

# Exhibit to Agenda Item #1a

2024 Proposed Energy Delivery & Operations Budget.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting  
Wednesday, November 8, 2023, scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium



# Energy Delivery & Operations 2024 Proposed Budget & Initiatives

**Frankie McDermott**

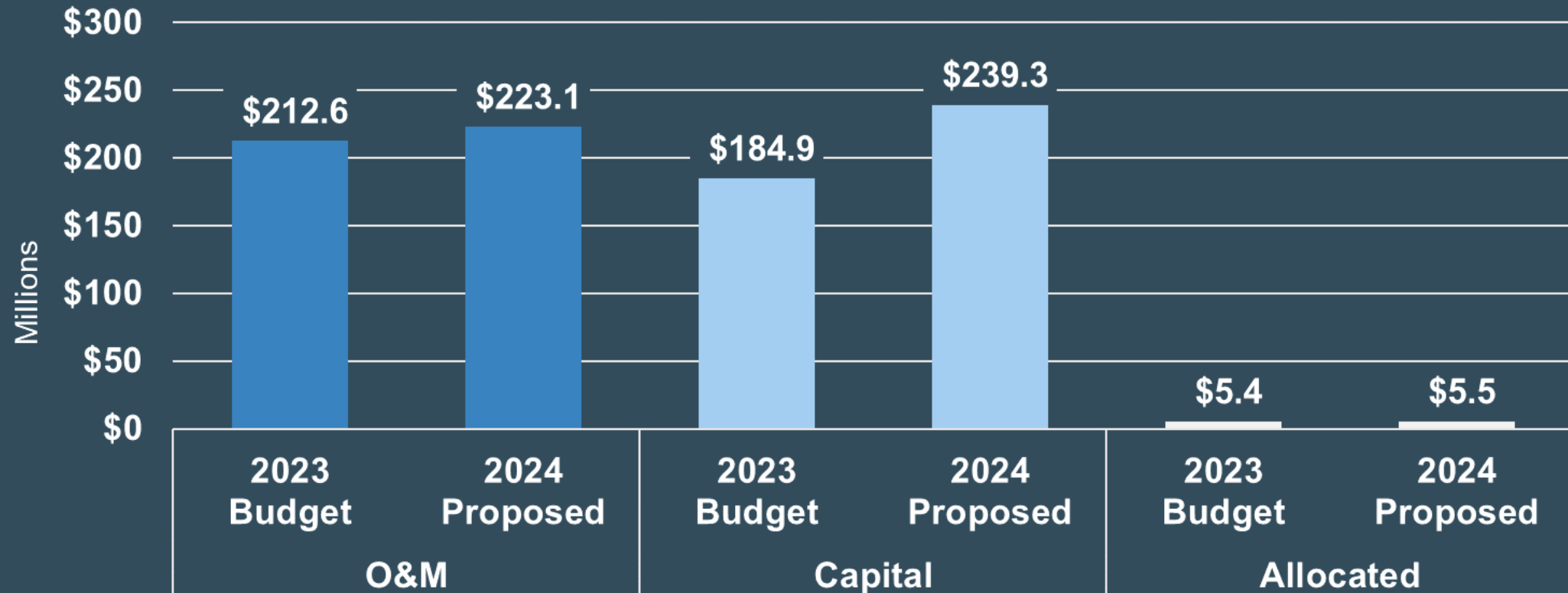
Chief Operating Officer

# Energy Delivery & Operations

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

# Energy Delivery & Operations

## 2024 Proposed Budget



# Energy Delivery & Operations

**The Energy Delivery & Operations (ED&O) multi-year plan deepens our focus on safety and reliability while we transform SMUD's grid and optimize operations**

- Safety is our top priority
- Changing landscape of residential and commercial load growth
- Grid modernization
- Investments driven by growth and reliability
- Accelerating Operational Excellence across the enterprise in alignment with the Enterprise Strategy
- Workforce strategy



