAs' audited financial statements are "general purpose" financial statements. General purpose financial statements consist of the basic financial statements that can be used by a broad group of people for a broad range of activities. Once we have issued our audit reports, we have no further obligation to update our reports for events occurring subsequent to the date of our reports. SMUD and SMUD JPAs can use the audited financial statements in other client prepare documents, such as official statements related to the issuance of debt, without our acknowledgement. Unless we have been engaged to perform services in connection with any subsequent transaction requiring the inclusion of our audit reports, as well as to issue an auditor's acknowledgment letter, we have neither read the document nor performed subsequent event procedures in order to determine whether or not our reports remain appropriate.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Written communications between management and Baker Tilly

The attachments include copies of other material written communications, including a copy of the management representation letters.

Compliance with laws and regulations

We did not identify any non-compliance with laws and regulations during our audits.

Fraud

We did not identify any known or suspected fraud during our audits.

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the SMUD and SMUD JPAs' ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date of the financial statements, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's reports. No such matters or conditions have come to our attention during our engagement.

Independence

We are not aware of any relationships between Baker Tilly and SMUD or SMUD JPAs that, in our professional judgment, may reasonably be thought to bear on our independence.

Related parties

We did not have any significant findings or issues arise during the audits in connection with SMUD and SMUD JPAs' related parties.

Other matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Audit committee resources

Visit our resource page for regulatory updates, trending challenges and opportunities in your industry and other timely updates.

Visit the resource page at https://www.bakertilly.com/insights/audit-committee-resource-page.

Management representation letter

SMUD®

February 23, 2024

Baker Tilly US, LLP
4807 Innovate Ln
Madison, WI 53718

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audits of the general purpose financial statements of the Sacramento Municipal Utility District as of December 31, 2023 and 2022 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Sacramento Municipal Utility District and the respective changes in financial position and cash flows in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 30, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all blended component units and other information of the Sacramento Municipal Utility District required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.

3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, if any, are reasonable in accordance with U.S. GAAP.

6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.

7) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the appropriate accounts.

9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

10) Guarantees, whether written or oral, under which the Sacramento Municipal Utility District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.

    b) Additional information that you have requested from us for the purpose of the audit.

    c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    d) Minutes of the meetings of the Board of Directors and committees or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

    a) Management,

    b) Employees who have significant roles in internal control, or

    c) Others where the fraud could have a material effect on the financial statements.

14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.

15) We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

16) We have disclosed to you the names of our related parties and all the related party relationships and transactions, including side agreements, of which we are aware.

Other

17) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

18) We have a process to track the status of audit findings and recommendations.

19) We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

20) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.

21) The Sacramento Municipal Utility District has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources or net position.

22) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

23) There are no:

    a) Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.

    b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.

    c) Rates being charged to customers other than the rates as authorized by the applicable authoritative body.

    d) Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.

24) The Sacramento Municipal Utility District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

25) The Sacramento Municipal Utility District has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.

26) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations, if any. Component units have been properly presented as either blended or discrete.

27) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

28) We believe that we have properly identified all derivative instruments and any embedded derivative instruments that require bifurcation. The Sacramento Municipal Utility District's hedging activities, if any, are in accordance with its documented and approved hedging and risk management policies. The Sacramento Municipal Utility District follows the valuation, accounting, reporting and disclosure requirements outlined in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. We believe the timing, nature, and amounts of all forecasted transactions are probable of occurring. The fair values of all derivatives and hedged items have been determined based on prevailing market prices or by using financial models that we believe are the most appropriate models for valuing such instruments and that incorporate market data and other assumptions that we have determined to be reasonable and appropriate at year end.

29) Provisions for uncollectible receivables, if any, have been properly identified and recorded.

30) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).

31) Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.

32) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.

33) We believe that the estimate made for the pollution remediation liability is in accordance with GASB Statement No. 49 and reflects all known available facts at the time it was recorded.

34) Tax-exempt bonds issued have retained their tax-exempt status.

35) The operations and rate setting process meet the condition for application of accounting for regulated operations as outlined in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30,1989, FASB and AICPA Pronouncements*. All regulatory items included in the financial statements have been approved and are being accounted for in accordance with specific action taken by the regulatory body and as such the expectation of future recovery or refund is reasonable.

36) We have appropriately disclosed the Sacramento Municipal Utility District’s policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy.

37) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

38) We have provided, and agree with, the findings of specialists in evaluating the pension and OPEB-related figures, and energy trading pricing, forecasting and risk assessment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.

39) We believe the information provided by the CalPERS as audited by BDO USA, LLP relating to the net pension asset/liability and related deferred outflows and deferred inflows is accurate and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also believe the census data that has been reported to the plan is accurate.

40) We believe the information provided by the Foster & Foster Consulting Actuaries Inc. relating to the net OPEB asset/liability and related deferred outflows and deferred inflows is accurate and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also believe the census data that has been reported to the plan is accurate.

41) We have implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and believe that all required disclosures and accounting considerations have been identified and properly classified in the financial statements in compliance with the Standard.

42) We agree with the restatement presented in the current year's financial statements.

43) There have been no changes to our assessment or applicability with regard to all previously effective GASB Statements that were deemed immaterial or did not impact the Sacramento Municipal Utility District at the time the statements went into effect.

44) We have provided the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as the measurement date in accordance with the requirements of GASB Statement No. 72 – *Fair Value Measurement*. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72. We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements.

45) We have identified and accounted for asset retirement obligations in accordance with GASB Statement No. 83, *Certain Asset Retirement Obligations.*

46) The auditing standards define an annual report as "a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the financial results and financial position as set out in the financial statements." Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditors' report thereon. We do not prepare an annual report that meets this definition.

47) We have reviewed our long-term debt agreements and believe that all terms related to significant events of default with finance-related consequences, termination events with finance-related consequences and subjective acceleration clauses have been properly identified and disclosed.

48) Unused lines of credit, collateral pledged to secure debt and direct borrowings and private placements have been properly identified and disclosed.

Sincerely,

Sacramento Municipal Utility District

Signed: Paul Lau Digitally signed by Paul Lau
Date: 2024.02.23 15:16:43 -08'00'

Paul Lau, Chief Executive Officer & General Manager

Signed: Scott Martin Digitally signed by Scott Martin
Date: 2024.02.23 12:19:19 -08'00'

Scott Martin, Chief Financial Officer

Signed: Laura Lewis Digitally signed by Laura Lewis
Date: 2024.02.23 14:56:52 -08'00'

Laura Lewis, Chief Legal & Government Affairs Officer

Signed: Russell Mills Digitally signed by Russell Mills
Date: 2024.02.23 10:07:01 -08'00'

Russel Mills, Director, Treasury Operations & Commodity Risk Management and Treasurer

Signed: Lisa Limcaco Digitally signed by Lisa Limcaco
Date: 2024.02.23 09:36:47 -08'00'

Lisa Limcaco, Director, Accounting and Controller

Accounting changes relevant to SMUD and SMUD JPAs

Future accounting standards update

GASB Statement Number	Description	Potentially Impacts you	Effective Date
100	Accounting Changes and Error Corrections		12/31/2024
101	Compensated Absences	✓	12/31/2024
102	Certain Risk Disclosures	✓	12/31/2025

Further information on upcoming GASB pronouncements.

Updated accounting and reporting for compensated absences

The Governmental Accounting Standards Board (GASB) issued its Statement No. 101, *Compensated Absences*, in June 2022. The objective of GASB 101 is to update the recognition and measurement guidance for compensated absences for state & local government employers. It supersedes GASB No. 16, *Accounting for Compensated Absences*, issued in 1992, as well as earlier guidance, and addresses changes resulting from the types of leave now being offered. GASB 101 is effective for fiscal years beginning after December 15, 2023 (i.e., December 31, 2024, and June 30, 2025 year-end reporting entities).

GASB 101 more appropriately reflects a liability *when* a government incurs an obligation for compensated absences, and will improve comparability of reporting between governments that offer different types of leave. It requires that liabilities be recognized for (1) leave that has not been used, and (2) leave that has been used but not yet paid in cash or settled-up via non-cash means. Compensated absences is defined as leave for which employees may receive one or more of the following:

- Cash payments when the leave is used for time off;
- Other cash payments, such as payment for unused leave upon termination of employment, or;
- Noncash settlements, such as conversion to defined benefit postemployment benefits.

Examples of compensated absences provided in GASB 101 include vacation, sick leave, paid time off (PTO), holidays, parental leave, bereavement leave, and certain types of sabbatical leave. Payment or settlement of compensated absences could occur during employment, or upon termination of employment. GASB 101 does not apply to benefits that are within the scope of GASB 47, *Accounting for Termination Benefits*.

GASB 101 requires that a liability should be recognized for leave that has not been used if all of the following are true:

- The leave is attributable to services already rendered;
- The leave accumulates, and;
- The leave is "more likely than not" (i.e., likelihood of more than 50%) to be used for time off or otherwise paid in cash or settled through noncash means (101 provides factors to assess this criteria). (This differs from GASB 16, which required payment to be "probable" to be recognized).

Under GASB 101, governments will now need to accrue for time that has accumulated and is likely to be used, even if the employee is not eligible for a payout upon termination. This was not a requirement under GASB 16, and thus may result in a higher compensated absence liability.

GASB 101 requires liabilities for compensated absences to be recognized in financial statements prepared using the economic resources measurement focus equal to the amount of leave that has not yet been used and leave that has been used but not yet paid or settled. GASB 101 did not change the report for financial statements prepared using the current financial resources measurement focus (i.e., governmental funds).

Other changes in financial statement disclosures include the change in compensated absences liability can now be disclosed as a net change, rather than gross increases/decreases in the liability. Also, governments are no longer required to disclose which fund has typically liquidated the liability.

We recommend that governments begin to review the guidance contained in GASB 101 within the context of your existing compensated absences policies and accounting practices, in order to be better informed in terms of the information that you will need for this implementation.

Two-way audit communications

As part of our audits of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audits.

As these past audits are concluded, we use what we have learned to begin the planning process for next year's audits. It is important that you understand the following points about the scope and timing of our next audits:

a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.

b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:

   - Identify types of potential misstatements.
   - Consider factors that affect the risks of material misstatement.
   - Design tests of controls, when applicable, and substantive procedures.

c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations and provisions of contracts or grant programs. For audits performed in accordance with *Government Auditing Standards*, our report will include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.

d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audits, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audits to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

e. We plan to use personnel from Internal Audit Services to provide direct assistance to us during the audits. You acknowledge that those personnel will be allowed to follow our instructions and you will not intervene in their work.

Our audit of SMUD will be performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards.*

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with *Government Auditing* Standards, our report will include a paragraph that states that the purpose of the report is solely to describe (a) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (b) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance and, (c) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

We are very interested in your views regarding certain matters. Those matters are listed here:

a. We typically will communicate with your top level of management unless you tell us otherwise.

b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of SMUD and SMUD JPAs. Management has the responsibility for achieving the objectives of SMUD and SMUD JPAs. .

c. We need to know your views about your organizations' objectives and strategies, and the related business risks that may result in material misstatements.

d. We anticipate that SMUD and SMUD JPAs will receive unmodified opinions on their financial statements.

e. Which matters do you consider warrant particular attention during the audits, and are there any areas where you request additional procedures to be undertaken?

f. Have you had any significant communications with regulators or grantor agencies?

g. Are there other matters that you believe are relevant to the audits of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness and actions of the governing body concerning:

a. SMUD and SMUD JPAs' internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?

b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audits, here is some general information. If necessary, we may do preliminary financial audit work during the months of October-December. Our final financial fieldwork is scheduled during January and/or early February to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our reports for your review. Final copies of our reports and other communications are issued after approval by your staff. This is typically 4-6 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audits, it does not change the auditor’s sole responsibility to determine the overall audit strategy and the audit plans, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.

Financial Statements

Report of Independent Auditors

December 31, 2023 and 2022

SMUD®

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SACRAMENTO MUNICIPAL UTILITY DISTRICT
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As of and for the Years Ended December 31, 2023 and 2022

Independent Auditors' Report

To the Board of Directors of
Sacramento Municipal Utility District

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Sacramento Municipal Utility District, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Sacramento Municipal Utility District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Sacramento Municipal Utility District as of December 31, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards).* Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Sacramento Municipal Utility District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3, the Sacramento Municipal Utility District adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective January 1, 2023. Accordingly, the accounting changes have been retroactively applied to the prior period presented. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sacramento Municipal Utility District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sacramento Municipal Utility District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sacramento Municipal Utility District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2024 on our consideration of the Sacramento Municipal Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sacramento Municipal Utility District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sacramento Municipal Utility District's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Madison, Wisconsin
February 23, 2024

Sacramento Municipal Utility District
Management's Discussion and Analysis - Unaudited
For the Years Ended December 31, 2023 and 2022

Using this Financial Report

This annual financial report for Sacramento Municipal Utility District (SMUD) consists of management's discussion and analysis and the financial statements, including notes to financial statements. The Financial Statements consist of the Statements of Net Position, the Statements of Revenue, Expenses and Changes in Net Position and the Statements of Cash Flows.

SMUD maintains its accounting records in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). SMUD's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission (FERC), except as it relates to accounting for contributions of utility property in aid of construction.

Overview of the Financial Statements

The following discussion and analysis of the financial performance of SMUD provides an overview of the financial activities for the years ended December 31, 2023 and 2022. This discussion and analysis should be read in conjunction with the financial statements, required supplementary information and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report all SMUD's revenues and expenses for the periods shown.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources, such as investment income and debt financing, and other cash uses such as payments for debt service and capital additions.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Required Supplementary Information provides additional detailed disclosures as required by the GASB.

Organization and Nature of Operations

SMUD was formed and operates under the State of California Municipal Utility District Act (Act). The Act gives SMUD the rights and powers to fix rates and charges for commodities or services it furnishes, and to incur indebtedness and issue bonds or other obligations. As a community-owned utility, SMUD is not subject to regulation or oversight by the California Public Utilities Commission.

SMUD is responsible for the acquisition, generation, transmission, and distribution of electric power to its service area, with a population of approximately 1.5 million – most of Sacramento County and small adjoining portions of Placer and Yolo Counties. The Board of Directors (Board) determines SMUD's rates.

SMUD's vision is to be the trusted partner with its customers and the community, providing innovative solutions to ensure energy affordability and reliability, improve the environment, reduce the region's carbon footprint, and enhance the vitality of the community. SMUD's business strategy focuses on serving its customers in a progressive, forward-looking manner, addressing current regulatory and legislative issues and potential competitive forces. This includes ensuring financial stability by establishing rates that provide acceptable cash coverage of all fixed charges, taking into consideration the impact of capital expenditures and other factors on cash flow.

2030 Zero Carbon Plan

In July 2020, the Board adopted a Climate Emergency Declaration to work toward an ambitious goal of delivering carbon neutral electricity by 2030 and indicating a strong commitment to finding additional opportunities to accelerate decarbonization in our energy supply. Building on the Board's Climate Emergency Declaration, SMUD's 2030 Clean Energy Vision calls for absolute zero carbon emission in its power supply by 2030.

In 2022, SMUD's 2030 Clean Energy Vision was translated into the 2030 Zero Carbon Plan, the flexible road map to achieve a zero-carbon power supply by 2030. The plan guides elimination of Greenhouse Gas (GHG) emissions from SMUD's power plants, development of new distributed energy resource business models, research of emerging grid-scale carbon-free technologies, and expansion of investments in proven clean technologies while ensuring all communities benefit from the plan.

COVID-19 Global Pandemic

At the start of the pandemic in March 2020, SMUD provided its electric customers with suspension of disconnections and stopped collections, late fee, and security deposit processes for all customers to support them during this difficult time. In February 2022, normal payment, late fees, and disconnection policies resumed with disconnections occurring in mid-April 2022. SMUD is working proactively with electric customers to create payment arrangements for those who need them. The effects of the pandemic have resulted in an increase in the number of past due customer accounts.

In 2022 and 2021, SMUD received $9.9 million and $41.4 million, respectively, in California Arrearage Payment Program (CAPP) funding that was applied to customers' bills, to support customers amid the ongoing challenges of the COVID-19 pandemic. The CAPP offers financial assistance for California energy utility customers to help reduce past due energy bill balances that increased during the COVID-19 pandemic. As of December 31, 2023 and 2022, the uncollectible reserve for account write-offs was $26 million and $38 million, respectively. Other financial and operational impacts to SMUD associated with COVID-19 are noted throughout this report.

Requests for Information

For more information about SMUD, visit our website at www.smud.org or contact us at customerservices@smud.org**.**

FINANCIAL POSITION

The following table summarizes the financial position as of December 31 (in millions).

CONDENSED STATEMENTS OF NET POSITION

	2023	2022 (restated)*	2021
Assets			
Electric Utility Plant - net	$ 4,245	$ 4,028	$ 3,891
Restricted and Designated Assets	239	184	289
Current Assets	1,250	1,424	1,244
Noncurrent Assets	1,587	1,581	1,492
Total Assets	7,321	7,217	6,916
Deferred Outflows of Resources	338	268	143
Total Assets and Deferred Outflows of Resources	$ 7,659	$ 7,485	$ 7,059
Liabilities			
Long-Term Debt - net	$ 2,921	$ 2,886	$ 3,081
Current Liabilities	701	809	494
Noncurrent Liabilities	530	447	216
Total Liabilities	4,152	4,142	3,791
Deferred Inflows of Resources	920	976	972
Net Position	2,587	2,367	2,296
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 7,659	$ 7,485	$ 7,059

*See Note 3 of the financial statements for discussion on the restatement of the December 31, 2022 Statements of Net Position.

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

2023 Compared to 2022

Total assets in 2023 increased $104 million or 1.4% over 2022, primarily due to the following:

- An increase of $216 million in electric utility plant - net. See Capital Program below for further information.
- A $56 million increase in restricted and designated assets primarily due a $65 million Hydro Rate Stabilization Fund (HRSF) transfer from revenue for an above average precipitation water year, a $1 million Rate Stabilization Fund (RSF) transfer from revenue as a result of higher than budgeted energy deliveries from the Western Area Power Administration (Western), and, offset by $10 million RSF net transfer to revenues for net auction proceeds received and funds spent on Assembly Bill (AB) 32 programs.
- A $174 million decrease in current assets is primarily due to $140 million decrease in hedging derivative instruments due to the gas hedging program and $37 million decrease in wholesale and other receivables due to larger power and gas sales in December 2022.

Deferred outflows of resources in 2023 increased $70 million or 26.1% from 2022, primarily due to an adjustment to our hedging derivative instruments from the gas hedging program.

2022 Compared to 2021

Total assets in 2022 increased $301 million or 4.4% over 2021, primarily due to the following:

- An increase of $138 million in electric utility plant – net. See Capital Program below for further information.
- A $106 million decrease in restricted and designated assets primarily due to a $28 million decrease in a net pension asset and a $57 million decrease in net Other Postemployment Benefits (OPEB) asset based on the most recent actuarial results, a $30 million RSF transfer to revenue as a result of lower than budgeted energy deliveries from the Western, and a $25 million HRSF transfer to revenue for below average precipitation, offset by $22 million RSF transfer from revenues for net auction proceeds received and funds spent on AB 32 programs.
- A $180 million increase in current assets is primarily due to $115 million increase in hedging derivative instruments due to the gas hedging program and $44 million increase in wholesale and other receivables due to larger sales of power and gas sales in December.
- A $89 million increase in noncurrent assets primarily due to a $61 million increase in regulatory costs for future recovery due to recognition of those costs, a $48 million increase in hedging derivative instruments due to the gas hedging program, offset by a $30 million decrease in prepaid gas supply due to gas delivered.

Deferred outflows of resources in 2022 increased $125 million or 87.4% from 2021, primarily due to increases in the unrealized pension and OPEB gains.

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

2023 Compared to 2022

Total liabilities in 2023 increased $10 million or 0.2% over 2022, primarily due to the following:

- A decrease of $108 million in current liabilities due to a $97 million decrease in purchased power payable due to high purchased power prices in December 2022 that impacted commodity costs in the prior year.
- A $83 million increase in non-current liabilities is due to a $25 million increase in accrued decommissioning for the future nuclear spent fuel costs at Rancho Seco and a $42 million increase in net pension and other postemployment benefits liability based on the most recent actuarial results.

Deferred inflows of resources in 2023 decreased $56 million or 5.7%, due to a $191 million decrease in value to our hedging derivative instruments from the gas hedging program offset by a $138 million increase to regulatory credits related to the HRSF, pension and OPEB deferred costs.

Net position in 2023 increased $220 million or 9.3% over 2022 based on results of operations.

2022 Compared to 2021

Total liabilities in 2022 increased $351 million or 9.3% over 2021, primarily due to an increase in current liabilities of $315 million due to $150 million issuance of commercial paper and $106 million increase in purchased power payable due to high purchased power prices in December. Non-current liabilities increased due to a $231 million increase in net pension liability based on the most recent actuarial results. This is offset by a decrease in long-term debt- net of $195 million.

Net position in 2022 increased $71 million or 3.1% over 2021 based on results of operations.

RESULTS OF OPERATIONS

The following table summarizes the operating results for the years ended December 31 (in millions).

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2023	2022 (restated)*	2021
Operating revenues	$ 1,931	$ 2,147	$ 1,790
Operating expenses	(1,748)	(2,065)	(1,450)
Operating income	183	82	340
Other revenues/(expenses)	136	90	108
Interest charges	(99)	(101)	(109)
Change in net position	220	71	339
Net position - beginning of year	2,367	2,296	1,957
Net position - end of year	$ 2,587	$ 2,367	$ 2,296

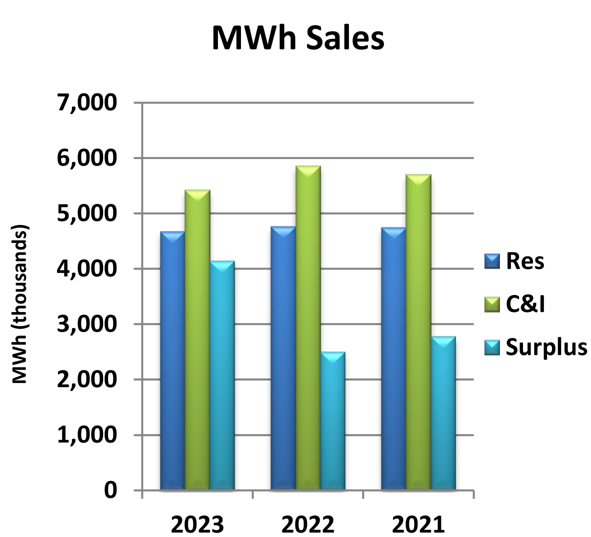
*See Note 3 of the financial statements for discussion on the restatement of the December 31, 2022 Statements of Revenues, Expenses and Changes in Net Position.

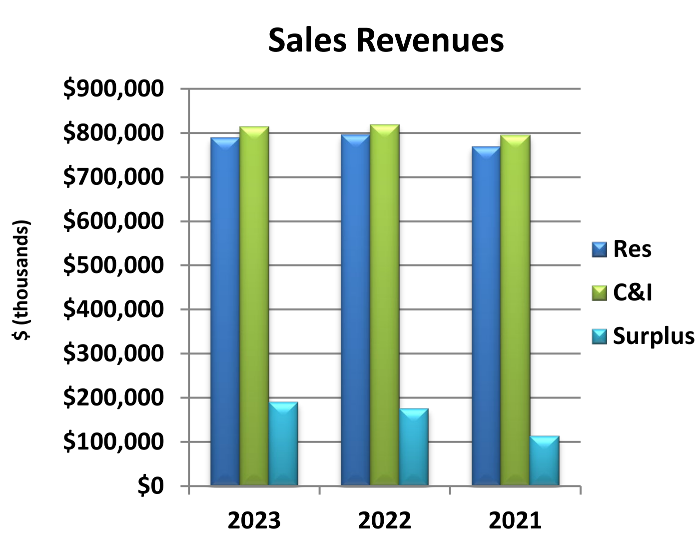
2023 Compared to 2022

OPERATING REVENUES

Total operating revenues were $1,931 million for 2023, a decrease of $216 million or 10.1 percent over 2022 operating revenues. The residential megawatt hour (MWh) sales decreased 1.8 percent and sales revenues decreased 0.9 percent compared to 2022, primarily due to cooler weather for the first half of the year and a milder summer in 2023. The commercial & industrial MWh sales decreased 7.3 percent and sales revenues decreased 0.6 percent compared to 2022, primarily due to loss of a large commercial customer in 2023.

The following charts show the MWh sales, and sales revenue for the past three years by surplus energy sales (Surplus), commercial, industrial, and other (C&I), and residential (Res) customers:





Wholesale revenues are comprised of both surplus gas and energy sales which are part of the operational strategy in managing fuel and energy costs. In 2023, energy sales were higher by $15 million as compared to 2022 due to higher MWh sold but at lower energy prices. Surplus gas sales were lower than 2022 by $118 million primarily due the unplanned outage of Cosumnes Power Plant (CPP) and selling at higher gas prices in 2022. CPP came back online in March 2023.

OPERATING EXPENSES

Total operating expenses were $1,748 million for 2023, a decrease of $317 million or 15.4 percent over 2022.

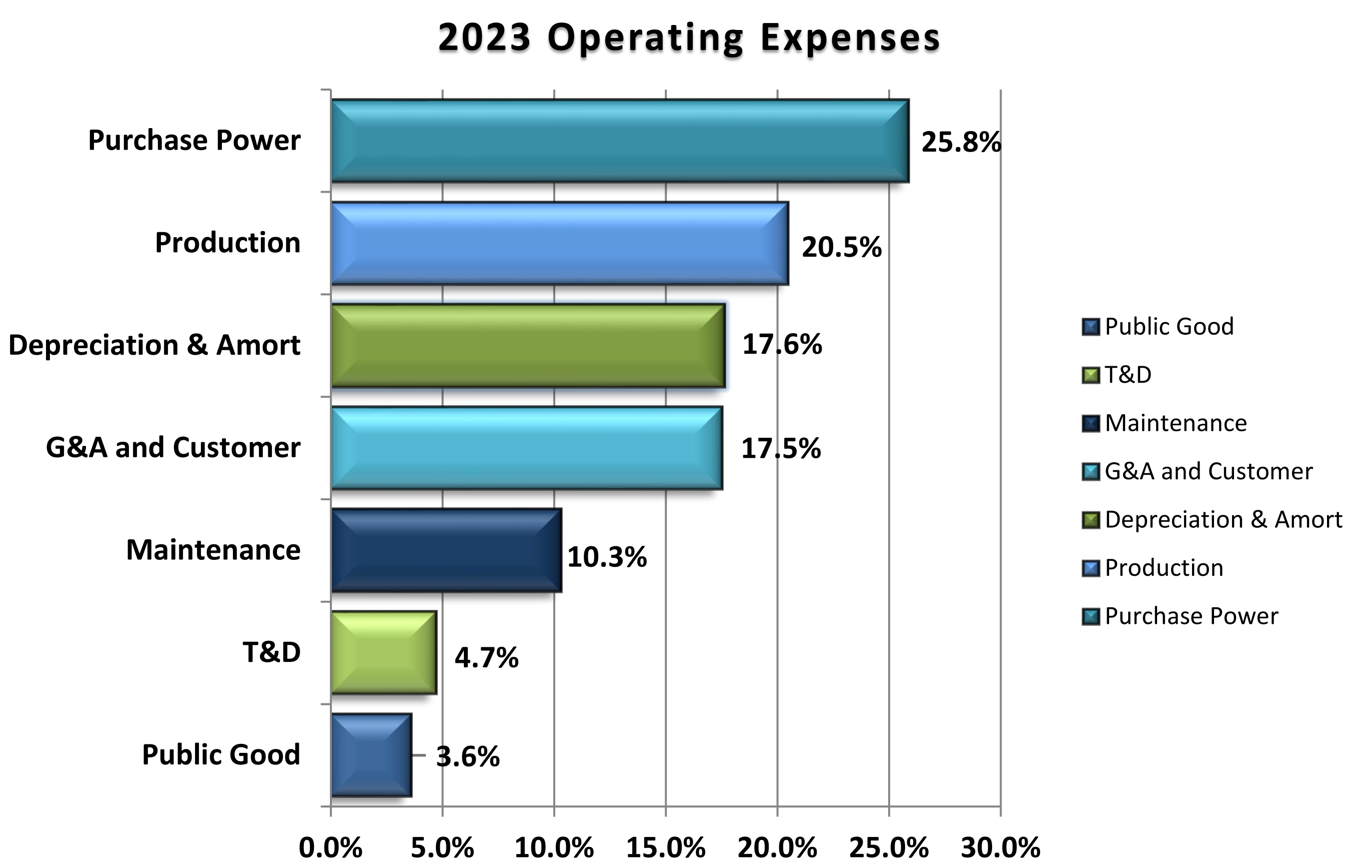
- Purchased power decreased by $422 million or 48.3 percent primarily due to the unplanned outage of CPP in 2022 that led to an increase in procurement power in 2022. In 2023, the increased hydro generation, lower energy market prices and decreased load led to decrease in procurement of power.

- Production expense increased by $22 million or 6.5 percent primarily due to unplanned CPP outage for majority of 2022.

- General, administrative and customer increased by $54 million or 21.4 percent primarily due to large credit adjustments related to pension and OPEB actuarial results in the prior year.

- Maintenance increased by $13 million or 7.5 percent primarily due to increased costs related to storm response in early 2023.

The following chart illustrates 2023 operating expenses by expense classification and percentage of the total:



OTHER REVENUES

Total other revenues (net) were $136 million for 2023, an increase of $46 million or 51.7 percent over 2022. The increase is due to $33 million gain on sale of Solano land, $13 million receipt of insurance recovery payment on CPP repairs and $24 million higher interest earnings on investments. This is offset by a $39 million decrease in investment revenue related to gas swaps.

2022 Compared to 2021

RESULTS OF OPERATIONS

- Total operating revenues were $2,147 million for 2022, an increase of $357 million or 19.9 percent over 2021 operating revenues. The residential MWh sales increased 0.3 percent and sales revenues increased 3.6 percent compared to 2021, although usage is flat, the increase is related to the shift in the customer load shape. The commercial & industrial MWh sales increased 2.7 percent and sales revenues increased 2.9 percent compared to 2021, primarily due to more commercial businesses and schools returning to in-person 2022.

- In 2022, energy sales were higher by $62 million as compared to 2021 due to higher energy prices and energy sales. Surplus gas sales were higher than 2021 by $96 million primarily due the unplanned outage of CPP and selling at higher gas prices in 2022.

- Total operating expenses were $2,065 million for 2022, an increase of $615 million or 42.4 percent over 2021.
    - Purchased power increased by $478 million or 120.8 percent primarily due to the unplanned outage of CPP, increased load, reduced hydro, and record high heat wave in September that led to increase procurement of power.
    - Production expense decreased by $22 million or 6.1 percent primarily due to unplanned CPP outage for majority of the year.
    - General, administrative and customer increased by $98 million or 63.9 percent primarily due to SMUD establishing regulatory accounting in 2022 for pension and OPEB regulatory costs and/or credits to defer recognition of certain expenses related to the amortization of pension and OPEB deferred outflows and deferred inflows of resources compared to 2021 there were large credit adjustments related to pension and OPEB based on the most recent actuarial results.
    - Maintenance increased by $30 million or 22.2 percent primarily due to increased costs related to tree trimming and JPA thermal plant maintenance.

Total other revenues (net) were $90 million for 2022, a decrease of $18 million or 16.9 percent over 2021. The decrease is due to receiving $41 million in grant revenues from CAPP funding in 2021, offset by the $20 million increase in investment revenue related to gas swaps in 2022.

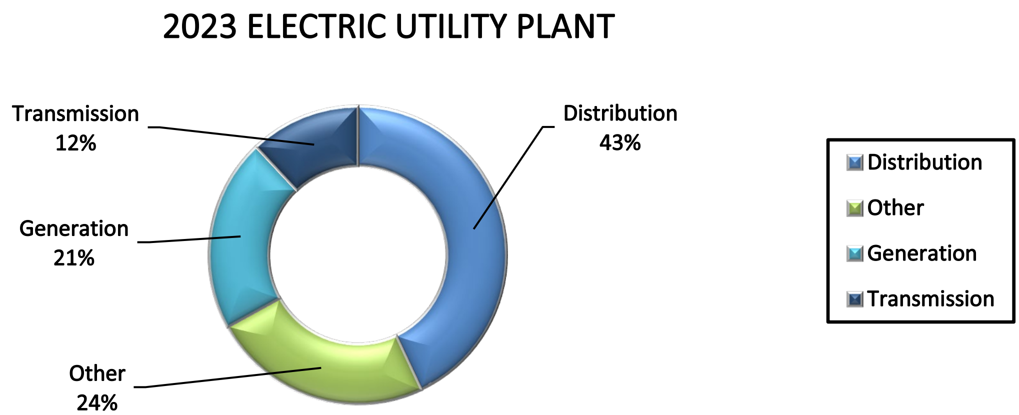
CAPITAL PROGRAM

SMUD's electric utility plant includes production, transmission and distribution, and general plant facilities. The following table summarizes the balance of the electric utility plant as of December 31 (in millions).

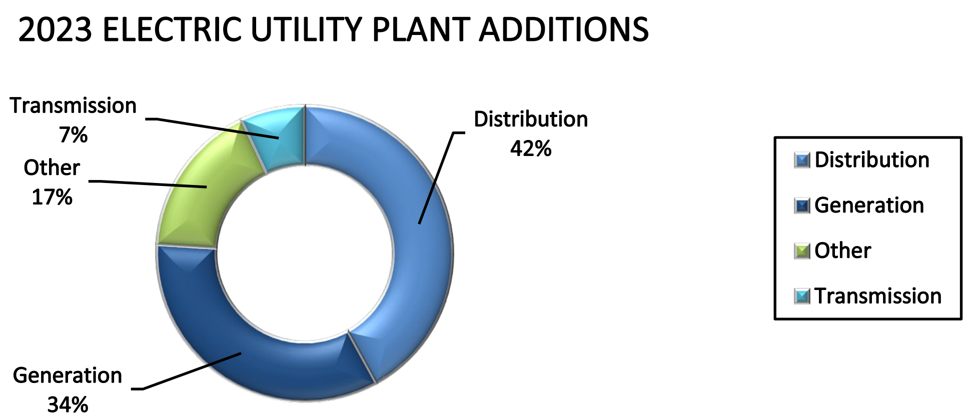
	2023	2022 (restated)*	2021
Electric Utility Plant	$ 7,890	$ 7,583	$ 7,232
Accumulated Depreciation and Amortization	(3,645)	(3,555)	(3,341)
Electric Utility Plant - Net	$ 4,245	$ 4,028	$ 3,891

*See Note 3 of the financial statements for discussion on the restatement of the December 31, 2022 Statements of Net Position.

The following chart shows the breakdown of 2023 Electric Utility Plant - net by major plant category:



The following chart shows the breakdown of 2023 Electric Utility Plant capitalized additions by major plant category:



Details of SMUD's electric utility plant asset balances and activity are included in Note 4 in the Notes to Financial Statements. SMUD's capital program includes investment in generation, transmission, distribution, buildings, vehicles, technology, and other assets critical to meeting the energy needs of our customers. Capital investments are financed with revenues from operations, bond proceeds, investment income and cash on hand.

The following table shows actual capital program expenditures for the last two years and budgeted capital expenditures for 2023 (in millions).

	Budget 2024	Actual 2023	Actual 2022
Capital Program:			
Transmission & Distribution	$ 232	$ 173	$ 154
Generation	173	230	124
Other	148	81	70
Total	$ 553	$ 483	$ 348

In 2023 and 2022, SMUD actual expenditures included work for Substation G, Advanced Distribution Management System, Solano Phase IV, Energy Storage System Flow Battery, Country Acres solar project land purchase, distribution line work and continued work on Upper American River Project (UARP) relicensing projects.

Major capital expenditures planned in 2024 include the Station H substation and Elverta substation rebuild, continued work for the wind farm with Solano Phase IV, the Country Acres solar project, and ongoing improvements in our 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 purchases. Technology investments included in the 2024 Budget are to complete the Distributed Intel at the Grid Edge and the Outage Management System replacement.

LIQUIDITY AND CAPITAL RESOURCES

SMUD maintains a strong liquidity position by setting a minimum number of days cash on hand and managing a $400 million commercial paper program. Our current days cash threshold is 150 days, the minimum amount of cash on hand before triggering a new debt or commercial paper issuance to replenish cash balances. As of December 31, 2023 and 2022, the days cash on hand was 170 days and 214 days, respectively. The commercial paper program allows for short-term borrowing when needed in lieu of issuing long-term debt, similar to a credit card or line of credit. As of December 31, 2023 and 2022, SMUD had $150 million of commercial paper notes outstanding. A strong liquidity position is important in demonstrating to investors and rating agencies that SMUD can withstand various financial stresses.

In addition, SMUD targets strong financial metrics in cash flow coverage with its fixed charge ratio. The Board sets a minimum fixed charge of 1.50 times operating cash flow; however, SMUD aims for a minimum of 1.70 as a standard. On December 31, 2023, the fixed charge ratio was 2.32. This higher performance standard has proven valuable during financially challenging years of uncertainty stemming from the pandemic and higher commodity costs incurred from the CPP unplanned outage, record heat wave in September and higher commodity prices in 2022.

FINANCING ACTIVITIES

In June 2023, SMUD issued four separate revenue and revenue refunding bonds totaling $493.1 million. The purpose of these transactions was to refund the fixed rate debt associated with 2013 Series A and B bonds, refund the fixed rate debt associated with 2019 Series A bonds and refund the outstanding commercial paper. This resulted in a $99 million in cash flow savings through 2041.

DEBT SERVICE COVERAGE

Debt service coverage for long-term debt was 2.41 times and 1.87 times in 2023 and 2022, respectively. SMUD's bond resolutions contain various covenants that include requirements to maintain minimum debt service coverage ratios of at least 1.40 times, certain other financial ratios, stipulated minimum funding of revenue bond reserves, and various other requirements including a rate covenant to raise rates to maintain minimum debt service coverage. SMUD is in compliance with all debt covenants.

CREDIT RATINGS

SMUD proactively manages our strong financial position to maintain high credit ratings. These strong credit ratings improve access to credit markets and result in a lower cost of borrowing. Both quantitative (financial strength) and qualitative (business and operating characteristics) factors are considered by the credit rating agencies in establishing a company's credit rating. As of December 31, 2023, SMUD's bonds had an underlying rating of "AA" from Standard & Poor's, "AA" from Fitch, and "Aa3" from Moody's. Some of SMUD's bonds are insured and are rated by the rating agencies at the higher of the insurer's rating or SMUD's underlying rating. In February 2024, Moody's upgraded SMUD's rating to Aa2 from Aa3 changing SMUD's financial outlook from positive to stable.

COMPETITIVE RATES

The Board has independent authority to set SMUD's rates and charges. Changes in rates require a public hearing and formal action by the Board. SMUD has committed to our customers in keeping rates low while continuing to deliver safe, reliable, and environmentally responsible power and the products and services they value.

In 2021, the Board approved the Solar and Storage Rate, which will reduce the cost shift from Net Energy Metering and will incentivize customers to invest in solar paired with storage, providing greater benefits to SMUD and our customers. In 2021, the Board approved the 2022 and 2023 rate proposals including rate increases of 1.5% in 2022 and 2% in 2023, which is well below the estimated rate of inflation.

In 2023, the Board approved the 2024 and 2025 rate proposals including four rate increases of 2.75%, one each in January 2024, May 2024, January 2025 and May 2025, which will apply to all customer classes. Even with these increases, SMUD's rates continue to remain amongst the lowest in the state. In 2023, the average system rate was 50 percent below the average rate of the nearest investor-owned utility. This ensures the necessary revenue to meet SMUD's financial obligations, key financial metrics, and delivery of SMUD's 2030 Zero Carbon Plan.

SMUD has also developed an integrated Grant Strategy Framework, which will best position SMUD to secure sources of funding to deliver on our 2030 Zero Carbon Plan and keep our rates low. In 2023, SMUD was awarded five grants including a $50 million from the Department of Energy (DOE) Grid Deployment's Grid Resilience and Innovative Partnerships program for SMUD's Connected Clean PowerCity application. The project will begin in 2024 and last for five years.

ENERGY RISK MANAGEMENT

SMUD's commodity costs have prices locked in for most of our expected energy requirements to ensure cost and rate stability for customers. Only a small portion of budgeted energy purchases are exposed to short-term market price fluctuations – a beneficial practice, especially during the price volatility currently reflected in California power and energy prices.

SMUD has mitigation measures in place for higher commodity costs due to reduced hydroelectric production that will lead to higher purchased power. In April 2023, $65.4 million was transferred to the HRSF from revenue as a result of high precipitation. As of December 31, 2023, the HRSF was $96.4 million and $54.4 million in the RSF, net of Low Carbon Fuel Standard and Cap and Trade funds. These reserve funds help absorb higher energy costs when hydroelectric production is down and serve as a buffer against unexpected financial developments.

RESOURCE PLANNING AND GENERATION UPDATE

In March 2021, the Board adopted the 2030 Zero Carbon Plan, a flexible road map to achieving its zero carbon goal while ensuring all customers and communities that are served share in the benefits of decarbonization. While SMUD has always had an Integrated Resource Plan target to meet or exceed goals established by the State for renewable energy and the reduction of carbon emissions, the 2030 Zero Carbon Plan greatly accelerates these efforts, working toward eliminating carbon emissions from SMUD's power supply by 2030.

The Board formally approved the 2022 Integrated Resource Plan update in June 2022 and filed this update with the California Energy Commission in September. Implementation of the plan has SMUD embarking on new pathways to completely decarbonize energy supply, including eliminating GHG emissions from the thermal power plants, developing new distributed energy resource business models, researching emerging grid-scale and carbon-free technologies and expanding investments in proven clean technologies.

SMUD continued to identify new opportunities for renewable and energy storage projects, including solar, wind, geothermal and battery projects both within our service territory and throughout California. These resources contribute towards Renewables

Portfolio Standard (RPS) requirements and support our Zero Carbon Plan goals. SMUD is on track to meet the current RPS compliance period 4 (2021 to 2024).

DECOMMISSIONING

SMUD has made significant progress toward completing the Decommissioning Plan for its Rancho Seco nuclear facility, which was shut down in 1989. The plan consists of two phases that allow SMUD to terminate its possession-only license. Phase I of the decommissioning was completed at the end of 2008. Phase II consists of a storage period for the Class B and Class C radioactive waste overseen by the existing facility staff, followed by shipment of the waste for disposal, and then complete termination of the possession-only license. SMUD also established and funded an external decommissioning trust fund as part of its assurance to the Nuclear Regulatory Commission (NRC) to pay for the cost of decommissioning. Shipment of the previously stored Class B and Class C radioactive waste was completed in November 2014 to a low-level radioactive waste facility located in Andrews, Texas. The remaining Phase II decommissioning activities required for termination of the possession-only license commenced in 2015. In September 2017, SMUD formally requested the termination of the possession-only license and termination of the possession-only license was completed in 2018.

As part of the Decommissioning Plan, the nuclear fuel and Greater Than Class C (GTCC) radioactive waste is being stored in a dry storage facility constructed by SMUD and licensed separately by the NRC. The DOE, under the Nuclear Waste Policy Act of 1982, was responsible for permanent disposal of used nuclear fuel and GTCC radioactive waste and SMUD contracted with the DOE for removal and disposal of that waste. The DOE has yet to fulfill its contractual obligation to provide a permanent waste disposal site. SMUD has filed a series of successful lawsuits against the federal government for recovery of the past spent fuel costs, with recoveries to date in excess of $123.1 million. SMUD will continue to pursue cost recovery claims until the DOE fulfills its obligation.

The total Accrued Decommissioning balance in the Statements of Net Position, including Rancho Seco and other ARO's, amounted to $120.9 million and $95.9 million as of December 31, 2023 and 2022, respectively.

SIGNIFICANT ACCOUNTING POLICIES

In accordance with GASB No. 62, the Board has taken regulatory actions for ratemaking that result in the deferral of expense and revenue recognition. These actions result in regulatory assets and liabilities. SMUD has regulatory assets that cover costs related to decommissioning, derivative financial instruments, debt issuance costs, pension costs, and OPEB costs. As of December 31, 2023 and 2022, total regulatory assets were $916.1 million and $813.6 million, respectively. SMUD also has regulatory credits that cover costs related to contributions in aid of construction, the RSF and HRSF, Energy Assistance Program Rate reserves, SB-1, grant revenues, and Transmission Agency of Northern California operations costs. As of December 31, 2023 and 2022, total regulatory credits were $758.3 million and $620.4 million, respectively.

