

# Exhibit to Agenda Item #2

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

Wednesday, May 19, 2021 scheduled to begin at 5:30 p.m.

Auditorium, SMUD Headquarters Building

# Requested Action

Approve a trading exception to allow for the sale of 2023 Local Resource Adequacy (RA) on behalf of Valley Clean Energy (VCE) to Pacific Gas and Electric (PG&E).

# Need for Exception – PG&E

SMUD has credit and trading standards that limit financial risk exposure

- PG&E has emerged from Bankruptcy, but still has weak BB- issuer ratings

Inability by SMUD to sell VCE's Local RA to PG&E may lead to significant financial impact to VCE

- VCE is unable to monetize \$1.5 to 5 million of Local RA and recover costs incurred under the original regulatory construct for RA

# Supporting Rationale

Approval will allow VCE to recover the value of local RA that it has already procured for 2023 and no longer needs

- PG&E will act as the Central Procurement Entity (CPE) beginning in 2023 and will procure local RA on behalf of load serving entities including VCE

## Executed letter agreement with VCE

- SMUD is not taking any performance or payment risk as a result of this transaction; the risk remains with VCE

# Questions?