**Station G Ribbon Cutting**

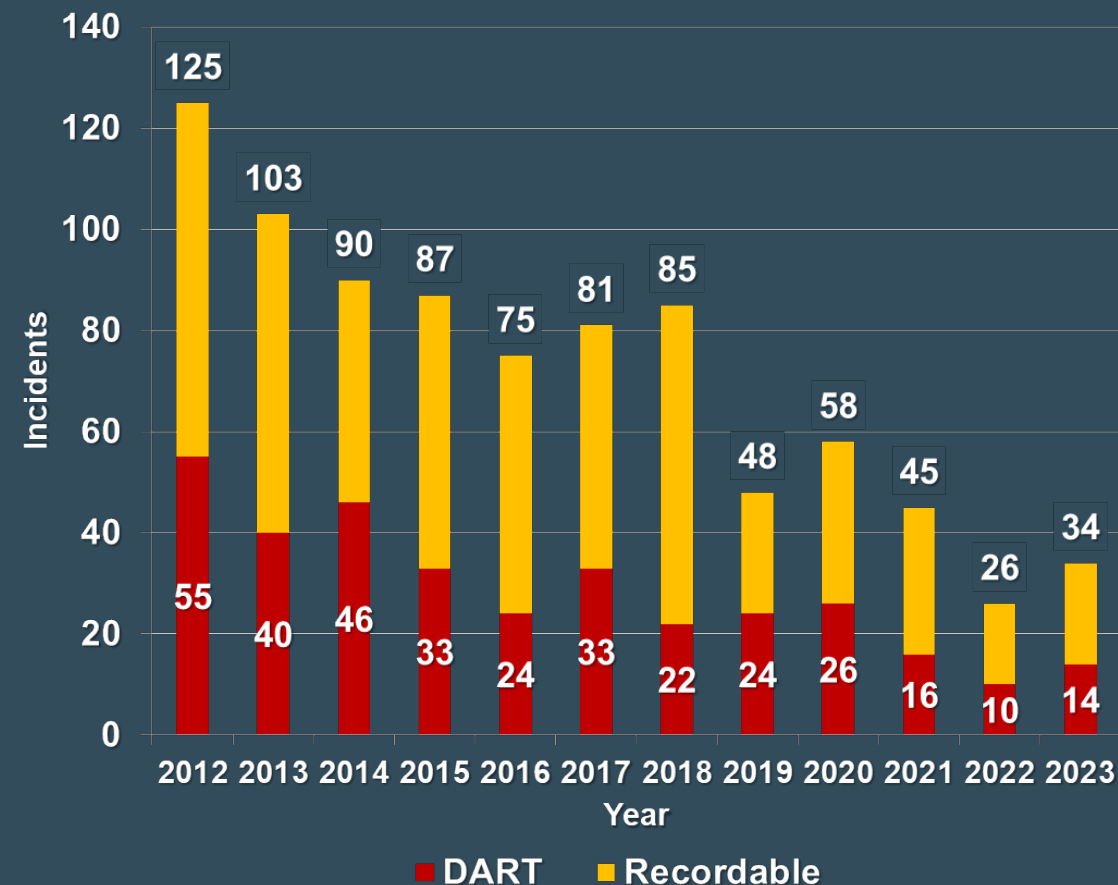


# Infrastructure Investment

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

## Safety is the cornerstone of all that we do

- Safety for Life culture – road to zero incidents
- Preventable Vehicle Accident (PVA) reduction
- Serious Injury Fatality (SIF) mitigation focus
- Soft tissue/ergonomics
- Safety Management System (SMS) expanded use
- Contractor and Public Safety
- Keeping our workforce safe during adverse events





# Infrastructure Investment

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

## Economic growth, external market conditions, and infrastructure investments are driving our 2024 budget

- Residential and commercial development
- Clean energy manufacturing
- Increased electrification
- Cost increases for material and labor
- Supply chain constraints
- Extreme weather events



