

Exhibit to Agenda Item #3

Board Monitoring: **Governance Process GP-11, Board Review of Internal Records; Governance Process GP-14, External Auditor Relationship; Board-Staff Linkage BL-10, Delegation to the General Manager with Respect to Real and Personal Property; Board-Staff Linkage BL-12, Delegation to the General Manager for Transmission, Wholesale Electricity, and Natural Gas Transactions; Board-Staff Linkage BL-13, Delegation to the GM with Respect to Grants; and Board-Staff Linkage BL-14, Delegation to the Chief Executive Officer and General Manager with Respect to Customer Products, Services, and Programs.**

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)

GP-11 Board Review of Internal Records

Board members may review any record of SMUD at any time, so long as confidentiality requirements are followed.

Specifically:

- a. Board member requests to inspect SMUD records shall be forwarded to the General Manager, who will provide the requested files for review on SMUD premises.
- b. No confidential or original documents shall be taken from SMUD premises except with the authorization of the General Manager.
- c. Board members shall follow the same confidentiality requirements applicable to SMUD employees dealing with such files. SMUD employee personnel files will not be subject to Board review except as permitted by law.
- d. The Board Office shall maintain a log of all copies of documents requested by Board members. The log will be available for inspection by members of the public during working hours.

GP-14 External Auditor Relationship

The Board is responsible for hiring SMUD's external auditor to perform the annual independent audit.

Specifically:

- a. The Board will make the choice of external auditor, based on input from staff and others it deems necessary to exercise prudent, independent judgment.
- b. After consulting with Board members, the Chair of the Finance and Audit Committee shall meet with the external auditor after the audit is complete. The meeting will be independent of staff. The Board member(s) will report their findings to the Board on a timely basis.

BL-10 Delegation - Real & Personal Property

Normal business operations require SMUD to engage in: (i) the acquisition, disposition, and lease of interests in real property; and (ii) the disposition and lease of surplus personal property.

- a) **Delegation of Authority:** The General Manager is delegated decision making and approval authority within the parameters that follow.
- b) **Real Property:**
 - i) Purchase, Sale or Exchange of Real Property. The purchase price does not exceed \$5 million and is within 115% of the appraised value of the property. The sale of real property shall be at fair market value and offered in accordance with California Government Code section 54220 et seq. and other applicable law. In an exchange of real property, SMUD shall remain financially whole or benefit from the transaction.
 - ii) Lease of SMUD Real Property. Leases shall be for fair market value and shall not adversely impact SMUD's current or anticipated future operations.

BL-10 (continued)

- iii) Easements, Rights of Way, Licenses or Quitclaim Deeds. Easements, rights of way, licenses and quitclaim deeds may be granted to third parties where SMUD's current or anticipated future operations are not adversely impacted. Lease, easements, licenses and rights-of-way from third parties may be obtained within 125% of fair market value.
- iv) Special Assessments, Governmental Fees and Property Taxes. Cast all ballots, negotiate, pay taxes, assessments, fees, levies or charges arising from or related to SMUD's ownership or other interests in real property.

c) **Personal Property:**

- i) Disposal of Surplus, Scrap or Obsolete Personal Property. The disposal of surplus, scrap, or obsolete personal property shall be done in accordance with applicable law.
- ii) Lease of SMUD Personal Property. Leases shall be for fair market value and shall not adversely impact SMUD's current or anticipated future operations.

BL-12 Delegation - Transmission, Electricity, Natural Gas

As part of prudently managing energy related risks, providing retail rate stability and serving customers, SMUD is required to enter into: (i) contracts to purchase and sell wholesale electricity and natural gas; (ii) contracts for transmission, natural gas transportation and natural gas storage; and (iii) contracts to financially hedge or mitigate risks associated with wholesale electricity and natural gas prices, supplies and markets.

Delegation of Authority: The General Manager is delegated decision making authority consistent with the Energy Risk Management and Energy Trading Standards adopted by this Board.

BL-13 Delegation - Grants

SMUD's participation in state and federal grants as a prime-recipient or sub-recipient provides a unique opportunity for SMUD to leverage state and federal funds to advance SMUD's policies, conduct research and development projects, and provide benefits to the Sacramento community. SMUD's grant participation shall further SMUD's strategic directives, provide benefits to SMUD's customers and the community, and shall be consistent with the following principles.

- a) **Competitive Advantage:** Because grants are typically competitively awarded, SMUD will select its grant partners or participate on a grant team where the partners provide a competitive advantage in the grant selection process. Time permitting and where practical, SMUD will select qualified grant partners through a formal or informal request for qualifications.
- b) **Viable Grant Partners:** SMUD shall only contract with reputable and financially viable grant partners.
- c) **Local Grant Partners:** All other things being equal, in selecting grant partners SMUD will generally prefer governmental entities, not-for profit organizations, and businesses located in the Sacramento region.
- d) **Delegation of Authority to the General Manager:** The General Manager is delegated authority to select and enter into contracts with grant partners and file grant applications where SMUD's commitment of financial and in-kind resources to the grant does not exceed \$1million.

BL-14 Delegation – Products, Services, Programs

SMUD develops and provides innovative products, services and programs to benefit our customers, community and operations. These products, services and programs provide options to our customers, improve our operations, and further the purpose of Strategic Direction 19 (Diversified Business).

- a) **Delegation of Authority:** The Chief Executive Officer and General Manager is delegated decision making and approval authority for the development and delivery of products, services and programs for SMUD customers.

In addition, the Chief Executive Officer and General Manager is authorized to enter into strategic partnerships related to the development and delivery of innovative technologies, new business models, programs or services within and outside of the SMUD service area consistent with Strategic Direction SD-19.

The Chief Executive Officer and General Manager shall seek prior Board approval for strategic partnerships that create a material financial, reputational, or operational risk.

- b) **Reporting:** The Chief Executive Officer and General Manager shall provide advance notice to the Board prior to entering into new strategic partnerships.