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SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION

	December 31, 2023	December 31, 2022 (restated)
	(thousands of dollars)	
ASSETS		
ELECTRIC UTILITY PLANT		
Plant in service	$ 7,299,480	$ 7,235,248
Less accumulated depreciation and amortization	(3,645,515)	(3,554,512)
Plant in service - net	3,653,965	3,680,736
Construction work in progress	590,659	347,758
Total electric utility plant - net	4,244,624	4,028,494
RESTRICTED AND DESIGNATED ASSETS		
Revenue bond and debt service reserves	115,679	119,385
Nuclear decommissioning trust fund	9,418	8,980
Rate stabilization fund	212,131	156,016
Other funds	39,281	30,424
Less current portion	(137,853)	(131,852)
Total restricted and designated assets	238,656	182,953
CURRENT ASSETS		
Unrestricted cash and cash equivalents	229,456	268,653
Unrestricted investments	341,159	359,211
Restricted and designated cash and cash equivalents	39,775	30,583
Restricted and designated investments	98,078	101,269
Receivables - net:		
Retail customers	178,414	181,606
Wholesale and other	65,425	102,305
Regulatory costs to be recovered within one year	63,415	49,312
Investment derivative instruments maturing within one year	-0-	5,870
Hedging derivative instruments maturing within one year	11,190	151,349
Inventories	144,791	113,120
Prepaid gas to be delivered within one year	43,671	29,452
Prepayments and other	35,387	31,667
Total current assets	1,250,761	1,424,397
NONCURRENT ASSETS		
Regulatory costs for future recovery	852,709	764,246
Prepaid gas	593,329	637,000
Prepaid power and capacity	-0-	173
Investment derivative instruments	-0-	329
Hedging derivative instruments	34,845	85,675
Energy efficiency loans - net	384	732
Credit support collateral deposits	19,150	11,650
Due from affiliated entity	30,912	31,149
Prepayments and other	55,353	50,506
Total noncurrent assets	1,586,682	1,581,460
TOTAL ASSETS	7,320,723	7,217,304
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivative instruments	85,380	28,438
Deferred pension outflows	182,489	175,478
Deferred other postemployment benefits outflows	62,705	53,674
Deferred asset retirement obligations outflows	1,787	2,066
Unamortized bond losses	6,300	8,389
TOTAL DEFERRED OUTFLOWS OF RESOURCES	338,661	268,045
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 7,659,384	$ 7,485,349

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION

	December 31, 2023	December 31, 2022 (restated)
	(thousands of dollars)	
LIABILITIES		
LONG-TERM DEBT - net	$ 2,920,881	$ 2,885,844
CURRENT LIABILITIES		
Commercial paper notes	150,000	150,000
Accounts payable	127,539	159,463
Purchased power payable	38,522	135,570
Credit support collateral obligation within one year	533	534
Long-term debt due within one year	137,740	138,195
Accrued decommissioning	7,140	7,549
Interest payable	49,936	49,865
Accrued salaries and compensated absences	62,243	60,209
Investment derivative instruments maturing within one year	1,160	3,103
Hedging derivative instruments maturing within one year	63,076	21,636
Customer deposits and other	63,668	83,285
Total current liabilities	701,557	809,409
NONCURRENT LIABILITIES		
Net pension liability	259,010	235,451
Net other postemployment benefits liability	25,334	6,753
Accrued decommissioning	113,736	88,385
Investment derivative instruments	-0-	1,424
Hedging derivative instruments	22,303	6,802
Credit support collateral obligation	1,500	-0-
Self insurance and other	108,085	108,522
Total noncurrent liabilities	529,968	447,337
TOTAL LIABILITIES	4,152,406	4,142,590
DEFERRED INFLOWS OF RESOURCES		
Accumulated increase in fair value of hedging derivative instruments	46,035	237,025
Regulatory credits	758,307	620,373
Deferred pension inflows	17,536	26,656
Deferred other postemployment benefits inflows	38,118	49,838
Deferred lease inflows	17,363	18,187
Unamortized bond gains	39,050	20,473
Unearned revenue	3,870	3,230
TOTAL DEFERRED INFLOWS OF RESOURCES	920,279	975,782
NET POSITION		
Net investment in capital assets	1,674,419	1,493,017
Restricted:		
Revenue bond and debt service	62,161	59,967
Other funds	37,248	29,890
Unrestricted	812,871	784,103
TOTAL NET POSITION	2,586,699	2,366,977
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 7,659,384	$ 7,485,349

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year Ended December 31, 2023	Year Ended December 31, 2022 (restated)
	(thousands of dollars)	
OPERATING REVENUES		
Residential	$ 789,196	$ 808,906
Commercial and industrial	806,225	814,584
Street lighting and other	55,646	52,122
Wholesale	302,538	406,171
Senate Bill - 1 revenue deferral	877	40
AB-32 revenue	26,422	22,760
LCFS revenue	5,875	9,775
Rate stabilization fund transfers	(56,115)	32,976
Total operating revenues	1,930,664	2,147,334
OPERATING EXPENSES		
Operations:		
Purchased power	451,896	873,436
Production	357,773	335,866
Transmission and distribution	82,341	89,534
Administrative, general and customer	305,968	252,105
Public good	62,679	53,921
Maintenance	179,840	167,265
Depreciation and amortization	267,963	256,439
Regulatory amounts collected in rates	39,908	36,688
Total operating expenses	1,748,368	2,065,254
OPERATING INCOME	182,296	82,080
NON-OPERATING REVENUES AND EXPENSES		
Other revenues and (expenses):		
Interest income	38,230	14,265
Investment income (expense) - net	(11,363)	27,702
Other income - net	109,350	47,853
Total other revenues and (expenses)	136,217	89,820
Interest charges:		
Interest on debt	98,791	101,184
Total interest charges	98,791	101,184
Total non-operating revenues and (expenses)	37,426	(11,364)
CHANGE IN NET POSITION	219,722	70,716
NET POSITION - BEGINNING OF YEAR	2,366,977	2,296,261
NET POSITION - END OF YEAR	$ 2,586,699	$ 2,366,977

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2023	2022 (restated)
	(thousands of dollars)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 1,643,057	$ 1,673,226
Receipts from surplus power and gas sales	329,851	369,878
Other receipts	179,017	216,564
Payments to employees - payroll and other	(395,334)	(379,423)
Payments for wholesale power and gas purchases	(743,372)	(1,021,810)
Payments to vendors/others	(526,649)	(451,720)
Net cash provided by operating activities	486,570	406,715
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of debt	(25,185)	(20,550)
Receipts from federal and state grants	-0-	1,647
Interest on debt	(27,659)	(28,568)
Net cash used in noncapital financing activities	(52,844)	(47,471)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction expenditures	(496,198)	(336,307)
Proceeds from land sales	45,005	-0-
Contributions in aid of construction	19,011	21,602
Net proceeds from bond issues	537,606	150,711
Repayments and refundings of debt	(420,710)	(269,385)
Issuance of commercial paper	200,000	150,000
Repayments of commercial paper	(200,000)	-0-
Other receipts	16,501	16,413
Interest on debt	(116,247)	(120,222)
Lease and other receipts/payments - net	(34,625)	(31,746)
Net cash used in capital and related financing activities	(449,657)	(418,934)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of securities	568,488	436,129
Purchases of securities	(673,554)	(812,821)
Interest and dividends received	33,838	9,953
Investment revenue/expenses - net	(11,455)	27,619
Net cash used in investing activities	(82,683)	(339,120)
Net decrease in cash and cash equivalents	(98,614)	(398,810)
Cash and cash equivalents at the beginning of the year	389,838	788,648
Cash and cash equivalents at the end of the year	$ 291,224	$ 389,838
Cash and cash equivalents included in:		
Unrestricted cash and cash equivalents	$ 229,456	$ 268,653
Restricted and designated cash and cash equivalents	39,775	30,583
Restricted and designated assets (a component of the total of $238,656 and $182,953 at December 31, 2023 and 2022, respectively)	21,993	90,602
Cash and cash equivalents at the end of the year	$ 291,224	$ 389,838

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
SUPPLEMENTAL CASH FLOW INFORMATION

A reconciliation of the statements of cash flows operating activities to operating income as follows:

	Year Ended December 31,	
	2023	2022 (restated)
	(thousands of dollars)	
Operating income	$ 182,296	$ 82,080
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	267,963	256,439
Regulatory amortization	39,908	36,688
Other amortizations	26,488	22,909
Revenue deferred to (recognized from) regulatory credits - net	55,238	(33,016)
Other (receipts) payments - net	29,385	17,770
Changes in operating assets, deferred outflows, liabilities and deferred inflows:		
Receivables - retail customers, wholesale and other	44,472	(25,719)
Inventories, prepayments and other	(43,135)	(28,265)
Net pension and other postemployment benefits assets	-0-	85,270
Deferred outflows of recources	(16,042)	(122,706)
Payables and accruals	(115,722)	127,299
Decommissioning	(5,481)	(6,049)
Net pension liability	23,559	235,451
Net other postemployment benefits liability	18,581	6753
Deferred inflows of resources	(20,940)	(248,189)
Net cash provided by operating activities	$ 486,570	$ 406,715

The supplemental disclosure of noncash financing and investing activities is as follows:

	Year Ended December 31,	
	2023	2022 (restated)
	(thousands of dollars)	
Amortization of debt related (expenses) and premiums - net	$ 23,090	$ 34,145
Write-off unamortized premium and loss	18,711	7,576
Gain on debt extinguishment and refundings	16,837	6,677
Unrealized holding gain (loss)	5,502	(5,890)
Change in valuation of derivative financial instruments	(250,762)	163,871
Amortization of revenue for assets contributed in aid of construction	19,201	19,226
Construction expenditures included in accounts payable	52,122	55,787
Gain (Loss) on sale and retirement of assets - net	17,637	(2,036)
Write-off capital projects and preliminary surveys	(950)	(3,720)

The accompanying notes are an integral part of these financial statements.

Sacramento Municipal Utility District
Notes to Financial Statements
As of and for the Years Ended December 31, 2023 and 2022

NOTE 1. ORGANIZATION

The Sacramento Municipal Utility District (SMUD) was formed and operates under the State of California Municipal Utility District Act (Act). The Act gives SMUD the rights and powers to fix rates and charges for commodities or services it furnishes, and to incur indebtedness and issue bonds or other obligations. As a community-owned utility, SMUD is not subject to regulation or oversight by the California Public Utilities Commission.

SMUD is responsible for the acquisition, generation, transmission, and distribution of electric power to its service area, which includes most of Sacramento County and small adjoining portions of Placer and Yolo Counties. The Board of Directors (Board) determines SMUD's rates.

SMUD is exempt from payment of federal and state income taxes and, under most circumstances, real and personal property taxes. SMUD is not exempt from real and personal property taxes on assets it holds outside of its service territory. In addition, SMUD is responsible for the payment of a portion of the property taxes associated with its real property in California that lies outside of its service area.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. SMUD's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). SMUD's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission (FERC), except as it relates to the accounting for contributions of utility property in aid of construction. SMUD's Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Electric revenues and costs that are directly related to the acquisition, generation, transmission, and distribution of electricity are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Financial Reporting Entity. These Financial Statements include SMUD and its component units. Although the component units are legally separate from SMUD, they are blended into and reported as part of SMUD because of the extent of their operational and financial relationships with SMUD. All significant inter-component transactions have been eliminated in consolidation.

Component Units. The component units include the Sacramento Municipal Utility District Financing Authority (SFA), the Northern California Gas Authority No. 1 (NCGA), and the Northern California Energy Authority (NCEA). The primary purpose of SFA is to own and operate electric utility plants that supply power to SMUD. The primary purpose of NCGA is to prepay for natural gas to sell to SMUD. The primary purpose of NCEA is to prepay for commodities in the form of natural gas and electricity to sell to SMUD. SMUD's Board comprises the Commissions that govern these entities (see Note 6).

Plant in Service. Capital assets are generally defined by SMUD as tangible assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of two years. The cost of additions to Plant in Service and replacement property units is capitalized. Repair and maintenance costs are charged to expense when incurred. When SMUD retires portions of its Electric Utility Plant, retirements are recorded against Accumulated Depreciation and the retired portion of Electric Utility Plant is removed from Plant in Service. The costs of removal and the related salvage value, if any, are charged or credited as appropriate to Accumulated Depreciation. SMUD generally computes depreciation on Plant in Service on a straight-line, service-life basis. The average annual composite depreciation rates for 2023 and 2022 was 3.3 percent and 3.2 percent, respectively. Depreciation is calculated using the following estimated lives:

Generation	8 to 80 years
Transmission and Distribution	7 to 50 years
Gas Pipeline	10 to 90 years
General	3 to 60 years

Investment in Joint Powers Authority (JPA). SMUD's investment in the Transmission Agency of Northern California (TANC) is accounted for under the equity method of accounting and is reported as a component of Plant in Service. SMUD's share of the TANC debt service costs and operations and maintenance expense, inclusive of depreciation, is included in Transmission and Distribution expense in the Statements of Revenues, Expenses and Changes in Net Position (see Note 5).

SMUD's investment in the Balancing Authority of Northern California (BANC) is accounted for under the equity method of accounting. SMUD's share of the BANC operations and maintenance expense is included in Transmission and Distribution expense in the Statements of Revenues, Expenses and Changes in Net Position (see Note 5).

Leases. SMUD implemented Statement of Governmental Accounting Standards (SGAS) No. 87, ***"Leases"*** in 2022. Leases are contracts that convey control of the right to use another entity's nonfinancial asset as specified for a period of time in an exchange or exchange-like transaction without the transfer of ownership of the asset. The lease term is the period of time where there is a noncancellable right to use the underlying asset (see Note 4).

For lessor contracts, lease receivables and deferred inflows of resources are reported at present value using SMUD's incremental borrowing rate on the Statements of Net Position. The amortization of the discount for lessor contracts is recorded as Lease receivable for SMUD on the Statements of Net Position with the offset to interest income in Interest and other income on the Statements of Revenue, Expenses and Change in Net Position (see Note 4).

For lessee contracts, lease assets and liabilities are reported at present value using SMUD's incremental borrowing rate on the Statements of Net Position. The lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset. The amortization of the discount for lessee contracts is recorded as Interest payable on the Statements of Net Position with the offset to Lease interest expense for SMUD on the Statements of Revenue, Expenses and Change in Net Position (see Note 4).

Subscription Assets. SMUD implemented SGAS No. 96 ***"Subscription-Based Information Technology Arrangements (SBITA)"*** in 2023. SBITAs provide governments with access to vendors' information technology (IT) software and associated tangible capital assets for subscription payments without granting governments perpetual license or title to the IT software and associated tangible capital assets. The subscription term is the period of time where there is a noncancellable right to use the underlying IT assets (see Note 4).

For SBITA contracts, subscription assets and liabilities are reported at present value using SMUD's incremental borrowing rate on the Statements of Net Position. The subscription assets are amortized over the shorter of the lease term or the useful life of the underlying IT assets. The amortization of the discount for SBITA contracts is recorded as Interest payable on the Statements of Net Position with the offset to SBITA interest expense for SMUD on the Statements of Revenue, Expenses and Change in Net Position (see Note 4).

Restricted and Designated Assets. Cash, cash equivalents, and investments, which are restricted by regulation or under terms of certain agreements for payments to third parties are included as restricted assets. Restricted assets include Revenue bond and debt service reserves, Nuclear decommissioning trust fund, and Other funds. Board actions limiting the use of such funds are included as designated assets. Designated assets include the Rate stabilization fund and Other funds. When SMUD restricts or designates funds for a specific purpose, and restricted and designated and unrestricted resources are available for use, it is SMUD's policy to use restricted and designated resources first, then unrestricted resources as they are needed.

Restricted Bond Funds. SMUD's Indenture Agreements (Indenture) requires the maintenance of minimum levels of reserves for debt service on the 1997 Series K Bonds.

Nuclear Decommissioning Trust Fund. SMUD made annual contributions to its Nuclear Decommissioning Trust Fund (Trust Fund) through 2008 to cover the cost of its primary decommissioning activities associated with the Rancho Seco facility. Primary decommissioning excludes activities associated with the spent fuel storage facility after 2008 and most non-radiological decommissioning tasks. Interest earnings on the Trust Fund assets are recorded as Interest Income and are accumulated in the Trust Fund.

Asset Retirement Obligations (ARO). SMUD records asset retirement obligations (ARO) for tangible capital assets when an obligation to decommission facilities is legally required. SMUD recognizes AROs for its Rancho Seco nuclear power plant and for the CVFA power plant facility (see Note 13). The Rancho Seco ARO is recorded as Accrued Decommissioning and the unfunded portion of the ARO is recorded as current and noncurrent Regulatory Costs for Future Recovery (see Note 8) in the Statements of Net Position. Other AROs are recorded as Accrued Decommissioning and a corresponding Deferred Asset Retirement Obligation Outflows in the Statements of Net Position.

SMUD has identified potential retirement obligations related to certain generation, distribution and transmission facilities. SMUD's non-perpetual leased land rights generally are renewed continuously because SMUD intends to utilize these facilities indefinitely. GASB No. 83, ***"Asset Retirement Obligations"*** requires the measurement of the ARO to be based on the probability weighting of potential outcomes. Due to the low probability that these leases will be terminated, a liability has not been recorded.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less, deposits held at financial institutions, all investments in the Local Agency Investment Fund (LAIF), and money market funds. LAIF has an equity interest in the State of California (State) Pooled Money Investment Account (PMIA). PMIA funds are on deposit with the State's Centralized Treasury System and are managed in compliance with the California Government Code according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters, and maximum maturity of investments.

Investments. SMUD's investments are reported at fair value in accordance with SGAS No. 72, ***"Fair Value Measurement and Application"*** (see Note 12). Realized and unrealized gains and losses are included in Other income (expense) - net in the Statements of Revenues, Expenses and Changes in Net Position. Premiums and discounts on zero coupon bonds are amortized using the effective interest method. Premiums and discounts on other securities are amortized using the straight-line method, which approximates the effective interest method.

Electric Operating Revenues. Electric revenues are billed on the basis of monthly cycle bills and are recorded as revenue when the electricity is delivered. SMUD records an estimate for unbilled revenues earned from the dates its retail customers were last billed to the end of the month. At December 31, 2023 and 2022, unbilled revenues were $81.5 million and $80.5 million, respectively.

Purchased Power Expenses. A portion of SMUD's power needs are provided through power purchase agreements (PPA). Expenses from such agreements, along with associated transmission costs paid to other utilities, are charged to Purchased Power expense in the Statements of Revenues, Expenses and Changes in Net Position in the period the power is received. The costs or credits associated with energy swap agreements (gas and electric) or other arrangements that affect the net cost of Purchased Power are recognized in the period in which the underlying power delivery occurs. Contract termination payments and adjustments to prior billings are included in Purchased Power expense once the payments or adjustments can be reasonably estimated.

Advanced Capacity Payments. Some long-term agreements to purchase energy or capacity from other providers call for up-front payments. Such costs are generally recorded as an asset and amortized over the length of the contract in Operations - Production expense on the Statements of Revenues, Expenses and Changes in Net Position.

Credit and Market Risk. SMUD enters into forward purchase and sales commitments for physical delivery of gas and electricity with utilities and power marketers. SMUD is exposed to credit risk related to nonperformance by its wholesale counterparties under the terms of these contractual agreements. In order to limit the risk of counterparty default, SMUD has a wholesale counterparty risk policy which includes using the credit agency ratings of SMUD's counterparties and other credit services, credit enhancements for counterparties that do not meet an acceptable risk level, and the use of standardized agreements that allow for the netting of positive and negative exposures associated with a single counterparty. SMUD is also subject to similar requirements for many of its gas and power purchase agreements. SMUD uses a combination of cash and securities to satisfy its collateral requirements to counterparties.

SMUD's component units, NCGA and NCEA, entered into guaranteed investment contracts and are exposed to credit risk related to nonperformance by its investment provider. For NCGA, the investment provider provides collateral if their credit ratings fall below agreed upon levels. SMUD holds deposits by counterparties and an investment provider and records the amounts as Credit Support Collateral Obligation in the Statements of Net Position.

Collateral deposits that SMUD has with counterparties are recorded as Credit Support Collateral Deposits in the Statements of Net Position.

Accounts Receivable, Allowance for Doubtful Accounts and Energy Efficiency Loans. Accounts receivable is recorded at the invoiced amount and does not bear interest, except for accounts related to energy efficiency loans. SMUD recognizes an estimate of uncollectible accounts for its receivables related to electric service, energy efficiency loans, and other non-electric billings, based upon its historical experience with collections and current energy market conditions. For large wholesale receivable balances, SMUD determines its bad debt reserves based on the specific credit issues for each account. In the Statements of Net Position, SMUD reports its receivables net of the allowance for uncollectible as current assets, and its energy efficiency loans net of the allowance for uncollectible as noncurrent assets. Due to COVID-19, SMUD suspended disconnections for non-payment beginning in March 2020 and reinstated disconnections in April 2022. At December 31, 2023 and 2022, SMUD estimated its uncollectible retail customer accounts at $26.1 million and $38.0 million, respectively, based on non-payment behaviors by aging category. SMUD records bad debts for its estimated uncollectible accounts related to electric service as a reduction to the related operating revenues in the Statements of Revenues, Expenses and Changes in Net Position. SMUD records bad debts for its estimated uncollectible accounts related to energy efficiency loans and other non-electric billings in Administrative, General and Customer expense in the Statements of Revenues, Expenses and Changes in Net Position.

SMUD's receivables, allowances for uncollectible and energy efficiency loans are presented below:

	December 31, 2023	December 31, 2022
	(thousands of dollars)	
Retail customers:		
Receivables	$ 204,466	$ 219,606
Less: Allowance for uncollectible	(26,052)	(38,000)
Receivables - net	$ 178,414	$ 181,606
Wholesale and other:		
Receivables	$ 68,167	$ 105,083
Less: Allowance for uncollectible	(2,742)	(2,778)
Receivables - net	$ 65,425	$ 102,305
Energy efficiency loans:		
Receivables	$ 507	$ 869
Less: Allowance for uncollectible	(123)	(137)
Energy efficiency loans - net	$ 384	$ 732

Regulatory Deferrals. The Board has the authority to establish the level of rates charged for all SMUD services. As a regulated entity, SMUD's financial statements are prepared in accordance with SGAS Statement No. 62, ***"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants Pronouncements,"*** which requires that the effects of the ratemaking process be recorded in the financial statements. Accordingly, certain expenses and credits, normally reflected in Change in Net Position as incurred, are recognized when included in rates and recovered from or refunded to customers. SMUD records various regulatory assets and credits to reflect ratemaking actions of the Board (see Note 8).

Materials and Supplies. Materials and supplies are stated at average cost, which approximates the first-in, first-out method.

Compensated Absences. SMUD accrues vacation leave and compensatory time when employees earn the rights to the benefits. SMUD does not record sick leave as a liability until it is taken by the employee, since there are no cash payments made for sick leave when employees terminate or retire. Compensated absences are recorded as Accrued Salaries and Compensated Absences in the Statements of Net Position. At December 31, 2023 and 2022, the total estimated liability for vacation and other compensated absences was $44.2 million and $43.7 million, respectively.

Public Good. Public Good expenses consist of non-capital expenditures for energy efficiency programs, low income subsidies, renewable energy resources and technologies, and research and development.

Gains/Losses on Bond Refundings. Gains and losses resulting from bond refundings are included as a component of Deferred Inflows of Resources or Deferred Outflows of Resources in the Statements of Net Position and amortized as a component of Interest on Debt in the Statements of Revenues, Expenses and Changes in Net Position over the shorter of the life of the refunded debt or the new debt using the effective interest method.

Gains/Losses on Bond Defeasances or Extinguishments. Gains and losses resulting from bond defeasances or extinguishments that were not financed with the issuance of new debt are included as a component of Interest on Debt in the Statements of Revenues, Expenses and Changes in Net Position.

Deferred Outflows of Resources. A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Deferred Inflows of Resources. A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized and an inflow of resources (revenue) until that future time.

Derivative Financial Instruments. SMUD records derivative financial instruments (interest rate swap and gas price swap agreements, certain wholesale sales agreements, certain power purchase agreements and option agreements) at fair value in its Statements of Net Position. SMUD does not enter into agreements for speculative purposes. Fair value is estimated by comparing contract prices to forward market prices quoted by third party market participants and/or provided in relevant industry publications. SMUD is exposed to risk of nonperformance if the counterparties default or if the swap agreements are terminated. SMUD reports derivative financial instruments with remaining maturities of one year or less and the portion of long-term contracts with scheduled transactions over the next twelve months as current in the Statements of Net Position (see Note 9).

Interest Rate Swap Agreements. SMUD enters into interest rate swap agreements to modify the effective interest rates on outstanding debt (see Notes 9 and 10).

Gas and Electricity Price Swap and Option Agreements. SMUD uses forward contracts to hedge the impact of market volatility on gas commodity prices for its natural gas-fueled power plants and for energy prices on purchased power for SMUD's retail load (see Note 9).

Precipitation Hedge Agreements. SMUD enters into non-exchange traded precipitation hedge agreements to hedge the cost of replacement power caused by low precipitation years (Precipitation Agreements). SMUD records the intrinsic value of the Precipitation Agreements as Prepayments and Other under Current Assets in the Statements of Net Position. Settlement of the Precipitation Agreements is not performed until the end of the period covered (water year ended September 30). The intrinsic value of a Precipitation Agreement is the difference between the expected results from a monthly allocation of the cumulative rainfall amounts, in an average rainfall year, and the actual rainfall during the same period.

Insurance Programs. SMUD records liabilities for unpaid claims at their present value when they are probable in occurrence and the amount can be reasonably estimated. SMUD records a liability for unpaid claims associated with general, auto, workers' compensation, and short-term and long-term disability based upon estimates derived by SMUD's claims administrator or SMUD staff. The liability comprises the present value of the claims outstanding and includes an amount for claim events incurred but not reported based upon SMUD's experience (see Note 16).

Pollution Remediation. SGAS No. 49, ***"Accounting and Financial Reporting for Pollution Remediation Obligations,"*** (GASB No. 49) requires that a liability be recognized for expected outlays for remediating existing pollution when certain triggering events occur. SMUD recorded a pollution remediation obligation for its North City substation, which was built on a former landfill, for the former Community Linen Rental Services Property, and for obligations for several land sites, including a few sites where it will be building a substation. At December 31, 2023 and 2022, the total pollution remediation liability was $23.2 million and $24.3 million, respectively, and recorded as either Current Liabilities, Customer Deposits and Other or Noncurrent Liabilities, Self Insurance and Other in the Statements of Net Position. Costs were estimated using the expected cash flow technique prescribed under GASB No. 49, including only amounts that are reasonably estimable.

Hydro License. SMUD owns and operates the Upper American River Hydroelectric Project (UARP). The original license to construct and operate the UARP was issued in 1957 by FERC. Effective July 1, 2014, SMUD received a 50-year hydro license. As part of the hydro licensing process, SMUD entered into four contracts with government agencies whereby SMUD makes annual payments to them for various services for the term of the license. At December 31, 2023 and 2022, the liability for these contract payments was $62.7 million and $58.5 million, respectively, and recorded as either Current Liabilities, Customer Deposits and Other or Noncurrent Liabilities, Self-Insurance and Other in the Statements of Net Position (see Note 17).

Assembly Bill 32. California Assembly Bill (AB) 32 was an effort by the State of California to set a greenhouse gas (GHG) emissions reduction goal into law, and initially was set through 2020. In 2015, the state established a 2030 goal for GHG emissions at 40 percent below 1990 levels, and in July of 2017 AB-398 was approved by the Governor. Central to these initiatives is the Cap and Trade program, which covers major sources of GHG emissions in the State including power plants. AB-398 extended Cap and Trade through 2030. The Cap and Trade program includes an enforceable emissions cap that will decline over time. The State distributes allowances, which are tradable permits, equal to the emissions allowed under the cap. Sources under the cap are required to surrender allowances and offsets equal to their emissions at the end of each compliance period. SMUD is subject to AB-32 and has participated in California Air Resources Board (CARB) administered quarterly auctions in the past. In a normal water year, SMUD expects its free allocation of allowances from the CARB to cover its compliance costs associated with electricity delivered to its retail customers. SMUD expects to recover compliance costs associated with wholesale power sales costs through its wholesale power sales revenues. SMUD continues to monitor new legislation and proposed programs that could impact AB-32 and its subsequent extensions.

In addition, the Low Carbon Fuel Standards (LCFS) was enacted through AB-32. CARB is responsible for the implementation of LCFS and has established a program for LCFS credits. The LCFS program is designed to reduce greenhouse gas emissions associated with the lifecycle of transportation fuels used in California. SMUD participates in the program and receives LCFS credits from CARB for the electricity used to power electric vehicles. The LCFS credits are sold to parties (oil companies) that have a compliance obligation. CARB requires that electricity LCFS credit sales proceeds be spent in a way to benefit current or future Electric Vehicle drivers in California, for both commercial and residential vehicles.

Net Pension Asset (NPA) or Liability (NPL). The NPA or NPL is the difference between the actuarial present value of projected pension benefit payments attributable to employees' past service and the pension plan's fiduciary net position (see Note 14).

Net Other Postemployment Benefit (OPEB) Asset (NOA) or Liability (NOL). The NOA or NOL is the difference between the actuarial present value of projected OPEB benefit payments attributable to employee's past service and the OPEB plan's fiduciary net position (see Note 15).

Net Position. SMUD classifies its net position into three components as follows:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding debt balances, net of unamortized debt expenses. Deferred inflows and outflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are also included.
- Restricted – This component of net position consists of assets with constraints placed on their use, either externally or internally. Constraints include those imposed by debt indentures (excluding amounts considered in Net investment in capital assets, above), grants or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation or by the Board. These restricted assets are reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted – This component of net position consists of net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "Net investment in capital assets" or "Restricted."

Contributions in Aid of Construction (CIAC). SMUD records CIAC from customer contributions, primarily relating to expansions to SMUD's distribution facilities, as Other income (expense) - net in the Statements of Revenues, Expenses and Changes in Net Position. Contributions of capital are valued at acquisition value. For ratemaking purposes, the Board does not recognize such revenues when received; rather, CIAC is included in revenues as such costs are amortized over the estimated useful lives of the related distribution facilities (see Note 8).

Revenues and Expenses. SMUD distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with

SMUD's principal ongoing operations. The principal operating revenues of SMUD are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as Non-Operating Revenues and Expenses in the Statements of Revenues, Expenses and Changes in Net Position.

Grants. SMUD receives grant proceeds from federal and state assisted programs for its projects which include, but are not limited to, advanced and renewable technologies, electric transportation, and energy efficiency. SMUD also periodically receives grant proceeds from federal or state assistance programs as partial reimbursements for costs it has incurred as a result of natural disasters, such as storm or fire damages. When applicable, these programs may be subject to financial and compliance audits pursuant to regulatory requirements. SMUD records grant proceeds related to capital projects as a Regulatory Credit (see Note 8).

SMUD has taxable Build America Bonds in which it receives an interest subsidy from the federal government equal to 35 percent of the interest paid (see Note 10). SMUD received reduced subsidy payments in 2023 and 2022 due to budget sequestration by the federal government. SMUD recognized $9.3 million in revenues in 2023 and 2022 for its Build America Bonds, as a component of Other income (expense) - net, in the Statements of Revenues, Expenses and Changes in Net Position.

Customer Sales and Excise Taxes. SMUD is required by various governmental authorities, including states and municipalities, to collect and remit taxes on certain customer sales. Such taxes are presented on a net basis and excluded from revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Position.

Subsequent Events. Subsequent events for SMUD have been evaluated through February 23, 2024 (see Note 19).

Reclassifications. Certain amounts in the 2022 Financial Statements have been reclassified in order to conform to the 2023 presentation.

Recent Accounting Pronouncements, adopted. In March 2020, GASB issued SGAS No. 93, ***"Replacement of Interbank Offered Rates"*** (GASB No. 93). The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notably, the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021. This statement provides exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment. By removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, GASB No. 93 identifies the Secured Overnight Financing Rate (SOFR) and the Effective Federal Funds Rate as appropriate benchmark interest rates to replace LIBOR. This statement is effective for SMUD in 2023. GASB No. 99 (see below) further states that the LIBOR is no longer an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate risk of taxable debt when LIBOR ceases to be determined by the ICE Benchmark Administration using the methodology in place as of December 31, 2021. SMUD utilizes the 1-month LIBOR for its interest rate swap agreements. According to the ICE Benchmark Administration, the 1-month US dollar settings will be determined and published under the methodology until the end of June 2023. SMUD has fully implemented GASB 93 in 2023. SMUD has one interest rate swap agreement that became effective on July 12, 2023 that uses the benchmark interest rate Fallback SOFR (see Note 10). NCGA, a blended component unit of SMUD, modified its interest rate swap agreement to the benchmark interest rate Term SOFR effective October 1, 2023 (see Note 10).

In March 2020, GASB issued SGAS No. 94, ***"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"*** (GASB No. 94). The primary objective of this Statement is to provide guidance for accounting and financial reporting related to public-private and public-public partnership arrangements (PPPs), PPPs that meet the definition of a service concession arrangement (SCA), and availability payment arrangements (APAs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying

PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for SMUD in 2023. SMUD has reviewed its agreements and has determined it has not entered into any agreements which meet the definition of a PPP or SCA. SMUD has entered into agreements that can be considered APAs and will continue to account and financially report for them as outflows of resources, which complies with this Statement. Therefore, SMUD does not have any new reporting requirements related to GASB 94 at December 31, 2023.
In April 2022, GASB issued SGAS No. 99, ***"Omnibus 2022"*** (GASB No. 99). This statement addresses a variety of topics and is effective for SMUD in 2022, 2023, or 2024 depending on the requirement. The only topic effective for SMUD in 2022 and 2023 is the replacement of IBOR discussed above under GASB No. 93. SMUD chose to early adopt provisions related to leases and the implementation of GASB No. 87 ***"Leases"*** (GASB No. 87) that were effective in 2023. SMUD incorporated the clarifications related to leases contained in GASB No. 99 during its implementation of GASB No. 87. SMUD is currently assessing the financial impact of adopting the remaining topics in this statement that are effective in 2024.

Recent Accounting Pronouncements, not yet adopted. In June 2022, GASB issued SGAS No. 100, "***Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62***" (GASB No. 100), to enhance accounting and financial reporting requirements for accounting changes and error corrections. The statement defines accounting changes and sets forth requirements for reporting changes and error corrections in the financial statements. In addition, the statement contains requirements for disclosure in notes to financial statements of information about accounting changes and error corrections. Furthermore, for periods that are earlier than those included in the financial statements, information presented in required supplementary information and supplementary information should be restated for error corrections, but not for changes in accounting principles. This statement is effective for SMUD in fiscal year 2024. SMUD is currently assessing the financial statement impact of adopting this statement.

In June 2022, GASB issued SGAS No. 101, "***Compensated Absences***" (GASB No. 101), to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. This statement is effective for SMUD in fiscal year 2024. SMUD is currently assessing the financial statement impact of adopting this statement.

In December 2023, GASB issued SGAS No. 102 ***"Certain Risk Disclosures"*** (GASB No. 102), to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. A *concentration* is defined as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. This Statement requires a government to assess whether a concentration or constraint could cause a substantial impact if the event occurred or has begun to occur prior to the issuance of financial statements. If a government determines that the criteria for disclosure have been met, it should disclose information in notes to financial statements in sufficient detail to enable financial statements users to understand the nature of the circumstances and the government's vulnerability to the risk of a substantial impact. This Statement is effective for SMUD in fiscal year 2025. SMUD is currently assessing the disclosure impact of adopting this statement.

NOTE 3. ACCOUNTING CHANGE

In May 2020, GASB issued SGAS No. 96, **"*Subscription-Based Information Technology Arrangements*"** (GASB No. 96), to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The statement defines a SBITA as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. It establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability. It provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA and requires note disclosures regarding a SBITA. To the extent relevant, this standard is based on SGAS No. 87, ***"Leases"***, as amended. SMUD implemented GASB No. 96 in fiscal year 2023, retroactive to the beginning of fiscal year 2022. SMUD has assessed whether its software subscriptions met the requirements of GASB No. 96. The implementation impacted the Statements of Net Position when the SBITA assets, accumulated amortization, liabilities, and accrued interest were recorded. The implementation also impacted the Statements of Revenues, Expenses and Changes in Net Position as SBITA amortization expense and interest expense were also recorded. Net position was increased by $0.17 million for 2022 due to the restatement.

SMUD has restated amounts of the affected balances within the financial statements for the period ended December 31, 2022, as follows:

STATEMENTS OF NET POSITION

	December 31,	
	2022 (Restated)	2022
Assets		
Electric Utility Plant		
Plant in service	$ 7,235,248	$ 7,201,276
Less accumulated depreciation and depletion	(3,554,512)	(3,547,995)
Current Assets		
Prepayments and other	31,667	32,881
Current Liabilities		
Interest payable	49,865	49,784
Customer deposits and other	83,285	75,911
Noncurrent Liabilities		
Self insurance and other	108,522	89,910
Net Position		
Net investment in capital assets	1,493,017	1,491,548
Restricted revenue bond and debt service	59,967	60,048
Unrestricted	784,103	785,317

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	December 31,	
	2022 (Restated)	2022
Operating Expenses		
Production	$ 335,866	$ 336,406
Transmission and distribution	89,534	90,242
Administrative, general and customer	252,105	256,288
Public good	53,921	54,170
Maintenance	167,265	168,500
Depreciation and amortization	256,439	249,922
Non-operating revenues (expenses)		
Other income - net	47,853	48,077
Change in Net Position	70,716	70,542
Net Position – End of Year	2,366,977	2,366,803

STATEMENTS OF CASH FLOWS

	December 31, 2022 (Restated)	December 31, 2022
Cash flows from operating activities		
Receipts from customers	$ 1,673,226	$ 1,673,495
Payments to vendors/others	(451,720)	(458,111)
Cash flows from capital and related financing activities		
Construction expenditures	(336,307)	(336,576)
Lease and other receipts/payments - net	(31,746)	(25,407)
Cash flows from investing activities		
Interest and dividends received	9,953	10,005
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	82,080	81,682
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	256,439	249,922
Other (receipts) payments – net	17,770	19,777
Changes in operating assets, deferred outflows, liabilities, and deferred inflows:		
Inventories, prepayments and other	(28,265)	(29,479)

NOTE 4. ELECTRIC UTILITY PLANT

The summarized activity of SMUD's Electric Utility Plant during 2023 is presented below:

	Balance January 1, 2023	Additions	Transfers and Disposals	Balance December 31, 2023
		(thousands of dollars)		
Nondepreciable Electric Utility Plant:				
Land and land rights	$ 170,616	$ 51,699	$ (31,503)	$ 190,812
CWIP	347,758	507,246	(264,345)	590,659
Total nondepreciable electric utility plant	518,374	558,945	(295,848)	781,471
Depreciable Electric Utility Plant:				
Generation	1,766,397	44,303	(47,017)	1,763,683
Transmission	634,725	20,062	(5,278)	649,509
Distribution	2,785,575	109,830	(19,642)	2,875,763
Investment in JPAs	40,708	6,088	-0-	46,796
Intangibles	571,317	21,613	(3,399)	589,531
General	1,147,814	19,269	(27,965)	1,139,118
	6,946,536	221,165	(103,301)	7,064,400
Lease Assets:				
Land	1,764	-0-	-0-	1,764
Generation	76,804	-0-	(76,804)	-0-
General	5,556	-0-	-0-	5,556
	84,124	-0-	(76,804)	7,320
Subscription Assets	33,972	2,976	-0-	36,948
Less: accumulated depreciation and amortization	(3,546,607)	(270,105)	179,416	(3,637,296)
Less: accumulated amortization on JPAs	(7,905)	(314)	-0-	(8,219)
	(3,554,512)	(270,419)	179,416	(3,645,515)
Total depreciable plant	3,510,120	(46,278)	(689)	3,463,153
Total Electric Utility Plant - net	$ 4,028,494	$ 512,667	$ (296,537)	$ 4,244,624

The summarized activity of SMUD's Electric Utility Plant during 2022 is presented below:

	Balance January 1, 2022	Additions (Restated)	Transfers and Disposals	Balance December 31, 2022 (Restated)
		(thousands of dollars)		
Nondepreciable Electric Utility Plant:				
Land and land rights	$ 169,544	$ 1,072	$ -0-	$ 170,616
CWIP	367,297	353,439	(372,978)	347,758
Total nondepreciable electric utility plant	536,841	354,511	(372,978)	518,374
Depreciable Electric Utility Plant:				
Generation	1,751,920	21,801	(7,324)	1,766,397
Transmission	522,765	112,301	(341)	634,725
Distribution	2,651,039	147,235	(12,699)	2,785,575
Investment in JPAs	34,761	5,947	-0-	40,708
Intangibles	526,923	44,394	-0-	571,317
General	1,125,541	45,634	(23,361)	1,147,814
	6,612,949	377,312	(43,725)	6,946,536
Lease Assets:				
Land	1,764	-0-	-0-	1,764
Generation	76,804	-0-	-0-	76,804
General	2,979	2,577	-0-	5,556
	81,547	2,577	-0-	84,124
Subscription Assets	-0-	33,972	-0-	33,972
Less: accumulated depreciation and amortization	(3,333,205)	(255,189)	41,787	(3,546,607)
Less: accumulated amortization on JPAs	(7,592)	(313)	-0-	(7,905)
	(3,340,797)	(255,502)	41,787	(3,554,512)
Total depreciable plant	3,353,699	158,359	(1,938)	3,510,120
Total Electric Utility Plant - net	$ 3,890,540	$ 512,870	$ (374,916)	$ 4,028,494

Leases. SMUD engages in lease contracts for land, communication sites, buildings, and a power plant. SMUD leases land to SFA, a component unit, and as described in Note 2, all of the activities and balances of the component units are blended into and reported as part of SMUD because of the extent of their operational and financial relationships with SMUD.

Lessor. Lease agreements include land, communication sites, and a building. Lease terms range from 19 to 35 years including options to extend the lease term after completion of the initial contracted term. The likelihood that the renewal options will be exercised has been evaluated and it has been determined that Lessees will exercise the renewal options with reasonable certainty. The agreements allow for periodic increases to the lease payments. The interest rates range between 0.7 percent to 4.2 percent based on the AAA Muni Curve with the number of years to maturity that corresponds to the lease term, plus an additional credit spread to account for a different credit rating and other factors. At December 31, 2023 and 2022, lease receivables included in current assets were $0.6 million and $0.8 million, respectively, and lease receivables included in noncurrent assets were $17.4 million and $17.8 million, respectively. As of December 31, 2023 and 2022, deferred lease inflows were $17.4 million and $18.2 million, respectively. SMUD recognized lease revenue of $0.8 million and $0.7 million in 2023 and 2022, respectively, which is reported in Street lighting and other on the Statements of Revenues, Expenses and Changes in Net Position. SMUD recognized interest income of $0.03 million in 2023 and 2022. There were no variable lease payments received in 2023 or 2022.

Lessee. Lessee agreements include land, buildings, and a power plant. Lease terms range from 3 to 25 years including options to extend the lease term after completion of the initial contracted term. The likelihood that the renewal options will be exercised has been evaluated and it has been determined that the lease agreements will be renewed with reasonable certainty. The agreements allow for periodic increases to the lease payments. The interest rates range between 0.1 percent to 4.2 percent based on the AAA Muni Curve with the number of years to maturity that corresponds to the lease term, plus an additional credit spread to account for a different credit rating and other factors. As of December 31, 2023 and 2022, assets recorded under leases were $7.3 million and $84.1 million, respectively, and accumulated amortization associated with lease assets was $1.2 million and $52.0 million, respectively. SMUD recognized amortization expense of $26.1 million in 2023 and $26.0 million in 2022 which is reported as Depreciation and amortization on the Statements of Revenues, Expenses and Changes in Net Position. As of December 31, 2023 and 2022, lease obligations included in current liabilities, Customer deposits and other, were $0.4 million and $26.8 million, respectively, and lease obligations included in noncurrent liabilities, Self insurance and other, were $5.9 million and $6.3 million, respectively. There were no lease impairments in 2023 or 2022. There were no payments recorded in the current period that were not included in the measurement of the lease liability. There is one lease commitment for which the lease term begins in 2024 and it will be recorded as a lease asset and lease liability upon commencement of the lease term.

