

Exhibit to Agenda Item #1

Discuss approving 2026 Proposed SMUD Budget, including Debt Service, Pay Schedule, and Special Compensation.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Tuesday, November 18, 2025, scheduled to begin at 6:00 p.m.

Auditorium, SMUD Headquarters Building

2026 Budget Strategy



Financial Flexibility

Manages changing business conditions and risks



Strategic

Funds required for regulatory compliance & achievement of Board's Strategic Directions



Balanced

Funds short-term needs and prepares for long-term goals



Community Focused

Delivers on our purpose to improve the quality of life for our customers and community

Financial Foundations

Maintaining our strong financial foundation leads to positive credit ratings and keeps SMUD's rates affordable now and in the future

California Utilities System Average Rates (\$/kWh)



Credit Ratings

Moody's Ratings: **Aa2**

S&P Global Ratings: **AA**

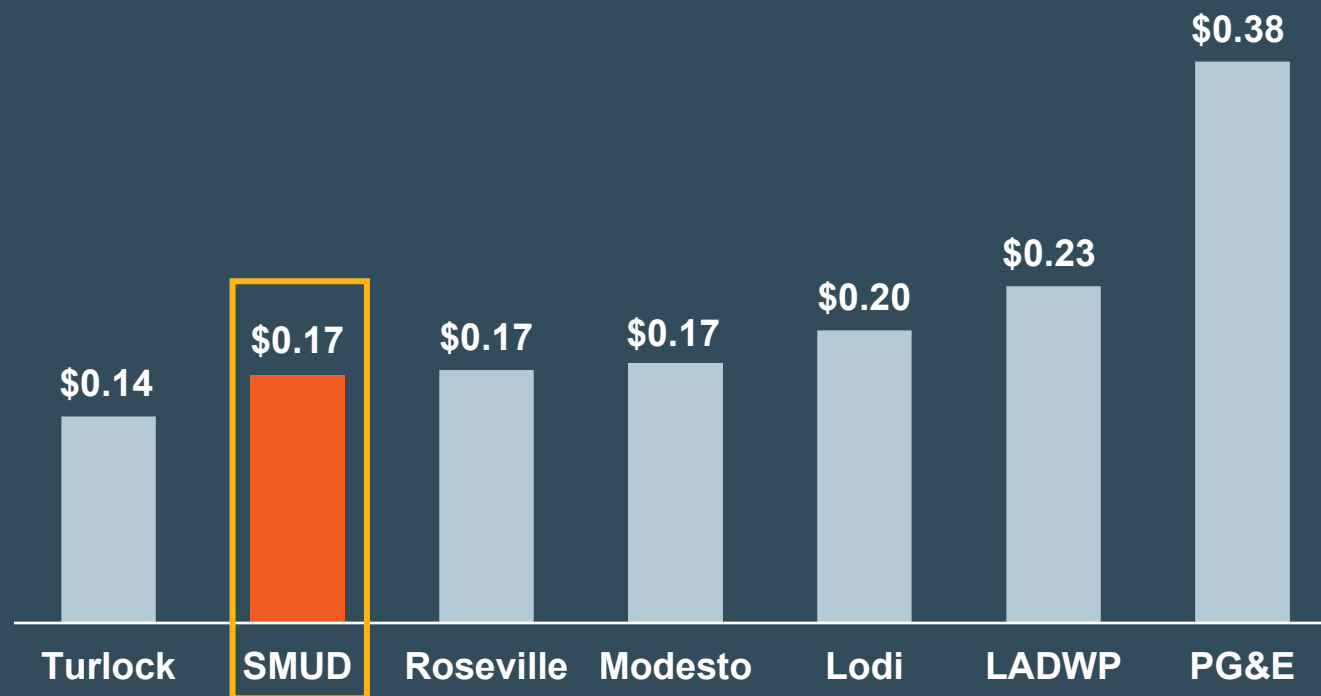
Fitch Ratings: **AA**



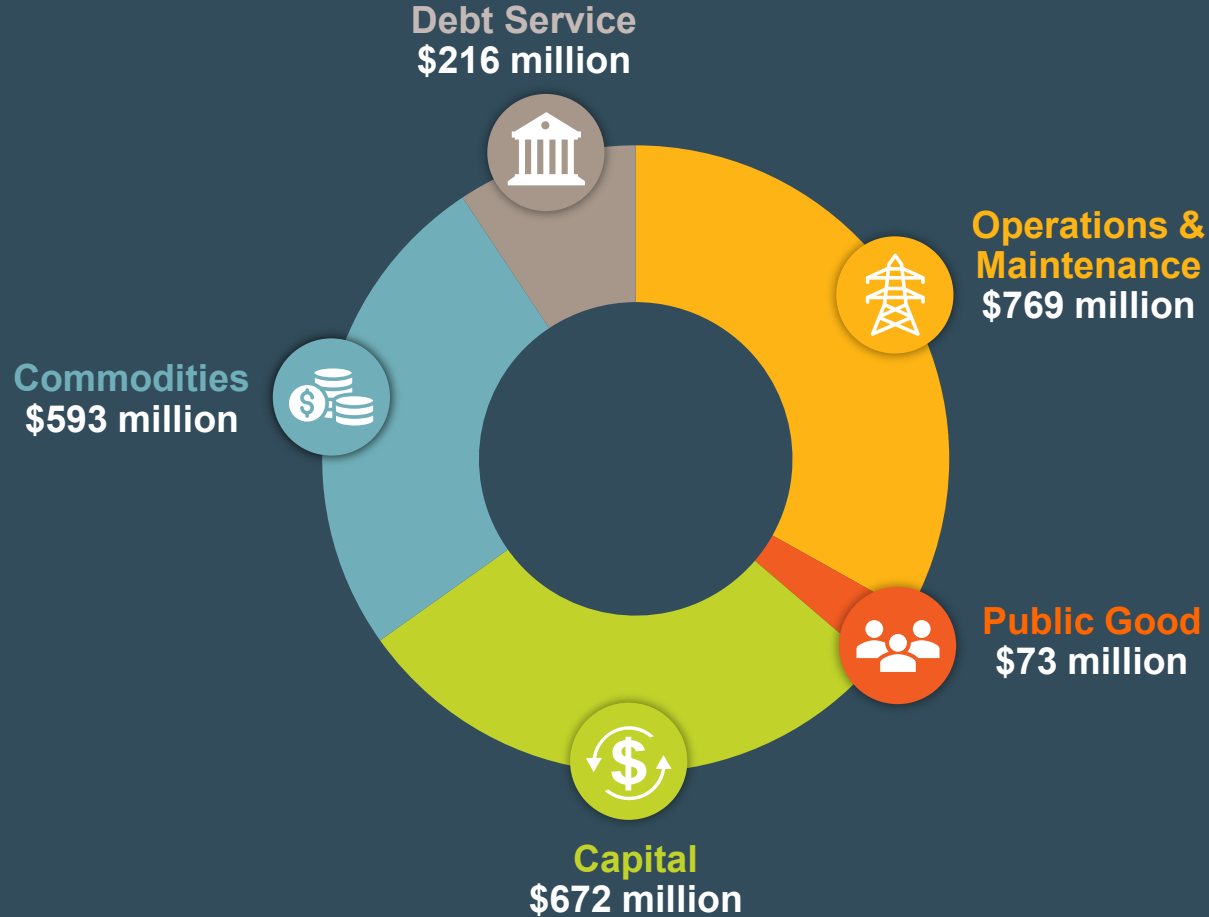
SMUD's system average rate is **51% below PG&E**



Approximately **\$1.9 billion community savings** in 2025



Board Request: \$2.3 Billion 2026 Budget



2026 SMUD Budget

- Authority for Rate Stabilization Fund transfers
- Provisions for adjusting budget authority
- Staffing level

Debt Management

- Declaration of intent to issue debt
- Reimbursement of capital expenditures from bond proceeds

