

Exhibit to Agenda Item #5

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

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

Customer Service Center, Rubicon Room

Requested Action

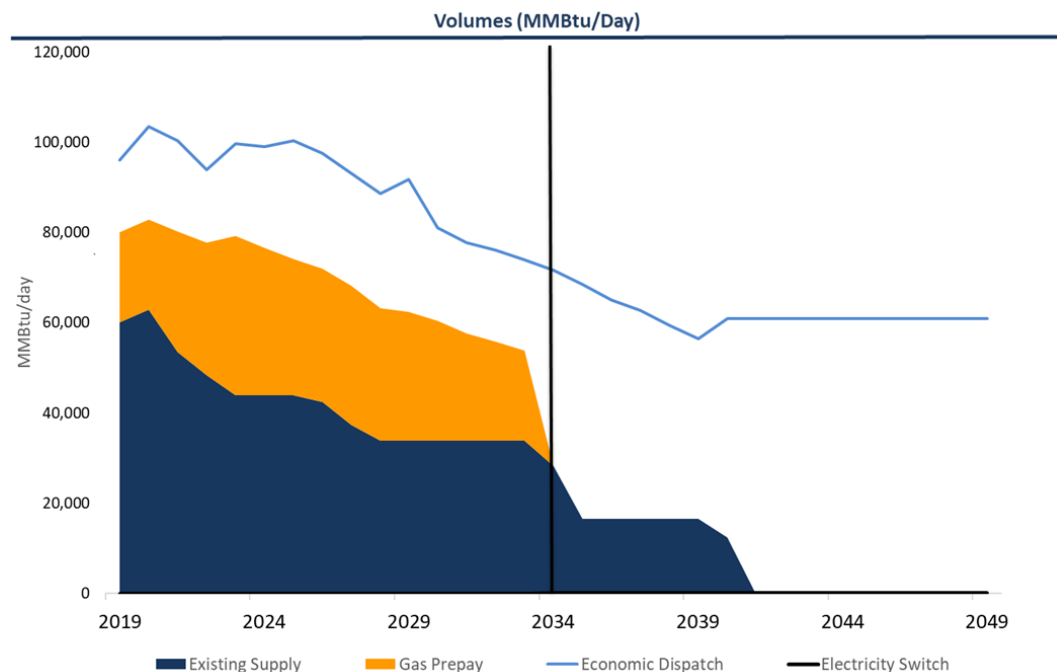
- Authorize the Chief Executive Officer and General Manager or his designee to approve the inclusion of SMUD's disclosure information (Appendix A) in the Preliminary Official Statement pursuant to the commodity prepay transaction with the Northern California Energy Authority (NCEA) as the bond issuer and execute the Commodity Supply Agreement and any other related documents necessary to facilitate this transaction.

Commodity Prepay Summary

- Bonds issued through newly formed JPA (NCEA) to prepay for 30 year supply of commodities:
 - Initial 15 year term is gas supply
 - supplied at market index price minus a discount (estimated \$0.40-0.50/MMBtu)
 - Can be “switched” to electricity, PPA or biogas with 6 month notice as early as 10 years into the transaction
 - SMUD targeting switch to electricity at 15 years
 - Saves SMUD \$4+million for initial 5 years and minimum of ~\$1million annually thereafter (\$28 million NPV)

Current Commodity Supply

- SMUD has existing gas supply agreements which run through 2040
- SMUD entered into two previous prepay transactions (2008 & 2010) with volumes part of existing supply
- Based on IRP approved on October 18th, SMUD will still have an average gas burn of ~60,000 MMBtu/day in 2040.
 - Prepay will allow for SMUD to continue receiving natural gas if needed
- If SMUD planned to accelerate carbon emission reductions, more electricity would need to be imported or procured
 - Switch to electricity may provide needed power supply to meet load growth



Prepay Rationale for SMUD

- SMUD has known commodity purchase needs for the next 30 years.
 - Will be buying either/both commodities (gas/power) to serve load.
 - Rationale is to secure savings for known costs to provide value to ratepayers
 - Savings to SMUD without changing behavior
- Prepay allows for significant savings for needed commodity
 - Savings of \$4+ million per year for the first 5 years, and a minimum of \$1 million per year for the remaining 25 years.
 - Estimated Net Present Value of \$28 million at minimum savings levels
- Flexible and Innovative for California POU's
 - Aligns with long-term IRP goals, helping SMUD meet its carbon reduction targets
 - Allows for a switch from natural gas to electricity to align with resource plans or adapt to regulation changes

Timeline

