

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

Date: Tuesday, March 17, 2026

Time: Scheduled to begin at 6:00 p.m.

Location: SMUD Headquarters Building, Auditorium
6201 S Street, Sacramento, CA

Powering forward. Together.



AGENDA

BOARD FINANCE & AUDIT COMMITTEE MEETING AND SPECIAL SMUD BOARD OF DIRECTORS MEETING

Tuesday, March 17, 2026
SMUD Headquarters Building, Auditorium
6201 S Street, Sacramento, California
Scheduled to begin at 6:00 p.m.

This Committee meeting is noticed as a joint meeting with the Board of Directors for the purpose of compliance with the Brown Act. In order to preserve the function of the Committee as advisory to the Board, members of the Board may attend and participate in the discussions, but no Board action will be taken. The Finance & Audit Committee will review, discuss and provide the Finance & Audit Committee's recommendation on the following agendized item(s):

Virtual Viewing or Attendance:

Live video streams (view-only) and indexed archives of meetings are available at:
<https://www.smud.org/Corporate/About-us/Company-Information/Board-Meetings/Watch-or-Listen-online>

Zoom Webinar Link: [Join Board Finance & Audit Committee Meeting Here](#)

Webinar/Meeting ID: 160 282 7136

Passcode: 474139

Phone Dial-in Number: 1-669-254-5252 or 1-833-568-8864 (Toll Free)

Verbal Public Comment:

Members of the public may provide verbal public comment by:

- Completing a sign-up form at the table outside of the meeting room and giving it to SMUD Security.
- Using the "Raise Hand" feature in Zoom (or pressing *9 while dialed into the telephone/toll-free number) during the meeting at the time public comment is called. Microphones will be enabled for virtual or telephonic attendees when the commenter's name is announced.

Written Public Comment:

Members of the public may provide written public comment on a specific agenda item or on items not on the agenda (general public comment) by submitting comments via email to PublicComment@smud.org or by mailing or bringing physical copies to the meeting. Email is not monitored during the meeting. Comments will not be read into the record but will be provided to the Board and placed into the record of the meeting if received within two hours after the meeting ends.

INFORMATIONAL ITEMS

1. Bethany Ryers
PRINCIPAL
BAKER TILLY US, LLP
SMUD's 2025 Financial Statements Independent Audit Report.
Presentation: 10 minutes
Discussion: 2 minutes
2. Lisa Limcaco
SMUD's Financial Results for the year 2025.
Presentation: 5 minutes
Discussion: 2 minutes
3. Lisa Limcaco
Provide the Board with SMUD's financial results from the one-month period ended January 31, 2026, and a summary of SMUD's current Power Supply Costs.
Presentation: 5 minutes
Discussion: 2 minutes

DISCUSSION ITEM

4. Rachel Huang
Discuss approving the negotiation and execution of Contract Change No. 5 to Contract No. 4500120070 with **TRC Engineers, Inc.**, for professional services to administer SMUD's Complete Energy Solutions Program, to extend the contract expiration date by one year from February 28, 2027, to February 28, 2028, and to increase the contract not-to-exceed amount by \$8 million, from \$21.67 million to \$29.67 million.
Presentation: 5 minutes
Discussion: 10 minutes

INFORMATIONAL ITEMS (cont.)

5. Claire Rogers
Internal Audit Services Reports: Grants Administration and GO165 Transmission Line Maintenance.
Discussion: 1 minute
6. Public Comment
7. Brandon D. Rose
Summary of Committee Direction.
Discussion: 1 minute

ANNOUNCEMENT OF CLOSED SESSION AGENDA

1. Conference with Labor Negotiators.

Pursuant to Section 54957.6 of the Government Code:

SMUD Designated Representative:

Jennifer Dibble, Senior Labor Relations Analyst

Employee Organization:

International Brotherhood of Electrical Workers (IBEW).

Members of the public shall have up to three (3) minutes to provide public comment on items on the agenda or items not on the agenda, but within the jurisdiction of SMUD. The total time allotted to any individual speaker shall not exceed nine (9) minutes.

Members of the public wishing to inspect public documents related to agenda items may click on the Information Packet link for this meeting on the smud.org website or may call 1-916-732-6155 to arrange for inspection of the documents at the SMUD Headquarters Building, 6201 S Street, Sacramento, California.

ADA Accessibility Procedures: Upon request, SMUD will generally provide appropriate aids and services leading to effective communication for qualified persons with disabilities so that they can participate equally in this meeting. If you need a reasonable auxiliary aid or service for effective communication to participate, please email Nicole.Looney@smud.org, or contact by phone at 1-916-732-6055, no later than 48 hours before this meeting.

SSS No. ACC 26-002

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date Finance & Audit – 3/17/26
Board Meeting Date N/A

TO				TO			
1.	Scott Martin	6.					
2.	Farres Everly	7.					
3.	Jose Bodipo-Memba	8.					
4.		9.	Legal				
5.		10.	CEO & General Manager				
Consent Calendar		Yes		No		If no, schedule a dry run presentation.	
		x					
FROM (IPR)		DEPARTMENT		MAIL STOP		EXT.	
Lisa Limcaco		Accounting		B352		7045	
						DATE SENT	
						2/20/26	

NARRATIVE:

Requested Action: SMUD’s 2025 Financial Statements Independent Audit Report.

Summary: SMUD’s external auditor, Baker Tilly US, LLP, will present an informational overview of the 2025 financial statements independent audit report. SMUD’s financial statements are required to be audited by an external auditor annually, to access credit markets.

Board Policy: Governance Process GP-14, External Auditor Relationship, and Strategic Direction SD-3, Access to Credit Markets.
(Number & Title)

Benefits: Provide information to the Board of Directors regarding the results of the independent audit of SMUD’s 2025 financial statements by SMUD’s external auditor.

Cost/Budgeted: Cost is included in Baker Tilly US, LLP’s contract.

Alternatives: Provide information from Baker Tilly US, LLP to the Board outlining the 2025 financial statements independent audit report.

Affected Parties: SMUD, Accounting

Coordination: Accounting

Presenter: Bethany Ryers, Principal, Baker Tilly US, LLP

Additional Links:

SUBJECT SMUD’s 2025 Financial Statements Independent Audit Report	ITEM NO. (FOR LEGAL USE ONLY)
---	-------------------------------

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.



Bethany Ryers, CPA
Principal – Energy & Utilities, Baker Tilly

Bethany is a Principal in the Baker Tilly Energy and Utilities Team and has been with Baker Tilly US, LLP since 2006. She specializes in providing auditing, accounting, and consulting services to utilities. She counts among her clients some of the largest public power systems in the United States and is helping them with implementing the latest Governmental Accounting Standards Board (GASB) statements. She is involved with a number of state electric, water, and wastewater organizations and is also a member of the AICPA (The American Institute of Certified Public Accountants) and several state accounting associations.

**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditors' Report

To the Board of Directors of
Sacramento Municipal Utility District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Sacramento Municipal Utility District (SMUD), which comprise SMUD's statement of financial position as of December 31, 2025, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 6, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SMUD's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SMUD's internal control. Accordingly, we do not express an opinion on the effectiveness of SMUD's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SMUD's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Madison, Wisconsin
March 6, 2026



Reporting and insights from the 2025 audits:

Sacramento Municipal Utility
District and Sacramento
Municipal Utility District – Joint
Power Authorities (JPAs)

December 31, 2025

Executive summary

March 6, 2026

The Board of Directors
Sacramento Municipal Utility District (SMUD) and SMUD JPAs
6201 S Street
Sacramento, California 95817

We have completed our audits of the financial statements of the Sacramento Municipal Utility District (SMUD), Northern California Gas Authority No. 1 (NCG1) and Northern California Energy Authority (NCEA) (collectively referred to as SMUD JPAs) for the year ended December 31, 2025, and have issued our reports thereon dated March 6, 2026. This letter presents communications required by our professional standards.

Your audits should provide you with confidence in your financial statements. The audits were performed based on information obtained from meetings with management, data from your systems, knowledge of your operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audits.

Additionally, we have included information on key risk areas SMUD and SMUD JPAs should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organizations' financial stability and future planning.

If you have questions at any point, please connect with us:

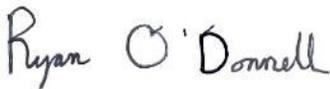
- Bethany Ryers, Principal: Bethany.Ryers@bakertilly.com or +1 (608) 240 2382
- Ryan O'Donnell, Director: Ryan.Odonnell@bakertilly.com or +1 (608) 240 2606

Sincerely,

Baker Tilly US, LLP



Bethany Ryers, CPA, Principal



Ryan O'Donnell, CPA, Director

THIS COMMUNICATION IS INTENDED SOLELY FOR THE INFORMATION AND USE OF THOSE CHARGED WITH GOVERNANCE, AND, IF APPROPRIATE, MANAGEMENT, AND IS NOT INTENDED TO BE AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES.