The following table summarizes the future annual lease principal and interest payments as of December 31, 2023:

	Principal	Interest	Total
2024	$ 402	$ 142	$ 544
2025	419	136	555
2026	429	132	561
2027	438	127	565
2028	446	121	567
2029-2033 (combined)	1,540	522	2,062
2034-2038 (combined)	983	395	1,378
2039-2043 (combined)	932	240	1,172
2044-2048 (combined)	751	64	815
Total	$ 6,340	$ 1,879	$ 8,219

Subscription Assets. SMUD has noncancellable subscription-based information technology arrangements (SBITAs) for the right to use information technology hardware and software. SBITA subscription terms range from 2 to 8 years including options to extend the subscription term after completion of the initial contracted term. The agreements allow for periodic increases to the subscription payments. The interest rates range between 0.25 percent to 2.65 percent based on the AAA Muni Curve with the number of years to maturity that corresponds to the subscription term, plus an additional credit spread to account for a different credit rating and other factors. As of December 31, 2023 and 2022, subscription assets recorded were $36.9 million and $33.9 million, respectively, and accumulated amortization associated with subscription assets was $13.9 million and $6.5 million, respectively. SMUD recognized SBITA amortization expense of $7.4 million in 2023 and $6.5 million in 2022 which is reported as Depreciation and amortization on the Statements of Revenues, Expenses and Changes in Net Position. As of December 31, 2023 and 2022, subscription obligations included in current liabilities, Customer deposits and other, were $5.9 million and $7.4 million, respectively, and subscription obligations included in noncurrent liabilities, Self-insurance and other, were $15.0 million and $18.6 million, respectively. There were no subscription asset impairments in 2023 or 2022. There were no payments recorded in the current period that were not included in the measurement of the lease liability.

The following table summarizes the future annual SBITA principal and interest payments as of December 31, 2023:

	Principal	Interest	Total
2024	$ 5,905	$ 208	$ 6,113
2025	5,740	140	5,880
2026	4,314	80	4,394
2027	2,943	37	2,980
2028	1,928	10	1,938
2029-2033 (combined)	91	1	92
Total	$ 20,921	$ 476	$ 21,397

NOTE 5. INVESTMENT IN JOINT POWERS AUTHORITY

TANC. SMUD and fourteen other California municipal utilities are members of TANC, a JPA. TANC, along with the other California municipal utilities, own and operate the California-Oregon Transmission Project (COTP), a 500-kilovolt transmission line between central California and southern Oregon. SMUD is obligated to pay approximately 39 percent of TANC's COTP debt service and operations costs in exchange for entitlement to approximately 536 megawatts (MW) of TANC's 1,390 MW transfer capability. Additionally, SMUD has a 48 MW share of TANC's 300 MW firm, bi-directional transmission over Pacific Gas and Electric Company's (PG&E) system between PG&E's Tesla and Midway substations (SOT). The total entitlement shares for the COTP and SOT described above include the long-term agreements listed below.

In 2009, SMUD entered into a 15-year long-term layoff agreement with TANC and certain members, expiring January 31, 2024. This agreement provides for the assignment of all rights and obligations of the City of Palo Alto and the City of Roseville related to their COTP and SOT entitlements. This agreement increased SMUD's COTP entitlement by 36 MW and SOT entitlement by 2 MW. On July 1, 2014, an amendment returned to the City of Roseville all rights and obligations related to the COTP entitlements, which decreased SMUD's COTP entitlement by 13 MW.

Effective July 1, 2014, SMUD entered into a 25-year long-term layoff agreement with TANC and certain members that provides for the assignment of all rights and obligations of Northern California Power Agency and partial rights and obligations of the City of Santa Clara related to their COTP entitlements. This agreement increased SMUD's COTP entitlements by 130 MW.

The long-term debt of TANC, which totals $165.5 million (unaudited) at December 31, 2023, is collateralized by a pledge and assignment of net revenues of TANC supported by take or pay commitments of SMUD and other members. Should other members default on their obligations to TANC, SMUD would be required to make additional payments to cover a portion of such defaulted payments, up to 25 percent of its current obligation. SMUD recorded transmission expenses related to TANC of $17.5 million and $16.9 million in 2023 and 2022, respectively.

Summary financial information for TANC is presented below:

	December 31,	
	2023 (Unaudited)	2022 (Unaudited)
	(thousands of dollars)	
Total Assets	$ 402,458	$ 389,258
Total Deferred Outflows of Resources	13	106
Total Assets and Deferred Outflows of Resources	$ 402,471	$ 389,364
Total Liabilities	$ 307,217	$ 309,291
Total Deferred Inflows of Resources	939	995
Total Net Position	94,315	79,078
Total Liabilities and Net Position	$ 402,471	$ 389,364
Changes in Net Position for the Six Months Ended December 31	$ 14	$ 7

Copies of the TANC annual financial reports may be obtained from SMUD at P.O. Box 15830, Sacramento, California 95852 or online at www.tanc.us.

BANC. SMUD, City of Redding, City of Roseville, Modesto Irrigation District (MID), City of Shasta Lake, and Trinity Public Utilities District are members of BANC, a JPA formed in 2009. In 2011, operational control of Balancing Authority Area (BAA) operations was transferred from SMUD to BANC. BANC performs FERC approved BAA reliability functions that are managed by North American Electric Reliability Corporation (NERC), nationally, and by Western Electricity Coordinating Council functions in the west. SMUD recorded expenses related to BANC of $4.3 million and $3.9 million in 2023 and 2022, respectively.

Summary financial information for BANC is presented below:

	December 31,	
	2023 (Audited)	2022 (Audited)
	(thousands of dollars)	
Total Assets	$ 8,093	$ 15,028
Total Liabilities	$ 8,093	$ 15,028
Total Net Position	-0-	-0-
Total Liabilities and Net Position	$ 8,093	$ 15,028
Changes in Net Position for the Year Ended December 31	$ -0-	$ -0-

Copies of the BANC annual financial reports may be obtained from SMUD at P.O. Box 15830, Sacramento, California 95852.

NOTE 6. COMPONENT UNITS

SFA Cosumnes Power Plant Project. SFA is a JPA formed by SMUD and MID. SFA operates the Cosumnes Power Plant Project, a 602 MW (net) natural gas-fired, combined cycle facility which began commercial operations in 2006. The revenue stream to pay the SFA bonds' debt service is provided by a "take-or-pay" power purchase agreement between SMUD and SFA. On November 1, 2021, SFA entered into Assignment and Assumption Agreements which transferred the assets and obligations, including ownership of the Carson Power Plant (Carson), Procter and Gamble Power Plant (Procter and Gamble), Campbell Power Plant (Campbell) and McClellan Power Plant (McClellan). Carson began commercial operations in 1995 and is comprised of a 68 MW natural gas-fired combined cycle cogeneration facility and a 42 MW natural gas-fired simple cycle peaking plant. Procter and Gamble began commercial operations in 1997 and is comprised of a 145 MW natural gas-fired combined cycle plant and a 50 MW natural gas-fired simple cycle peaking plant which was subsequently added and began commercial operations in 2001. Campbell began commercial operations in 1997 and is a 183 MW natural gas-fired combined-cycle cogeneration plant consisting of a combustion turbine generator and a steam turbine generator. McClellan is a 72 MW simple cycle combustion turbine and has been operating since 1986.

NCGA. NCGA is a JPA formed by SMUD and the SFA. NCGA has a prepaid gas contract with Morgan Stanley Capital Group (MSCG) expiring in 2027, which is financed primarily by NCGA revenue bonds. SMUD has contracted with NCGA to purchase all the gas delivered by MSCG to NCGA, based on market prices. SMUD requested to have its entire daily contract quantity remarketed for each gas day of each month from November 1, 2023 until May 31, 2027. MSCG, pursuant to the Gas remarketing provisions shall purchase all of the remarketed gas for its own account. NCGA is obligated to pay the principal and interest on the bonds. Neither SMUD nor SFA is obligated to make debt service payments on the bonds. NCGA can terminate the prepaid gas contract under certain circumstances, including a failure by MSCG to meet its gas delivery obligation to NCGA or a drop in MSCG's credit rating below a specified level. If this occurs, MSCG will be required to make a termination payment to NCGA based on the unamortized prepayment proceeds received by MSCG.

NCEA. NCEA is a JPA formed by SMUD and the SFA. NCEA has a prepaid natural gas and electricity (commodity) contract with J. Aron & Company LLC (J. Aron) expiring in 2049, which is financed primarily by NCEA revenue bonds. SMUD has contracted with NCEA to purchase all the commodity delivered by J. Aron to NCEA, based on market prices. NCEA is obligated to pay the principal and interest on the bonds. Neither SMUD nor SFA is obligated to make debt service payments on the bonds. NCEA can terminate the prepaid commodity contract under certain circumstances, including a failure by J. Aron to meet its commodity delivery obligation to NCEA. If this occurs, J. Aron will be required to make a termination payment to NCEA based on the unamortized prepayment proceeds received by J. Aron.

The summarized activity of SMUD's component units for 2023 is presented below:

CONDENSED STATEMENTS OF NET POSITION
December 31, 2023
(thousands of dollars)

	SFA	NCGA	NCEA
Assets			
Electric Utility Plant - net	$ 291,172	$ -0-	$ -0-
Current Assets	131,260	45,409	43,765
Noncurrent Assets	588	84,273	509,358
Total Assets	430,020	129,682	553,123
Deferred Outflows of Resources	2,698	-0-	-0-
Total Assets and Deferred Outflows of Resources	$ 425,718	$ 129,682	$ 553,123
Liabilities			
Long-Term Debt - net	$ 80,582	$ 94,540	$ 525,193
Current Liabilities	64,060	27,315	27,630
Noncurrent Liabilities	15,337	-0-	248
Total Liabilities	159,979	121,855	553,071
Net Position	265,739	7,827	52
Total Liabilities and Net Position	$ 425,718	$ 129,682	$ 553,123

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
December 31, 2023
(thousands of dollars)

	SFA	NCGA	NCEA
Operating Revenues	$ 258,162	$ 29,999	$ 26,303
Operating Expenses	248,786	25,361	4,366
Operating Income	9,376	4,638	21,937
Non-Operating Revenues and Expenses			
Other Revenues	16,848	615	552
Interest Charges and Other	(2,942)	(5,819)	(16,831)
Change in Net Position Before Distributions and Contributions	23,282	(566)	5,658
Distribution to Member	(25,000)	(659)	(1,103)
Member Contributions	-0-	63	107
Change in Net Position	(1,718)	(1,162)	4,662
Net Position – Beginning of Year	267,457	8,989	(4,610)
Net Position – End of Year	$ 265,739	$ 7,827	$ 52

CONDENSED STATEMENTS OF CASH FLOWS
December 31, 2023
(thousands of dollars)

	SFA	NCGA	NCEA
Net Cash Provided by Operating Activities	$ 60,501	$ 30,037	$ 24,980
Net Cash Used in Noncapital Financing Activities	(25,000)	(29,430)	(25,176)
Net Cash Used in Capital Financing Activities	(30,919)	-0-	-0-
Net Cash Provided by Investing Activities	1,128	613	1,453
Net Increase in Cash and Cash Equivalents	5,710	1,220	1,257
Cash and Cash Equivalents at the Beginning of the Year	40,961	12,716	2,559
Cash and Cash Equivalents at the End of the Year	$ 46,671	$ 13,936	$ 3,816

The summarized activity of SMUD's component units for 2022 is presented below:

CONDENSED STATEMENTS OF NET POSITION
December 31, 2022
(thousands of dollars)

	SFA	NCGA	NCEA
Assets			
Electric Utility Plant - net	$ 309,606	$ -0-	$ -0-
Current Assets	109,011	40,591	36,148
Noncurrent Assets	682	112,872	524,549
Total Assets	419,299	153,463	560,697
Deferred Outflows of Resources	3,258	-0-	-0-
Total Assets and Deferred Outflows of Resources	$ 422,557	$ 153,463	$ 560,697
Liabilities			
Long-Term Debt - net	$ 95,553	$ 120,070	$ 544,562
Current Liabilities	44,332	24,404	20,537
Noncurrent Liabilities	15,215	-0-	208
Total Liabilities	155,100	144,474	565,307
Net Position	267,457	8,989	(4,610)
Total Liabilities and Net Position	$ 422,557	$ 153,463	$ 560,697

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
December 31, 2022
(thousands of dollars)

	SFA	NCGA	NCEA
Operating Revenues	$ 115,247	$ 28,472	$ 22,955
Operating Expenses	94,435	22,520	3,845
Operating Income	20,812	5,952	19,110
Non-Operating Revenues and Expenses			
Other Revenues	1,155	326	466
Interest Charges and Other	(3,126)	(6,610)	(16,820)
Change in Net Position Before Distributions and Contributions	18,841	(332)	2,756
Distribution to Member	(35,000)	(590)	(941)
Member Contributions	-0-	73	140
Change in Net Position	(16,159)	(849)	1,955
Net Position – Beginning of Year	283,616	9,838	(6,565)
Net Position – End of Year	$ 267,457	$ 8,989	$ (4,610)

CONDENSED STATEMENTS OF CASH FLOWS
December 31, 2022
(thousands of dollars)

	SFA	NCGA	NCEA
Net Cash Provided by Operating Activities	$ 47,786	$ 25,312	$ 22,955
Net Cash Used in Noncapital Financing Activities	(35,000)	(27,955)	(22,694)
Net Cash Used in Capital Financing Activities	(41,839)	-0-	-0-
Net Cash Provided by (Used in) Investing Activities	384	536	(8,579)
Net Decrease in Cash and Cash Equivalents	(28,669)	(2,107)	(8,318)
Cash and Cash Equivalents at the Beginning of the Year	69,630	14,823	10,877
Cash and Cash Equivalents at the End of the Year	$ 40,961	$ 12,716	$ 2,559

As described in Note 2, all of the activities and balances of the component units are blended into and reported as part of SMUD because of the extent of their operational and financial relationships with SMUD. Copies of SFA's, NCGA's and NCEA's annual financial reports may be obtained from their Executive Office at P.O. Box 15830, Sacramento, California 95852 or online at www.smud.org.

NOTE 7. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Equivalents and Investments. SMUD's investment policy is governed by the California State and Municipal Codes and its Indenture, which allow SMUD's investments to include: obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; LAIF; and money market funds. SMUD's investment policy includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities, and minimum credit ratings.

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To mitigate this risk, SMUD limits investments to those rated, at a minimum, "A-1" or equivalent for short-term investments and "A" or equivalent for medium-term corporate notes by a nationally recognized rating agency, with the exception of the Guaranteed Investment Contracts (GICs) held by NCEA. NCEA's GICs are rated at the credit rating of the commodity supplier, or, if not rated, the guarantor of the commodity supplier which is currently Goldman Sachs rated as "BBB+."

Custodial Credit Risk. This is the risk that, in the event of the failure of a depository financial institution or counterparty to a transaction, SMUD's deposits and investments may not be returned or SMUD will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of another party. SMUD does not have a deposit or investment policy for custodial credit risk.

As of December 31, 2023 and 2022, $7.2 million and $9.7 million in deposits were uninsured, respectively. The bank balance is also, per a depository pledge agreement between SMUD and SMUD's bank, collateralized at 136 percent and 128 percent of the collective funds on deposit (increased by the amount of accrued but uncredited interest, reduced by deposits covered by

Federal Deposit Insurance Corporation) at December 31, 2023 and 2022, respectively. SMUD had money market funds of $90.2 million and $185.7 million which were uninsured at December 31, 2023 and 2022, respectively. SMUD's investments and money market funds are held in SMUD's name.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. SMUD places no limit on the amounts invested in any one issuer for repurchase agreements, US Treasuries, federal agency, and state and municipal securities.

The following are the concentrations of risk greater than five percent in either year:

	December 31, 2023	December 31, 2022
Investment Type:		
Federal Home Loan Banks	37%	68%
Freddie Mac	14%	N/A
Commercial Paper – Microsoft Corporation	7%	N/A
Municipal Bond – State of Florida	N/A	5%
Federal Farm Credit Bank	8%	6%
Corporate Note – Toyota Motor Credit Corp	7%	5%
Corporate Note – Apple Inc	6%	N/A
Guaranteed Investment Contracts	5%	4%

Interest Rate Risk. This is the risk of loss due to the fair value of an investment declining due to interest rates rising. Though SMUD has restrictions as to the maturities of some of the investments, it does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. SMUD is exposed to interest rate risk on its interest rate swaps (see Note 9).

The following schedules indicate the credit and interest rate risk at December 31, 2023 and 2022. The credit ratings listed are from Standard & Poor's (S&P) or Moody's. (N/A is defined as not applicable to the rating disclosure requirements.)

At December 31, 2023, SMUD's cash, cash equivalents, and investments consist of the following:

Description	Credit Rating	Less Than 1	1-5	More Than 5	Total Fair Value
		Remaining Maturities (in years)			
		(thousands of dollars)			
Cash and Cash Equivalents:					
Cash	N/A	$ 35,263	$ -0-	$ -0-	$ 35,263
LAIF	Not Rated	40,027	-0-	-0-	40,027
Money Market Funds	AAAm	90,188	-0-	-0-	90,188
Collaterals and Escrows	N/A	87,658	-0-	-0-	87,658
Commercial Paper	AAA/A-1	38,088	-0-	-0-	38,088
Total cash and cash equivalents		291,224	-0-	-0-	291,224
Investments:					
Federal Home Loan Bank	AA+	87,460	46,337	-0-	133,797
Freddie Mac	AA+	19,970	29,034	-0-	49,004
Federal Farm Credit Bank	AA+	29,672	-0-	-0-	29,672
U.S. Treasury Obligations	Aaa	185,993	149,030	-0-	335,023
Corporate Notes	AAA/AA+/AA/ A+	-0-	63,987	-0-	63,987
Municipal Bonds	AA+/AA/AA-	14,434	11,494	-0-	25,928
Guaranteed Investment Contracts	BBB+	18,489	-0-	-0-	18,489
Total investments		356,018	299,882	-0-	655,900
Total cash, cash equivalents, and investments		$ 647,242	$ 299,882	$ -0-	$ 947,124

At December 31, 2022, SMUD's cash, cash equivalents, and investments consist of the following:

Description	Credit Rating	Less Than 1	1-5	More Than 5	Total Fair Value
		Remaining Maturities (in years)			
		(thousands of dollars)			
Cash and Cash Equivalents:					
Cash	N/A	$ 43,708	$ -0-	$ -0-	$ 43,708
LAIF	Not Rated	85,502	-0-	-0-	85,502
Money Market Funds	AAAm	185,709	-0-	-0-	185,709
Collaterals and Escrows	N/A	62,342	-0-	-0-	62,342
Commercial Paper	A-1	12,577	-0-	-0-	12,577
Total cash and cash equivalents		389,838	-0-	-0-	389,838
Investments:					
Federal Home Loan Bank	AA+	218,532	123,332	-0-	341,864
Federal Farm Credit Bank	AA+	-0-	29,377	-0-	29,377
U.S. Treasury Obligations	Aaa	39,569	24,272	-0-	63,841
Corporate Notes	AAA/AA+/A-/A+/A	-0-	48,490	-0-	48,490
Municipal Bonds	AAA/AA+/AA-	24,582	25,327	-0-	49,909
Guaranteed Investment Contracts	BBB+	-0-	19,350	-0-	19,350
Total investments		282,683	270,148	-0-	552,831
Total cash, cash equivalents, and investments		$ 672,521	$ 270,148	$ -0-	$ 942,669

SMUD's cash, cash equivalents, and investments are classified in the Statements of Net Position as follows:

	December 31,	
	2023	2022
	(thousands of dollars)	
Cash, Cash Equivalents, and Investments:		
Revenue bond reserve and debt service funds:		
Revenue bond reserve fund	$ 1,027	$ 2,004
Debt service fund	71,371	81,263
Component unit bond reserve and debt service funds	43,281	36,118
Total revenue bond reserve and debt service funds	115,679	119,385
Nuclear decommissioning trust fund	9,418	8,980
Rate stabilization fund	212,131	156,016
Component unit other restricted funds	10,097	3,015
Escrow fund	1,110	12,484
Other restricted funds	28,074	14,925
Unrestricted funds	570,615	627,864
Total cash, cash equivalents, and investments	$ 947,124	$ 942,669

NOTE 8. REGULATORY DEFERRALS

The Board has taken various regulatory actions that result in differences between the recognition of revenues and expenses for ratemaking purposes and their treatment under generally accepted accounting principles for non-regulated entities (see Note 2). These actions result in regulatory assets and deferred inflow of resources, which are summarized in the tables below. Changes to these balances, and their inclusion in rates, occur only at the direction of the Board.

Regulatory Assets (Costs)

Decommissioning. SMUD's regulatory asset relating to the unfunded portion of its decommissioning liability for the Rancho Seco nuclear power plant is being collected through interest earnings on the Trust Fund. Nuclear fuel storage costs and non-radiological decommissioning costs have been collected in rates since 2009.

Derivative Financial Instruments. SMUD's regulatory costs and/or credits relating to investment derivative instruments are intended to defer the net difference between the fair value of derivative instruments and their cost basis, if any. Investment derivative instruments are reflected in rates at contract cost and as such, the balance is charged or credited into rates as the related asset or deferred inflow of resource is utilized (see Note 9).

Debt Issuance Costs. SMUD established a regulatory asset for costs incurred in connection with the issuance of debt obligations for the component units, principally underwriter fees and legal costs. The regulatory asset is amortized over the life of the bonds for the component units' debt issuance costs. Debt issuance costs after December 31, 2013 are expensed.

Pension. SMUD established a regulatory asset for pension costs related to the implementation of GASB No. 68 which requires SMUD to record a net pension asset or a net pension liability. The regulatory asset is being amortized over a period of 25 years starting in 2018.

OPEB. SMUD established a regulatory asset for OPEB costs related to the implementation of GASB No. 75 which requires SMUD to record a net OPEB asset or net OPEB liability. The regulatory asset will be amortized over a period of 25 years starting in 2020.

Pension/OPEB. In 2022, SMUD established regulatory accounting for pension and OPEB regulatory costs and/or credits to defer recognition of certain expenses related to the amortization of the pension and OPEB deferred outflows and deferred inflows of resources to match such costs in the appropriate accounting period for rate-making purposes.

SMUD's total regulatory costs for future recovery are presented below:

	December 31,	
	2023	2022
	(thousands of dollars)	
Regulatory Costs:		
Decommissioning	$ 107,977	$ 83,882
Derivative financial instruments	1,160	1,095
Debt issuance costs	1,045	1,255
Pension – implementation costs	323,517	340,544
Pension – deferred outflows	174,576	86,574
OPEB – implementation costs	268,237	281,010
OPEB – deferred outflows	39,612	19,198
Total regulatory costs	916,124	813,558
Less: regulatory costs to be recovered within one year	(63,415)	(49,312)
Total regulatory costs for future recovery - net	$ 852,709	$ 764,246

Regulatory Credits

CIAC. In 2023 and 2022, SMUD added CIAC totaling $22.0 million and $23.9 million, respectively, to Regulatory Credits in the Statements of Net Position and recorded $15.3 million and $14.8 million of amortization, respectively, to Other income (expense) - net in the Statements of Revenues, Expenses and Changes in Net Position. SMUD's regulatory credit relating to CIAC is intended to offset the revenue and expense associated with this accounting treatment. Thus, this regulatory credit is being amortized into rates over the depreciable lives of the related assets in order to offset the earnings effect of these non-exchange transactions (see Note 2).

Rate Stabilization. SMUD's regulatory credit relating to Rate Stabilization is intended to defer the need for future rate increases when costs exceed existing rates. At the direction of the Board, amounts may be either deferred into this fund (which reduces revenues), or amounts are recognized out of this fund (which increases revenues). The Board authorizes Rate Stabilization Fund (RSF) deferrals on an event driven basis.

In 2023, $1.3 million was deferred from revenue to the RSF as a result of higher than budgeted energy deliveries from the Western Area Power Administration. In 2022, $30.0 million was recognized as revenue from the RSF as a result of lower than budgeted energy deliveries from the Western Area Power Administration.

SMUD participates in the carbon allowance auctions under AB-32, the Global Warming Solutions Act (see Note 2). The Board authorized deferral of AB-32 auction proceeds to match the revenue recognition with the related expenses. The difference between the auction proceeds received and the funds spent on AB-32 programs are deferred into future years. In 2023, the Board authorized transferring the difference out of the RSF and $1.5 million was recognized from the RSF to revenue. In 2022, the Board authorized deferring the difference into the RSF and $23.0 million was deferred from revenue to the RSF.

SMUD sells LCFS credits under AB-32, the Global Warming Solutions Act (see Note 2). In 2019, the Board authorized deferral of LCFS credit sales to match the revenue recognition with the related expenses. The difference between the LCFS credit sales and the funds spent on LCFS programs are deferred into future years. In 2023, the Board authorized transferring the difference out of the RSF and $2.0 million was recognized from the RSF to revenue. In 2022, the Board authorized deferring the difference and $0.7 million was deferred from revenue to the RSF.

In 2022 and 2021, the Board authorized SMUD to defer $35.0 million each year from operating revenue to the RSF to offset future one-time specific expenses which may have a significant financial impact on SMUD. Also in 2022, the Board authorized the use of $41.0 million of deferred operating revenue to offset future Community Impact Plan expenditures from 2022 through 2025. In 2023 and 2022, $7.1 million and $1.5 million was recognized from the RSF to revenue, respectively.

Hydro Rate Stabilization. The Hydro Rate Stabilization Fund (HRSF) was established through the Hydro Generation Adjustment (HGA) mechanism, which helps manage volatility in energy costs. The HGA mechanism applies a formula based on precipitation and wholesale electricity prices to calculate needed withdrawals from or deposits to the HRSF. The maximum balance of the HRSF is 6 percent of the budgeted retail revenue and the maximum annual transfer in or out of the HRSF is 4 percent of budgeted retail revenue. If the HRSF is depleted, SMUD will apply a hydro rate surcharge to customers' bills up to 4 percent. When the HRSF reaches the 6 percent cap, the Board may authorize a hydro rebate to customers or direct the funds for another purpose. In 2023, $65.4 million was transferred from revenue to the HRSF as a result of high precipitation. In 2022, $25.1 million, was recognized from the HRSF to revenue as a result of low precipitation.

Senate Bill 1. SMUD implemented a per kilowatt hour solar surcharge, effective January 1, 2008 in order to fund investments in solar required by Senate Bill 1 (SB-1). The difference between the surcharge revenues received and the funds spent on solar initiatives will be recognized or deferred into future years. SMUD has spent less than it collected in SB-1 revenues and has recorded a regulatory credit. Collection of the solar surcharge ended in December 2017 when total collections reached $130.0 million. In 2023 and 2022, $0.9 million and $0.04 million was spent for SB-1 programs, respectively.

Sustainable Communities. In 2023, the Board authorized a $5 million restricted donation to be deferred to offset future expenses for sustainable communities. As of December 31, 2023, none of the $5 million had been recognized.

Grant Revenues. In 2009, SMUD was awarded several large grants under the American Recovery and Reinvestment Act, which provided significant reimbursements for capital expenditures. In 2010, the Board authorized the deferral of all grant revenue for capital expenditures as regulatory liabilities. This regulatory credit is deferred to match the depreciable lives of the related capital assets in order to offset the earnings effect of these non-exchange transactions (see Note 2).

TANC Operations Costs. SMUD's cash payments to TANC exceeded TANC's accrual-based costs and SMUD has recorded a regulatory credit.

SMUD's total regulatory credits for future revenue recognition are presented below:

	December 31,	
	2023	2022
	(thousands of dollars)	
Regulatory Credits:		
CIAC	$ 304,723	$ 298,026
Derivative Financial Instruments	-0-	2,767
Rate stabilization	115,752	125,032
Hydro rate stabilization	96,379	30,984
Senate Bill 1	2,553	3,430
Sustainable Communities	5,000	-0-
Pension – deferred inflows	124,797	68,082
OPEB – deferred inflows	54,084	32,983
Grant revenues	24,106	27,920
TANC operations costs	30,912	31,149
Total regulatory credits	$ 758,307	$ 620,373

NOTE 9. DERIVATIVE FINANCIAL INSTRUMENTS

To help provide stable electric rates and to meet the forecasted power needs of its retail customers reliably, SMUD enters into various physical and financial fixed price purchase contracts for electricity and natural gas. These fixed price contracts and swap agreements are intended to hedge the exposure due to highly volatile commodity prices. SMUD also enters into interest rate swap agreements to reduce interest rate risk. SMUD utilizes these derivative financial instruments to mitigate its exposure to certain market risks associated with ongoing operations. SMUD has established policies set by an executive committee for the use of derivative financial instruments for trading purposes. These contracts are evaluated pursuant to SGAS No. 53, ***"Accounting and Financial Reporting for Derivative Instruments,"*** (GASB No. 53) to determine whether they meet the definition of derivative instruments, and if so, whether they effectively hedge the expected cash flows associated with interest rate and commodity price risk exposures.

SMUD applies hedge accounting for derivative instruments that are deemed effective hedges. Under hedge accounting, the increase or (decrease) in the fair value of a hedge is reported as a Deferred Inflow or Deferred Outflow in the Statements of Net Position. Accumulated gains and losses from derivative instruments that do not meet the effectiveness tests are deferred for ratemaking purposes as regulatory assets on the Statements of Net Position (see Note 8).

SMUD executed numerous new gas and power related purchase agreements, some of which are recorded as hedging or investment derivative instruments and are therefore included in the following table. All hedging or investment derivative instruments are recorded at fair value in the Statements of Net Position (see Note 12).

The following is a summary of the fair value, changes in fair value and notional amounts of derivative instruments, grouped by trading strategy, outstanding at December 31, 2023 (amounts in thousands; gains shown as positive amounts, losses as negative):

	2023 Changes in Fair Value		Fair Value at December 31, 2023		
	Current Amount	Noncurrent Amount	Current Amount	Noncurrent Amount	Notional
Cash Flow Hedges:					
(thousands of dollars)					
(thousands of Dekatherms (Dth))					
Asset: Investment Derivative Instruments					
Gas – Commodity	$ (3,110)	$ (329)	$ -0-	$ -0-	
Electric – Commodity	-0-	-0-	-0-	-0-	
Gas – Storage	(87)	-0-	-0-	-0-	
Gas – Transportation	(2,673)	-0-	-0-	-0-	
Total Investment Derivative Instruments	$ (5,870)	$ (329)	$ -0-	$ -0-	
Asset: Hedging Derivative Instruments					
Gas – Commodity	$ (91,277)	$ (42,333)	$ 4,109	$ 9,696	34,055 Dth
Electric – Commodity	1,091	-0-	1,091	-0-	236 Dth
Gas – Storage	1,441	-0-	1,943	-0-	910 Dth
Gas – Transportation	(52,363)	-0-	661	-0-	450 Dth
Interest Rate	949	(8,497)	3,386	25,149	$151,590
Total Hedging Derivative Instruments	$ (140,159)	$ (50,830)	$ 11,190	$ 34,845	
Liability: Investment Derivative Instruments					
Gas – Commodity	$ 916	$ 70	$ 1,160	$ -0-	2,615 Dth
Electric – Commodity	-0-	-0-	-0-	-0-	
Gas – Storage	90	-0-	-0-	-0-	
Gas – Transportation	-0-	-0-	-0-	-0-	
Interest Rate	937	1,354	-0-	-0-	$0
Total Investment Derivative Instruments	$ 1,943	$ 1,424	$ 1,160	$ -0-	
Liability: Hedging Derivative Instruments					
Gas – Commodity	$ (37,376)	$ (15,501)	$ 50,235	$ 22,303	82,778 Dth
Electric – Commodity	(3,749)	-0-	3,749	-0-	253 Dth
Gas – Storage	8,255	-0-	-0-	-0-	
Gas – Transportation	(8,570)	-0-	9,092	-0-	8,183 Dth
Interest Rate	-0-	-0-	-0-	-0-	$0
Total Hedging Derivative Instruments	$ (41,440)	$ (15,501)	$ 63,076	$ 22,303	

The following is a summary of the fair value, changes in fair value and notional amounts of derivative instruments, grouped by trading strategy, outstanding at December 31, 2022 (amounts in thousands; gains shown as positive amounts, losses as negative):

	2022 Changes in Fair Value		Fair Value at December 31, 2022		
	Current Amount	Noncurrent Amount	Current Amount	Noncurrent Amount	Notional
Cash Flow Hedges:					
(thousands of dollars)					
(thousands of Dekatherms (Dth))					
Asset: Investment Derivative Instruments					
Gas – Commodity	$ 1,936	$ (474)	$ 3,110	$ 329	688 Dth
Gas – Storage	87	-0-	87	-0-	77 Dth
Gas – Transportation	2,493	-0-	2,673	-0-	155 Dth
Total Investment Derivative Instruments	$ 4,516	$ (474)	$ 5,870	$ 329	
Asset: Hedging Derivative Instruments					
Gas – Commodity	$ 64,093	$ 19,348	$ 95,386	$ 52,029	57,997 Dth
Gas – Storage	11	-0-	502	-0-	303 Dth
Gas – Transportation	49,472	-0-	53,024	-0-	10,102 Dth
Interest Rate	1,153	28,574	2,437	33,646	$245,865
Total Hedging Derivative Instruments	$ 114,729	$ 47,922	$ 151,349	$ 85,675	
Liability: Investment Derivative Instruments					
Gas – Commodity	$ (2,071)	$ 169	$ 2,076	$ 70	927 Dth
Gas – Storage	(90)	-0-	90	-0-	78 Dth
Gas – Transportation	-0-	-0-	-0-	-0-	
Interest Rate	1,815	3,193	937	1,354	$68,450
Total Investment Derivative Instruments	$ (346)	$ 3,362	$ 3,103	$ 1,424	
Liability: Hedging Derivative Instruments					
Gas – Commodity	$ 2,493	$ (5,314)	$ 12,859	$ 6,802	30,655 Dth
Gas – Storage	(7,637)	-0-	8,255	-0-	302 Dth
Gas – Transportation	1,040	-0-	522	-0-	4,188 Dth
Interest Rate	700	2,880	-0-	-0-	$0
Total Hedging Derivative Instruments	$ (3,404)	$ (2,434)	$ 21,636	$ 6,802	

Objectives and Terms of Hedging Derivative Instruments. The objectives and terms of SMUD's hedging derivative instruments that were outstanding at December 31, 2023 are summarized in the table below. The table is aggregated by the trading strategy. Credit ratings of SMUD's counterparties can be found in the table under Credit Risk. Details of SMUD's interest rate derivative instruments can be found in Note 10.

	Notional Amount Dth	Beginning Date	Ending Date	Minimum Price/Dth	Maximum Price/Dth
Gas – Commodity	119,448	01/01/24	12/31/26	$ 1.32	$ 6.70
Electric – Commodity	489	01/01/24	09/30/24	38.75	161.00
Gas – Storage	910	01/01/24	02/29/24	3.70	5.65
Gas – Transportation	8,633	01/01/24	09/30/24	(.30)	4.20

The objectives and terms of SMUD's hedging derivative instruments that were outstanding at December 31, 2022 are summarized in the table below. The table is aggregated by the trading strategy.

	Notional Amount Dth	Beginning Date	Ending Date	Minimum Price/Dth	Maximum Price/Dth
Gas – Commodity	90,267	01/01/23	12/31/25	$ 1.18	$ 50.38
Gas – Storage	760	01/01/23	02/28/23	1.19	20.50
Gas – Transportation	14,445	01/01/23	12/31/23	(2.86)	16.00

SMUD hedges its interest rate exposure with swaps. As of December 31, 2023, SMUD had two interest rate swaps outstanding. One swap is used to convert some of the interest expense associated with the 1997 Series K fixed rate bonds to a variable rate interest expense (see note 10). The other swap is to convert the interest expense associated with the 2023 Series C variable rate bonds to a fixed interest expense (see note 10).

SMUD hedges its power and natural gas costs so that it can offer predictable rates to its retail electric customers and support its credit rating. SMUD maintains a risk management program to control the price, credit, and operational risks arising from its power and natural gas market activities. Under the program, authorized SMUD employees assemble a portfolio of swaps, futures, and forward contracts over time with the goal of making SMUD's purchased power and fuel budget more predictable.

The hedged risks include those related to interest rate and commodity price fluctuations associated with certain forecasted transactions, including interest rate risk on long-term debt, and forward purchases of gas and electricity to meet load.

Derivative Instruments Not Designated as Hedging Derivative Instruments

Gas and Electric Contracts. SMUD utilizes certain gas swap and electric swap agreements under GASB No. 53 not designated as hedging derivative instruments to mitigate exposure to changes in the market price of natural gas and electricity. The fair value of each agreement, excluding the actual settlements to be paid or received as of the end of the period, is recorded in the Statements of Net Position in either Current or Noncurrent Assets, Investment Derivative Instruments if in an asset position or Current or Noncurrent Liabilities, Investment Derivative Instruments if in a liability position. An offsetting amount is included in Current or Noncurrent Regulatory Costs or Regulatory Credits for future recovery in the Statements of Net Position. The actual settlement payable is recorded in Accounts Payable in the Statements of Net Position, and the actual settlement receivable is recorded in Receivables - net: Wholesale and Other in the Statements of Net Position. The payments and receipts of the actual settlement are recorded as Investment Expense in the Statements of Revenues, Expenses and Changes in Net Position.

Interest Rate Contracts. SMUD utilized certain interest rate swap agreements not designated as hedging derivative instruments under GASB No. 53 to mitigate exposure to fluctuations in interest rates. The fair value of each agreement, excluding the balance of interest to be paid or received as of the end of the period, is recorded in the Statements of Net Position in either Current or Noncurrent Assets, Investment Derivative Instruments if in an asset position or Current or Noncurrent Liabilities, Investment Derivative Instruments if in a liability position. An offsetting amount is included in Current or Noncurrent Regulatory Costs or Deferred Outflows or Inflows of Resources in the Statements of Net Position. The interest receivable is recorded in Receivables - net: Wholesale and Other in the Statements of Net Position and the accrued interest is recorded in Interest Payable in the Statements of Net Position. The payments or receipts of the actual settlement are recorded as Investment Expense in the Statements of Revenues, Expenses and Changes in Net Position. At December 31 2023, SMUD does not possess any outstanding ineffective interest rate swaps.

The Board has deferred recognition of the effects of reporting the fair value of Investment Derivative Instruments for ratemaking purposes and maintains regulatory accounts to defer the accounting impact of these accounting adjustments (see Note 8). Fair values may have changed significantly since December 31, 2023.

Basis Risk. This is the risk that arises when a hedged item and a derivative instrument that is attempting to hedge that item are based on different indices. SMUD is exposed to basis risk when it hedges its natural gas purchases with NYMEX futures contracts, which settle based on the price at Henry Hub, Louisiana. SMUD enters into basis swaps to hedge against this risk, which converts the Henry Hub price to the various locations where SMUD purchases natural gas. SMUD is also exposed to basis risk with the Barclays interest rate swap which is based on 1 month SOFR whereas the 2023 Series C bonds are a tax-exempt variable-rate demand note with a daily rate reset.

Termination Risk. This is the risk that a derivative instrument will terminate prior to its scheduled maturity due to a contractual event. Contractual events include bankruptcy, illegality, default, credit events upon merger, and other events. One aspect of termination risk is that SMUD would lose the hedging benefit of a derivative instrument that becomes subject to a termination event. Another aspect of termination risk is that, if at the time of termination, the mark to market value of the derivative instrument was a liability to SMUD, SMUD could be required to pay that amount to the counterparty. Termination risk is associated with all of SMUD’s derivative instruments up to the fair value amounts.

Counterparty Credit Risk. This is the risk of loss resulting when the counterparty is unable or unwilling to fulfill its present and future financial obligations. SMUD can be exposed to significant counterparty credit risk on all derivative instruments. SMUD seeks to minimize credit risk by transacting with creditworthy counterparties. SMUD has established and maintained strict counterparty credit guidelines. SMUD continuously monitors counterparty credit risk and utilizes numerous counterparties to diversify the exposure to potential defaults. Under certain conditions as outlined in SMUD’s credit risk management policy, SMUD may require additional credit support under its trading agreements.

Some of SMUD’s derivative instrument master agreements contain credit contingent provisions that enable SMUD to maintain unsecured credit as a result of positive investment quality credit ratings from each of the major credit rating agencies. If SMUD’s credit rating was to be downgraded, there could be a step-down in SMUD’s unsecured credit thresholds, and SMUD’s counterparties would require additional collateral. If SMUD’s credit rating was to decrease below investment grade, SMUD’s unsecured credit thresholds would be reduced to zero, and counterparties to the derivative instruments would demand ongoing full collateralization on derivative instruments in net out of the money positions (see Note 2).

The counterparties' credit ratings at December 31, 2023 and 2022 are shown in the table below. The credit ratings listed are from S&P or Moody's.

	December 31,	
	2023	2022
Counterparty Gas Contracts:		
Bank of Montreal	A+	A+
Barclays Bank PLC	A+	A
Citigroup Inc.	BBB+	BBB+
EDF Trading Group	Baa3	Baa2
J.P. Morgan Ventures Energy Corp.	A-	A-
Merrill Lynch	A1	A2
Mitsui Bussan	A	A
Morgan Stanley Capital Group, Inc.	A-	BBB+
Nextera	A-	A-
Royal Bank of Canada	AA-	AA-
Shell Trading Market Risk	A	A
Interest Rate Contracts:		
Barclays Bank PLC	A	A
Goldman Sachs Capital Markets, L.P. (J. Aron)	BBB+	BBB+
Morgan Stanley Capital Services, Inc.	A+	A+

NOTE 10. LONG-TERM DEBT

SMUD's total long-term debt is presented below:

	December 31,	
	2023	2022
	(thousands of dollars)	
Electric revenue bonds, 2.13%-6.32%, 2024-2053	$ 1,783,965	$ 1,841,715
Subordinated electric revenue bonds, 0.7%-5.0%, 2024-2049	332,020	200,000
Total electric revenue bonds	2,115,985	2,041,715
Component unit project revenue bonds, 5.0%, 2024-2030	87,890	89,735
Gas and Commodity supply revenue bonds, index rates and 4.0%-5.0%, 2024-2049	657,365	682,550
Total long-term debt outstanding	2,861,240	2,814,000
Bond premiums - net	197,381	210,039
Total long-term debt	3,058,621	3,024,039
Less: amounts due within one year	(137,740)	(138,195)
Total long-term debt - net	$ 2,920,881	$ 2,885,844

The summarized activity of SMUD's long-term debt during 2023 is presented below:

	January 1, 2023	Additions	Defeasance Payments or Amortization	December 31, 2023	Amounts Due Within One Year
			(thousands of dollars)		
Electric revenue bonds	$ 1,841,715	$ 261,115	$ (318,865)	$ 1,783,965	$ 84,590
Subordinate electric revenue bonds	200,000	232,020	(100,000)	332,020	-0-
Component unit project revenue bonds	89,735	-0-	(1,845)	87,890	13,115
Gas and Commodity supply revenue bonds	682,550	-0-	(25,185)	657,365	40,035
Total	2,814,000	493,135	(445,895)	2,861,240	$ 137,740
Unamortized premiums - net	210,039	44,471	(57,129)	197,381	
Total long-term debt	$ 3,024,039	$ 537,606	$ (503,024)	$ 3,058,621	

The summarized activity of SMUD's long-term debt during 2022 is presented below:

	January 1, 2022	Additions	Defeasance Payments or Amortization	December 31, 2022	Amounts Due Within One Year
			(thousands of dollars)		
Electric revenue bonds	$ 1,966,925	$ 132,725	$ (257,935)	$ 1,841,715	$ 111,165
Subordinate electric revenue bonds	200,000	-0-	-0-	200,000	-0-
Component unit project revenue bonds	101,185	-0-	(11,450)	89,735	1,845
Gas and Commodity supply revenue bonds	703,100	-0-	(20,550)	682,550	25,185
Total	2,971,210	132,725	(289,935)	2,814,000	$ 138,195
Unamortized premiums - net	242,647	17,986	(50,594)	210,039	
Total long-term debt	$ 3,213,857	$ 150,711	$ (340,529)	$ 3,024,039	

At December 31, 2023 scheduled annual principal maturities and interest are as follows:

	Principal	Interest	Total
		(thousands of dollars)	
2024	$ 137,740	$ 140,688	$ 278,428
2025	149,910	131,242	281,152
2026	156,325	124,164	280,489
2027	164,930	116,697	281,627
2028	137,525	109,244	246,769
2029 – 2033 (combined)	495,365	456,201	951,566
2034 – 2038 (combined)	572,765	306,318	879,083
2039 – 2043 (combined)	433,490	197,452	630,942
2044 – 2048 (combined)	430,735	104,819	535,554
2049 – 2051 (combined)	182,455	18,079	200,534
Total requirements	$ 2,861,240	$ 1,704,905	$ 4,566,145

Interest in the preceding table includes interest requirements for fixed rate debt at their stated rates, variable rate debt covered by interest rate swaps at their fixed rate, and variable rate debt not covered by interest rate swaps using the debt interest rate of 70.0 percent of 1 month SOFR plus a fixed fee. The SOFR rate is based on the rate in effect at December 31, 2023 for the issues. The 2019 Series B and 2023 Series D Put Bonds assume a 3.0 percent fixed rate coupon after mandatory remarketing.

