

Exhibit to Agenda Item #3

Provide the Board with a preview of SMUD's 2023 Proposed Budget.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Tuesday, September 13, 2022, scheduled to begin at 5:30 p.m.

Virtual Meeting (online)

Agenda



2023 SMUD Proposed Budget preview



SMUD's budget alignment with Board direction



Current status & next steps



SMUD's priorities for 2023



New initiatives & spending

First Look at 2023 Budget

- **Preview of the ambitious work ahead in an increasingly complex environment**
- **The path forward will take innovations over multiple years to accomplish**
 - The Board's priorities
 - California's ambitious regulations
 - 2030 Zero Carbon Plan
- **Purpose today is to highlight some key 2023 areas before we finalize the budget**

SMUD Budget Aligns to Board Direction

2023 Budget supports the 2030 Zero Carbon Plan and the Clean Energy Vision

- Collaborative work across the organization
- New focus areas to support the plan

2023 Budget is still being assembled

- This presentation is rough order of magnitude, numbers are not final
- Gives staff opportunity to hear Board input
- More details and final numbers to be provided in November once we have final budget

Board's vision
& strategic
direction
drive SMUD's
budget

Regular
monitoring
ensures
alignment



Vision

Board of Directors establish SMUD's vision & guidelines



Strategy

Board reviews and approves strategies, such as Community Impact, Diversity, Equity, Inclusion & Belonging (DEI&B), Electric Vehicle (EV) & Fleet, Wildfire, Zero Carbon



Approve

Board reviews and approves large expenditures, such as bond issuances, contracts, land purchases, power purchase agreements, etc.



Design

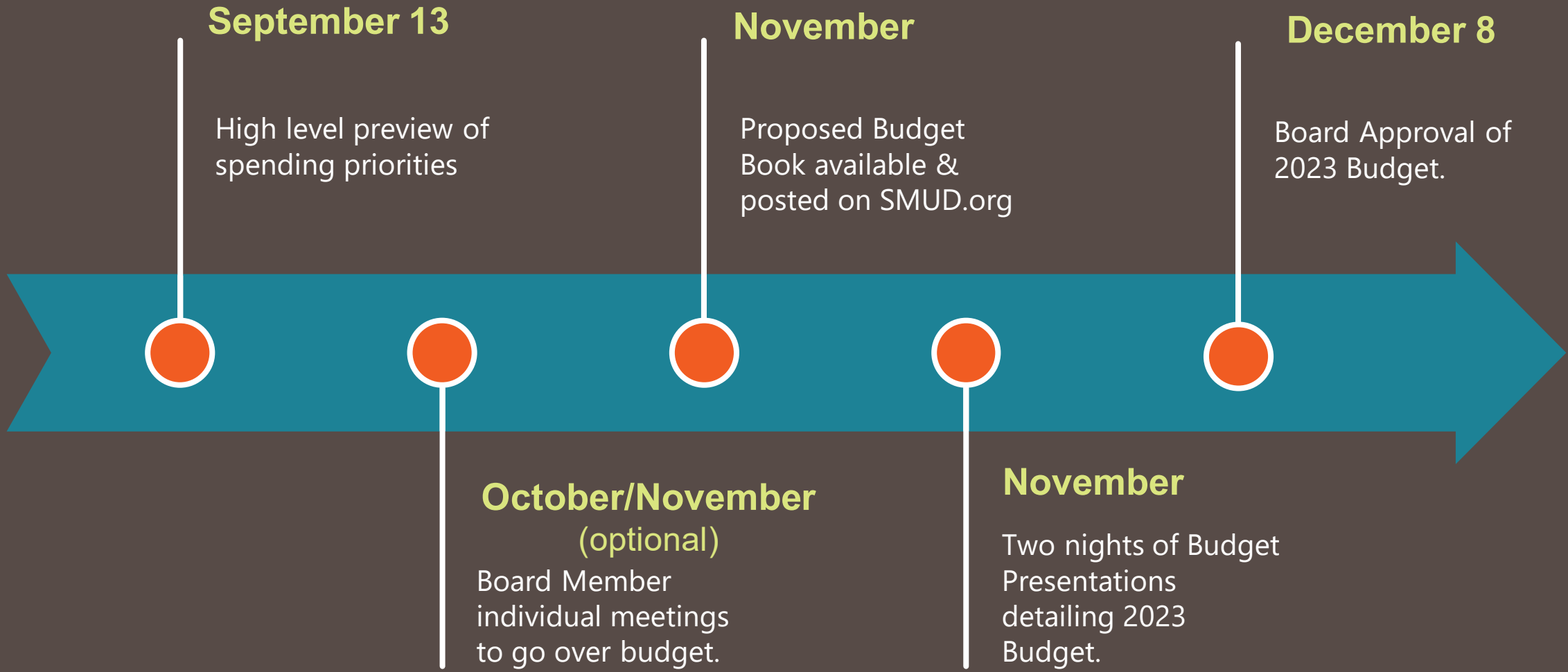
SMUD staff designs programs and builds budget for year