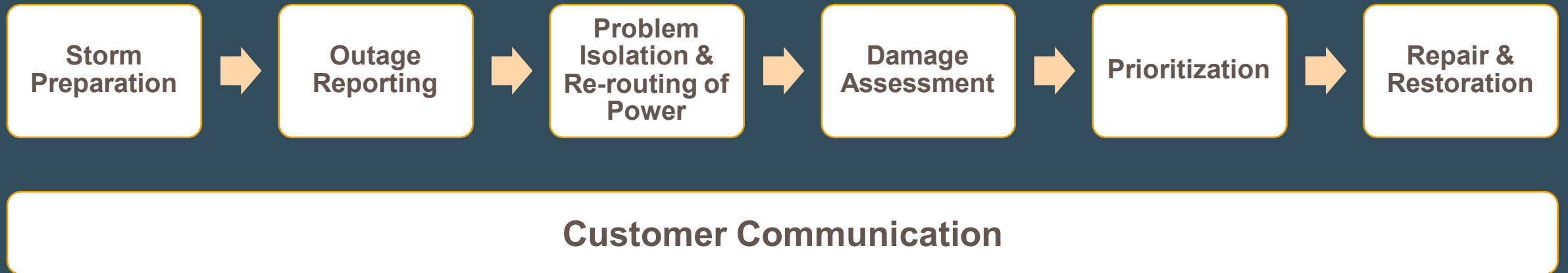


# Infrastructure Investment

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

## Storm Process Improvements & Readiness

- We assembled a cross-functional team in early 2023 to improve the customer experience and operational performance during storm events in 2024 and beyond.
- This multi-disciplined approach evaluated and improved dozens of operational processes across the key areas of:





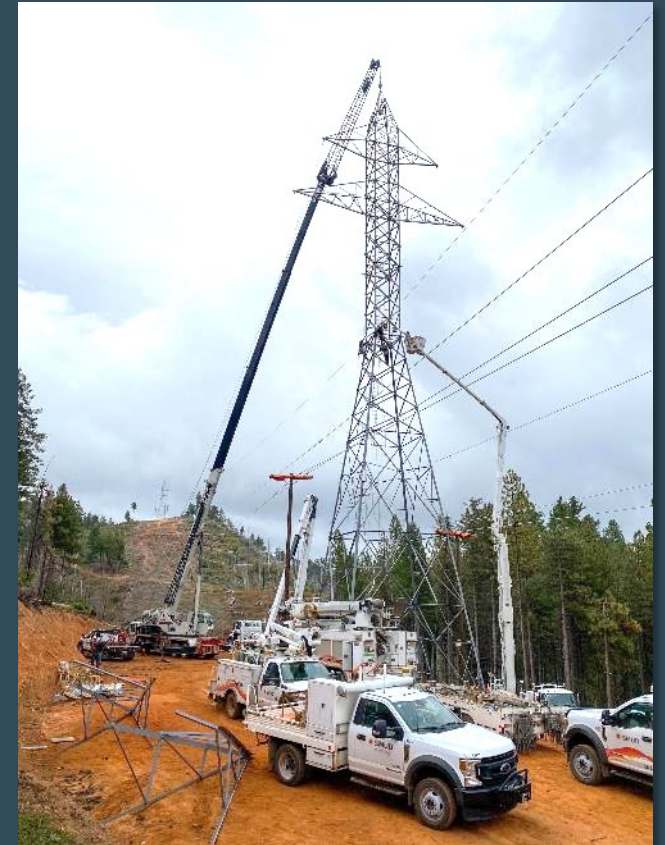


# Infrastructure Investment

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

## Transforming and maintaining a safe and reliable grid

- Cable & pole replacement programs
- Wildfire Mitigation Plan
- Vegetation Management
- Advanced metering
- Fiber optic network
- Distribution automation
- Downtown network
- Control center





# Infrastructure Investment

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

## Transforming and maintaining a safe and reliable grid

- **Substation projects** – Planned 30 construction projects in 2024, which is a 35% increase over the 22 projects completed in 2023
  - Load growth - 8 substation and associated line projects
  - Substation Reliability - 22 projects
- 40+ additional projects that begin design and engineering work in 2024 and construction in future years (e.g. Elverta Bulk Substation, UCDCMC, etc.)



