

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

Date: Tuesday, December 7, 2021

Time: 5:30 p.m.

Location: Virtual Meeting (online)

Powering forward. Together.



AGENDA BOARD FINANCE & AUDIT COMMITTEE MEETING AND SPECIAL SMUD BOARD OF DIRECTORS MEETING

Tuesday, December 7, 2021

Scheduled to begin at 5:30 p.m.

Zoom Webinar Link: [Join SMUD Board Finance & Audit Committee Meeting Here](#)

Webinar/Meeting ID: 160 481 1211

Passcode: 369623

Phone Dial-in Number: 1-669-254-5252 or 1-833-568-8864 (Toll Free)

Pursuant to Government Code section 54953(e) and the Emergency Board Meeting Procedures adopted by the SMUD Board of Directors, the regular Board meeting and other public meetings are currently conducted solely via virtual (online/teleconference) meeting to align with state, local, and federal guidelines for the containment of the coronavirus.

Live video streams and indexed archives of meetings are available at:

http://smud.granicus.com/ViewPublisher.php?view_id=16

Members of the public may register to provide verbal comments at an upcoming Board or Committee meeting by emailing a request to speak to PublicComment@smud.org. Please include the date of the meeting, name, and topic or agenda item the requestor wishes to speak on. The request may also be submitted while the meeting is in progress during the standard time for the agenda item or topic. **Pre-registration is strongly encouraged by no later than 3:00 p.m. on the day of the meeting.**

Members of the public may provide written public comments on a specific agenda item or on items not on the agenda (general public comment) by submitting comments via e-mail. Comments may be submitted to PublicComment@smud.org and will be placed into the record of the meeting.

Members of the public that are listening to or watching the live stream of a Committee meeting and wish to submit written comments on a specific agenda item as it is being heard may submit their comments, limited to 250 words or less, to PublicComment@smud.org, noting the agenda item number in the subject line. The Committee Chair may read comments for items on the agenda into the record, in her discretion, based upon such factors as the length of the agenda or the number of e-mail comments received. General public comment for items not on the agenda will not be read into the record but will be provided to the Board and placed into the record of the Board meeting if it is received within two hours after the meeting ends.

This Committee meeting is noticed as a joint meeting with the Board of Directors for the purpose of compliance with the Brown Act. In order to preserve the function of the Committee as advisory to the Board, members of the Board may attend and participate in the discussions, but no Board action will be taken. The Finance and Audit Committee will review, discuss and provide the Committee's recommendation on the following:

INFORMATIONAL ITEM

1. Aaron Worthman
AUDIT PARTNER
BAKER TILLY US LLP
SMUD 2021 Financial Statements External Audit Plan.
Presentation: 5 minutes
Discussion: 2 minutes

DISCUSSION ITEMS

2. Eric Poff
Authorize the Chief Executive Officer and General Manager to award a contract to **Wilson Utility Construction Company** to construct **Station G Substation - Phase II Electrical** for a period of December 13, 2021, to June 30, 2023, in an amount not-to-exceed \$16,021,365.
Presentation: 8 minutes
Discussion: 2 minutes
3. Laurie Rodriguez
Adopt the **California Public Employees' Retirement System (CalPERS) "Resolution for Paying and Reporting the Value of Employer Paid Member Contributions"** for all "Classic Member" employees effective January 1, 2022, for each of the following applicable groups:
 - a. Executive, Management, Professional, Administrative, and Supervisory (PAS) employees (including civil service exempt employees) and confidential employees (collectively, the "unrepresented employees"); and
 - b. Security employees of the SMUD Public Safety Officers' Association (PSOA).
Presentation: 4 minutes
Discussion: 4 minutes
4. Laurie Rodriguez
Approve Contract Change No. 1 to Contract No. 4500128620 with **EPI-USE America, Inc.** to extend the contract expiration date by two years to March 31, 2024, increase the contract amount by \$6,876,612, from \$263,500 to \$7,140,112, and to add scope required for **Phase 1 Implementation** of the **SAP SuccessFactors** Human Experience Management modules and to start preparatory activities for **Phase 2 Implementation** under the **Talent and Technology Transformation (T3) Project**.
Presentation: 10 minutes
Discussion: 10 minutes

5. Jennifer Davidson Authorize SMUD's Accountant to defer recognition of \$35 million of 2021 operating revenues to offset future one-time specific expenditures in order to match such expenditures in the appropriate accounting period for rate-making purposes.
Presentation: 8 minutes
Discussion: 2 minutes

INFORMATIONAL ITEMS (cont.)

6. Lisa Limcaco Provide the Board with the financial results from the 10-month period ended October 31, 2021.
Presentation: 4 minutes
Discussion: 1 minute
7. Claire Rogers Audit Report: Transmission Maintenance Inspection Plan (TMIP) – Communication Equipment.
Discussion: 1 minute
8. Lisa Limcaco Provide the Board with the summary of SMUD's current Power Supply Costs.
Presentation: 3 minutes
Discussion: 1 minute
9. Public Comment
10. Rosanna Herber Summary of Committee Direction.
Discussion: 1 minute

ANNOUNCEMENT OF CLOSED SESSION AGENDA

1. Public Employee Performance Evaluation

Pursuant to Section 54954.5 of the Government Code:

- a. CEO and General Manager;
- b. Chief Legal & Government Affairs Officer; and
- c. Special Assistant to the Board.

Pursuant to Resolution No. 20-06-08 adopted on June 18, 2020, Emergency Board Meeting Procedures are in effect:

Members of the public may make either a general public comment or comment on a specific agenda item by submitting comments via email. Comments may be submitted to PublicComment@smud.org. Comments will be provided to the Board and placed into the record of the Committee meeting if it is received within two hours after the meeting ends.

Members of the public that are listening or watching the live stream of a Board meeting and wish to comment on a specific agenda item as it is being heard, may submit their comments, limited to 250 words or less, to PublicComment@smud.org. The Board Committee Chair may read the comments into the record, in her discretion, based upon such factors as the length of the agenda or the number of email comments received. Comments will be provided to the Board and placed into the record of the Committee meeting if it is received within two hours after the meeting ends.

*Members of the public may register to provide verbal comments at an upcoming Board or Committee meeting by emailing a request to speak to PublicComment@smud.org. Please include the date of the meeting, name, and topic or agenda item the requestor wishes to speak on. The request may also be submitted while the meeting is in progress during the standard time for the agenda item or topic. **Pre-registration is strongly encouraged by no later than 3:00 p.m. on the day of the meeting.***

ADA Accessibility Procedures: Upon request, SMUD will generally provide appropriate aids and services leading to effective communication for qualified persons with disabilities so that they can participate equally in this virtual meeting. If you need a reasonable auxiliary aid or service for effective communication to participate, please email Toni.Stelling@smud.org, or contact by phone at (916) 732-7143, no later than 48 hours before this virtual meeting.

SSS No.

ACC 21-020

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date

Finance & Audit

December 7, 2021

Board Meeting Date

December 9, 2021

TO				TO					
1.	Lisa Limcaco			6.					
2.	Jennifer Davidson			7.					
3.	Gary King			8.					
4.	Lora Anguay			9.	Legal				
5.	Scott Martin			10.	CEO & General Manager				
Consent Calendar		Yes	<input checked="" type="checkbox"/>	No If no, schedule a dry run presentation.		Budgeted	<input checked="" type="checkbox"/>	Yes	No (If no, explain in Cost/Budgeted section.)
FROM (IPR) Kathy Ketchum				DEPARTMENT Accounting				MAIL STOP B352	EXT. 5661
DATE SENT 11/03/2021									
NARRATIVE:									
Requested Action: 2021 SMUD Financial Statements External Audit Plan.									
<p>Summary: SMUD's Independent Auditor is preparing for the annual audit of SMUD's financial statements. Before they begin their fieldwork, they will present their audit plan to the Finance and Audit Committee. Financial statements are required to be audited by an Independent Auditor in order to access credit markets.</p> <p>Board Policy: GP-14, External Auditor Relationship. (Number & Title) SD-3, Access to Credit Markets.</p> <p>Benefits: To provide information to the Board of Directors regarding the planned work of the Independent Auditor.</p> <p>Cost/Budgeted: The cost of this presentation is included in the contract for the annual audit of SMUD's financial statements.</p> <p>Alternatives: Not to present the planned work of the Independent Auditor.</p> <p>Affected Parties: Accounting</p> <p>Coordination: Accounting</p> <p>Presenter: Aaron Worthman, Baker Tilly US, LLP</p>									

Additional Links:

SUBJECT

2021 Financial Statement Independent Auditor Plan

ITEM NO. (FOR LEGAL USE ONLY)

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SSS No. SCS 21-278

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date
Finance & Audit - 12/07/21Board Meeting Date
December 9, 2021

TO					TO				
1.	Robert Adams				6.	Jennifer Davidson			
2.	Eric Poff				7.	Lora Anguay			
3.	Frankie McDermott				8.	Scott Martin			
4.	Casey Fallon				9.	Legal			
5.	Gary King				10.	CEO & General Manager			

Consent Calendar	x	Yes	No If no, schedule a dry run presentation.	Budgeted	x	Yes	No (If no, explain in Cost/Budgeted section.)		
FROM (IPR) Jesse Mays				DEPARTMENT Grid Assets			MAIL STOP EA404	EXT. 5744	DATE SENT 11/19/21

NARRATIVE:

Requested Action: Authorize the Chief Executive Officer and General Manager to award a contract to Wilson Utility Construction Company (Wilson) to construct Station G Substation - Phase II Electrical for a period of December 13, 2021, to June 30, 2023, in an amount not-to-exceed \$16,021,365.