The 2018 NCEA Put Bonds assume a 4.0 percent fixed rate coupon after mandatory remarketing. Principal in the preceding table includes known principal payments and the amortization schedule for mandatory remarketing bonds.

The following bonds have been issued and are outstanding at December 31, 2023:

Date	Issue	Final Maturity	Interest Rate	Original Amount	Outstanding Amount
				(thousands of dollars)	
Electric Revenue Bonds					
06/15/1997	1997 Series K Bonds	07/01/2024	5.25%	$ 131,030	$ 19,570
05/15/2009	2009 Series V Bonds	05/15/2036	6.322%	200,000	200,000
07/29/2010	2010 Series W Bonds	05/15/2036	6.156%	250,000	250,000
07/14/2016	2016 Series D Bonds	08/15/2028	2.125% - 5.0%	149,890	84,680
12/14/2017	2017 Series E Bonds	08/15/2028	5.0%	202,500	89,415
07/12/2018	2018 Series F Bonds	08/15/2028	5.0%	165,515	76,580
07/25/2019	2019 Series G Bonds	08/15/2041	2.375% - 5.0%	191,875	191,875
05/07/2020	2020 Series H Bonds	08/15/2050	4.0% - 5.0%	400,000	400,000
07/14/2021	2021 Series I Bonds	08/15/2028	5.0%	106,875	91,525
06/23/2022	2022 Series J Bonds	08/15/2033	5.0%	132,725	119,205
06/22/2023	2023 Series K Bonds	08/15/2053	5.0%	200,000	200,000
06/22/2023	2023 Series L Bonds	08/15/2033	5.0%	61,115	61,115
Subordinated Electric Revenue Bonds					
07/25/2019	2019 Series B Bonds	08/15/2049	5.0%	100,000	100,000
06/23/2023	2023 Series C Bonds	08/15/2041	0.7%	132,020	132,020
06/22/2023	2023 Series D Bonds	08/15/2048	5.0%	100,000	100,000
JPA Revenue Bonds					
06/03/2015	2015 SFA Bonds	07/01/2030	5.0%	193,335	87,890
05/31/2007	2007B NCGA#1 Bonds	07/01/2027	Index Rate	668,470	120,070
12/19/2018	2018 NCEA Bonds	07/01/2049	4.0% - 5.0%	539,615	537,295

2023 Bond Issuances. In June 2023, SMUD issued $61.1 million of 2023 Series L Revenue Refunding Bonds. The purpose of this transaction was to refund the fixed rate debt associated with 2013 Series B bonds. Proceeds from the 2023 Series L bonds combined with swap termination receipt defeased all the outstanding Series 2013 Series B bonds. A total of $75.7 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-Term Debt - net in the Statements of Net Position. The refunding resulted in the recognition of a deferred accounting gain of $5.5 million, which is being amortized over the life of the refunding issue. The 2023 Series L Refunding bonds reduced future aggregate debt service payments by $18.1 million and resulted in a total economic gain of $14.3 million, which is the difference between the present value of the old and new debt service payments.

In June 2023, SMUD issued $132.0 million of 2023 Series C Subordinate Electric Revenue Refunding Bonds. The purpose of this transaction was to refund the fixed rate debt associated with 2013 Series A bonds. Proceeds from the 2023 Series C bonds defeased all the outstanding Series 2013 Series A bonds. A total of $132.0 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-Term Debt - net in the Statements of Net Position. The refunding resulted in the recognition of a deferred accounting gain of $9.9 million, which is being amortized over the life of the refunding issue. As part of the issuance of 2023 Series C bonds, SMUD executed a Standby Bond Purchase Agreement for $132.0 million with TD Bank. The 2023 Series C Refunding bonds are projected to reduce future aggregate debt service payments by $79.9 million and resulted in a projected total economic gain of $55.5 million, which is the difference between the present value of the old and new debt service payments.

In June 2023, SMUD issued $100 million of 2023 Series D Subordinate Electric Revenue Refunding Bonds. The purpose of this transaction was to refund the fixed rate debt associated with 2019 Series A bonds and reimburse SMUD for capital projects in 2022. Proceeds from the 2023 Series D defeased all the outstanding Series 2019 Series A bonds. A total of $100 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-Term Debt - net in the Statements of Net Position. The 2023 Series D Subordinate Bonds have a mandatory put date of October 15, 2030. The refunding resulted in the recognition of a deferred accounting gain of $0.6 million, which is being amortized over the life of the refunding issue.

In June 2023, SMUD issued $200 million of 2023 Series K Revenue Bonds. The 2023 Series K Bonds have a fixed coupon rate 5.0 percent and amortize from 2037 to 2053. Proceeds from 2023 Series K Bonds were used to refund $200 million of outstanding commercial paper.

2022 Bond Issuances. In June 2022, SMUD issued $132.7 million of 2022 Series J Revenue Refunding Bonds. The purpose of this transaction was to refund the fixed rate debt associated with 2012 Series Y bonds. Proceeds from the 2022 Series J bonds combined with swap termination receipt defeased all the outstanding Series 2012 Series Y bonds. A total of $157.8 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-Term Debt - net in the Statements of Net Position. The refunding resulted in the recognition of a deferred accounting gain of $6.7 million, which is being amortized over the life of the refunding issue. The 2022 refunding reduced future aggregate debt service payments by $30.9 million and resulted in a total economic gain of $28.6 million, which is the difference between the present value of the old and new debt service payments.

Terms of Debt Indentures. Debt indentures contain a provision that in an event of default, the holders of the majority of the debt outstanding are entitled to declare the outstanding amounts due immediately.

Interest Rate Swap Agreements. A summary of SMUD's two interest rate swap agreements as of December 31, 2023 are as follows. The credit ratings listed are from S&P.

Notional Amount (thousands)	SMUD Pays	Fixed Rate	Floating Rate	Termination Date	Counterparty Credit Rating
$ 19,570	Variable	5.17%	SIFMA	07/01/24	BBB+
132,020	Fixed	0.7179%	70% of 1M SOFR	08/15/41	A

A summary of SMUD's four interest rate swap agreements as of December 31, 2022 are as follows:

Notional Amount (thousands)	SMUD Pays	Fixed Rate	Floating Rate	Termination Date	Counterparty Credit Rating
$ 38,165	Variable	5.166%	SIFMA	07/01/24	BBB+
68,450	Fixed	2.894%	63% of 1 M LIBOR	08/15/28	A+
132,020	Fixed	0.7179%	70% of 1M LIBOR	08/15/41	A
75,680	Fixed	0.5543%	70% of 1M LIBOR	08/15/33	A

At December 31, 2023 and 2022, SMUD had a fixed-to-variable interest rate swap agreement with a notional amount of $19.6 million and $38.2 million, respectively, which is equivalent to the principal amount of SMUD's 1997 Series K Electric Revenue Bonds. Under this swap agreement, SMUD pays a variable rate equivalent to the Securities Industry and Financial

Markets Association (SIFMA) Index (3.87 percent and 3.66 percent at December 31, 2023 and 2022, respectively) and receives fixed rate payments of 5.17 percent as of December 31, 2023 and 5.166 percent as of December 31, 2022. In connection with the swap agreement, SMUD has a put option agreement, also with a notional amount of $19.6 million and $38.2 million as of December 31, 2023 and 2022, respectively, which gives the counterparty the right to sell to SMUD, at par, either the 1997 Series K Bonds, or a portfolio of securities sufficient to defease the 1997 Series K Bonds. SMUD receives fixed rate payments of 0.01 percent as of December 31, 2023 and December 31, 2022, in connection with the put option agreement. The exercise of the option terminates the swap at no cost to SMUD. The term of both the swap and the put is equal to the maturity of the 1997 Series K Bonds.

In September 2023, SMUD terminated the variable-to-fixed interest rate swap agreement with Morgan Stanley Capital Services at fair value. The termination of the swap resulted in SMUD receiving a one-time payment for $0.05 million.

In June 2020, SMUD executed a variable-to-fixed interest rate swap agreement with Barclays Bank PLC with a notional amount of $132.0 million for the purpose of fixing the effective interest rate associated with the potential refunding of the 2013 Series A Bonds. The Barclays 2013 Series A swap became effective in July 2023. Also, in June 2020, SMUD executed a variable-to-fixed interest rate swap agreement with Barclays Bank PLC with a notional amount of $75.7 million for the purpose of fixing the effective interest rate associated with the potential refunding of the 2013 Series B Bonds. The Barclays 2013 Series B swap was terminated as part of the 2023 Series L bond refunding. The notional values of the one remaining swap is amortized over the life of their respective swap agreements. SMUD can terminate the swap agreement at any time, with payment or receipt of the fair market value of the swaps as of the date of termination. The obligations of SMUD under the swap agreements are not secured by a pledge of revenues of SMUD's electric system or any other property of SMUD.

Component Unit Interest Rate Swap Agreements. NCGA had one interest rate swap agreement as of December 31, 2023, which is summarized as follows. The credit ratings listed are from S&P.

Notional Amount (thousands)	NCGA Pays	Fixed Rate	Floating Rate	Termination Date	Credit Support Provider Credit Rating
$ 120,070	Fixed	4.304%	67% of 3M SOFR + .895%	07/01/27	A+

NCGA had one interest rate swap agreement as of December 31, 2022, which is summarized as follows. The credit ratings listed are from S&P.

Notional Amount (thousands)	NCGA Pays	Fixed Rate	Floating Rate	Termination Date	Credit Support Provider Credit Rating
$ 142,935	Fixed	4.304%	67% of LIBOR + .72%	07/01/27	A+

At December 31, 2023 and 2022, NCGA had a variable-to-fixed interest rate swap agreement with a counterparty for the purpose of fixing the effective interest rate associated with the 2007 Series B Bonds. Due to LIBOR phaseout, NCGA amended the swap agreement from LIBOR to SOFR beginning October 1, 2023. NCGA pays the counterparty a fixed rate on the notional amount and receives a floating rate equal to 67 percent of the three-month SOFR (5.35 percent at December 31, 2023 and LIBOR rate of 0.10 percent at December 31, 2022) plus an interest rate spread, as specified in the swap agreement. The total notional amount of the swap at December 31, 2023 and 2022 was $120.1 million and $142.9 million, respectively, and was equivalent to the outstanding principal balance on the NCGA Bonds. The swap is amortized over the life of the swap agreement in a manner corresponding to the principal repayment schedule of the NCGA Bonds. Early termination of the swap would occur upon termination of the prepaid agreement for any reason. Upon early termination, the swap would have no value to either party.

Subordinated Electric Revenue Bonds. Payment of and interest on the Subordinated Electric Revenue Bonds is subordinate to the payment of the principal and interest on SMUD's Electric Revenue Bonds.

Component Unit Bonds. The component units of SMUD have each issued bonds to finance their respective projects. The revenue stream to pay SFA bonds' debt service is provided by a "take-or-pay" power purchase agreement and is therefore not dependent on the successful operation of the project. SMUD guarantees to make payments sufficient to pay principal and interest and all other payments required to be made under SFA's indenture of trust. SFA is not required to repay SMUD for any amounts paid under this guarantee. The revenue stream to pay NCGA and NCEA bonds' debt service is provided by "take-and-pay" purchase agreements. Therefore, principal and interest associated with these bonds are paid solely from the revenues and receipts collected in connection with the operation of the project. Most operating revenues earned by NCGA and NCEA are collected from SMUD in connection with the sale of gas or electricity to SMUD. The ability for NCGA and NCEA to service debt is dependent on various parties (particularly MSCG, as gas supplier for NCGA and J. Aron, as commodity supplier for NCEA) meeting their contractual obligations.

Callable Bonds. SMUD has $620.8 million of Electric Revenue Bonds that are currently callable, $450.0 million of which are fixed rate Build America Bonds debt, $132.0 million of the 2023 Series C bonds, and $38.8 million of 2016 Series D Bonds. SMUD also no bonds that become callable from 2024 through 2028. SMUD also has a four-month call period on the 2019 Series B Bonds and 2023 Series D in advance of their mandatory remarketing purchase date in 2025 and 2030, respectively.

Collateral. The principal and interest on SMUD's bonds are payable exclusively from, and are collateralized by, a pledge of the net revenues of SMUD's electric system. Neither the credit nor the taxing power of SMUD is pledged to the payment of the bonds and the general fund of SMUD is not liable for the payment thereof.

Covenants. SMUD's bond resolutions contain various covenants that include requirements to maintain minimum debt service coverage ratios, certain other financial ratios, stipulated minimum funding of revenue bond reserves, and various other requirements including a rate covenant to raise rates to maintain minimum debt service coverage.

SMUD has pledged future net electric revenues, component unit net project revenues, and net gas supply prepayment revenues to repay, in electric revenue, component unit project revenue, and gas supply prepayment revenue bonds issued from 1997 through 2023. Proceeds from the bonds provided financing for various capital improvement projects, component unit capital projects, and the prepayments of a twenty-year supply of natural gas and a thirty-year supply of commodity. The bonds are payable solely from the net revenues generated by SMUD's electrical sales, component unit project revenues, and gas supply prepayment revenues and are payable through 2053 at December 31, 2023.

GASB Statement No. 48, ***"Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,"*** disclosures for pledged revenues are as follows:

	December 31,	
	2023	2022
	(thousands of dollars)	
Pledged future revenues	$ 2,861,240	$ 2,814,000
Principal and interest payments for the year ended	$ 589,801	$ 438,725
Total net revenues for the year ended	$ 847,657	$ 574,300
Total remaining principal and interest to be paid	$ 4,566,145	$ 4,383,545
Annual principal and interest payments as a percent of net revenues for the year ended	70%	76%

NOTE 11. COMMERCIAL PAPER NOTES

SMUD issues Commercial Paper Notes (Notes) to finance or reimburse capital expenditures. SMUD's commercial paper program is $400.0 million. At December 31, 2023 and 2022, respectively, there were $150.0 million Notes outstanding. SMUD's commercial paper program is backed by $407.4 million in letter of credit agreements (LOCs) and a revolving credit agreement with three separate banks. The LOCs are calculated as the sum of the maximum principal amount of the Notes plus interest thereon at a maximum rate of ten percent per annum for a period of 90 days calculated on the basis of a year of 365 days and the actual number of days elapsed. There have not been any term advances under the LOCs or the revolving credit agreement. The LOCs and revolving credit agreement contain a provision that in an event of default, the outstanding amounts may become immediately due.

The summarized activity of SMUD's Notes during 2023 and 2022 is presented below:

	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year
	(thousands of dollars)			
December 31, 2023	$ 150,000	$ 200,000	$ 200,000	$ 150,000
December 31, 2022	$ -0-	$ 150,000	$ -0-	$ 150,000

NOTE 12. FAIR VALUE MEASUREMENT

GASB No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). SMUD utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

GASB No. 72 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy defined by GASB No. 72 are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs that reflect SMUD's own assumptions about factors that market participants would use in pricing the asset or liability.

The valuation methods of the fair value measurements are as follows:

- LAIF – uses the fair value of the pool's share price multiplied by the number of shares held. This pool can include a variety of investments such as U.S. government securities, federal agency securities, negotiable certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, bank notes, and other investments. The fair values of the securities are generally based on quoted and/or observable market prices.
- U.S. Government Agency Obligations – uses a market-based approach which considers yield, price of comparable securities, coupon rate, maturity, credit quality and dealer-provided prices.
- U.S. Treasury Obligations – uses a market approach based on institutional bond quotes. Evaluations are based on various market and industry inputs.
- Corporate Notes – uses a market-based approach. Evaluations are based on various market and industry inputs.

- Municipal Bonds – uses a market approach based on institutional bond quotes. Evaluations are based on various market and industry inputs.
- Hedging and Investment Derivative Instruments:
  - Interest rate swap agreements – uses the present value technique. The fair value of the interest rate swap agreements are calculated by discounting the expected cash flows. The cash flows and discount rates are estimated based on a 1-month SOFR forward curve from Bloomberg and assuming SIFMA is equal to 70.0 percent of 1-month SOFR.
  - Gas related agreements – uses the market approach based on monthly quoted prices from an independent external pricing service. The fair values for natural gas and electricity derivative financial instruments are calculated based on prevailing market quotes in active markets (i.e., Henry Hub and So Cal) where identical contracts are available. When external quoted market prices are not available, SMUD uses an internally developed valuation model utilizing short-term-observable inputs.

The following tables identify the level within the fair value hierarchy that SMUD's financial assets and liabilities were accounted for on a recurring basis as of December 31, 2023 and 2022, respectively. As required by GASB No. 72, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. SMUD's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of liabilities and their placement within the fair value hierarchy levels.

Recurring Fair Value Measures	At fair value as of December 31, 2023		
	Level 1	Level 2	Total
	(thousands of dollars)		
Investments, including cash and cash equivalents:			
LAIF	$ -0-	$ 40,027	$ 40,027
U.S. Government Agency Obligations	-0-	212,473	212,473
U.S. Treasury Obligations	335,023	-0-	335,023
Corporate Notes	-0-	63,987	63,987
Municipal Bonds	-0-	25,928	25,928
Total Investments, including cash and cash equivalents	$ 335,023	$ 342,415	$ 677,438
Investment Derivative Instrument Assets:			
Gas related agreements	$ -0-	$ -0-	$ -0-
Total Investment Derivative Instrument Assets	$ -0-	$ -0-	$ -0-
Hedging Derivative Instrument Assets:			
Gas related agreements	$ 16,409	$ -0-	$ 16,409
Electric related agreements	1,091	-0-	1,091
Interest rate swap agreements	-0-	28,535	28,535
Total Hedging Derivative Instrument Assets	$ 17,500	$ 28,535	$ 46,035
Investment Derivative Instrument Liabilities:			
Gas related agreements	$ 1,160	$ -0-	$ 1,160
Interest rate swap agreements	-0-	-0-	-0-
Total Investment Derivative Instrument Liabilities	$ 1,160	$ -0-	$ 1,160
Hedging Derivative Instrument Liabilities:			
Gas related agreements	$ 81,630	$ -0-	$ 81,630
Electric related agreements	3,749	-0-	3,749
Interest rate swap agreements	-0-	-0-	-0-
Total Hedging Derivative Instrument Liabilities	$ 85,379	$ -0-	$ 85,379

Recurring Fair Value Measures	At fair value as of December 31, 2022		
	Level 1	Level 2	Total
	(thousands of dollars)		
Investments, including cash and cash equivalents:			
LAIF	$ -0-	$ 85,502	$ 85,502
U.S. Government Agency Obligations	-0-	371,241	371,241
U.S. Treasury Obligations	63,841	-0-	63,841
Corporate Notes	-0-	48,490	48,490
Municipal Bonds	-0-	49,909	49,909
Total Investments, including cash and cash equivalents	$ 63,841	$ 555,142	$ 618,983
Investment Derivative Instrument Assets:			
Gas related agreements	$ 6,199	$ -0-	$ 6,199
Total Investment Derivative Instrument Assets	$ 6,199	$ -0-	$ 6,199
Hedging Derivative Instrument Assets:			
Gas related agreements	$ 200,941	$ -0-	$ 200,941
Interest rate swap agreements	-0-	36,083	36,083
Total Hedging Derivative Instrument Assets	$ 200,941	$ 36,083	$ 237,024
Investment Derivative Instrument Liabilities:			
Gas related agreements	$ 2,236	$ -0-	$ 2,236
Interest rate swap agreements	-0-	2,291	2,291
Total Investment Derivative Instrument Liabilities	$ 2,236	$ 2,291	$ 4,527
Hedging Derivative Instrument Liabilities:			
Gas related agreements	$ 28,438	$ -0-	$ 28,438
Interest rate swap agreements	-0-	-0-	-0-
Total Hedging Derivative Instrument Liabilities	$ 28,438	$ -0-	$ 28,438

NOTE 13. ACCRUED DECOMMISSIONING LIABILITY

Asset Retirement Obligations (ARO). SMUD recognizes AROs for its Rancho Seco nuclear power plant facility and the CVFA power plant facility. GASB No. 83 requires measurement of the ARO be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should be determined using all available evidence and requires probability weighting of potential outcomes when sufficient evidence is available. This statement also requires the current value be adjusted for the effects of the general inflation or deflation and an evaluation of relevant factors that may significantly change the estimated asset retirement outlays at least annually.

Rancho Seco Nuclear Power Plant. With the completion of nuclear decommissioning of the former 913 MW nuclear power plant, and the subsequent termination of the 10 Code of Federal Regulations (CFR) 50 license by the Nuclear Regulatory Commission (NRC) effective August 31, 2018, all remaining Rancho Seco decommissioning liability relates to the Independent Spent Fuel Storage Installation (ISFSI) licensed under 10 CFR Part 72. Nuclear decommissioning is the process of safely removing nuclear facilities from service and reducing residual radioactivity to a level that permits termination of the NRC licenses and release of the property for unrestricted use. Final decommissioning of the ISFSI will occur after the spent nuclear fuel (SNF) and Greater Than Class C (GTCC) radioactive waste is removed from the site and SMUD demonstrates that the site is suitable for release in accordance with release criteria specified in 10 CFR 20, Subpart E and an approved License Termination Plan.

The Department of Energy (DOE), under the Nuclear Waste Policy Act (NWPA) of 1982 as amended, is responsible for permanent disposal of spent nuclear fuel and GTCC radioactive waste, which are currently stored in the Part 72 licensed ISFSI. SMUD has a contract with the DOE for the removal and disposal of SNF and GTCC waste. All SMUD's SNF and

GTCC waste are currently stored in sealed canisters in the ISFSI. However, the date when DOE will remove the fuel and GTCC waste is uncertain. In 2010, the DOE formally withdrew the application for licensing of Yucca Mountain as a high-level waste repository. The DOE also announced in January 2010 the creation of a Blue-Ribbon Commission to study alternatives for developing a repository for the nation's used nuclear fuel. The Commission provided a final report on alternatives in January 2012. The DOE evaluated the recommendations and published the report "Strategy for the Management and Disposal of Used Nuclear Fuel and High-Level Radioactive Waste" in January 2013.

The next phase of the process will be for Congress and the President of the United States to consider the recommendations and enact legislation to implement the recommendations. At this time, two license applications have been submitted to the NRC for the construction and operation of Consolidated Interim Storage Facility(s) that would store SNF and GTCC waste on an interim basis. One of these applications has been approved (and a license issued) and one application is currently under review by the NRC. Should the NRC license one or both facilities, Congress will have to modify the NWPA to allow for its use. In May 2018, the U.S. House of Representatives passed H.R. 3053 – the Nuclear Waste Policy Amendments Act, which was co-sponsored by Representative Doris Matsui and 109 other members of Congress. This bill includes a provision to allow a Consolidated Interim Storage Facility to store fuel from permanently shut down sites like Rancho Seco. The U.S. Senate did not act on the bill. Until legislation is passed which includes a significant step towards removal of the used nuclear fuel at the Rancho Seco facility, SMUD is committed to the safe and secure storage of its SNF and GTCC waste under its Part 72 license until DOE fulfills its obligation to dispose of this material in accordance with NWPA. In support of this commitment, SMUD submitted its ISFSI license renewal application to the NRC in March of 2018. The NRC issued Renewed Licensee No. SNM-2510 on March 9, 2020. This renewed license authorizes the continued storage of SMUD's SNF and GTCC until June 30, 2060.

The Rancho Seco decommissioning liability is based on an internal study of the remaining decommissioning costs, which consist of: 1) annual spent fuel management costs, 2) transportation of the canisters in the ISFSI and 3) termination of the Part 72 license. The largest part of the decommissioning estimate is the annual spent fuel management costs; next year's annual budget is used for the estimate. The other costs were estimated based on prior experience and studies and prepared by management representatives of the nuclear power plant facility. The costs in the estimate were in 2019 dollars. An employment cost index was used to adjust the other costs portion of the obligation for inflation in 2023. Probability weighting was assigned for two scenarios: 1) spent nuclear fuel will be removed from the site by 2028 and 2) spent nuclear fuel will be removed from the site by 2035. SMUD uses its Trust Fund (see Note 2) to demonstrate financial assurance to the NRC that there are enough funds to complete the termination of the Part 72 license; the balance of the Trust Fund at December 31, 2023 is $9.4 million.

SFA's Carson Power Plant (Carson). SFA's ground lease agreement with the Sacramento Regional County Sanitation District for Carson requires SFA to restore the premises to its original condition upon termination of the contract. A new study to determine the current value of the asset retirement obligation was conducted by an external contractor who specializes in decommissioning studies. The expected costs and scope of work were based on the most recent cost estimate and assumes a contractor will be responsible for the work and that decommissioning would take place between 2025 and 2027. The estimated costs were in 2018 dollars. The result of this study was used to determine the new balance of the ARO and the deferred outflows at January 1, 2018, in order to account for the 2018 activity. The annual All Urban Consumer Price Index was used to adjust this obligation for inflation in 2023. The remaining useful life of Carson's assets is 2 years at December 31, 2023.

The current portion of the Accrued Decommissioning liability represents SMUD's estimate of actual expenditures for Rancho Seco in the next year, as set forth in the annual budget.

At December 31, 2023 and 2022, SMUD's Accrued Decommissioning balance in the Statements of Net Position was $120.9 million and $95.9 million, respectively.

NOTE 14. PENSION PLANS

Summary of Significant Accounting Policies. For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (PERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description and Benefits Provided. SMUD participates in PERS, an agent multiple-employer public employee defined benefit pension plan (PERS Plan). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by State statute and SMUD policies. The pension plan provides retirement benefits, survivor benefits, and death and disability benefits based upon employee's years of credited service, age, and final compensation. A full description of the pension plan regarding number of employees covered, benefit provision, assumptions (for funding, but not accounting purposes), and membership information are included in the annual actuarial valuation reports as of June 30, 2022 and June 30, 2021.

GASB No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. The following timeframes are used for the year ended:

PERS Plan	December 31,	
	2023	2022
Valuation date	June 30, 2022	June 30, 2021
Measurement date	June 30, 2023	June 30, 2022

Employees Covered by Benefit Terms. The following employees were covered by the benefit terms for the year ended:

PERS Plan	December 31,	
	2023	2022
Inactive employees or beneficiaries currently receiving benefit payments	3,172	3,116
Inactive employees entitled to but not yet receiving benefit payments	1,033	987
Active employees	2,174	2,168
Total employees covered by benefit terms	6,379	6,271

Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through PERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the PERS fiscal years ended June 30, 2023 and 2022, the average active employee contribution rate is 6.8 percent of annual pay. For the PERS fiscal year ended June 30, 2023, the employer's contribution rate is 8.9 percent of annual payroll plus $22.4 million for the unfunded accrued liability contribution. For the PERS fiscal year ended June 30, 2022, the employer's contribution rate is 9.0 percent of annual payroll plus $36.3 million for the unfunded accrued liability contribution. Employer contribution rates may change if plan contracts are amended. For the fiscal years ended June 30, 2023 and 2022, SMUD made contributions recognized by the PERS Plan in the amount of $92.5 million and $114.5 million, respectively.

Net Pension Asset (NPA) or Liability (NPL). SMUD's NPA or NPL at December 31, 2023 and 2022 was measured at June 30, 2023 and 2022, respectively. The total pension liability used to calculate the NPA or NPL was determined by actuarial valuations as of June 30, 2022 and 2021 rolled forward using generally accepted actuarial procedures to the June 30, 2023 and 2022 measurement dates for the PERS Plan.

Actuarial Methods and Assumptions. The actuarial methods and assumptions used for the December 31, 2023 and December 31, 2022 total pension liabilities are as follows for the PERS Plan:

December 31, 2023:

Actuarial Cost Method	Entry age actuarial cost method
Discount Rate	6.90%
Inflation	2.3%
Salary Increases	Varies by entry age and service
Mortality Rate Table	The mortality table used was developed based on PERS' specific data. The probabilities of mortality are based on the 2021 *CalPERS Experience Study and Review of Actuarial Assumptions*. Mortality rates incorporate full generational mortality improvement using 80% of scale MP-2020 published by the Society of Actuaries.
Post Retirement Benefit Increase	For 2023 and 2022, the lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

December 31, 2022:

Actuarial Cost Method	Entry age actuarial cost method
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by entry age and service
Mortality Rate Table	The mortality table used was developed based on PERS' specific data. The probabilities of mortality are based on the 2021 PERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using the Society of Actuaries Scale 80% of scale MP-2020.
Post Retirement Benefit Increase	For 2022 and 2021, the lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

Discount Rates. For the PERS Plan, the discount rate used to measure the total pension liability for the years ended December 31, 2023 and 2022 was 6.90 percent. For the year ended December 31, 2023, the projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the PERS Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

The expected real rates of return by asset class used for December 31, 2023 are as follows:

Asset Class	Current Target Assumed Asset Allocation	Real Return
Global Equity – Cap-weighted	30.0%	4.54%
Global Equity – Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Estate	15.0%	3.21%
Leverage	(5.0)%	(0.59)%

The expected real rates of return by asset class used for December 31, 2022 are as follows:

Asset Class	Current Target Assumed Asset Allocation	Real Return
Global Equity – Cap-weighted	30.0%	4.54%
Global Equity – Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Estate	15.0%	3.21%
Leverage	(5.0)%	(0.59)%

Changes in the NPA or NPL. The following table shows the changes in NPA or NPL recognized over the year ended December 31, 2023:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) – (b)
		(thousands of dollars)	
Balances at January 1, 2023	$ 2,553,780	$ 2,318,329	$ 235,451
Changes recognized for the measurement period:			
Service cost	42,959	-0-	42,959
Interest	179,370	-0-	176,370
Changes in benefit terms	1,890	-0-	1,890
Changes in assumptions	-0-	-0-	-0-
Differences between expected and actual experience	53,600	-0-	53,600
Contributions - employer	-0-	92,504	(92,504)
Contributions - employee	-0-	19,921	(19,921)
Net investment income	-0-	140,540	(140,540)
Benefit payments	(149,331)	(149,331)	-0-
Administrative expense	-0-	(1,705)	1,705
Net changes	125,488	101,929	23,559
Balances at December 31, 2023	$ 2,679,268	$ 2,420,258	$ 259,010

Changes in the NPA or NPL. The following table shows the changes in NPA or NPL recognized over the year ended December 31, 2022:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) – (b)
		(thousands of dollars)	
Balances at January 1, 2022	$ 2,486,667	$ 2,514,405	$ (27,738)
Changes recognized for the measurement period:			
Service cost	41,885	-0-	41,885
Interest	167,926	-0-	167,926
Changes in assumptions	26,275	-0-	26,275
Differences between expected and actual experience	(31,370)	-0-	(31,370)
Contributions - employer	-0-	114,476	(114,476)
Contributions - employee	-0-	18,096	(18,096)
Net investment income	-0-	(189,479)	189,479
Benefit payments	(137,603)	(137,603)	-0-
Administrative expense	-0-	(1,566)	1,566
Net changes	67,113	(196,076)	263,189
Balances at December 31, 2022	$ 2,553,780	$ 2,318,329	$ 235,451

Sensitivity of the NPA or NPL to Changes in the Discount Rate. The following presents the NPA or NPL of the Plan as of the measurement date, calculated using the current discount rate, as well as what the NPA or NPL would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

PERS Plan	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
		(thousands of dollars)	
Plan's NPL (NPA), December 31, 2023	$ 599,774	$ 259,010	$ (24,014)

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Plan's NPL (NPA), December 31, 2022	$ 562,974	$ 235,451	$ (36,397)

Pension Plan Fiduciary Net Position. Detailed information about the PERS Plan's fiduciary net position is available in the separately issued PERS Plan financial statements. This report, the audited financial statements, and other reports can be obtained at the PERS' website at www.calpers.ca.gov.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the years ended December 31, 2023 and 2022, SMUD recognized pension expense of $44.8 million and $20.5 million, respectively.

At December 31, 2023 and 2022, SMUD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	December 31, 2023	December 31, 2022
	(thousands of dollars)	
Deferred outflows of resources:		
Changes of assumptions	13,457	19,866
Differences between expected and actual experience	40,200	2,495
Differences between projected and actual earnings on pension plan investments	115,364	121,257
Employer's contributions to the Plan subsequent to the measurement of total pension liability	13,468	31,860
Total deferred outflows of resources	$ 182,489	$ 175,478
Deferred inflows of resources:		
Changes of assumptions	$ -0-	$ -0-
Differences between expected and actual experience	17,536	26,656
Differences between projected and actual earnings on pension plan investments	-0-	-0-
Total deferred inflows of resources	$ 17,536	$ 26,656

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be subject to regulatory accounting as follows (see Note 8):

Year ended December 31:	
2024	$ 32,532
2025	25,969
2026	89,390
2027	3,594
2028	-0-
Thereafter	-0-

Other Plans. SMUD provides its employees with two cash deferred compensation plans: one pursuant to Internal Revenue Code (IRC) Section 401(k) (401(k) Plan) and one pursuant to IRC Section 457 (457 Plan) (collectively, the Plans). The Plans are contributory plans in which SMUD's employees contribute the funds. Each of SMUD's eligible full-time or permanent part-time employees may participate in either or both Plans, and amounts contributed are vested immediately. Such funds are held by a Trustee in trust for the employees upon retirement from SMUD service and, accordingly, are not subject to the general claims of SMUD's creditors. SMUD is responsible for ensuring compliance with IRC requirements concerning the Plans and has the fiduciary duty of reasonable care in the selection of investment alternatives, but neither SMUD, nor its Board or officers have any liability for market variations in the Plans' asset values. SMUD employees are responsible for determining how their funds are to be invested and pay all ongoing fees related to the Plans. The Plans are currently not subject to discrimination testing, nor the requirements of the Employee Retirement Income Security Act of 1974. SMUD employees participating in the Plans are allowed to contribute a portion of their gross income not to exceed the annual dollar limits prescribed by the IRC.

SMUD makes annual contributions to the 401(k) Plan on behalf of certain employees pursuant to a memorandum of understanding with both of its collective bargaining units. SMUD also matches non-represented employee contributions to the 401(k) Plan up to a set amount. SMUD made contributions into the 401(k) Plan of $6.9 million in 2023 and $7.0 million in 2022. SMUD does not match employee contributions, nor make contributions on behalf of its employees to the 457 Plan. Participating employees made contributions into both Plans totaling $34.3 million in 2023 and $32.4 million in 2022.

NOTE 15. OTHER POSTEMPLOYMENT BENEFITS

Summary of Significant Accounting Policies. For purposes of measuring the net OPEB asset or liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the California Employers' Retiree Benefit Trust (CERBT). For this purpose, SMUD recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description and Benefits Provided. SMUD is a member of CERBT. The CERBT Fund is an IRC Section 115 Trust set up for the purpose of receiving employer contributions to prefund OPEB for retirees and their beneficiaries. CERBT is an agent multiple-employer defined benefit OPEB plan (OPEB Plan) administered by PERS. The OPEB Plan provides medical, dental and long-term disability benefits for retirees and their beneficiaries, in accordance with SMUD policy and negotiated agreements with employee representation groups. The benefit, benefit levels, retiree contributions and employer contributions are governed by SMUD and can be amended by SMUD through its personnel manual and union contracts. Any changes to these benefits would be approved by SMUD's Board and unions.

Employees Covered by Benefit Terms. The following employees were covered by the benefit terms:

	December 31,	
	2023	2022
Inactive employees or beneficiaries currently receiving benefit payments	2,367	2,349
Inactive employees entitled to but not yet receiving benefit payments	44	46
Active employees	2,202	2,144
Total employees covered by benefit terms	4,613	4,539

Contributions. OPEB contributions are elective and not required. In December 2018, SMUD split its CERBT assets across two asset strategies to better align trust assets with liabilities (Strategy 1 for active employees and retirements after June 30, 2018 and Strategy 3 for retirements before July 1, 2018). SMUD contributes the normal cost to the CERBT, and annually receives reimbursement for cash benefit payments from the CERBT. SMUD may also elect to put additional contributions into the OPEB Plan. For the OPEB Plan's fiscal years ended June 30, 2023 and 2022, SMUD made contributions recognized by the OPEB Plan in the amounts of $9.1 million and $0.9 million, respectively.

Net OPEB Asset (NOA) or Liability (NOL). SMUD's NOL at December 31, 2023 and 2022 were measured as of June 30, 2023 and 2022, respectively, and the total OPEB liability used to calculate the NOL was determined by actuarial valuations as of those dates.

Actuarial Methods and Assumptions. The actuarial methods and assumptions used for the December 31, 2023 and December 31, 2022 total OPEB liabilities are as follows:

Discount Rate	6.02% (2023). Blended discount rate based on projected benefit streams expected to be paid from each Strategy. 5.88% (2022)
General Inflation	2.50% (2023 and 2022)
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 Experience Study (2023 and 2022)
Mortality Improvement	Mortality projected fully generational with Scale MP-2021 (2023 and 2022)
Salary Increases	Aggregate – 2.75%; Merit - CalPERS 2000-2019 Experience Study (2023 and 2022)
Healthcare Cost Trend Rates	Non-Medicare: 8.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 (2023), 6.25% for 2024, decreasing to an ultimate rate of 3.75% in 2076 (2022) Medicare: 7.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 (2023), 5.45% for 2024, decreasing to an ultimate rate of 3.75% in 2076 (2022) Kaiser Medicare: 6.25% for 2025, decreasing to an ultimate rate of 3.45% in 2076 (2023), 4.45% for 2024, decreasing to an ultimate rate of 3.75% in 2076 (2022)

Discount Rates. For the OPEB Plan, the discount rate used to measure the total OPEB liability was 6.02 percent and 5.88 percent for the years ended December 31, 2023 and 2022, respectively. This rate is a blended discount rate based on projected benefit streams expected to be paid from Strategies 1 and 3. The projection of cash flows used to determine the discount rate assumed that SMUD contributes the full normal cost to the trust and only takes reimbursement from the trust of the cash benefit payments. Because the implied subsidy benefit payments have a larger present value than the payments toward the unfunded accrued liability, there should be sufficient plan assets to pay all benefits from the trust. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. The long-term expected rate of return of 6.25 percent for Strategy 1 and 5.25 percent for Strategy 3 was applied to all periods of projected benefit payments to determine the total OPEB liability for the years ended December 31, 2023 and 2022, respectively.

The expected real rates of return by asset class used and presented as geometric means for December 31, 2023 are as follows:

Asset Class	Target Allocation CERBT Strategy 1	Expected Real Rate of Return
Global Equity	49.0%	4.56%
Fixed Income	23.0%	1.56%
TIPS	5.0%	(0.08%)
Commodities	3.0%	1.22%
REITS	20.0%	4.06%

Asset Class	Target Allocation CERBT Strategy 3	Expected Real Rate of Return
Global Equity	23.0%	4.56%
Fixed Income	51.0%	1.56%
TIPS	9.0%	(0.08%)
Commodities	3.0%	1.22%
REITS	14.0%	4.06%

The expected real rates of return by asset class used and presented as geometric means for December 31, 2022 are as follows:

Asset Class	Target Allocation CERBT Strategy 1	Expected Real Rate of Return
Global Equity	49.0%	4.56%
Long US Treasuries	5.1%	0.29%
Mortgage-Backed Securities	5.1%	0.49%
Investment Grade Corporates	3.9%	1.56%
High Yield	3.9%	3.00%
Sovereigns	5.1%	2.76%
TIPS	5.0%	(0.08%)
Commodities	3.0%	1.22%
REITS	20.0%	4.06%

Asset Class	Target Allocation CERBT Strategy 3	Expected Real Rate of Return
Global Equity	23.0%	4.56%
Long US Treasuries	11.2%	0.29%
Mortgage-Backed Securities	11.2%	0.49%
Investment Grade Corporates	8.7%	1.56%
High Yield	8.7%	3.00%
Sovereigns	11.2%	2.76%
TIPS	9.0%	(0.08%)
Commodities	3.0%	1.22%
REITS	14.0%	4.06%

Changes in the NOA or NOL. The following table shows the changes in NOA or NOL recognized over the year ended December 31, 2023:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) – (b)
		(thousands of dollars)	
Balances at January 1, 2023	$ 380,464	$ 373,711	$ 6,753
Changes recognized for the measurement period:			
Service cost	8,303	-0-	8,303
Interest	22,126	-0-	22,126
Changes in assumptions	(5,263)	-0-	(5,263)
Differences between expected and actual experience	17,036	-0-	17,036
Contributions - employer	-0-	9,096	9,096
Net investment income	-0-	14,632	14,632
Benefit payments	(24,967)	(24,967)	-0-
Administrative expense	-0-	(107)	(107)
Net changes	17,235	(1,346)	18,581
Balances at December 31, 2023	$ 397,699	$ 372,365	$ 25,334

The following table shows the changes in NOA or NOL recognized over the year ended December 31, 2022:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) – (b)
		(thousands of dollars)	
Balances at January 1, 2022	$ 392,519	$ 450,051	$ (57,532)
Changes recognized for the measurement period:			
Service cost	8,744	-0-	8,744
Interest	22,728	-0-	22,728
Changes in assumptions	(7,127)	-0-	(7,127)
Differences between expected and actual experience	(12,231)	-0-	(12,231)
Contributions - employer	-0-	860	(860)
Net investment income	-0-	(52,917)	52,917
Benefit payments	(24,169)	(24,169)	-0-
Administrative expense	-0-	(114)	114
Net changes	(12,055)	(76,340)	64,285
Balances at December 31, 2022	$ 380,464	$ 373,711	$ 6,753

Sensitivity of the NOA or NOL to Changes in the Discount Rate. The following presents the NOA or NOL of SMUD as of the measurement date, calculated using the current discount rate, as well as what the NOA or NOL would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

	1% Decrease (5.02%)	Current Discount Rate (6.02%)	1% Increase (7.02%)
		(thousands of dollars)	
NOL/(NOA), December 31, 2023	$ 73,469	$ 25,334	$ (14,929)

	1% Decrease (4.88%)	Current Discount Rate (5.88%)	1% Increase (6.88%)
		(thousands of dollars)	
NOL/(NOA), December 31, 2022	$ 52,612	$ 6,753	$ (31,557)

Sensitivity of the NOA or NOL to Changes in the Healthcare Cost Trend Rates. The following presents the NOA or NOL of SMUD as of the measurement date, calculated using the current healthcare cost trend rate, as well as what the NOA or NOL would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current healthcare trend rate (see assumptions above for healthcare trend rate):

	1% Decrease	Current Healthcare Trend Rate	1% Increase
		(thousands of dollars)	
(NOA)/ NOL, December 31, 2023	$ (19,159)	$ 25,334	$ 79,674
(NOA)/ NOL, December 31, 2022	$ (35,780)	$ 6,753	$ 58,812

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB Plan's fiduciary net position is available in the separately issued OPEB Plan's report. This report can be obtained at the PERS' website at www.calpers.ca.gov.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the years ended December 31, 2023 and 2022, SMUD recognized OPEB expense of $9.1 million and $31.6 million, respectively.

