

Exhibit to Agenda Item #2

Authorize the Chief Executive Officer and General Manager to negotiate and execute any and all contracts and documents necessary to effectuate the transfer of assets and obligations of the **Central Valley Financing Authority (CVFA)**, including ownership of **Carson Ice Cogeneration Plant**; **Sacramento Cogeneration Authority (SCA)**, including ownership of the **Procter & Gamble Cogeneration Plant**; and the **Sacramento Power Authority (SPA)**, including ownership of the **Campbells Cogeneration Plant** and the **McClellan Gas Turbine Plant**, to the **Sacramento Municipal Utility District Financing Authority (SFA)**.

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

Wednesday, October 14, 2020, scheduled to begin at 5:30 p.m.

Virtual Meeting (online)

Requested Action

- October 15, 2020 Board & CVFA, SCA, SPA, and SFA Commission meetings
- Authorize the CEO and General Manager, or his designee, to negotiate and execute any and all contracts and documents necessary to effectuate the transfer of assets and obligations of CVFA, SCA and SPA, including ownership of their respective power plants to SFA.

Background

- As of September 2019, all debt related to CVFA, SCA and SPA has been paid off, eliminating requirements of bond documents, providing flexibility to consolidate the thermal generation plants into SFA.
- Sole purpose of the asset and obligation transfer to SFA is to benefit from internal administrative efficiencies and external cost savings.
- Anticipate CVFA, SCA, and SPA may continue to exist for potential future use, but staff still is considering the merits of keeping.

Benefits & Costs

Benefits:

- External cost savings (external auditor fees)
- Streamlined financial reporting with single thermal JPA
- Freeing up resources in finance organization through time savings attributed to audit and administrative requirements
- Minor reduction to JPA Commissioners' meeting time
- No increase to legal or regulatory risk or any financial metric impact

Costs & Payback:

- Cost: \$400,000 one-time costs in 2021 providing \$175,000/yr. in savings
- Payback: 2.3 years

Key Steps

- File with regulatory agencies to change plant owner name to SFA
- Assign various contracts to SFA
- Create new or amend certain contracts (i.e. Power Purchase Agreement with SMUD)
- Update internal systems to accommodate revised accounting and budget work process
- Internal Accounting treatment to transfer assets and liabilities to SFA
- Administrative tasks such as close bank accounts and update budget process

Recommendation

Staff recommends that the CVFA, SCA, SPA and SFA Commissions and the SMUD Board authorize the CEO and General Manager, or his designee, to negotiate and execute any and all contracts and documents necessary to effectuate the transfer of assets and obligations of CVFA, SCA and SPA, including ownership of their respective power plants to SFA.