Summary: The proposed Station G 115kV/12kV Substation located at 7th and G Streets will replace the existing Station A substation located at 6th and H Streets, which is at the end of its operational life.

Request for Proposal (RFP) No. Doc3053542981 was issued in August 2021 to solicit qualified firms to provide comprehensive construction services for the Station G Substation Project Phase II that includes substation, transmission line & miscellaneous construction. SMUD held a mandatory pre-proposal conference on August 19, 2021, of which five Contractors attended. On October 5, 2021, SMUD received two proposals of which only one was responsive to the requirements of the RFP. SMUD staff performed three rounds of negotiations with Wilson and utilized consultants, historical pricing, and market analytics to determine cost fairness and reasonableness.

Board Policy: BL-8, Delegation to the Chief Executive Officer and General Manager with Respect to Procurement;
(Number & Title) SD-4, Reliability; SD-7, Environmental Leadership; SD-13; Economic Development Policy.

Recommendation: Award to Highest Evaluated Responsive Proposer

Award to:

Wilson Utility Construction Company
1190 NW Third Avenue
Canby, OR 97013

Proposers Notified by Procurement: 37

Proposers Downloaded: 9

Pre-Proposal Conference Attendance: 5

Proposals Received: 2

Responsive Proposals Received	<u>P/F</u>	<u>10 Points SEED</u>	<u>50 Points Technical</u>	<u>40 Points Pricing</u>	Total Score	Overall Rank	Proposal Amount	Evaluated Proposal Amount	Proposed Award Amount
Wilson Utility Construction Company	P	0.88	42.94	29.44	73.26	1	\$16,021,364.34	\$15,771,364.34	\$16,021,364.34

Non-Responsive Proposals Received	Proposal Amount
Henkels & McCoy	\$11,782,897.15

Comments: Henkels & McCoy proposal was deemed nonresponsive because they did not evidence experience with high-pressure, fluid-filled (HPFF) cable. Additionally, Henkels & McCoy took exception to the scope for HPFF intercept and the cross-linked polyethylene (XLPE) cable system which is a critical portion of scope.

Supplier Diversity Program:

The highest rated Proposer, Wilson Utility Construction Company, is self-performing 87.8% of the work. Wilson is subcontracting 1.74 % to Supplier Education and Economic Development (SEED) vendors, and 10.46% to non-SEED vendors.

Benefits: This contract provides a qualified contractor to construct the substation, transmission line & miscellaneous construction at Station G.

Cost/Budgeted: \$16,021,365; Budgeted for 2021 to 2023 by Grid Assets.

Alternatives: Reject all proposals and resolicit proposal for this contract. This option would require SMUD to continue to rely on Station A as the power source for downtown Sacramento.

Affected Parties: Grid Assets, Supply Chain Services, and Contractor.

Coordination: Grid Assets and Supply Chain Services.

Presenter: Eric Poff, Director, Substations, Telecommunications, and Metering Assets

Additional Links:

SUBJECT	Station G Substation Phase II Electrical Construction	ITEM NO. (FOR LEGAL USE ONLY)
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ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SSS No. SCS

HRS 21-008

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date

Finance & Audit – December 7, 2021

Board Meeting Date

December 9, 2021

TO		TO	
1.	Laurie Rodriguez	6.	
2.	Gary King	7.	
3.	Jennifer Davidson	8.	
4.	Lora Anguay	9.	Legal
5.	Scott Martin	10.	CEO & General Manager

Consent Calendar	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No <i>If no, schedule a dry run presentation.</i>	Budgeted	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No <i>(If no, explain in Cost/Budgeted section.)</i>
FROM (IPR)		DEPARTMENT			MAIL STOP		EXT.		DATE SENT
Jason Shibata		People Services & Strategies			B251		6383		11/10/2021

NARRATIVE:

Requested Action: Adopt the California Public Employees' Retirement System (CalPERS) "Resolution for Paying and Reporting the Value of Employer Paid Member Contributions" for all "Classic Member" employees effective January 1, 2022, for each of the following applicable groups:

- Executive, Management, Professional, Administrative, and Supervisory (PAS) employees (including civil service exempt employees) and confidential employees (collectively, the "unrepresented employees"); and
- Security employees of the SMUD Public Safety Officers' Association (PSOA).

Summary: Employee contributions to CalPERS are based on a fixed percentage of salary. CalPERS requires SMUD employees to contribute 7.0% of salary to participate. SMUD currently contributes 1.75% of the total 7.0% on behalf of unrepresented employees and SMUD reports that contribution as compensation.

Effective January 1, 2022, SMUD will contribute 1.75% and the unrepresented employees will contribute 5.25% of the member contribution (on a pre-tax basis), which contribution percentage has remained unchanged since the Board adopted Resolution No. 16-12-07 on December 1, 2016.

Effective January 1, 2022, SMUD will no longer contribute any percentage towards the employee contribution and the PSOA employees will contribute the full 7.0% (on a pre-tax basis) pursuant to the Memorandum of Understanding between SMUD and the PSOA (MOU) executed on October 25, 2019, and approved by Resolution No. 19-10-04 on October 17, 2019.

The administrative action of having a governing body vote to implement a contract is a CalPERS requirement.

Board Policy: SD-3 Access to Credit Markets. SMUD's adjusted its Total Rewards Philosophy in consideration of the long-term revenue requirements, debt, and financial risk to SMUD.

SD-8 Employee Relations. Providing pension benefits to employees supports SMUD's goal of an inclusive workplace that engages and inspires employees to commit to SMUD's purpose, vision, and values.

Benefits: SMUD will reduce its liability by approximately \$52,000 in 2022.

Cost/Budgeted: Assuming current enrollment, SMUD's share of cost for 2022 is projected at \$1.5M for unrepresented employees. SMUD will no longer have any cost associated with this benefit for PSOA for 2022.

Alternatives: Not accept the proposed pension cost sharing and continue to have SMUD contribute 1.75% on behalf of PSOA employees in contravention to the MOU.

Affected Parties: All CalPERS "Classic Member" eligible employees in the Executive, Management, Professional, Administrative, and Supervisory (PAS) (including civil service exempt employees), Confidential employee groups and Security employees of the SMUD PSOA.

Coordination: People Services & Strategies, Payroll, and CalPERS

Presenter: Laurie Rodriguez, Director, People Services & Strategies

Additional Links:

SUBJECT	Adopt the Resolution for Paying and Reporting the Value of Employer Paid Member Contribution (EPMC) effective Jan. 1, 2022, for Each Applicable Employee Group	ITEM NO. (FOR LEGAL USE ONLY)
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ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SSS No. SCS 21-263

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date
Finance & Audit - 12/07/21Board Meeting Date
December 9, 2021

TO					TO				
1.	Carla Leek				6.	Gary King			
2.	Laurie Rodriguez				7.	Lora Anguay			
3.	Casey Fallon				8.	Scott Martin			
4.	Stephen Clemons				9.	Legal			
5.	Jennifer Davidson				10.	CEO & General Manager			

Consent Calendar		X	Yes	No If no, schedule a dry run presentation.	Budgeted	X	Yes	No (If no, explain in Cost/Budgeted section.)		
FROM (IPR) Dejona Lopez					DEPARTMENT Procurement, Warehouse & Fleet			MAIL STOP B357	EXT. 5331	DATE SENT 11/19/2021

NARRATIVE:

Requested Action: Approve Contract Change No. 01 to Contract No. 4500128620 with EPI-USE America, Inc. to extend the contract expiration date by two years to March 31, 2024, increase the contract amount by \$6,876,612, from \$263,500 to \$7,140,112, and to add scope required for Phase 1 Implementation of the SAP SuccessFactors Human Experience Management modules and to start preparatory activities for Phase 2 Implementation under the Talent and Technology Transformation (T3) Project.