Monitor

Board approves budget and monitors performance through strategic direction monitoring reports

Opportunities to continue the conversation

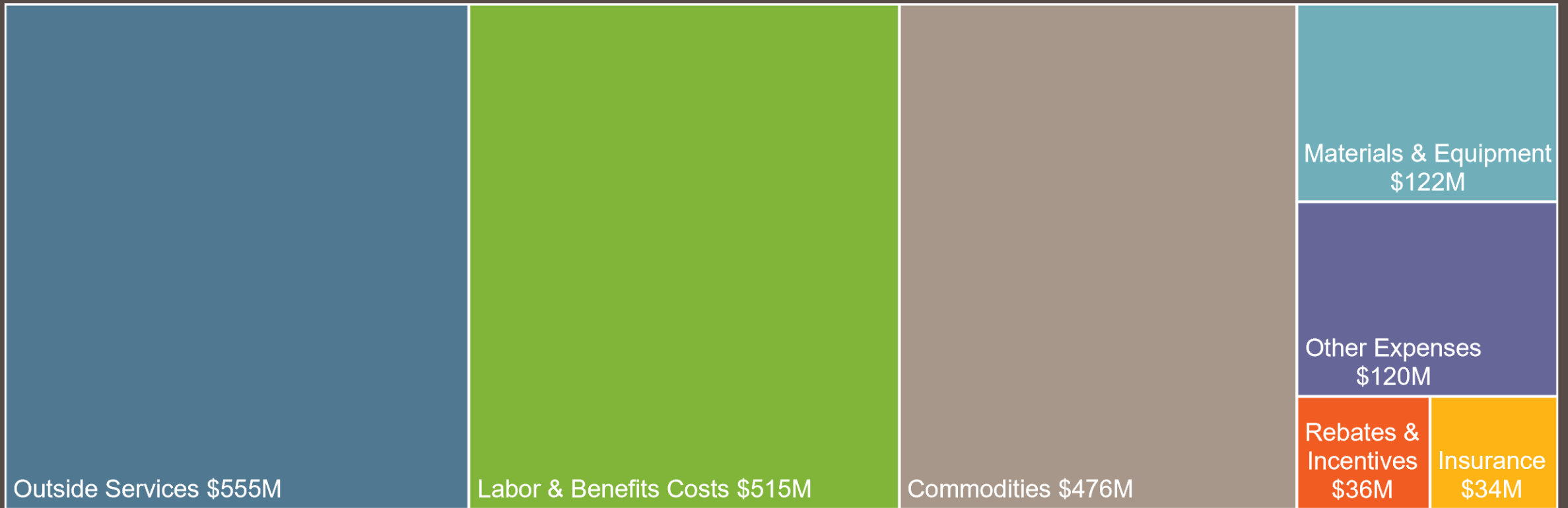


Planning the Future in a Complex Operating Environment

- **The financial headwinds are even more significant this year than in years past**
- **We are monitoring and getting the most up-to-date information for the 2023 budget**
 - Minimal load growth translates to minimal revenue growth
 - Power & natural gas costs are up
 - Drought significant impacts on our commodity costs
 - Rate Stabilization Fund (RSF)/Hydro RSF balances
 - Inflation and supply chain pressures increase costs and delay work
 - Increased need to borrow to fund large capital spends
 - Rising interest rates means higher cost debt
 - Build America Bonds Rebate potential sequestration

