5 Year Strategic Plan
2018–2022
The Strategic Plan ensures that SMUD – as an organization and each of us individually – are headed in the same direction and are focused on the activities and outcomes that are important to our customers and community so we continue to thrive in a challenging and uncertain future.
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Introduction and CEO message

I’m pleased to share SMUD’s 2018–2022 Strategic Plan, our blueprint for fulfilling SMUD’s purpose — to enhance the quality of life for our customers and community — while ensuring SMUD’s long-term financial vitality. For more than 70 years, we’ve delivered on SMUD’s promise to provide our region with safe, reliable and affordable electricity, excellent customer service, community value, innovation and environmental leadership.

The utility industry is changing at an ever-increasing pace, and what has made SMUD successful in the past won’t be enough to maintain our position as an industry leader and our customers’ provider of choice. Recognizing that change is fundamentally altering our business model, we created SMUD’s first 5-year Strategic Plan in 2016. The original plan provides detailed information about our business and the changing utility industry and remains a valuable resource to guide our work.

Special thanks go to SMUD directors and planning subject matter experts who provided extensive input to help the executive team update the Plan for 2018 to 2022. Our new Strategic Plan includes 2022 goals that align with the Strategic Directions set by our Board of Directors and our customers’ expectations, as well as key initiatives for 2018 and 2019 to help achieve our 2022 goals.

Change is here to stay

The utility industry continues to experience significant change simultaneously on many fronts, including increased competition and business complexity, growing customer expectations, additional legislative and regulatory mandates/constraints, rising costs and new revenue opportunities.

Per customer energy use is flat or declining, impacting current and future revenues. This trend, coupled with the need to make significant technology and infrastructure investments over the next several years, means operating our business efficiently must be a central tenet of our business model. We must all actively seek opportunities to streamline our processes, reduce costs, create processes where we have gaps, break down silos and remove barriers to our success. It also means we’ll need to make tough decisions about where to commit our limited labor and financial resources.

Embracing SMUD 3.0, a future-ready SMUD, is about meeting these challenges and keeping ahead of the transformation in our industry so we can deal quickly and effectively with changing customer expectations, third parties that want to serve our customers, new distributed energy resources (DERs), data analytics, carbon reduction and compliance. It’s also about ensuring we have the right culture, workforce, business processes, technology and financial strategies in place at the right time to drive Operational Excellence and take advantage of new net revenue opportunities.

To maintain SMUD’s competitive advantage, we must recognize the shifting landscape and reflect that change in our business model, while also getting the basics right every day. Safety, low rates, great reliability, efficient operations and excellent customer service are all minimum expectations of our customers.

The Strategic Plan ensures that SMUD — as an organization and each of us individually — are headed in the same direction and focused on the activities and outcomes that are important to our customers and community so we continue to thrive in a challenging and uncertain future.
Looking to the future
I’m excited to think of where SMUD will be in 2022. We know our relationship with customers will look very different than it does today. We’re moving away from a monopolistic business model to one where control is shared among the utility, customers and third parties. We will move from simply meeting customers’ needs to anticipating their future needs to develop strong customer loyalty. At the end of the day, we aim to have our customers choose to do business with SMUD — even when they have other options for energy-related products and services.

Our already solid reputation and connection to our customers and community give SMUD a leg up in creating strong customer loyalty. The future will require more from us — individually and as an organization — to ensure SMUD remains an industry leader and the trusted advisor our customers first turn to for all of their energy-related needs.

The Strategic Plan lays out an ambitious path to an exciting future, with aggressive targets to measure our success. Achieving our 2022 goals won’t be easy, and it will take commitment from everyone at SMUD to embrace the vision and deliver the initiatives to support our strategic goals. We have the best and the brightest at SMUD — employees with industry-leading knowledge, expertise, experience and commitment to delivering value to our customers and community. I’m confident that by working together collaboratively, we’ll deliver our strategic goals and make SMUD’s future as bright as our past.