Summary: The T3 Project, sponsored by the People Services & Strategies Department (PS&S), is intended to replace disparate technology platforms and manual processes currently utilized to perform a wide variety of Human Resource (HR) functions across the organization. The goal of the T3 project is to implement a fully integrated Human Experience Management platform, SAP SuccessFactors. The initial contract was awarded on a competitive basis to EPI-USE America, Inc. in August 2021 to provide expert support from end-to-end on this monumental effort, which includes consulting, change management, training, and implementation services. To strategically support and staff this project, SMUD has adopted a phased approach for this contract and awarded a master contract that is suited to accommodate the full lifecycle of the project. The implementation will be broken up into two phases, each of which are preceded by a robust Discovery and Prepare phase. The initial contract was awarded for the period of August 16, 2021, to March 31, 2022, for a not-to-exceed amount of \$263,500, to cover the Discover and Prepare phases for Phase 1 Implementation.

This Contract Change No. 01 is being requested to add the scope, schedule, and funds for Phase 1 of the implementation as identified in the initial Discover and Prepare phases. Phase 1 Implementation includes the following modules: Employee Central, EC Payroll, Time & Attendance, BenefitFocus, Onboarding & Recruiting, Goal Management, Reports & Queries, and Workforce Analytics. This contract change also includes the Discover and Prepare phases for Phase 2 Implementation of the remaining modules: Compensation, Performance Management, Learning, Succession & Development, Forecasting & Scheduling, Reports & Queries, and Workforce Analytics. Since the work in Phase 1 is required to inform Phase 2 Implementation requirements, it is anticipated that Phase 2 Implementation scope will require Board approval of an additional contract change in Q2 or Q3 of 2022.

Rates for this contract change remain consistent with what was negotiated in the original contract, which was competitively bid and contemplated the full project scope. Engaging with the consultant to do a deep dive on the Discovery and Prepare phases allowed staff to solidify the Phase 1 Implementation scope and negotiate a fair and reasonable firm fixed implementation price.

Currently, the contract balance is approximately \$208,214.

Contract Actions	Amount	Cumulative Total	Description
Original Contract	\$263,500		
Pending Change No. 01	\$6,876,612	\$7,140,112	Extend and add scope and funds

Comments: This is a nonstandard SMUD contract format. The terms and conditions that govern this contract have been reviewed and approved by SMUD Risk Management and Legal.

EPI-USE is proposing 20% subcontracting with a Supplier Education & Economic Development (SEED) vendor, Motive Power, to complete the services associated with Phase 1 Implementation of the T3 Project.

Board Policy: BL-8, Delegation to the Chief Executive Officer and General Manager with Respect to Procurement;
(Number & Title) Procurement

Benefits: The ability for People Services & Strategies to transform and streamline their existing Human Resource (HR) systems and processes, which will in turn positively impact all of SMUD.

Cost/Budgeted: \$7,140,112; Budgeted for 2021-2024 by Technology & Innovation.

Alternatives: Do not approve this contract change. If this contract change were not to be approved, People Services & Strategies would not have the ability to transform their outdated HR systems and manual processes, which would not be in the best interest of SMUD.

Affected Parties: Technology & Innovation, Supply Chain Services, and EPI-USE America, Inc.

Coordination: Technology & Innovation, Dawn Fowler (Contract Manager), and Supply Chain Services.

Presenter: Laurie Rodriguez, Director, People Services & Strategies

Additional Links:

SUBJECT

Contract Change No. 1 to EPI-USE America, Inc. Contract for T3 Project

ITEM NO. (FOR LEGAL USE ONLY)

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SSS No. CFO 21-016

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date
Finance & Audit – 12/07/21

Board Meeting Date
December 9, 2021

TO					TO					
1.	Jennifer Davidson				6.					
2.	Gary King									
3.	Lora Anguay				8.					
4.	Scott Martin				9.	Legal				
5.					10.	CEO & General Manager				
Consent Calendar		<input checked="" type="checkbox"/>	Yes	No <i>If no, schedule a dry run presentation.</i>		Budgeted	<input checked="" type="checkbox"/>	Yes	No <i>(If no, explain in Cost/Budgeted section.)</i>	
FROM (IPR) Lisa Limcaco				DEPARTMENT Accounting				MAIL STOP B351	EXT. 7045	DATE SENT 11/22/2021
NARRATIVE:										
Requested Action:		Authorize SMUD's Accountant to defer recognition of \$35 million of 2021 operating revenues to offset future one-time specific expenditures in order to match such expenditures in the appropriate accounting period for rate-making purposes.								
Summary:		Pursuant to Governmental Accounting Standards Board (GASB) codification section Re10 Regulated Operations, staff is recommending that the Board authorize the deferral of \$35.0 million of 2021 operating revenues as a regulatory liability for recognition in future years. This deferral will help offset one-time expenditures that were not identified during the annual budget process. SMUD will be able to mitigate risks that may occur from unforeseen or one-time events which may have a significant financial impact on SMUD, such as, but not limited to, catastrophic events, wildfire costs and additional 2030 Zero Carbon Plan expenditures. This deferral will provide reserves to cover large contingencies while limiting or leveling out the impact of cost increases to rate payers. This deferral will allow for appropriate matching of revenue with expense recognition for rate making purposes.								
Board Policy: <i>(Number & Title)</i>		SD-2, Competitive Rates - allows SMUD to limit or level the impact of increases in rates.								
Benefits:		This accounting treatment will offset any negative significant financial impacts of unforeseen or one-time events which could have an impact on rate payers.								
Cost/Budgeted:		N/A								
Alternatives:		Recognize as operating revenues when received. When unforeseen expenditures occur in the future, the additional costs could lead to increases to SMUD rate payers.								
Affected Parties:		Accounting, Budget, Treasury								
Coordination:		Accounting, Budget, Treasury								
Presenter:		Jennifer Davidson, Chief Financial Officer								

Additional Links:

SUBJECT

Year-End Deferral of 2021 Operating Revenues

ITEM NO. (FOR LEGAL USE ONLY)

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SSS No.

CFO 20-017

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date

Finance & Audit, 2021

Board Meeting Date

n/a

TO					TO				
1.	Gary King				6.				
2.	Jennifer Davidson				7.				
3.	Lora Anguay				8.				
4.	Scott Martin				9.	Legal			
5.					10.	CEO & General Manager			

Consent Calendar	x	Yes	No	If no, schedule a dry run presentation.		Budgeted	x	Yes	No	If no, explain in Cost/Budgeted section.)	
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FROM (IPR)				DEPARTMENT				MAIL STOP	EXT.	DATE SENT
Lisa Limcaco				Accounting				B352	6957	12/30/20

NARRATIVE:

Requested Action: Provide SMUD's financial results for the year-to-date period in 2021.

Summary: Staff will present SMUD's financial results for the year-to-date period in 2021 to the Board of Directors.

Board Policy: GP-3, Board Job Description
(Number & Title)

Benefits: Provides Board members with information regarding SMUD's financial condition.

