

SMUD BOARD POLICY

Category: Board-Staff Linkage	Title: Delegation To The General Manager With Respect To The Settlement of Claims and Litigation
Date of Adoption: October 19, 2006	Policy Number: BL-11
Revision: December 7, 2006	Resolution No. 06-10-04
Revision: January 24, 2008	Resolution No. 06-12-04
	Resolution No. 08-01-06

Normal business operations require SMUD to enter into settlements of: (i) claims and lawsuits filed against it and brought by SMUD against third parties; (ii) regulatory matters to which SMUD is a party; and (iii) other disputes with third parties (singularly a "Dispute," collectively "Disputes").

Prudent Judgment:

It is SMUD's policy that Disputes be administered and resolved in a manner that is operationally and economically sound, serves the best interests of SMUD's ratepayers, comports with prudent business practices, and does not expose SMUD to unreasonable risk. Further, it is SMUD's policy that due diligence and prudent judgment be exercised in the making of decisions related to the settlement of Disputes, including conducting a risk assessment. If the General Manager reasonably determines that an activity related to a Dispute presents, regardless of the size of the financial commitment, either: (i) a unique and significant operational risk to SMUD; (ii) a significant impact to customers; or (iii) a significant impact to community relations, the General Manager shall inform the Board.

Reporting:

The General Manager shall report annually to the Board a summary of the actions taken with respect to the settlement of Disputes. The General Manager shall timely provide the Board with a summary of any significant settlement of a Dispute reached under this policy.

Delegation of Authority:

The General Manager, upon the advice of the General Counsel, is delegated authority to enter into settlement agreements to resolve Disputes and is authorized to execute all necessary documents to finally resolve such matters in accordance with Board policy and within the parameters of the matrix below.

<u>Category</u>	<u>Amount</u>
Tort Claims/Other Claims Under Workers' Compensation Laws	Up to SMUD's self-insured retention levels¹
Condemnations Filed by SMUD	
Up to 115% of Appraised Value	\$5 million
Greater than 115% of Appraised Value	\$500k
Condemnations Filed against SMUD	
85% or greater of Appraised Value	\$5 million
Less than 85% of Appraised Value	\$500k
All other Disputes	\$500k

Monitoring Method: GM Report
Frequency: Annual

¹ Amounts in excess of the self-insured retention levels are paid under insurance policies.