Arlen Orchard
CEO and General Manager
Our purpose
SMUD is community owned. Our purpose is to enhance the quality of life for our customers and community through creative energy solutions.

Our vision
SMUD's vision is to be the trusted partner with our customers and community, providing innovative solutions to ensure energy affordability and reliability, improve the environment, reduce our region’s carbon footprint and enhance the vitality of our community.

Our values
SMUD has 4 values which distinguish SMUD and describe how we work every day:

- Leadership
- Ingenuity
- Community
- Integrity
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| Leadership | We are strong and self-assured. Our actions are purposeful and responsible. We use our expertise to make thoughtfully balanced decisions and provide sound guidance. | • Proactive  
• Insightful  
• Influential  
• Dependable |
| Ingenuity | We are smart, creative and pioneering. We solve tough challenges with fresh thinking and “can-do” resourcefulness. We are always looking ahead. | • Passionate  
• Forward-looking  
• Inventive |
| Community | We act in the collective best interests of our customers and our community. We respect and support those we work with and those we serve. | • Collaborative  
• Approachable  
• Inclusive  
• Caring |
| Integrity | We do the right thing. We are honorable and dedicated to operating in an ethical and safe manner. We exercise good judgment and are principled in every interaction. | • Safe  
• Reliable  
• Honest |
Let's power the dream.
# External and internal context

External and internal factors are driving our business and shaping our business model. We updated the SWOT (strengths, weaknesses, opportunities and threats) analysis based on where we are in January 2018.

The analysis helped uncover strengths and opportunities, which we’ll leverage to deliver value to our customers and community. By understanding our weaknesses, we can better manage and mitigate threats. In developing the SWOT analysis, we looked at SMUD, our industry and our likely competitors.

The examples of major initiatives in this Plan reflect the strengths, weaknesses, opportunities and threats identified in our SWOT analysis, and align to our North Star and Board-established goals and metrics.

## Strengths
- Talented, engaged and diverse workforce
- Strong brand and reputation
- Diversified customer base
- High customer satisfaction and trust
- Active community partner
- Incumbent vertically-integrated utility with operational independence
- Substantial data about our customers, operations and infrastructure
- Low rates and improving rate/cost alignment
- Reliable service
- Strong financial health
- Independent Board and decision-making
- Environmental leadership
- Forward thinking
- Recognized innovator

## Weaknesses
- Aging infrastructure
- Monopoly mindset
- Unfunded liabilities (retiree pension and medical costs)
- Lack of an enterprise change management strategy
- Resistant and slow to change
- Fear of failure
- Legal, regulatory and political constraints
- Not enough collaboration up, down and across the organization
- Insufficient cost consciousness
- Lack of a comprehensive technology architecture and application portfolio
5-Year Strategic Plan

Opportunities

- Fostering a zero-incident culture
- Enhancing public safety awareness
- Fostering an innovative, collaborative work environment
- Building customer loyalty
- Delivering targeted products, services and rate options
- Optimizing our assets
- Achieving efficiencies across all business processes and operations
- Deploying business intelligence and data analytics to increase data-driven decision-making
- Building and diversifying new lines of business to create new net revenue
- Increasing load (e.g., business attraction/growth, indoor cultivation, electrification of vehicles and buildings)
- Optimizing DER investments for SMUD and our customers
- Creating an enterprise change management strategy
- Capturing and transferring knowledge
- Continuing investment in leadership development
- Increasing awareness of SMUD as a great employer
- Improving community and regional economic vitality
- Partnering to create a regional innovation ecosystem

Threats

- Increasing customer expectations and choice
- Declining energy usage per customer and current rates are largely based on charging customers per kWh used
- Rates don’t always reflect the cost of supplying customers
- Increased competition
- Potential loss of our customer relationships
- Ability to meet rapid and concentrated load growth
- Legislative and regulatory uncertainty
- Increased compliance costs
- Physical and cyber security
- The potential for loss of operational independence
- Impacts of rapid technology changes
- Unmanaged growth of DERs
- Impact of climate change on our business
- Economic downturns
- Our industry's reputation for obstructing progress
- Rising cost of employee benefits
- Risk of talent or knowledge loss
- Strong competition for talent
Our business model

SMUD’s business model is changing and we recognize that it must continue to evolve to meet changing market conditions. While we don’t have perfect clarity about the future business model, it is clear that to be successful, we must retain operating flexibility, maintain a laser focus on delivering value for each dollar spent, enhance our customer relationships and ensure we’re innovative and proactive in the face of change.