Cost/Budgeted: n/a

Alternatives: None

Affected Parties: Accounting

Coordination: Accounting

Presenter: Lisa Limcaco

Additional Links:

SUBJECT

Year-to-date Financial Results for SMUD

ITEM NO. (FOR LEGAL USE ONLY)

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

**SACRAMENTO MUNICIPAL UTILITY DISTRICT
OFFICE MEMORANDUM**

TO: Distribution

DATE: November 30, 2021
ACC 21-021

FROM: Kathy Ketchum / Lisa Limcaco

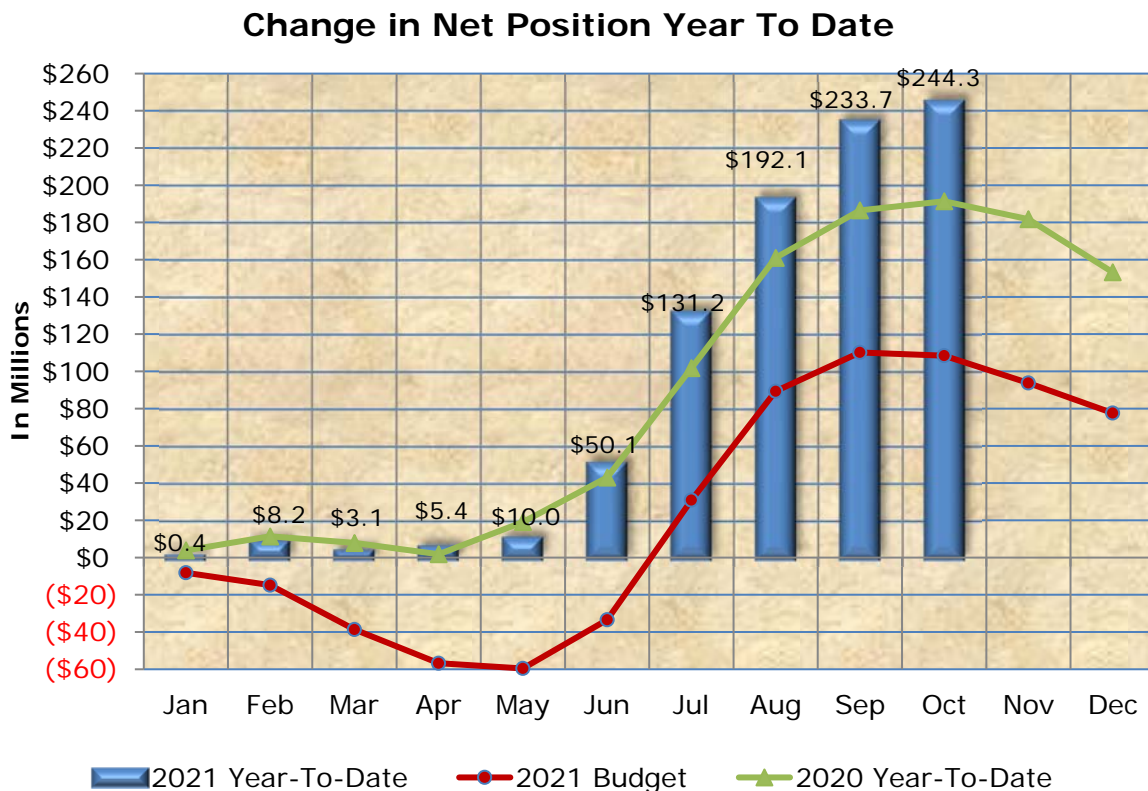
SUBJECT: OCTOBER 2021 FINANCIAL RESULTS AND OPERATIONS DATA

We are attaching the financial and operating reports for the ten months of 2021. They include sales and generation statistics and other selected data.

The change in net position is a positive \$244.3 million compared to a budgeted positive \$108.5 million, resulting in a favorable variance of \$135.8 million.

We prepared these statements on the accrual basis of accounting, and they conform to generally accepted accounting principles. The bases for the budget amounts are:

- 1) Budgeted electric revenues are based on the Forecast of Revenues by the Pricing Department, adjusted for unbilled revenues; and
- 2) Budgeted operating expenses reflect the 2021 Budget approved by the Board of Directors on December 10, 2020.



SACRAMENTO MUNICIPAL UTILITY DISTRICT
EXECUTIVE SUMMARY
For the Ten Months Ended October 31, 2021

Net Position

- The change in net position is a positive \$244.3 million compared to a budgeted positive \$108.5 million, resulting in a favorable variance of \$135.8 million.

Revenues

- Revenues from sales to customers were \$1,307.7 million, which was \$51.7 million (4.1 percent) higher than planned.
 - The increase was primarily due to a shift in customer load shape compared to plan of \$36.5 million and higher customer usage of \$31.1 million, offset by a higher uncollectible provision of \$14.7 million (due to COVID-19 and the moratorium on electric shut offs).
- Revenues under the California Global Warming Solutions Act (Assembly Bill [AB] - 32) were \$10.8 million. This is due to carbon allowances sold through the state sanctioned quarterly auctions.
- Other electric revenues were \$26.2 million, which was \$2.3 million (9.6 percent) higher than planned.
 - Other electric revenue is higher by \$4.6 million, primarily due to transmission revenue of \$1.6 million, Greenergy revenue of \$1.0 million, and other electric revenue of \$0.9 million (primarily due to BANC operational revenue).
 - Steam sales are higher by \$2.3 million, due to sales to the Procter & Gamble Power Plant, primarily due to a contract change resulting in higher actual steam rates compared to rates used for the budget.
 - Miscellaneous service revenues and customer late fee revenues are lower by \$3.4 million and \$2.4 million, respectively. Lower miscellaneous services are due to lower field service and customer connection charges of \$4.4 million. This is due to COVID-19 and the moratorium on electric shut offs.
- Non-cash revenues transferred to the rate stabilization fund was \$18.8 million, of which \$11.9 million was for AB-32 and \$6.9 million was for Low Carbon Fuel Standard (LCFS). Funds are deferred until SMUD has qualified program expenses (projects that reduce carbon emissions or electric vehicle programs) to recognize revenue.
- Non-cash revenues transferred from the rate stabilization fund was \$26.2 million, of which \$18.6 million was for the annual Hydro rate adjustment, \$6.0 million was for revenues recognized from LCFS electric vehicle programs expenses, and \$1.6 million was from AB-32 program expenses.

Commodities, Purchased Power and Production

Overall, load was higher than planned due to warmer than anticipated weather. Additionally, hydro generation was lower due to precipitation levels. This resulted in higher fuel usage for increased thermal plant generation and additional purchased power expenses.

- SMUD's generation was higher by 66 GWh (1.2 percent); JPA and other generation was higher by 1,075 GWh (25.7 percent); Hydro generation was lower by 1,009 GWh (69.0 percent).
- Purchased power expense of \$356.7 million, less surplus power sales of \$97.9 million, was \$258.8 million, which was \$47.3 million (22.4 percent) higher than planned. Purchased power expense increased as a result of higher prices of \$35.1 million and higher quantities purchased of \$12.2 million.
- Production operations cost of \$287.7 million, less gas sales of \$107.0 million, was \$180.7 million, which was \$7.9 million (4.2 percent) lower than planned.
 - Fuel costs of \$192.2 million, less surplus gas sales of \$107.0 million, was \$85.2 million, which was \$5.7 million (6.2 percent) lower than planned. This is primarily due to lower fuel prices of \$40.8 million offset by higher fuel usage of \$29.4 million. The lower price variance is primarily due to a higher sales price per Renewable Identification Number (RIN), which resulted in a positive variance of \$19.9 million. RINs were generated when renewable natural gas (RNG) was produced. Some RNG and RINs were sold to monetize on positive differences between sales and replacement gas. Additionally, lower prices are a direct result of gas sales in February of \$7.0 million due to market conditions resulting from extreme weather in the east and south.
 - Other power generation expenses were \$4.8 million lower primarily due to timing differences from reimbursable operating fees and expenses for the Campbell Power Plant of \$2.1 million and the Cosumnes Power Plant of \$1.2 million.

- Allowance expenses were \$9.1 million higher, primarily due to recording the 2020 Calpine Sutter greenhouse gas allowance obligation of \$3.5 million as well as offsets purchased to cover SMUD's 2018 through 2020 obligation of \$2.4 million. The remaining variance is due to Calpine purchases being higher year to date due to lower hydro generation.
- The "power margin", or sales to customers less cost of purchased power, production operations costs and gas hedges included in investment expense was \$873.9 million, which was \$18.0 million (2.1 percent) higher than planned. Power margin as a percentage of sales to customers was 66.8 percent, which was 1.3 percent lower than planned.