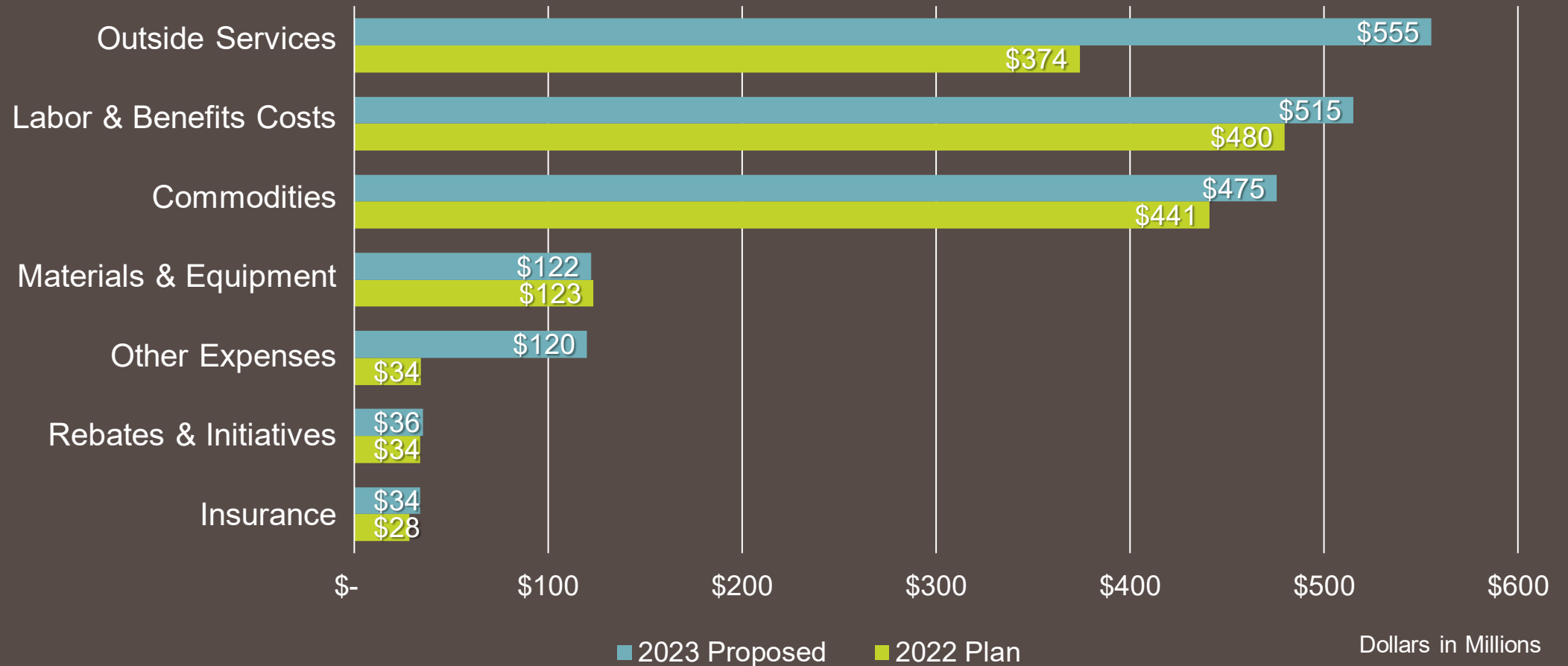
2023 Proposed Spending by Cost Category

- Insurance \$34M
- Rebates & Incentives \$36M
- Other Expenses \$120M
- Materials & Equipment \$122M
- Commodities \$476M
- Labor & Benefits Costs \$515M
- Outside Services \$555M



Dollars in Millions

2023 Proposed Spending by Cost Category compared to 2022 Plan



2023 Proposed O&M and Capital compared to 2022 Plan

O&M, including Public Good Dollars in Millions	2022 Plan	2023 Proposed	Variance
Zero Carbon Energy Solutions	\$215.7	\$232.6	\$16.9
Energy Delivery & Operations	\$204.7	\$219.2	\$14.5
Corporate	\$106.0	\$119.8	\$13.8
Customer & Community Services	\$102.5	\$108.6	\$6.1
Information Technology	\$36.5	\$39.6	\$3.1
Workforce, Diversity & Inclusion	\$9.2	\$18.2	\$9.0
Enterprise Strategy	\$17.5	\$17.5	\$0.0
Enterprise Business Unit	\$31.2	\$28.8	\$(2.3)
Total O&M, including Public Good	\$723.1	\$784.3	\$61.1

Capital Dollars in Millions	2022 Plan	2023 Proposed	Variance
Zero Carbon Energy Solutions	\$107.3	\$314.2	\$206.9
Energy Delivery & Operations	\$192.9	\$189.5	\$(3.4)
Corporate	\$29.8	\$23.7	\$(6.0)
Customer & Community Services	\$6.6	\$7.3	\$0.6
Information Technology	\$37.2	\$45.1	\$7.8
Enterprise Business Unit	\$(15.0)	\$23.2	\$38.2
Total Capital	\$358.8	\$602.9	\$244.1