Where we’ve been

- Safe, predictable monopoly
- Focus on gross revenue
- Customer satisfaction focus
- Single undifferentiated product — electricity
- One-size-fits-all customer products with siloed marketing and delivery
- Manage and optimize SMUD resources on the utility side of the meter (outside of the home or business). A one-way road (SMUD delivers energy to customers)
- Getting the basics right in the time-tested way

Where we’re going

- Competitive retail environment (others will offer our customers products and services)
- Focus on net revenue
- Customer loyalty focus
- Array of competitive and tailored products and services
- Customer segmentation with integrated, targeted products and marketing
- Manage an increasing number of distributed energy resources. Two-way road (energy and services flow between and among customers and SMUD)
- Integrate and optimize SMUD’s, our customers’ and third-parties’ energy-related assets
- Getting the basics right through technology, innovation and business processes
- Constrained labor and financial resources
Progress toward SMUD 3.0

We’ve made significant progress on several transformational initiatives that support our new business model.

• The SMUD Board approved one of the most significant overhauls of SMUD’s rate structure ever undertaken. The changes pave the way for Time-of-Day (TOD) Rates to become standard for residential customers in 2019. We also reimagined our rates for our economically disadvantage customers to align the benefits to those customers most in need.

• Engaged employees are key to SMUD’s success, and the results of our 2017 employee engagement survey were extremely positive, including our highest ever engagement score of 88% and a record participation rate of 88%.

• SMUD continues to be a leader in creating a sustainable energy future, consistently meeting or exceeding state and Board-established targets for greenhouse gas compliance obligations, carbon reduction, renewable energy and energy efficiency.

• We rolled out a new holistic approach for our economically disadvantaged customers with a focus on creating sustainable families and neighborhoods.

• The commercial SolarShares program took off with nearly 100 MW of sales to some of our largest customers. We also worked with a developer to secure our first, new all-electric development.

• While SMUD customers enjoy some of the most reliable electricity in the state, an uptick in external factors, such as car-pole incidents and trees outside of our rights-of-way hitting SMUD power lines have impacted reliability. We developed a strategy to mitigate these causes and made additional investments in reliability. As a result, we have seen significant improvements in distribution system reliability. During the years covered by the Strategic Plan, we will make additional investments in our system to meet new load growth in our region, ensure we meet our reliability metrics and have sufficient load serving capability.
Significant technology investment in our grid is on the horizon with the implementation of the Advanced Distribution Management System (DERMS) which will provide improved visibility of our distribution system.

- We embarked on new business opportunities that open the door to new markets and revenue sources for SMUD. We successfully adopted a new strategy for selling excess transmission capacity resulting in several million dollars of additional revenue and launched SMUD Energy Store, an online marketplace for energy-related and smart home products. We announced our partnership with NEC and Space Time Insight to deliver smart energy solutions to Japanese electric power providers and others in the Asia Pacific region. We also entered the market to provide Community Choice Aggregation (CCA) services and signed contracts with 2 Northern California CCAs.

- Recognizing that digital channels, such as the internet and mobile devices will be the primary way our customers interact with SMUD by 2020, we delivered numerous digital enhancements as part of our “digital first” strategy. These include live chat, online payment arrangements, online start/stop/transfer services, online rebates, a major overhaul of SMUD’s website and enhancements to our outage map. Enhancements will continue in the coming years.