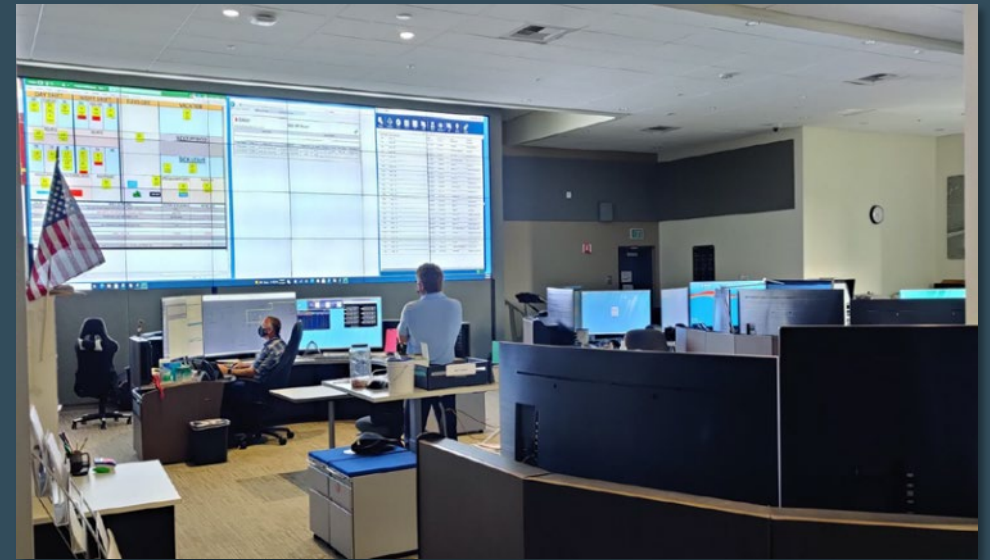


# Zero Carbon Plan

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

## Grid Modernization

- Advanced Distribution Management System (ADMS) and Distributed Energy Resource Management System (DERMS)
- Outage Management System (OMS)
- Annual reliability assessment
- Energy Management System (EMS) Upgrade
- Utility scale renewable interconnections





# Zero Carbon Plan

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

## Enterprise Operational Excellence (OpEx)

### 2023 OpEx Results Through October

- \$166.8M secured (combination of one-time & multi-year economic value):
  - Approx. \$107M from business unit OpEx initiatives focused on cost reductions/avoidance, efficiency/productivity gains, and/or increased revenue/income
  - Approx. \$60M from grants, partnerships, and incentives

### 2024: Deepen the Strategic Alignment of the Operational Excellence Program

- Achieve large, sustainable operating cost reductions
- Increase efficiency & productivity through process optimization and continuous improvement initiatives
- Drive industry leading business performance management capabilities and benchmarks
- Partner on the alignment of resources and work to SMUD strategic goals & objectives
- Support workforce & capability development that enables efficient and effective execution of our prioritized work



# Zero Carbon Plan

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

## Workforce Optimization is improving efficiencies & reducing costs

### Workforce Optimization (WFO)

#### Scheduling & Mobility

- Improved work cycle times with dynamic scheduling and a reduction in manual processes
- Realized annual savings of \$8.6M to date, with additional \$28.4M projected over the next 5 years
- Implemented Use Cases for 10 work groups and integrations with SAP, Documentum (Document Management) and GIS
- Planning for additional 12 work groups

#### Advanced Technologies

- Vegetation management, Transmission, Substation





# Zero Carbon Plan

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

## Environmental Leadership

- Sustainable Operations & Habitat Conservation Plans
- Remediation cleanup at legacy sites
- Substation/other California Environmental Quality Act (CEQA)
- Environmental Compliance and Permit Support
- Renewable projects support





# Community Impact

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

**We are building a workforce that represents the communities that we serve:**

- Sustainable local workforce
- Building our skilled workforce through our entry level and Apprentice programs
- Creating new pathways to SMUD opportunities
  - Bridging Program
  - Powering Careers
  - Powering Careers II
    - Scholarships to Apprentice
- Increase the pipeline of entry and journey level engineers