At December 31, 2023 and 2022, SMUD reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	December 31,			
	2023		2022	
	(thousands of dollars)			
Deferred outflows of resources:				
Changes of assumptions	$	19,382	$	8,919
Differences between projected and actual earnings on OPEB plan investments		31,335		32,477
Employer's contributions to the OPEB Plan subsequent to the measurement of total OPEB liability		11,988		12,278
Total deferred outflows of resources	$	62,705	$	53,674
Deferred inflows of resources:				
Changes of assumptions	$	8,224	$	11,428
Differences between expected and actual experience		29,894		38,410
Differences between projected and actual earnings on OPEB plan investments		-0-		-0-
Total deferred inflows of resources	$	38,118	$	49,838

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be subject to regulatory accounting as follows (see Note 8):

Year ended December 31:		
2024	$	(1,526)
2025		(2,150)
2026		13,660
2027		653
2028		1,962
Thereafter		-0-

NOTE 16. INSURANCE PROGRAMS AND CLAIMS

SMUD is exposed to various risks of loss related to torts, theft of and destruction to assets, errors and omissions, cyber activities, natural disasters, employee injuries and illnesses, and other exposures. SMUD carries commercial insurance coverage to cover most claims in excess of specific dollar thresholds, ranging from $5.0 thousand to $5.0 million per claim. General liability limits are $140.0 million, excess of a $5.0 million self-insured retention. As of December 31, 2023, wildfire liability limits are $275.0 million ($212.5 million commercial insurance plus $62.5 million self-insured retention). SMUD's property insurance coverage is based on the replacement value of the asset. There have been no significant reductions in insurance coverage. In 2023, 2022, and 2021, the insurance policies in effect have adequately covered all settlements of the claims against SMUD. No claims have exceeded the limits of property or liability insurance in any of the past three years. In 2022, SMUD filed a property claim for both equipment damage and business interruption insurance for the Cosumnes Power Plant outage. SMUD received $13.6 million for the equipment damage claim in 2023 and a $50.0 million advance on the business interruption portion of that claim in 2022. The equipment damage portion of the claim has been settled, and business interruption was partially settled and is anticipated to be fully settled in 2024.

The claims liability is included as a component of Self Insurance and Other in the Statements of Net Position.

SMUD's total claims liability, comprising claims received and claims incurred but not reported, at December 31, 2023, 2022 and 2021 is presented below:

	2023	2022	2021
		(thousands of dollars)	
Workers' compensation claims	$ 6,926	$ 7,554	$ 8,666
General and auto claims	3,474	3,178	3,596
Short and long-term disability claims	68	58	47
Claims liability	$ 10,468	$ 10,790	$ 12,309

Changes in SMUD's total claims liability during 2023, 2022 and 2021 are presented below:

	2023	2022	2021
		(thousands of dollars)	
Claims liability, beginning of year	$ 10,790	$ 12,309	$ 13,024
Add: provision for claims, current year	2,635	1,556	1,450
(Decrease) increase in provision for claims in prior years	1,752	1,826	(122)
Less: payments on claims attributable to current and prior years	(4,709)	(4,901)	(2,043)
Claims liability, end of year	$ 10,468	$ 10,790	$ 12,309

NOTE 17. COMMITMENTS

Electric Power and Gas Supply Purchase Agreements. SMUD has numerous power purchase agreements with other power producers to purchase capacity, transmission, and associated energy to supply a portion of its load requirements. SMUD has minimum take-or-pay commitments for energy on some contracts. SMUD has numerous long-term natural gas supply, gas transportation and gas storage agreements with Canadian and U.S. companies to supply a portion of the consumption needs of SMUD's natural gas-fired power plants.

At December 31, 2023, the approximate minimum obligations for the "take-or-pay" contracts over the next five years are as follows:

	Electric	Gas
	(thousands of dollars)	
2024	$ 40,409	$ 9,985
2025	32,283	9,610
2026	38,409	8,191
2027	104,279	7,731
2028	104,926	7,839

At December 31, 2023, the approximate minimum obligations for the remaining contracts, assuming the energy or gas is delivered over the next five years, are as follows:

	Electric	Gas
	(thousands of dollars)	
2024	$ 284,064	$ 118,258
2025	292,563	95,330
2026	297,241	98,606
2027	221,482	95,014
2028	222,918	91,503

Contractual Commitments beyond 2028 - Electricity. Several of SMUD's purchase power and transmission contracts extend beyond the five-year summary presented above. These contracts expire between 2029 and 2057 and provide for power under various terms and conditions. SMUD estimates its annual minimum commitments under the take-or-pay contracts ranges between $105.8 million in 2029 and $2.8 million in 2057. SMUD estimates its annual minimum commitments under the remaining contracts, assuming the energy is delivered, ranges between $223.7 million in 2029 and $8.3 million in 2053. The Base Resource contract enables SMUD to receive a percentage of the amount of energy made available by Western, after meeting Central Valley Project use requirements, in any given year at a percent share of their revenue requirement; and SMUD has contracted for additional base resource power with no commitment until called upon. SMUD's largest purchase power source (in volume) is the Country Acres contract, where SMUD has contracted ownership of 344MW's of Solar PV generation and 172 MW's battery energy storage capacity. The Country Acres contract expires on December 31, 2057.

Contractual Commitments beyond 2028 - Gas. Several of SMUD's natural gas supply, gas transportation and gas storage contracts extend beyond the five-year summary presented above. These contracts expire between 2029 and 2049 and provide for transportation and storage under various terms and conditions. SMUD estimates its annual minimum commitments under the take-or-pay contracts ranges between $7.9 million in 2029 and $1.1 million in 2049. SMUD estimates its annual minimum commitments under the remaining contracts, assuming the gas is delivered, ranges between $89.7 million in 2029 and $10.1 million in 2049.

Electric Power Price Swap Agreements. SMUD has entered into multiple variable to fixed rate swap with a notional amount totaling 242,950 megawatt hours (MWh) for the purpose of fixing the rate on SMUD's electric power purchases. This electric power price swap agreement results in SMUD paying fixed rates ranging from $38.75 to $161 per MWh. The swap agreements expire between January and October 2024.

Gas Price Swap Agreements. SMUD has entered into numerous variable to fixed rate swaps with notional amounts totaling 123,527,500 Dths for the purpose of fixing the rate on SMUD's natural gas purchases for its gas-fueled power plants and gas indexed electric contracts. These gas price swap agreements result in SMUD paying fixed rates ranging from $2.210 to $6.431 per Dth. The swap agreements expire periodically from January 2024 through December 2026.

Gas Transport Capacity Agreements. SMUD has multiple long-term natural gas transport capacity agreements with U.S. companies to transport natural gas to SMUD's natural gas-fired power plants from the supply basins in the North to the California-Oregon border and from supply basins in the southwest and Rocky Mountains to the Southern California border. These gas transport capacity agreements provide for the delivery of gas into SMUD-owned pipeline capacity within California. The gas transport capacity agreements provide SMUD with 48,199 Dth per day (Dth/d) of natural gas pipeline capacity from the North and 39,710 Dth/d from the Southwest or Rocky Mountain Basins through at least 2028.

Gas Storage Agreements. SMUD also has an agreement for the storage of up to 2.0 million Dth of natural gas at regional facilities through March 2029.

Hydro License Agreements. SMUD has a hydro license for a term of 50 years effective July 1, 2014 (see Note 2). SMUD entered into four contracts with government agencies whereby SMUD makes annual payments to them for various services for the term of the license. Each contract is adjusted annually by an inflation index. The present value of the sum of the annual payments is $62.7 million at December 31, 2023.

Construction Contracts. SMUD has entered into various construction contracts for the construction of a new substation, control building, and improvements to the Union Valley bike trail in the UARP. As of December 31, 2023, the not-to-exceed price for these contracts totaled $235.8 million. The remaining contract obligations for these contracts as of December 31, 2023 was $48.9 million.

NOTE 18. CLAIMS AND CONTINGENCIES

FERC Administrative Proceedings. SMUD is involved in a number of FERC administrative proceedings related to the operation of wholesale energy markets, transmission matters, gas transportation, and the development of NERC reliability standards. While these proceedings are complex and numerous, they generally fall into the following categories: (i) filings initiated by the California Independent System Operator Corporation (CAISO) (or other market participants) to adopt/modify the CAISO Tariff and/or establish market design and behavior rules; (ii) filings initiated by existing transmission owners (i.e., PG&E and the other Investor Owned Utilities) to pass through costs to their existing wholesale transmission customers; (iii) filings initiated by FERC on market participants to establish market design and behavior rules or to complain about or investigate market behavior by certain market participants; (iv) filings initiated by transmission owners under their transmission owner tariffs for the purpose of establishing a regional transmission planning process and interconnection agreements; (v) filings initiated by providers of firm gas transportation services under the Natural Gas Act; and (vi) filings initiated by NERC to develop reliability standards applicable to owners, users, and operators of the bulk electric system. In addition, SMUD is an active participant in other FERC administrative proceedings, including those related to reliability and cybersecurity standards, variable resource integration, and transmission planning and cost allocation. SMUD's management believes that the ultimate resolution of these matters will not have a material adverse effect on SMUD's financial position, liquidity or results of operations.

CPUC Administrative Proceedings. SMUD monitors a number of CPUC proceedings. These proceedings generally fall into the following categories: (i) filings initiated by PG&E to adopt/modify its tariffs and/or rules; (ii) rulemakings initiated by the CPUC to establish market design and behavior rules or program rules affecting SMUD customers; and (iii) rulemakings initiated by the CPUC to establish electric and/or gas system safety design and maintenance rules. SMUD believes that determinations of these CPUC proceedings will not have a material adverse effect on SMUD's financial position, liquidity or results of operations.

Environmental Matters. SMUD was one of many potentially responsible parties that had been named in a number of actions relating to environmental claims and/or complaints. SMUD has resolved these environmental claims and/or complaints and entered into settlement agreements and/or consent orders. These settlement agreements and consent orders have statutory reopener provisions which allow regulatory agencies to seek additional funds for environmental remediation under certain limited circumstances. While SMUD believes it is unlikely that any of the prior settlements or consent orders will be reopened, the possibility exists. If any of the settlements or consent orders were to be reopened, SMUD management does not believe that the outcome will have a material adverse effect on SMUD's financial position, liquidity or results of operations.

Proposition 26 Lawsuit. In October 2019, two SMUD customers filed a complaint alleging SMUD's immediately prior rate increase was unconstitutional. In January 2024, the lawsuit was dismissed with prejudice due to their failure to diligently prosecute the case, though they have since filed another, similar complaint, which challenges SMUD's rate increases for 2024 and 2025. SMUD considers the lawsuit to be wholly without merit.

Other Matters. Currently, SMUD is party to various claims, legal actions and complaints relating to its operations, including but not limited to: property damage and personal injury, contract disputes, torts, and employment matters. SMUD's management believes that the ultimate resolution of these matters will not have a material adverse effect on SMUD's financial position, liquidity or results of operations.

NOTE 19. SUBSEQUENT EVENTS

SMUD evaluated subsequent events through February 23, 2024, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

Required Supplementary Information – Unaudited
For the Years Ended December 31, 2023 and 2022

Schedule of Changes in Net Pension Liability and Related Ratios
During the Measurement Period - PERS Plan

	December 31,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	(thousands of dollars)									
Total pension liability:										
Service cost	$ 42,960	$ 41,885	$ 38,900	$ 38,901	$ 38,061	$ 36,029	$ 35,040	$ 29,044	$ 27,991	$ 28,170
Interest	176,370	167,926	168,984	164,044	157,976	151,354	150,119	147,497	142,468	137,546
Changes of assumptions	1,890	26,275	-0-	-0-	-0-	(61,585)	123,043	-0-	(34,228)	-0-
Differences between expected and actual experience	53,599	(31,370)	(5,875)	9,981	18,877	1,293	(29,276)	(8,357)	(10,613)	-0-
Benefit payments, including refunds of employee contributions	(149,331)	(137,603)	(130,376)	(125,581)	(117,548)	(111,763)	(104,428)	(99,155)	(94,636)	(90,175)
Net change in total pension liability	125,488	67,113	71,633	87,345	97,366	15,328	174,498	69,029	30,982	75,541
Total pension liability, beginning of year	2,553,780	2,486,667	2,415,034	2,327,689	2,230,323	2,214,995	2,040,497	1,971,468	1,940,486	1,864,945
Total pension liability, end of year (a)	$ 2,679,268	$ 2,553,780	$ 2,486,667	$ 2,415,034	$ 2,327,689	$ 2,230,323	$ 2,214,995	$ 2,040,497	$ 1,971,468	$ 1,940,486
Plan fiduciary net position:										
Contributions - employer	$ 92,504	$ 114,476	$ 229,440	$ 98,344	$ 69,119	$ 90,141	$ 32,389	$ 27,645	$ 22,499	$ 21,511
Contributions - employee	19,921	18,096	17,552	18,095	17,411	16,832	15,845	15,271	14,503	15,346
Net investment income	140,540	(189,479)	454,518	92,534	115,867	138,739	171,596	8,316	35,797	245,659
Benefit payments, including refunds of employee contributions	(149,331)	(137,603)	(130,376)	(125,581)	(117,548)	(111,763)	(104,428)	(99,155)	(94,636)	(90,175)
Administrative expense	(1,705)	(1,566)	(1,943)	(2,628)	(1,270)	(7,474)	(2,275)	(969)	(1,795)	(2,028)
Other miscellaneous income/(expense)	-0-	-0-	-0-	-0-	4	(4)	-0-	34	(25)	-0-
Net change in plan fiduciary net position	101,929	(196,076)	569,191	80,764	83,583	126,471	113,127	(48,858)	(23,657)	190,313
Plan fiduciary net position, beginning of year	2,318,329	2,514,405	1,945,214	1,864,450	1,780,867	1,654,396	1,541,269	1,590,127	1,613,784	1,423,471
Plan fiduciary net position, end of year (b)	$ 2,420,258	$ 2,318,329	$ 2,514,405	$ 1,945,214	$ 1,864,450	$ 1,780,867	$ 1,654,396	$ 1,541,269	$ 1,590,127	$ 1,613,784
Net pension liability/(asset), ending (a) - (b)	$ 259,010	$ 235,451	$ (27,738)	$ 469,820	$ 463,239	$ 449,456	$ 560,599	$ 499,228	$ 381,341	$ 326,702
Plan fiduciary net position as a percentage of the total pension liability	90.3%	90.8%	101.1%	80.5%	80.1%	79.8%	74.7%	75.5%	80.7%	83.2%
Covered payroll	$ 265,184	$ 256,965	$ 257,613	$ 254,756	$ 247,759	$ 235,902	$ 223,685	$ 207,119	$ 197,481	$ 191,439
Net pension liability/(asset) as a percentage of covered payroll	97.7%	91.6%	-10.8%	184.4%	187.0%	190.5%	250.6%	241.0%	193.1%	170.7%

Notes to Schedule:

Changes of Benefit Terms: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

In 2022, SB 1168 increased the standard retiree lump sum death benefit from $500 to $2,000 for any death occurring on or after July 1, 2023. The impact, if any, is included in the changes of benefit terms.

Changes in Assumptions: There were no assumption changes in 2023. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65% for measurement dates June 30, 2015 through June 30, 2016, and 7.50% for measurement date June 30, 2014.

Schedule of Plan Contributions for Pension – PERS Plan

	December 31,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	(thousands of dollars)									
Actuarially determined contribution	$ 45,171	$ 44,599	$ 54,315	$ 52,276	$ 49,119	$ 40,142	$ 32,389	$ 27,645	$ 22,499	$ 21,511
Contributions in relation to the actuarially determined contribution	(92,504)	(114,476)	(229,440)	(98,344)	(69,119)	(90,142)	(32,389)	(27,645)	(22,499)	(21,511)
Contribution excess	$ (47,333)	$ (69,877)	$ (175,125)	$ (46,068)	$ (20,000)	$ (50,000)	$ -0-	$ -0-	$ -0-	$ -0-
Covered payroll	$ 265,184	$ 256,965	$ 257,613	$ 254,756	$ 247,759	$ 235,902	$ 223,685	$ 207,119	$ 197,481	$ 191,439
Contributions as a percentage of covered payroll	34.9%	44.5%	89.1%	38.6%	27.9%	38.2%	14.5%	13.4%	11.4%	11.2%

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for the year ended December 31, 2023 was derived from the June 30, 2020 funding valuation report.

Actuarial cost method	Entry age Actuarial Cost Method
Amortization method/period	For details, see June 30, 2020 Funding Valuation Report
Asset valuation method	Fair value of assets. For details, see June 30, 2020 Funding Valuation Report
Inflation	2. 50%
Salary increases	Varies by entry age and service
Payroll growth	2.75%
Investment rate of return	7.00% Net of pension plan investment and administrative expenses; includes inflation
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

In 2021, the investment rate of return was changed from 7.25% to 7.00%. In 2020, the investment rate of return was 7.25%. Prior to 2020, the probabilities of mortality are based on the 2014 PERS Experience Study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries. Prior to 2017, the retirement age and mortality assumptions were based on the 2010 PERS Experience Study for the period from 1997 to 2007. In addition, the mortality assumption for pre-retirement and post-retirement rates included 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

Schedule of Changes in Net OPEB Asset or Liability and Related Ratios During the Measurement Period

OPEB. The schedule of changes in NOA or NOL and related ratios is presented above for the years for which SMUD has available data. SMUD will add to this schedule each year and when it reaches 10 years it will contain the last 10 years data which will then be updated each year going forward.

	December 31, 2023	2022	2021	2020	2019	2018	2017
	(thousands of dollars)						
Total OPEB liability:							
Service cost	$ 8,303	$ 8,744	$ 8,426	$ 8,903	$ 8,946	$ 9,263	$ 8,993
Interest on total OPEB liability	22,126	22,728	25,008	26,653	26,766	29,656	28,676
Changes of assumptions	17,036	(7,127)	5,895	(11,453)	15,332	3,105	-0-
Differences between expected and actual experience	(5,263)	(12,231)	(18,938)	(23,529)	(6,885)	(59,921)	-0-
Benefit payments	(24,967)	(24,169)	(24,081)	(23,848)	(24,521)	(24,672)	(22,192)
Net change in total OPEB liability	17,235	(12,055)	(3,690)	(23,274)	19,638	(42,569)	15,477
Total OPEB liability, beginning of year	380,464	392,519	396,209	419,483	399,845	442,414	426,937
Total OPEB liability, end of year (a)	$ 397,699	$ 380,464	$ 392,519	$ 396,209	$ 419,483	$ 399,845	$ 442,414
Plan fiduciary net position:							
Contributions - employer	$ 9,096	$ 860	$ 818	$ 13,299	$ 13,963	$ 34,243	$ 114,573
Net investment income	14,632	(52,917)	76,479	20,447	20,132	27,295	24,104
Benefit payments	(24,967)	(24,169)	(24,081)	(23,848)	(24,521)	(24,672)	(22,192)
Administrative expense	(107)	(114)	(144)	(191)	(81)	(635)	(123)
Net change in plan fiduciary net position	(1,346)	(76,340)	53,072	9,707	9,493	36,231	116,362
Plan fiduciary net position, beginning of year	373,711	450,051	396,979	387,272	377,779	341,548	225,186
Plan fiduciary net position, end of year (b)	$ 372,365	$ 373,711	$ 450,051	$ 396,979	$ 387,272	$ 377,779	$ 341,548
Net OPEB (asset) or liability, ending (a) - (b)	$ 25,334	$ 6,753	$ (57,532)	$ (770)	$ 32,211	$ 22,066	$ 100,866
Plan fiduciary net position as a percentage of the total OPEB liability	93.6%	98.2%	114.7%	100.2%	92.3%	94.5%	77.2%
Covered payroll	$ 345,500	$ 301,746	$ 289,014	$ 287,001	$ 282,993	$ 269,753	$ 252,211
Net OPEB (asset) or liability as a percentage of covered payroll	7.3%	2.2%	-19.9%	-0.3%	11.4%	8.2%	40.0%

Notes to Schedule

Benefit Changes: There were no changes to benefits.

Changes in Assumptions: In 2023, the healthcare trends were updated. In 2022, the long-term rate of return for Strategy 3 was updated based on newer target asset allocation, the discount rate was updated based on crossover test, the demographic assumptions were updated to CalPERS 2000-2019 Experience Study, and the mortality improvement scale was updated to Scale MP-2021. In 2021, the discount rate was updated due to weighting of Strategy 1 and Strategy 3 and updated capital market assumptions, the mortality improvement scale was updated to Scale MP-2020, the inflation rate was changed to 2.5% and the implied subsidy was removed for Medicare Advantage Plans. In 2020, the discount rate reflected the split of assets between Strategy 1 and Strategy 3, the mortality improvement scale was updated to Scale MP-2019, and the Kaiser Medicare trend rates were updated.

Schedule of Plan Contributions for OPEB

OPEB Plan. The schedule of OPEB contributions is presented below for the years for which SMUD has available data. SMUD will add to this schedule each year and when it reaches 10 years it will contain the last 10 years data which will then be updated each year going forward.

	December 31, 2023	2022	2021	2020	2019	2018	2017
	(thousands of dollars)						
Actuarially determined contribution	$ 8,566	$ 5,425	$ 8,661	$ 12,201	$ 10,710	$ 15,366	$ 16,472
Contributions in relation to the actuarially determined contribution	(8,806)	(1,157)	(853)	(13,233)	(13,155)	(35,128)	(116,181)
Contribution deficiency (excess)	$ (240)	$ 4,268	$ 7,808	$ (1,032)	$ (2,445)	$ (19,762)	$ (99,709)
Covered payroll	$ 342,236	$ 318,094	$ 285,425	$ 289,552	$ 286,835	$ 277,193	$ 260,210
Contributions as a percentage of covered payroll	2.6%	0.4%	0.3%	4.6%	4.6%	12.7%	44.6%

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for the year ended December 31, 2023 were derived from the June 30, 2023 funding valuation report.

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Amortization period	23-year fixed period for 2023
Asset valuation method	Market value of assets
Discount rate	6.25% for all actives and retirements after 6/30/2018, 5.25% for all retirements before 6/30/2018
Inflation	2.50%
Medical trend	Non-Medicare: 6.5% for 2024, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Non-Kaiser): 5.45% for 2024, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Kaiser): 4.45% for 2024, decreasing to an ultimate rate of 3.75% in 2076
Mortality	CalPERS 2000-2019 experience study
Mortality improvement	Post-retirement mortality projected fully generational with Scale MP-21

In 2023, the amortization period was for a 23-year fixed period. Mortality assumption used PERS 2000-2019 experience study. The mortality improvement projected fully generational with Scale MP-21. In 2022, the amortization period was for a 24-year fixed period. Mortality assumption used PERS 1997-2015 experience study. The mortality improvement projected fully generational with Scale MP-20. In 2021, the amortization period was for a 25-year fixed period. Mortality assumption used PERS 1997-2015 experience study. The mortality improvement projected fully generational with Scale MP-19. In 2020, the amortization period was for a 26-year fixed period. Mortality assumption used PERS 1997-2015 experience study. The mortality improvement projected fully generational with Scale MP-18. In 2019, the amortization period was for a 27-year fixed period. Mortality assumption used PERS 1997-2015 experience study. The mortality improvement projected fully generational with Scale MP-17. In 2018, the amortization period was for a 28-year fixed period. Mortality assumption used PERS 1997-2011 experience study. The mortality improvement projected fully generational with Scale MP-16. In 2017, the amortization period was for a 29-year fixed period. The inflation rate was 3.0% and the discount rate was 7.25%. The mortality projected fully generational with Scale MP-14, modified to converge in 2022.

Northern California Energy Authority

Financial Statements
and Independent Auditors' Report
December 31, 2023 and 2022

NORTHERN CALIFORNIA ENERGY AUTHORITY
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Independent Auditors' Report

To the Board of Directors of
Northern California Energy Authority

Opinion

We have audited the accompanying financial statements of the Northern California Energy Authority (Agency), a component unit of the Sacramento Municipal District, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly US, LLP

Madison, Wisconsin
February 23, 2024

NORTHERN CALIFORNIA ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Using this Financial Report

This annual financial report for Northern California Energy Authority (Agency) consists of management's discussion and analysis and the financial statements, including notes to the financial statements. The basic Financial Statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Agency's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board. The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission.

Overview of the Financial Statements

The following discussion and analysis of the financial performance of the Agency provides an overview of the financial activities for the years ended December 31, 2023 and 2022. This discussion and analysis should be read in conjunction with the Agency's financial statements and accompanying notes, which follow this section.

The Statements of Net Position provides information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position reports all of the Agency's revenues and expenses during the period indicated.

The Statements of Cash Flows reports the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses such as payments for debt service.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Organization and Nature of Operations

The Agency is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Municipal Utility District Financing Authority (SFA) in 2018. SFA is a JPA formed by SMUD and the Modesto Irrigation District. The Agency was formed for the purpose of prepaying for a fixed quantity supply of natural gas and electricity to be delivered over a thirty-year period by J. Aron & Company LLC (J. Aron) under a Prepaid Commodity Sales Agreement between the Agency and J. Aron. The Agency then sells the natural gas and electricity to SMUD. The Agency issued bonds in December 2018 and commenced gas sales in June 2019.

SMUD purchases all the natural gas and electricity delivered to the Agency pursuant to the Commodity Supply Contract between SMUD and the Agency. The Agency has no employees and SMUD contributes to the Agency the actual costs of providing general and administrative services.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, due to the extent of its operational and financial relationship with SMUD, it is included in the financial statements of SMUD.

FINANCIAL POSITION

The following table summarizes the financial position as of December 31 (in thousands).

CONDENSED STATEMENT OF NET POSITION

	2023	2022	2021
Assets			
Current assets	$ 43,765	$ 36,148	$ 28,879
Noncurrent assets	509,358	524,549	528,808
Total assets	$ 553,123	$ 560,697	$ 557,687
Liabilities			
Long-term debt - net	$ 525,193	$ 544,562	$ 551,815
Current liabilities	27,630	20,537	12,276
Noncurrent liabilities	248	208	161
Total liabilities	553,071	565,307	564,252
Net position			
Restricted	8,931	3,484	8,697
Unrestricted	(8,879)	(8,094)	(15,262)
Total net position	52	(4,610)	(6,565)
Total liabilities and net position	$ 553,123	$ 560,697	$ 557,687

TOTAL ASSETS

Total assets in 2023 decreased $7.6 million or 1.4% over 2022, primarily due to the following:

- An increase of $1.3 million in restricted cash and cash equivalents due to higher reserve for long-term debt due within one year.
- A decrease of $3.7 million in gas sales to Member receivable primarily due to a lower gas price index.
- A decrease of $4.3 million in prepaid gas supply due to the amortization for gas delivered in 2023.

Total assets in 2022 increased $3.0 million or 0.5% over 2021, primarily due to an increase of $5.9 million in gas sales to Members receivable due to higher gas price index, offset by a decrease of $3.7 million in prepaid gas supply due to amortization for gas delivered in 2022.

TOTAL LIABILITIES & NET POSITION

Total liabilities in 2023 decreased $12.2 million or 2.2% over 2022, primarily due to the following:

- A decrease of $7.2 million in long-term debt primarily due to $2.3 million principal payment and a $4.8 million amortization of bond premium.
- A decrease of $5.1 million in accrued interest and other liabilities primarily due to a decrease in net gas price swap resulting in decrease in net gas swap settlement due to J. Aron.

Net position in 2023 increased $4.7 million or 101.1% over 2022, based on results of operations.

Total liabilities in 2022 increased $1.1 million or 0.2% over 2021, primarily due to an increase of $5.9 million in accrued interest and other liabilities primarily due to an increase in net gas price swap resulting in an increase in net gas swap settlement due to J. Aron, offset by a decrease of $4.9 million in long-term debt.

Net position in 2022 increased $2.0 million or 29.8% over 2021, based on results of operations.

RESULTS OF OPERATIONS

The following table summarizes the operating results for the years ended December 31 (in thousands).

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

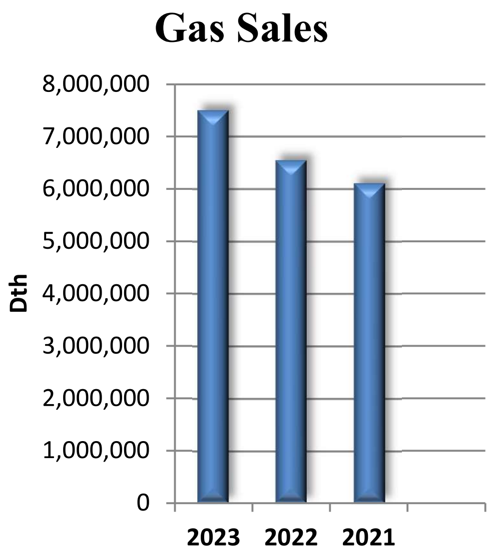
	2023	2022	2021
Operating revenues	$ 26,303	$ 22,955	$ 21,406
Operating expenses	(4,366)	(3,845)	(3,573)
Operating income	21,937	19,110	17,833
Interest income - net	552	466	458
Interest on debt	(16,831)	(16,820)	(16,773)
Change in net position before distributions and contributions	5,658	2,756	1,518
Distributions to Member	(1,103)	(941)	(843)
Member contributions	107	140	79
Change in net position	4,662	1,955	754
Net position - beginning of year	(4,610)	(6,565)	(7,319)
Net position - end of year	$ 52	$ (4,610)	$ (6,565)

OPERATING REVENUES

Total operating revenues were $26.3 million for 2023, an increase of $3.3 million or 14.6% over 2022. The gas dekatherm (Dth) sales increased 14.6% compared to 2022. Gas sales to Member increased $12.8 million as a result of higher gas price index and volume, offset by an increase of $9.4 million in gas swap settlement - net due to higher net swap price and volume.

Total operating revenues were $23.0 million for 2022, an increase of $1.5 million or 7.2% over 2021. The gas Dth sales increased 7.2% compared to 2021. Gas sales to Member increased $23.0 million, primarily as a result of higher gas price index, offset by a decrease of $21.5 million in gas swap settlement – net, primarily due to lower net swap price.

The following chart shows gas sales in 2023, 2022 and 2021.



<u>OPERATING EXPENSES</u>

Total operating expenses were $4.4 million for 2023, an increase of $0.5 million or 13.5% over 2022, primarily due to an increase of $0.5 million in amortization of the prepaid gas supply.

Total operating expenses were $3.8 million for 2022, an increase of $0.3 million or 7.6% over 2021, primarily due to an increase of $0.3 million in amortization of the prepaid gas supply.

Requests for Information

For more information about the Northern California Energy Authority, visit our website at www.smud.org or contact us at customerservices@smud.org.

NORTHERN CALIFORNIA ENERGY AUTHORITY
STATEMENTS OF NET POSITION

	December 31, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS		
Restricted cash and cash equivalents	$ 3,815,126	$ 2,558,586
Restricted investments	18,489,411	19,350,323
Receivables:		
Gas sales to Member	6,239,891	9,951,000
Prepaid gas supply	15,191,708	4,258,793
Prepayments	29,365	29,481
Total current assets	43,765,501	36,148,183
NONCURRENT ASSETS		
Prepaid gas supply	509,357,581	524,549,289
Total noncurrent assets	509,357,581	524,549,289
TOTAL ASSETS	$ 553,123,082	$ 560,697,472
LIABILITIES AND NET POSITION		
LONG-TERM DEBT - net	$ 525,193,431	$ 544,562,185
CURRENT LIABILITIES		
Long-term debt due within one year	14,505,000	2,320,000
Accrued interest and other	13,125,197	18,217,473
Total current liabilities	27,630,197	20,537,473
NONCURRENT LIABILITIES		
Arbitrage rebate liability	247,927	207,739
Total noncurrent liabilities	247,927	207,739
TOTAL LIABILITIES	553,071,555	565,307,397
NET POSITION		
Restricted	8,931,413	3,483,697
Unrestricted	(8,879,886)	(8,093,622)
TOTAL NET POSITION	51,527	(4,609,925)
COMMITMENTS AND CONTINGENCIES (Notes 6 and 7)		
TOTAL LIABILITIES AND NET POSITION	$ 553,123,082	$ 560,697,472

The accompanying notes are an integral part of these financial statements.

NORTHERN CALIFORNIA ENERGY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31, 2023	Years Ended December 31, 2022
OPERATING REVENUES		
Gas sales to Member	$ 61,129,300	$ 48,370,760
Gas swap settlement, net	(34,826,177)	(25,416,162)
Total operating revenues	26,303,123	22,954,598
OPERATING EXPENSES		
Prepaid gas amortization	4,258,793	3,716,894
Administrative and general	106,858	127,972
Total operating expenses	4,365,651	3,844,866
OPERATING INCOME	21,937,472	19,109,732
NON-OPERATING REVENUES (EXPENSES)		
Interest income - net	551,828	466,549
Interest on debt	(16,831,096)	(16,819,995)
Total non-operating revenues (expenses)	(16,279,268)	(16,353,446)
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS AND CONTRIBUTIONS	5,658,204	2,756,286
Distributions to Member	(1,103,493)	(941,183)
Member contributions	106,741	139,953
CHANGE IN NET POSITION	4,661,452	1,955,056
NET POSITION - BEGINNING OF YEAR	(4,609,925)	(6,564,981)
NET POSITION - END OF YEAR	$ 51,527	$ (4,609,925)

The accompanying notes are an integral part of these financial statements.

NORTHERN CALIFORNIA ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2023	Years Ended December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from gas sales to Member	$ 64,840,409	$ 42,429,920
Other receipts/payments - net	(39,860,454)	(19,475,322)
Net cash provided by operating activities	24,979,955	22,954,598
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of long-term debt	(2,320,000)	-0-
Interest payments on long-term debt	(21,752,850)	(21,752,850)
Distributions to Member	(1,103,493)	(941,183)
Net cash used in noncapital financing activities	(25,176,343)	(22,694,033)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	22,541,625	11,816,872
Purchase of investments	(21,680,713)	(20,908,970)
Interest received	592,016	513,614
Net cash provided by (used in) investing activities	1,452,928	(8,578,484)
Net increase (decrease) in cash and cash equivalents	1,256,540	(8,317,919)
Cash and cash equivalents - beginning of year	2,558,586	10,876,505
Cash and cash equivalents - end of the year	$ 3,815,126	$ 2,558,586
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 21,937,472	$ 19,109,732
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization of prepaid gas supply	4,258,793	3,716,894
Changes in operating assets and liabilities:		
Receivables	3,711,109	(5,940,840)
Prepaid expenses	116	(11,981)
Payables and accruals	(4,927,535)	6,080,793
Net cash provided by operating activities	$ 24,979,955	$ 22,954,598
SUPPLEMENTAL DISCLOSURE OF NONCASH AND RELATED FINANCING ACTIVITIES		
Amortization of debt related premiums	$ 4,863,754	$ 4,932,855
Contributions from Member	106,741	139,953

The accompanying notes are an integral part of these financial statements.

NORTHERN CALIFORNIA ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2023 and 2022

NOTE 1. ORGANIZATION AND OPERATIONS

The Northern California Energy Authority (Agency) is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Municipal Utility District Financing Authority (SFA) pursuant to the California Government Code (collectively, Members). SFA is a JPA formed by SMUD and the Modesto Irrigation District. The purpose of the Agency is to prepay for a supply of a fixed quantity of natural gas and electricity (commodity) to be delivered over a thirty-year period (Commodity Project) by J. Aron & Company LLC (J. Aron) under a Prepaid Commodity Sales Agreement (Prepaid Agreement) between the Agency and J. Aron. The Prepaid Agreement terminates on May 31, 2049. J. Aron is obligated to make payments to the Agency for any shortfall of commodity not delivered or taken under the Prepaid Agreement for any reason, including force majeure.

The Agency has entered into a Commodity Supply Contract (CSC) with SMUD that provides for the sale of all commodities delivered to the Agency over the term of the Prepaid Agreement. SMUD is obligated to pay the Agency for the quantities of commodity delivered under the CSC and to pay damages for commodity that SMUD fails to take pursuant to the terms of the CSC. SMUD has no obligation to pay for commodity that the Agency fails to deliver. The Agency anticipates that SMUD will be the only project participant with respect to the Commodity Project during the term of the Prepaid Agreement. However, in the event of a default by SMUD under the CSC, the Agency has agreed to terminate the CSC and may enter into a replacement CSC with one or more municipal utilities on substantially the same terms as the CSC.

The Agency has no employees. The Commodity Project is operated by SMUD's staff. SMUD is obligated to contribute to the Agency the actual costs of providing administrative and general services. SMUD contributed $0.1 million both in 2023 and 2022.

The JPA agreement will remain in effect until terminated by a supplemental written agreement of the parties; provided, that in no event shall the JPA agreement terminate while any contracts between the Agency and either of the parties or other parties are in effect, or while any bonds or notes of the Agency are outstanding. Commodity Project revenues and the subsequent payments of principal and interest related to the Agency's long-term debt are dependent upon the continued delivery of commodity to the Commodity Project under the Prepaid Agreement. Various termination events are specified in the Prepaid Agreement. Upon the occurrence of any such event, the Prepaid Agreement may be terminated by the Agency or J. Aron. If the Prepaid Agreement is terminated, J. Aron will be required to pay a scheduled termination payment to the Agency. Any termination of the Prepaid Agreement will result in the extraordinary mandatory redemption of the Agency's long-term debt. Neither SFA nor SMUD has any obligation or liability to the Agency beyond that specifically provided for in the JPA agreement or the Commodity Project agreement.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, it is included in the financial statements of SMUD as a component unit because of the extent of its operational and financial relationships with SMUD.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accounting records of the Agency are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Commodity sale revenues, gas swap payments and purchase costs that are directly related to delivery of commodity are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Restricted Assets. The Agency's restricted assets are comprised of U.S. government securities and guaranteed investment contracts which use is limited for specific purposes pursuant to the Indenture of Trust (Indenture) requirements. The Indenture specifies the flow of cash into the various Agency funds and dictates when they may become unrestricted.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less, obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; Local Agency Investment Fund; and money market funds.

Investments. The Agency's investments consist of guaranteed investment contracts and are measured at cost.

Receivable from Member. The Agency records as a Receivable from Member the amounts due from SMUD for the purchase of commodity from the Commodity Project.

Prepaid Gas Supply. The Agency has prepaid for delivery of a natural gas supply with the proceeds from revenue bonds. The Agency provides for amortization on the historical cost of the Prepaid gas supply on a net present value (NPV) basis in which the change in the NPV of the Prepaid Agreement for the remaining term of its contract life from the beginning of the period to the end of the period is the amortization charged for the period. When the Agency amortizes its Prepaid gas supply, the amortization is recorded against the current portion of Prepaid gas supply.

Derivative Instruments. The Agency enters into a forward contract (commodity price swap agreement) to manage its exposure to market volatility of commodity prices. The Agency does not enter into these agreements for trading purposes. Due to the termination provisions of these agreements, they have no fair value, and therefore, there is no mark-to-market and the Agency does not record these derivative instruments on its Statements of Net Position. The Agency is exposed to the risk of early termination of the Prepaid Agreement if the counterparties default or if the swap agreements are terminated. Net swap payments received or paid are reported as a component of Operating Revenues in the Statements of Revenues, Expenses and Changes in Net Position.

Amortization of Bond Premiums. Bond premiums are amortized over the life of the bonds using the scientific amortized cost procedure gross method. Unamortized premiums are netted with Long-term debt - net on the Statements of Net Position.

Commodity Price Swap Agreement. The Agency uses a forward contract to hedge the impact of market volatility on gas commodity prices for its CSC.

Net Position. The Agency classifies its Net Position into two components as follows:

- Restricted - This component of net position consists of assets with constraints placed on their use, either externally or internally. Constraints include those imposed by debt indentures, grants or laws and regulations of other governments, by law through constitutional provisions or enabling legislation, or by the Commission. These restricted assets are reduced by liabilities related to those assets.
- Unrestricted - This component of net position consists of net amount of the assets and liabilities that do not meet the definition of "Restricted."

Gas Sales to Member. Gas sales to Member are recorded as revenues when the natural gas is delivered.

Operating Expenses. Operating expenses include the cost of sales and services, administrative expenses and amortization on Prepaid gas supply assets and are recorded when incurred.

Distributions to Member. Amounts paid to SMUD from surplus funds are recorded as Distributions to Member.

Member Contributions. Amounts contributed by SMUD for the actual costs of providing administrative and general services are recorded as Member contributions.

Subsequent Events. Subsequent events for the Agency have been evaluated through February 23, 2024 which is the date that the financial statements were available to be issued.

Recent Accounting Pronouncements, not yet adopted. In June 2022, GASB issued SGAS No. 100, "***Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62***" (GASB No. 100), to enhance accounting and financial reporting requirements for accounting changes and error corrections. The statement defines accounting changes and sets forth requirements for reporting changes and error corrections in the financial statements. In addition, the statement contains requirements for disclosure in notes to financial statements of information about accounting changes and error corrections. Furthermore, for periods that are earlier than those included in the financial statements, information presented in required supplementary information and supplementary information should be restated for error corrections, but not for changes in accounting principles. This statement is effective for the Agency in 2024. The Agency is currently assessing the financial statement impact of adopting this statement.

In December 2023, GASB issued SGAS No. 102 ***"Certain Risk Disclosures"*** (GASB No. 102), to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. A *concentration* is defined as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. This statement requires a government to assess whether a concentration or constraint could cause a substantial impact if the event occurred or has begun to occur prior to the issuance of financial statements. If a government determines that the criteria for disclosure have been met, it should disclose information in notes to financial statements in sufficient detail to enable financial statements users to understand the nature of the circumstances and the government's vulnerability to the risk of a substantial impact. This statement is effective for the Agency in 2025. The Agency is currently assessing the financial statement impact of adopting this statement.

NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Equivalents and Investments. The Agency's investment policy is governed by the California State and Municipal Codes and its Indenture, which allow Agency investments to include: obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; Local Agency Investment Fund; and money market funds. The Agency's investment policy also includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities, and minimum credit ratings. The Agency uses the credit rating of The Goldman Sachs Group Incorporated (Goldman Sachs), the parent company of J. Aron as they do not have an individual credit rating.

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To mitigate the risk, the Agency limits investments to those rated at least, at the credit rating of the commodity supplier, or, if the commodity supplier is not rated, the guarantor of the commodity supplier which is currently Goldman Sachs.

Custodial Credit Risk. This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Agency's deposits may not be returned or the Agency will not be able to recover the value of its deposits, investments or securities that are in the possession of another party. The Agency does not have a deposit or investment policy for custodial credit risk. At December 31, 2023 and 2022, the Agency had money market funds of $3.8 million and $2.6 million which were uninsured and were held in trust for the benefit of the Agency. At December 31, 2023 and 2022, the Agency had no investments subject to custodial credit risk.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Agency places no limit on the amounts invested in any one issuer for federal agency securities. The Agency has concentrations of risk greater than five percent invested in J. Aron of 100 percent at December 31, 2023 and 2022.

Interest Rate Risk. This is the risk that investments are exposed to fair value losses arising from increasing interest rates. Though the Agency has restrictions as to the maturities of some of the investments, it does not have a formal policy for interest rate risk. The Agency had no investments subject to this risk at December 31, 2023 and 2022. At December 31, 2023 and 2022, all investment funds were in guaranteed investment contracts that will terminate on June 30, 2024.

Investment Agreement. The Agency has entered into guaranteed investment contracts in which it has agreed to invest the debt service fund for a fixed rate of return of 3.4 percent, and the debt service reserve and the working capital funds for a guaranteed fixed rate of return of 3.6 percent with J. Aron. The agreements terminate on June 30, 2024.

The following schedules present credit risk by type of security held at December 31, 2023 and 2022. The credit ratings listed are from Standard & Poor's.

The Agency's cash, cash equivalents, and investments consist of the following:

	Credit Rating	December 31, 2023	December 31, 2022
Cash and cash equivalents:			
Money market funds	AAAm	$ 3,815,126	$ 2,558,586
Total cash and cash equivalents		3,815,126	2,558,586
Investments:			
Guaranteed investment contracts	BBB+	18,489,411	19,350,323
Total investments		18,489,411	19,350,323
Total cash, cash equivalents, and investments		$ 22,304,537	$ 21,908,909

The Agency's cash, cash equivalents, and investments are classified in the Statements of Net Position as follows:

	December 31, 2023	December 31, 2022
Cash, cash equivalents, and investments:		
Debt service funds	$ 19,304,537	$ 18,898,077
Total debt service funds	19,304,537	18,898,077
Other restricted funds:		
Working capital fund	3,000,000	3,000,000
Revenue fund	-0-	10,832
Total other restricted funds	3,000,000	3,010,832
Total cash, cash equivalents, and investments	$ 22,304,537	$ 21,908,909

NOTE 4. PREPAID GAS SUPPLY

The Agency's prepaid gas supply is presented below:

	December 31, 2023	December 31, 2022
Prepaid gas supply	$ 524,549,289	$ 528,808,082
Less: amounts due within one year	(15,191,708)	(4,258,793)
Total prepaid gas supply - noncurrent portion	$ 509,357,581	$ 524,549,289

The following summarizes prepaid gas supply activity for the year ended December 31, 2023:

	January 1, 2023	Terminations	Amortization	December 31, 2023
Prepaid gas supply	$ 528,808,082	$ -0-	$ (4,258,793)	$ 524,549,289

The following summarizes prepaid gas supply activity for the year ended December 31, 2022:

	January 1, 2022	Terminations	Amortization	December 31, 2022
Prepaid gas supply	$ 532,524,976	$ -0-	$ (3,716,894)	$ 528,808,082

The prepaid gas supply is the discounted NPV of the fixed monthly natural gas prices per million British Thermal Units (MMBtu) as specified in, and over the remaining term of, the Prepaid Agreement.