- We put an Operational Excellence process into practice in every business unit throughout SMUD, with each business unit adopting Annual Improvement Plans (AIPs). We are implementing the Agile framework to improve the speed and execution of our technology programs and are already seeing significant improvement. Embracing and delivering Operational Excellence has begun to free up budget dollars to reduce our cost of doing business and fund the investments we need to make. We’re continuing to find better ways to do our day-to-day work.

While we’ve made good progress, there are foundational areas that require heightened focus to ensure continued improvement.

SMUD continues to work toward a zero incident safety culture and integrate a “Be Safe. Always.” philosophy into our work practices to protect our employees, contractors and the public. Our goal of zero incidents and injuries is an ambitious one, but central to who we are as an organization. It recognizes that making every move a safe one is a central part of everyone’s job. Achieving our goal requires a commitment to safety and attention from every employee at SMUD. Our commitment to safety must be top of mind for each of us.

We revised the 2020 rate increase limit upward from 1% to 2.5%, largely driven by new capital investments, such as 3 new bulk substations and increased infrastructure. While the adjustment is largely driven by the need for new capital investments, it highlights the need to focus on execution and efficiencies in all of our work and operations to ensure we minimize the impact to our customers and don’t degrade our competitive position.

Operational Excellence is helping SMUD be more competitive by lowering our cost of doing business and keeping our rates among the lowest in California. It’s about excelling at getting the basics right for SMUD and our customers, and while we’ve made progress, there’s much more work to do. We must continue to step up our game around our core work. As an organization we must focus on execution of our core work and projects, looking for opportunities to streamline inefficient processes, implement processes where gaps exist, remove barriers and lower our costs. Delivering Operational Excellence is the foundation of the promise we make to our customers and central to building customer loyalty and trust.
Overarching strategies

Our 2018–2022 Strategic Plan continues to strike a balance between the strategies, projects, programs and other initiatives aimed at ensuring SMUD’s success in a changing industry with the resources available to deliver them. To remain successful, we must continue to:

- Get the basics right. Our customers and community expect us to keep the lights on safely, reliably, economically and in an environmentally responsible way.
- Focus on execution, improve our internal processes and lower costs while delivering high-quality services.
- Build and maintain a safety-committed, highly-skilled and engaged workforce.
- Enhance our connection to our customers and community.
- Efficiently invest in technology, analytics and infrastructure to lay the foundation of the new utility business model.
- Advance SMUD’s position as an innovative and environmentally progressive thought leader.
- Embrace risk-based, data-driven decision-making.

While the overarching strategies haven’t changed since we launched our first Strategic Plan, we’ve seen change accelerate, affecting many areas of our business. Adapting to these changes is driving the focus and initiatives outlined in this Plan.
Major initiatives

Our new business model recognizes that we’re increasingly reliant on technology in all areas of our operations — from enhancing customers’ experiences with SMUD to integrating more DERs, such as rooftop solar and electric vehicles (EVs) into our distribution system. Technology is one of the tools supplying us with unprecedented amounts of data. The analysis and use of this data will provide us with insights into our customers, operations and systems in ways we could never have imagined. Data and technology underpin virtually all of the operational initiatives in the Plan. Accordingly, we’ll create an ecosystem that leverages our technology and data to help us make informed business decisions.

During the next 5 years, we’ll deliver numerous transformational initiatives that support our new business model and 2022 goals, including:

- **Time-of-Day (TOD) Rates** will become standard for residential customers in 2019, following one of the most significant overhauls of SMUD’s rate structure ever undertaken. We’ll undertake extensive communications and outreach to prepare our customers for the new rate.

- **We’ll begin generating revenue from new sources**, including services to CCAs, SMUD Energy Store and participation in the California Independent System Operator’s (CAISO) Energy Imbalance Market (EIM).

- **We expect digital channels to become the primary way customers do business with SMUD by 2020**. Numerous additional digital enhancements, including a SMUD app and video bills, are included in the Strategic Plan.

- **SMUD’s historic Headquarters building will be rehabilitated**. The renovated building will include design elements and features to support SMUD’s desired culture and future needs, including agility, flexibility, enhanced collaboration and mobility.

