

DRAFT

BOARD FINANCE COMMITTEE REVIEW

2020 PROPOSED BUDGET

SACRAMENTO MUNICIPAL UTILITY DISTRICT
FINANCING AUTHORITY

November 2019



SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
P.O. Box 15830, Sacramento, CA 95852-1830

Cosumnes Power Plant

October 21, 2019
SFA 19-007

TO: SFA COMMISSION

SUBJECT: 2020 PROPOSED SFA BUDGET

We are pleased to present the proposed 2020 Operating Budget for the Sacramento Municipal Utility District Financing Authority (SFA). This budget represents the anticipated expenses for the thirteenth year of operation for the 602 MW (net output) SFA Cosumnes Power Plant (CPP).

The Operating Budget for the Authority for the period of January 1, 2020 to December 31, 2020 totals \$168,613,181 for Operations & Maintenance, \$2,353,121 for Administrative & General, \$15,627,000 for Principal & Interest and \$1,365,000 for Capital Expenditures. The Budget's assumptions and supporting financial schedules are included for your information and review. Should you have any questions regarding this proposed 2020 Operating Budget, please don't hesitate to contact me at (916) 732-6227.

Sincerely,

Brad Jones
Manager, Thermal Generation Assets

2020 SFA BUDGET

The Sacramento Municipal Utility District Financing Authority (SFA) is a Joint Powers Agency (JPA) formed in 2005 by Sacramento Municipal Utility District (SMUD) and the Modesto Irrigation District (MID) for the purpose of developing, financing, constructing and operating the Cosumnes Power Plant Project (Project). SFA sold Cosumnes Project Revenue Bonds (Bonds) in January 2006 and the proceeds have been used to construct the Project. The Project began commercial operations in February 2006. In June 2015, SFA sold Cosumnes Project Refunding Bonds (Refunding Bonds), completely retiring all previously issued bonds and restructuring the Power Purchase Agreement (PPA) between SFA and SMUD.

The project is located on a property adjacent to the decommissioned Rancho Seco Nuclear Generating Station near the town of Herald, in the County of Sacramento. The plant consists of two ultra-low emissions, F-class, high efficiency gas-fired combined cycle gas turbine generator units, two heat recovery boilers, and one steam turbine generator unit with a combined, net capacity of 602 MW. The plant burns natural gas, which is supplied through a natural gas pipeline owned and operated by SMUD. SMUD has designed and built transmission and telecommunications facilities to integrate the plant into SMUD's electrical system.

This 2020 SFA budget covers the expected financial operations of SFA and the Project from January 1, 2020 through December 31, 2020. The budget is divided into two parts. The first part is the expense budget as shown on the Budget Summary. These budgets represent expenses to be incurred and/or paid by SFA in 2020 in the course of running the Project and conducting the business of SFA. The second part of the budget lists capital and other expenditures proposed for 2020. Also included in this document is a pro forma financial statement. This statement incorporates SFA revenues and non-cash expenses such as depreciation to show the complete financial results of operations for the year.

The operation of SFA and the Project is governed by a series of agreements, among the JPA members and outside parties. A description of these agreements follows:

JOINT POWERS AGREEMENT (JPA) between SMUD and MID. SFA has no employees; SMUD will provide technical and administrative services for SFA pursuant to the PPA. The SFA Board consists primarily of the SMUD Board with one non-voting member representing MID.

POWER PURCHASE AGREEMENT (PPA) between SMUD and SFA. SFA has agreed to sell to SMUD and SMUD has agreed to purchase the energy and capacity from the Project. SMUD will pay SFA for its costs whether or not the Project is operating. This agreement will be in effect until terminated by SMUD, but in no case before the bonds are paid in full. This agreement covers the terms of how the Project will be operated (SMUD will dispatch) and the calculation of payments from SMUD to SFA for operation of the Project.

GAS SUPPLY AGREEMENT (GSA) between SMUD and SFA. SMUD will arrange for all-natural gas supply and transportation requirements for the SFA and SMUD will charge SFA for SMUD's actual supply and transportation costs properly allocable to the Project.

WATER SUPPLY AGREEMENT between SMUD and SFA covers the terms under which SMUD supplies all water to the Project.

OPERATIONS & MANAGEMENT AGREEMENT (O&M AGREEMENT) between SFA and Ethos Energy Power Plant Services (Ethos), the plant operator. SFA has contracted with Ethos to operate, repair, overhaul and maintain the Project for a five-year term effective January 1, 2016, in exchange for payments tied to specified plant performance standards. This agreement includes a one-sided renewal clause that SFA may choose, at its sole discretion, to exercise, potentially extending the agreement for a second five-year term.

