

Exhibit to Agenda Item #3

- a. Discuss proposed revisions to **Board-Staff Linkage BL-12, Delegation to the General Manager for Transmission, Wholesale Electricity and Natural Gas Transactions.**
- b. Discuss proposed revisions to **SMUD's Energy Risk Management and Energy Trading Standards.**

Board Policy Committee and Special SMUD Board of Directors Meeting

Wednesday, June 9, 2021, scheduled to begin at 5:30 p.m.

Virtual Meeting (online)

BL-12 Proposed Revision #1

Two Changes that align with our Corporate Climate Goals:

1. Proposed New Title:

Delegation to the Chief Executive Officer/General Manager ~~for~~ with Respect to Transactions Involving Transmission and Wholesale Energy, Fuel, and Environmental Attributes ~~Product~~ ~~Transactions Electricity and Natural Gas Transactions~~

BL-12 Proposed Revision #2

2. Recognizes capacity and storage, clean and emissions-free fuel, and environmental products given our direction for the 2030 Zero Carbon Plan.

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, electric capacity and storage, and natural gas and clean and emissions-free fuel, and environmental attributes; (ii) contracts for transmission, ~~natural gas fuel~~ transportation and ~~natural gas fuel~~ storage; and (iii) contracts to financially hedge or mitigate pricing, supply and market risks associated with the transactions above ~~wholesale electricity and natural gas prices, supplies and markets~~.

Energy Trading Standards Proposed Revisions

Four Substantive Changes:

1. Add the Board's Strategic Direction (SD-9) Resource Planning as the fourth priority under the **Priorities** section adding, "Provide our customers and community with a sustainable power supply in accordance with SD-9" – **better aligns to our strategic goals and vision.**

Energy Trading Standards Proposed Revision #2

2. Under Section 2 of the Delegation of Authority section. This delegation currently provides authority for certain tax-exempt natural gas related transactions. The proposed revision expands this to also include clean and emissions-free fuel, and power supply. – **provides for purchasing discounted renewables from other tax-exempt entities.**

Energy Trading Standards Proposed Revision #3

3. Under the Delegation of Authority, specifically under Section 1 **Transactional Authority**, which delegates authority to the CEO/GM for certain types of limited contracts and transactions, the revision changes the condition from “termination date of a contract is no longer than five (5) years from the date to execution” to “commencement of performance is no longer than three (3) years from the date of execution.” - **provides more flexibility in contracting for critical products such as Resource Adequacy**

Energy Trading Standards Proposed Revision #4

4. Under Section 9 of the Delegation of Authority. This provision delegates authority for Emission Reduction Credits (ERC) agreements and has not be updated since it was added approximately seven years ago. The proposed revision doubles the thresholds for ERC transactions to account for increased market values. – **provides additional flexibility to secure more beneficial transactions for SMUD**

Questions?