BAKER TILLY ADVISORY GROUP, LP AND BAKER TILLY US, LLP, TRADING AS BAKER TILLY, ARE MEMBERS OF THE GLOBAL NETWORK OF BAKER TILLY INTERNATIONAL LTD., THE MEMBERS OF WHICH ARE SEPARATE AND INDEPENDENT LEGAL ENTITIES. BAKER TILLY US, LLP IS A LICENSED CPA FIRM THAT PROVIDES ASSURANCE SERVICES TO ITS CLIENTS. BAKER TILLY ADVISORY GROUP, LP AND ITS SUBSIDIARY ENTITIES PROVIDE TAX AND CONSULTING SERVICES TO THEIR CLIENTS AND ARE NOT LICENSED CPA FIRMS. NON-ATTEST SERVICES ARE PROVIDED BY BAKER TILLY ADVISORY GROUP, LP.

Responsibilities

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of SMUD and SMUD JPAs' internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audits about whether the financial statements prepared by management, with the oversight of the Board of Directors:
 - Are free from material misstatement
 - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Performing tests related to compliance with certain provisions of laws, regulations, contracts and grants, as required by *Government Auditing Standards* (SMUD only).
- Considering internal control over compliance with requirements that could have a direct and material effect on major federal programs to design tests of both controls and compliance with identified requirements (SMUD only).
- Forming and expressing an opinion based on our audit in accordance with OMB's *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance about the entity's compliance with requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs (SMUD only).
- Our audits do not relieve management or the Board of Directors of their responsibilities.

We are also required to communicate significant matters related to our audits that are relevant to the responsibilities of the Board of Directors, including:

- Internal control matters
- Qualitative aspects of SMUD and SMUD JPAs' accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

Audit status

Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

Audit approach and results

Planned scope and timing

Audit focus

Based on our understanding of SMUD and SMUD JPAs' and environment in which you operate, we focused our audits on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audits was determined based on specific qualitative and quantitative factors combined with our expectations about SMUD and SMUD JPAs' current year results.

Key areas of focus and significant findings

Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audits, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion

Other areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Payroll	Pension and OPEB liabilities and related deferrals	Long-term debt
Capital assets including infrastructure	Net position calculations	Financial reporting and required disclosures
Regulatory debits and credits	Accrued liabilities	Derivative instruments
Asset retirement obligations	Information technology	Pollution remediation liabilities
Lease account	SBITA accounting	

Internal control matters

We considered SMUD and SMUD JPAs' internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. We are not expressing an opinion on the effectiveness of SMUD and SMUD JPAs' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by SMUD and SMUD JPAs' are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing accounting policies were not changed during 2025. We noted no transactions entered into by SMUD and SMUD JPAs' during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.
- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Accrued compensated absences	Evaluation of hours earned and accumulated in accordance with employment policies and average wage per hour rates	Reasonable in relation to the financial statements as a whole
Net pension liability and related deferrals	Evaluation of information provided by the CALPERS Retirement System	Reasonable in relation to the financial statements as a whole
Fuel hedges	Evaluation based on future forward pricing using third party specialist	Reasonable in relation to the financial statements as a whole
Allowance for doubtful accounts	Evaluation of historical revenues and loss levels with the analysis on collectability of individual amounts	Reasonable in relation to the financial statements as a whole
Net OPEB liability and related deferrals	Key assumptions set by management with the assistance of a third party actuary	Reasonable in relation to the financial statements as a whole
Depreciation	Evaluate estimated useful life of the asset and original acquisition value	Reasonable in relation to the financial statements as a whole
Lease right-to-use assets, and related deferrals	Evaluation based on present value of expected future lease payments	Reasonable in relation to the financial statements as a whole
Subscription assets/liabilities	Evaluation of subscriptions by management and incremental borrowing rate used for present value calculation	Reasonable in relation to the financial statements as a whole
Interest rate swaps	Evaluations based on discounted expected cash flows at corresponding zero coupon rate	Reasonable in relation to the financial statements as a whole

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Asset retirement obligation	Evaluation based on current value of future outlays expected to be incurred	Reasonable in relation to the financial statements as a whole
Pollution mediation obligation	Evaluation based on current value of future outlays expected to be incurred	Reasonable in relation to the financial statements as a whole
Unbilled revenue	Evaluation of volume used by customers from their last billing date through the end of the month	Reasonable in relation to the financial statements as a whole
Accrued liabilities	Evaluation of estimates made by management of internal departments for invoiced to be received post-closing for services related to the prior period	Reasonable in relation to the financial statements as a whole

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for SMUD and SMUD JPAs' or that otherwise appear to be unusual due to their timing, size or nature.

Significant difficulties encountered during the audits

We encountered no significant difficulties in dealing with management and completing our audits.

Disagreements with management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditors' reports. We are pleased to report that no such disagreements arose during the course of our audits.

Audit report

There have been no departures from the auditors' standard reports.

Audit consultations outside the engagement team

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

Uncorrected misstatements and corrected misstatements

Professional standards require us to accumulate misstatements identified during the audits, other than those that are clearly trivial and to communicate accumulated misstatements to management. Management is in agreement with the misstatement we have identified related to SMUD, and it has been corrected in the financial statements. The misstatement was not material to the financial statements. In our judgment, the misstatement that management has corrected, either individually or in the aggregate, does not indicate matters that could have had a significant effect on SMUD and SMUD JPAs' financial reporting process.

Other audit findings or issues

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as SMUD and SMUD JPAs' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other information in documents containing audited basic financial statements

SMUD and SMUD JPAs' audited financial statements are "general purpose" financial statements. General purpose financial statements consist of the basic financial statements that can be used by a broad group of people for a broad range of activities. Once we have issued our audit reports, we have no further obligation to update our reports for events occurring subsequent to the date of our reports. SMUD and SMUD JPAs' can use the audited financial statements in other client prepared documents, such as official statements related to the issuance of debt, without our acknowledgement. Unless we have been engaged to perform services in connection with any subsequent transaction requiring the inclusion of our audit reports, as well as to issue an auditor's acknowledgment letter, we have neither read the document nor performed subsequent event procedures in order to determine whether or not our report remains **appropriate**.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Written communications between management and Baker Tilly

The attachments include copies of other material written communications, including a copy of the management representation letters.

Compliance with laws and regulations

We did not identify any non-compliance with laws and regulations during our audits.

We will issue a separate document which contains the results of our audit procedures to comply with the Uniform Guidance.

Fraud

We did not identify any known or suspected fraud during our audits.

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of SMUD and SMUD JPAs' ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date of the financial statements, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's reports. No such matters or conditions have come to our attention during our engagement.

Independence

We are not aware of any relationships between Baker Tilly and SMUD and SMUD JPAs' that, in our professional judgment, may reasonably be thought to bear on our independence.

Related parties

We did not have any significant findings or issues arise during the audits in connection with SMUD and SMUD JPAs' related parties.

Other matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Audit committee resources

Our business is to know every aspect of yours and to maintain a constant lookout for what's next. We invite you to learn about some of the trending challenges and opportunities for public sector organizations like yours and how Baker Tilly can help.

To explore more trending topics and regulatory updates, visit our resource page at <https://www.bakertilly.com/insights/audit-committee-resource-page>.



Capital project oversight

Public sector capital projects face increasing pressure from cost escalation, supply chain disruption, regulatory complexity and heightened scrutiny around transparency and accountability. Strong planning, governance and controls are critical across the full project life cycle, from feasibility and funding strategy through execution and closeout.

Independent oversight helps chart a clear course from planning to delivery. Our teams work alongside leadership to strengthen governance, establish financial and contractual controls, align funding with project goals, and monitor performance throughout execution, helping projects stay on schedule, within budget, and aligned with community priorities.



Succession planning

An aging workforce, rising retirement rates, and competition for specialized talent make succession planning a fiscal and operational a priority for public sector organizations.

By identifying critical roles, assessing workforce risk, building internal talent pipelines, and integrating succession planning with broader workforce strategies, Baker Tilly helps organizations preserve institutional knowledge and maintain continuity, today, and into the future.



Economic development

Successful economic development depends on disciplined planning, sound financial analysis and coordinated execution. Public sector leaders must balance incentives, infrastructure investment, funding opportunities and stakeholder priorities while maintaining fiscal responsibility.

Baker Tilly's supports local governments with strategic and financial planning, incentive structuring and negotiation, tax increment financing administration, project financing, grant strategy, and economic and fiscal impact analysis. This integrated approach helps leaders move from vision to action, strengthening communities and advancing sustainable, long-term growth.

