Exhibit to Agenda Item #2

Board Strategic Development Committee and Special SMUD Board of Directors Meeting

Tuesday, March 10, 2020, scheduled to begin at 5:30 p.m.

Auditorium, SMUD Headquarters Building

SMUD First Ever Green Bond in 2019

2019 Series G bond transaction - $75 million issued to reimburse for HQ Renovation expenditures

- SMUD's First Green Bonds
- Used a 3rd party verifier - Kestrel Verifiers

Green Bond Market –

- Investor base is growing but issuers not realizing a pricing benefit
- More issuers providing verifiable assurance of the green characteristics for projects being funded
- Almost $200 billion total issuance nationally through 2019
- CA leading the way with $9.5 billion issued for 59 deals through 2019

Considerations for SMUD

Benefits:

- Expanded investor base
- Alignment of infrastructure development to our climate goals
- Demonstrates commitment to environmental initiatives
- SMUD can better plan financing to fund larger utility scale green projects

Challenges:

- Green Bond certification requirements not yet fully defined
- Due to pursuit of lowest cost and reduced project risk, qualified green projects could be built by 3rd party cheaper = no SMUD financing (SMUD costs would be O&M)
- Aligning reporting and ongoing disclosure requirements after certification
- Timing of qualifying projects to take advantage of market opportunities

Green Bonds
and the Municipal Market

March 10, 2020

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Green and ESG Bonds: Background

- Investors interest has increased in recent years for “bonds with a purpose”
- The municipal bond funds have responded through the creation of
  - Green Bond Funds
  - Environmental Social and Governance (ESG) funds
  - Coming soon…”Blue Funds” for water and ocean restoration
- Gaining momentum due to
  - Generational wealth transfer from the Baby Boom
  - Increased societal awareness
  - Climate change concerns
- PFM assists many of our power and other clients with this new market segment