Other Operating Expenses

- All other operating expenses were \$616.6 million, which was \$107.5 million (14.8 percent) lower than planned.
 - Transmission and distribution operating expenses were \$5.4 million (7.4 percent) lower than planned. This is mainly due to lower distribution operations-overhead line expenses of \$2.8 million.
 - Customer accounts expenses were \$7.0 million (13.8 percent) lower than planned. This is primarily due to lower labor of \$6.3 million, of which \$3.7 million is a result of lower customer call volumes because of COVID-19 and the moratorium on electric shut offs.
 - Customer service and information expenses were \$6.2 million (10.7 percent) lower than planned. This is primarily due to lower energy efficiency incentives of \$2.1 million, labor of \$1.9 million and outside services of \$1.9 million. Variances related to incentives and outside services are lower than anticipated due to fewer incentive participants, COVID-19 and other implementation delays in transportation electrification programs.
 - Administrative and general expenses were \$32.2 million (20.4 percent) lower than planned. This includes the following: 1) an unspent corporate contingency which budgeted for unexpected operations and maintenance expenses of \$11.0 million (at this time, this amount is not expected to be spent), 2) lump sum merit awards budgeted of \$4.0 million (actuals of \$2.9 million were recorded to follow where work was performed), 3) lower net retiree medical premium expense of \$6.9 million, 4) lower demo and selling expenses of \$3.1 million (primarily due to labor of \$2.2 million), and lower workers compensation expense of \$2.1 million (primarily due to quarterly adjustment to the workers compensation reserve of \$1.5 million).
 - Public good expenses were \$18.2 million (33.2 percent) lower than planned. This is due to lower expenditures for research and development (R&D) programs of \$9.5 million due to \$7.5 million budgeted for programs and projects related to the IRP/Zero Carbon Plan (this will not be spent this year), and lower expenditures for energy efficiency programs of \$7.4 million primarily due to fewer incentives of \$6.7 million.
 - Production maintenance expenses were \$7.7 million (19.5 percent) lower than planned. This is mainly due to lower hydro maintenance expenses of \$6.5 million, primarily due to labor vacancies of \$3.4 million. Labor has been reprioritized to focus on regulatory and capital work.
 - Transmission and distribution maintenance expenses were \$1.6 million (2 percent) lower than planned. Distribution maintenance – overhead line expenses were lower due to outside services of \$5.1 million (because of lower tree trimming expenses resulting from a shortage in crews in urban areas), offset primarily by higher distribution maintenance - station equipment expenses of \$2.0 million, primarily due to labor of \$1.4 million that was budgeted elsewhere.
- Non-cash amortization of pension and other post-employment benefits (OPEB) was \$24.5 million, which resulted in a positive impact to net position. This is due to Governmental Accounting Standards Board (GASB) 75 OPEB amortization of \$13.2 million and GASB 68 Pension amortization of \$11.3 million.

Non-operating Revenues and Expenses

- Other revenue, net, was \$4.1 million (10.9 percent) lower than planned. The primary reason revenue is lower was due to a Rancho Seco settlement of \$15.0 million that has not been received to date. In addition, grant revenues were below budget by \$1.3 million, and unrealized holding losses and other deductions were higher than anticipated by \$1.9 and \$1.4 million, respectively. These were offset by higher miscellaneous non-operating income of \$2.3 million (primarily due to a termination payment ending the Heartland gas contract of \$2.0 million), \$5.7 million in investment revenue from natural gas hedging activities, and \$4.1 million higher contributions in aid of construction (due to differences between accounting treatment of offsets and amounts recorded for budget purposes of \$4.5 million).

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Month Ended October 31, 2021
(thousands of dollars)

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under)</u>	<u>Percent of Increase (Decrease)</u>
OPERATING REVENUES				
Sales to customers	\$ 108,518	\$ 92,449	\$ 16,069	17.4 %
Sales of surplus power	10,468	5,992	4,476	74.7
Sales of surplus gas	11,372	-	11,372	*
LCFS revenue	285	892	(607)	(68.0)
Other electric revenue	3,149	2,327	822	35.3
Revenue to rate stabilization fund	(285)	-	(285)	*
Revenue from rate stabilization fund	760	-	760	*
Total operating revenues	134,267	101,660	32,607	32.1
OPERATING EXPENSES				
Operations				
Purchased power	34,039	25,612	8,427	32.9
Production	28,082	17,542	10,540	60.1
Transmission and distribution	7,095	7,261	(166)	(2.3)
Customer accounts	4,122	5,011	(889)	(17.7)
Customer service and information	3,888	5,372	(1,484)	(27.6)
Administrative and general	12,247	13,272	(1,025)	(7.7)
Public good	3,336	4,955	(1,619)	(32.7)
Total operations	92,809	79,025	13,784	17.4
Maintenance				
Production	2,652	2,206	446	20.2
Transmission and distribution	9,382	8,304	1,078	13.0
Total maintenance	12,034	10,510	1,524	14.5
Depreciation and amortization				
Depreciation	15,946	18,416	(2,470)	(13.4)
Amortization of pension and OPEB	(2,454)	-	(2,454)	*
Amortization of regulatory asset	2,971	3,073	(102)	(3.3)
Total depreciation and amortization	16,463	21,489	(5,026)	(23.4)
Total operating expenses	121,306	111,024	10,282	9.3
OPERATING INCOME	12,961	(9,364)	22,325	(238.4)
NON-OPERATING REVENUES AND EXPENSES				
Other revenues/(expenses)				
Interest income	384	499	(115)	(23.0)
Investment revenue (expense)	3,453	(175)	3,628	*
Other income (expense) - net	955	15,361	(14,406)	(93.8)
Unrealized holding gains (losses)	(186)	-	(186)	*
Revenue - CIAC	1,528	1,109	419	37.8
Total other revenues	6,134	16,794	(10,660)	(63.5)
Interest charges				
Interest on long-term debt	8,540	9,023	(483)	(5.4)
Interest on commercial paper	2	137	(135)	(98.5)
Total interest charges	8,542	9,160	(618)	(6.7)
CHANGE IN NET POSITION	\$ 10,553	\$ (1,730)	\$ 12,283	(710.0) %

* Equals 1000% or greater.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Ten Months Ended October 31, 2021
(thousands of dollars)

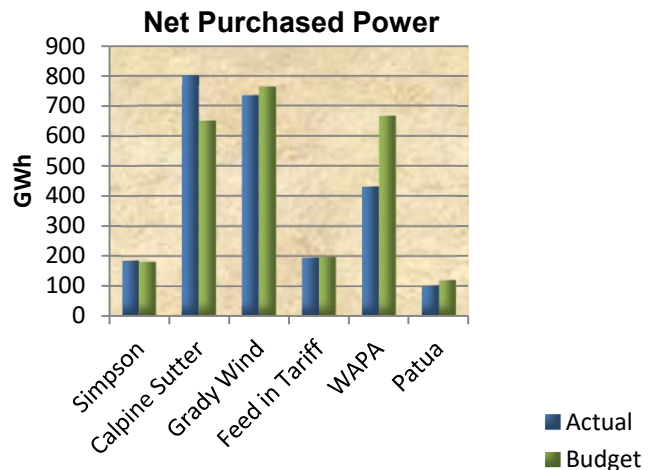
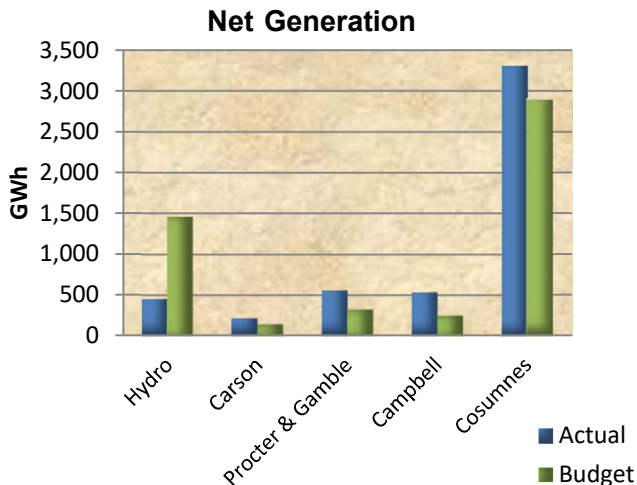
	<u>Actual</u>	<u>Budget</u>	<u>Over (Under)</u>	<u>Percent of Increase (Decrease)</u>
OPERATING REVENUES				
Sales to customers	\$ 1,307,655	\$ 1,255,919	\$ 51,736	4.1 %
Sales of surplus power	97,909	83,173	14,736	17.7
Sales of surplus gas	107,028	-	107,028	*
SB-1 revenue (deferral)/recognition, net	-	700	(700)	(100.0)
AB32 revenue	10,815	-	10,815	*
LCFS revenue	6,860	8,741	(1,881)	(21.5)
Other electric revenue	26,195	23,900	2,295	9.6
Revenue to rate stabilization fund	(18,758)	-	(18,758)	*
Revenue from rate stabilization fund	26,194	-	26,194	*
Total operating revenues	1,563,898	1,372,433	191,465	14.0
OPERATING EXPENSES				
Operations				
Purchased power	356,727	294,662	62,065	21.1
Production	287,717	188,571	99,146	52.6
Transmission and distribution	67,424	72,822	(5,398)	(7.4)
Customer accounts	43,524	50,517	(6,993)	(13.8)
Customer service and information	51,642	57,838	(6,196)	(10.7)
Administrative and general	125,226	157,408	(32,182)	(20.4)
Public good	36,557	54,727	(18,170)	(33.2)
Total operations	968,817	876,545	92,272	10.5
Maintenance				
Production	31,631	39,288	(7,657)	(19.5)
Transmission and distribution	77,773	79,385	(1,612)	(2.0)
Total maintenance	109,404	118,673	(9,269)	(7.8)
Depreciation and amortization				
Depreciation	178,209	181,425	(3,216)	(1.8)
Amortization of pension and OPEB	(24,541)	-	(24,541)	*
Amortization of regulatory asset	29,204	30,728	(1,524)	(5.0)
Total depreciation and amortization	182,872	212,153	(29,281)	(13.8)
Total operating expenses	1,261,093	1,207,371	53,722	4.4
OPERATING INCOME	302,805	165,062	137,743	83.4
NON-OPERATING REVENUES AND EXPENSES				
Other revenues/(expenses)				
Interest income	5,647	4,997	650	13.0
Investment revenue (expense)	3,894	(1,847)	5,741	310.8
Other income (expense) - net	10,516	23,138	(12,622)	(54.6)
Unrealized holding gains (losses)	(1,902)	-	(1,902)	*
Revenue - CIAC	15,138	11,062	4,076	36.8
Total other revenues	33,293	37,350	(4,057)	(10.9)
Interest charges				
Interest on long-term debt	90,221	92,570	(2,349)	(2.5)
Interest on commercial paper	1,593	1,366	227	16.6
Total interest charges	91,814	93,936	(2,122)	(2.3)
CHANGE IN NET POSITION	\$ 244,284	\$ 108,476	\$ 135,808	125.2 %