Management representation letters



March 6, 2026

Baker Tilly US, LLP
4807 Innovate Ln
Madison, WI 53718

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audits of the general purpose financial statements of the Sacramento Municipal Utility District as of December 31, 2025 and 2024 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Sacramento Municipal Utility District and the respective changes in financial position and cash flows in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 30, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all blended component units and other information of the Sacramento Municipal Utility District required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, if any, are reasonable in accordance with U.S. GAAP.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
- 7) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 8) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 9) All known audit and bookkeeping adjustments have been included in our financial statements, and we are in agreement with those adjustments.
- 10) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
- 11) Guarantees, whether written or oral, under which the Sacramento Municipal Utility District, is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 12) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board of Directors and committees or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.

- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
- 16) We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you the names of our related parties and all the related party relationships and transactions, including side agreements, of which we are aware.

Other

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have a process to track the status of audit findings and recommendations.
- 20) We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.
- 22) The Sacramento Municipal Utility District, has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources or net position.
- 23) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 24) There are no:
 - a) Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
 - b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
 - c) Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
 - d) Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.
- 25) The Sacramento Municipal Utility District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

- 26) The Sacramento Municipal Utility District has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
- 27) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations, if any. Component units have been properly presented as either blended or discrete.
- 28) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 29) We believe that we have properly identified all derivative instruments and any embedded derivative instruments that require bifurcation. The Sacramento Municipal Utility District's hedging activities, if any, are in accordance with its documented and approved hedging and risk management policies. The Sacramento Municipal Utility District follows the valuation, accounting, reporting and disclosure requirements outlined in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. We believe the timing, nature, and amounts of all forecasted transactions are probable of occurring. The fair values of all derivatives and hedged items have been determined based on prevailing market prices or by using financial models that we believe are the most appropriate models for valuing such instruments and that incorporate market data and other assumptions that we have determined to be reasonable and appropriate at year end.
- 30) Provisions for uncollectible receivables, if any, have been properly identified and recorded.
- 31) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
- 32) Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.
- 33) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
- 34) We believe that the estimate made for the pollution remediation liability is in accordance with GASB Statement No. 49 and reflects all known available facts at the time it was recorded.
- 35) Tax-exempt bonds issued have retained their tax-exempt status.
- 36) The operations and rate setting process meet the condition for application of accounting for regulated operations as outlined in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. All regulatory items included in the financial statements have been approved and are being accounted for in accordance with specific action taken by the regulatory body and as such the expectation of future recovery or refund is reasonable.
- 37) We have appropriately disclosed the Sacramento Municipal Utility District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy.
- 38) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

- 39) We have provided, and agree with, the findings of specialists in evaluating the pension and OPEB-related figures, and energy trading pricing, forecasting and risk assessment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.
- 40) We believe the information provided by the CalPERS as audited by BDO USA, LLP relating to the net pension asset/liability and related deferred outflows and deferred inflows is accurate and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan is accurate.
- 41) We believe the information provided by the Foster & Foster Consulting Actuaries Inc. relating to the net OPEB asset/liability and related deferred outflows and deferred inflows is accurate and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also believe the census data that has been reported to the plan is accurate.
- 42) We have evaluated our ongoing operations and determined there are no concentrations or constraints meeting the requirements for disclosure under GASB Statement No. 102, *Certain Risk Disclosures*.
- 43) There have been no changes to our assessment or applicability with regard to all previously effective GASB Statements that were deemed immaterial or did not impact the Sacramento Municipal Utility District at the time the statements went into effect.
- 44) We have provided the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as the measurement date in accordance with the requirements of GASB Statement No. 72 – *Fair Value Measurement*. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72. We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements.
- 45) We have identified and accounted for asset retirement obligations in accordance with GASB Statement No. 83, *Certain Asset Retirement Obligations*.
- 46) The auditing standards define an annual report as “a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity’s operations and the financial results and financial position as set out in the financial statements.” Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditors’ report thereon. We do not prepare an annual report that meets this definition.
- 47) We have reviewed our long-term debt agreements and believe that all terms related to significant events of default with finance-related consequences, termination events with finance-related consequences and subjective acceleration clauses have been properly identified and disclosed.
- 48) Unused lines of credit, collateral pledged to secure debt and direct borrowings and private placements have been properly identified and disclosed.

Sincerely,

Sacramento Municipal Utility District

Signed: **Paul Lau**  Digitally signed by Paul Lau
Date: 2026.03.06 13:45:19
-08'00'

Paul Lau, Chief Executive Officer & General Manager

Signed: **Scott Martin**  Digitally signed by Scott Martin
Date: 2026.03.06 12:30:24
-08'00'

Scott Martin, Chief Financial Officer

Signed: **Laura Lewis**  Digitally signed by Laura Lewis
Date: 2026.03.06 13:38:22
-08'00'

Laura Lewis, Chief Legal & Government Affairs Officer

Signed: **Jennifer Restivo**  Digitally signed by Jennifer Restivo
Date: 2026.03.06 06:32:35 -08'00'

Jennifer Restivo, Director, Treasury & Revenue Strategy & Treasurer

Signed: **George Vaughn**  Digitally signed by George Vaughn
Date: 2026.03.06 06:21:22 -08'00'

George Vaughn, Director, Accounting & Controller



March 6, 2026

Baker Tilly US, LLP
4807 Innovate Ln.
Madison, WI 53718

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audits of the general purpose financial statements of the Northern California Gas Authority No. 1 and the Northern California Energy Authority (SMUD JPAs) as of December 31, 2025 and 2024 and for the years then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the financial position of the SMUD JPAs and the respective changes in financial position and cash flows in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 30, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all financial information of the SMUD JPAs required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, if any, are reasonable in accordance with U.S. GAAP.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
- 7) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 8) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 9) We are not aware of any known actual, possible, pending, or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with accounting principles generally accepted in the United States of America, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 10) Guarantees, whether written or oral, under which the SMUD JPAs are contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of governing body(s) or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.

- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
- 15) We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) We have disclosed to you the names of our related parties and all the related party relationships and transactions, including side agreements, of which we are aware.

Other

- 17) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 18) We have a process to track the status of audit findings and recommendations.
- 19) We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 20) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.
- 21) The SMUD JPAs have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred inflows of resources or net position.
- 22) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 23) There are no:
 - a) Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
 - b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
 - c) Rates or charges being charged to customers other than the rates as authorized by the applicable authoritative body.
 - d) Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.
- 24) The SMUD JPAs have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

- 25) The SMUD JPAs have complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
- 26) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 27) We believe that we have properly identified all derivative instruments and any embedded derivative instruments that require bifurcation. SMUD JPA's hedging activities, if any, are in accordance with its documented and approved hedging and risk management policies. The utility follows the valuation, accounting, reporting and disclosure requirements outlined in GASB No. 53. We believe the timing, nature, and amounts of all forecasted transactions are probable of occurring. The Commodity Swap Agreements, as disclosed in the footnotes, contain termination provisions such that upon early termination, the Gas Swap Agreement would have no value to either party.
- 28) Provisions for uncollectible receivables, if any, have been properly identified and recorded.
- 29) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
- 30) Tax-exempt bonds issued have retained their tax-exempt status.
- 31) The operations and rate setting process meet the condition for application of accounting for regulated operations as outlined in GASB Statement No. 62. All regulatory items included in the financial statements have been approved and are being accounted for in accordance with specific action taken by the regulatory body and as such the expectation of future recovery or refund is reasonable.
- 32) We have appropriately disclosed the SMUD JPAs' policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy.
- 33) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 34) We have evaluated our ongoing operations and determined there are no concentrations or constraints meeting the requirements for disclosure under GASB Statement No. 102, *Certain Risk Disclosures*.
- 35) There have been no changes to our assessment or applicability with regard to all previously effective GASB Statements that were deemed immaterial or did not impact the SMUD JPAs at the time the statements went into effect.
- 36) We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as the measurement date in accordance with the requirements of GASB 72—*Fair Value Measurement*. In addition our disclosures related to fair value measurements are consistent with the objectives outlined in GASB 72. We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements.

- 37) The auditing standards define an annual report as "a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the financial results and financial position as set out in the financial statements." Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditors' report thereon. We confirm that we do not prepare and have no plans to prepare an annual report.
- 38) We have reviewed our long-term debt agreements and believe that all terms related to significant events of default with finance-related consequences, termination events with finance-related consequences and subjective acceleration clauses have been properly identified and disclosed.
- 39) Unused lines of credit, collateral pledged to secure debt and direct borrowings and private placements have been properly identified and disclosed.