Employee Pay Schedule

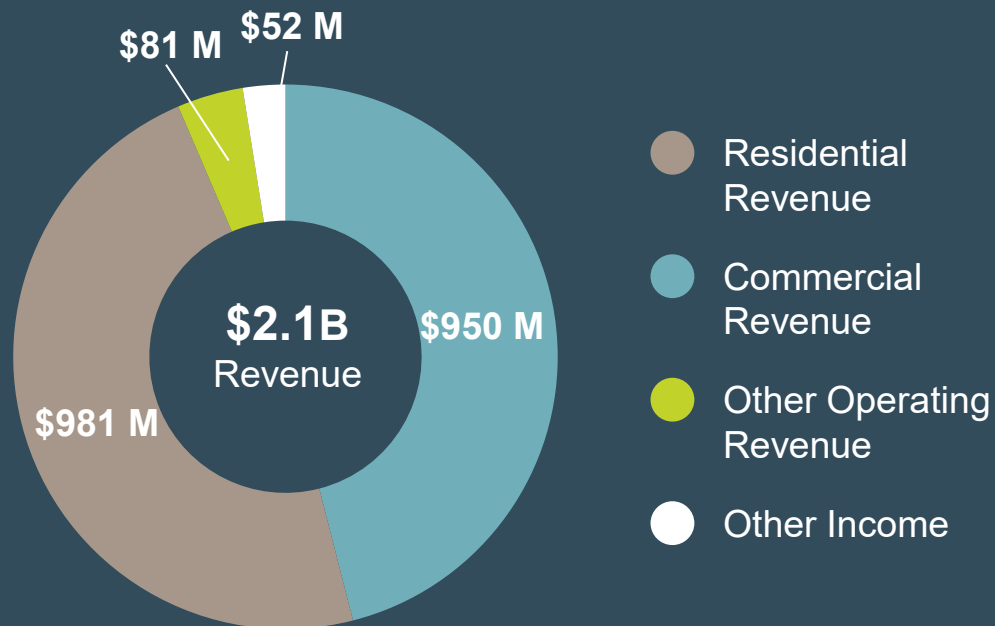
- Required by law

Funding the \$2.3B Budget: Revenue & Borrowing Mix

Revenue: \$2.1 billion



Borrowing: \$260 million



Request to establish increased bonding authority:

- Issue new debt to preserve 150-day minimum days cash on hand
- Establish additional bonding authority: declare intent to issue debt, up to \$400 million
- During 2026, staff will request Board's authorization for new bond transactions
- SMUD may also issue commercial paper as needed to maintain our minimum days cash

2026 Position Request

Requesting 2,295 full-time positions

	2025 Budget	2026 Proposed	Proposed vs. Budget
Full-time	2,295	2,295	0
Limited-term	47	47	0
Total	2,342	2,342	0

Number of Full-Time Positions by executive organization	
Chief Operating Officer	864
Chief Customer Officer	299
Chief Information Officer	267
Chief Zero Carbon Officer	257
Chief Diversity Officer	219
Chief Legal & Gov't Affairs Officer	181
Chief Financial Officer	104
Chief Communications & Marketing Officer	72
CEO & GM	32
Total full-time positions	2,295

Board Approval Provides Authorization to Staff

\$Millions

	2025 Budget	2026 Proposed	\$ Change vs. Budget	% Change vs. Budget
Commodities	\$610	\$593	(\$17)	-3%
SMUD Operating Expenses	786	769	(17)	-2%
Public Good Expenses	68	73	5	8%
Capital	612	672	60	10%
Debt Service	205	216	11	5%
Total Budget Authorization	\$2,281	\$2,323	\$41	2%
Revenue	(38)	(1)	37	-
Net	\$2,243	\$2,321	\$78	3%

Totals may reflect minor rounding differences

Commodity Budget Portfolio

Power Cost

Electrical energy, capacity, renewable energy contracts and transmission required to meet customers' needs

Natural Gas Cost

Natural gas, transmission and storage required for power plant operations and electrical system needs

\$Millions			
Commodity Budget	2025 Budget	2026 Proposed	\$ Change
Power Cost	\$419	\$411	(\$8)
Natural Gas Cost	\$191	\$182	(\$9)
Total Commodity	\$610	\$593	(\$17)

