

Exhibit to Agenda Item #2

Discuss large load policies and considerations for cost recovery.

Board Energy Resources & Customer Services Committee and Special SMUD
Board of Directors Meeting

Wednesday, June 17, 2026, scheduled to begin at 6:00 p.m.

Auditorium, SMUD Headquarters Building

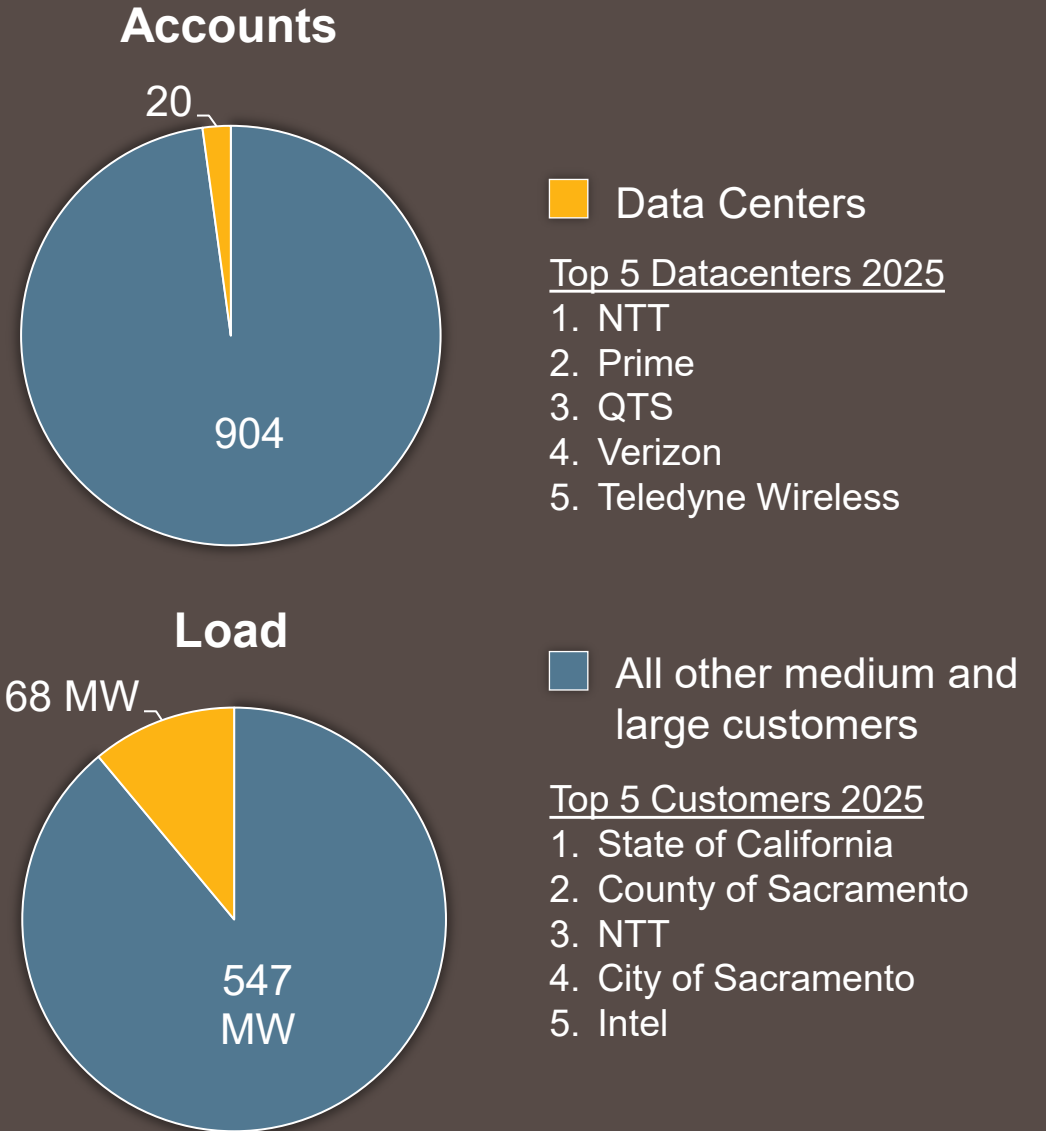
Agenda

Begin the conversation on Large Loads

- Background of Large Load policy and interest
- Overview of processes
- Risks & Benefits of Large Load
- Research efforts
- Large Load policy issues
- Options to address
- Path forward