Business Units & Segments

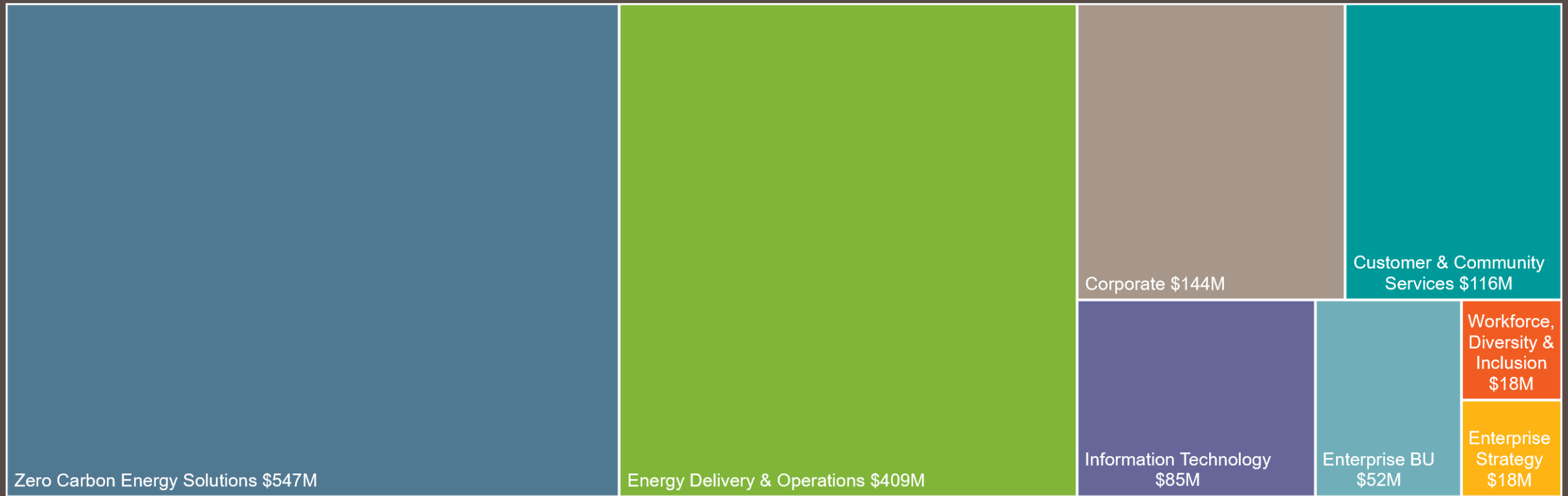


The SMUD Budget is planned by business unit processes, which in some cases differs from the organizational/functional reporting structure.

Customer & Community Services	Energy Delivery & Operations	Zero Carbon Energy Solutions	Enterprise Strategy	Workforce, Diversity & Inclusion	Information Technology	Corporate / Enterprise
Customer Experience Delivery	Transmission Planning & Ops	Power Generation	Resource Strategy	People Services & Strategies	Applications	Governance
Customer Operations	Distribution Planning & Ops	Advanced Energy Solutions	Revenue Strategy	Diversity, Equity & Inclusion	Infrastructure & Operations	Finance
Community Energy Services	Line Assets	Commodity, Procurement & Sales	Customer & Grid Strategy	Sustainable Communities	Strategy & Innovation	Legal, Gov't Affairs & Reliability Compliance
Commercial Dev. & Business Attraction	Substation, Telecom & Network	New Business Development	Enterprise Prioritization		Strategic Initiatives & Operational Tech.	Facilities, Security & Office Services
	Strategic Services & PMO				Cybersecurity	Procurement, Warehouse & Fleet
	Environmental, Real Estate & Safety					Comm. Marketing & Community Relations
	Operational Excellence					Enterprise Affairs