Green and ESG Investors

apg

Union Investment

BlackRock

NN investment partners

AXA Investment Managers

TIAA

Vanguard

Goldman Sachs Asset Management

Raiffeisen Capital Management

Everence

Breckinridge CAPITAL ADVISORS

AB AllianceBernstein

Amundi ASSET MANAGEMENT

Allianz Global Investors

ZURICH

STATE STREET GLOBAL ADVISORS

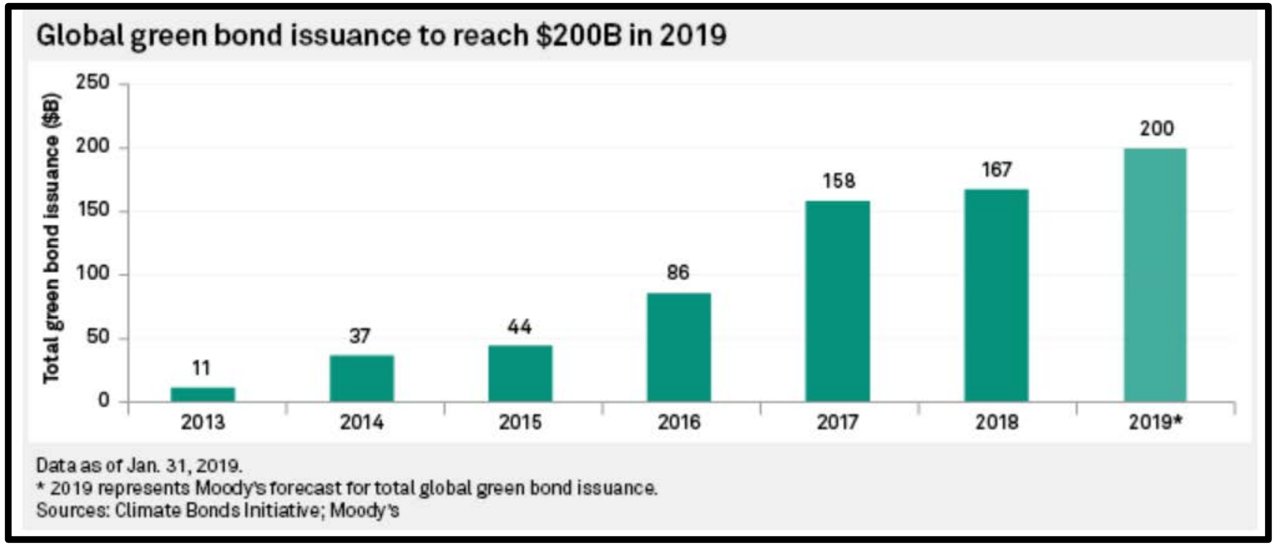
PGGM

mirova Responsible Investing

actiam

How Large is the Green/ESG Market?

- Continues to gain strength and momentum
- Investors developing “Green” and “ESG” funds
- 2019 saw 20% growth from 2018 with expectations of continued growth
- Europe leads the way with Green Bonds
- U.S. is a very small participant in this market and municipal utilities even smaller



Greenwashing

‘Green Bonds’
for a Parking Garage?

Massachusetts agency sells debt associated with environmentally friendly projects for a car-centric structure[1]

Illustrates the need to have an “honest broker” that can attest to the “Greenness” of the projects that bonds resource

1. Wall Street Journal, March 2015

Rating Agency Trends: Green Bonds

- Rating Agencies continue to roll-out their Green Bond Strategies
- Relatively straight forward evaluation

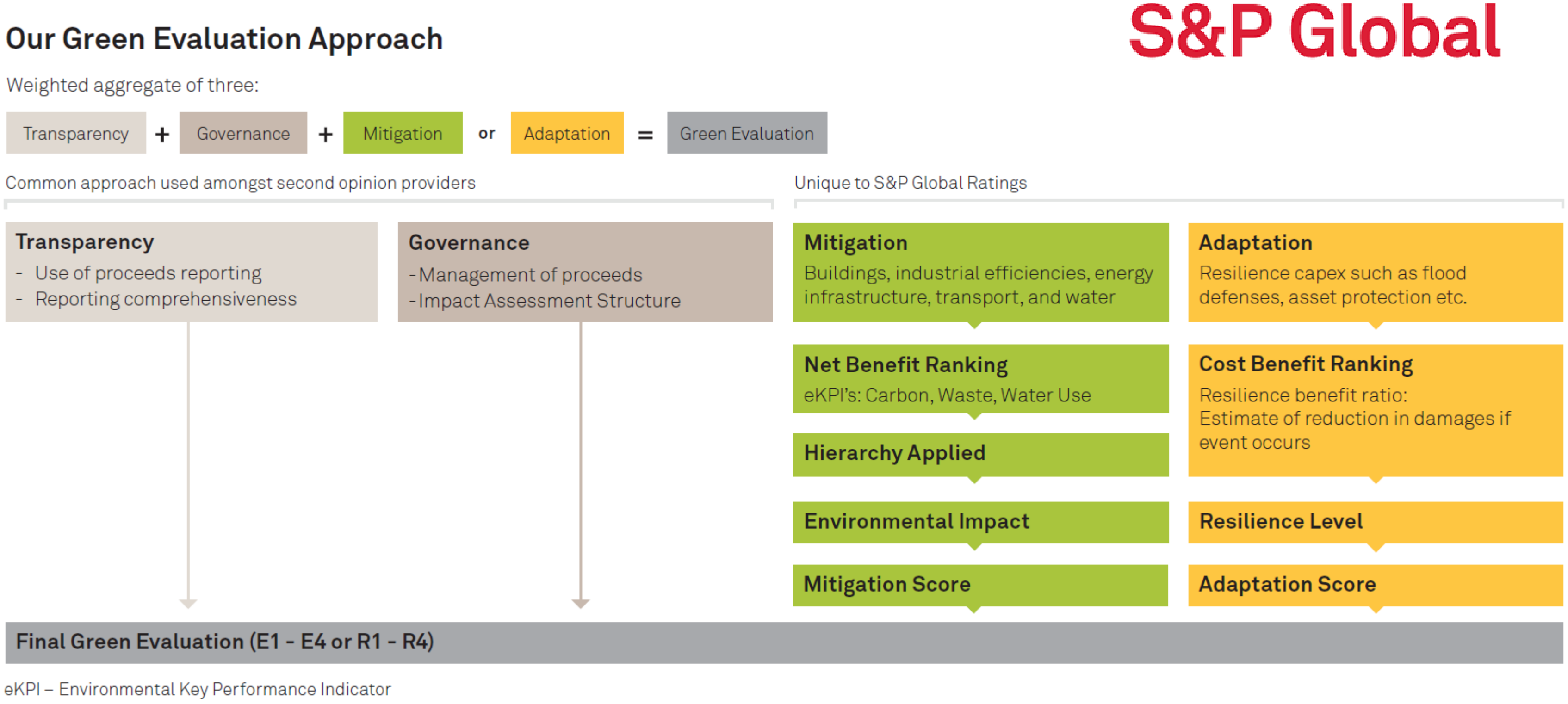
15%	Organization
40%	Use of proceeds
10%	Disclosure on use of proceeds
15%	Management of proceeds
20%	Ongoing reporting and disclosure