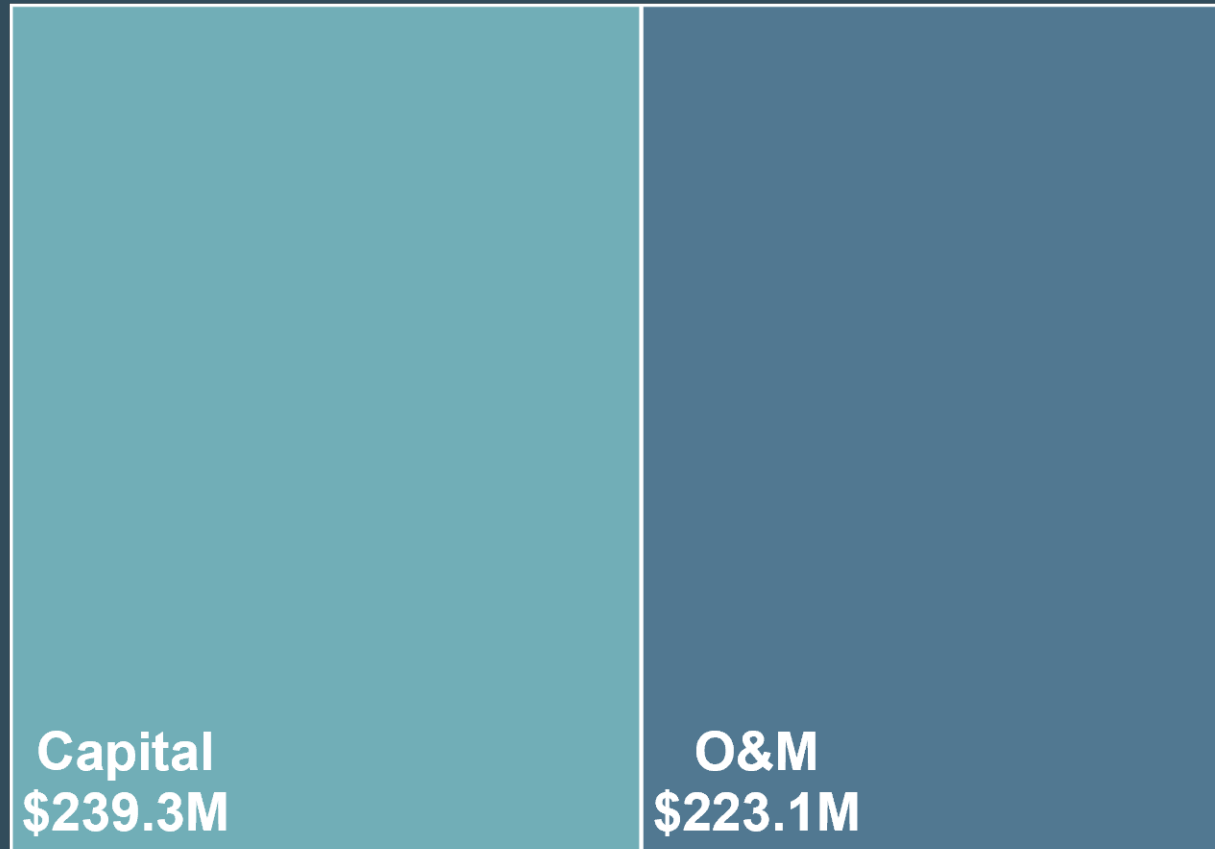


Women in Skilled Trades Event 6/17/23 - Power Academy



# Energy Delivery & Operations

## 2024 Proposed Budget Details



Major Budget Items
<b>O&amp;M Categories</b>
• Grid Line <ul style="list-style-type: none"><li>▪ Vegetation Management: \$53.1 million</li><li>▪ Corrective Maintenance: \$12.7 million</li><li>▪ Field Operations: \$13.4 million</li></ul>
• Transmission Planning & Operations: \$35.6 million
• Distribution Planning & Operations: \$24.2 million
• Substation O&M: \$29.5M
<b>Capital Categories</b>
• Grid Line <ul style="list-style-type: none"><li>▪ Distribution Projects: \$27. million</li><li>▪ New Services: \$16.4 million</li><li>▪ Pole Replacements: \$8.7 million</li><li>▪ Cable Replacement : \$24.1 million</li></ul>
• Substation <ul style="list-style-type: none"><li>▪ Substation Improvements: \$46.0 million</li><li>▪ Substation Capacity: \$35.4 million</li><li>▪ Substation Modification: \$8.6 million</li><li>▪ Distribution Network: \$25.7 million</li></ul>