* Equals 1000% or greater.

**SACRAMENTO MUNICIPAL UTILITY DISTRICT
SOURCES AND USES OF ENERGY - COMPARED TO BUDGET
For the Period Ended October 31, 2021**

Sources of Energy (GWh)	Month		Increase (Decrease)	Year to Date		Increase (Decrease)
	Actual	Budget	Percentage	Actual	Budget	Percentage
Net Generated						
Hydro	36	67	(46.3) %	453	1,462	(69.0) %
Carson Power Plant	20	4	400.0	219	141	55.3
Procter & Gamble Power Plant	42	13	223.1	560	323	73.4
Campbell Power Plant	34	4	750.0	534	247	116.2
Cosumnes Power Plant	332	346	(4.0)	3,308	2,890	14.5
Other	25	38	(34.2)	632	577	9.5
Total net generation	489	472	3.6	5,706	5,640	1.2
Purchased Power less transmission losses:						
Avangrid	3	5	(40.0)	97	93	4.3
Calpine Sutter	129	39	230.8	802	650	23.4
Feed in Tariff	13	16	(18.8)	194	196	(1.0)
Grady Wind	79	79	0.0	734	764	(3.9)
Great Valley Solar	11	13	(15.4)	148	156	(5.1)
Kiefer - Greenergy	7	10	(30.0)	84	92	(8.7)
Patua	10	13	(23.1)	101	119	(15.1)
Rancho Seco PV II	23	26	(11.5)	301	306	(1.6)
Simpson	-	-	0.0	184	180	2.2
WAPA	35	45	(22.2)	431	666	(35.3)
WSPP and other	204	208	(1.9)	2,494	1,847	35.0
Other long term power	27	30	(10.0)	245	319	(23.2)
Total net purchases	541	484	11.8	5,815	5,388	7.9
Total sources of energy	1,030	956	7.7	11,521	11,028	4.5
Uses of energy:						
SMUD electric sales and usage	776	781	(0.6)	8,813	8,596	2.5
Surplus power sales	221	163	35.6	2,363	2,124	11.3
System losses	33	12	175.0	345	308	12.0
Total uses of energy	1,030	956	7.7 %	11,521	11,028	4.5 %

* Change equals 1000% or more.



Net generation is higher than budget for the ten-month period.

- Hydro generation is lower than planned (69.0 percent).
- JPA generation is higher than planned (28.3 percent).

Purchased power, less surplus power sales, is higher than plan (5.8 percent).

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION
October 31, 2021 and 2020
(thousands of dollars)

ASSETS

								<u>Total</u>	
	SMUD	Carson	P&G	Cosumnes	Campbell	NCEA	NCGA #1	2021	2020
ELECTRIC UTILITY PLANT									
Plant in service, original cost	\$ 5,540,780	\$ 153,680	\$ 197,768	\$ 386,826	\$ 208,697	\$ -	\$ -	\$ 6,487,751	\$ 6,288,844
Less accumulated depreciation	2,640,640	126,566	153,746	190,641	168,637	-	-	3,280,230	3,106,717
Plant in service - net	2,900,140	27,114	44,022	196,185	40,060	-	-	3,207,521	3,182,127
Construction work in progress	578,724	13	-	1,418	63	-	-	580,218	509,301
Investment in Joint Power Agencies	304,974	-	-	-	-	-	-	22,471	22,783
Total electric utility plant - net	3,783,838	27,127	44,022	197,603	40,123	-	-	3,810,210	3,714,211
RESTRICTED ASSETS									
Revenue bond reserves	2,931	-	-	-	-	-	-	2,931	3,813
Restricted for payment of debt service	57,096	-	-	-	-	-	-	57,096	53,656
JPA funds	-	-	-	5,503	-	12,899	7,171	25,573	29,716
Nuclear decommissioning trust fund	8,874	-	-	-	-	-	-	8,874	8,842
Rate stabilization fund	161,291	-	-	-	-	-	-	161,291	127,431
Other funds	16,369	-	-	-	-	3,000	3,047	22,416	20,593
Due (to) from unrestricted funds (decommissioning)	(6,684)	-	-	-	-	-	-	(6,684)	(6,684)
Due (to) from restricted funds (decommissioning)	6,684	-	-	-	-	-	-	6,684	6,684
Less current portion	(70,624)	-	-	(5,503)	-	(15,899)	(10,218)	(102,244)	(98,199)
Total restricted assets	175,937	-	-	-	-	-	-	175,937	145,852
CURRENT ASSETS									
Cash, cash equivalents and investments									
Unrestricted	601,758	5,267	21,016	17,454	11,716	-	-	657,211	777,598
Restricted	70,624	-	-	5,503	-	15,899	10,218	102,244	98,199
Accounts receivable - net	272,574	4,385	9,392	19,775	4,544	4,047	2,268	253,680	234,693
Energy efficiency loans due within one year	2,691	-	-	-	-	-	-	2,691	3,021
Interest receivable	713	1	3	3	1	-	7	728	1,879
Regulatory costs to be recovered within one year	36,168	-	-	104	-	-	105	36,377	37,496
Derivative financial instruments maturing within in one year	57,509	-	-	-	-	-	-	57,509	9,588
Inventories	83,447	2,346	4,282	7,344	4,632	-	-	102,051	77,980
Prepaid gas to be delivered within one year	-	-	-	-	-	3,717	21,902	25,619	22,866
Prepayments and other	22,559	423	618	3,921	411	3	16	27,951	23,007
Total current assets	1,148,043	12,422	35,311	54,104	21,304	23,666	34,516	1,266,061	1,286,327
NONCURRENT ASSETS									
Regulatory costs for future recovery									
Decommissioning	77,704	-	-	-	-	-	-	77,704	71,189
Pension	343,382	-	-	-	-	-	-	343,382	360,409
OPEB	283,139	-	-	-	-	-	-	283,139	295,912
Bond Issues	-	-	-	801	-	-	489	1,290	1,499
Derivative financial instruments	3,547	-	-	-	-	-	-	3,547	7,851
Derivative financial instruments	54,200	-	-	-	-	-	-	54,200	12,230
Prepaid gas	-	-	-	-	-	529,640	141,640	671,280	696,899
Prepaid power and capacity	415	-	-	-	-	-	-	415	623
Energy efficiency loans - net	2,420	-	-	-	-	-	-	2,420	19,248
Other	60,646	1	1	3	1	-	73	60,725	42,122
Total noncurrent assets	825,453	1	1	804	1	529,640	142,202	1,498,102	1,507,982
TOTAL ASSETS	\$ 5,933,271	\$ 39,550	\$ 79,335	\$ 252,510	\$ 61,428	\$ 553,306	\$ 176,718	\$ 6,750,310	\$ 6,654,372
DEFERRED OUTFLOWS OF RESOURCES									
Accumulated decrease in fair value of hedging derivatives	20,930	-	-	-	-	-	-	20,930	49,558
Deferred pension outflows	183,548	-	-	-	-	-	-	183,548	82,054
Deferred OPEB outflows	23,724	-	-	-	-	-	-	23,724	23,075
Deferred ARO outflows	-	1,445	-	-	-	-	-	1,445	1,684
Unamortized bond losses - other	11,244	-	-	1,546	-	-	-	12,790	15,794
TOTAL DEFERRED OUTFLOWS OF RESOURCES	239,446	1,445	-	1,546	-	-	-	242,437	172,165
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 6,172,717	\$ 40,995	\$ 79,335	\$ 254,056	\$ 61,428	\$ 553,306	\$ 176,718	\$ 6,992,747	\$ 6,826,537