Sincerely,

The SMUD JPAs

Signed: **Paul Lau** Digitally signed by Paul Lau
Date: 2026.03.06 13:46:26
-08'00'
Paul Lau, Chief Executive Officer & General Manager

Signed: **Scott Martin** Digitally signed by Scott Martin
Date: 2026.03.06 12:31:42
-08'00'
Scott Martin, Chief Financial Officer

Signed: **Laura Lewis** Digitally signed by Laura Lewis
Date: 2026.03.06 13:39:28
-08'00'
Laura Lewis, Chief Legal & Government Affairs Officer

Signed: **Jennifer Restivo** Digitally signed by Jennifer Restivo
Date: 2026.03.06 06:31:42 -08'00'
Jennifer Restivo, Director, Treasury & Revenue Strategy & Treasurer

Signed: **George Vaughn** Digitally signed by George Vaughn
Date: 2026.03.06 06:22:28 -08'00'
George Vaughn, Director, Accounting & Controller

Accounting changes relevant to SMUD and SMUD JPAs'

Future accounting standards update

GASB statement number	Description	Potentially impacts you	Effective date
103	Financial reporting model improvements	✓	12/31/26
104	Disclosure of certain capital assets		12/31/26
105	Subsequent events	✓	12/31/27

Further information on upcoming [GASB pronouncements](#).

Changes to the financial reporting model

GASB Statement 103, *Financial Reporting Model Improvements*, builds on Statement 34 by providing key targeted improvements to the financial reporting model. Its requirements are designed to:

- Enhance the effectiveness of governmental financial reports in providing information essential for decision making and assessing a government's accountability, and
- Address certain application issues.

The targeted improvements contained in Statement 103 establish or modify existing accounting and financial reporting requirements related to:

- Management's discussion and analysis - While the overall requirements do not substantially change management's discussion and analysis, the modifications are meant to improve the analysis included in this section and provide details about the items that should be discussed as currently known facts, decisions, or conditions expected to have a significant financial effect in the subsequent period.
- Unusual or infrequent items (previously known as extraordinary and special items) - The new statement simplifies GASB literature by eliminating the separate presentation of extraordinary and special items. Under the requirement of Statement 103, applicable items will either be identified as unusual or infrequent, or both.
- Presentation of the proprietary fund statement of revenues, expenses and changes in fund net position - The changes are designed to improve consistency around the classification of items in these statements by better defining what should be included in operating revenues and expenses and nonoperating revenues and expenses including, for example, the addition of subsidies received or provided as a new category of nonoperating revenues and expenses.

Revisions to disclosures for certain capital assets

Governments are required to provide information on capital assets in the footnotes to the financial statements as outlined in GASB Statement No. 34. Recent standards have impacted the accounting and reporting for capital assets and as a result GASB issued Statement No. 104, *Disclosure of Certain Capital Assets* to provide enhanced disclosures for certain capital assets, including

- (a) Lease assets reported under Statement No. 87, intangible right-to-use assets reported under Statement No. 94 and subscription assets reported under Statement No. 96 should all be disclosed separately, and by major class of underlying asset. In addition, if there are any other intangible assets reported they should also be disclosed separately.
- (b) Capital assets that are held for sale should have the ending balance with separate disclosure for historical cost and related accumulated depreciation as well as any outstanding debt for which the asset is pledged as collateral disclosed by major class of asset. Assets held for sale are defined as those for which the government has decided to pursue the sale, and it is probable that the sale will be finalized within one year of the financial statement date.

While these changes are focused on footnote disclosures it is important to plan ahead to ensure the required information is available for implementation.

Updated guidance for the financial reporting of subsequent events

GASB Statement No. 105, *Subsequent Events, which supersedes GASB Statement No. 56*, is intended to enhance consistency in the application of requirements for subsequent events.

The Statement defines subsequent events as transactions or other events that occur after year end but before the date the financial statements are available to be issued. The date the financial statements are available to be issued is the date at which (a) the financial statements are complete in a form and format that complies with generally accepted accounting principles (GAAP) and (b) approvals necessary for issuance have been obtained, or typically the opinion date. The definition of subsequent events in this Statement modifies the subsequent events time frame throughout the GASB literature.

The Statement also clarifies:

- The different types of subsequent events (recognized and nonrecognized events)
- When note disclosures are required

The information that should be included in those note disclosures

Two-way audit communications

As part of our audits of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audits.

As the past audits are concluded, we use what we have learned to begin the planning process for next year's audits. It is important that you understand the following points about the scope and timing of our next audits:

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
 - Identify types of potential misstatements
 - Consider factors that affect the risks of material misstatement
 - Design tests of controls, when applicable and substantive procedures
- c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations and provisions of contracts or grant programs. For audits performed in accordance with *Government Auditing Standards*, our report will include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with *Government Auditing standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.
- d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audits, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audits to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.
- e. We plan to use personnel from Internal Audit Services to provide direct assistance to us during the audits. You acknowledge that those personnel will be allowed to follow our instructions and you will not intervene in their work.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and *OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with *Government Auditing Standards* and the Uniform Guidance, our report will include a paragraph that states that the purpose of the report is solely to describe (a) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (b) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance and, (c) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and the Uniform Guidance in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
- d. We anticipate that SMUD and SMUD JPAs' will receive unmodified opinions on its financial statements.
- e. Which matters do you consider warrant particular attention during the audits, and are there any areas where you request additional procedures to be undertaken?
- f. Have you had any significant communications with regulators or grantor agencies?
- g. Are there other matters that you believe are relevant to the audits of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness and actions of the governing body concerning:

- a. The entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices or other related matters, or in response to previous communications with us.

With regard to the timing of our audits, here is some general information. If necessary, we may do preliminary financial audit work during the months of October-December. Our final financial fieldwork is scheduled during January and/or early February to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our reports for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 4-6 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audits plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.

.....

Financial Statements

Report of Independent Auditors

.....

December 31, 2025 and 2024



SACRAMENTO MUNICIPAL UTILITY DISTRICT
TABLE OF CONTENTS
As of and for the Years Ended December 31, 2025 and 2024

Report of Independent Auditors	1
Required Supplementary Information - Unaudited	
Management's Discussion and Analysis	4
Basic Financial Statements	
Statements of Net Position	15
Statements of Revenues, Expenses and Changes in Net Position	17
Statements of Cash Flows	18
Notes to Financial Statements	
Note 1. Organization	20
Note 2. Summary of Significant Accounting Policies	20
Note 3. Accounting Change	28
Note 4. Electric Utility Plant	29
Note 5. Investment in Joint Powers Authority	32
Note 6. Component Units	33
Note 7. Cash, Cash Equivalents, and Investments	38
Note 8. Regulatory Deferrals	41
Note 9. Derivative Financial Instruments	43
Note 10. Long-term Debt	48
Note 11. Commercial Paper Notes	53
Note 12. Fair Value Measurement	54
Note 13. Accrued Decommissioning Liability	56
Note 14. Pension Plans	57
Note 15. Other Postemployment Benefits	62
Note 16. Insurance Programs and Claims	66
Note 17. Commitments	66
Note 18. Claims and Contingencies	68
Note 19. Subsequent Events	69

SACRAMENTO MUNICIPAL UTILITY DISTRICT
TABLE OF CONTENTS - CONTINUED
As of and for the Years Ended December 31, 2024 and 2023

Required Supplementary Information - Unaudited

Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period – PERS Plan	71
Schedule of Plan Contributions for Pension – PERS Plan	72
Schedule of Changes in Net OPEB Asset or Liability and Related Ratios During the Measurement Period	73
Schedule of Plan Contributions for OPEB	74

Independent Auditors' Report

To the Board of Directors of
Sacramento Municipal Utility District

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Sacramento Municipal Utility District (SMUD), as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise SMUD's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of SMUD as of December 31, 2025 and 2024, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SMUD and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SMUD's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SMUD's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SMUD's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2026 on our consideration of SMUD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SMUD's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SMUD's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Madison, Wisconsin
March 6, 2026

Sacramento Municipal Utility District Management's Discussion and Analysis - Unaudited For the Years Ended December 31, 2025 and 2024

Using this Financial Report

This annual financial report for Sacramento Municipal Utility District (SMUD) consists of management's discussion and analysis and the financial statements, including notes to financial statements. The Financial Statements consist of the Statements of Net Position, the Statements of Revenue, Expenses and Changes in Net Position and the Statements of Cash Flows.

SMUD maintains its accounting records in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). SMUD's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission, except as it relates to accounting for contributions of utility property in aid of construction.

Overview of the Financial Statements

The following discussion and analysis of the financial performance of SMUD provides an overview of the financial activities for the years ended December 31, 2025 and 2024. This discussion and analysis should be read in conjunction with the financial statements, required supplementary information and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report all SMUD's revenues and expenses for the periods shown.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources, such as investment income and debt financing, and other cash uses such as payments for debt service and capital additions.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Required Supplementary Information provides additional detailed disclosures as required by the GASB.