GROUND LEASE AGREEMENT between SMUD and SFA covers the terms of SFA's ground lease for the property on which the Project is located.

INDENTURE OF TRUST (INDENTURE) between SFA and U.S. Bank National Association. This agreement covers the terms and conditions of the Trust Estate executed on behalf of the bondholders. It secures and pledges revenues to the payment of principal and interest on the bonds and ensures compliance by SFA with all covenants contained therein.

**SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
2020
BUDGET SUMMARY**

	2019 BUDGET	2020 BUDGET	NET CHANGE PERCENT
GENERATION (MWh)	3,452,054	3,988,938	16%
FUEL			
Combined Cycle Pipeline Gas Expenses	\$84,518,259	\$93,220,109	10%
Combined Cycle Biogas Expense	\$34,846,758	\$61,269,680	76%
Natural Gas Commodity (\$/MMBtu)	\$2.86	\$3.09	8%
TOTAL FUEL EXPENSES	\$119,365,016	\$154,489,789	29%
PLANT OPERATION & MAINTENANCE			
Station Electrical Service	\$300,000	\$300,000	0%
Operator Fixed Fees	\$3,871,956	\$3,968,760	3%
Operator Variable Fees	\$4,677,441	\$6,746,126	44%
Operator Bonus	\$538,444	\$551,904	2%
JPA Administrative and Other Expenses	\$495,608	\$506,602	2%
Overhaul Expenses	\$7,600,000	\$2,050,000	-73%
TOTAL PLANT OPERATION & MAINTENANCE	\$17,483,449	\$14,123,392	-19%
TOTAL O&M COSTS	\$136,848,465	\$168,613,181	23%
ADMINISTRATIVE & GENERAL			
SMUD Labor	\$350,970	\$365,185	4%
Outside Services	\$96,754	\$100,954	4%
Insurance	\$1,796,174	\$1,886,982	5%
TOTAL ADMINISTRATIVE & GENERAL	\$2,243,898	\$2,353,121	5%
INTEREST EXPENSE			
Interest on SFA Bonds	\$6,332,375	\$5,822,000	-8%
DEBT SERVICE PRINCIPAL REPAYMENT			
SFA Bond Principal Set Aside	\$10,207,500	\$9,805,000	-4%
TOTAL PRINCIPAL & INTEREST	\$16,539,875	\$15,627,000	-6%
CAPITAL EXPENDITURES			
Capital Overhauls (from Overhaul Account)	\$14,500,000	\$0	-100%
Capital Improvements	\$0	\$1,365,000	
TOTAL CAPITAL EXPENDITURES	\$14,500,000	\$1,365,000	-91%

2020 SFA BUDGET ASSUMPTIONS

The 2020 SFA Budget is based on the following assumptions:

PLANNED GENERATION from the Project during the January 1, 2020 to December 31, 2020 budget period, as taken from SMUD's 2020 Resource Operating Plan (ROP), dated October 2019, is 3,988,938 MWh. Monthly generation is shown on the Operating Assumptions table later in this document.

HEAT RATE is based on loading assumptions from the ROP, and averages 6,831 Btu/KWh for 2020.

NATURAL GAS PRICES are based on SMUD's actual costs obligated to firm natural gas purchases and estimates for the non-firm portion prepared by SMUD's Energy Trading & Contracts group. The variable rate is based on the latest available PIRA forecast of commodity prices by month for 2020, plus 3.2% fuel use. The fixed component represents SFA's pro rata share of fixed capacity costs on the ANG/NOVA/PGT interstate pipelines, and its pro rata share of depreciation, interest and O&M costs on SMUD's ownership interest in the PG&E Line 300/401 interstate pipeline and SMUD's local gas pipeline. The monthly prices are shown on the Operating Assumptions page.

FIXED OPERATING FEE to be paid from SFA to Ethos is based on the flat annual base operating fee per the O&M Agreement. This payment is assumed to cover all direct and indirect labor costs, including benefits, taxes, insurance, home office support, management and supervision incurred by Ethos. This payment escalates in future years at 2.5% per year in accordance with the existing O&M Agreement.

NET DEPENDABLE CAPACITY (NDC) for budget purposes for the Combined Cycle Plant is 590,650 kW, based on NDC tests conducted during commissioning.

REIMBURSABLE OPERATING COSTS to be paid from SFA to Ethos is based on estimated variable plant operating costs, excluding fuel, to be incurred by the Ethos in 2020.

MAINTENANCE/OVERHAUL EXPENSE is based on direct SFA expenditures for maintenance or overhaul activities performed by Ethos, SMUD or an independent outside contractor. The total 2020 budget for overhaul expenses is \$2.05 million for HRSG & HRH Piping and valve replacements, Breaker rebuilds, and ST Minor Inspection.

