



CEO LETTER

Paul Lau

At SMUD, we're accustomed to dealing with unplanned events such as droughts, winter storms and economic downturns. We were put to an entirely different test in 2020 with the COVID-19 pandemic.

Fortunately, by taking early action to ensure the safety of our employees, the public and SMUD operations, we kept the power flowing to the million and a half people we serve across the capital region. Given the economic hardships many of our customers were experiencing, we suspended all power shutoffs for non-payment and made it easier to register for SMUD's low-income assistance rate.

After a year unlike any other in SMUD's history, I'm pleased to report that we nonetheless ended the year on strong financial footing. The risk-based approach we use to mitigate more predictable risks, such as wildfires, cybersecurity and storms, served us particularly well in the year of COVID-19.

While all this was going on, SMUD didn't stand still. Far from it. In fact, we embarked in 2020 on the most ambitious decarbonization plan of any large electric utility in the country.

In July 2020, the SMUD Board adopted a Climate Emergency Declaration that committed us to achieving carbon neutrality by 2030. Building on the Board's declaration, I tasked the entire organization with developing a road map that gets SMUD to zero carbon emissions by 2030.



Sacramento's poor air quality, coupled with the growing threat of climate change, prompted the 2030 Zero Carbon Vision that will completely remove carbon from our power supply by the end of this decade. It's an audacious vision, but we can't afford to waste any time on this. Half measures won't cut it. We're all in, and by decarbonizing without sacrificing our reliability and affordability, SMUD will show the world what's possible.

SMUD is in strong shape to take on a challenge of this magnitude. Due to our strong credit rating and financial strength, we were one of the first utilities able to issue debt after the debt markets froze due to COVID-19. We finished 2020 with more than \$74 million in our hydro rate stabilization fund and worked to reduce our unfunded pension liability.

On a personal note, I'd like to take this opportunity to thank the SMUD Board for entrusting me in October with the responsibility of serving as CEO

and general manager. The Board's decision to select an internal candidate for the CEO position is a strong endorsement of the vision and leadership shown by my predecessor, Arlen Orchard, who retired in 2020.

I'm honored to have the opportunity to lead the organization I've called my professional home for nearly 40 years. I encourage you to learn more about SMUD's accomplishments in this report. The resilience we showed in 2020 is a credit to our terrific workforce and the relationship we've developed with our customers over the years.

Sincerely,



Paul Lau

CEO & General Manager