Organization and Nature of Operations

SMUD was formed and operates under the State of California Municipal Utility District Act (Act). The Act gives SMUD the rights and powers to fix rates and charges for commodities or services it furnishes, and to incur indebtedness and issue bonds or other obligations. As a community-owned utility, SMUD is not subject to regulation or oversight by the California Public Utilities Commission.

SMUD is responsible for the acquisition, generation, transmission, and distribution of electric power to its service area, with a population of approximately 1.6 million – most of Sacramento County and small adjoining portions of Placer and Yolo Counties. The Board of Directors (Board) determines SMUD's rates.

SMUD's vision is to be the trusted partner with its customers and the community, providing innovative solutions to ensure energy affordability and reliability, improve the environment, reduce the region's carbon footprint, and enhance the vitality of the community. SMUD's business strategy focuses on serving its customers in a progressive, forward-looking manner, addressing current regulatory and legislative issues and potential competitive forces. This includes ensuring financial stability by

establishing rates that provide acceptable cash coverage of all fixed charges, taking into consideration the impact of capital expenditures and other factors on cash flow.

2030 Zero Carbon Plan

In July 2020, the Board adopted a Climate Emergency Declaration to work toward an ambitious goal of delivering carbon neutral electricity by 2030 and indicating a strong commitment to finding additional opportunities to accelerate decarbonization in SMUD's energy supply. Building on the Board's Climate Emergency Declaration, SMUD's 2030 Clean Energy Vision calls for absolute zero carbon emission in its power supply by 2030.

In 2022, SMUD's 2030 Clean Energy Vision was translated into the 2030 Zero Carbon Plan (ZCP), the flexible road map to achieve a zero-carbon power supply by 2030. The plan guides elimination of Greenhouse Gas emissions from SMUD's power plants, development of new distributed energy resource business models, research of emerging grid-scale carbon-free technologies, and expansion of investments in proven clean technologies while ensuring all communities benefit from the plan.

In 2024, SMUD made significant progress on its 2030 ZCP, including outreach, customer engagement, new clean energy resources and extensive studies to ensure continued world-class reliability with rates among the lowest in California. SMUD brought nearly 90 megawatts (MW) of additional wind power online with Solano 4 Wind project increasing power production by about 10 times over the previous Phase 1. SMUD started civil construction for Country Acres Solar & Battery, a 344 MW solar and 172 MW 4-hour battery project.

In 2025, SMUD continued to make progress on its 2030 ZCP and have expanded programs that bring our customers along in its zero-carbon journey, highlighted by the Community Impact Plan which empowers residents, businesses, schools and nonprofits to participate in its clean energy transition. Additionally, SMUD opened the Sloughhouse Agrivoltaic Solar project – a 50 MW solar facility that generates enough clean, affordable energy to power 12,000 homes and reduces carbon emissions by 90,000 metric tons annually, equivalent to taking 19,000 cars off the road. SMUD also broke ground on the Country Acres Solar and Battery Storage project, our largest solar and storage project and a critical addition to our clean energy infrastructure. SMUD is also actively pursuing emerging technologies and exploring new market opportunities. The Extended Day-Ahead Market (EDAM) will support better integration of renewable resources. SMUD also completed the retooling of our most efficient combined cycle resource, Cosumnes Power Plant, providing greater operational flexibility while cutting greenhouse gas emissions by over 25% annually and saving money on natural gas costs. Additionally, SMUD and Calpine are continuing discussions on a Power Purchase Agreement for a carbon capture and storage project despite the Department of Energy (DOE) pulling back its previously awarded grant to partially fund the project.

Requests for Information

For more information about SMUD, visit our website at www.smud.org or contact us at customerservices@smud.org.

FINANCIAL POSITION

The following table summarizes the financial position as of December 31 (in millions).

CONDENSED STATEMENTS OF NET POSITION

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Assets			
Electric Utility Plant - net	\$ 4,809	\$ 4,537	\$ 4,207
Restricted and Designated Assets	376	373	239
Current Assets	1,578	1,371	1,250
Noncurrent Assets	<u>1,878</u>	<u>1,840</u>	<u>1,625</u>
Total Assets	8,641	8,121	7,321
Deferred Outflows of Resources	<u>306</u>	<u>323</u>	<u>338</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 8,947</u>	<u>\$ 8,444</u>	<u>\$ 7,659</u>
Liabilities			
Long-Term Debt - net	\$ 3,243	\$ 3,251	\$ 2,921
Current Liabilities	673	606	701
Noncurrent Liabilities	<u>562</u>	<u>638</u>	<u>530</u>
Total Liabilities	4,478	4,495	4,152
Deferred Inflows of Resources	1,295	1,137	920
Net Position	<u>3,174</u>	<u>2,812</u>	<u>2,587</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 8,947</u>	<u>\$ 8,444</u>	<u>\$ 7,659</u>

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

2025 Compared to 2024

Total assets in 2025 increased \$520 million or 6.4% over 2024, primarily due to the following:

- An increase of \$272 million in electric utility plant - net. See Capital Program below for further information.
- A \$207 million increase in current assets is primarily due to \$154 million increase in unrestricted cash, cash equivalents and investments -see the Statement of Cash flows for details and \$32 million increase in inventories due to significant expenditures on transformers, switchgears and capacitors.
- A \$38 million increase in noncurrent assets is primarily due to \$75 million net increase in the regulatory costs for future recovery related to amortization of pension and Other Post-Employment Benefits (OPEB) deferred outflows, offset by \$45 million decrease due to amortization of prepaid gas supply due to gas delivered.

2024 Compared to 2023

Total assets in 2024 increased \$800 million or 10.9% over 2023, primarily due to the following:

- An increase of \$330 million in electric utility plant - net. See Capital Program below for further information.
- A \$134 million increase in restricted and designated assets primarily due to a \$60 million deferral of 2024 operating revenues for creation of a commodity Rate Stabilization Fund (RSF) for future commodity price volatility, \$20 million additional RSF transfer from operating revenue to fund Community Impact Plan (CIP) expenditures through 2028, and \$41 million deferral of 2024 operating revenues for recognition in future years to offset one-time expenditures not identified in the annual budget, a \$19 million RSF net transfer from revenues for net auction proceeds received and funds spent on Assembly Bill (AB) 32 programs, and a \$9 million RSF transfer from revenue as a result of higher than budgeted energy deliveries from the Western Area Power Administration (WAPA), and, offset by \$8 million Hydro Rate Stabilization Fund (HRSF) transfer to revenue for below average precipitation
- A \$121 million increase in current assets is primarily due to \$31 million increase in retail customers receivable due to higher load and rate, \$21 million increase in wholesale and other receivable due to the DOE Grid Resilience and Innovative Partnerships program (GRIP) grant billing and Spent Nuclear Fuel billing, \$29 million increase in inventories due to increased purchases for meters for GRIP grant and transformers.
- A \$215 million increase in noncurrent assets is primarily due to \$147 million increase in prepaid gas due to the restructuring the Northern California Energy Authority (NCEA) commodity prepay agreement and \$70 million net increase in the regulatory costs for future recovery primarily related to amortization of pension and Other Post-Employment Benefits (OPEB) deferred outflows.

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

2025 Compared to 2024

Total liabilities in 2025 decreased \$17 million or 0.4% compared to 2024, primarily due to the following:

- A \$67 million increase in current liabilities due primarily to \$29 million increase in accounts payable and \$22 million increase in current hedging derivative instruments.
- A \$76 million decrease in non-current liabilities is primarily due to \$99 million decrease in net pension liability based on the most recent actuarial results.

Deferred inflows of resources in 2025 increased \$158 million or 13.9%, primarily due to a \$125 million increase in regulatory credits related to current year amortization of the pension and OPEB deferred inflows and \$54 million increase in deferred pension inflows.

Net position in 2025 increased \$362 million or 12.9% over 2024 based on results of operations.

2024 Compared to 2023

Total liabilities in 2024 increased \$343 million or 8.3% over 2023, primarily due to the following:

- A \$330 million increase in long-term debt, net due to the \$150 million refunding of outstanding commercial paper and issuing \$100 million additional long-term bonds to fund capital projects for SMUD, and due to refunding NCEA bonds issuing an additional \$114 million to fund increase in prepaid gas agreement.
- A decrease of \$95 million in current liabilities due to a decrease of \$150 million in the outstanding commercial paper due to refunding in 2024 and a \$34 million decrease in value to the current hedging derivative instruments. This is offset by a \$43 million increase in accounts payable due to the meters for the GRIP grant and large transformer received in December, a \$28 million increase in current lease liability, and an \$18 million increase in accrued salaries and compensated absences due to the implementation of GASB Statement No. 101, "Compensated Absences" that recorded a sick leave liability of \$6 million at December 31, 2024.
- A \$108 million increase in non-current liabilities is due to a \$58 million increase in net pension and OPEB liability based on the most recent actuarial results, a \$26 million increase in non-current lease liability and a \$38 million increase in customer deposits for long-term interconnection agreements

Deferred inflows of resources in 2024 increased \$217 million or 23.6%, primarily due to a \$236 million increase to regulatory credits related to the new commodity RSF, CIP RSF, WAPA RSF, pension and OPEB deferred costs.

