Exhibit to Agenda Item #11

Authorize the Chief Executive Officer and General Manager to approve the inclusion of SMUD’s disclosure information (Appendix A) in the Preliminary Official Statement pursuant to the commodity prepay transaction with Northern California Energy Authority (NCEA) as the bond issuer, and execute the Commodity Supply Agreement and any other related documents necessary to facilitate this transaction.

Board of Directors Meeting
Thursday, March 21, 2024, scheduled to begin at 6:00 p.m.
SMUD Headquarters Building, Auditorium
What is a Prepay?

• 2003 IRS Regulations allow for tax-exempt debt to be issued for the prepayment of natural gas/electricity to serve load

• Commodity supply agreement where buyer commits to purchase the commodity over a term, receiving a discount to the market price

• Cost of funding is lower than supplier would otherwise receive borrowing from taxable market or from using internal funding at their cost of capital

• Bond investor risk is tied to supplier and corporate guarantor (not SMUD) to make debt service payments and redeem bonds if termination events occur or bankruptcy
Commodity Prepay Summary

• In 2018 Bonds were issued the Northern California Energy Authority (NCEA), to prepay for a 30-year supply of commodities
  ➤ $0.48/dekatherm discount = $3 million annual commodity savings from 2019-2023

• The 2018 prepay bonds require repricing by July 2024
  ➤ NCEA plans to issue up to $800 million of similar bonds this spring for a 6-year term that optimizes the savings that SMUD receives

• Current pricing indicates SMUD will save $3+ million annually on commodity costs from a $0.50-0.55/dekatherm discount
Prepay Flexibility

Flexibility to support SMUD’s Zero Carbon Plan

- Allows for a switch to renewables or biogas to align with resource plans or adapt to new technologies or regulatory changes
- Natural Gas is currently needed to support reliability and new technologies such as Carbon Capture and Sequestration (CCS)
- Reduces operating costs to help SMUD reach zero carbon by 2030
- Contractual provisions protect SMUD savings
Questions?