*Numbers may not add across due to elimination entries not shown on this sheet.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION
October 31, 2021 and 2020
(thousands of dollars)

LIABILITIES AND NET ASSETS

	<u>Total</u>								
	SMUD	Carson	P&G	Cosumnes	Campbell	NCEA	NCGA #1	2021	2020
LONG-TERM DEBT - NET	\$ 2,293,384	\$ -	\$ -	\$ 99,780	\$ -	\$ 552,642	\$ 142,935	\$ 3,088,741	\$ 3,266,164
CURRENT LIABILITIES									
Accounts payable	101,206	1,626	713	3,994	1,010	1,437	475	110,461	75,721
Purchased power payable	74,061	1,623	3,614	13,080	3,232	-	-	32,306	35,500
Credit support collateral obligation	533	-	-	-	-	-	3,047	3,580	4,723
Long-term debt due within one year	100,150	-	-	11,450	-	-	20,550	132,150	127,390
Accrued decommissioning	6,751	-	-	-	-	-	-	6,751	5,649
Interest payable	31,948	-	-	1,686	-	7,251	111	40,996	42,107
Accrued salaries and compensated absences	40,940	-	-	-	-	-	-	40,940	34,135
Derivative financial instruments maturing within one year	16,964	-	-	-	-	-	-	16,964	20,799
Customer deposits	1,557	-	-	-	-	-	-	1,557	20,561
Other	27,416	-	-	-	-	-	-	27,416	24,802
Total current liabilities	401,526	3,249	4,327	30,210	4,242	8,688	24,183	413,121	391,387
NONCURRENT LIABILITIES									
Accrued decommissioning - net	79,894	8,633	-	-	-	-	-	88,527	82,116
Derivative financial instruments	11,738	-	-	-	-	-	-	11,738	38,553
Net pension liability	393,557	-	-	-	-	-	-	393,557	348,786
Net OPEB liability	23,263	-	-	-	-	-	-	23,263	52,211
Other	92,825	-	-	-	-	120	-	92,945	91,072
Total noncurrent liabilities	601,277	8,633	-	-	-	120	-	610,030	612,738
TOTAL LIABILITIES	3,296,187	11,882	4,327	129,990	4,242	561,450	167,118	4,111,892	4,270,289
DEFERRED INFLOWS OF RESOURCES									
Accumulated increase in fair value of hedging derivatives	107,099	-	-	-	-	-	-	107,099	21,497
Deferred pension inflows	2,369	-	-	-	-	-	-	2,369	27,959
Deferred OPEB inflows	43,252	-	-	-	-	-	-	43,252	30,662
Regulatory credits	513,392	-	-	-	-	-	-	513,392	470,168
Unamortized bond gains - other	9,490	-	-	-	-	-	-	9,490	6,662
Unearned revenue	3,449	9	-	-	-	-	-	3,458	3,564
TOTAL DEFERRED INFLOWS OF RESOURCES	679,051	9	-	-	-	-	-	679,060	560,512
NET POSITION									
Balance at beginning of year	1,944,593	33,298	74,811	119,915	64,447	(7,319)	10,147	1,957,512	1,804,277
Net increase (decrease) for the year	252,886	(4,194)	197	4,151	(7,261)	(36)	(73)	244,284	191,459
Member contributions (distributions) - net	-	-	-	-	-	(789)	(474)	-	-
TOTAL NET POSITION	2,197,479	29,104	75,008	124,066	57,186	(8,144)	9,600	2,201,795	1,995,736
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 6,172,717	\$ 40,995	\$ 79,335	\$ 254,056	\$ 61,428	\$ 553,306	\$ 176,718	\$ 6,992,747	\$ 6,826,537

*Numbers may not add across due to elimination entries not shown on this sheet.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS
For the Period Ended October 31, 2021
(thousands of dollars)

	Month	Year to Date
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 156,473	\$ 1,274,538
Receipts from surplus power and gas sales	20,124	199,967
Other receipts	5,255	59,236
Payments to employees - payroll and other	(33,512)	(348,501)
Payments for wholesale power and gas purchases	(58,882)	(517,253)
Payments to vendors/others	(15,513)	(300,081)
Net cash provided by operating activities	73,945	367,906
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from insurance settlements	-	3,135
Repayment of debt	-	(18,450)
Interest on debt	(1,759)	(27,825)
Net cash used in noncapital financing activities	(1,759)	(43,140)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction expenditures	(25,564)	(240,560)
Contributions in aid of construction	1,677	19,746
Net proceeds from bond issues	-	130,248
Repayments and refundings of debt	-	(239,475)
Other receipts	-	2,540
Interest on debt	-	(109,479)
Net cash used in capital and related financing activities	(23,887)	(436,980)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of securities	6,410	191,486
Purchases of securities	(40,011)	(96,369)
Proceeds from termination of gas contract	-	2,000
Interest and dividends received	637	7,507
Investment revenue/expenses - net	3,454	3,896
Net cash (used in) provided by investing activities	(29,510)	108,520
Net increase (decrease) in cash and cash equivalents	18,789	(3,694)
Cash and cash equivalents at the beginning of the month and year	716,128	738,611
Cash and cash equivalents at October 31, 2021	\$ 734,917	\$ 734,917
Cash and cash equivalents included in:		
Unrestricted cash and cash equivalents	\$ 692,593	\$ 692,593
Restricted and designated cash and cash equivalents	31,141	31,141
Restricted and designated assets (a component of the total of \$175,937 at October 31, 2021)	11,183	11,183
Cash and cash equivalents at October 31, 2021	\$ 734,917	\$ 734,917

SSS No. AQS 2021-8

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date
Finance and Audit Committee
December 7, 2021

Board Meeting Date
N/A

TO					TO				
1.	Jennifer Davidson				6.				
2.	Gary King				7.				
3.	Lora Anguay				8.				
4.	Scott Martin				9.	Legal			
5.					10.	CEO & General Manager			

Consent Calendar		Yes	X	No If no, schedule a dry run presentation.	Budgeted	X	Yes	No (If no, explain in Cost/Budgeted section.)		
FROM (IPR)				DEPARTMENT				MAIL STOP	EXT.	DATE SENT
Claire Rogers				Audit and Quality Services				ME-2	7122	11/22//21

NARRATIVE:

Requested Action: Informational agenda item to provide Board Members with the opportunity to ask questions and/or discuss recent reports issued by Audit and Quality Services.

Summary: Reports Issued by Audit and Quality Services:

<u>Title</u>	<u>Report Number</u>
Transmission Maintenance Inspection Plan (TMIP) – Communication Equipment	28007285

Board Policy: Board-Staff Linkage, Board-Internal Auditor Relationship (BL-3)
(Number & Title)

Benefits: n/a

Cost/Budgeted: n/a

Alternatives: n/a

Affected Parties: Board, Internal Auditor

Coordination: n/a

Presenter: Claire Rogers

Additional Links

SUBJECT

Reports Issued by Audit and Quality Services

ITEM NO. (FOR LEGAL USE ONLY)

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

Transmission Maintenance Inspection Plan (TMIP) – Communication Equipment

Executive Summary

Audit and Quality Services' (AQS) has completed a review of the Transmission Maintenance Inspection Plan (TMIP) – Communication Equipment. The purpose of the audit was to evaluate if SMUD adheres to the TMIP and that SMUD is meeting the standard of care as defined by WECC Standard FAC-501-WECC-2, with a specific focus on communication equipment. The audit was included in the 2021 AQS audit plan.