Net position in 2024 increased \$225 million or 8.7% over 2023 based on results of operations.

RESULTS OF OPERATIONS

The following table summarizes the operating results for the years ended December 31 (in millions).

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

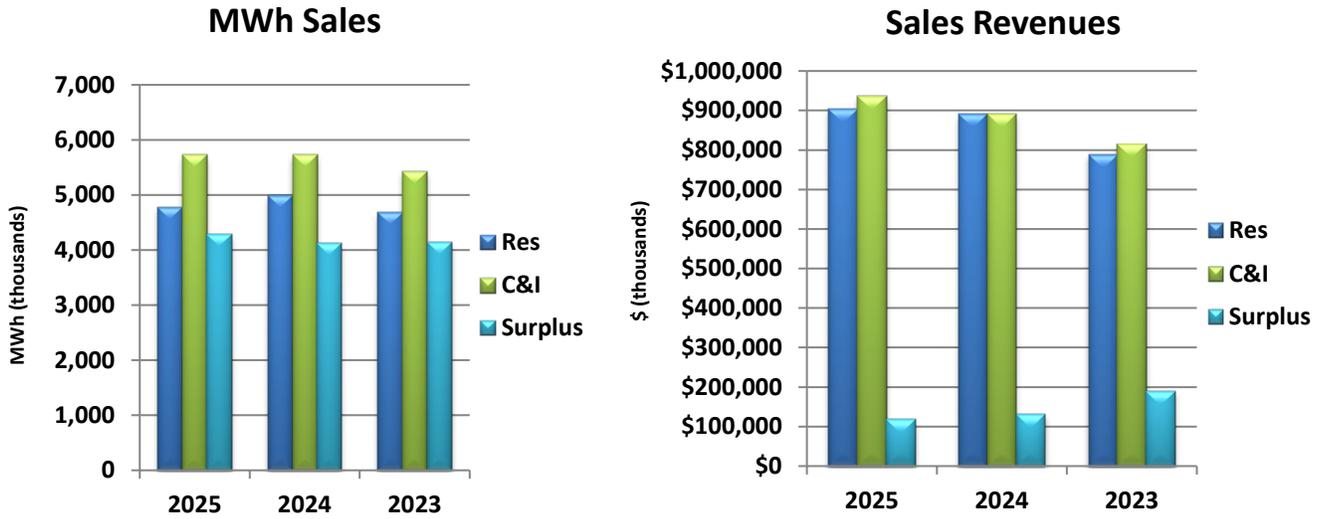
	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 2,121	\$ 1,962	\$ 1,931
Operating expenses	<u>(1,799)</u>	<u>(1,804)</u>	<u>(1,748)</u>
Operating income	322	158	183
Other revenues/(expenses)	140	169	136
Interest charges	<u>(100)</u>	<u>(102)</u>	<u>(99)</u>
Change in net position	362	225	220
Net position - beginning of year	<u>2,812</u>	<u>2,587</u>	<u>2,367</u>
Net position - end of year	<u>\$ 3,174</u>	<u>\$ 2,812</u>	<u>\$ 2,587</u>

2025 Compared to 2024

OPERATING REVENUES

Total operating revenues were \$2,121 million for 2025, an increase of \$159 million or 8.1% over 2024 operating revenues. The residential megawatt hour (MWh) sales decreased 4.3% and sales revenues increased 1.4% compared to 2024. The commercial & industrial MWh sales were virtually flat, decreasing 0.1% and sales revenues increased 5.1% compared to 2024.

The following charts show the MWh sales, and sales revenue for the past three years by surplus energy sales (Surplus), commercial, industrial, and other (C&I), and residential (Res) customers:



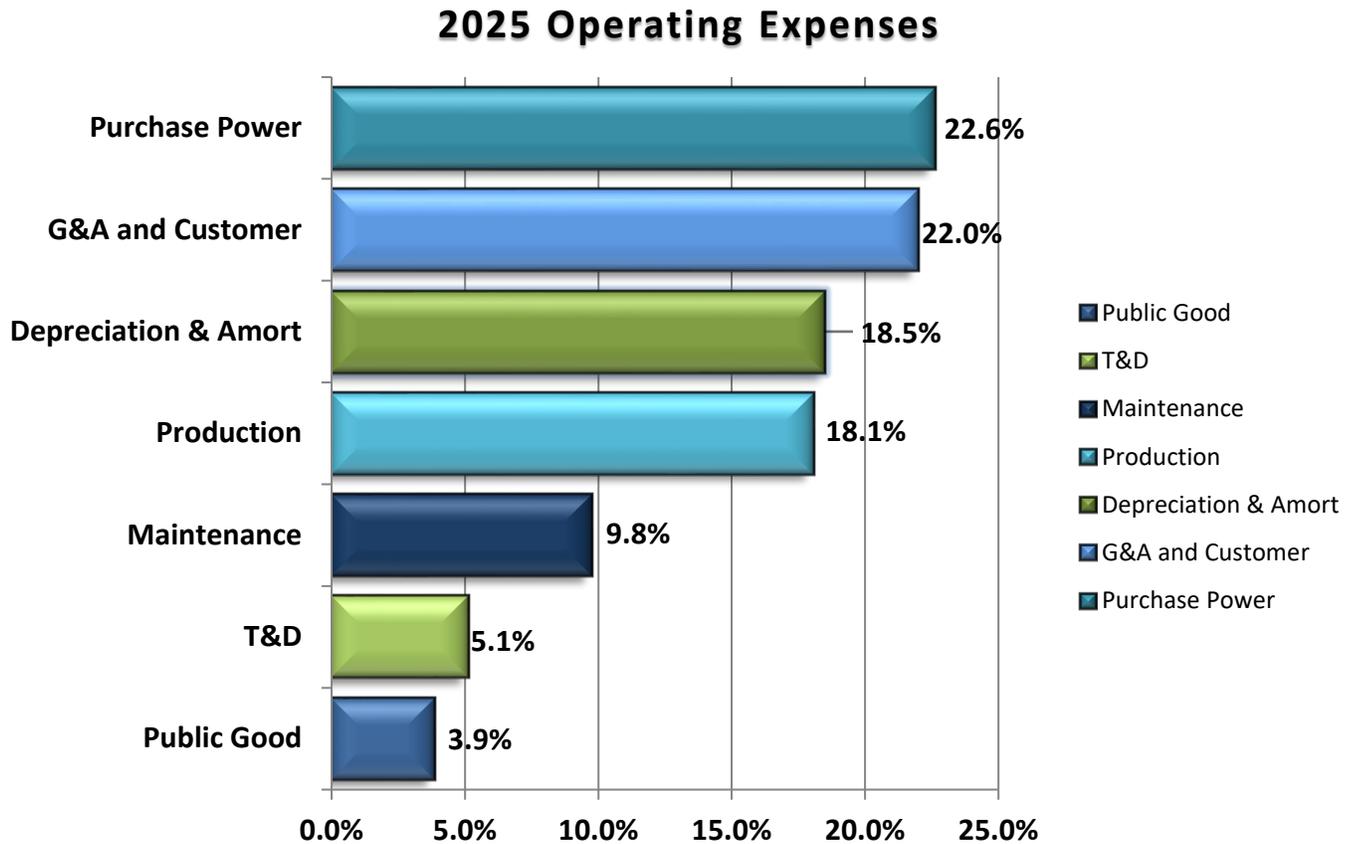
Wholesale revenues are comprised of both surplus gas and energy sales which are part of the operational strategy in managing fuel and energy costs. In 2025, energy sales were lower by \$13 million as compared to 2024 due to lower energy prices in the market. Surplus gas sales were lower than 2024 by \$9 million due to lower fuel prices.

OPERATING EXPENSES

Total operating expenses were \$1,799 million for 2025, a decrease of \$5 million or 0.3% compared to 2024.

- Production decreased \$36 million primarily due to \$32 million reduction in gas turbine fuel due to a combination of lower average fuel price and lower usage.
- Administrative, general and customer increased by \$12 million due to higher customer program participation, and transmission and distribution increased by \$7 million due to a higher need for distribution and substation operations.