**2020 SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY BUDGET DETAIL
OPERATING ASSUMPTIONS**

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Resource Operating Plan:													
Combined Cycle Power Plants:													
Generation (MWh)	441,261	415,693	244,751	140,168	163,871	251,658	333,572	390,900	385,592	359,670	429,240	432,562	3,988,938
Natural Gas (1000's of MMBtu)	2,487	2,345	1,163	532	706	1,261	1,769	2,141	2,122	1,937	2,420	2,427	21,311
CVFA Digester Gas (1000's of MMBtu)	44	41	44	42	44	42	44	44	42	44	42	44	518
Biogas (1000's of MMBtu)	443	415	443	429	443	429	443	443	429	443	429	443	5,234
Model Average Heat Rate (Btu/kWH)	6,739	6,737	6,742	7,161	7,282	6,884	6,764	6,723	6,727	6,739	6,737	6,737	6,831
Combined Cycle Power Plant													
Initial Capacity (Megawatts Net)	602.00	602.00	591.20	598.00	576.00	576.00	576.00	576.00	576.00	602.00	602.00	602.00	589.93
Budgeted Net Heat Rate (Btu/kWH)	6,739	6,737	6,742	7,161	7,282	6,884	6,764	6,723	6,727	6,739	6,737	6,737	6,831
Availability (IEEE)	100%	100%	84%	30%	100%	100%	100%	100%	100%	84%	100%	100%	92%

2020 SFA BUDGET LINE ITEM DETAIL

The following schedules show a monthly breakdown of the line items within the SFA budget:

FUEL EXPENSE

This schedule shows detail of the budgeted expense for fuel to be burned at the Project.

Natural gas is the primary fuel for the Project and will be procured by SMUD per the GSA. The gas will be delivered to the plant through SMUD's capacity interest on the ANG/NOVA/PGT and Line 300/401 interstate pipelines, or other contracted routes, and SMUD's local natural gas pipeline. The local natural gas pipeline connects the Project (and three other local gas-fired cogeneration plants) to PG&E's interstate gas pipeline.

Under the GSA, SMUD will handle the actual procurement and transportation arrangements for SFA. The assumed variable cost for natural gas is taken from the latest available SMUD forecast. The fuel budget also includes a pro rata share of fixed costs incurred by SMUD to own and operate its interest in the PG&E Line 300/401 pipeline and its local natural gas pipeline which connects the local generation plants to PG&E's gas pipeline. The fuel budget also includes a pro rata share of fixed costs associated with SMUD's partial ownership of the Rosa Unit Gas Reserves.

As part of SMUD's renewable energy portfolio, an ever-growing portion of the gas burned at the Project comes from renewable sources like landfill and digester gas. SMUD maintains several contracts for purchasing landfill gas and designates most of this gas for use at the Project. Since January 2012, the vast majority of all digester gas produced at the Sacramento Regional County Sanitation District's Wastewater Treatment Plant has been cleaned to pipeline quality and sent to the Project for use in the gas turbines.