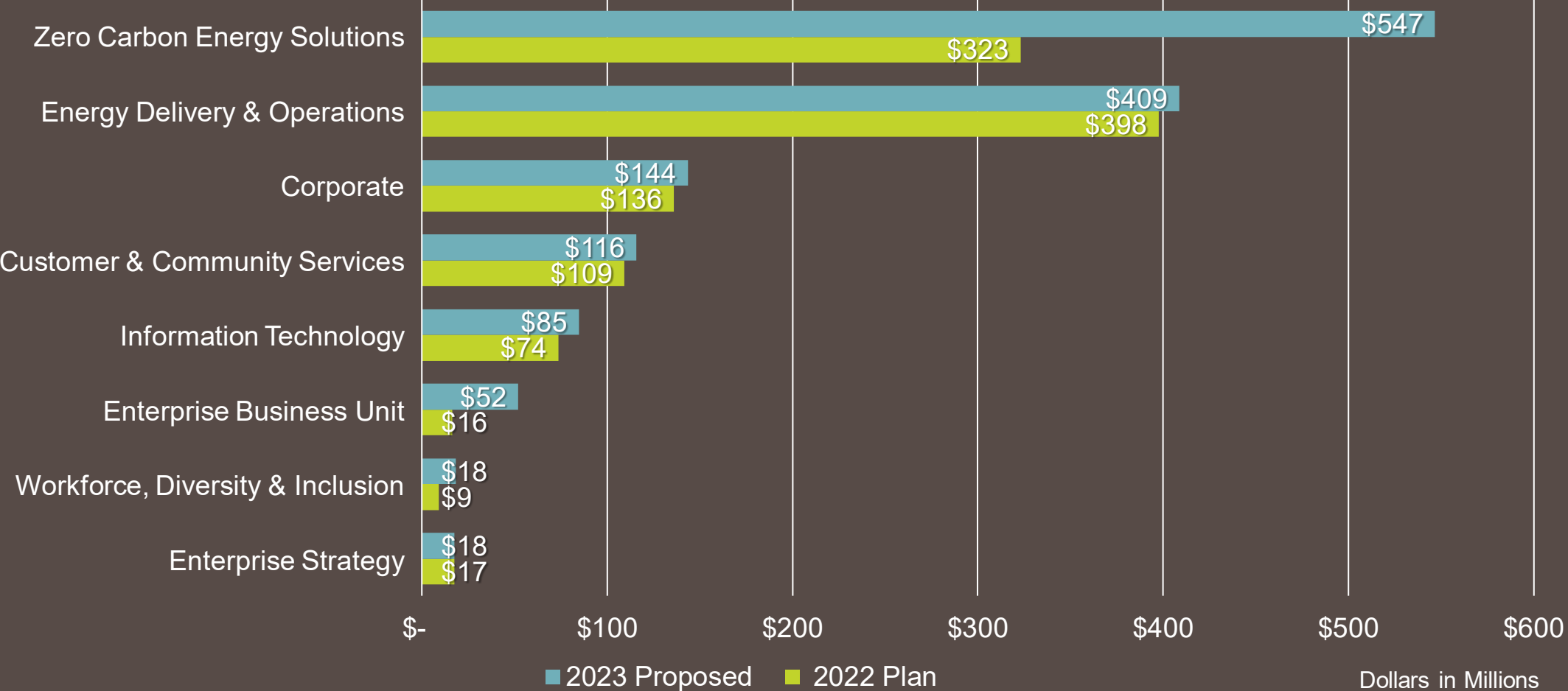
Business Unit 2023 Proposed Spending

- Enterprise Strategy \$18M
- Information Technology \$85M
- Energy Delivery & Operations \$409M
- Workforce, Diversity & Inclusion \$18M
- Customer & Community Services \$116M
- Zero Carbon Energy Solutions \$547M
- Enterprise BU \$52M
- Corporate \$144M



Dollars in Millions

Business Unit 2023 Proposed Spending compared to 2022 Plan



Dollars in Millions



High Impact Items

- Tonight's focus is on increases in work and new initiatives – the items covered in this presentation represent approximately half the proposed budget
- November presentations will focus on additional details that will be known once the budget is finalized
- Many complexities to build a \$1.7B budget
 - Easy to lose perspective when talking about everything in millions

Inflationary Pressures



U.S. Annual Inflation Rate (CPI) 8.5% as of July 2022



Some heavy-duty vehicle purchase prices have increased from 20% to 30%, and in some cases our allocations of electric vehicle purchases have been cut by almost 90%