Commodity Budget Resource Highlights

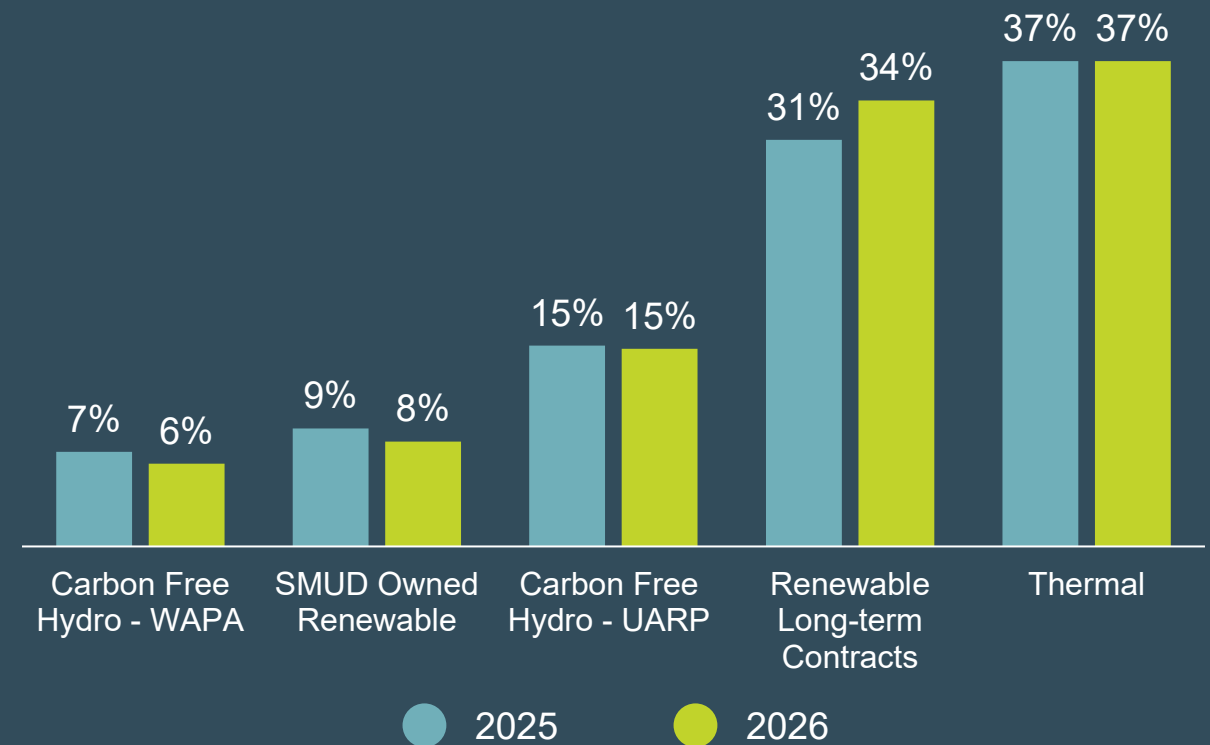
2026 Forecast

- Portfolio targeted to be 63% carbon free
- Western Area Power Administration (WAPA) hydro forecasted to be lower in 2026 than 2025

Renewable Long-term Contracts

- Hatchet Ridge Wind online in mid-December 2025
- Sunzia Wind online in October 2026
- Kiefer Biomass contract extended 2026-2028

