

Exhibit to Agenda Item #5

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

Tuesday, October 15, 2019 scheduled to begin at 5:30 p.m.

Customer Service Center, Rubicon Room

Requested Action

Authorize SMUD's Accountant to defer recognition of revenue from sales proceeds of Low Carbon Fuel Standard (LCFS) credits as regulatory liabilities and then match revenue recognition to the related expense in the appropriate accounting period for rate-making purposes.

Background

SMUD earns LCFS credits through electric vehicle (EV) charging

SMUD sells those credits to third parties

SMUD is required to use its LCFS credit sales proceeds to promote and expand EV adoption with current and future EV owners



Regulatory Accounting

When LCFS credit sales proceeds are in excess of LCFS program expenditures, the difference will be deferred by recording it as a regulatory liability

Revenue Deferral

When LCFS program expenditures are incurred in future periods, the amount in the regulatory liability will be recognized as LCFS credit sales revenue

Revenue Recognition

Requested Action

Authorize SMUD's Accountant to defer recognition of revenue from sales proceeds of Low Carbon Fuel Standard (LCFS) credits as regulatory liabilities and then match revenue recognition to the related expense in the appropriate accounting period for rate-making purposes.