Exhibit to Agenda Item #1

Authorize the Chief Executive Officer and General Manager to execute the third amendment to the California Oregon Transmission Project (COTP) Long-Term Layoff Agreement (Agreement) by and among the Transmission Agency of Northern California (TANC) and certain of its members, namely, SMUD, Modesto Irrigation District (MID), Turlock Irrigation District (TID), the City of Palo Alto, and the City of Roseville, substantially in form attached, to extend the existing Agreement for an additional 10 years to January 31, 2034.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Tuesday, January 16, 2024, scheduled to begin at 6:00 p.m.
SMUD Headquarters Building, Auditorium
Amendment 3 to California Oregon Transmission Project (COTP) Long Term Layoff Agreement

Board Policy

• Strategic Direction SD-2, Competitive Rates; Strategic Direction SD-4, Reliability, Strategic Direction SD-9, Resource Planning

TANC Background

• TANC is a joint powers agency established by a group of California publicly-owned utilities in 1984.

• TANC’s initial purpose was to construct the COTP, a 340-mile long, 500-kilovolt (kV) transmission line between the California-Oregon border and Central California. COTP was completed and energized in 1993.

• Today, TANC’s purpose is to provide transmission to its Member utilities and day-to-day operations, maintenance, and upgrades to the COTP.

• TANC’s current Membership includes 15 publicly-owned utilities, including SMUD.
Amendment 3 to California Oregon Transmission Project (COTP) Long Term Layoff Agreement

Transaction Background

- In March of 1990, SMUD, MID, TID, Palo Alto, and Roseville entered into the TANC Project Agreement No. 3 (“TANC PA 3”).

- In the original 2009 Agreement, Palo Alto and Roseville laid off their entitlement to TANC’s Transfer Capability on the COTP associated with their participation percentages under TANC PA 3 to SMUD, MID, and TID for a fifteen-year term of the Agreement.
Amendment 3 to California Oregon Transmission Project (COTP) Long Term Layoff Agreement

Transaction Background cont.

• In the Agreement, SMUD, MID, and TID accepted and assumed all of Palo Alto and Roseville’s participation percentages under TANC PA 3 for the term of the Agreement.

• Amendment No. 1 returned Roseville’s COTP interests from SMUD, MID, and TID back to Roseville, and clarified Palo Alto’s voting rights under TANC PA 3.

• Amendment No. 2 provided that Debt Service for the 2016A Bonds and any extension thereof associated with Palo Alto’s 3.6815 participation percentage would be paid by SMUD, MID, and TID.
Amendment 3 to California Oregon Transmission Project (COTP) Long Term Layoff Agreement

Context

• The Agreement commenced on February 1, 2009 and is scheduled to expire on January 31, 2024, if this Amendment is not approved.

• The Parties have negotiated to extend the Agreement for ten years and to add an annual market payment to Palo Alto from SMUD, MID, and TID.

• SMUD’s share of the market payment is approximately $244,000 per year in the first 5 years and $355,000 per year in the last 5 years.

• This Amendment will also extend the term of Roseville’s layoff of its South of Tesla (“SOT”) allocation.
Amendment 3 to California Oregon Transmission Project (COTP) Long Term Layoff Agreement

Benefits

- Portfolio & Reliability Diversification
  - Northwest market access
  - Regional renewable integration
  - Access to Western Power Pool reserve sharing group
  - Risk Mitigation

- The cost of this transmission is below market when compared to short-term transmission which might not be available on the market during peak conditions

- SMUD maintains a total of 528 MW of North to South and 405 MW of South to North COTP Transmission

- Enhances coordination in the operation of the COTP for TANC Members
Amendment 3 to California Oregon Transmission Project (COTP) Long Term Layoff Agreement

Key Contract Terms

• Transfer Capability: 22 MW North to South, 17 MW South to North

• Total Cost: Approximately $755,000 per year for SMUD’s share

• Term: February 1, 2024 through January 31, 2034
Requested Action

Authorize the Chief Executive Officer and General Manager to execute the third amendment to the California Oregon Transmission Project (COTP) Long-Term Layoff Agreement (Agreement) by and among the Transmission Agency of Northern California (TANC) and certain of its members, namely, SMUD, Modesto Irrigation District (MID), Turlock Irrigation District (TID), the City of Palo Alto, and the City of Roseville, substantially in form attached, to extend the existing Agreement for an additional 10 years to January 31, 2034.