SMUD Resource Comparison
2025 - 2026

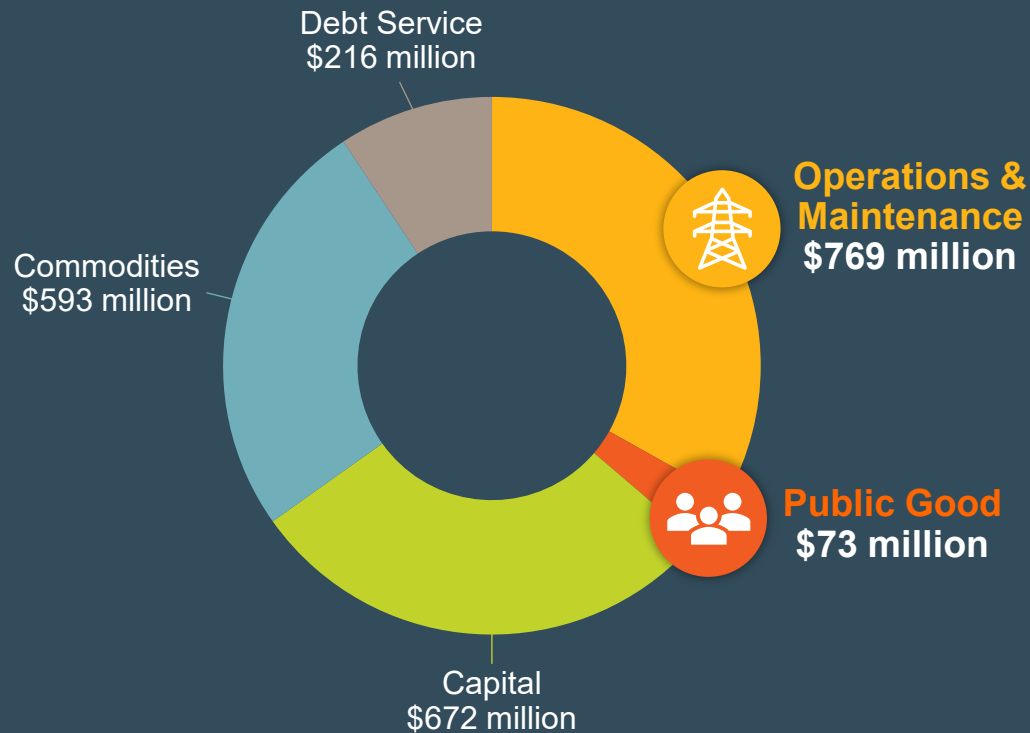


Risk & Financial Strategy

	Risk	Mitigation
Financial	<i>Risks driven by weather, the economy, supply chains, tariffs or regulatory policy</i>	<ul style="list-style-type: none"> • Rate Stabilization funds • Diversify suppliers and order early • Adjust grant strategy • OpEx opportunities • Hedging commodity costs
Reliability	<i>Risks related to critical infrastructure needs and ability to respond to outages</i>	<ul style="list-style-type: none"> • Load impacts for growth • Improved storm response process • New technology platforms • Add/improve infrastructure
Clean Energy	<i>Monitor renewable pricing and customer impacts</i>	<ul style="list-style-type: none"> • Integrated Resource Plan • New renewable projects • Managed charging & smart panels
Technology	<i>Monitor technology landscape, impacts of AI, and cybersecurity</i>	<ul style="list-style-type: none"> • Maintain and improve technology platforms • Artificial Intelligence (AI) use cases • 'zero trust' security model • Third party access and governance

O&M and Public Good Highlights

SMUD's 2026 Proposed O&M and Public Good budget is \$842 million for ongoing costs that ensure safe, reliable and affordable energy delivery to our customers and community



Power generation and grid operations and maintenance	\$309 million
Core Operations and Support – customer support, IT operations, corporate services	\$285 million
Electrification, energy efficiency solutions and research	\$89 million
Vegetation management	\$51 million
Wildfire, property and other insurance	\$47 million
Community investments, including under-resourced communities and the Community Impact Plan	\$42 million

O&M Initiatives

Safety

- Culture of safety for life and zero incidents
- Focus on contractor and public safety
- Improve physical security

