

Exhibit to Agenda Item #1

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

Tuesday, May 1, 2018, scheduled to begin at 5:30 p.m.

Customer Service Center, Rubicon Room

SD 19 Outcomes and Requirements

Broaden and diversify the products and services offered by SMUD

Desired results:

- Generate new revenue
- Spur innovative products and services
- Capture brand and IP value
- Leverage and optimize SMUD's assets; and
- Attract and retain a talented workforce

Policy requires new business that:

- Benefits customers and community
- Achieves a balanced, diversified portfolio of rewards and risks
- Creates economic value without compromising reputation
- Aligns, leverages and optimizes SMUD's strengths, assets and expertise; and
- Positions SMUD for the future

Background – Genesis of Revenue Portfolios

- Legacy Revenue Program Portfolio
 - To improve customer satisfaction
 - Intended to be self-sustaining after 5 years
 - Shares costs across many programs
- Innovation Generator Program Portfolio
 - To promote innovative product and service development
 - Revenue secondary
 - Most not expected to generate revenue
 - Program sunset and New Business Development (NBD) Program formed
- New Revenue Program Portfolio
 - NBD Program brings rigor to new revenue development across SMUD
 - “Middle Office” responsible for developing, assessing, negotiating and tracking all new revenue deals
 - New revenue projects included in this portfolio

Three Revenue Portfolios

New Revenue Program	Innovation Generator Program	Legacy Revenue Programs
<ol style="list-style-type: none"> 1. Community Choice Aggregator Services 2. Marketplace/SMUD Energy Store 3. NEC/STI Partnership 4. Sacramento Power Academy (SPA) 5. Transmission Sales 	<ol style="list-style-type: none"> 1. Advanced Power Strips 2. DER Planning Software 3. First-Fuel 4. GridPoint 5. GridX 6. Innowatts 7. Intelligent Energy Solutions 8. Kandela 9. Smart Grid Billing Storage 	<ol style="list-style-type: none"> 1. 5G Small Cell Pole Attachments 2. Cell Site Construction 3. Community Solar 4. Energy Profiler 5. Home Power 6. Moving Connections 7. Power Protection 8. Smart Grid Billing EMS 9. Solar Shares (old program)

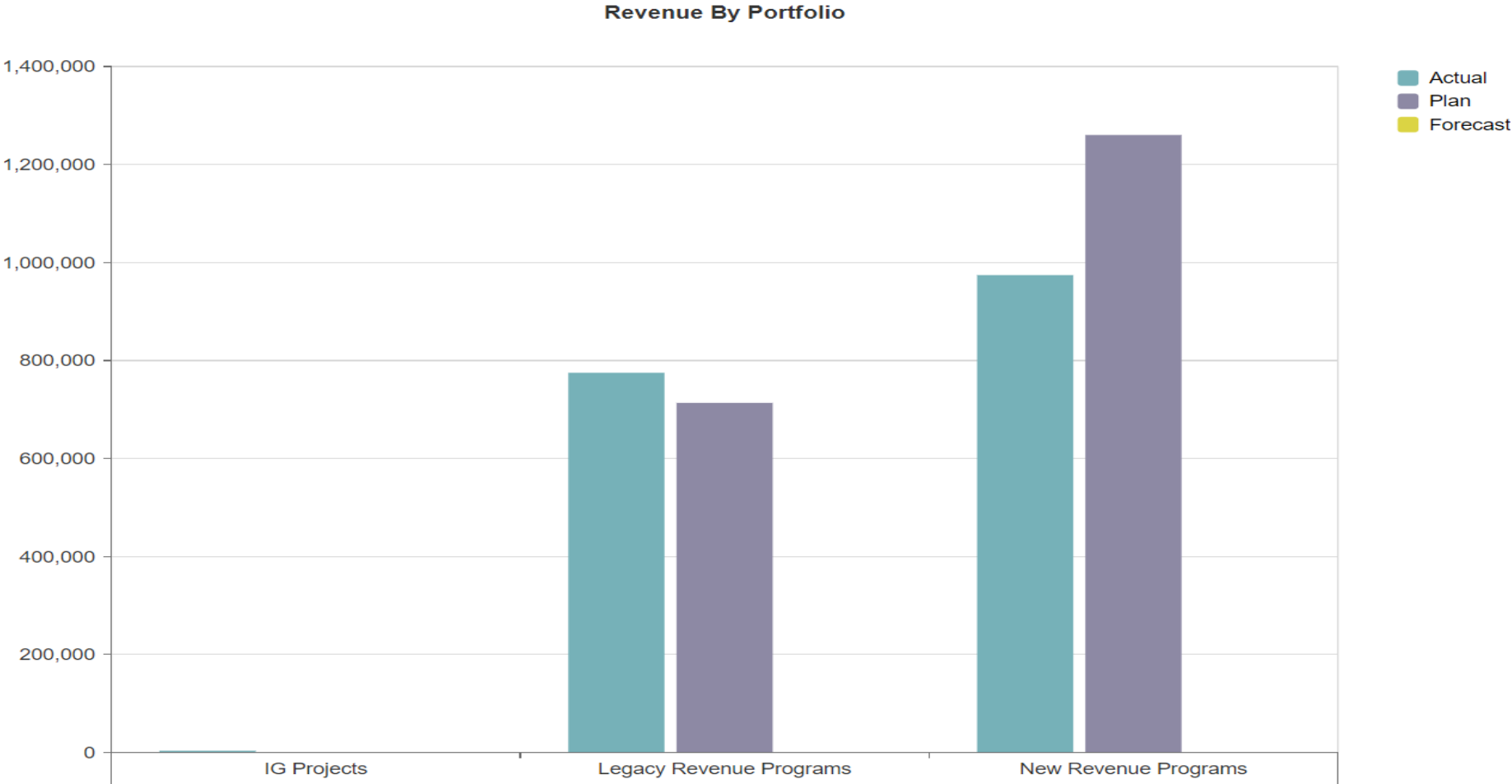
New Revenue Program: Risk Impacts and Portfolio Rating