Background

- Large Loads are an evolving issue in the U.S.
- Obligation to serve
- Economic Development Rates
 - 6 customers currently
 - 3 customers within last 10 years
- Customer Tailored Agreements
 - 1 customer
- Tariffs broken out by customer category and price
- One active Datacenter application for service greater than 50MW



SMUD defines large load as 50MW or higher



Standard Loads
(in place) <50MW



Large Loads
≥50MW



Rates

Rate Schedule

To Be Determined



Infrastructure Cost

Rule 16

To Be Determined



Non Standard Needs

Rule 2

To Be Determined



Unique Needs

Customer Tailored Agreement

Customer Tailored Agreement

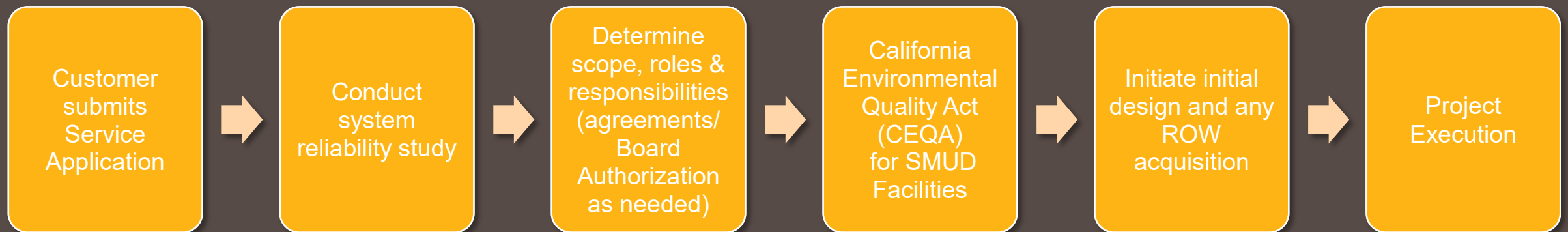
Local Jurisdiction Process



- Local jurisdiction process occurs before SMUD's process
- Land use authority resides with local jurisdictions
- Local jurisdiction must weigh impacts on local resources (water, land use, zoning, local environmental impacts, etc.)
- Prior to local jurisdiction approval, SMUD completes an impact study and design with the customer paying the cost

SMUD Process

- SMUD has legal obligation to serve
- SMUD will only proceed to permitting SMUD assets after the local jurisdiction approves customer's project
- Board approves annual budgets, large contracts, large land purchases, and significant new infrastructure



Risks & Benefits of Large Load

Risks

- Stranded Assets
- Infrastructure & Planning
- Renewables Portfolio
Standard/ Energy/ Capacity
& Carbon Obligations

Benefits

- Increased electricity sales & revenue – may help keep rates affordable
- Optimize Existing Infrastructure
- Opportunity for Grid Innovation

What we've done & seen

Some of the entities we've surveyed



Some of the items we've reviewed

- Interconnection queue & process
- Rate design
- Rate schedule language
- Cost collection
- Risk mitigation