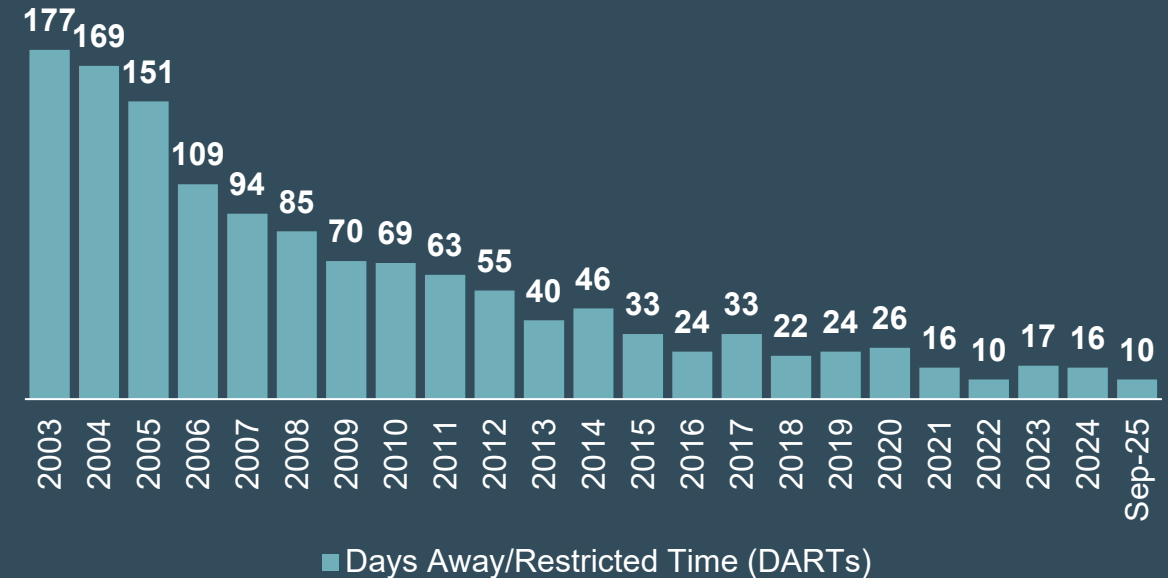
Grid Reliability

- Maintain and improve assets
- Wildfire mitigation and vegetation management
- Managed electric vehicle (EV) charging

Skilled Workforce

- Training, education and workforce planning
- Lineworker Scholarship and We Prosper Together Grant
- Provide Zero Carbon workforce development

Days Away/Restricted Time (DARTs)
2003 - September 2025



Lineworker Scholarship program graduation

O&M Initiatives

Clean Energy & Environmental Leadership

- Integrated Resource Plan (IRP) update
- Invest in new clean energy resources
- Load flexibility
- Environmental compliance, sustainability, habitat conservation, remediation and biodiversity

Technology

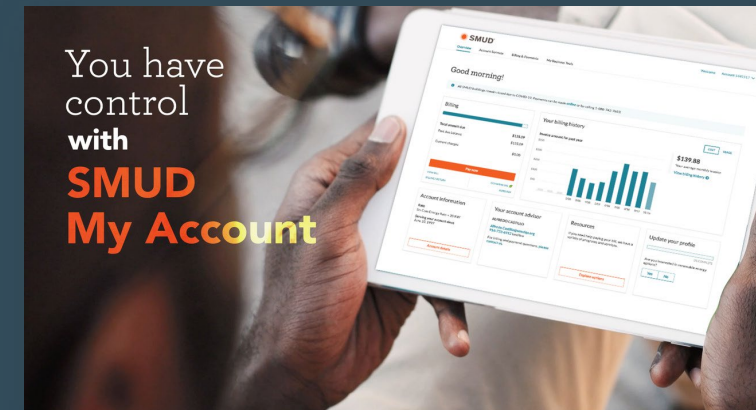
- Critical infrastructure protection (CIP)
- Zero Trust security model Artificial Intelligence (AI) enhancements
- SMUD.org redesign
- Upgrade customer interconnection experience



My Energy Optimizer Program



Sloughhouse solar



My Account on smud.org

O&M Initiatives

Empowering our Customers & Community

- Commercial and residential electrification work
- Support over 1,600 community events
- Outreach to low/moderate and income eligible customers, and small and medium commercial customers

Community Impact Plan

- Expand electrification efforts to hard-to-reach residential communities and commercial corridors
- Launch new customer assistance programs
- Expand Solar & Storage for nonprofits pilot program



Customer support in the community



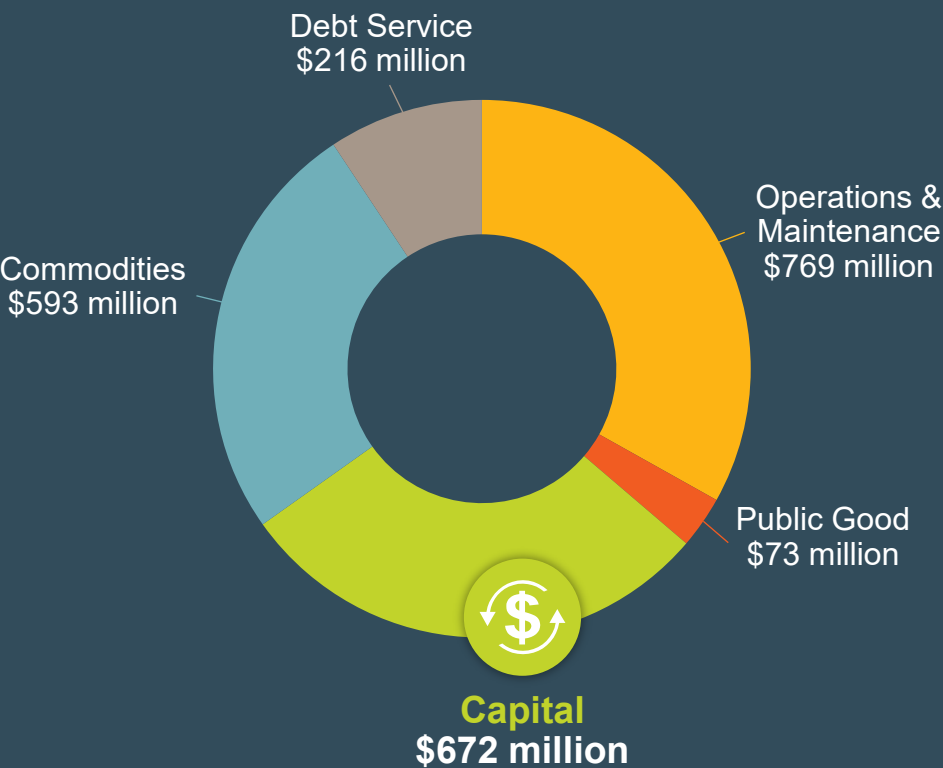
American Indian Summer Institute EC-OC visit