**2020 SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY BUDGET DETAIL
FUEL EXPENSE**

Fuel Usage in Thousands of MMBtu/Dollars in Thousands	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Combined Cycle Unit:													
Comb Cycle Generation MWh Adjusted by 100%	441,261	415,693	244,751	140,168	163,871	251,658	333,572	390,900	385,592	359,670	429,240	432,562	3,988,938
Average Heat Rate Btu/kWh	6,739	6,737	6,742	7,161	7,282	6,884	6,764	6,723	6,727	6,739	6,737	6,737	6,831
Natural Gas Fuel Usage (1000's of MMBtu)	2,487	2,345	1,163	532	706	1,261	1,769	2,141	2,122	1,937	2,420	2,427	21,311
Natural Gas Variable Price \$/MMBtu	\$3.33	\$3.25	\$3.02	\$3.10	\$3.08	\$2.92	\$2.94	\$2.93	\$2.94	\$3.07	\$3.19	\$3.24	\$3.09
CVFA Digester Gas Variable Price (\$/MMBtu)	\$2.90	\$2.90	\$2.90	\$2.90	\$2.90	\$2.90	\$2.90	\$2.90	\$2.90	\$2.90	\$2.90	\$2.90	\$2.90
Biogas Variable Price (\$/MMBtu)	\$11.42	\$11.42	\$11.42	\$11.42	\$11.42	\$11.42	\$11.42	\$11.42	\$11.42	\$11.42	\$11.42	\$11.42	\$11.42
Natural Gas Variable Expense	\$8,287	\$7,628	\$3,511	\$1,651	\$2,178	\$3,686	\$5,209	\$6,283	\$6,251	\$5,943	\$7,725	\$7,853	\$66,205
CVFA Digester Gas Variable Expense	\$127	\$119	\$127	\$123	\$127	\$123	\$127	\$127	\$123	\$127	\$123	\$127	\$1,502
Biogas Variable Expense (Commodity)	\$5,062	\$4,736	\$5,062	\$4,899	\$5,062	\$4,899	\$5,062	\$5,062	\$4,899	\$5,062	\$4,899	\$5,062	\$59,768
Total Variable Fuel Expense (Commodity)	\$13,477	\$12,483	\$8,701	\$6,673	\$7,368	\$8,708	\$10,398	\$11,472	\$11,273	\$11,133	\$12,747	\$13,042	\$127,475
Demand, Storage, & Procurement	\$771	\$771	\$771	\$771	\$771	\$771	\$771	\$771	\$771	\$771	\$771	\$771	\$9,248
SMUD Fixed Gas Expenses:													
SMUD Pipeline Depreciation	\$153	\$153	\$153	\$153	\$153	\$153	\$153	\$153	\$153	\$153	\$153	\$153	\$1,839
SMUD Pipeline Interest Charges	\$156	\$156	\$156	\$156	\$156	\$156	\$156	\$156	\$156	\$156	\$156	\$156	\$1,867
SMUD Pipeline O&M Charges	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$5,400
TOTAL SMUD Fixed Gas Expenses	\$759	\$759	\$759	\$759	\$759	\$759	\$759	\$759	\$759	\$759	\$759	\$759	\$9,107
PG&E Line 300/401:													
Line 300/401 Investment Amortization	\$166	\$166	\$166	\$166	\$166	\$166	\$166	\$166	\$166	\$166	\$166	\$166	\$1,992
Line 300/401 Interest Charges	\$113	\$113	\$113	\$113	\$113	\$113	\$113	\$113	\$113	\$113	\$113	\$113	\$1,353
Line 300/401 Property Taxes	\$38	\$38	\$38	\$38	\$38	\$38	\$38	\$38	\$38	\$38	\$38	\$38	\$457
Line 300/401 O&M Charges	\$45	\$45	\$45	\$45	\$45	\$45	\$45	\$45	\$45	\$45	\$45	\$45	\$544
TOTAL PG&E Line 300/401	\$362	\$362	\$362	\$362	\$362	\$362	\$362	\$362	\$362	\$362	\$362	\$362	\$4,345
Rosa Interest	\$113	\$113	\$113	\$113	\$113	\$113	\$113	\$113	\$113	\$113	\$113	\$113	\$1,355
Rosa Depletion	\$247	\$247	\$247	\$247	\$247	\$247	\$247	\$247	\$247	\$247	\$247	\$247	\$2,960
Rosa Unit total	\$360	\$360	\$360	\$360	\$360	\$360	\$360	\$360	\$360	\$360	\$360	\$360	\$4,314
Combined Cycle Natural Gas Expenses	\$15,728	\$14,734	\$10,952	\$8,924	\$9,619	\$10,960	\$12,650	\$13,723	\$13,524	\$13,384	\$14,998	\$15,293	\$154,490
Line 300/401 capacity sales revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL FUEL EXPENSES	\$15,728	\$14,734	\$10,952	\$8,924	\$9,619	\$10,960	\$12,650	\$13,723	\$13,524	\$13,384	\$14,998	\$15,293	\$154,490

2020 SFA BUDGET LINE ITEM DETAIL

PLANT OPERATIONS & MAINTENANCE

OPERATOR FEES: The budget for operator fees and plant operating expenses represents fees to be paid to Ethos under the terms of the O&M Agreement, plus actual variable plant operating expenses incurred by Ethos and reimbursed from SFA without markup. The budget shows the reimbursement to Ethos as an operating expense.

Under the terms of the O&M Agreement, Ethos is reimbursed for all plant operating and maintenance expenses and repairs.

FOLSOM SOUTH CANAL AND FREEPORT WATER CLEANING FEES: Two notable changes to the operation of the Project occurred in 2010. First, the Freeport Regional Water Authority (FRWA) completed their project to send Sacramento River water into the Folsom South Canal, significantly deteriorating the water quality delivered to Project while the Freeport water project is in service. FRWA has agreed to reimburse SMUD for all costs associated with cleaning this water and bringing it back to a usable condition. These expenses are shown under Other Operating Expenses and will be reimbursed to SFA by SMUD.

