

Exhibit to Agenda Item #3b

Board Policy Committee and Special SMUD Board of Directors Meeting
Wednesday, September 19, 2018, scheduled to begin at 5:30 p.m.
Customer Service Center, Rubicon Room

Background

Current SD-10, Research & Development (Key Value):

To assure SMUD's long-term competitiveness and its ability to deliver innovative products and services, SMUD shall invest in research and development projects that support its core and key values, based on an analysis of the projects' relative risks and their potential benefits to SMUD customers.

Current SD-18, Emerging Technologies (Core Value):

New technologies enable multi-directional customer business relationships. These technologies include, but are not limited to, distributed generation, storage, electricity used as transportation fuel, micro grids and future smart grid applications. SMUD shall integrate emerging technologies into SMUD's customer offerings in a way that balances risk and opportunity in order to benefit our community.

Proposed Revisions to SD-10

- Combine SD-10 and SD-18 into revision to SD-10
- Rename from “Research & Development” to “Innovation”
- Assign SD-10 as Core Value
- Change language to the following:
 - “Delivering innovative solutions, products and services to our customers is a core value. To assure our long-term competitiveness, SMUD shall invest in research and development projects that support its core and key values, and integrate emerging technologies and new business models into SMUD’s customer offerings in a way that balances risk and opportunity and benefit our customers and community.”

Approve revisions to **Strategic Direction SD-10, Research and Development** to incorporate **Strategic Direction SD-18, Emerging Technologies.**