NOTE 5. LONG-TERM DEBT

The Agency issued $539.6 million of 2018 Commodity Supply Revenue Bonds (Bonds) in December 2018 maturing in June 2049, with a mandatory tender purchase in June 2024. The Bonds have fixed interest rates of 4.0 percent to 5.0 percent.

The Agency's long-term debt is presented below:

	December 31, 2023	December 31, 2022
2018 Commodity supply revenue bonds, fixed rates 4.0% - 5.0%, 2024-2049	$ 537,295,000	$ 539,615,000
Unamortized premiums	2,403,431	7,267,185
Total long-term debt	539,698,431	546,882,185
Less: amounts due within one year	(14,505,000)	(2,320,000)
Total long-term debt - net	$ 525,193,431	$ 544,562,185

The following summarizes long-term debt activity for the year ended December 31, 2023:

	January 1, 2023	Additions	Payments/ Amortizations	December 31, 2023
2018 Commodity supply revenue bonds	$ 539,615,000	$ -0-	$ (2,320,000)	$ 537,295,000
Unamortized premiums	7,267,185	-0-	(4,863,754)	2,403,431
Total long-term debt	$ 546,882,185	$ -0-	$ (7,183,754)	$ 539,698,431

The following summarizes long-term debt activity for the year ended December 31, 2022:

	January 1, 2022	Additions	Payments/ Amortizations	December 31, 2022
2018 Commodity supply revenue bonds	$ 539,615,000	$ -0-	$ -0-	$ 539,615,000
Unamortized premiums	12,200,040	-0-	(4,932,855)	7,267,185
Total long-term debt	$ 551,815,040	$ -0-	$ (4,932,855)	$ 546,882,185

At December 31, 2023 scheduled annual principal maturities and interest are as follows:

Year	Principal	Interest	Total
2024	$ 14,505,000	$ 21,636,850	$ 36,141,850
2025	17,300,000	20,911,600	38,211,600
2026	16,710,000	20,219,600	36,929,600
2027	17,660,000	19,551,200	37,211,200
2028	20,250,000	18,844,800	39,094,800
2029-2033 (combined)	80,870,000	82,756,800	163,626,800
2034-2038 (combined)	105,170,000	66,569,400	171,739,400
2039-2043 (combined)	100,825,000	45,940,400	146,765,400
2044-2048 (combined)	133,230,000	22,666,400	155,896,400
2049	30,775,000	1,231,000	32,006,000
Total	$ 537,295,000	$ 320,328,050	$ 857,623,050

Interest in the preceding table includes interest requirements at current fixed rate coupon of 4.0 percent to 5.0 percent until mandatory remarketing date on July 1, 2024, and an assumed 4.0 percent fixed rate after mandatory remarketing. Principal in the preceding table includes known principal payments until mandatory remarketing date and the amortization schedule after mandatory remarketing date.

The Agency had pledged future net revenues to repay $537.3 million and $539.6 million at December 31, 2023 and 2022, respectively for Bonds issued in December 2018. Proceeds from the Bonds were used to purchase the Commodity Project from J. Aron at a price of $541.9 million with the remaining amounts used to fund the appropriate accounts for the Agency. The Bonds, payable through 2049, are secured solely by a pledge of and lien on the trust estate under the Indenture which includes bond proceeds, rights under the CSC, revenues, any termination payment and any investment income. Annual principal and interest payments on the Bonds are expected to require approximately 100 percent of the Agency's net revenues. The total principal and interest remaining to be paid on the Bonds is $857.6 million and $881.7 million at December 31, 2023 and 2022, respectively. Debt service payments on the Bonds are made semi-annually on January 1 and July 1. The Agency paid the first Bond principal payment in 2023 in the amount of $2.3 million. Interest paid was $21.8 million for both 2023 and 2022. Total gross revenues were $26.9 million and $23.4 million for 2023 and 2022, respectively.

The ability of the Agency to pay related principal and interest payments associated with the Bonds is contingent upon the continued successful operation of the Commodity Project. If the Prepaid Agreement were to terminate, a termination payment would be received into the trust estate from J. Aron. The amount of the termination payment, together with the amounts required to be on deposit in certain funds and accounts held by the trustee, has been calculated to provide a sum sufficient to pay the redemption price of the Bonds upon early termination of the Prepaid Agreement. The amount of termination payment declines over time as J. Aron performs its commodity delivery obligations under the Prepaid Agreement. The Members are not obligated to pay debt service costs if the Commodity Project is unable to operate pursuant to the Prepaid Agreement or if revenues generated by the Commodity Project are insufficient to meet debt service obligations.

Terms of Debt Indenture. The debt indenture contains a provision that in an event of default, the holders of the majority of the debt outstanding are entitled to declare the outstanding amounts due immediately.

NOTE 6. COMMITMENTS

Commodity Price Swap Agreement. The Agency has entered into a floating-to-fixed natural gas and electricity commodity price swap agreement (Commodity Swap Agreement) with a counterparty for the purpose of fixing the variable price on the Agency's commodity sales to SMUD under the CSC. The Agency pays an index-based commodity price over the thirty-year period and receives a fixed commodity price as specified in the Commodity Swap Agreement, for notional quantities of commodity at a pricing point corresponding to the daily contract quantity and the delivery point under the Prepaid Agreement. The Commodity Swap Agreement terminates on July 1, 2049. The total notional amount of the Commodity Swap Agreement remaining at December 31, 2023 was 90.2 million MMBtu and 9.9 million MWh. Presently, the Commodity Swap Agreement is an average of 20,400 MMBtu per calendar day. Actual daily commodity deliveries will vary from month to month, changing on the first day of the month. Early termination of the Commodity Swap Agreement would occur upon termination of the Prepaid Agreement for any reason whatsoever. Upon early termination, the Commodity Swap Agreement would have no value to either party.

NOTE 7. CONTINGENCIES

General Contingencies. The Agency's ability to make principal and interest payments on its Bonds is contingent upon the continued delivery of commodity to the Commodity Project under the Prepaid Agreement. The Members are not obligated to make principal and interest debt service payments in the event the Commodity Project does not operate and there are insufficient funds to pay the bondholders. The Agency expects that the commodity will continue to be delivered as planned.

In the normal operation of business, the Agency is party to various claims, legal actions and complaints. Management and the Agency's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the Agency.

Northern California Gas Authority No. 1

Financial Statements
and Independent Auditors' Report
December 31, 2023 and 2022

NORTHERN CALIFORNIA GAS AUTHORITY No. 1
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To the Board of Directors of
Northern California Gas Authority No. 1

Opinion

We have audited the accompanying financial statements of the Northern California Gas Authority No. 1 (Agency), a component unit of the Sacramento Municipal Utility District, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly US, LLP

Madison, Wisconsin
February 23, 2024

NORTHERN CALIFORNIA GAS AUTHORITY No. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Using this Financial Report

This annual financial report for Northern California Gas Authority No. 1 (Agency) consists of management's discussion and analysis and the financial statements, including notes to the financial statements. The basic Financial Statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Agency's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board. The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission.

Overview of the Financial Statements

The following discussion and analysis of the financial performance of the Agency provides an overview of the financial activities for the years ended December 31, 2023 and 2022. This discussion and analysis should be read in conjunction with the Agency's financial statements and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report all of the Agency's revenues and expenses during the periods indicated.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses such as payments for debt service.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Organization and Nature of Operations

The Agency is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Municipal Utility District Financing Authority (SFA) in 2007. SFA is a JPA formed by SMUD and the Modesto Irrigation District. The Agency was formed for the purpose of prepaying for a fixed quantity supply of natural gas to be delivered over a twenty-year period by Morgan Stanley Capital Group, Inc. (MSCG) under a Prepaid Gas Purchase and Sale Agreement (Prepaid Agreement) between the Agency and MSCG. The Agency then sells the natural gas to SMUD. The Agency issued bonds in May 2007 and commenced gas sales in June 2007.

SMUD purchases all of the natural gas delivered to the Agency pursuant to the Gas Supply Contract between SMUD and the Agency. SMUD requested to have its entire daily contract quantity remarketed for each gas day of each month from November 1, 2023 until May 31, 2027. MSCG shall purchase all of the remarketed gas for its own account and make payment of such disposition proceeds to the Agency consistent with the terms of the Prepaid Agreement. The Agency has no employees and SMUD contributes to the Agency the actual costs of providing general and administrative services.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, due to the extent of its operational and financial relationship with SMUD, it is included in the financial statements of SMUD.

FINANCIAL POSITION

The following table summarizes the financial position as of December 31 (in thousands).

CONDENSED STATEMENT OF NET POSITION

	2023	2022	2021
Assets			
Current assets	$ 45,409	$ 40,591	$ 39,938
Noncurrent assets	84,273	112,872	138,186
Total assets	$ 129,682	$ 153,463	$ 178,124
Liabilities			
Long-term debt - net	$ 94,540	$ 120,070	$ 142,935
Current liabilities	27,315	24,404	25,351
Total liabilities	121,855	144,474	168,286
Net position			
Restricted	12,500	11,178	10,022
Unrestricted	(4,673)	(2,189)	(184)
Total net position	7,827	8,989	9,838
Total liabilities and net position	$ 129,682	$ 153,463	$ 178,124

TOTAL ASSETS

Total assets in 2023 decreased $23.8 million or 15.5% over 2022, primarily due to a decrease of $25.2 million in prepaid gas supply due to amortization for gas delivered in 2023.

Total assets in 2022 decreased $24.7 million or 13.8% over 2021, primarily due to a decrease of $22.3 million in prepaid gas supply due to amortization for gas delivered in 2022.

TOTAL LIABILITIES & NET POSITION

The total liabilities in 2023 decreased $22.6 million or 15.7% over 2022, primarily due to a decrease of $22.9 million in long-term debt as result of scheduled principal payment.

Net position in 2023 decreased $1.2 million or 12.9% over 2022, primarily due to a $0.7 million distribution to Member.

The total liabilities in 2022 decreased $23.8 million or 14.1% over 2021, primarily due to a decrease of $20.6 million in long-term debt as result of scheduled principal payment and $3.0 million in Credit support for collateral obligation due to increase in long-term senior unsecured debt credit rating of MSCG removing the collateral requirement.

Net position in 2022 decreased $0.8 million or 8.6% over 2021, primarily due to a $0.6 million distribution to Member.

RESULTS OF OPERATIONS

The following table summarizes the operating results for the years ended December 31 (in thousands).

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

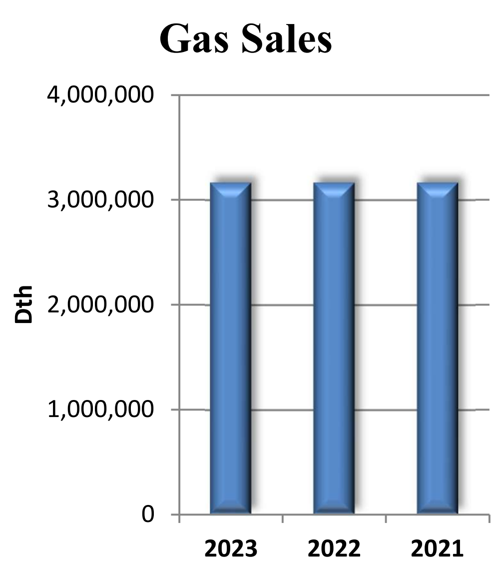
	2023	2022	2021
Operating revenues	$ 29,999	$ 28,472	$ 27,092
Operating expenses	(25,361)	(22,520)	(19,980)
Operating income	4,638	5,952	7,112
Interest income	615	326	492
Interest on debt	(5,819)	(6,610)	(7,449)
Change in net position before distributions and contributions	(566)	(332)	155
Distributions to Member	(659)	(590)	(543)
Member contributions	63	73	80
Change in net position	(1,162)	(849)	(308)
Net position - beginning of year	8,989	9,838	10,146
Net position - end of year	$ 7,827	$ 8,989	$ 9,838

OPERATING REVENUES

Total operating revenues were $30.0 million for 2023, an increase of $1.5 million or 5.4% over 2022. The gas dekatherm (Dth) sales decreased 0.1% compared to 2022. Gas swap settlement - net increased $8.2 million due to the higher net swap price and other gas sales increased $1.0 million due to remarketed gas sales to MSCG, offset by a decrease of $7.8 million in gas sales to Member as a result of lower gas price index.

Total operating revenues were $28.5 million for 2022, an increase of $1.4 million or 5.1% over 2021. The gas Dth sales decreased 0.1% compared to 2021. Gas sales to Member increased $4.6 million as a result of higher gas price index, offset by a decrease of $3.2 million in gas swap settlement - net due to lower net swap price.

The following chart shows gas sales to member in 2023, 2022 and 2021.



OPERATING EXPENSES

Total operating expenses were $25.4 million for 2023, an increase of $2.8 million or 12.6% over 2022, primarily due to an increase of $2.8 million in amortization of the prepaid gas supply.

Total operating expenses were $22.5 million for 2022, an increase of $2.5 million or 12.7% over 2021, primarily due to an increase of $2.5 million in amortization of the prepaid gas supply.

Requests for Information

For more information about the Northern California Gas Authority No. 1, visit our website at www.smud.org or contact us at customerservices@smud.org.

NORTHERN CALIFORNIA GAS AUTHORITY No. 1
STATEMENTS OF NET POSITION

	December 31, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS		
Restricted cash and cash equivalents	$ 13,935,731	$ 12,715,944
Receivables:		
Gas sales to Member	-0-	1,092,185
Accrued interest and other	2,874,196	1,469,101
Prepaid gas supply	28,478,928	25,193,326
Other prepayments	15,630	15,630
Regulatory costs to be recovered within one year	104,796	104,796
Total current assets	45,409,281	40,590,982
NONCURRENT ASSETS		
Prepaid gas supply	83,971,494	112,450,422
Regulatory costs for future recovery	261,993	366,789
Prepaid bond insurance costs	39,076	54,706
Total noncurrent assets	84,272,563	112,871,917
TOTAL ASSETS	$ 129,681,844	$ 153,462,899
LIABILITIES AND NET POSITION		
LONG-TERM DEBT - net	$ 94,540,000	$ 120,070,000
CURRENT LIABILITIES		
Payable due to Member	349,255	-0-
Credit support for collateral obligation	70	1,211
Long-term debt due within one year	25,530,000	22,865,000
Accrued interest and other	1,435,844	1,537,981
Total current liabilities	27,315,169	24,404,192
TOTAL LIABILITIES	121,855,169	144,474,192
NET POSITION		
Restricted	12,499,887	11,177,963
Unrestricted	(4,673,212)	(2,189,256)
TOTAL NET POSITION	7,826,675	8,988,707
COMMITMENTS AND CONTINGENCIES (Notes 6 and 7)		
TOTAL LIABILITIES AND NET POSITION	$ 129,681,844	$ 153,462,899

The accompanying notes are an integral part of these financial statements.

NORTHERN CALIFORNIA GAS AUTHORITY No. 1
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31, 2023	Years Ended December 31, 2022
OPERATING REVENUES		
Gas sales to Member	$ 3,559,308	$ 11,316,836
Gas swap settlement, net	25,400,010	17,155,280
Other gas sales	1,039,843	-0-
Total operating revenues	29,999,161	28,472,116
OPERATING EXPENSES		
Prepaid gas amortization	25,193,326	22,342,124
Administrative and general	63,108	73,367
Regulatory amounts collected in rates	104,796	104,796
Total operating expenses	25,361,230	22,520,287
OPERATING INCOME	4,637,931	5,951,829
NON-OPERATING REVENUES (EXPENSES)		
Interest income	614,932	325,746
Interest on debt	(5,819,387)	(6,609,789)
Total non-operating revenues (expenses)	(5,204,455)	(6,284,043)
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS AND CONTRIBUTIONS	(566,524)	(332,214)
Distributions to Member	(658,616)	(590,207)
Member contributions	63,108	73,367
CHANGE IN NET POSITION	(1,162,032)	(849,054)
NET POSITION - BEGINNING OF YEAR	8,988,707	9,837,761
NET POSITION - END OF YEAR	$ 7,826,675	$ 8,988,707

The accompanying notes are an integral part of these financial statements.

NORTHERN CALIFORNIA GAS AUTHORITY No. 1
STATEMENTS OF CASH FLOWS

		December 31,		
		2023		2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from gas sales to Member	$	4,651,493	$	11,089,345
Receipts from others		25,037,059		17,263,381
Payments for credit support collateral		(1,141)		(3,040,898)
Payments to Member		349,255		-0-
Net cash provided by operating activities		30,036,666		25,311,828
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Repayment of long-term debt		(22,865,000)		(20,550,000)
Interest payments on long-term debt		(5,905,894)		(6,815,277)
Distributions to Member		(658,616)		(590,207)
Net cash used in noncapital financing activities		(29,429,510)		(27,955,484)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		612,631		536,315
Net cash provided by investing activities		612,631		536,315
Net increase (decrease) in cash and cash equivalents		1,219,787		(2,107,341)
Cash and cash equivalents - beginning of the year		12,715,944		14,823,285
Cash and cash equivalents - end of the year	$	13,935,731	$	12,715,944
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$	4,637,931	$	5,951,829
Adjustments to reconcile operating income to net cash provided by operating activities:				
Amortization of prepaid gas supply		25,193,326		22,342,124
Regulatory amortization		104,796		104,796
Payments for credit support collateral		(1,141)		(3,040,898)
Changes in operating assets and liabilities:				
Receivables		(310,609)		(119,390)
Payables and accruals		412,363		73,367
Net cash provided by operating activities	$	30,036,666	$	25,311,828
SUPPLEMENTAL DISCLOSURE OF NONCASH RELATED FINANCING ACTIVITIES				
Amortization of debt related premiums	$	(15,630)	$	(15,630)
Contributions from Member		63,108		73,367

The accompanying notes are an integral part of these financial statements.

NOTE 1. ORGANIZATION AND OPERATIONS

The Northern California Gas Authority No. 1 (Agency) is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Municipal Utility District Financing Authority (SFA) pursuant to the California Government Code (collectively, Members). SFA is a JPA formed by SMUD and the Modesto Irrigation District. The purpose of the Agency is to prepay for a supply of a fixed quantity of natural gas to be delivered over a twenty-year period (Gas Project) by Morgan Stanley Capital Group, Inc. (MSCG) under a Prepaid Gas Purchase and Sale Agreement (Prepaid Agreement) between the Agency and MSCG. The Prepaid Agreement terminates on May 31, 2027. MSCG is obligated to make payments to the Agency for any shortfall of gas not delivered or taken under the Prepaid Agreement for any reason, including force majeure.

The Agency has entered into a Gas Supply Contract (GSC) with SMUD that provides for the sale of all of the natural gas delivered to the Agency over the term of the Prepaid Agreement. SMUD is obligated to pay the Agency for the quantities of gas delivered under the GSC and to pay damages for gas that SMUD fails to take pursuant to the terms of the GSC. SMUD has no obligation to pay for gas that the Agency fails to deliver. The Agency anticipates that SMUD will be the only project participant with respect to the Gas Project during the term of the Prepaid Agreement. However, in the event of a default by SMUD under the GSC, the Agency has agreed to terminate the GSC and may enter into a replacement GSC with one or more municipal utilities on substantially the same terms as the GSC. SMUD requested to have its entire daily contract quantity remarketed for each gas day of each month from November 1, 2023 until May 31, 2027. MSCG, pursuant to the Gas remarketing provisions of the Prepaid Agreement shall purchase all of the remarketed gas for its own account at a price equal to the monthly index price minus an administrative charge of $0.05 per million British Thermal Units (MMBtu) and make payment of such disposition proceeds to the Agency consistent with the terms of the Prepaid Agreement.

The Agency has no employees. The Gas Project is operated by SMUD's staff. SMUD is obligated to contribute to the Agency the actual costs of providing administrative and general services. SMUD contributed $0.1 million both in 2023 and 2022.

The JPA agreement will remain in effect until terminated by a supplemental written agreement of the parties; provided, that in no event shall the JPA agreement terminate while any contracts between the Agency and either of the parties or other parties are in effect, or while any bonds or notes of the Agency are outstanding. Gas Project revenues and the subsequent payments of principal and interest related to the Agency's long-term debt are dependent upon the continued delivery of natural gas to the Gas Project under the Prepaid Agreement. Various termination events are specified in the Prepaid Agreement. Upon the occurrence of any such event, the Prepaid Agreement may be terminated by the Agency or MSCG. If the Prepaid Agreement is terminated, MSCG will be required to pay a scheduled termination payment to the Agency. Any termination of the Prepaid Agreement will result in the extraordinary mandatory redemption of the Agency's long-term debt. Neither SFA nor SMUD has any obligation or liability to the Agency beyond that specifically provided for in the JPA agreement or the Gas Project agreement.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, it is included in the financial statements of SMUD as a component unit because of the extent of its operational and financial relationships with SMUD.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accounting records of the Agency are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Natural gas sale revenues, gas swap payments and purchase costs that are directly related to delivery of natural gas are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Restricted Assets. The Agency's restricted assets are comprised of U.S. government securities and commercial paper which use is limited for specific purposes pursuant to the Indenture of Trust (Indenture) requirements. The Indenture specifies the flow of cash into the various Agency funds and dictates when they may become unrestricted.

Credit and Market Risk. The Agency entered into a synthetic guaranteed investment contract (see Note 3) in 2007 and is exposed to credit risk related to nonperformance by its investment provider. This contract requires the investment provider, MSCG, to post collateral if their credit ratings fall below agreed upon levels. The amount is recorded as current restricted asset with an associated current liability on the Statements of Net Position.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less, obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; Local Agency Investment Fund; and money market funds.

Receivable from Member. The Agency records as a Receivable from Member the amounts due from SMUD for the purchase of natural gas from the Gas Project.

Prepaid Gas Supply. The Agency has prepaid for delivery of a natural gas supply with the proceeds from revenue bonds. The Agency provides for amortization on the historical cost of the Prepaid gas supply on a net present value (NPV) basis in which the change in the NPV of the Prepaid Agreement for the remaining term of its contract life from the beginning of the period to the end of the period is the amortization charged for the period. When the Agency amortizes its Prepaid gas supply, the amortization is recorded against the current portion of Prepaid gas supply.

Regulatory Deferrals. As a regulated entity, the Agency's financial statements are prepared in accordance with GASB Statement No. 62, ***"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants Pronouncements,"*** which require that the effects of the rate making process be recorded in the financial statements. The Agency records regulatory assets and credits to reflect rate-making actions of the Commission. The account includes the unamortized debt issuance costs of previously issued bonds of the Agency. The regulatory asset is amortized using the straight line method over the remaining life of the associated bonds and recorded in Regulatory amounts collected in rates in the Statements of Revenues, Expenses and Changes in Net Position.

Prepaid Bond Insurance Costs. The Agency recorded a prepaid asset for the prepaid bond insurance portion of unamortized debt issuance costs of previously issued bonds of the Agency. The prepaid bond insurance costs will be amortized using the straight line method over the remaining life of the associated bonds and recorded in Interest on debt in the Statements of Revenues, Expenses and Changes in Net Position.

Derivative Instruments. The Agency enters into forward contracts (interest rate swap and natural gas commodity price swap agreements) to manage its exposure to interest rate risk and market volatility of natural gas commodity prices. The Agency does not enter into these agreements for trading purposes. Due to the termination provisions of these agreements, they have no fair value, and therefore, there is no mark-to-market and the Agency does not record these derivative instruments on its Statements of Net Position. The Agency is exposed to the risk of early termination of the Prepaid Agreement if the counterparties default or if the swap agreements are terminated. Net swap payments received or paid for the gas swap are reported as a component of Operating Revenues in the Statement of Revenues, Expenses and Changes in Net Position.

Gas Swap Agreement. The Agency uses forward contracts to hedge the impact of market volatility on gas commodity prices for its GSC.

Interest Rate Swap Agreements. The Agency enters into interest rate swap agreements to modify the effective interest rates on outstanding debt. Interest expense is reported net of the swap payments received or paid as a component of Interest on debt in the Statement of Revenues, Expenses and Changes in Net Position.

Net Position. The Agency classifies its Net Position into two components as follows:

- Restricted - This component of net position consists of assets with constraints placed on their use, either externally or internally. Constraints include those imposed by debt indentures, grants or laws and regulations of other governments, by law through constitutional provisions or enabling legislation, or by the Commission. These restricted assets are reduced by liabilities related to those assets.
- Unrestricted - This component of net position consists of net amount of the assets and liabilities that do not meet the definition of "Restricted."

Gas Sales to Member. Gas sales to Member are recorded as revenues when the natural gas is delivered.

Other Gas Sales. Other gas sales are payments from MSCG for remarketed gas and are recorded as revenues when the natural gas is delivered.

Operating Expenses. Operating expenses include the cost of sales and services, administrative expenses and amortization on Prepaid gas supply assets and Regulatory amounts collected in rates and are recorded when incurred.

Distributions to Member. Amounts paid to SMUD from surplus funds are recorded as Distributions to Member.

Member Contributions. Amounts contributed by SMUD for the actual costs of providing administrative and general services are recorded as Member contributions.

Subsequent Events. Subsequent events for the Agency have been evaluated through February 23, 2024, which is the date that the financial statements were available to be issued.

Recent Accounting Pronouncements, adopted. In March 2020, GASB issued SGAS No. 93, ***"Replacement of Interbank Offered Rates"*** (GASB No. 93). The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notably, the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021. This statement provides exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment. By removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, GASB No. 93 identifies the Secured Overnight Financing Rate (SOFR) and the Effective Federal Funds Rate as appropriate benchmark interest rates to replace LIBOR. This statement is effective for the Agency in 2023. GASB No. 99 (see below) further states that the LIBOR is no longer an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate risk of taxable debt when LIBOR ceases to be determined by the ICE Benchmark Administration using the methodology in place as of December 31, 2021. The Agency utilizes LIBOR for its interest rate swap agreement. The Agency has fully implemented GASB No. 93 in 2023 and modified its interest rate swap agreement to the benchmark interest rate SOFR effective October 1, 2023 (see Note 5).

In April 2022, GASB issued SGAS No. 99, ***"Omnibus 2022"*** (GASB No. 99). This statement addresses a variety of topics and is effective for the Agency in 2022, 2023, or 2024 depending on the requirement. The only topic effective for the Agency in 2023 is GASB No. 93, discussed above. The Agency is currently assessing the financial impact of adopting the remaining topic in this statement that is effective in 2024.

Recent Accounting Pronouncements, not yet adopted. In June 2022, GASB issued SGAS No. 100, "***Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62***" (GASB No. 100), to enhance accounting and financial reporting requirements for accounting changes and error corrections. The statement defines accounting changes and sets forth requirements for reporting changes and error corrections in the financial statements. In addition, the statement contains requirements for disclosure in notes to financial statements of information about accounting changes and error corrections. Furthermore, for periods that are earlier than those included in the financial statements, information presented in required supplementary information and supplementary information should be restated for error corrections, but not for changes in accounting principles. This statement is effective for the Agency in 2024. The Agency is currently assessing the financial statement impact of adopting this statement.

In December 2023, GASB issued SGAS No. 102 ***"Certain Risk Disclosures"*** (GASB No. 102), to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. A *concentration* is defined as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. This statement requires a government to assess whether a concentration or constraint could cause a substantial impact if the event occurred or has begun to occur prior to the issuance of financial statements. If a government determines that the criteria for disclosure have been met, it should disclose information in notes to financial statements in sufficient detail to enable financial statements users to understand the nature of the circumstances and the government's vulnerability to the risk of a substantial impact. This statement is effective for the Agency in 2025. The Agency is currently assessing the financial statement impact of adopting this statement.

NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Equivalents and Investments. The Agency's investment policy is governed by the California State and Municipal Codes and its Indenture, which allow Agency investments to include: obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; Local Agency Investment Fund; and money market funds. The Agency's investment policy also includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities, and minimum credit ratings.

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To mitigate the risk, the Agency limits investments to those rated, at a minimum, "A-1" or equivalent for short-term investments and "A" or equivalent for medium-term corporate notes by a nationally recognized rating agency.

Custodial Credit Risk. This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Agency's deposits may not be returned, or the Agency will not be able to recover the value of its deposits, investments or securities that are in the possession of another party. The Agency does not have a deposit or investment policy for custodial credit risk. At December 31, 2023 and 2022, the Agency had money market funds of $0.3 million and $0.1 million which were uninsured, respectively. At December 31, 2023 and 2022, $0.2 million and $0.1 million of the money market funds were held in trust for the benefit of the Agency, respectively. In 2022, the Agency returned $3.0 million held as a collateral deposit to MSCG due to the upgrade in their credit rating. There is no collateral deposit held at December 31, 2023 or 2022.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Agency places no limit on the amounts invested in any one issuer for federal agency securities. To limit the Agency's credit risk for commercial paper purchased under the Debt Service Fund Agreement, the aggregate maturity amount invested in any combination of one issuer, affiliate of issuer, or backed by any one credit support, cannot exceed $30.0 million. The Agency has concentrations of risk greater than five percent invested in Chesham of 100 percent at December 31, 2023 and at December 31, 2022.

Interest Rate Risk. This is the risk that investments are exposed to fair value losses arising from increasing interest rates. Though the Agency has restrictions as to the maturities of some of the investments, it does not have a formal policy for interest rate risk. At December 31, 2023 and 2022, all of the Agency's investments had maturities of one year or less.

Debt Service Fund Agreement. The Agency has entered into a synthetic guaranteed investment contract, in the form of a forward supply agreement, in which it has agreed to purchase securities with the debt service deposit amounts for a guaranteed fixed rate of return of 5.148 percent. Commercial paper delivered under the forward supply agreement is included within the investments below. The agreement terminates on June 30, 2027.

The following schedules present credit risk by type of security held at December 31, 2023 and 2022. The credit ratings listed are from Standard & Poor's (S&P).

The Agency's cash and cash equivalents consist of the following:

	Credit Rating	December 31, 2023	December 31, 2022
Cash and Cash Equivalents:			
Money market funds	AAAm	$ 326,410	$ 138,737
Commercial paper	A-1	13,609,321	12,577,207
Total cash and cash equivalents		$ 13,935,731	$ 12,715,944

The Agency's cash and cash equivalents are classified in the Statements of Net Position as follows:

	December 31, 2023	December 31, 2022
Cash and Cash Equivalents:		
Debt service fund	$ 13,763,046	$ 12,712,169
Other restricted funds:		
Interest on credit support	70	1,211
Revenue fund	172,615	2,564
Total other restricted funds	172,685	3,775
Total cash and cash equivalents	$ 13,935,731	$ 12,715,944

NOTE 4. PREPAID GAS SUPPLY

The Agency's prepaid gas supply is presented below:

	December 31, 2023	December 31, 2022
Prepaid gas supply	$ 111,766,389	$ 136,783,269
Prepaid gas supply revenue	684,033	860,479
Total prepaid gas supply	112,450,422	137,643,748
Less: amounts due within one year	(28,478,928)	(25,193,326)
Total prepaid gas supply - noncurrent portion	$ 83,971,494	$ 112,450,422

The following summarizes prepaid gas supply activity for the year ended December 31, 2023:

	January 1, 2023	Terminations	Amortization	December 31, 2023
Prepaid gas supply	$ 136,783,269	$ -0-	$ (25,016,880)	$ 111,766,389
Prepaid gas supply revenue	860,479	-0-	(176,446)	684,033
Total prepaid gas supply	$ 137,643,748	$ -0-	$ (25,193,326)	$ 112,450,422

The following summarizes prepaid gas supply activity for the year ended December 31, 2022:

	January 1, 2022	Terminations	Amortization	December 31, 2022
Prepaid gas supply	$ 158,958,581	$ -0-	$ (22,175,312)	$ 136,783,269
Prepaid gas supply revenue	1,027,291	-0-	(166,812)	860,479
Total prepaid gas supply	$ 159,985,872	$ -0-	$ (22,342,124)	$ 137,643,748

The prepaid gas supply is the discounted NPV of the fixed monthly natural gas prices per MMBtu as specified in, and over the remaining term of, the Prepaid Agreement. The prepaid gas supply revenue is the discounted NPV of $0.07 per MMBtu over the remaining term of the Prepaid Agreement.

NOTE 5. LONG-TERM DEBT

The Agency issued $668.5 million of 2007 Series B Gas Project Revenue Bonds (Bonds) in May 2007 with variable interest rates, maturing July 2027.

The Agency's long-term debt is presented below:

	December 31,	
	2023	2022
2007 Series B Gas project revenue bonds, variable rates, 2024-2027	$ 120,070,000	$ 142,935,000
Less: amounts due within one year	(25,530,000)	(22,865,000)
Total long-term debt - net	$ 94,540,000	$ 120,070,000

The following summarizes long-term debt activity for the year ended December 31, 2023:

	January 1, 2023	Additions	Payments/ Amortizations	December 31, 2023
2007 Gas project revenue bonds	$ 142,935,000	$ -0-	$ (22,865,000)	$ 120,070,000
Total long-term debt	$ 142,935,000	$ -0-	$ (22,865,000)	$ 120,070,000

The following summarizes long-term debt activity for the year ended December 31, 2022:

	January 1, 2022	Additions	Payments/ Amortizations	December 31, 2022
2007 Gas project revenue bonds	$ 163,485,000	$ -0-	$ (20,550,000)	$ 142,935,000
Total long-term debt	$ 163,485,000	$ -0-	$ (20,550,000)	$ 142,935,000

At December 31, 2023 scheduled annual principal maturities and interest are as follows:

Year	Principal	Interest	Total
2024	$ 25,530,000	$ 4,893,110	$ 30,423,110
2025	28,295,000	3,764,547	32,059,547
2026	31,420,000	2,513,106	33,933,106
2027	34,825,000	1,124,151	35,949,151
Total	$ 120,070,000	$ 12,294,914	$ 132,364,914

Interest in the preceding table includes interest requirements for fixed rate debt at their stated rates and variable rate debt covered by interest rate swaps at their fixed swap rate.

The Agency had pledged future net revenues to repay $120.1 million and $142.9 million at December 31, 2023 and 2022, respectively, for Bonds issued in May 2007. Proceeds from the Bonds were used to purchase the Gas Project from MSCG at a price of $754.1 million with the remaining amounts used to fund the appropriate accounts for the Agency. The Bonds, payable through 2027, are secured solely by a pledge of and lien on the trust estate under the Indenture which includes bond proceeds, rights under the GSC, revenues, any termination payment and any investment income. Annual principal and interest payments on the Bonds are expected to require approximately 100 percent of the Agency's net revenues. The total principal and interest remaining to be paid on the Bonds was $132.4 million and $161.1 million at December 31, 2023 and 2022, respectively. Debt service payments on the Bonds are made quarterly on January 1, April 1, July 1 and October 1. Principal and interest paid was $28.8 million and $27.4 million for 2023 and 2022, respectively. Total gross revenues were $30.6 million and $28.8 million for 2023 and 2022, respectively.

The ability of the Agency to pay related principal and interest payments associated with the Bonds is contingent upon the continued successful operation of the Gas Project. If the Prepaid Agreement were to terminate, a termination payment would be received into the trust estate from MSCG. The amount of the termination payment, together with the amounts required to be on deposit in certain funds and accounts held by the trustee, has been calculated to provide a sum sufficient to pay the redemption price of the Bonds upon early termination of the Prepaid Agreement. The amount of termination payment declines over time as MSCG performs its gas delivery obligations under the Prepaid Agreement. The Members are not obligated to pay debt service costs if the Gas Project is unable to operate pursuant to the Prepaid Agreement or if revenues generated by the Gas Project are insufficient to meet debt service obligations.

Terms of Debt Indenture. The debt indenture contains a provision that in an event of default, the holders of the majority of the debt outstanding are entitled to declare the outstanding amounts due immediately.

Interest Rate Swap Agreements - 2007 Series B Bonds.

The following summarizes the Agency's swap agreement at December 31, 2023:

Notional Amount	Agency Pays	Fixed Rate	Floating Rate	Termination Date	Credit Support Provider Credit Rating (S&P)
$ 120,070,000	Fixed	4.304%	67% of SOFR + .89528%	07/01/27	A+

The following summarizes the Agency's swap agreement at December 31, 2022:

Notional Amount	Agency Pays	Fixed Rate	Floating Rate	Termination Date	Credit Support Provider Credit Rating (S&P)
$ 142,935,000	Fixed	4.304%	67% of LIBOR +.72%	07/01/27	A+

The Agency has a variable-to-fixed interest rate swap agreement with a counterparty. The Agency pays the counterparty a fixed rate on the notional amount and receives a floating rate equal to 67 percent of the three month LIBOR (3.74 percent for 2022) plus an interest rate spread, as specified in the swap agreement. Due to cessation of LIBOR, effective October 1, 2023, the floating rate is equal to 67 percent of three-month Chicago Mercantile Exchange Term SOFR (5.39 percent for 2023) plus an interest rate spread. The total notional amount of the swap at December 31, 2023 and 2022 was $120.1 million and $142.9 million, respectively, and was equivalent to the outstanding principal balance on the Agency's Bonds. The swap is amortized over the life of the swap agreement in a manner corresponding to the principal repayment schedule of the Bonds. Early termination of the swap would occur upon termination of the Prepaid Agreement for any reason. Upon early termination, the swap would have no value to either party.

Variable Rate 2007 Series B Bonds. The Agency's variable rate Bonds bear interest at a quarterly rate of 4.51 percent and 3.23 percent at December 31, 2023 and 2022, respectively.

NOTE 6. COMMITMENTS

Natural Gas Commodity Price Swap Agreement. The Agency has entered into a floating-to-fixed natural gas commodity price swap agreement (Gas Swap Agreement) with a counterparty for the purpose of fixing the variable price on the Agency's natural gas sales to SMUD under the GSC. The Agency pays an index-based natural gas price over the twenty-year period and receives a fixed natural gas price as specified in the Gas Swap Agreement, for notional quantities of natural gas at a pricing point corresponding to the daily contract quantity and the delivery point under the Prepaid Agreement. The Gas Swap Agreement terminates on May 31, 2027. The total notional amount of the Gas Swap Agreement remaining at December 31, 2023 was 10.8 million MMBtu. Presently, the Gas Swap Agreement is 8,675 MMBtu per calendar day, and this amount will change on June 1 of each remaining year of the Gas Swap Agreement and will range from 8,673 to 8,675 MMBtu per calendar day. Early termination of the Gas Swap Agreement would occur upon termination of the Prepaid Agreement for any reason whatsoever. Upon early termination, the Gas Swap Agreement would have no value to either party.

NOTE 7. CONTINGENCIES

General Contingencies. The Agency's ability to make principal and interest payments on its Bonds is contingent upon the continued delivery of natural gas to the Gas Project under the Prepaid Agreement. The Members are not obligated to make principal and interest debt service payments in the event the Gas Project does not operate and there are insufficient funds to pay the bondholders. The Agency expects that the natural gas will continue to be delivered as planned.

In the normal operation of business, the Agency is party to various claims, legal actions and complaints. Management and the Agency's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the Agency.

Sacramento Municipal Utility District Financing Authority

Financial Statements
and Independent Auditors' Report
December 31, 2023 and 2022

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
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Independent Auditors' Report

To the Board of Directors of
Sacramento Municipal Utility District Financing Authority

Opinion

We have audited the accompanying financial statements of the Sacramento Municipal Utility District Financing Authority (Agency), a component unit of the Sacramento Municipal District, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly US, LLP

Madison, Wisconsin
February 23, 2024

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Using this Financial Report

This annual financial report for Sacramento Municipal Utility District Financing Authority (Agency) consists of management's discussion and analysis and the financial statements, including notes to the financial statements. The basic Financial Statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Agency's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board. The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission.

Overview of the Financial Statements

The following discussion and analysis of the financial performance of the Agency provides an overview of the financial activities for the years ended December 31, 2023 and 2022. This discussion and analysis should be read in conjunction with the Agency's financial statements and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report all of the Agency's revenues and expenses during the periods indicated.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses such as payments for debt service and capital additions.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Nature of Operations

The Agency is a joint powers authority formed by the Sacramento Municipal Utility District (SMUD) and the Modesto Irrigation District. The Agency owns and operates the Cosumnes Power Plant Project (Project) and related facilities for electric power generation. The Project, which began commercial operations in 2006, is comprised of a 602 megawatt (MW) natural gas-fired combined cycle generation plant.

The Agency entered into Assignment and Assumption Agreements which transferred the assets and obligations, including ownership of the Carson Power Plant (Carson), Procter and Gamble Power Plant (Procter and Gamble), Campbell Power Plant (Campbell) and McClellan Power Plant (McClellan), (assigned Power Plants), to the Agency as of November 1, 2021.

Carson which began commercial operations in 1995, is comprised of a 68 MW natural gas-fired combined cycle cogeneration facility and a 42 MW natural gas-fired simple cycle peaking plant. Procter and Gamble which began commercial operations in 1997, is comprised of a 145 MW natural gas-fired combined cycle plant and a 50 MW natural gas-fired simple cycle peaking plant which was subsequently added and began commercial operations in 2001. Campbell which began commercial operations in 1997, is a 183 MW natural gas-fired combined-cycle cogeneration plant consisting of a combustion turbine generator (CTG) and a steam turbine generator (STG). McClellan is a 72 MW simple cycle combustion turbine and has been operating since 1986.

SMUD purchases all of the electricity produced by the Project and the assigned Power Plants pursuant to the Power Purchase Agreements (PPA) between SMUD and the Agency and the assigned Power Plants. The Agency has no employees and is obligated to reimburse SMUD for the actual costs of providing general and administrative services, water, fuel costs, and other costs paid by SMUD on the Agency's behalf.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, due to the extent of its operational and financial relationship with SMUD, it is included in the financial statements of SMUD.

Financial & Operational Highlights

In 2023, the Agency's plant operator, Ethos Energy Power Plant Services, LLC (Ethos), continued to perform quarterly offline gas turbine water washes and inspections as part of standard maintenance protocols at the Project and at the assigned Power Plants. These outages and inspections have been an integral part of the Project's and the assigned Power Plants' successful performances which include ratings from the Institute of Electrical and Electronics Engineers (IEEE) for availability and reliability.

The Project obtained an IEEE Availability rating of 78.50 percent. The STG returned to full service post testing on March 5, 2023 from the outage which started in June 2022 due to a fault in the stator ground. The Project obtained an IEEE Reliability rating of 99.80 percent and an overall capacity factor of 66.70 percent. The plant completed CTG #2 major overhaul as well as replacing combustion hardware on CTG #3.

Carson obtained an IEEE Availability rating of 82.40 percent, an IEEE Reliability rating of 92.79 percent, and a successful call-up ratio for the simple cycle unit of 100 percent. The low availability rating was due to a failure in the steam turbine.

Procter and Gamble obtained an IEEE Availability rating of 93.21 percent, an IEEE Reliability rating of 99.85 percent, and a successful call-up ratio for the simple cycle unit of 100 percent. The plant completed Chiller 1B replacement, a major overhaul on CTG (185-117), and a human-machine interface upgrade on the distributed control system CTG controls.

Campbell obtained an IEEE Availability rating of 99.70 percent, an IEEE Reliability rating of 99.90 percent, and a unit capacity factor of 43.25 percent. The plant completed a major overhaul of the Siemens V84.2 CTG.

McClellan obtained an IEEE Availability rating of 97.30 percent, an IEEE Reliability rating of 99.70 percent, and an overall capacity factor of 0.22 percent.

FINANCIAL POSITION

The following table summarizes the financial position as of December 31 (in thousands).