In October 2010, with the effective closure of Rancho Seco decommissioning activities, SFA assumed the responsibility for care, custody and control of the Folsom South Canal pumping station and the pipeline that delivers this water to the Project. Ethos will operate the facilities and SMUD will reimburse SFA for all associated expenses.

PERFORMANCE BONUSES: Ethos will earn performance bonuses under the O&M Agreement if the combined cycle Equivalent Forced Outage Factor is less than five percent (5%). The 2020 budget assumes that Ethos will successfully earn these bonuses.

WATER: This line item represents the estimated cost of cooling and make-up water required to operate the Project.

STATION SERVICE ELECTRICITY: SFA will pay SMUD under the terms of SMUD's Rules and Regulations for station service capacity and energy for the Project. The Project is connected to SMUD's system to insure that power is available to run plant systems during planned or unplanned outages.

SITE LEASE: This line item represents the 2020 cost of site lease payments from SFA to SMUD for plant site ground lease costs under the Ground Lease Agreement.

**2020 SFA BUDGET
LINE ITEM DETAIL**

SFA OPERATING AND ADMINISTRATIVE COSTS

OPERATING EXPENSES: Under the terms of the O&M Agreement and the PPA, various tests (heat rate, NDC, etc.) of Project operations may be required by SMUD or SFA during the year. This line item covers the estimated reimbursement to Ethos for performing such tests, or for other items not covered by the O&M Agreement.

**2020 SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY BUDGET DETAIL
PLANT OPERATION & MAINTENANCE**

Dollars in Thousands	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
OPERATOR FEES:													
Fixed Operating Fee	\$337	\$304	\$337	\$326	\$337	\$326	\$337	\$337	\$326	\$337	\$326	\$337	\$3,969
Availability Bonus	\$46	\$46	\$0	\$0	\$0	\$92	\$92	\$92	\$92	\$46	\$0	\$46	\$552
TOTAL OPERATOR FEES:	\$383	\$350	\$337	\$326	\$337	\$418	\$429	\$429	\$418	\$383	\$326	\$383	\$4,521
OTHER OPERATING EXPENSES:													
Reimbursable Operator expenses	\$386	\$421	\$496	\$661	\$2,042	\$384	\$312	\$313	\$324	\$477	\$349	\$342	\$6,506
Freeport Water Cleaning Fees	\$0	\$0	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$0	\$0	\$240
Overhaul Expenses (from Overhaul Account)	\$0	\$0	\$0	\$0	\$2,050	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,050
Operating Expenses (less Overhaul Expenses)	\$769	\$771	\$863	\$1,017	\$2,409	\$833	\$771	\$773	\$772	\$890	\$676	\$725	\$11,267
Station Service Energy Costs:	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$300
JPA Administrative and Other Expenses:													
Water Supply Fees	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$145
SMAQMD Title V Permit Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$15	\$0	\$15
Water Rights Fees (R Seco, SWRCB)	\$0	\$0	\$0	\$0	\$0	\$36	\$0	\$0	\$0	\$0	\$45	\$0	\$81
Site Lease - 15 acres	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$158
EPA & State of CA Permit Fees	\$3	\$5	\$3	\$3	\$3	\$3	\$3	\$77	\$3	\$3	\$3	\$3	\$107
JPA Administrative and Other Expenses Total:	\$28	\$30	\$28	\$28	\$28	\$64	\$28	\$102	\$28	\$28	\$88	\$28	\$507
TOTAL PLANT OPERATION & MAINTENANCE	\$822	\$826	\$916	\$1,070	\$4,512	\$921	\$823	\$900	\$825	\$942	\$788	\$778	\$14,123

2020 SFA BUDGET LINE ITEM DETAIL

SMUD ADMINISTRATIVE & GENERAL

Under the terms of the JPA, SMUD will provide staff to perform administrative and technical support services to SFA and arrange for insurance coverage, and SMUD will be reimbursed for the cost of providing these services subject to available funds per the priority of distribution of SFA revenues.

INSURANCE: SFA is required to maintain comprehensive general liability, all risk property insurance, umbrella excess liability insurance, and such other insurance as deemed necessary or prudent. Under the terms of the PPA, SMUD arranges for SFA to maintain insurance.

SMUD LABOR: This line item represents the reimbursable portion of the cost of salaries and wages and associated employee benefits for SMUD employees from Power Generation, Projects Development, Gas Pipeline Operations, Treasury, Accounting, Risk Management, Budget Office, Legal, Electric System Design, and others who will perform administrative and technical support services for SFA.

OUTSIDE SERVICES: SMUD will contract with engineering specialists to assist in technical engineering, permitting and licensing, or other issues which arise during operation.