- Issuers have to commit to ongoing disclosure
- We do note that Moody's and a European firm, Vigeo, merged in 2019

Rating Agency Trends: Green Bonds

- Rating Agencies continue to roll-out their Green Bond Initiatives
- S&P is more quantitative in nature (compared to Moody's/Vigeo)

S&P Global



Rating Agency Trends: Green Bonds

- Rating Agencies continue to roll-out their Green Bond Initiatives
- Fitch does not have a formal process, but incorporates an assessment into the bond ratings (currently, no surprises for issuers)

Fitch Ratings

We are writing to let you know about an enhancement to our public finance and infrastructure issuer credit research. Environmental, social and governance (ESG) factors are featuring more prominently in our discussions with investors and market participants, but understanding exactly which of these factors impact credit rating decisions has been challenging for the market to discern.

Responding to requests for greater transparency surrounding these issues, Fitch introduced ESG Relevance scores as part of its research suite for corporate issuers in January, for financial institutions in February, and sovereigns in April. We will be extending ESG Relevance scores to all public finance and infrastructure issuers within a couple of weeks.

Rating Agency Trends: Green Bonds

- Rating Agencies continue to roll-out their Green Bond Initiatives….but yet to have a pricing benefit in the bond market (a "greenium")
- Issuers have generally been power (renewables) and water (clean rivers) as well as housing (energy efficiency programs)
- Some are controversial (3 Gorges Dam in China)