2025 Capital Region Small Business Week

Capital Highlights

Investments to support SMUD’s reliability, clean energy and customer requirements, totaling \$672 million



Substation builds and maintenance	\$186 million
Facilities and Fleet, including \$89 million for Folsom Administrative Operations building	\$127 million
New and enhanced technology, including \$24 million for S/4HANA	\$70 million
Renewable resource projects	\$59 million
Cable and pole replacements	\$31 million
New services and capacity	\$27 million

Capital Initiatives

Growth and Reliability

- Planned construction projects in 2026, including:
 - Station J substation addition
 - El Rio substation upgrades
 - Downtown proactive transformer replacement
- Additional projects in design in 2026
- Replacing 850 poles and laying 200,000 circuit feet of underground cable
- Transformer replacements and spares

Power Generation Assets

- Transformer and generator protection upgrades at Camino, White Rock and Union Valley
- Control system upgrades
- Hydraulic power unit replacements



El Rio Substation construction



Station G Substation

Capital Initiatives

Executing on Proven Clean Technologies

- Country Acres Project
- Continue clean energy efforts, with a focus on permitting, California Environmental Quality Act (CEQA), and early-stage construction:
 - Dry Creek
 - Other green energy projects

Facilities and Security

- Folsom Administrative Operations Building (FAOB) Project
- Facilities and security enhancements
- Continue to electrify SMUD's fleet



Dry Creek Energy Storage project



Folsom Administrative Operations Building

Capital Initiatives

Enterprise Foundational Technology

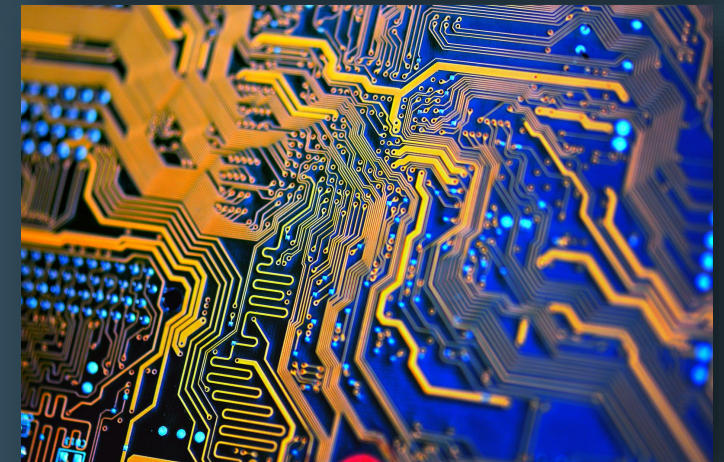
- S/4HANA Phase 1
- SAP Analytics Cloud (SAC) Planning

Grid Transformation

- Extended Day-Ahead Market (EDAM)
- Distributed Energy Resource Management System (DERMS)
- Outage Management System (OMS)

Customer Experience Technology

- Completing Phase 1 and starting Phase 2 of Digital Platform Transformation



Pro Forma Income Statement

\$Millions

Income Statement	2025 Budget	2026 Proposed	Proposed vs. Budget
Electric Sales	\$1,819	\$1,931	\$112
Other Revenue	69	74	5
Total Revenue	\$1,888	\$2,005	\$117
Commodities	610	593	(17)
Business Unit O&M	854	842	(12)
Other Costs/Income	307	344	37
Net Income	\$117	\$226	\$109
Fixed Charge Ratio	2.03	2.69	