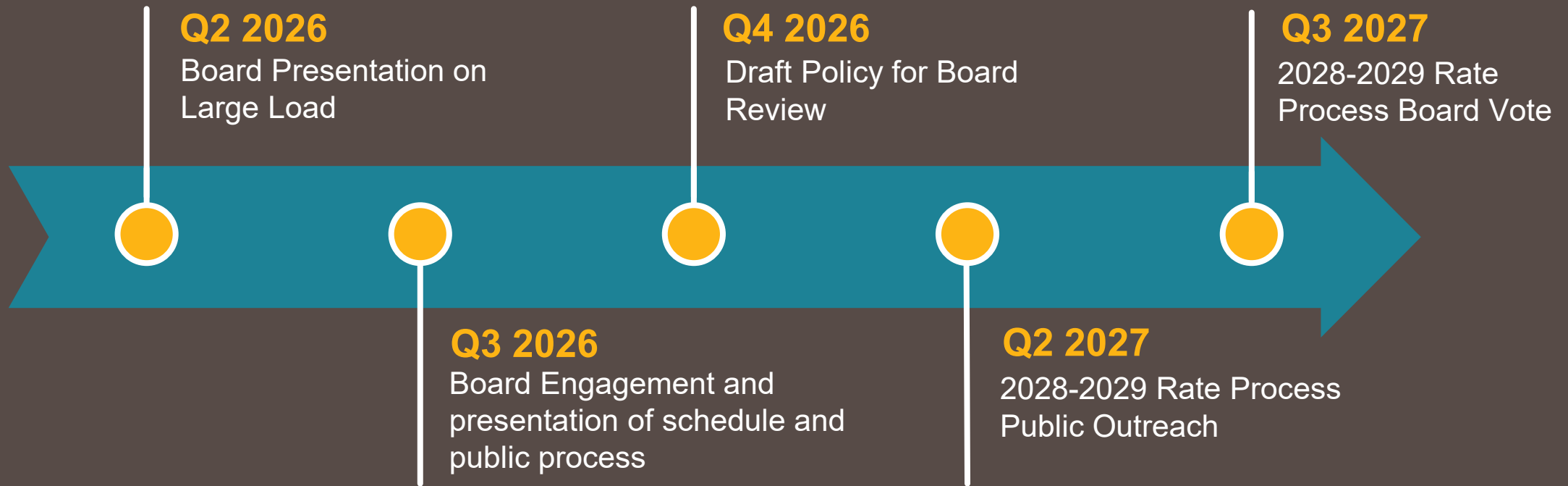
Summary of Issues

Subject	Policy Issues	Examples of Common Practices
Pricing	<ul style="list-style-type: none"> Define prices in rate schedule vs. in customized contract What to charge (Time-of-Day, fixed charges, etc.) 	<ul style="list-style-type: none"> Rate schedule/policy defines pricing and components; contract includes customized pricing
Commodities	<ul style="list-style-type: none"> Pass on cost of energy procurement Renewable needs Power Purchase Agreement (PPA) and/or build generation Customer may bring own generation 	<ul style="list-style-type: none"> Through rate design Interest in new energy sources
Infrastructure	<ul style="list-style-type: none"> Collect infrastructure costs up front vs. ongoing 	<ul style="list-style-type: none"> Customer pays 100% upfront Company may refund a portion later if customer pays ongoing transmission rates
Financial Security	<ul style="list-style-type: none"> Require contract term Minimum notice of departure Minimum billing demand Exit fee Risk premium/collateral requirement/letter of credit 	<ul style="list-style-type: none"> 15-year average 3 years 80-90% contract demand Typically, the lowest of 5 years or remaining contract term 2-year contract demand, sometimes 50% of total contract demand
Benefits to system	<ul style="list-style-type: none"> Demand response/interruptible service Contribution to system costs 	<ul style="list-style-type: none"> Backup generation Batteries
Environmental	<ul style="list-style-type: none"> Pass on cost of carbon emissions Land use 	<ul style="list-style-type: none"> Through rate design

Different pathways for large load policy

Category	Board Policy	Rate Schedule	Policy & Rate Schedule
Terms	Flexible	Detailed	Flexible where needed
Type of customer	Multiple types	Specific to Rate Schedule	Multiple types
Ability to change	Anytime	During every two-year rate process	Depends on change
Process to change	Board meeting	GM report & public rate process	Board meeting or public rate process
Result	Contracts	Rate Schedule Language	Combination
Timing for approval	Q4 2026	Q3 2027	Q4 2026/ Q3 2027

Path Forward



- Gather feedback from the Board
- Staff will work through policy and/or rate schedule development
 - Engage with customers and Board members