The TMIP provides a single document that summarizes the inspection and maintenance required to maintain a safe and reliable transmission system while at the same time providing a document to meet the maintenance requirements of regulators such as Western Electricity Coordinating Council (WECC) and the North American Electric Reliability Corporation. WECC Standard FAC-501-WECC-2 requires that entities that have transmission facilities that form part of any WECC identified path have a TMIP. Requirements of the TMIP include detailed schedule, tasks, and documentation for the inspections and maintenance on the transmission equipment and lines. Although SMUD facilities do not form a part of any WECC identified paths which would necessitate SMUD to meet this requirement, SMUD has elected to observe this requirement and has created a TMIP.

AQS completed an evaluation of SMUD's TMIP and determined that it is in alignment with WECC Standard FAC-501-WECC-2. In addition, we determined that SMUD adheres to communication equipment inspection timeframes established within the TMIP. AQS also tested a sample of completed communication equipment inspection records to determine compliance with TMIP record keeping requirements and whether corrective actions identified within the inspection records were completed in an appropriate timeframe with no exceptions noted.

AQS would like to thank Facilities Services, Substation, Telecommunications and Metering Assets, Power Generation, and Transmission and Distribution Maintenance Planning for their cooperation and support in conducting this audit.

ERM Dashboard**T&D Line Assets – Telecommunications Assets**

Audit & Quality Services

TMIP – Communication Equipment

Audit Report 28007285

Transmission Maintenance Inspection Plan (TMIP) – Communication Equipment

Audit & Quality Services Report

Background:

Audit and Quality Services' (AQS) has completed a review of the Transmission Maintenance Inspection Plan (TMIP) – Communication Equipment. The audit was included in the 2021 AQS audit plan.

The Western Electricity Coordinating Council (WECC) specifies the minimum requirements for the maintenance and inspection of transmission systems that form part of any identified path of transmission. WECC Standard FAC-501-WECC-2 requires that entities that have transmission facilities that form part of any WECC identified path have a TMIP. Requirements of the TMIP include detailed schedule, tasks, and documentation for the inspections and maintenance on the transmission equipment and lines. Although SMUD facilities do not form a part of any WECC identified paths which would necessitate SMUD to meet this requirement, SMUD has elected to observe this requirement and has created a TMIP.

The TMIP provides a single document that summarizes the inspection and maintenance required to maintain a safe and reliable transmission system while at the same time providing a document to meet the maintenance requirements of regulators such as Western Electricity Coordinating Council (WECC) and the North American Electric Reliability Corporation. One of the areas that the TMIP covers is Communication Equipment. This section provides general inspection and maintenance procedures for several different types of communication equipment which provide support for SCADA, physical security and alarm functions for transmission assets. SMUD's Transmission and Distribution Maintenance Planning (TDMP) group assists in annual updates of the TMIP.

There are several areas within SMUD that conduct communication equipment inspections, such as: Substation, Telecommunications, and Metering Assets, Power Generation, and Facilities. Substation, Telecom, and Metering Assets maintains all transmission lines, transmission substations, and communication systems. Power Generation maintains generation switchyards in the Upper American River Project (UARP). In addition, Facilities Maintenance maintains telecom assets in the UARP and certain telecom assets that are not related to substations.

Scope:

Our audit scope included SMUD's processes for the inspections of communication equipment and corrective maintenance work associated with Section 6 of the TMIP. Specifically, for the time period of January 1, 2020 through June 30, 2021.

Objectives:

The objectives of the audit were to:

1. Evaluate SMUD's TMIP to assess if it is meeting the standard of care as defined by WECC Standard FAC-501-WECC-2.
2. Determine whether SMUD adheres to communication equipment inspection timeframes in accordance with the TMIP.
3. Determine compliance with the TMIP for a sample of completed communication equipment inspections. Specifically:
 - a. Whether the maintenance and inspection records identify the person(s) responsible for performing the inspection or work, date(s) the inspection or work was performed, the transmission circuit, area, facility, or equipment on which the inspection or work was performed, description of the inspection or maintenance performed, and any deficiencies identified during the inspection along with the scheduled date of corrective action.
 - b. Whether corrective actions identified by the inspections are completed within an appropriate timeframe.

Summary:

AQS interviewed staff from Facilities Services, Substation Maintenance and Telecommunication Operations & Maintenance within Substation, Telecommunications, and Metering Assets, Power Generation, and TDMP to obtain an understanding of each groups processes relating to TMIP – Communication Equipment inspections. We reviewed the TMIP and compared it to WECC Standard FAC-501-WECC-2 and determined that the TMIP sufficiently met the requirements. AQS identified the population of communication equipment that is subject to Section 6 of the TMIP and reviewed inspection completion dates and determined that communication equipment was inspected timely during our scope period. In addition, we sampled 25 pieces of equipment and obtained 97 inspection records that were completed during our scope period and determined that inspection records contained all data elements required by the TMIP. Further, based on the inspection records reviewed, inspectors noted 11 maintenance items: 9 were corrective actions that were addressed the same day as the inspection and 2 were monitoring items that were appropriately scheduled for future evaluation.

Conclusion:

SMUD adheres to the communication equipment inspection timeframes established within the TMIP and is meeting the standard of care as defined by WECC Standard FAC-501-WECC-2. In addition, for the sample selected for testing, communication equipment inspection reports contain the data elements required by the TMIP and corrective actions identified within the sampled inspection reports were either completed within an appropriate timeframe or properly scheduled for future evaluation.

AQS would like to thank Facilities Services, Substation, Telecommunications, and Metering Assets, Power Generation, and Transmission and Distribution Maintenance Planning for their cooperation and support in conducting this audit.

SSS No.
CFO 20-016

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date Finance & Audit, 2021
Board Meeting Date n/a

TO					TO				
1.	Gary King				6.				
2.	Jennifer Davidson				7.				
3.	Lora Anguay				8.				
4.	Scott Martin				9.	Legal			
5.					10.	CEO & General Manager			

Consent Calendar		Yes	No If no, schedule a dry run presentation.	Budgeted		Yes	No (If no, explain in Cost/Budgeted section.)
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FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Russell Mills	Treasury	B355	6509	12/30/20

NARRATIVE:

Requested Action: Provide the summary of SMUD's current Power Supply Costs.

Summary: Staff will present the summary of SMUD's current Power Supply Costs to the Board of Directors.

Board Policy: GP-3, Board Job Description
(Number & Title)

Benefits: Provides Board members with current power supply costs information for SMUD.

Cost/Budgeted: n/a

Alternatives: n/a

Affected Parties: Planning, Pricing & Enterprise Performance

Coordination: Planning, Pricing & Enterprise Performance

Presenter: Lisa Limcaco

Additional Links:

SUBJECT	Summary of SMUD's current Power Supply Costs	ITEM NO. (FOR LEGAL USE ONLY)
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ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SSS No.

BOD 2021-006

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date

Finance & Audit 2021

Board Meeting Date

N/A

TO					TO				
1.	Gary King				6.				
2.	Jennifer Davidson				7.				
3.	Lora Anguay				8.				
4.	Scott Martin				9.	Legal			
5.					10.	CEO & General Manager			

Consent Calendar			Yes	x	No If no, schedule a dry run presentation.	Budgeted		Yes	No (If no, explain in Cost/Budgeted section.)		
FROM (IPR) Rosanna Herber / Donna Lofton					DEPARTMENT Board Office				MAIL STOP B307	EXT. 5079	DATE SENT 12/22/20

NARRATIVE:

Requested Action: Provide a summary of committee direction from the Board to Staff.

Summary: During a Board discussion at the January 2017 Policy Committee, the Board requested having an on-going opportunity to do a wrap up period at the end of each committee meeting to summarize various Board member suggestions and requests that were made at the meeting in an effort to make clear the will of the Board. The Committee Chair will summarize Board member requests that come out of the committee presentations for this meeting.

Board Policy: GP-4 Agenda Planning states the Board will focus on the results the Board wants the organization to achieve.
(Number & Title)

Benefits: Having an agendaized opportunity to summarize the Board's requests and suggestions that arise during the committee meeting will help clarify what the will of the Board.

Cost/Budgeted: N/A

Alternatives: Not summarize the Board's requests at this meeting.

Affected Parties: Board of Directors and Executive Staff

Coordination: Donna Lofton, Special Assistant to the Board

Presenter: Rosanna Herber, Finance & Audit Committee Chair

Additional Links:

SUBJECT	Summary of Committee Direction	ITEM NO. (FOR LEGAL USE ONLY)
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ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.