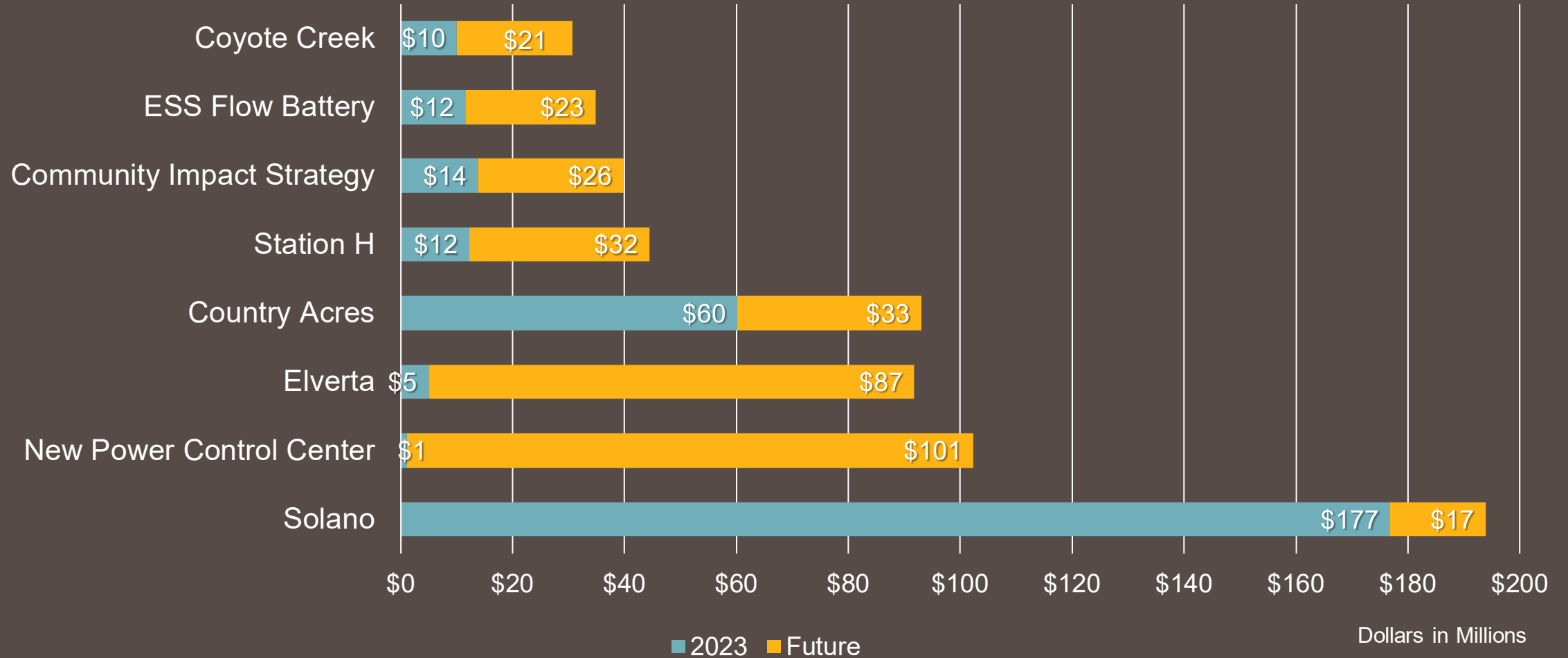
Increased contract crew labor costs for vegetation management and pole replacement, totaling \$5M

Inflation impacts on high-use items

Category	Average Annual Spend	Inflation Related Increases	Revised Annual Forecast	Budget Impact
Transformers	\$ 8.0	40%	\$ 11.2	\$ 3.2
Wood poles	\$ 2.5	27%	\$ 3.2	\$ 0.7
Steel poles	\$ 3.0	22%	\$ 3.7	\$ 0.7
Fuel	\$ 2.0	64%	\$ 3.3	\$ 1.3
Total	\$ 15.5	38%	\$ 21.4	\$ 5.9