obvion hypotheken

MOHAWK VALLEY WATER AUTHORITY

TenneT Taking power further

City of Göteborg

CAPITAL REGION | WATER

NUEVO AEROPUERTO INTERNACIONAL DE LA CIUDAD DE MÉXICO

Brookfield Renewable Energy Partners

中国三峡 China Three Gorges Corporation

RENOVATEAMERICA

CROSS-SOUND CABLE COMPANY, LLC

Other Third Party Opinions: Green Bonds

Climate Bond Certified

vigeoeiris

The Green Bond Principles

RepRisk
Due diligence on ESG and business conduct

BAM
GREENSTAR

ISS-ethix

CDP
DISCLOSURE INSIGHT ACTION

CarbonCount

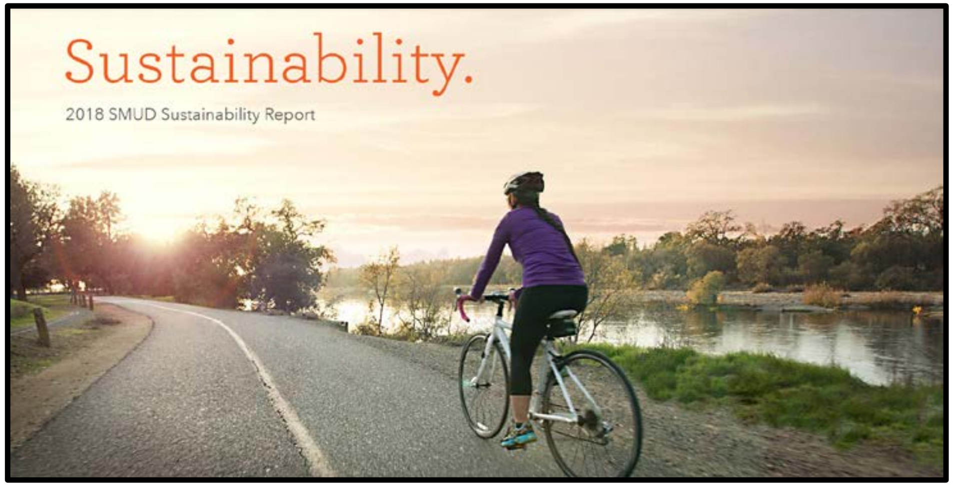
MSCI
ESG Research

SUSTAINALYTICS

KESTREL VERIFIERS

Disclosure Expectations: Annual Reporting

- DC Water has 3d party opinion and
- Accounting attestation on segregation of funds and use of proceeds



Green: Not just a “Municipal” effort

- Many municipal issuers are making progress toward “Green”
  - Sustainability reports
  - Climate change policy

- Some of these municipal efforts are well behind their competitors and public companies:

Conclusions

- A growing market - continues to gain strength and momentum (Europe)

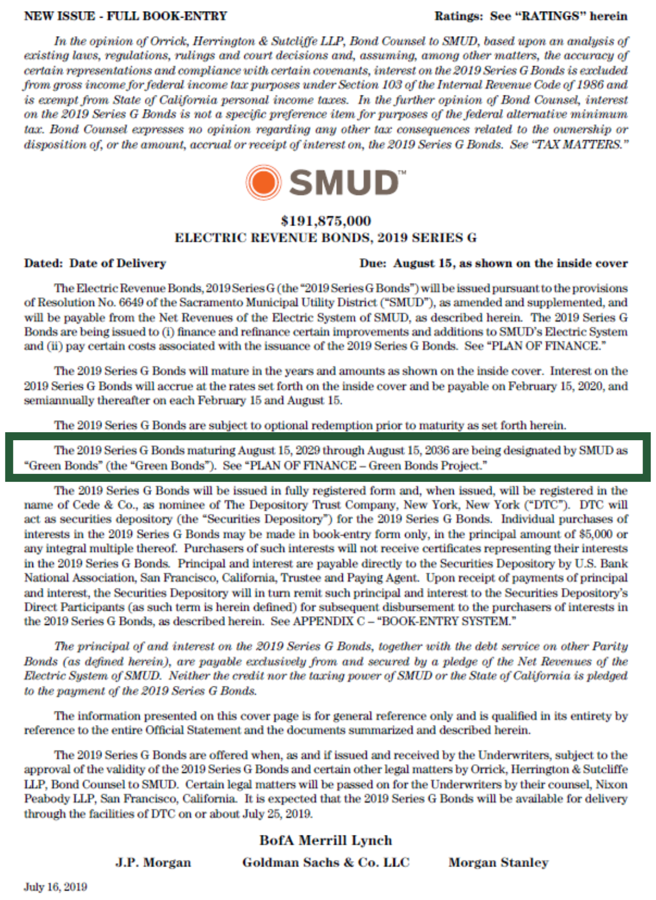
- For “credit”, requires a 3d party certification and ongoing disclosure of progress

- Needs an organizational commitment:
    - “Ethos”
    - Desire to lend credibility to the cause
    - Public Relations
    - Ongoing disclosure and project management efforts

- Investors – remain curious but will not pay a premium price

- Public Relations issues – what is green and environmentally responsible?

- Public Power presence – limited compared to Water & Sewer



NEW ISSUE - FULL BOOK-ENTRY **Ratings: See “RATINGS” herein**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to SMUD, based upon an analysis of existing laws, regulations, rulings and court decisions and, assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2019 Series G Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the 2019 Series G Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2019 Series G Bonds. See “TAX MATTERS.”