CONDENSED STATEMENT OF NET POSITION

	2023	2022	2021 *
Assets			
Electric utility plant - net	$ 291,172	$ 309,606	$ 309,574
Current assets	131,260	109,011	133,673
Noncurrent assets	588	682	789
Total assets	423,020	419,299	444,036
Deferred outflows of resources	2,698	3,258	3,268
Total assets and deferred outflows of resources	$ 425,718	$ 422,557	$ 447,304
Liabilities			
Long-term debt - net	$ 80,582	$ 95,553	$ 99,421
Current liabilities	64,060	44,332	49,507
Noncurrent liabilities	15,337	15,215	14,760
Total liabilities	159,979	155,100	163,688
Net position			
Net investment in capital assets	192,926	207,660	194,185
Restricted	8,017	2,264	5,725
Unrestricted	64,796	57,533	83,706
Total net position	265,739	267,457	283,616
Total liabilities and net position	$ 425,718	$ 422,557	$ 447,304

* Includes the assets and obligations of CVFA, SCA and SPA as a result of the transfer of operations on November 1, 2021 and restated in 2022 due to the implementation of GASB 87, Leases.

TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES

Total assets in 2023 increased $3.7 million or 0.9% over 2022, primarily due to the following:

- A decrease of $18.4 million in total electric utility plant - net primarily due to depreciation expense for the year, offset by additions to construction work in progress.
- An increase of $5.7 million in restricted cash primarily due to a higher reserve for long-term debt due within one year.
- An increase of $15.4 million in power sales to Member receivable primarily due to the fuel portion of the PPA billings in December.
- A decrease of $1.2 million in materials and supplies primarily due to the issuance of inventory used for the CTG #2 major overhaul at the Project and the CTG major overhaul at Campbell.
- An increase of $2.4 million in prepayments primarily due to advance payments for the refurbishment of the spare rotor at the Project.

Total assets in 2022 decreased $24.7 million or 5.6% over 2021, primarily due to the following:

- A decrease of $24.9 million in unrestricted cash and cash equivalents primarily due to a $35.0 million distribution to Member.
- A decrease of $3.7 million in restricted cash primarily due to a lower reserve for long-term debt due within one year.
- An increase of $3.8 million in power sales to Member receivable primarily due to the fuel portion of the PPA billings in December.
- A decrease of $2.0 million in materials and supplies primarily due to the issuance of inventory used for the CTG #3 major overhaul.
- An increase of $2.2 million in prepayments primarily due to advance payments for the CTG #2 major overhaul at the Project and the CTG overhaul at Campbell scheduled to be performed in 2023.

TOTAL LIABILITIES & NET POSITION

Total liabilities in 2023 increased $4.9 million or 3.1% over 2022, primarily due to the following:

- A decrease of $3.7 million in long-term debt due to a $1.8 million principal payment and $1.9 million amortization of bond premium.
- A decrease of $12.7 million in accounts payable primarily due to an $8.4 million decrease in capital expenses for the repair of the fault in the stator ground to the STG at the Project and a $2.2 million decrease in operator reimbursable expenses due to Ethos at December 31, 2023.
- An increase of $21.2 million in payable due to Member primarily due to the fuel portion of the PPA billings in December.

Net position in 2023 decreased $1.7 million or 0.6% over 2022, primarily due to a $25.0 million distribution to Member, offset by $15.7 million other non-operating revenues resulting primarily from the receipt of an insurance claim for the repair of the fault in the stator ground to the STG at the Project.

Total liabilities in 2022 decreased $8.6 million or 5.2% over 2021, primarily due to the following:

- A decrease of $13.5 million in long-term debt primarily due to a $9.6 million reduction to portion of long-term debt due within one year.
- An increase of $10.9 million in accounts payable primarily due to an $8.8 million increase in capital expenses and a $2.0 million increase in reimbursable expenses due to Ethos at December 31, 2022.
- A decrease of $6.2 million in payable due to Member primarily due to the fuel portion of the PPA billings in December.

Net position in 2022 decreased $16.2 million or 5.7% over 2021, primarily due to a $35.0 million distribution to Member, offset by a $13.5 million increase to net investment in capital assets portion of net assets resulting from a reduction in long-term debt.

RESULTS OF OPERATIONS

The following table summarizes the operating results for the years ended December 31 (in thousands).

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2023	2022	2021 *
Operating revenues	$ 258,162	$ 115,823	$ 143,050
Operating expenses	(248,786)	(94,436)	(137,234)
Operating income	9,376	21,387	5,816
Non-operating revenues (expenses)	13,906	(2,546)	(3,413)
Change in net position before distributions and special item	23,282	18,841	2,403
Distributions to Member	(25,000)	(35,000)	-0-
Special item	-0-	-0-	161,298
Change in net position	(1,718)	(16,159)	163,701
Net position - beginning of year	267,457	283,616	119,915
Net position - end of year	$ 265,739	$ 267,457	$ 283,616

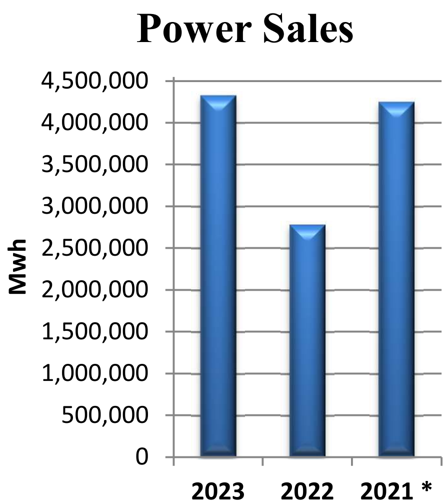
* Includes the assets and obligations of CVFA, SCA and SPA as a result of the transfer of operations on November 1, 2021 and restated in 2022 due to the implementation of GASB 87, Leases.

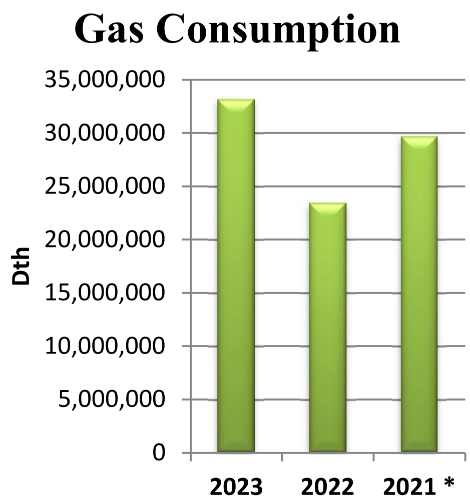
OPERATING REVENUES

Total operating revenues were $258.2 million for 2023, an increase of $142.3 million or 122.9% over 2022. The power megawatt hour (MWh) sales increased 55.6 percent and gas dekatherm (Dth) consumption increased 41.6 percent compared to 2022. The Agency's power sales are determined monthly, based on a formula defined in the PPA, which is driven by the Agency's actual cost of operations including debt service and capital costs. In 2023, more revenue was needed due to higher fuel usage and lower gas sales by Member as a result of higher fuel, operator reimbursable costs, and other operator costs, offset by lower capital and overhaul costs.

Total operating revenues were $115.8 million for 2022, a decrease of $27.2 million or 19.0% over 2021. The power MWh sales decreased 34.6 percent and gas Dth consumption decreased 21.1 percent compared to 2021. In 2022, less revenue was needed due to lower fuel usage and higher gas sales by Member as a result of the Project's STG unplanned outage, offset by higher operator reimbursable costs, capital expenses, overhaul costs and other operator costs.

The following charts show power sales and gas consumption in 2023, 2022, and 2021.





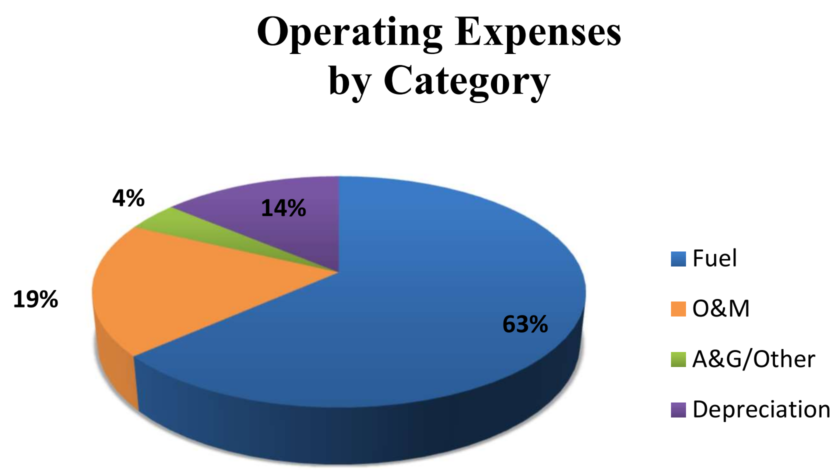
* Includes Power Sales and Gas Consumption of CVFA, SCA and SPA for November and December as a result of the transfer of operations on November 1.

OPERATING EXPENSES

Total operating expenses were $248.8 million for 2023, an increase of $154.4 million or 163.5% over 2022, primarily due to the following:

- An increase of $155.7 million in fuel expense primarily due to the Project returning to full service in March which was offline for the greater portion of 2022 due to a fault in the stator ground to the STG.
- An increase of $2.1 million in operations expense primarily due to the increase in operator reimbursable expenses.
- A decrease of $6.5 million in maintenance expense primarily due to the major overhaul of the STG and CTG #3 at the Project in 2022.
- An increase of $2.9 million in administrative and general expense primarily due to the increase in insurance premiums for the Project and assigned Power Plants.

The following chart illustrates 2023 operating expenses by expense classification and percentage of the total.



Total operating expenses were $94.4 million for 2022, a decrease of $42.8 million or 31.2% over 2021, primarily due to the following:

- A decrease of $96.5 million in fuel expense primarily due to the fault in the stator ground to the STG at the Project resulting in the STG being offline for most of year.
- An increase of $19.3 million in operations expense, $13.4 million in maintenance expense, $3.6 million in administrative and general expense, and $17.3 million in depreciation and amortization expenses primarily due to the Agency operating the assigned Power Plants for 12 months in 2022 compared to 2 months in 2021. The increase in maintenance expense is due to the major overhaul of the STG and CTG #3 at the Project.

Requests for Information

For more information about the Sacramento Municipal Utility District Financing Authority, visit our website at www.smud.org or contact us at customerservices@smud.org.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
STATEMENTS OF NET POSITION

	December 31, 2023	December 31, 2022
ASSETS		
ELECTRIC UTILITY PLANT		
Plant in service	$ 978,600,114	$ 963,380,481
Less accumulated depreciation and amortization	(690,364,863)	(678,033,514)
Plant in service - net	288,235,251	285,346,967
Construction work in progress	2,936,617	24,258,810
Total electric utility plant - net	291,171,868	309,605,777
CURRENT ASSETS		
Cash and cash equivalents:		
Unrestricted cash and cash equivalents	36,457,507	36,453,677
Restricted cash and cash equivalents	10,213,875	4,507,714
Receivables:		
Power sales to Member	57,764,085	42,391,487
Steam sales	1,320,083	1,334,540
Accrued interest and other	276,785	214,490
Materials and supplies	16,240,230	17,483,658
Prepayments	8,883,288	6,520,884
Regulatory costs recovered within one year	104,416	104,416
Total current assets	131,260,269	109,010,866
NONCURRENT ASSETS		
Regulatory costs for future recovery	574,286	678,702
Other	13,360	3,693
Total noncurrent assets	587,646	682,395
TOTAL ASSETS	423,019,783	419,299,038
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized bond losses	910,672	1,191,631
Deferred asset retirement obligation outflow	1,787,421	2,066,481
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,698,093	3,258,112
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 425,717,876	$ 422,557,150

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
STATEMENTS OF NET POSITION

	December 31, 2023	December 31, 2022
LIABILITIES AND NET POSITION		
LONG-TERM DEBT - net	$ 80,582,096	$ 95,553,307
CURRENT LIABILITIES		
Accounts payable	7,514,564	20,255,970
Lease liability due within one year	288,525	280,026
Payable due to Member	40,873,581	19,632,858
Long-term debt due within one year	13,115,000	1,845,000
Accrued interest on debt	2,197,250	2,243,375
Accrued interest on leases	70,929	74,259
Total current liabilities	64,059,849	44,331,488
NONCURRENT LIABILITIES		
Accrued decommissioning	10,166,132	9,756,365
Lease liability	5,170,367	5,458,892
Total noncurrent liabilities	15,336,499	15,215,257
TOTAL LIABILITIES	159,978,444	155,100,052
NET POSITION		
Net investment in capital assets	192,926,552	207,660,183
Restricted	8,016,625	2,264,339
Unrestricted	64,796,255	57,532,576
TOTAL NET POSITION	265,739,432	267,457,098
COMMITMENTS AND CONTINGENCIES (Notes 9 and 10)		
TOTAL LIABILITIES AND NET POSITION	$ 425,717,876	$ 422,557,150

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31, 2023	2022
OPERATING REVENUES		
Power sales to Member	$ 246,078,181	$ 105,955,881
Gas sales to Member	1,038,579	343,221
Steam sales	10,828,252	8,665,424
Other	216,809	858,893
Total operating revenues	258,161,821	115,823,419
OPERATING EXPENSES		
Fuel	157,856,738	2,142,506
Operations	37,279,479	35,225,130
Maintenance	9,110,546	15,606,915
Administrative and general	9,964,699	7,031,906
Depreciation and amortization	34,470,329	34,324,718
Regulatory amounts collected in rates	104,416	104,416
Total operating expenses	248,786,207	94,435,591
OPERATING INCOME	9,375,614	21,387,828
NON-OPERATING REVENUES (EXPENSES)		
Interest income	1,190,491	579,311
Interest on debt	(2,865,372)	(3,051,736)
Lease interest	(76,734)	(74,259)
Other income	15,658,335	-0-
Total non-operating revenues (expenses)	13,906,720	(2,546,684)
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS	23,282,334	18,841,144
Distributions to Member	(25,000,000)	(35,000,000)
CHANGE IN NET POSITION	(1,717,666)	(16,158,856)
NET POSITION - BEGINNING OF YEAR	267,457,098	283,615,954
NET POSITION - END OF YEAR	$ 265,739,432	$ 267,457,098

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from power sales to Member	$ 231,744,162	$ 102,504,931
Receipts from steam sales	10,842,709	8,881,705
Other receipts	13,909,894	858,893
Payments to Member	(135,000,092)	(18,822,279)
Payments to vendors	(60,995,729)	(45,060,738)
Net cash provided by operating activities	60,500,944	48,362,512
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Distribution to Member	(25,000,000)	(35,000,000)
Net cash used in noncapital financing activities	(25,000,000)	(35,000,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction expenditures	(24,227,310)	(25,556,844)
Repayment of long-term debt	(1,845,000)	(11,450,000)
Interest payments on long-term debt	(4,486,750)	(5,059,250)
Lease payments	(360,089)	(349,268)
Net cash used in capital and related financing activities	(30,919,149)	(42,415,362)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,128,196	384,435
Net cash provided by investing activities	1,128,196	384,435
Net increase (decrease) in cash and cash equivalents	5,709,991	(28,668,415)
Cash and cash equivalents - beginning of the year	40,961,391	69,629,806
Cash and cash equivalents - end of the year	$ 46,671,382	$ 40,961,391
CASH AND CASH EQUIVALENTS INCLUDED IN:		
Unrestricted cash and cash equivalents	$ 36,457,507	$ 36,453,677
Restricted cash and cash equivalents	10,213,875	4,507,714
Cash and cash equivalents - end of the year	$ 46,671,382	$ 40,961,391

The accompanying notes are an integral part of these financial statements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2023	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 9,375,614	$ 21,387,828
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	34,470,329	34,324,718
Other revenues	13,693,085	-0-
Regulatory amortization	104,416	104,416
Asset retirement obligation amortization	688,827	443,626
Changes in operating assets and liabilities:		
Receivables	(15,358,141)	(3,577,890)
Other assets	(1,128,643)	(231,051)
Payables and accruals	18,655,457	(4,089,135)
Net cash provided by operating activities	$ 60,500,944	$ 48,362,512
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Net amortization of debt related (expenses) and premiums	$ 1,575,252	$ 1,721,264
Construction expenditures included in accounts payable	1,516,271	9,707,161
Write-off Clean Air Act Section 185 fees accrual	1,965,250	-0-

The accompanying notes are an integral part of these financial statements.

NOTE 1. ORGANIZATION AND OPERATIONS

The Sacramento Municipal Utility District Financing Authority (Agency) is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Modesto Irrigation District (MID) pursuant to the California Government Code. The purpose of the Agency is to own and operate the Cosumnes Power Plant Project (Project) and related facilities for electric power generation. The Project, which began commercial operations in February 2006, is comprised of a 602 megawatt (MW) natural gas-fired combined cycle generation plant. The Project is situated on approximately 38 acres of land adjacent to SMUD's decommissioned nuclear power plant. The land is owned by SMUD and leased to the Agency.

The Agency entered into Assignment and Assumption Agreements which transferred the assets and obligations, including ownership of the Carson Power Plant (Carson), Procter and Gamble Power Plant (Procter and Gamble), Campbell Power Plant (Campbell) and McClellan Power Plant (McClellan), (assigned Power Plants), to the Agency as of November 1, 2021.

Carson, previously owned and operated by the Central Valley Financing Authority, a JPA formed by SMUD and the Sacramento Regional County Sanitation District (SRCSD), began commercial operations in 1995 and is comprised of a 68 MW natural gas-fired combined cycle cogeneration facility and a 42 MW natural gas-fired simple cycle peaking plant. Carson is situated on approximately ten acres of land adjacent to the SRCSD sewage treatment plant. The land is owned by SRCSD and leased to the Agency.

Procter and Gamble, previously owned and operated by the Sacramento Cogeneration Authority (SCA), a JPA formed by SMUD and the Agency, began commercial operations in 1997 and is comprised of a 145 MW natural gas-fired combined cycle plant and a 50 MW natural gas-fired simple cycle peaking plant which was subsequently added and began commercial operations in 2001. Procter and Gamble is situated on approximately eight acres of land owned by the Agency, which is adjacent to the Procter & Gamble Manufacturing Company (P&G) plant in Sacramento.

Campbell, previously owned and operated by Sacramento Power Authority (SPA), a JPA formed by SMUD and the Agency, began commercial operations in 1997 and is a 183 MW natural gas-fired combined-cycle cogeneration plant consisting of a combustion turbine generator and a steam turbine generator. Campbell is situated on approximately six acres of land which is owned by SMUD and leased to the Agency.

McClellan, previously owned and operated by SPA, is a 72 MW simple cycle combustion turbine and has been operating since 1986. McClellan is located on the United States Air Force property at the former McClellan Air Force Base in Sacramento. The land is leased by SMUD and subleased to the Agency.

The Agency has no employees. The Project and the assigned Power Plants are operated by Ethos Energy Power Plant Services, LLC (Ethos) under the terms of the Operations and Maintenance Agreements.

Pursuant to the Power Purchase Agreements (PPA) with SMUD and the Agency, SMUD purchases, on a "take-or-pay" basis, all capacity, energy, and environmental attributes of the Project and assigned Power Plants. The Agency is obligated to reimburse SMUD for the actual costs of providing general and administrative services, fuel costs, water, and other costs paid by SMUD on the Agency's behalf. The Agency paid SMUD $154.1 million in 2023 and $11.8 million in 2022.

Carson provides steam to SRCSD's adjacent sewage treatment plant pursuant to the Long-Term Commodity Agreement. Carson also provides steam and electricity for the refrigeration process of the Glacier Ice facility pursuant to the Thermal Energy Sales Agreement. The primary fuel for Carson is a mixture of natural gas and digester gas from SRCSD's sewage treatment plant. Presently, digester gas represents six percent of the fuel used by Carson and the remaining amount is sold to SMUD.

The Agency sells steam to P&G pursuant to a Steam Sales Agreement, which was assigned to SCA from SMUD.

SMUD is entitled to all rights and property of the Project and the assigned Power Plants in the event of termination of the JPA agreement. Neither MID nor SRCSD has any obligation to make contributions or advances to the Agency. The JPA agreement will remain in effect until terminated by a supplemental written agreement of the parties; provided, that in no event shall the JPA agreement terminate while any contracts between the Agency and either of the parties or other parties are in effect, or while any bonds or notes of the Agency are outstanding. Project revenues and the subsequent payments of principal and interest related to the Agency's long-term debt are not dependent upon the continued successful operation of the Project. SMUD is required to make payments in an amount sufficient to pay principal and interest and all other payments required to be made under the Indenture of Trust (Indenture), dated June 1, 2015. Neither MID nor SMUD has any obligation or liability to the Agency beyond that specifically provided for in the JPA agreement or the Project agreements.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, it is included in the financial statements of SMUD as a component unit because of the extent of its operational and financial relationships with SMUD.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accounting records of the Agency are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Electric revenues and costs that are directly related to generation of electricity and steam are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Plant in Service. The Agency generally computes depreciation on Electric Utility Plant on a straight-line basis using five years for software and the remaining life of the JPA for all other capital assets. The costs of replacement units are capitalized. Major overhaul parts are depreciated over their estimated useful lives, ranging from 4 to 24 years. Repair and maintenance costs are charged to expense. When the Agency retires portions of its Electric Utility Plant, retirements are recorded against Accumulated Depreciation and the retired portion of Electric Utility Plant is removed from Plant in Service. Capital assets are generally defined by the Agency as tangible assets with an initial individual cost of more than five thousand dollars and an estimated useful life in excess of two years.

Leases. The Agency implemented Statement of Governmental Accounting Standards (SGAS) No. 87, ***"Leases"*** (GASB No. 87) in 2022. Leases are contracts that convey control of the right to use another entity's nonfinancial asset as specified for a period of time in an exchange or exchange-like transaction without the transfer of ownership of the asset. The lease term is the period of time where there is a noncancellable right to use the underlying asset. The Agency only has lessee contracts.

For lessee contracts, lease assets and liabilities are reported at present value using the Agency's incremental borrowing rate in the Statements of Net Position. The lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset. The amortization of the discount for lessee contracts is recorded as Accrued interest on leases in the Statements of Net Position with the offset to Lease interest expense in the Statements of Revenues, Expenses and Changes in Net Position.

Restricted Assets. The Agency's restricted assets are comprised of cash, which is limited for specific purposes pursuant to the Indenture requirements. The Indenture specifies the flow of cash into the various Agency funds and dictates when they may become unrestricted.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less and all investments in the Local Agency Investment Fund (LAIF) and money market funds. LAIF has an equity interest in the State of California (State) Pooled Money Investment Account (PMIA). PMIA funds are on deposit with the State's Centralized Treasury System and are managed in compliance with the California Government Code, according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters, and maximum maturity of investments.

Receivable from Member. The Agency records as a Receivable from Member the amounts due from SMUD for the purchase of power generated by the Project and assigned Power Plants.

Steam Sales Receivable. The Agency records a steam sales receivable for amounts due from P&G for the sale and delivery of steam.

Materials and Supplies. Materials and supplies are stated at average cost, which approximates the first-in, first-out method.

Prepayments. The Agency's prepayments consist of advance payments for inventory, property insurance, leases, and permits. The Agency pays for property insurance, leases, and permits annually in advance. These prepayments are recognized as expenses in the month the actual costs are incurred.

Other Noncurrent Assets. Other Noncurrent Assets is comprised of emission reduction credits.

Regulatory Deferrals. As a regulated entity, the Agency's financial statements are prepared in accordance with GASB Statement No. 62, ***"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants Pronouncements,"*** which requires that the effects of the rate making process be recorded in the financial statements. Accordingly, certain expenses and credits normally reflected in the Change in Net Position as incurred are recognized when included in rates and recovered from, or refunded to, SMUD through the PPA. The Agency records regulatory assets and credits to reflect rate-making actions of the Commission. The account includes the unamortized debt issuance costs of previously issued bonds of the Agency. The regulatory asset is amortized using the straight-line method over the remaining life of the associated bonds and recorded in Regulatory amounts collected in rates in the Statements of Revenues, Expenses and Changes in Net Position.

Deferred Outflow of Resources. A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Gains and Losses on Bond. Gains and losses resulting from bond refundings are included in Deferred outflows and Deferred inflows of resources and amortized as a part of Interest on debt, over the shorter of the life of the refunded debt or the new debt using the effective interest method, in the Statements of Revenues, Expenses and Changes in Net Position.

Payable to Member. The Agency records as a Payable to Member the amounts due to SMUD for general and administrative services, water, fuel costs, and other costs paid by SMUD on the Agency's behalf.

Asset Retirement Obligation (ARO). Under SGAS No. 83, ***"Certain Asset Retirement Obligations,"*** the Agency has a legal obligation to decommission the Carson facility. The Agency records the ARO as Accrued decommissioning and a corresponding Deferred asset retirement obligation outflows in the Statements of Net Position. The Deferred asset retirement obligation outflows is amortized over the remaining useful life of the Carson facility and included as Operating Expenses in the Statements of Revenues, Expenses and Changes in Net Position (see Note 6).

Net Position. The Agency classifies its Net Position into three components as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding debt balances, net of unamortized debt expenses. Deferred outflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included.
- Restricted - This component of net position consists of assets with constraints placed on their use, either externally or internally. Constraints include those imposed by debt indentures (excluding amounts considered in net capital, above), grants, or laws and regulations of other governments, by law through constitutional provisions or enabling legislation, or by the Commission. These restricted assets are reduced by liabilities related to those assets.
- Unrestricted - This component of net position consists of net amount of the assets, deferred outflows of resources and liabilities that do not meet the definition of "Net investment in capital assets" or "Restricted."

Operating Revenues. Power sales to Member are recorded as revenues when the electricity is delivered. Gas sales to Member, Steam sales, and rent income on subleased property are recorded when earned.

Operating Expenses. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets and are recorded when incurred.

Other Revenues. Other revenues consist of proceeds from the insurance claim related to the fault in the stator ground to the steam turbine generator at the Project.

Distributions to Member. Amounts paid to SMUD from surplus funds are recorded as Distributions to Member.

Subsequent Events. Subsequent events for the Agency have been evaluated through February 23, 2024, which is the date that the financial statements were available to be issued.

Recent Accounting Pronouncements, adopted. In March 2020, GASB issued SGAS No. 94, ***"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"*** (GASB No. 94). The primary objective of this Statement is to provide guidance for accounting and financial reporting related to public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the Agency in 2023. The Agency has reviewed its agreements and has determined it has not entered into any agreements which meet the definition of a PPP or APA.

In May 2020, GASB issued SGAS No. 96, ***"Subscription-Based Information Technology Arrangements"*** (GASB No. 96). This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The statement (1) defines a SBITA as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB No. 87, ***"Leases"***, as amended. This statement is effective for the Agency in 2023. The Agency has determined that it has not entered into any SBITAs.

In April 2022, GASB issued SGAS No. 99, ***"Omnibus 2022"*** (GASB No. 99). This statement addresses a variety of topics and is effective for the Agency in 2022, 2023, or 2024 depending on the requirement. The Agency chose to adopt provisions related to leases and the implementation of GASB No. 87 that were effective in 2023 early. The Agency incorporated clarifications related to leases contained in GASB No. 99 during its implementation of GASB No. 87. The Agency is currently assessing the financial impact of adopting the remaining topic in this statement that is effective in 2024.

Recent Accounting Pronouncements, not yet adopted. In June 2022, GASB issued SGAS No. 100, "***Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62***" (GASB No. 100), to enhance accounting and financial reporting requirements for accounting changes and error corrections. The statement defines accounting changes and sets forth requirements for reporting changes and error corrections in the financial statements. In addition, the statement contains requirements for disclosure in notes to financial statements of information about accounting changes and error corrections. Furthermore, for periods that are earlier than those included in the financial statements, information presented in required supplementary information and supplementary information should be restated for error corrections, but not for changes in accounting principles. This statement is effective for the Agency in 2024. The Agency is currently assessing the financial statement impact of adopting this statement.

In December 2023, GASB issued SGAS No. 102 ***"Certain Risk Disclosures"*** (GASB No. 102), to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. A *concentration* is defined as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. This statement requires a government to assess whether a concentration or constraint could cause a substantial impact if the event occurred or has begun to occur prior to the issuance of financial statements. If a government determines that the criteria for disclosure have been met, it should disclose information in notes to financial statements in sufficient detail to enable financial statements users to understand the nature of the circumstances and the government's vulnerability to the risk of a substantial impact. This statement is effective for the Agency in 2025. The Agency is currently assessing the financial statement impact of adopting this statement.

NOTE 3. ELECTRIC UTILITY PLANT AND RELATED OPERATING AGREEMENTS

The Agency had the following electric utility plant activity during 2023:

	Balance January 1, 2023	Additions	Adjustments/ Transfers/ Disposals	Balance December 31, 2023
Nondepreciable electric utility plant:				
Construction work in progress	$ 24,258,810	$ 16,036,420	$ (37,358,613)	$ 2,936,617
Land	772,000	-0-	-0-	772,000
Total nondepreciable electric utility plant	25,030,810	16,036,420	(37,358,613)	3,708,617
Depreciable electric utility plant:				
Generation	956,267,131	37,358,613	(22,138,980)	971,486,764
Lease assets - Land	6,341,350	-0-	-0-	6,341,350
Less: accumulated depreciation and amortization	(678,033,514)	(34,470,329)	22,138,980	(690,364,863)
Total electric utility plant - net	$ 309,605,777	$ 18,924,704	$ (37,358,613)	$ 291,171,868

The Agency had the following electric utility plant activity during 2022:

	Balance January 1, 2022	Additions	Adjustments/ Transfers/ Disposals	Balance December 31, 2022
Nondepreciable electric utility plant:				
Construction work in progress	$ 1,818,920	$ 34,356,587	$ (11,916,697)	$ 24,258,810
Land	772,000	-0-	-0-	772,000
Total nondepreciable electric utility plant	2,590,920	34,356,587	(11,916,697)	25,030,810
Depreciable electric utility plant:				
Generation	946,199,480	11,916,697	(1,849,046)	956,267,131
Lease assets - Land	6,341,350	-0-	-0-	6,341,350
Less: accumulated depreciation and amortization	(645,557,842)	(34,324,718)	1,849,046	(678,033,514)
Total electric utility plant - net	$ 309,573,908	$ 11,948,566	$ (11,916,697)	$ 309,605,777

The Agency leases land from SMUD and SRCSD for the Project and assigned Power Plants. Lease terms range from 30 to 35 years including options to extend the lease term after completion of the initial contracted term. The likelihood that the renewal options will be exercised has been evaluated and it has been determined that the lease agreements will be renewed with reasonable certainty. The agreements allow for periodic increases to the lease payments. The interest rates range between 2.0 percent to 2.1 percent based on the AAA Muni Curve with the number of years to maturity that corresponds to the lease term, plus an additional credit spread to account for a different credit rating and other factors. As of December 31, 2023, and December 31, 2022, assets recorded under leases were $6.3 million and accumulated amortization associated with the leases was $1.1 million and $0.7 million, respectively. The Agency recognized amortization expense of $0.4 million for both 2023 and 2022, which are included in Depreciation and amortization on the Statements of Revenues, Expenses and Changes in Net Position. As of December 31, 2023 and 2022, lease obligations included in current liabilities were $0.03 million and lease obligations included in noncurrent liabilities were $5.2 million and $5.5 million, respectively. There were no payments recorded in the current period that were not included in the measurement of the lease liability and there were no lease impairments as of December 31, 2023 and 2022.

The following table summarizes the lease principal and interest payments as of December 31, 2023:

Year	Principal	Interest	Total
2024	$ 288,525	$ 67,774	$ 356,299
2025	297,290	64,226	361,516
2026	306,331	60,558	366,889
2027	315,657	56,767	372,424
2028	325,275	52,849	378,124
2029-2033 (combined)	1,533,728	204,189	1,737,917
2034-2038 (combined)	1,646,233	99,269	1,745,502
2039-2043 (combined)	745,854	6,025	751,879
Total	$ 5,458,893	$ 611,657	$ 6,070,550

NOTE 4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Equivalents and Investments. The Agency's investments are governed by the California State and Municipal Codes and its Indenture, which allow the Agency investments to include: obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; LAIF; and money market funds. The Agency's investment policy also includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities, and minimum credit ratings.

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To mitigate the risk, the Agency limits investments to those rated, at a minimum, "A-1" or equivalent for short-term investments and "A" or equivalent for medium-term corporate notes by a nationally recognized rating agency.

Custodial Credit Risk. This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Agency's deposits may not be returned, or the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of another party. The Agency does not have a deposit or investment policy for custodial credit risk.

At December 31, 2023 and 2022, $1.3 million and $5.6 million of the Agency's cash balances were uninsured, respectively. The bank balance is also, per a depository pledge agreement between the Agency and the Agency's bank, collateralized at 136 percent and 128 percent of the collective funds on deposit (increased by the amount of accrued but uncredited interest, reduced by deposits covered by Federal Deposit Insurance Corporation) at December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, the Agency had money market funds of $10.2 million and $4.5 million which were uninsured, respectively. The Agency's money market funds are held in trust for the benefit of the Agency.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Agency places no limit on the amounts invested in any one issuer for federal agency securities. The Agency had no investments subject to this risk at December 31, 2023 and 2022.

Interest Rate Risk. This is the risk that investments are exposed to fair value losses arising from increasing interest rates. Though the Agency has restrictions as to the maturities of some of the investments, it does not have a formal policy for interest rate risk. The Agency had no investments subject to this risk at December 31, 2023 and 2022.

The following schedules present credit risk by type of security held at December 31, 2023 and 2022. The credit ratings listed are from Standard & Poor's. N/A is defined as not applicable to the rating disclosure requirements.

The Agency's cash and cash equivalents consist of the following:

	Credit Rating	December 31, 2023	2022
Cash and Cash Equivalents:			
Deposits	N/A	$ 1,518,846	$ 5,867,512
LAIF	Not Rated	34,938,661	30,579,453
Money market funds	AAAm	10,213,875	4,514,426
Total cash and cash equivalents		$ 46,671,382	$ 40,961,391

The Agency's cash and cash equivalents are classified in the Statements of Net Position as follows:

	December 31, 2023	2022
Cash and Cash Equivalents:		
Debt service funds	$ 10,213,875	$ 4,507,714
Unrestricted cash and cash equivalents	36,457,507	36,453,677
Total cash and cash equivalents	$ 46,671,382	$ 40,961,391

NOTE 5. LONG-TERM DEBT

The Agency issued $193.3 million of 2015 Cosumnes Project Revenue Refunding Bonds (Bonds) in June 2015 with interest rates ranging from 2.0 percent to 5.0 percent, maturing July 2030.

The Agency's long-term debt is presented below:

	December 31, 2023	2022
2015 Cosumnes project revenue refunding bonds, fixed rates 5%, 2024-2030	$ 87,890,000	$ 89,735,000
Unamortized premiums	5,807,096	7,663,307
Total long-term debt	93,697,096	97,398,307
Less: amounts due within one year	(13,115,000)	(1,845,000)
Total long-term debt - net	$ 80,582,096	$ 95,553,307

The following summarizes long-term debt activity for the year ended December 31, 2023:

	January 1, 2023	Additions	Refunding, Payments or Amortization	December 31, 2023
Cosumnes project revenue bonds	$ 89,735,000	$ -0-	$ (1,845,000)	$ 87,890,000
Unamortized premiums	7,663,307	-0-	(1,856,211)	5,807,096
Total long-term debt	$ 97,398,307	$ -0-	$ (3,701,211)	$ 93,697,096

The following summarizes long-term debt activity for the year ended December 31, 2022:

	January 1, 2022	Additions	Refunding, Payments or Amortization	December 31, 2022
Cosumnes project revenue bonds	$ 101,185,000	$ -0-	$ (11,450,000)	$ 89,735,000
Unamortized premiums	9,685,892	-0-	(2,022,585)	7,663,307
Total long-term debt	$ 110,870,892	$ -0-	$ (13,472,585)	$ 97,398,307

The annual debt service requirements to maturity for Bonds are as follows at December 31, 2023:

Year	Principal	Interest	Total
2024	$ 13,115,000	$ 4,394,500	$ 17,509,500
2025	14,270,000	3,738,750	18,008,750
2026	13,630,000	3,025,250	16,655,250
2027	13,065,000	2,343,750	15,408,750
2028	12,815,000	1,690,500	14,505,500
2029-2030 (combined)	20,995,000	1,326,500	22,321,500
Total	$ 87,890,000	$ 16,519,250	$ 104,409,250

Proceeds from the Bonds were used to refund previously issued 2006 Bonds that provided financing for the Project. The Bonds, payable through 2030, are secured solely by a pledge of and lien on the trust estate under the Indenture which includes revenues from the PPA and investment income from funds established under the Indenture.

The Agency has pledged future net revenues to repay $87.9 million for the Bonds at December 31, 2023 and $89.7 million at December 31, 2022. Annual principal and interest payments on the Bonds required approximately 2.5 percent and 14.3 percent of the Agency's net revenues for 2023 and 2022, respectively. The total principal and interest remaining to be paid on the Bonds is $104.4 million and $110.7 million at December 31, 2023 and 2022, respectively. Debt service payments are made semi-annually on January 1 and July 1. Principal and interest paid was $6.3 million and $16.5 million for 2023 and 2022, respectively. Total gross revenues were $258.4 million and $115.3 million for 2023 and 2022, respectively.

The payments of principal and interest related to the Agency's long-term debt are not dependent upon the continued successful operation of the Project. SMUD guarantees to make payments in an amount sufficient to pay principal and interest and all other payments required to be made under the Indenture, under a "take-or-pay" contract. The Agency is not required to repay SMUD for any amounts paid under this guarantee.

Terms of Debt Indenture. The debt indenture contains a provision that in an event of default, the holders of the majority of the debt outstanding are entitled to declare the outstanding amounts due immediately.

NOTE 6. ACCRUED DECOMMISSIONING

Asset Retirement Obligation (ARO). The Agency accounts for the ARO associated with the future retirement of Carson. GASB No. 83 requires the measurement of the ARO be based on the best estimate of the current value of the outlays expected to be incurred and the current value be adjusted for the effects of the general inflation or deflation at least annually. In addition, it also requires a government to evaluate relevant factors that may significantly change the estimated asset retirement outlays.

The Agency's ground lease agreement with the SRCSD for Carson requires to restore the premises to its original condition upon termination of the contract. In 2018 a study to determine the current value of the asset retirement obligation was conducted by an external contractor who specializes in decommissioning studies. The expected costs and scope of work were based on the 2018 cost estimate and assumes a contractor will be responsible for the work and that decommissioning would take place between 2025 and 2027. The result of this study was used to determine the balance of the ARO and the deferred outflows at January 1, 2018. The Agency used the annual All Urban Consumer Price Index to adjust this obligation for inflation in 2023. At December 31, 2023, the remaining useful life of Carson's assets is two years.

NOTE 7. INSURANCE PROGRAMS

The Agency purchases commercial property and casualty insurance coverage at levels consistent with coverages on similar facilities. Policy deductibles vary depending on the type of coverage. The excess liability limit for most claims against the Agency is $140.0 million, and property damage is covered under an all-risk policy to replacement value of the asset. The all-risk coverage also includes business interruption (BI) coverage for the generation assets, which is sublimited based on the projected output. Generally, the maximum risk that the Agency would be exposed to is limited to $0.25 million for casualty claims, $5.0 million for property claims, and a 60-day waiting period for BI coverage. The Project, however, is subject to a $10.0 million equipment deductible and a 90-day BI waiting period. No claims have exceeded the limits of property or liability insurance in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 8. FAIR VALUE MEASUREMENTS

SGAS No. 72, ***"Fair Value Measurement and Application"*** (GASB No. 72), defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The Agency utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

GASB No. 72 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy defined by GASB No. 72 are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs that reflect the Agency's own assumptions about factors that market participants would use in pricing the asset or liability.

The valuation methods of the fair value measurements are disclosed below. All the Agency's investments are valued using Level 2 inputs.

- LAIF - uses the fair value of the pool's share price multiplied by the number of shares held. This pool can include a variety of investments such as U.S. government securities, federal agency securities, negotiable certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, bank notes, and other investments. The fair values of the securities are generally based on quoted and/or observable market prices.

The following table identifies the level within the fair value hierarchy that the Agency's financial assets are accounted for on a recurring basis as of December 31, 2023 and 2022, respectively. As required by GASB No. 72, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Agency's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of liabilities and their placement within the fair value hierarchy levels.

Recurring Fair Value Measures (Level 2)

	December 31,	
	2023	2022
Investments reported as Cash and Cash Equivalents:		
LAIF	$ 34,938,661	$ 30,579,453
Total fair value investments	$ 34,938,661	$ 30,579,453

NOTE 9. COMMITMENTS

Natural Gas Interconnection and Supply Agreements. Pursuant to the Natural Gas Interconnection and Supply Agreements, SMUD supplies all the natural gas requirements of the Project and the assigned Power Plants. The Agency pays for the actual supply, storage and transportation costs for the fuel supplied to the Project and the assigned Power Plants as specified in the agreements for 30 years following acceptance. The agreements will be in effect for Carson through October 2025, for Procter and Gamble through March 2027, for Campbell through December 2027 and for the Project through September 2039.

Operation and Maintenance Agreements. Ethos serves as the Operator and is responsible for the primary operation, repair, overhaul and maintenance services of the Project and the assigned Power Plants. The Agency pays for such services according to the terms of the agreements and provides, at no cost to Ethos, fuel, water, and power not already provided for in other agreements. At December 31, 2023, the minimum annual commitment to Ethos was approximately $12.3 million.

Water Supply Agreement. Pursuant to the Water Supply Agreement, SMUD supplies water to the Agency. The Agency is obligated to pay for the actual water supply, storage, and transportation costs for 30 years through September 2039.

Commodity Agreement. Carson provides SRCSD's sewage treatment plant with all the steam required for its operation and emergency power should the outside power supply become disrupted. The Agency also purchases a minimum of 90 percent of the digester gas made available to Carson by the sewage treatment plant, provided the gas meets standards set forth in this agreement, as amended, which expires in October 2025.

NOTE 10. CONTINGENCIES

General Contingencies. In the normal operation of business, the Agency is party to various claims, legal actions, and complaints. Management and the Agency's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the Agency.

2

SSS No. CFO 24-006	**BOARD AGENDA ITEM** **STAFFING SUMMARY SHEET**	Committee Meeting & Date Finance & Audit March 19, 2024 Board Meeting Date N/A

TO		TO	
1.	Scott Martin	6.	
2.	Jose Bodipo-Memba	7.	
3.	Lora Anguay	8.	
4.		9.	**Legal**
5.		10.	**CEO & General Manager**

Consent Calendar		**Yes**		**No** *If no, schedule a dry run presentation.*	**Budgeted**		**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Lisa Limcaco	Accounting	B352	7045	3/8/24

NARRATIVE:

Requested Action: SMUD's Financial Results for the year 2023.

Summary: Informational presentation with an overview of SMUD's financial results for the year 2023.

Board Policy: *(Number & Title)* GP-3, Board Job Description

Benefits: Provide Board members current information regarding SMUD's financial condition.

Cost/Budgeted: N/A

Alternatives: Provide Board members an informational overview of the 2023 SMUD Financial Results via written memo.

Affected Parties: SMUD, Accounting

Coordination: Accounting

Presenter: Lisa Limcaco, Director, Accounting, and Controller

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
SMUD's 2023 Financial Results	

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

3

SSS No. CFO 23-016	**BOARD AGENDA ITEM** **STAFFING SUMMARY SHEET**	Committee Meeting & Date Finance & Audit, 2024 Board Meeting Date N/A

TO		TO	
1.	Jose Bodipo-Memba	6.	
2.	Lora Anguay	7.	
3.	Scott Martin	8.	
4.		9.	**Legal**
5.		10.	**CEO & General Manager**

Consent Calendar		**Yes**		**No** *If no, schedule a dry run presentation.*	**Budgeted**		**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Lisa Limcaco	Accounting	B352	7045	12/18/23

NARRATIVE:

Requested Action: Provide the Board with SMUD's financial results for the year-to-date period and a summary of SMUD's current Power Supply Costs.

Summary: Staff will present SMUD's financial results for the year-to-date period and a summary of SMUD's current Power Supply Costs to the Board of Directors.

Board Policy: *(Number & Title)* GP-3, Board Job Description

Benefits: Provide Board members with information regarding SMUD's financial position and SMUD's current power supply costs.