INDEPENDENT ENGINEER: SFA retains the services of an Independent Engineer to provide independent oversight of SFA and Project operation.

INDEPENDENT AUDITOR: SFA retains the services of an Independent Auditor to audit and certify the SFA financial statements and evaluate internal controls applicable to SFA.

**2020 SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY BUDGET DETAIL
ADMINISTRATIVE & GENERAL**

Dollars in Thousands	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
SMUD Administrative & General:													
Independent Engineer	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$45
Independent Auditor	\$0	\$14	\$3	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3	\$20
SMUD Admin (travel, vessel insp, etc.)	\$1	\$3	\$11	\$1	\$1	\$1	\$3	\$1	\$1	\$5	\$1	\$1	\$29
TOTAL SUPPORT SERVICES:	\$5	\$20	\$17	\$5	\$5	\$5	\$6	\$5	\$5	\$8	\$5	\$8	\$94
Insurance	\$143	\$143	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$160	\$1,887
CPP's 50% share of Herald Fire Dept stipend	\$0	\$0	\$7	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7
SMUD Labor	\$30	\$27	\$29	\$31	\$28	\$33	\$32	\$29	\$29	\$29	\$34	\$34	\$365
TOTAL ADMINISTRATIVE & GENERAL	\$179	\$191	\$214	\$196	\$193	\$198	\$198	\$193	\$193	\$197	\$198	\$201	\$2,353

**2020 SFA BUDGET
LINE ITEM DETAIL**

CAPITAL EXPENDITURES

Please see attached schedule.

2020 SFA BUDGET LINE ITEM DETAIL

DEBT SERVICE

In June 2015, SFA sold \$233.155 million in Refunding Bonds, completely retiring all previously outstanding SFA obligations.

INTEREST ON SFA BONDS: This line item represents accrued interest expense on the outstanding Refunding Bonds. At this time, there is a total outstanding balance of \$120.795 million on these bonds. A detailed annual interest and repayment schedule is presented on the following pages.

PRINCIPAL REPAYMENTS - SFA BONDS: Scheduled principal payments are on July 1, 2020 for \$8.71 million and July 1, 2021 for \$10.90 million. In anticipation of these and future scheduled principal payments, SFA includes 1/12 of the upcoming annual payment in each PPA billing beginning twelve months prior to the payment due date. This amount is shown in the Financial Payment calculation.

**Debt Service
SMUD Financing Authority
Revenue Bonds
2015 Series**

	<u>Period Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Interest</u>	<u>Debt Service</u>	<u>Annual Debt Service</u>
	January 01, 2020		\$ 3,019,875		\$ 3,019,875	
2020	July 01, 2020	\$ 8,710,000	\$ 3,019,875	\$ 6,039,750	\$ 11,729,875	\$ 14,749,750
	January 01, 2021		\$ 2,802,125		\$ 2,802,125	
2021	July 01, 2021	\$ 10,900,000	\$ 2,802,125	\$ 5,604,250	\$ 13,702,125	\$ 16,504,250
	January 01, 2022		\$ 2,529,625		\$ 2,529,625	
2022	July 01, 2022	\$ 11,450,000	\$ 2,529,625	\$ 5,059,250	\$ 13,979,625	\$ 16,509,250
	January 01, 2023		\$ 2,243,375		\$ 2,243,375	
2023	July 01, 2023	\$ 1,845,000	\$ 2,243,375	\$ 4,486,750	\$ 4,088,375	\$ 6,331,750
	January 01, 2024		\$ 2,197,250		\$ 2,197,250	
2024	July 01, 2024	\$ 13,115,000	\$ 2,197,250	\$ 4,394,500	\$ 15,312,250	\$ 17,509,500
	January 01, 2025		\$ 1,869,375		\$ 1,869,375	
2025	July 01, 2025	\$ 14,270,000	\$ 1,869,375	\$ 3,738,750	\$ 16,139,375	\$ 18,008,750
	January 01, 2026		\$ 1,512,625		\$ 1,512,625	
2026	July 01, 2026	\$ 13,630,000	\$ 1,512,625	\$ 3,025,250	\$ 15,142,625	\$ 16,655,250
	January 01, 2027		\$ 1,171,875		\$ 1,171,875	
2027	July 01, 2027	\$ 13,065,000	\$ 1,171,875	\$ 2,343,750	\$ 14,236,875	\$ 15,408,750
	January 01, 2028		\$ 845,250		\$ 845,250	
2028	July 01, 2028	\$ 12,815,000	\$ 845,250	\$ 1,690,500	\$ 13,660,250	\$ 14,505,500
	January 01, 2029		\$ 524,875		\$ 524,875	
2029	July 01, 2029	\$ 15,460,000	\$ 524,875	\$ 1,049,750	\$ 15,984,875	\$ 16,509,750
	January 01, 2030		\$ 138,375		\$ 138,375	
2030	July 01, 2030	\$ 5,535,000	\$ 138,375	\$ 276,750	\$ 5,673,375	\$ 5,811,750
		<u>\$ 120,795,000</u>	<u>\$ 37,709,250</u>		<u>\$ 158,504,250</u>	<u>\$ 158,504,250</u>