The following chart illustrates 2025 operating expenses by expense classification and percentage of the total:



OTHER REVENUES

Total other revenues (net) were \$140 million for 2025, a decrease of \$29 million or 17.2% compared to 2024. The most significant items in other revenues (net) include \$95 million miscellaneous non-operating income, comprised primarily of an Inflation and Reduction Act payment for a clean energy project, grant proceeds, and revenue from Community Choice Aggregators, and \$49 million interest income.

2024 Compared to 2023

RESULTS OF OPERATIONS

- Total operating revenues were \$1,962 million for 2024, an increase of \$31 million or 1.6% over 2023 operating revenues. The residential megawatt hour (MWh) sales decreased 6.7% and sales revenues increased 13.0% compared to 2023, primarily due to hotter weather during the summer in 2024. The commercial & industrial MWh sales increased 5.6% and sales revenues increased 9.3% compared to 2023, primarily due to replacing the sales from a major commercial customer that was lost in 2023.
- Wholesale revenues are comprised of both surplus gas and energy sales which are part of the operational strategy in managing fuel and energy costs. In 2024, energy sales were lower by \$59 million as compared to 2023 due to lower energy prices in the market. Surplus gas sales were lower than 2023 by \$24 million primarily due to gas prices were lower due to increased gas storage nationwide.

Total operating expenses were \$1,804 million for 2024, an increase of \$56 million or 3.2% over 2023.

- Purchased power decreased by \$42 million primarily due to the average market price was lower due to the increased gas storage that led to lower reduced power prices as well as additional solar, wind and energy storage batteries that came on-line in California that help lower market prices.
- General, administrative and customer increased by \$79 million primarily due to bond issuance cost related to the current year bond refunding and a large adjustment related to the pension actuarial results in the current year.

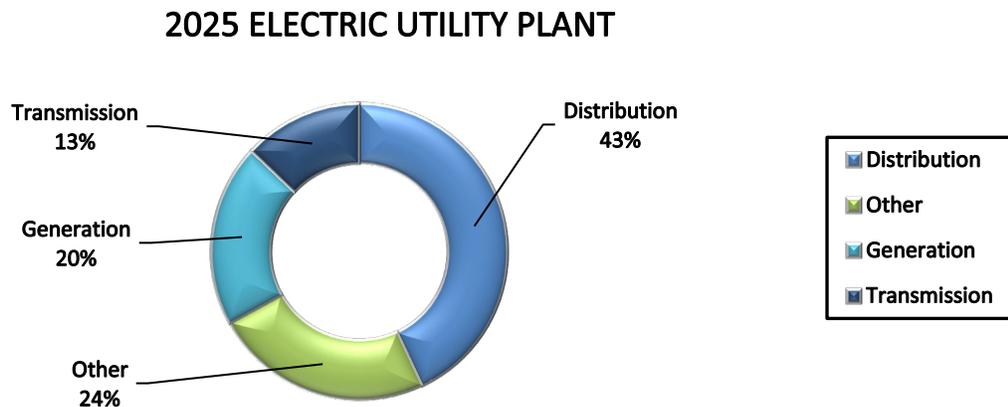
Total other revenues (net) were \$169 million for 2024, an increase of \$33 million or 24.1% over 2023. The increase is due to \$7 million higher interest earnings on investments and \$6 million increase in investment revenue related to gas swaps. The other income - net includes one-time income receipts of \$89 million of insurance recovery payment of Cosumnes Power Plant (CPP) outage claim, \$7 million settlement claim for Substation fire and \$5 million grant revenues.

CAPITAL PROGRAM

SMUD’s electric utility plant includes production, transmission and distribution, and general plant facilities. The following table summarizes the balance of the electric utility plant as of December 31 (in millions).

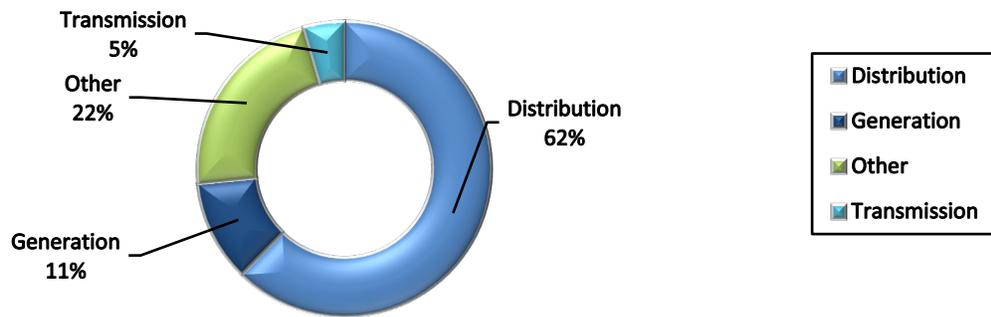
	2025	2024	2023
Electric Utility Plant	\$ 8,894	\$ 8,358	\$ 7,853
Accumulated Depreciation and Amortization	(4,085)	(3,821)	(3,645)
Electric Utility Plant - Net	<u>\$ 4,809</u>	<u>\$ 4,537</u>	<u>\$ 4,208</u>

The following chart shows the breakdown of 2025 Electric Utility Plant - net by major plant category:



The following chart shows the breakdown of 2025 Electric Utility Plant capitalized additions by major plant category:

2025 ELECTRIC UTILITY PLANT ADDITIONS



Details of SMUD’s electric utility plant asset balances and activity are included in Note 4 in the Notes to Financial Statements. SMUD’s capital program includes investment in generation, transmission, distribution, buildings, vehicles, technology, and other assets critical to meeting the energy needs of its customers. Capital investments are financed with revenues from operations, bond proceeds, investment income and cash on hand.

The following table shows actual capital program expenditures for the last two years and budgeted capital expenditures for 2026 (in millions).

	Budget 2026	Actual 2025	Actual 2024
Capital Program:			
Transmission & Distribution	\$ 290	\$ 301	\$ 215
Generation	124	144	151
Other	<u>256</u>	<u>149</u>	<u>118</u>
Total	<u>\$ 670</u>	<u>\$ 594</u>	<u>\$ 484</u>

In 2025 and 2024, SMUD’s actual expenditures included the official opening of the Sloughhouse Agrivoltaic Solar project, Solano 4 wind project, breaking ground on Country Acres Solar and Battery storage project, retooling of the Cosumnes Power Plant, significant investment in transformers, switchgears and capacitors, Station J design, Elverta (El Rio) Substation expansion, Station G additional bank, and replacement of major portions of our cable and pole infrastructure.

Major capital expenditures planned in 2026 include Station J Substation, El Rio, Country Acres solar and storage project, new Administrative Operations Building, upgrade the Enterprise Resource Planning (ERP) software to S/4HANA, and Grid Edge Intelligence and Outage Management System replacement.

LIQUIDITY AND CAPITAL RESOURCES

SMUD maintains a strong liquidity position by setting a minimum number of days cash on hand and managing a \$400 million commercial paper program. The current days cash threshold is 150 days, the minimum amount of cash on hand before triggering a new debt or commercial paper issuance to replenish cash balances. As of December 31, 2025 and 2024, the days cash on hand was 225 days and 185 days, respectively. The commercial paper program allows for short-term borrowing when needed in lieu of issuing long-term debt, similar to a credit card or line of credit. As of December 31, 2025 and 2024, SMUD did not have any commercial paper notes outstanding. A strong liquidity position is important in demonstrating to investors and rating agencies that SMUD can withstand various financial stresses.

In addition, SMUD targets strong financial metrics in cash flow coverage with its fixed charge ratio. The Board sets a minimum fixed charge of 1.50 times operating cash flow; however, SMUD aims for a minimum of 1.70 as a standard. On December 31, 2025 and 2024, the fixed charge ratio was 3.71 and 2.83, respectively. This higher performance standard has proven valuable during financially challenging years of uncertainty stemming from the pandemic and higher commodity costs.

Debt service coverage for long-term debt was 4.18 times and 3.05 times in 2025 and 2024, respectively. SMUD's bond resolutions contain various covenants that include requirements to maintain minimum debt service coverage ratios of at least 1.40 times, certain other financial ratios, stipulated minimum funding of revenue bond reserves, and various other requirements including a rate covenant to raise rates to maintain minimum debt service coverage. SMUD is in compliance with all debt covenants.

FINANCING ACTIVITIES

In May 2025, SMUD Financing Authority (SFA), a component unit of SMUD, defeased \$60.5 million of bonds prior to final maturity, reducing debt service costs by \$13.8 million per year on average from 2026 to 2030.

In June 2025, SMUD issued three separate revenue and revenue refunding bonds totaling \$300 million. The purpose of these transactions was to refund the fixed rate debt associated with 2019 Series B, refund the outstanding commercial paper and reimburse SMUD for capital expenses previously incurred.