- **We’ll make significant investment in technology and infrastructure to support load-serving projects, enhanced reliability, grid modernization and our new business model.**
Our North Star

The North Star translates SMUD 3.0 into 6 priority areas (the points on the star), each with goals and measurements. The North Star helps to focus our efforts to ensure we fulfill SMUD’s purpose, vision and the Strategic Directions adopted by our Board. The North Star also creates outcomes and measurements that tell us about our progress under our new business model. We can’t look at any one point of the North Star in isolation. They’re all interrelated and collaboration across SMUD will be critical to meet our North Star objectives and ensure SMUD’s future success.

The Strategic Plan spells out the priority areas we’ll focus on from 2018 to 2022. It gives business units and departments direction in setting priorities and measurable goals that connect our employees’ day-to-day work to SMUD’s strategic priorities.

- We make every move a safe one for employees, our customers and our community.
- Employees are the most important part of our success, and we create an environment where employees thrive and do their best.
- We act in the best interest of our customers and community.
- We do it right. We innovate to improve our quality of service and lower our delivery costs.
- We are financially flexible to make necessary and timely investments and take advantage of opportunities while remaining competitive.
- We embrace a low carbon future while balancing affordability, reliability and customer choice. We are committed to sustainability in our business practices.
Be Safe. Always

Value Our Customers and Community

Treasure Our Employees

Financially Fit

Operational Excellence

Sustainable Future

SMUD 3.0’s North Star
North Star point

Be Safe. Always.

2018–2022 Outcomes

We need to make every move a safe one for our employees, our customers and our community.

2022 Goal

Zero incidents and injuries.

2018–2022 Focus

- Develop a safety-for-life culture throughout SMUD — safety at work, home and play.
- Reduce ergonomic risk and soft tissue injuries.
- Promote public and contractor safety.
- Improve analyses of injury and incident trends.

Examples of 2018 and 2019 initiatives

1. Continue to implement SMUD’s Safety for Life program company-wide.
2. Identify public safety risks, track incidents and use data to mitigate risks.
3. Expand near-miss reporting.
4. Develop a comprehensive all-incident and injury tracking analysis system.
5. Expand programs to reduce soft-tissue injuries.
6. Enhance our supervisor-employee interaction program.
7. Implement Human Performance Engineering programs in select work groups.

2017 Family Safety Day
North Star point

Treasure Our Employees

2018–2022 Outcomes

Employees are the most important part of our success, and we create an environment where employees can thrive and do their best.

2022 Goal

Achieve 86% “engaged” employees by 2020 and maintain that level.

2018–2022 Focus

- Ensure we have the right people with the right skills at the right place at the right time.
- Create a culture that values employees’ ideas and fosters innovation, collaboration, inclusiveness and accountability.
- Deliver (develop and/or recruit) high-performing leaders who enable optimal employee performance.
- Continue to invest in employees’ wellbeing.

Examples of 2018 and 2019 initiatives

1. Implement strategies to enhance employees’ and their families’ health and wellbeing while providing quality healthcare and mitigating costs.
2. Continue strategic workforce planning.
3. Continue Workplace 3.0 to drive SMUD’s desired culture.
4. Enhance employee communications to promote engagement, business acumen, organizational alignment and meet employees’ expectations for communications in their preferred channels.

2017 Employee Recognition Gala
North Star point

Value Our Customers and Community

2018–2022 Focus

- Enhance community value, regional economic development and SMUD’s reputation.
- Enhance the customer experience to achieve customer loyalty.
- Focus our efforts on what matters most to our customers in ways that are easy, efficient, responsive, personal and collaborative.

Examples of 2018 and 2019 initiatives

1. Successfully implement residential TOD and Energy Assistance Program (EAPR) rates.
2. Continue our digital first strategy through multiple channels — mobile, IVR and increasingly personalized digital customer experiences.
3. Address the needs of low-income customers by improving energy affordability through rate design and targeted programs.
4. Continue to build sustainable communities through partnerships, sponsorships, education, outreach and support for small business.
5. Support regional economic development through enhancing the development community’s experience, services and pricing options and regional innovation partnerships.