2020 SFA BUDGET

PRO FORMA FINANCIAL SCHEDULES

SFA maintains its accounting records in accordance with Generally Accepted Accounting Principles and generally follows the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission (FERC). The following schedules are the Statements of Revenue, Expenses and changes in Net Position and Revenue Detail Schedule, which show the projected results of operations, for SFA during the 2020 budget period based on the 2020 budget assumptions and expense and capital budgets.

REVENUE DETAIL

The following schedule details expected SFA Revenue during the 2020 budget period.

ELECTRIC REVENUE: Under the terms of the PPA, SMUD is obligated to make monthly capacity and energy payments to SFA for capacity and energy provided by SFA. These payments are based on certain assumptions and rates, which were detailed under Budget Assumptions. The Capacity Sales Revenue estimate assumes the plant operator will maintain the minimum availability factor for the power plant necessary to qualify for maximum payments.

FINANCIAL PAYMENT: Under the terms of the PPA, SMUD will pay SFA an amount equal to the sum of the Debt Service on the Bonds, all other payments relating to the Bonds or the Project required to be made under the Indenture, including without limitation, any Trustee fees and rebate amounts, and any other costs required to be paid or reimbursed to the Trustee or to other persons under or in respect of the Indenture or with respect to Debt Service or as otherwise required under the Indenture during the term hereof.

OPERATING PAYMENT: Under the terms of the PPA, SMUD will pay SFA an amount equal to the sum of all costs and expenses payable by SFA pursuant to the Lease and Property Agreement, the O&M Agreement, the Natural Gas Interconnection and Supply Agreement, all insurance costs and any cost or expense otherwise incurred in the operation and maintenance of the Project, including capital improvements and overhaul expenses, plus \$200,000 per month to cover other SFA obligations.

INTEREST INCOME: SFA will earn interest on invested funds held as working capital. The budget assumes a 0% return on budgeted monies to be held in these funds.

**2020 SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY BUDGET DETAIL
ELECTRIC REVENUE DETAIL**

Dollars in Thousands	2020			Jan 1-Jun 30	Jul 1-Dec 31			2021			Jan 1-Jun 30	TOTAL	
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
CAPACITY PAYMENT:													
Fixed Payment	200	200	200	200	200	200	200	200	200	200	200	200	\$2,400
Debt Service Component:													
Bond Debt Service	\$1,229	\$1,229	\$1,229	\$1,229	\$1,229	\$1,229	\$1,375	\$1,375	\$1,375	\$1,375	\$1,375	\$1,375	\$15,627
Multiplier	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
Debt Service	\$1,229	\$1,229	\$1,229	\$1,229	\$1,229	\$1,229	\$1,375	\$1,375	\$1,375	\$1,375	\$1,375	\$1,375	\$15,627
TOTAL CAPACITY PAYMENT	\$1,429	\$1,429	\$1,429	\$1,429	\$1,429	\$1,429	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$1,575	\$18,027
ENERGY PAYMENT:													
Fuel Supply Payment	\$15,728	\$14,734	\$10,952	\$8,924	\$9,619	\$10,960	\$12,650	\$13,723	\$13,524	\$13,384	\$14,998	\$15,293	\$154,490
Variable Payment:													
Operator Fees	\$383	\$350	\$337	\$326	\$337	\$418	\$429	\$429	\$418	\$383	\$326	\$383	\$4,521
Reimbursable expenses	\$386	\$421	\$496	\$661	\$2,042	\$384	\$312	\$313	\$324	\$477	\$349	\$342	\$6,506
Overhaul costs	\$0	\$0	\$0	\$0	\$2,050	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,050
Site Lease	\$158												\$158
Insurance			\$1,887										\$1,887
Water supply payment												\$145	\$145
Freeport Cleaning Fee Reimbursement	\$0	\$0	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$0	\$0	\$240
Capital Improvements	\$0	\$0	\$0	\$0	\$1,365	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,365
Capital Overhauls	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Variable Payment	\$927	\$771	\$2,750	\$1,017	\$5,824	\$833	\$771	\$773	\$772	\$890	\$676	\$871	\$16,873
TOTAL ENERGY PAYMENT	\$16,655	\$15,505	\$13,702	\$9,941	\$15,443	\$11,792	\$13,420	\$14,496	\$14,296	\$14,274	\$15,674	\$16,164	\$171,362
TOTAL ELECTRICITY SALES REVENUE	\$18,085	\$16,934	\$15,131	\$11,370	\$16,872	\$13,221	\$14,996	\$16,071	\$15,871	\$15,849	\$17,249	\$17,739	\$189,389