Dollars in Millions

Multi year projects



Dollars in Millions

September 13, 2022

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



2023 Priorities



Zero Carbon Plan



Infrastructure Investment



Community Impact

Commodity Costs



2023 Commodity costs will be lower than 2022 forecast – only 2 months of replacement power for Cosumnes Power Plant

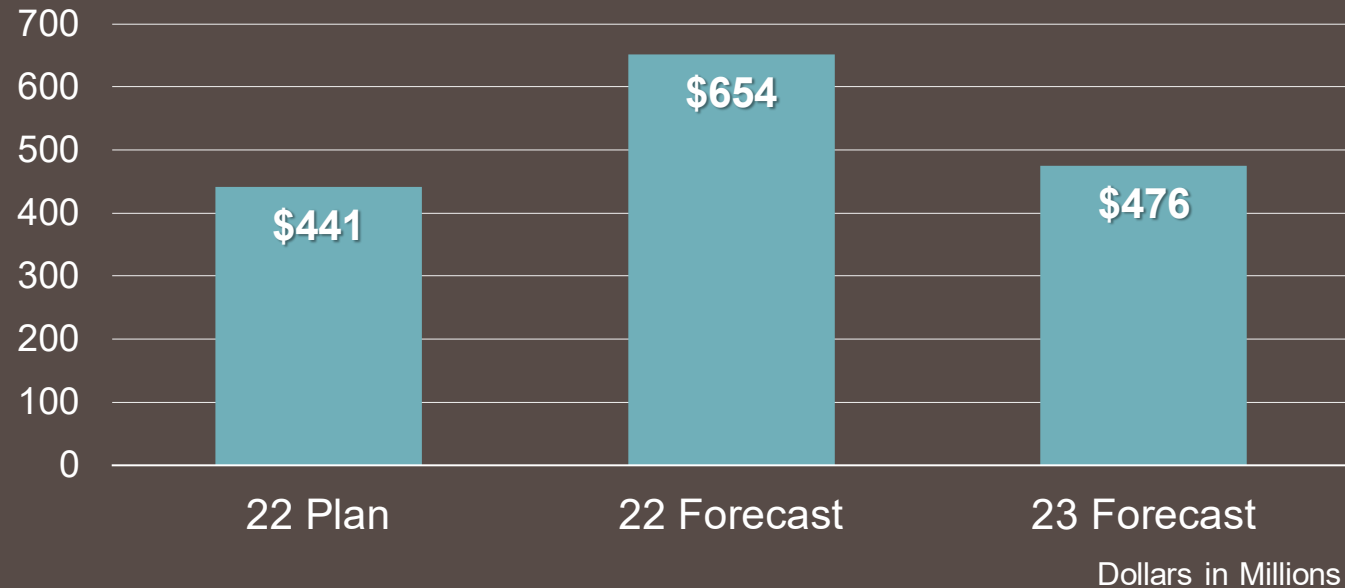


Lower Hydro & WAPA deliveries



Draft numbers will change with final load forecast

Commodity Costs



Clean Energy Vision



Solano 4 spending

- Begin Construction of Phase 4 Solano Wind \$177M



Country Acres Utility Scale Solar

- \$60M Begin Construction of Switchyard, Interconnection and Transmission Line – Includes Agrivoltaic Demonstration



Long duration batteries

- \$12M long duration energy storage community resilience demonstration



Coyote Creek

- \$10M interconnection & substation costs
- Begins transition to a cleaner grid by supporting replacement of fossil fuel fired plants