2017 SMUD volunteers at the Boys and Girls Club
**North Star point**

**Operational Excellence**

**2018–2022 Outcomes**

We do it right. We innovate to improve our quality of service and lower our delivery costs.

**2022 Goals**

- No more than a 1% rate increase in 2018.
- No more than a 1% rate increase in 2019.
- No more than a 2.25% rate increase in 2020.
- No more than a 2.25% rate increase in 2021.
- No More than a 2.25% rate increase in 2022.

**2018–2022 Focus**

- Improve all of our business processes to achieve operational efficiencies and cost reductions.
- Leverage data and analytics to improve decision-making and operations and deliver on customer expectations.
- Ensure the security and resiliency of our business operations and facilities.

**Examples of 2018 and 2019 initiatives**

1. Drive enterprise-wide change to improve efficiency and cost reductions, including:
   a. Individual Annual Improvement Plans (AIPs).
   b. Agile methodology and practices.
   c. Enterprise technology architecture.
   d. Tools and capabilities for employees to work anywhere.
   e. Enhanced compliance and physical/data security.
2. Use data and analytics to enhance data-driven decision-making, including customer segmentation, asset optimization and operational performance.
3. Enhance customer delivery by optimizing communication channels, programs, services, revenue operations and customer care.
4. Implement reliability mitigation and load-serving capability projects.
5. Optimize SMUD’s Supply Chain by streamlining procurement workflow and improving contract management.
6. Implement workforce optimization within Energy Delivery, including scheduling and mobile work management.
7. Implement a distribution management system to provide foundational capabilities to improve outage restoration, reduce distribution system losses and manage distribution and energy resources.
North Star point

Financially Fit

2018–2022 Outcomes

We are financially flexible to make necessary and timely investments and take advantage of opportunities while remaining competitive.

2022 Goal

Ongoing programs and projects are funded by cash flow and not long-term debt, and projects are evaluated based on a risk-adjusted economic life.

2018–2022 Focus

- Provide customer pricing product options that align with changing costs and technology.
- Create new net revenue streams.
- Pay down unfunded liabilities and stranded assets.

Examples of 2018 and 2019 initiatives

1. Diversify our lines of business to grow net revenues by providing utility-related services to third parties and capitalizing on our intellectual property to develop and sell new products and services that align with SMUD’s mission.
2. Optimize DER investments to benefit customers and SMUD.
3. Complete the Pricing Road Map to drive future pricing decisions and options.
4. Optimize system and energy assets:
   a. Participate in new energy markets such as the EIM.
   b. Increase the utilization and value of our generation, transmission and distribution assets.
5. Develop long-term funding strategies for capital investments and unfunded liabilities.
6. Implement Energy Trading and Risk Management (ETRM) software.
North Star point

Sustainable Future

2018–2022 Focus

- Optimize our energy resources and grid, including generation, transmission, distribution and DERs while meeting carbon goals and other regulatory requirements.
- Use our expertise to support and guide our region’s carbon reduction goals.
- Promote sustainability with our workforce and in our workplace to lower the environmental footprint of our business practices.
- Demonstrate our leadership in sustainable business practices.

2018–2022 Outcomes

Examples of 2018 and 2019 initiatives

2. Implement DER strategies, including solar inverters, EVs and behind-the-meter storage.
3. Implement business sustainability efforts, including:
   a. Fleet.
   b. Environmental Purchasing Program.
   c. LEED Gold Status on the rehabilitated Headquarters building.
4. Implement hydro license requirements for environmental mitigation and recreation.
5. Plan new renewable projects:
   a. Repowering Solano Wind, Phase I.
   b. Plan development of Solano Wind, Phase IV.
   c. Development of Rancho Seco Solar (PV), Phase II.
6. Complete South Fork Powerhouse.
7. Participate in partnerships to improve regional environmental sustainability.
8. Expand our “all-electric” program for new residential and commercial property developments.

