

Exhibit to Agenda Item #2

Board Energy Resources & Customer Services Committee Meeting and
Special SMUD Board of Directors Meeting

August 14th, 2019 scheduled to begin at 5:30 p.m.

Customer Service Center, Rubicon Room

Requested Action

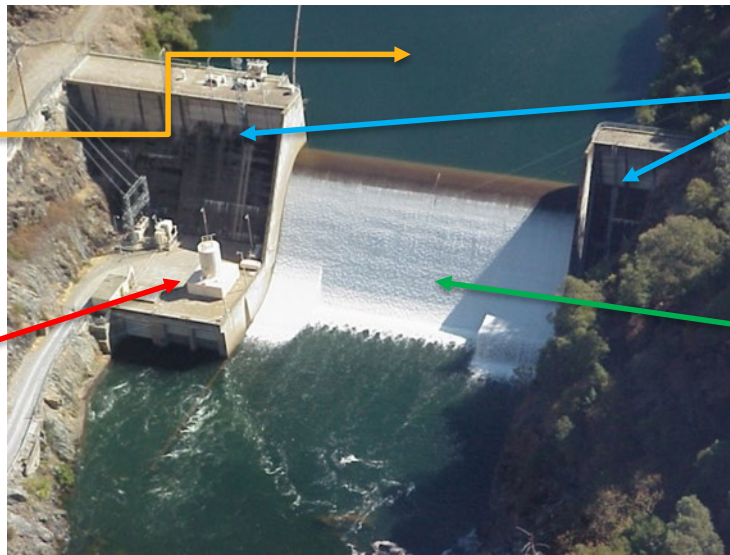
Authorize the Chief Executive Officer and General Manager to purchase the Chili Bar Project (FERC Project 2155) from Pacific Gas & Electric Co. at a price of \$10,400,000 and execute all documents necessary to complete the transaction, including the Chili Bar Asset Purchase and Sale Agreement

Chili Bar Overview

- Located on the South Fork American River immediately downstream of the Upper American River Project (UARP)
 - Built by SMUD, transferred to PG&E
 - Operation is coordinated with the White Rock Powerhouse.

110 acre Reservoir
(1,339 acre-feet)

7MW Powerhouse



126' high by 380' long
concrete gravity dam

170' spillway
located 31' below
the top of the dam

Chili Bar Opportunity

PG&E is looking to:

- Strategically remove remote facilities from their Generation Portfolio
- Looking for natural fits, like SMUD's UARP Project
- Similar transfers include:
 - Merced Falls Project to Merced Irrigation District
 - Narrows Project to the Yuba County Water Agency

SMUD is looking to:

- Provide added flexibility for UARP
 - UARP and Chili Bar Licenses are intertwined
 - Helps White Rock support the Energy Imbalance Market (EIM)
- Renewable Portfolio Standard Resource
 - Small hydro (<30 MW)
 - Emissions free

Purchase and Sale Agreement (PSA)

- Purchase Price - \$10,400,000
 - Deposit - \$100,000
 - Balance due at Closing
 - All associated assets are included the in sale
 - Spare parts, drawings, manuals and training are all included

Pricing was validated for consistency with:

- Market value of energy
- GHG
- Renewable Energy Credit (REC)
- Resource adequacy capacity value in the CAISO.

Conditions Precedent to Closing

- Interconnection Agreement (SGIA)
- CPUC Approval
- FERC Approval
- Transfer of the Conservation Easement
- No Material Adverse Condition occurs

While Approvals are in Progress

- PG&E Continues to own and operate
 - PG&E's sole expense and benefit
 - Prudent utility practices
 - Maintain compliance
 - Consult on items that have a material impact
- SMUD gets access and inspection rights
- Both parties agree to make reasonable efforts to complete all conditions precedent

Path Forward

- Finalize PSA terms, exhibits and schedules
- Execute Agreement
- Application for FERC
- Application for CPUC Approval, with input from Office of Ratepayer Advocates
- Bankruptcy Judge Approval
- Expected 9 – 12 month path from PSA execution to closing

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