Cost/Budgeted: N/A

Alternatives: Provide information via written memo/report to the Board.

Affected Parties: Accounting

Coordination: Accounting

Presenter: Lisa Limcaco, Director, Accounting, and Controller

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
SMUD's Financial Results & Power Supply Costs	

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
OFFICE MEMORANDUM

TO: Distribution

DATE: February 29, 2024
ACC 24-005

FROM: Kathy Ketchum / Lisa Limcaco

SUBJECT: **JANUARY 2024 FINANCIAL RESULTS AND OPERATIONS DATA**

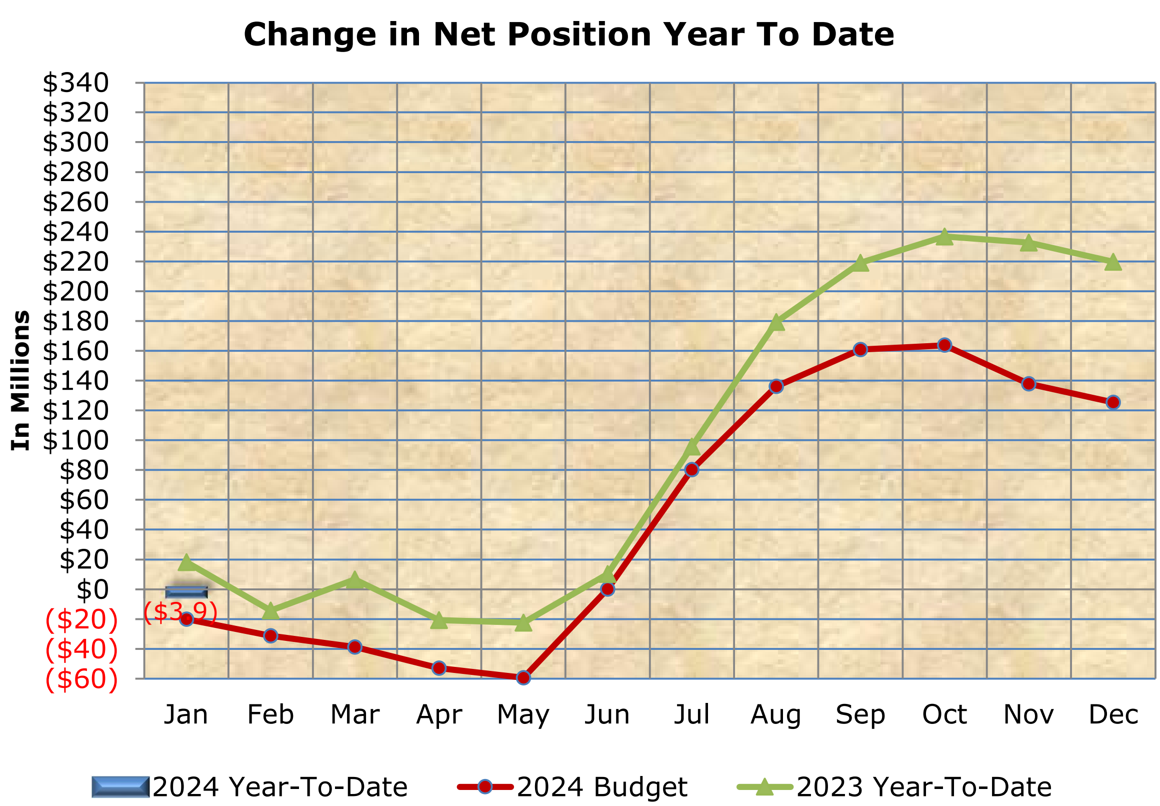
We are attaching the financial and operating reports for the one month of 2024. They include sales and generation statistics and other selected data.

The change in net position is a decrease of $3.9 million compared to a budgeted decrease of $20.1 million, resulting in a favorable variance of $16.2 million.

We prepared these statements on the accrual basis of accounting, and they conform to generally accepted accounting principles. The bases for the budget amounts are:

1) Budgeted electric revenues are based on the Forecast of Revenues by the Pricing Department, adjusted for unbilled revenues; and

2) Budgeted operating expenses reflect the 2024 Budget approved by the Board of Directors on December 14, 2023.



SACRAMENTO MUNICIPAL UTILITY DISTRICT
EXECUTIVE SUMMARY
For the One Month Ended January 31, 2024

Net Position

- The change in net position is a decrease of $3.9 million compared to a budgeted decrease of $20.1 million, resulting in a favorable variance of $16.2 million.

Revenues

- Revenues from sales to customers were $118.5 million, which was $1.9 million higher than planned. The increase is primarily due to:
  - Higher commercial customer revenue of $1.9 million primarily due to higher customer usage.
  - Offset by lower uncollectible accounts of $0.3 million and lower residential sales of $0.2 million.
- Low Carbon Fuel Standard (LCFS) revenues were $2.1 million due to LCFS credit sales.
- Other electric revenues were higher by $2.2 million primarily due to unplanned Transmission Agency of Northern California (TANC), Western Area Power Administration (WAPA), and Sacramento Power Academy revenues of $0.9 million, unplanned interconnection fees of $0.8 million and higher transmission revenue of $0.4 million.
- Non-cash revenues transferred to the rate stabilization fund were $2.1 million for LCFS. LCFS funds are deferred until SMUD has qualified program expenses (projects that reduce carbon emissions or electric vehicle programs) to recognize revenue.
- Non-cash revenues transferred from the rate stabilization fund were $6.6 million, which is $5.5 million higher than plan. The increase is primarily due to $5.2 million of revenue recognized for AB-32.

Commodities, Purchased Power, and Production

- SMUD's generation was lower by 101 GWh (14.2 percent); JPA and other generation was lower by 87 GWh (13.3 percent); and Hydro generation was lower by 14 GWh (24.1 percent).
- Purchased power expense of $37.0 million, less surplus power sales of $21.5 million, offset by Calpine Sutter capacity costs of $2.2 million, was $17.7 million, which was $2.3 million higher than planned. Purchased power was over budget due to actual load being higher than plan coupled with lower generation causing more market purchases than plan to replace SMUD thermal and hydro generation.
- Production operations cost of $47.1 million, less surplus gas sales of $10.9 million, was $36.2 million, which was $7.7 million lower than planned.
  - Fuel costs of $34.1 million less surplus gas sales of $10.9 million, was $23.2 million, which was $7.5 million lower than planned. This is primarily due to lower usage and lower prices.
- The "power margin", or sales to customers less cost of purchased power, production operations costs and gas hedges included in investment revenue offset by Calpine Sutter capacity costs, was $67.0 million, which was $9.7 million higher than planned. The power margin as a percentage of sales to customers was 56.6 percent, which was 7.4 percent higher than planned. This is due to higher sales to customers, lower thermal generation, and higher purchased power.

Other Operating Expenses

- All other operating expenses were $79.4 million, which was $1.6 million higher than planned.
  - Administrative & General expenses were down $2.8 million primarily due a slower start to projects such as Agile product teams, SAP S4 Hana, T3 Phase II and lower control center pre-planning.
  - Public Good expenses were $1.9 million higher than planned primarily due to higher than planned rebate volume in Advanced Homes Solutions program, along with higher rebate volume and outside services in low income building electrification.
  - Production maintenance expenses were $1.2 million lower than planned due to shifting of timelines of maintenance at the Cosumnes and Carson plants.
  - Transmission and distribution maintenance expenses were $3.4 million higher than planned due to higher outside services for vegetation maintenance of transmission and distribution lines.
  - Non-cash depreciation and amortization is higher by $1.0 million primarily due to higher amortization of subscription assets, and a higher depreciation expense due to a timing difference between budgeted and actual depreciation.

Non-operating Revenues and Expenses

- Other revenue, net, was $3.0 million higher than planned primarily due to higher investment revenues of $2.4 million due to natural gas hedging activity, and higher interest income of $1.5 million, offset by lower contributions in aid of construction of $0.6 million.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Month Ended January 31, 2024
(thousands of dollars)

	Actual	Budget	Over (Under)	Percent of Increase (Decrease)
OPERATING REVENUES				
Sales to customers	$ 118,541	$ 116,688	$ 1,853	1.6 %
Sales of surplus power	21,468	23,401	(1,933)	(8.3)
Sales of surplus gas	10,882	-	10,882	*
SB-1 revenue (deferral)/recognition, net	128	-	128	*
LCFS revenue	2,078	-	2,078	*
Other electric revenue	4,736	2,984	1,752	58.7
Revenue to rate stabilization fund	(2,078)	(242)	(1,836)	758.7
Revenue from rate stabilization fund	6,607	1,107	5,500	496.8
Total operating revenues	162,362	143,938	18,424	12.8
OPERATING EXPENSES				
Operations				
Purchased power	36,973	36,637	336	0.9
Production	47,077	43,938	3,139	7.1
Transmission and distribution	7,380	7,761	(381)	(4.9)
Customer accounts	4,755	4,995	(240)	(4.8)
Customer service and information	6,159	6,635	(476)	(7.2)
Administrative and general	16,132	18,886	(2,754)	(14.6)
Public good	6,138	4,244	1,894	44.6
Total operations	124,614	123,096	1,518	1.2
Maintenance				
Production	1,986	3,203	(1,217)	(38.0)
Transmission and distribution	12,597	9,173	3,424	37.3
Total maintenance	14,583	12,376	2,207	17.8
Depreciation and amortization				
Depreciation and amortization	22,689	21,647	1,042	4.8
Amortization of regulatory asset	3,730	3,403	327	9.6
Total depreciation and amortization	26,419	25,050	1,369	5.5
Total operating expenses	165,616	160,522	5,094	3.2
OPERATING INCOME (LOSS)	(3,254)	(16,584)	13,330	80.4
NON-OPERATING REVENUES AND EXPENSES				
Other revenues/(expenses)				
Interest income	3,763	2,285	1,478	64.7
Investment revenue (expense)	2,373	20	2,353	*
Other income (expense) - net	14	449	(435)	(96.9)
Unrealized holding gains (losses)	219	-	219	*
Revenue - CIAC	1,079	1,715	(636)	(37.1)
Total other revenues	7,448	4,469	2,979	66.7
Interest charges				
Interest on long-term debt	7,597	7,736	(139)	(1.8)
Interest on commercial paper	499	274	225	82.1
Total interest charges	8,096	8,010	86	1.1
CHANGE IN NET POSITION	$ (3,902)	$ (20,125)	$ 16,223	80.6 %

* Equals 1000% or greater.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the One Month Ended January 31, 2024
(thousands of dollars)

	Actual	Budget	Over (Under)	Percent of Increase (Decrease)
OPERATING REVENUES				
Sales to customers	$ 118,541	$ 116,688	$ 1,853	1.6 %
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Operations				
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Production	47,077	43,938	3,139	7.1
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Customer accounts	4,755	4,995	(240)	(4.8)
Customer service and information	6,159	6,635	(476)	(7.2)
Administrative and general	16,132	18,886	(2,754)	(14.6)
Public good	6,138	4,244	1,894	44.6
Total operations	124,614	123,096	1,518	1.2
Maintenance				
Production	1,986	3,203	(1,217)	(38.0)
Transmission and distribution	12,597	9,173	3,424	37.3
Total maintenance	14,583	12,376	2,207	17.8
Depreciation and amortization				
Depreciation and amortization	22,689	21,647	1,042	4.8
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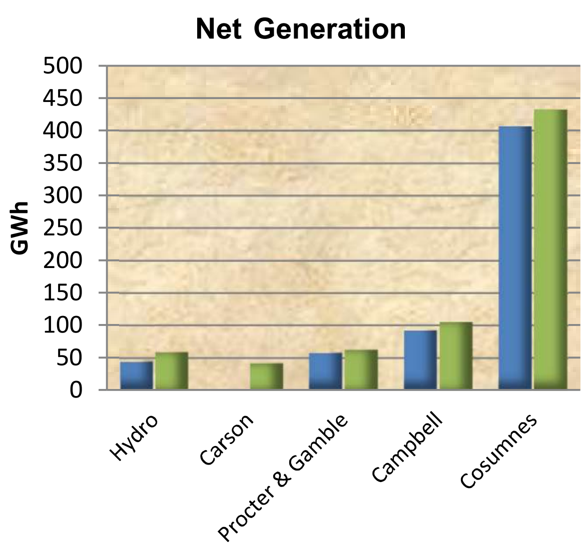
Other revenues/(expenses)				
Interest income	3,763	2,285	1,478	64.7
Investment revenue (expense)	2,373	20	2,353	*
Other income (expense) - net	14	449	(435)	(96.9)
Unrealized holding gains (losses)	219	-	219	*
Revenue - CIAC	1,079	1,715	(636)	(37.1)
Total other revenues	7,448	4,469	2,979	66.7
Interest charges				
Interest on long-term debt	7,597	7,736	(139)	(1.8)
Interest on commercial paper	499	274	225	82.1
Total interest charges	8,096	8,010	86	1.1
CHANGE IN NET POSITION	$ (3,902)	$ (20,125)	$ 16,223	80.6 %

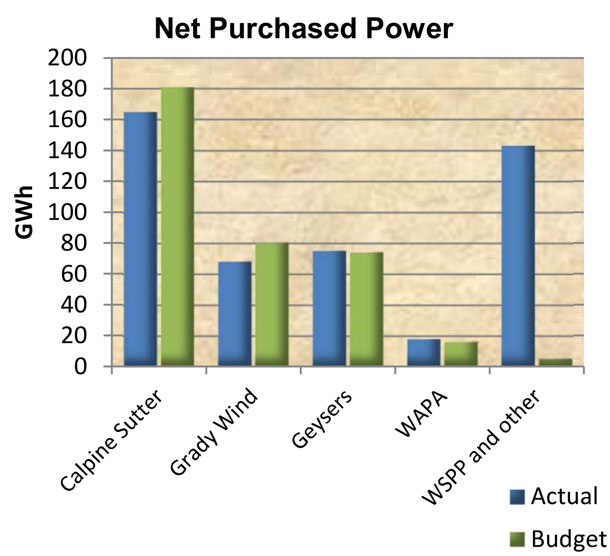
* Equals 1000% or greater.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
SOURCES AND USES OF ENERGY - COMPARED TO BUDGET
For the Period Ended January 31, 2024

Sources of Energy (GWh)	Month Actual	Month Budget	Increase (Decrease) Percentage	Year to Date Actual	Year to Date Budget	Increase (Decrease) Percentage
Net Generated						
Hydro	44	58	(24.1)	44	58	(24.1)
Carson Power Plant	-	41	(100.0)	-	41	(100.0)
Procter & Gamble Power Plant	57	62	(8.1)	57	62	(8.1)
Campbell Power Plant	92	105	(12.4)	92	105	(12.4)
Cosumnes Power Plant	407	433	(6.0)	407	433	(6.0)
Other	11	13	(15.4)	11	13	(15.4)
Total net generation	611	712	(14.2)	611	712	(14.2)
Purchased Power less transmission losses:						
CalEnergy	14	19	(26.3)	14	19	(26.3)
Calpine Sutter	165	181	(8.8)	165	181	(8.8)
Drew Solar	17	17	0.0	17	17	0.0
Feed in Tariff	6	9	(33.3)	6	9	(33.3)
Geysers	75	74	1.4	75	74	1.4
Grady Wind	68	80	(15.0)	68	80	(15.0)
Rancho Seco PV II	6	13	(53.8)	6	13	(53.8)
WAPA	18	16	12.5	18	16	12.5
WSPP and other	143	5	*	143	5	*
Other long term power	30	39	(23.1)	30	39	(23.1)
Total net purchases	542	453	19.6	542	453	19.6
Total sources of energy	1,153	1,165	(1.0)	1,153	1,165	(1.0)
Uses of energy:						
SMUD electric sales and usage	833	827	0.7	833	827	0.7
Surplus power sales	280	293	(4.4)	280	293	(4.4)
System losses	40	45	(11.1)	40	45	(11.1)
Total uses of energy	1,153	1,165	(1.0) %	1,153	1,165	(1.0) %

* Change equals 1000% or more.





Net generation is lower than planned for the one-month period.

- Hydro generation is lower than planned (24.1 percent).
- JPA generation is lower than planned (13.3 percent).

Purchased power, less surplus power sales, is higher than plan (63.8 percent).

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION
January 31, 2024 and 2023
(thousands of dollars)

	SMUD	SFA	NCEA	NCGA #1	Intercompany Eliminations	Total 2024	Total 2023
ELECTRIC UTILITY PLANT							
Plant in service, original cost	$ 6,360,732	$ 978,600	$ -	$ -	$ (4,578)	$ 7,334,754	$ 7,199,462
Less accumulated depreciation	2,967,342	693,343	-	-	(830)	3,659,855	3,567,357
Plant in service - net	3,393,390	285,257	-	-	(3,748)	3,674,899	3,632,105
Construction work in progress	612,399	2,937	-	-	-	615,336	362,510
Investment in Joint Power Agencies	321,491	-	-	-	(282,941)	38,550	32,775
Total electric utility plant - net	4,327,280	288,194		-	(286,689)	4,328,785	4,027,390
RESTRICTED ASSETS							
Revenue bond reserves	1,027	-	-	-	-	1,027	2,004
Restricted for payment of debt service	88,102	-	-	-	-	88,102	100,106
JPA funds	-	9,520	12,459	15,388	-	37,367	32,871
Nuclear decommissioning trust fund	9,459	-	-	-	-	9,459	9,010
Rate stabilization fund	207,601	-	-	-	-	207,601	153,331
Other funds	38,539	-	3,000	173	-	41,712	24,042
Due (to) from unrestricted funds (decommissioning)	(6,684)	-	-	-	-	(6,684)	(6,684)
Due (to) from restricted funds (decommissioning)	6,684	-	-	-	-	6,684	6,684
Less current portion	(108,311)	(9,516)	(15,459)	(15,561)	-	(148,847)	(144,458)
Total restricted assets	236,417	4	-	-	-	236,421	176,906
CURRENT ASSETS							
Cash, cash equivalents and investments							
Unrestricted	507,748	36,818	-	-	-	544,566	667,279
Restricted	108,311	9,516	15,459	15,561	-	148,847	144,458
Accounts receivable - net	295,930	75,292	3,916	2,931	(137,260)	240,809	275,007
Lease receivable	847	-	-	-	(217)	630	803
Energy efficiency loans due within one year	139	-	-	-	-	139	139
Interest receivable	7,385	109	-	15	-	7,509	4,744
Lease interest receivable	29	-	-	-	(4)	25	26
Regulatory costs to be recovered within one year	75,815	104	-	105	-	76,024	64,781
Derivative financial instruments maturing within in one year	10,153	-	-	-	-	10,153	38,009
Inventories	129,297	16,240	-	-	-	145,537	112,412
Prepaid gas to be delivered within one year	-	-	16,785	28,759	-	45,544	29,915
Prepayments and other	25,496	9,864	24	16	-	35,400	30,940
Total current assets	1,161,150	147,943	36,184	47,387	(137,481)	1,255,183	1,368,513
NONCURRENT ASSETS							
Regulatory costs for future recovery							
Decommissioning	100,197	-	-	-	-	100,197	75,860
Pension	550,168	-	-	-	-	550,168	479,816
OPEB	310,003	-	-	-	-	310,003	302,653
Bond Issues	-	566	-	253	-	819	1,028
Derivative financial instruments	97	-	-	-	-	97	1,353
Derivative financial instruments	33,217	-	-	-	-	33,217	67,707
Prepaid gas	-	-	507,130	81,284	-	588,414	633,959
Prepaid power and capacity	-	-	-	-	-	-	156
Lease receivable	20,783	-	-	-	(3,525)	17,258	17,697
Energy efficiency loans - net	409	-	-	-	-	409	698
Other	88,597	13	-	38	-	88,648	81,372
Total noncurrent assets	1,103,471	579	507,130	81,575	(3,525)	1,689,230	1,662,299
TOTAL ASSETS	$ 6,828,318	$ 436,720	$ 543,314	$ 128,962	$ (427,695)	$ 7,509,619	$ 7,235,108
DEFERRED OUTFLOWS OF RESOURCES							
Accumulated decrease in fair value of hedging derivatives	61,477	-	-	-	-	61,477	35,534
Deferred pension outflows	140,837	-	-	-	-	140,837	144,678
Deferred OPEB outflows	56,729	-	-	-	-	56,729	43,356
Deferred ARO outflows	-	1,713	-	-	-	1,713	2,009
Unamortized bond losses - other	5,253	887	-	-	-	6,140	8,206
TOTAL DEFERRED OUTFLOWS OF RESOURCES	264,296	2,600	-	-	-	266,896	233,783
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 7,092,614	$ 439,320	$ 543,314	$ 128,962	$ (427,695)	$ 7,776,515	$ 7,468,891

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION
January 31, 2024 and 2023
(thousands of dollars)

L I A B I L I T I E S A N D N E T A S S E T S

	SMUD	SFA	NCEA	NCGA #1	Intercompany Eliminations	Total 2024	Total 2023
LONG-TERM DEBT - NET	$ 2,218,042	$ 80,431	$ 524,792	$ 94,540	$ -	$ 2,917,805	2,882,440
CURRENT LIABILITIES							
Commercial paper notes	150,000	-	-	-	-	150,000	200,000
Accounts payable	120,566	4,829	-	-	-	125,395	214,580
Purchased power payable	110,470	59,035	-	527	(137,261)	32,771	49,407
Credit support collateral obligation	10,106	-	-	-	-	10,106	10,870
Long-term debt due within one year	84,590	13,115	14,505	25,530	-	137,740	138,195
Accrued decommissioning	7,140	-	-	-	-	7,140	7,549
Interest payable	43,697	366	1,803	445	-	46,311	45,934
Accrued interest liability	257	6	-	-	(4)	259	93
Accrued salaries and compensated absences	65,436	-	-	-	-	65,436	63,285
Derivative financial instruments maturing within one year	39,312	-	-	-	-	39,312	28,235
Customer deposits	1,989	-	-	-	-	1,989	1,895
Lease and subscription software liability	4,222	297	-	-	(217)	4,302	31,944
Other	57,085	-	-	-	-	57,085	49,002
Total current liabilities	694,870	77,648	16,308	26,502	(137,482)	677,846	840,989
NONCURRENT LIABILITIES							
Accrued decommissioning - net	102,973	10,166	-	-	-	113,139	87,943
Derivative financial instruments	23,279	-	-	-	-	23,279	13,262
Net pension liability	259,010	-	-	-	-	259,010	235,451
Net OPEB liability	25,334	-	-	-	-	25,334	6,753
Lease liability	97,180	4,873	-	-	(3,525)	98,528	24,873
Other	88,363	-	248	-	-	88,611	83,853
Total noncurrent liabilities	596,139	15,039	248	-	(3,525)	607,901	452,135
TOTAL LIABILITIES	3,509,051	173,118	541,348	121,042	(141,007)	4,203,552	4,175,564
DEFERRED INFLOWS OF RESOURCES							
Accumulated increase in fair value of hedging derivatives	43,369	-	-	-	-	43,369	105,342
Deferred pension inflows	8,416	-	-	-	-	8,416	17,536
Deferred OPEB inflows	30,616	-	-	-	-	30,616	33,732
Deferred lease inflows	21,042	-	-	-	(3,747)	17,295	18,123
Regulatory credits	848,028	-	-	-	-	848,028	687,253
Unamortized bond gains - other	38,582	-	-	-	-	38,582	42,968
Unearned revenue	3,860	-	-	-	-	3,860	3,280
TOTAL DEFERRED INFLOWS OF RESOURCES	993,913	-	-	-	(3,747)	990,166	908,234
NET POSITION							
Balance at beginning of year	2,596,003	265,739	52	7,827	(282,922)	2,586,699	2,366,976
Net increase (decrease) for the year	(6,353)	463	1,905	83	-	(3,902)	18,117
Member contributions (distributions) - net	-	-	9	10	(19)	-	-
TOTAL NET POSITION	2,589,650	266,202	1,966	7,920	(282,941)	2,582,797	2,385,093
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 7,092,614	$ 439,320	$ 543,314	$ 128,962	$ (427,695)	$ 7,776,515	$ 7,468,891

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS
For the Period Ended January 31, 2024
(thousands of dollars)

	Month	Year to Date
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 125,008	$ 125,008
Receipts from surplus power and gas sales	34,762	34,762
Other receipts	11,067	11,067
Payments to employees - payroll and other	(27,745)	(27,745)
Payments for wholesale power and gas purchases	(77,222)	(77,222)
Payments to vendors/others	(44,328)	(44,328)
Net cash provided by operating activities	21,542	21,542
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interest on debt	(12,110)	(12,110)
Net cash used in noncapital financing activities	(12,110)	(12,110)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction expenditures	(29,147)	(29,147)
Contributions in aid of construction	1,504	1,504
Interest on debt	(2,567)	(2,567)
Lease and other receipts/payments - net	(2,786)	(2,786)
Net cash used in capital and related financing activities	(32,996)	(32,996)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of securities	20,362	20,362
Interest and dividends received	5,283	5,283
Investment revenue/expenses - net	2,373	2,373
Net cash provided by investing activities	28,018	28,018
Net increase in cash and cash equivalents	4,454	4,454
Cash and cash equivalents at the beginning of the month and year	291,224	291,224
Cash and cash equivalents at January 31, 2024	$ 295,678	$ 295,678
Cash and cash equivalents included in:		
Unrestricted cash and cash equivalents	$ 247,524	$ 247,524
Restricted and designated cash and cash equivalents	36,966	36,966
Restricted and designated assets (a component of the total of $236,421 at January 31, 2024)	11,188	11,188
Cash and cash equivalents at January 31, 2024	$ 295,678	$ 295,678

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BOARD AGENDA ITEM
STAFFING SUMMARY SHEET

SSS No.	Committee Meeting & Date	Board Meeting Date
ZCS-24-006	Finance & Audit – 03/19/24	March 21, 2024

	TO		TO
1.	James Frasher	6.	Lora Anguay
2.	Brandy Bolden	7.	Jose Bodipo-Memba
3.	Farres Everly	8.	
4.	Frankie McDermott	9.	**Legal**
5.	Scott Martin	10.	**CEO & General Manager**

Consent Calendar	X	**Yes**		**No** *If no, schedule a dry run presentation.*	**Budgeted**	x	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Tom Moore	Grants and New Business Development	K221	5064	3/4/24

NARRATIVE:

Requested Action: Authorize submission of a SMUD Clean PowerCity Pathways project grant application for a Department of Energy (DOE) Grid Resilience and Innovation Partnerships (GRIP) grant, Topic Area 1 and authorize the CEO and GM, or his delegate, to negotiate and execute in the name of Sacramento Municipal Utility District a GRIP grant recipient contract with DOE as well as all other grant documents, including but not limited to, agreements, amendments, and requests for payment, necessary to facilitate grant participation.

Summary: SMUD wishes to seek funding from the DOE GRIP grant for its proposed Clean PowerCity Pathways. This project plans to develop a modern power substation (El Rio), integrating a decarbonized grid and providing community resilience. The grant application is due April 17, 2024, and seeks $100 million of funds, and SMUD’s cost-share is $100 million. If awarded, the grant funds will help SMUD rebuild its existing Elverta bulk substation in North Sacramento automating electricity flow, connecting intelligent grid infrastructure, and enabling renewable energy and energy storage integration optionality.

The new El Rio substation will deploy robust security, redundant systems, backup power sources, and improved fault detection mechanisms, enhancing grid resilience. SMUD will work with Native American Tribes at utility project sites, and as well as with CSUS, UC Davis and Los Rios Community Colleges. The grant will also support electrification and weatherization of homes in disadvantaged neighborhoods using resident trainees and connect skilled trades and college students with job shadowing, internships, and a new engineering curriculum on modern substations based on El Rio.

Board Policy: *(Number & Title)* Strategic Direction SD-4, Reliability; Strategic Direction SD-7, Environmental Leadership; Strategic Direction SD-9, Resource Planning; Strategic Direction SD-10, Innovation.

Benefits: The Clean PowerCity Pathways is designed to identify and implement the base elements and critical infrastructure needed to prepare and implement a complete substation rebuild, electrify 500 homes, and develop and connect DERs to the grid. The proposed Project will fund the construction of the Elverta substation expansion, deployment of battery energy storage systems, and all neighborhood home electrification components.

Cost/Budgeted: The Project has been planned and budgeted. The grant funding request is $100 million with a $100M SMUD cost-share requirement, which will be used to offset the costs of the Project.

Alternatives: Do not approve CEO/GM delegation to proceed with grant application.

Affected Parties: All SMUD Departments; CSUS, UC Davis, Los Rios Community College District, Local Tribes.

Coordination: Board Office, Executive Office, Grants and New Business Development, Substation Engineering, Transmission Planning Operations, Accounting and Legal

Presenter: James Frasher, Manager, New Business Development/Research & Development

Additional Links:

SUBJECT **DOE GRIP Topic Area 1 Grant Application**	ITEM NO. ***(FOR LEGAL USE ONLY)***

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SSS No. ZCS 24-007	**BOARD AGENDA ITEM** **STAFFING SUMMARY SHEET**	Committee Meeting & Date Finance & Audit – 03/19/24 Board Meeting Date March 21, 2024

TO		TO	
1.	James Frasher	6.	Lora Anguay
2.	Brandy Bolden	7.	Jose Bodipo-Memba
3.	Farres Everly	8.	
4.	Frankie McDermott	9.	**Legal**
5.	Scott Martin	10.	**CEO & General Manager**

Consent Calendar	x	**Yes**		**No** *If no, schedule a dry run presentation.*	**Budgeted**	x	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Tom Moore	Grants & New Business Development	K221	5064	3/1/24

NARRATIVE:

Requested Action: Authorize submission of a SMUD ReImagining Thermal Resources Operations: Fleet in Transition (RETROFIT) project application to the Department of Energy (DOE) for the Grid Resilience and Innovation Partnerships (GRIP) grant, Topic Area 3 and authorize the CEO and GM, or his delegate, to negotiate and execute in the name of Sacramento Municipal Utility District a GRIP grant recipient contract with DOE as well as all other grant documents, including but not limited to, agreements, amendments, and requests for payment, necessary to facilitate grant participation.

Summary: SMUD wishes to seek funding from the DOE GRIP grant for its RETROFIT project. The grant application is due April 17, 2024, and seeks $250 million of funding, and SMUD's cost-share is expected to be $414 million. The grant funds will help SMUD implement RETROFIT which will consist of upgrades across the grid ecosystem that include diverse generation, transmission, and distribution solutions at multiple locations and span an array of innovative approaches to improve grid resiliency, flexibility, and reliability. The RETROFIT project will also decrease energy burdens and costs by providing financial incentives and support for battery storage and electrification measures in low-income communities. This holistic approach will significantly advance SMUD's goal of decarbonizing its energy supply by 2030 and provide a replicable path for other utilities to follow in developing additional projects.

Board Policy: *(Number & Title)* Strategic Direction SD-4, Reliability; Strategic Direction SD-7, Environmental Leadership; Strategic Direction SD-9, Resource Planning; Strategic Direction SD-10, Innovation.

Benefits: RETROFIT will deploy innovative technologies and utilize novel approaches to improving generation, distribution, and transmission infrastructure across various locations within SMUD's service area. RETROFIT's successful deployment will deliver significant advancements in grid resiliency, reliability, and decarbonization. SMUD expects the Project to transform its energy infrastructure by incorporating cutting-edge, hydrogen-ready technologies and large-scale battery storage.

Cost/Budgeted: The Project has been planned and budgeted. The grant funding request is $250 million with a $414 million SMUD cost-share requirement, which will be used to offset the costs of the Project.

Alternatives: Do not proceed with grant application and potentially receive grant funding.

Affected Parties: All SMUD Departments, Los Rios Community College District.

Coordination: Grants and New Business Development and Legal

Presenter: James Frasher, Manager, New Business Development/Research & Development

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
DOE GRIP Topic Area 3 Application	

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SSS No. ZCS 24-005

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date
Finance & Audit – 03/19/24
Board Meeting Date
March 21, 2024

TO		TO	
1.	James Frasher	6.	Lora Anguay
2.	Brandy Bolden	7.	Jose Bodipo-Memba
3.	Farres Everly	8.	
4.	Frankie McDermott	9.	**Legal**
5.	Scott Martin	10.	**CEO & General Manager**

Consent Calendar	X	**Yes**		**No** *If no, schedule a dry run presentation.*	**Budgeted**		**Yes**	x	**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Tom Moore	Grants and New Business Development	K221	5064	03/01/24

NARRATIVE:

Requested Action: Discuss proposed revisions to Board-Staff Linkage BL-13, Delegation to the CEO with Respect to Grants.

Summary: Staff recommends revisions to Board Staff Linkage BL-13 to provide greater flexibility to submit grant applications and execute grant-related contracts. As a result of recent funding legislation, there continues to be a variety of federal and state grant opportunities available for SMUD which require applications and grant contracts. Recommendations include removal of the $3 million grant application and contract limit based on SMUD's commitment of financial and in-kind resources. This is replaced with authority for SMUD staff to proceed with grant applications and contracts if they are consistent with other BL policies, or the project is otherwise brought to the Board for approval as a budgeted project. Certain grants provide financial assistance for a project that has already been approved as a budgeted item. If SMUD has authorized a project in which a grant would support implementation of that project, by enhancing the original project scope, or contributing funding or partner support towards the project, staff is delegated authority to select and enter into contracts with grant partners and file grant applications. Additionally, the revisions include a requirement that the CEO and GM provide advance notice to the Board of grant commitments that create material financial, reputational, or operational risk. Copies of the proposed revisions are attached in redline and "clean" format.

Board Policy: *(Number & Title)* Strategic Direction SD-2, Competitive Rates; Strategic Direction SD-7, Environmental Leadership; Strategic Direction SD-10, Innovation; Strategic Direction SD-13, Economic Development; Strategic Direction SD-19, Diversified Business

Benefits: Updates delegation to provide greater flexibility to apply and contract for grants and includes a Board notice requirement for grants with a material risk.

Cost/Budgeted: No costs are associated with this action.

Alternatives: Make no revisions to the BL-13 or bring forth an alternative option.

Affected Parties: All SMUD Departments.

Coordination: Board Office, Executive Office, Grants and New Business Development, and Legal

Presenter: James Frasher, Manager, New Business Development/Research & Development

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
Proposed Revisions to BL-13, Delegation to the CEO/GM with Respect to Grants	

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SMUD BOARD POLICY

SMUD

Category: Board-Staff Linkage
Policy No.: BL-13
Title: Delegation to the CEO with Respect to Grants

SMUD's participation in state and federal grants as a prime-recipient or sub-recipient provides a unique opportunity for SMUD to leverage state and federal funds to advance SMUD's policies, conduct research and development projects, and provide benefits to the Sacramento community. SMUD's grant participation shall further SMUD's strategic directives, provide benefits to SMUD's customers and the community, and shall be consistent with the following principles.

a) **Competitive Advantage:** Because grants are typically competitively awarded, SMUD will select its grant partners or participate on a grant team where the partners provide a competitive advantage in the grant selection process. Time permitting and where practical, SMUD will select qualified grant partners through a formal or informal request for qualifications.

b) **Viable Grant Partners:** SMUD shall only contract with reputable and financially viable grant partners.

c) **Local Grant Partners:** All other things being equal, in selecting grant partners SMUD will generally prefer governmental entities, not-for profit organizations, and businesses located in the Sacramento region.

d) **Delegation of Authority to the CEO:** The Chief Executive Officer and General Manager (CEO) is delegated authority to select and enter into contracts with grant partners and file grant applications where SMUD's commitment of financial and in-kind resources ~~to the grant does not exceed $3 million~~is consistent with delegations under other Board-Staff Linkage policies, or is otherwise brought to the Board for approval as a budgeted project.

~~d)~~e) **Reporting:** The CEO shall provide advance notice to the Board of grant commitments that create material financial, reputational, or operational risk.

Monitoring Method: CEO Report
Frequency: Annual
Versioning:

November 18, 2010	Resolution No. 10-11-10	Date of Adoption.
August 4, 2011	Resolution No. 11-08-04	Date of Revision.
August 21, 2014	Resolution No. 14-08-03	Date of Revision.
November 19, 2020	Resolution No. 20-11-02	Date of Revision.
September 21, 2023	Resolution No. 23-09-02	Date of Revision. ~~[Current Policy]~~
March 21, 2024	Resolution No. 24-03-##	Date of Revision. [Current Policy]

SMUD BOARD POLICY

Category: Board-Staff Linkage
Policy No.: BL-13
Title: Delegation to the CEO with Respect to Grants

SMUD's participation in state and federal grants as a prime-recipient or sub-recipient provides a unique opportunity for SMUD to leverage state and federal funds to advance SMUD's policies, conduct research and development projects, and provide benefits to the Sacramento community. SMUD's grant participation shall further SMUD's strategic directives, provide benefits to SMUD's customers and the community, and shall be consistent with the following principles.

a) **Competitive Advantage:** Because grants are typically competitively awarded, SMUD will select its grant partners or participate on a grant team where the partners provide a competitive advantage in the grant selection process. Time permitting and where practical, SMUD will select qualified grant partners through a formal or informal request for qualifications.

b) **Viable Grant Partners:** SMUD shall only contract with reputable and financially viable grant partners.

c) **Local Grant Partners:** All other things being equal, in selecting grant partners SMUD will generally prefer governmental entities, not-for profit organizations, and businesses located in the Sacramento region.

d) **Delegation of Authority to the CEO:** The Chief Executive Officer and General Manager (CEO) is delegated authority to select and enter into contracts with grant partners and file grant applications where SMUD's commitment of financial and in-kind resources is consistent with delegations under other Board-Staff Linkage policies, or is otherwise brought to the Board for approval as a budgeted project.

e) **Reporting:** The CEO shall provide advance notice to the Board of grant commitments that create material financial, reputational, or operational risk.

Monitoring Method: CEO Report
Frequency: Annual
Versioning:

November 18, 2010	Resolution No. 10-11-10	Date of Adoption.
August 4, 2011	Resolution No. 11-08-04	Date of Revision.
August 21, 2014	Resolution No. 14-08-03	Date of Revision.
November 19, 2020	Resolution No. 20-11-02	Date of Revision.
September 21, 2023	Resolution No. 23-09-02	Date of Revision.
March 21, 2024	Resolution No. 24-03-##	Date of Revision. [Current Policy]

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SSS No. LEG 2024-0028

BOARD AGENDA ITEM
STAFFING SUMMARY SHEET

Committee Meeting & Date
Finance & Audit – 03/19/24
Board Meeting Date
N/A

TO		TO	
1.	Crystal Henderson	6.	
2.	Scott Martin	7.	
3.	Lora Anguay	8.	
4.	Jose Bodipo-Memba	9.	**Legal**
5.		10.	**CEO & General Manager**

Consent Calendar		Yes	X	No *If no, schedule a dry run presentation.*	Budgeted		Yes	X	No *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Laura Lewis	Executive Office	B308	6123	03/05/24

NARRATIVE:

Requested Action: Discuss potential revisions to **Governance Process GP-12, Board Compensation and Benefits**.

Summary: At the Policy Committee meeting of January 17, 2024, the committee discussed proposed policy revisions to Governance Process GP-12, Board Compensation and Benefits (GP-12). At the meeting, the committee recommended changes to the policy, including adding a requirement that the Board review its compensation each year. The Municipal Utility District (MUD) Act provides that the Board may adjust compensation up to five percent for each calendar year following the operative date of the last adjustment; automatic adjustments are prohibited. The Board most recently revised its compensation on June 15, 2023 (Resolution No. 23-06-02, effective July 1, 2023). The committee will discuss whether to recommend changes to Board compensation, to be effective July 1, 2024. The committee may also discuss additional changes to the policy.

Board Policy: *(Number & Title)* Governance Process GP-12, Board Compensation and Benefits.

Benefits: Enables Board members to review the policy in light of present-day factors.

Cost/Budgeted: N/A

Alternatives: Not review the policy.

Affected Parties: Board Members

Coordination: Executive Office, Board Office, People Services & Strategies, and Legal

Presenter: Laura Lewis, Chief Legal & Government Affairs Officer and General Counsel

Additional Links:

SUBJECT		ITEM NO. *(FOR LEGAL USE ONLY)*
	Discuss Potential Revisions to Governance Process GP-12, Board Compensation and Benefits	

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SMUD BOARD POLICY

Category: **Governance Process**
Policy No.: **GP-12**
Title: **Board Compensation and Benefits**

In keeping with the MUD Act, members of the Board of Directors are entitled to compensation for their service. Specifically:

a) Each Board member may receive for each attendance at the meetings of the full Board, Board committee meetings, ad hoc committee meetings, publicly noticed SMUD workshops or meetings, other publicly noticed meetings where the Board member is representing the Board, state or federal legislative briefings or meetings where the Board member is representing the Board, meetings with SMUD customers or staff relating to SMUD business, community meetings or events where the Board member is representing SMUD, events where SMUD is being recognized, conferences and organized educational activities, the sum of $317.00 per day of service. No director may receive compensation for more than ten (10) days in any one calendar month. Campaign and political meetings, events, and fundraisers are not compensable under this policy.

b) Board member compensation shall be reviewed annually.

c) Each Board member may also be reimbursed for expenses related to travel, meals, lodging and other actual and necessary expenses incurred in the performance of his or her official duties as described in subsection a). Reimbursement shall be in accordance with Internal Revenue Service regulations as established in Publication 463, or any successor publication.

d) Each Board member may be reimbursed for computer and other technology purchases, rentals, and refurbishments that will aid them in the performance of their duties pursuant to reimbursement policies applicable to executive and senior leaders.

e) Compensation forms shall be completed by a Director and distributed to the Board office. The Board shall review and approve compensation and any request for technology reimbursement at a regular Board meeting. Board member compensation, along with any requests for technology reimbursement, shall be placed on the consent calendar at each regular Board meeting, unless a Board member requests that it be placed on the discussion calendar.

f) SMUD shall provide and contribute payment for health care benefits, equivalent to the contribution made to SMUD employees in the PAS employee group, to any Board member who elects such benefit, and additionally make an annual contribution payment of $500 to a Flexible Spending Account.

g) Subject to the applicable tax codes and IRS rules and regulations, and to the extent possible, SMUD shall direct payment to a SMUD defined contribution plan (either a 457(b) plan or a 401(k) plan) for each Director who elects to have such a benefit in the amount of 30% of compensation based on days of service. Directors who elect to receive this benefit must (1) have a SMUD defined contribution plan and (2) direct payment to the defined contribution plan of their choice at initial enrollment and then during (and only during) SMUD's open enrollment period for employee benefits.

Monitoring Method: Board Report

Frequency: Annual

Versioning:

December 19, 2002	Resolution No. 02-12-14	Date of Adoption.
October 16, 2003	Resolution No. 03-10-14	Date of Revision.
December 2, 2004	Resolution No. 04-12-03	Date of Revision.
December 1, 2005	Resolution No. 05-12-10	Date of Revision.
May 17, 2007	Resolution No. 07-05-08	Date of Revision.
July 16, 2009	Resolution No. 09-07-02	Date of Revision.
September 18, 2014	Resolution No. 14-09-07	Date of Revision.
December 20, 2018	Resolution No. 18-12-15	Date of Revision.
December 12, 2019	Resolution No. 19-12-05	Date of Revision.
June 15, 2023	Resolution No. 23-06-02	Date of Revision. (Effective Date = July 1, 2023)
September 21, 2023	Resolution No. 23-09-02	Date of Revision.
February 15, 2024	Resolution No. 24-02-03	Date of Revision. [Current Policy]

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SSS No.	BOARD AGENDA ITEM	Committee Meeting & Date
BOD 2024-009	STAFFING SUMMARY SHEET	FINANCE & AUDIT – 2024
		Board Meeting Date: N/A

TO		TO	
1.	Scott Martin	6.	
2.	Lora Anguay	7.	
3.	Jose Bodipo-Memba	8.	
4.		9.	**Legal**
5.		10.	**CEO & General Manager**

Consent Calendar		Yes	x	No *If no, schedule a dry run presentation.*	Budgeted	x	Yes		No *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Rob Kerth / Crystal Henderson	Board Office	B307	5424	12/21/23

NARRATIVE:

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

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

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

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

Cost/Budgeted: Included in budget.

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

Affected Parties: Board of Directors and Executive Staff

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

Presenter: Rob Kerth, Finance & Audit Committee Chair

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
Summary of Committee Direction – Finance & Audit	

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.