2022 Goal

We embrace a low carbon future while balancing affordability, reliability and customer choice. We are committed to sustainability in our business practices.

We accomplish our Board-adopted carbon goals support regional efforts to reduce carbon, and serve as a model for business sustainability practices.
In summary

Our 2018–2022 Strategic Plan is a living document. The executive team will review it each year and revise it as necessary to meet new challenges and opportunities and reflect the progress we’ve made.

Our annual Enterprise Performance metrics align with our North Star and Strategic Plan goals and metrics, and will tell us how we’re progressing in transforming to SMUD 3.0. Our business unit 5-year and 3-year plans, AIPs and annual budgets will detail the specific projects, programs and other initiatives each of us will deliver in our day-to-day work to support our Strategic Plan and North Star goals.
Call to action

It’s an exciting time to be part of the utility industry and to work at SMUD. We’re reimagining our business to create a bright and successful future for SMUD, our employees, customers and community, and the Plan is our road map to achieve success. Take time to understand the Plan, our business drivers, new business model, SMUD’s strategic direction and the initiatives that will help us achieve our goals.

The Plan provides SMUD’s high-level, long-term direction — where we’re headed and why, and a broad overview of how we’ll get there. For employees, the Plan won’t describe your day-to-day work or how to do your job. Through your business unit and department planning process, your director will develop API goals and metrics (along with the projects and initiatives to achieve them) that give line of sight between the work you do each day and the goals in SMUD’s Strategic Plan. Take some time to think about how the different components of your work align and support the North Star. If you’re not sure, talk to your team members and your supervisor.

SMUD’s future success depends on our ability to effectively use our collective skills, talents, knowledge and strengths to achieve our vision and goals. Collaboration is a key competency for each of us — one that we must continue to grow and demonstrate in our daily work. Collaboration means we consult, meet with and inform the right people to get the right input at the right time to make the right decisions for SMUD. It means caring more about SMUD’s future, our collective success, our customers and community, and our ability to serve than about our individual successes.
Be transparent, expect the best, and hold each other accountable, and respectfully address each other if these expectations aren’t met.

Silos are barriers to SMUD’s success, and we all have a role to play in breaking them down. Being collaborative in our approach to work requires trust. Trust in your leaders, your peers and yourselves to deliver on commitments. A collaborative environment based on trust delivers faster and more effective decision-making, higher quality work and more productive meetings and conversations. Ultimately, collaboration will improve the quality of our work, lower our costs and demonstrate value to our customers and community.

We’ve laid out an ambitious plan for our future success, and we must all be committed to doing our part to help achieve SMUD’s goals. It means we must all be open to:

• Acquiring new skills.
• Thinking about and doing our work differently.
• Speaking up about work that no longer provides value.
• Finding new and innovative ways to work more efficiently, streamline processes and maintain or improve the quality of our work.

We have the knowledge, experience and employees with the talent to accomplish great things, using SMUD’s North Star as our compass. Together we will create SMUD’s bright future.
Strategic Directions

SMUD’s publicly-elected Board of Directors create Strategic Directions (SDs) which spell out our vision for the future, our role in the community and how we’re managed. The Board has adopted 19 SDs, which are grouped by subject, as follows:

PURPOSE STATEMENT (Policy Number: SD-1A)
SMUD is community-owned. Our purpose is to enhance the quality of life for our customers and community through creative energy solutions.

VISION STATEMENT (Policy Number: SD-1B)
SMUD’s vision is to be the trusted partner with our customers and community, providing innovative solutions to ensure energy affordability and reliability, improve the environment, reduce our region’s carbon footprint, and enhance the vitality of our community.