Positive net income

- Helps offset capital costs
- Manages current and future risks
- Ensures we can meet our minimum financial metrics

Totals may reflect minor rounding differences

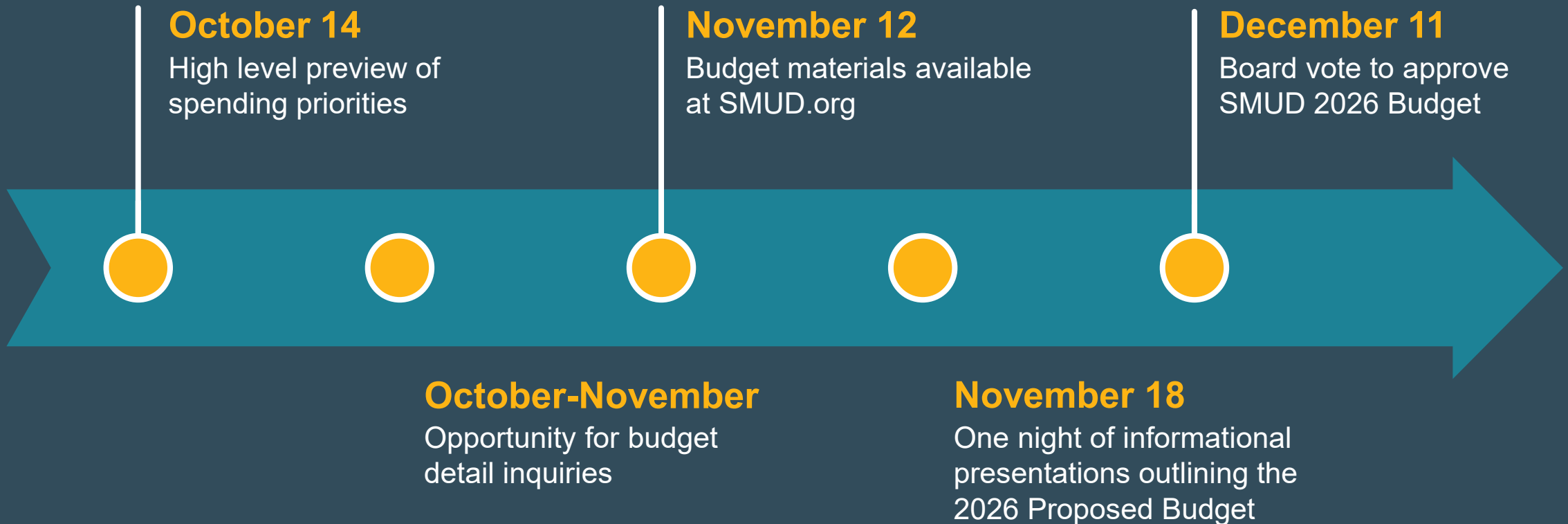
Pro Forma Cash Flow Statement

2026 Cash Flow		\$Millions
Starting Unrestricted Cash Balance as of Jan 2026		\$487
Operations		
Receipts from Customers & Other Electric Revenue*		\$1,994
Commodities & Business Unit Expenses*		(1,407)
Net Source of Funds from Operations		\$587
Financing		
Proceeds from Debt Issuance		260
Capital Expenditures & Other Cash Payments*		(670)
Principal & Interest payments on Debt		(210)
Net Use of Funds from Financing		(620)
Investing		
Interest Income		29
Net Cash from 2026 Budget		(4)
Ending Unrestricted Cash Balance as of Dec 2026		\$483
Days' Cash on Hand		155

- Cash from Operations (which includes Net Income) supports capital spending and less borrowing
- 2026 cash balances are about the same as 2025 despite higher net income
- Strong, stable cash position and days cash on hand keep credit ratings high

*Certain line items on the cash flow statement may not directly correspond to items on the income statement due to non-cash items that are included in the income statement but not on the cash flow statement

2026 Budget Timeline



Key messages



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 and transforming a reliable grid today and in the future



Prudent Financial Management

Focus on alignment of key priorities while meeting key financial metrics



Executing SMUD's Vision

Reliable, affordable and clean energy

