Exhibit to Agenda Item #2

Approve an increase to the aggregate contract not-to-exceed amount for distribution substation transformers by $6 million, from $32.4 million to $38.4 million, for Contract No. 4600001232 with Pennsylvania Transformer Technology, Inc. and Contract No. 4600001382 with Siemens Energy, Inc.

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

Wednesday, June 14, 2023, immediately following the Energy Resources & Customer Services Committee Meeting and Special SMUD Board of Directors Meeting scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium
Distribution substation transformers
Distribution substation transformers

- Two sources for distribution substation transformers
- Agreements were established in 2019
- Pennsylvania Transformer, manufacturing in Raeford, NC
- Siemens Energy, manufacturing in Tenjo, Colombia
- There is no SEED availability in the category
Reasons for contract change

• **Unanticipated cost increases** based on market factors that have far exceeded the original forecast for this contract when put in place during 2019.

• **Due to current +80-week lead time** (increasing) for distribution substation transformers, SMUD needs to order additional transformers now to ensure on time delivery for planned construction.
Cost pressure

- Cost pressures driven by commodities, labor, and demand increases through this period
- From the start of 2019 our unit prices have increased by 72%
- The power and distribution transformer cost index has increased by 72% in the same time period because the contract rates escalations are governed by the index
5-year plan forecasts a need for 60-70 transformer units through 2028.

Substation development is planned to support residential expansion, economic growth in the region, replacing end of life assets, and to support electrification.

Staff is soliciting new contracts and anticipates those to be in place by the end of 2023.