2020 SFA BUDGET PRO FORMA FINANCIAL STATEMENTS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Pro Forma Statements of Revenues, Expenses and changes in Net Position is a projected summary of the results of operations prepared on a FERC basis for SFA in 2020. The Income Statement incorporates revenues as shown on the Revenue Detail, expenses as shown on the Budget Summary, and non-cash expenses such as depreciation and amortization.

DEPRECIATION represents the pro rata expensing of the capital cost of the Project. Estimated service life is based on the remaining life of the Plant at the time a capital project is placed in service, the original life of the Plant being 30 years.

AMORTIZATION OF REGULATORY ASSET – DEBT ISSUANCE represents the amortization of debt issuance costs related to the issuance of the Refunding Bonds. In 2013, SFA adopted GASB No. 65, which changed how debt issuance costs were recorded. SFA implemented GASB No. 62 which allowed SFA to continue to amortize these costs. This resulted in the amortization being moved into the Operating Expense section of the Statements of Revenues, Expenses and changes in Net Position. Any debt issuance costs incurred after January 1, 2020, will be expensed in the period incurred.

AMORTIZATION OF PREMIUM / DISCOUNT represents the amortization of any premiums or discounts related to the issuance of the Refunding Bonds. These costs are amortized to Interest Expense over the term of the Bonds.

SFA is projecting a net loss of (\$0.799) million, a decrease of \$14.709 million over 2019. The decrease is primarily due to a year-over-year decrease of \$13.135 million passthrough capital costs in revenue and higher depreciation, partly offset by lower interest expense.

2020 SFA BUDGET
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Period January 1, 2020 to December 31, 2020

Dollars in Thousands

	<u>2019</u> <u>BUDGET</u>	<u>2020</u> <u>BUDGET</u>
OPERATING REVENUES:		
Sale of Electricity	\$171,584	\$189,389
TOTAL OPERATING REVENUES	<u>171,584</u>	<u>189,389</u>
OPERATING EXPENSES		
Fuel	119,365	154,490
Production	17,483	14,123
Administrative & General	2,244	2,353
Total Operations	<u>139,092</u>	<u>170,966</u>
Depreciation	14,515	15,449
Amortization of Regulatory Asset-Debt Issuance	104	104
TOTAL OPERATING EXPENSES	<u>153,712</u>	<u>186,519</u>
NET OPERATING INCOME	<u>17,872</u>	<u>2,870</u>
INTEREST EXPENSE		
Interest on Long-Term Debt	6,332	5,822
Amortization of Premium/Discount Costs	(2,370)	(2,152)
Net Interest Expense	<u>3,962</u>	<u>3,670</u>
CHANGE IN NET POSITION	<u>\$13,910</u>	<u>(\$799)</u>

DRAFT

RESOLUTION NO. _____

BE IT RESOLVED BY THE COMMISSIONERS
OF THE
SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY:

Section 1. This resolution may be referred to as the 2020 SFA budget resolution.

Section 2. There is hereby appropriated from the Revenue Fund, Operating Fund, Debt Service Fund, and other funds as appropriate, sufficient monies for the payment of demands against the Authority which relate to obligations incurred for the purposes and within the amount specified for such purposes in the following projection of the Authority's programs for the period January 1, 2020 through December 31, 2020.

Operation and Maintenance	\$168,613,181
Administrative & General	\$ 2,535,121
Principal and Interest	\$ 15,627,000
Capital Expenditures	\$ 1,365,000

There shall be deemed added to the O&M and Capital line items a +20% increase with no limit to a decrease in the Operations and Maintenance Expense line item, plus an additional \$2 million applicable to the overall budget.

Section 3. Demands against the Authority may be paid without the prior specific approval of this Commission, if they relate to obligations incurred for the purpose and within the amounts specified in Section 2, provided such demands are approved by the General Manager of the Authority, or his designee. It is the purpose

and intent of this paragraph to delegate to the General Manager, or his designee, authority to make purchases, to negotiate and execute contracts, and expend funds in any manner necessary or appropriate to the administration of the business affairs of the Authority, within the amounts and for the purposes set forth above, subject to duly adopted delegations of authority.