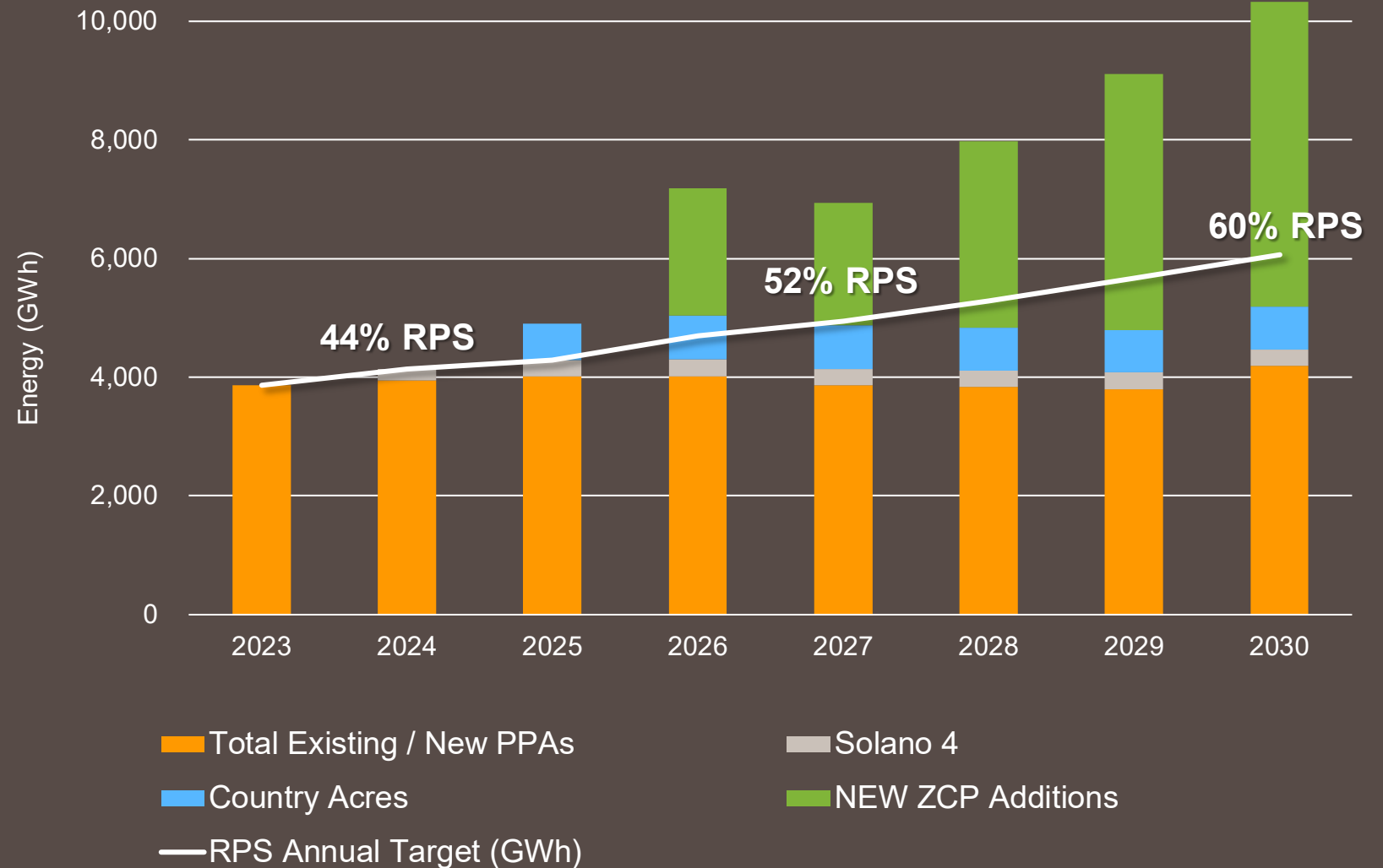
Increased borrowing to fund investments

- Investments will help SMUD achieve California Mandates

2023 spending is to achieve SMUD's Renewable Portfolio Standard (RPS) requirements

When completed, SMUD will move on to advance 2030 Zero Carbon Plan

Renewable Portfolio Standard (RPS) Requirements Status



Maintaining World Class Reliability



Station H Substation

- \$12M continued construction work



Distribution Line, Substation Capacity, Substation Improvements & Substation Network

- \$65M for over 60 different projects in both planning and construction



Completion of Station G in 2023 \$3M after cutover from Station A in 2022.



Begin Work on Elverta Substation Upgrades \$5M

- Supports Country Acres & other future renewables as well as Load Growth for UC Davis Med Center & Prime Data Center as well as adding redundancy to the existing substation



Increase in Maintenance supporting Thermal Generation

- Regular maintenance needs at Cosumnes & Campbell's Power Plants \$2M increase as Campbell Plant online until 2025 per ZCP
- Increased Gas Pipeline maintenance for safety & reliability requirements to \$11M



Infrastructure and application lifecycle technology to maintain reliable information technology systems for our employees & customers \$11M

Investing in Technology for the Future



3% increase in Cyber Security spend - \$12M planned



Technology improvements to the tools we use to interface with customers \$3M



Outage Management System (OMS) tools for operators to have a better view of the Grid needed for our clean energy future \$6M



Dense Wavelength Division Multiplexing (DWDM) to increase the capacity of our existing fiber optic infrastructure \$3M

Community Involvement



\$14M increase for funding the Community Impact Strategy



\$1M in funding for continued regional workforce development

Customer Programs



48% increase in budget for load management programs to \$8M



Starting Charge Ready Grant to deploy EV charging infrastructure in multi-family housing (MFH) units in underserved communities in Sacramento \$2M – Grant revenues will reimburse a portion of this project

Reliable, Affordable & Equitable Energy



42% increase in Wildfire insurance costs \$16M (based on California Risk & Insurer's losses)



Begin Planning Process on new Power Control Center \$1M



Support for SMUD's Fleet and Employee Vehicle Charging \$1M



Investments in Records management & Records evaluation \$3M



Continued investment in Talent Technology Transformation (T3) to replace disparate systems and support our continued investment in commitment to Diversity, Equity, Inclusion, and Belonging \$8M

Key Takeaways



Community involvement

- Investment for a clean energy future in the Sacramento region and increased support for our community



Infrastructure investment

- Strong investment in infrastructure for maintaining a reliable grid today and in the future



Prudent financial management

- Focus on alignment of key priorities during economic uncertainty



Executing SMUD's vision

- Reliable, affordable and equitable energy