- New Revenue Program is being assessed for risk using Enterprise Risk methodology

2018 1 st Quarter Portfolio Risk Rating	
New Revenue Program	Medium

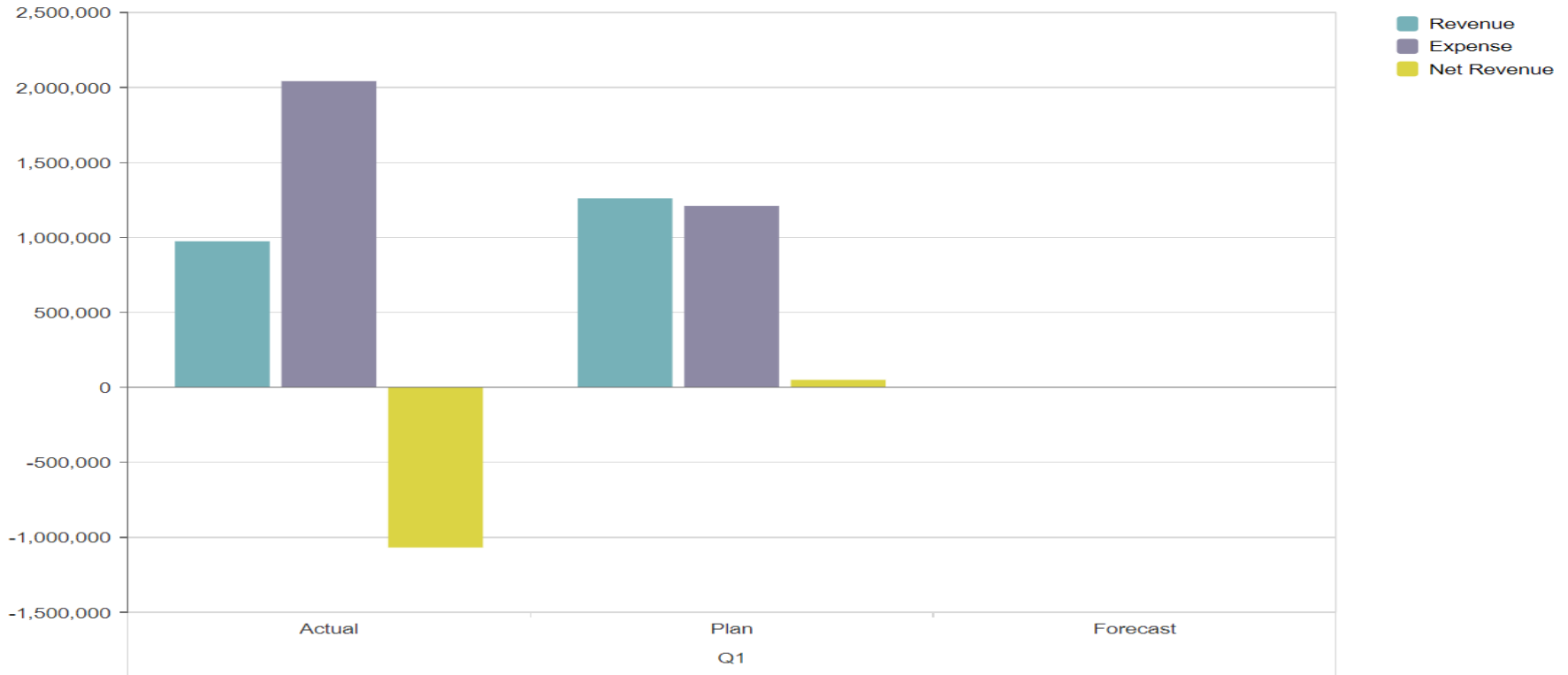
- Portfolio risk rating driven by financial risk as we build out our new products and services in a changing market place
- As all these deals mature and become operationalized, mitigation measures are being implemented to manage these risks

Revenue By Portfolios Q1



New Revenue Program Q1

Revenue By Quarter



- Net revenue lower due to new unplanned projects going live this quarter
- Expect all projects to generate positive net revenue when mature
- By next quarter, all projects will have budget plans

Recommendation

- SMUD is in compliance of SD-19
- Recommending Board accept the 2018 Q1 Monitoring Report