

Exhibit to Agenda Item # 3

SMUD 2022 Proposed Budget presentation follow up questions.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Tuesday, November 16, 2021, scheduled to begin at 5:30 p.m.

Virtual Meeting (online)

2022 Budget Authorization (\$M)

Commodity	\$440.7
Public Goods	63.6
Operating Expenses	659.6
Sub-Total	\$1,163.9
Debt Service	212.2
Capital and Reserve	359.9
Budget Resolution Amount	\$1,735.9

Totals may reflect minor rounding differences

2022 Budget Highlights

Supports bold new Clean Energy Vision while keeping rate increases below inflation

Prudent approach with no increase in position counts

Operations & Maintenance (O&M) spending increasing \$28M (4.5%)

- Priorities: storage and electrification incentives, launching new Board-approved Solar & Storage and Critical Peak Pricing rates, expanding 2030 Zero Carbon Plan awareness and adoption in all our communities, and diversity, equity and inclusion program enhancements
- Significant cost drivers: Vegetation management, wildfire mitigation, cybersecurity, and property and casualty insurance

2022 Budget Highlights, cont.

Business Investments (“capital”) of \$360M remain higher, continuing 5-year trend, to achieve our 2030 Clean Energy Vision

- Solano Wind Farm expansion
- ADMS & DERMS to provide increased visibility and management of distributed energy resources
- Ongoing work at Union Valley in support of our 50-year hydro license
- Completion of Station G substation
- Workforce Optimization to maximize field crews scheduling and work efficiency
- Replacement of our HR systems (T3 project) to manage hiring, onboarding, and talent management processes holistically through a single technology platform
- Continued investments: poles, cable, new services, hydro generation, thermal plant maintenance

2022 Budget – Pro Forma Income Statement (\$M)

Customer and Other Revenues	\$1,601.3
Energy Supply Commodity Expenses	440.7
Net Power Margin	\$1,160.6
Operating Expenses	659.6
Public Good	98.6
Depreciation & Non-Cash	222.6
Interest Expense	92.6
Other Income	29.1
Net Income	\$116.4

Budget Maintains Key Financial Metrics

Key metrics balance short term and future financial health

Fixed charge: 1.93

Cash balance:

- As of December 2022, 151 days or \$429M, maintaining 150 days minimum

Cash flow:

- Forecast reflects deficit of \$189M (greater expenditure than inflow), therefore anticipate use of commercial paper or new debt issuance

New Borrowing:

- Aim to pay for new investments (capital) with at least 50% cash flow

- SMUD is Recognized as being a well managed company by rating agencies: **AA**
- Significant benefits to SMUD customers to be financially strong