SMUD™

$191,875,000
ELECTRIC REVENUE BONDS, 2019 SERIES G

Dated: Date of Delivery **Due: August 15, as shown on the inside cover**

The Electric Revenue Bonds, 2019 Series G (the “2019 Series G Bonds”) will be issued pursuant to the provisions of Resolution No. 6649 of the Sacramento Municipal Utility District (“SMUD”), as amended and supplemented, and will be payable from the Net Revenues of the Electric System of SMUD, as described herein. The 2019 Series G Bonds are being issued to (i) finance and refinance certain improvements and additions to SMUD’s Electric System and (ii) pay certain costs associated with the issuance of the 2019 Series G Bonds. See “PLAN OF FINANCE.”

The 2019 Series G Bonds will mature in the years and amounts as shown on the inside cover. Interest on the 2019 Series G Bonds will accrue at the rates set forth on the inside cover and be payable on February 15, 2020, and semiannually thereafter on each February 15 and August 15.

The 2019 Series G Bonds are subject to optional redemption prior to maturity as set forth herein.

The 2019 Series G Bonds maturing August 15, 2029 through August 15, 2036 are being designated by SMUD as “Green Bonds” (the “Green Bonds”). See “PLAN OF FINANCE – Green Bonds Project.”

The 2019 Series G Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository (the “Securities Depository”) for the 2019 Series G Bonds. Individual purchases of interests in the 2019 Series G Bonds may be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Purchasers of such interests will not receive certificates representing their interests in the 2019 Series G Bonds. Principal and interest are payable directly to the Securities Depository by U.S. Bank National Association, San Francisco, California, Trustee and Paying Agent. Upon receipt of payments of principal and interest, the Securities Depository will in turn remit such principal and interest to the Securities Depository’s Direct Participants (as such term is herein defined) for subsequent disbursement to the purchasers of interests in the 2019 Series G Bonds, as described herein. See APPENDIX C – “BOOK-ENTRY SYSTEM.”

The principal of and interest on the 2019 Series G Bonds, together with the debt service on other Parity Bonds (as defined herein), are payable exclusively from and secured by a pledge of the Net Revenues of the Electric System of SMUD. Neither the credit nor the taxing power of SMUD or the State of California is pledged to the payment of the 2019 Series G Bonds.

The information presented on this cover page is for general reference only and is qualified in its entirety by reference to the entire Official Statement and the documents summarized and described herein.

The 2019 Series G Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of the validity of the 2019 Series G Bonds and certain other legal matters by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to SMUD. Certain legal matters will be passed on for the Underwriters by their counsel, Nixon Peabody LLP, San Francisco, California. It is expected that the 2019 Series G Bonds will be available for delivery through the facilities of DTC on or about July 25, 2019.

BofA Merrill Lynch

J.P. Morgan **Goldman Sachs & Co. LLC** **Morgan Stanley**

July 16, 2019

SMUD is well positioned for the future with prior Green Certification, forward-thinking generation mix, high renewable/carbon goals, California footprint and environmentally conscience ethos

Market Update

Equity Markets fell more than 10% in one week – stabilized for now

Federal Reserve implemented an emergency .50% Fed Funds rate cut

Interest Rates at all time lows

- The Municipal Benchmark Yield - 30 yr. Municipal Market Data (MMD), used to determine SMUD borrowing costs at 1.52%
- 10 yr. Treasury under 1% (reached 0.66% on 3/6)
- 30 yr. Treasury at 1.61%

SMUD Exploring Near-term Financing

New Capital Funding – planned $300 million this year; market opportunity to issue now at all time lows.

- Green Bonds: if qualifying capital expenditures exist may issue a limited amount

Savings Opportunity - Series 2103 A&B Bonds - Options include:

- Taxable Refunding – immediate cash flow savings
- Direct Placement Refunding with a Bank – savings starting in 2023
- Interest Rate Swap to Hedge a Future Refunding –savings start in 2023

Staff plans to seek approval at the April Finance Committee and Board meeting

Questions?