

# Exhibit to Agenda Item #3

Authorize SMUD's Accountant to:

- a. Utilize \$41 million of deferred operating revenues in order to offset future Community Impact Plan expenditures from 2022 through 2025 in order to match such expenditures in the appropriate accounting period for rate-making purposes; and
- a. Defer recognition of commodity expenditures for the year ending December 31, 2022, for an amount in that net income equals to at least \$1 million, as a regulatory asset in order to match such expenditures in the appropriate accounting period for rate-making purposes.

Board Policy Committee and Special SMUD Board of Directors Meeting

Wednesday, November 16, 2022, scheduled to begin at 5:30 p.m.

Virtual Meeting (online)

# Overview

- Deferred Operating Revenues
  - Background
  - Expenditures identified
- Commodity Expense
- Request for Authorization

# Background – Deferred Operating Revenues

In 2020 and 2021 SMUD deferred \$35 million/year of operating revenues

- Mitigate risks from unforeseen or one-time events:
  - Catastrophic events
  - Wildfire costs
  - Additional 2030 Zero Carbon plan spending for pilots and programs
- Provide reserves to cover large contingencies
- Provide operational flexibility where spending is not tied to specific year

# Expenditures Identified for 2022-2025

## Community Impact Plan

- Presented to the Board in August 2022
- Aligns with 2030 Zero Carbon plan spending for pilots and programs
- Identified \$41 million of expenditures for 2022 through 2025

# Commodity Expense

**Commodity Expense forecast for 2022 is \$750 million**

- Due to prolonged outage of Cosumnes Power Plant
- Heat storm in September 2022
- Augment the Commodity Budget by \$309.3 million in October 2022
- Negative financial impact to SMUD's financial statements
- Uncertainty of net income for the year ending December 31, 2022
  - Defer commodity expense in 2022

# Request for Authorization

- Authorize SMUD's Accountant to utilize \$41 million of deferred operating revenues in order to offset future Community Impact Plan expenditures from 2022 through 2025 in order to match revenue with expenditures in the appropriate accounting period for rate-making purposes
- Authorize SMUD's Accountant to defer recognition of commodity expenditures for the year ending December 31, 2022, for an amount in that net income equals to at least \$1 million, as a regulatory asset in order to match such expenditures in the appropriate accounting period for rate-making purposes