Core values
- Competitive Rates (Policy Number: SD-2)
- Access to Credit Markets (Policy Number: SD-3)
- Reliability (Policy Number: SD-4)
- Customer Relations (Policy Number: SD-5)
- Safety (Policy Number: SD-6)
- Environmental Leadership (Policy Number: SD-7)
- Employee Relations (Policy Number: SD-8)
- Resource Planning (Policy Number: SD-9)
- Public Power Business Model (Policy Number SD-11)
- Ethics (Policy Number SD-12)
- Information Management and Security (Policy Number SD-16)
- Enterprise Risk Management (Policy Number: SD-17)
- Emerging Technologies (Policy Number: SD-18)

Key values
- Research and Development (Policy Number SD-10)
- Economic Development (Policy Number SD-13)
- System Enhancement (Policy Number SD-14)
- Outreach and Communication (Policy Number SD-15)
- Diversified Business (Policy Number SD-19)
Glossary of terms

**Agile:** Is a philosophy or mindset for working. Agile emphasizes adaptation, embracing change, delivering value and quality early and often, empowered self-organizing teams and collaboration. Agile is typically associated with software development but has applications beyond technology.

**Behind the meter:** Refers to generation (such as rooftop solar), storage or energy-related solutions (such as smart thermostats) installed by the customer on their side of the meter for example, inside their home or business.

**Bundled products:** A group of products, services or information offered to customers to meet a specific need. For example, product bundles utilities would offer to young professionals renters would be different than those offered to fixed-income retirees who own their own home.

**Community choice aggregators (CCAs):** Are defined by legislation in California and a handful of other states as electric service providers, with members who are automatically enrolled. The legislation allows cities and counties — or groups of cities and counties — to supply electricity to customers within their borders. A CCA is an alternative to an investor-owned electricity service provider. Customers of the local investor-owned utility (IOU) are automatically enrolled in the new CCA although they can opt out and go back to their local IOU.

Unlike traditional electricity organizations, CCAs don’t own the transmission and distribution systems, which are still owned and run by their local IOU. CCAs are responsible for providing the energy to customers and the CCA may or may not own the generating resources.

**Classic utility cost of service pricing:** Utilities have traditionally priced their product — electricity — by adding up all costs to operate the business and serve customers. Newer pricing structures, such as system fixed infrastructure charges and TOD are designed to better reflect the cost of a particular part of providing power (such as transmission and distribution) or providing power at a specific time.

**Competitive retail environment:** Others will offer energy-related products, services and information to our customers.

**Demand management:** Utility mechanisms or programs that encourage customers to temporarily curtail their energy use to reduce overall demand on the electrical system at critical times, typically when electricity is in short supply and market prices are high.

**Distributed Energy Resources (DERs):** Electricity from DERs is generated or stored by a variety of small, grid-connected devices referred to as distributed energy resources. Traditional generation (such as hydro and gas-fired plants) is centralized and usually requires electricity to be transmitted over long distances. DER systems are decentralized, modular and more flexible technologies located close to the load they serve. Some examples include rooftop solar systems, energy storage, plug-in electric vehicles, demand response and energy efficiency.

**Energy Imbalance Market (EIM):** The California Independent System Operator’s (CAISO) EIM is an automated, real-time energy wholesale market that matches the lowest cost electricity supply with demand every 15 minutes and dispatches every 5 minutes. EIM participants must submit balanced load and resource schedules (including ramping ability) to the CAISO for each market cycle, using the EIM only for the last-minute unbalanced portion of load versus resources.
**Human Performance Engineering:** Is a multidisciplinary effort to generate and compile information about human capabilities and limitations and apply that information to equipment, systems, software, facilities, procedures, jobs, environments, training, staffing and personnel management to limit human errors and produce safe and effective human performance.

**Knowledge capture and transfer:** The process to acquire and transfer knowledge between outgoing and incoming employees, senior and junior employees and reassigned workers.

**MW:** Abbreviation for megawatt, or 1 million watts.

**Utility side of the meter:** Refers to all the assets (generation transmission, distribution etc.) up to and including the meter that is owned and/or controlled by the utility.

**Vertically-integrated utility:** A utility, such as SMUD, that owns all levels of the supply chain: generation, transmission and distribution.