CREDIT RATINGS

SMUD proactively manages its strong financial position to maintain high credit ratings. These strong credit ratings improve access to credit markets and result in a lower cost of borrowing. Both quantitative (financial strength) and qualitative (business and operating characteristics) factors are considered by the credit rating agencies in establishing a company's credit rating. In February 2024, Moody's upgraded SMUD's rating to Aa2 from Aa3 changing SMUD's financial outlook from positive to stable. As of December 31, 2025, SMUD's bonds had an underlying rating of "AA" from Standard & Poor's, "AA" from Fitch, and "Aa2" from Moody's. In March 2025, Standard & Poor's put SMUD and several other California utilities on Negative Outlook due to wildfire risk concerns.

COMPETITIVE RATES

The Board has independent authority to set SMUD's rates and charges. Changes in rates require a public hearing and formal action by the Board. SMUD has committed to its customers in keeping rates low while continuing to deliver safe, reliable, and environmentally responsible power and the products and services they value.

In 2023, the Board approved the 2024 and 2025 rate proposals including four rate increases of 2.75%, one each in January 2024, May 2024, January 2025 and May 2025, which will apply to all customer classes. Even with these increases, SMUD's rates continue to remain amongst the lowest in the state. In 2024, the average system rate was 52% below the average rate of the nearest investor-owned utility. This ensures the necessary revenue to meet SMUD's financial obligations, key financial metrics, and delivery of SMUD's 2030 ZCP.

SMUD has continued to progress on its Grant Strategy Framework, which will best position SMUD to secure sources of funding to deliver on the 2030 ZCP and keep its rates low. In 2025, SMUD secured approximately \$41 million in grant funding, including significant grants with California Energy Resilience and Reliance Infrastructure (CERRI) and Department of Transportation Charging & Fueling Infrastructure. Despite the cancellation of the Department of Energy \$50 million GRIP grant for our Clean Power Connected Cities Project, we were still able to bill and receive approximately \$33 million.

ENERGY RISK MANAGEMENT

SMUD's commodity costs have prices locked in for most of its expected energy requirements to ensure cost and rate stability for customers. Only a small portion of budgeted energy purchases are exposed to short-term market price fluctuations – a beneficial practice, especially during the price volatility currently reflected in California power and energy prices.

SMUD has mitigation measures in place for higher commodity costs due to reduced hydroelectric production that will lead to higher purchased power. As of December 31, 2025, the HRSF was \$81 million and \$158 million in the RSF, net of Low Carbon Fuel Standard and Cap and Trade funds. These reserve funds help absorb higher energy costs when hydroelectric production is down or when there are unexpected increases in commodity costs and serve as a buffer against unexpected financial developments.

DECOMMISSIONING

SMUD has made significant progress toward completing the Decommissioning Plan for its Rancho Seco nuclear facility, which was shut down in 1989. The plan consists of two phases that allow SMUD to terminate its possession-only license. Phase I of the decommissioning was completed at the end of 2008. Phase II consists of a storage period for the Class B and Class C radioactive waste overseen by the existing facility staff, followed by shipment of the waste for disposal, and then complete termination of the possession-only license. SMUD also established and funded an external decommissioning trust fund as part of its assurance to the Nuclear Regulatory Commission (NRC) to pay for the cost of decommissioning. Shipment of the previously stored Class B and Class C radioactive waste was completed in November 2014 to a low-level radioactive waste facility located in Andrews, Texas. The remaining Phase II decommissioning activities required for termination of the possession-only license commenced in 2015. In September 2017, SMUD formally requested the termination of the possession-only license and termination of the possession-only license was completed in 2018.

As part of the Decommissioning Plan, the nuclear fuel and Greater Than Class C (GTCC) radioactive waste is being stored in a dry storage facility constructed by SMUD and licensed separately by the NRC. The DOE, under the Nuclear Waste Policy Act of 1982, was responsible for permanent disposal of used nuclear fuel and GTCC radioactive waste and SMUD contracted with the DOE for removal and disposal of that waste. The DOE has yet to fulfill its contractual obligation to provide a permanent waste disposal site. SMUD has filed a series of successful lawsuits against the federal government for recovery of the past spent fuel costs, with recoveries to date of more than \$139 million. SMUD will continue to pursue cost recovery claims until the DOE fulfills its obligation.

The total Accrued Decommissioning balance in the Statements of Net Position, including Rancho Seco and other ARO's, amounted to \$133 million and \$119 million as of December 31, 2025 and 2024, respectively.

SIGNIFICANT ACCOUNTING POLICIES

In accordance with GASB No. 62, the Board has taken regulatory actions for ratemaking that result in the deferral of expense and revenue recognition. These actions result in regulatory assets and liabilities. SMUD has regulatory assets that cover costs related to decommissioning, derivative financial instruments, debt issuance costs, pension costs, and OPEB costs. As of December 31, 2025 and 2024, total regulatory assets were \$1,095 million and \$1,002 million, respectively. SMUD also has regulatory credits that cover costs related to contributions in aid of construction, the RSF and HRSF, Energy Assistance Program Rate reserves, SB-1, grant revenues, and Transmission Agency of Northern California operations costs. As of December 31, 2025 and 2024, total regulatory credits were \$1,120 million and \$995 million, respectively.

**SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION**

	December 31,	
	2025	2024
	(thousands of dollars)	
ASSETS		
ELECTRIC UTILITY PLANT		
Plant in service	\$ 8,118,848	\$ 7,829,525
Less accumulated depreciation and amortization	(4,084,720)	(3,820,728)
Plant in service - net	4,034,128	4,008,797
Construction work in progress	775,338	527,739
Total electric utility plant - net	4,809,466	4,536,536
RESTRICTED AND DESIGNATED ASSETS		
Revenue bond and debt service reserves	112,564	120,514
Nuclear decommissioning trust fund	10,327	9,909
Rate stabilization fund	350,173	345,389
Escrow fund	19,405	14,027
Collateral fund	8,128	10,771
Insurance captive fund	26,220	25,447
Other funds	11,435	19,921
Less current portion	(162,678)	(172,789)
Total restricted and designated assets	375,574	373,189
CURRENT ASSETS		
Unrestricted cash and cash equivalents	427,674	338,872
Unrestricted investments	273,495	208,259
Restricted and designated cash and cash equivalents	56,431	65,930
Restricted and designated investments	106,247	106,859
Receivables - net:		
Retail customers	219,968	209,590
Wholesale and other	89,245	86,417
Regulatory costs to be recovered within one year	97,466	78,921
Hedging derivative instruments maturing within one year	15,591	21,816
Inventories	206,322	174,165
Prepaid gas to be delivered within one year	45,430	41,389
Prepayments and other	40,415	38,769
Total current assets	1,578,284	1,370,987
NONCURRENT ASSETS		
Regulatory costs for future recovery	997,629	922,992
Prepaid gas	694,490	739,920
Hedging derivative instruments	31,065	32,329
Credit support collateral deposits	20,750	20,750
Due from affiliated entity	40,681	35,490
Investment in TANC	42,920	40,051
Prepayments and other	50,308	48,588
Total noncurrent assets	1,877,843	1,840,120
TOTAL ASSETS	8,641,167	8,120,832
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivative instruments	64,807	40,229
Deferred pension outflows	150,769	194,134
Deferred other postemployment benefits outflows	64,571	58,215
Deferred asset retirement obligations outflows	282	1,195
Unamortized bond losses	25,598	29,801
TOTAL DEFERRED OUTFLOWS OF RESOURCES	306,027	323,574
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 8,947,194	\$ 8,444,406

The accompanying notes are an integral part of these financial statements.

**SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION**

	December 31,	
	2025	2024
	(thousands of dollars)	
LIABILITIES		
LONG-TERM DEBT - net	\$ 3,242,451	\$ 3,251,259
CURRENT LIABILITIES		
Accounts payable	199,848	170,469
Purchased power payable	45,858	38,363
Long-term debt due within one year	130,825	138,065
Accrued decommissioning	8,661	7,471
Interest payable	47,898	48,728
Accrued salaries and compensated absences	84,816	80,676
Other derivative instruments maturing within one year	1,112	381
Hedging derivative instruments maturing within one year	51,437	29,286
Advanced payments on construction	46,215	46,201
Lease liability	27,120	26,495
Customer deposits and other	29,214	19,912
Total current liabilities	673,004	606,047
NONCURRENT LIABILITIES		
Net pension liability	209,662	308,414
Net other postemployment benefits liability	48,457	34,132
Accrued decommissioning	124,221	111,340
Hedging derivative instruments	13,370	10,943
Advanced payments on construction	65,603	37,985
Self insurance and other	100,862	135,089
Total noncurrent liabilities	562,175	637,903
TOTAL LIABILITIES	4,477,630	4,495,209
DEFERRED INFLOWS OF RESOURCES		
Accumulated increase in fair value of hedging derivative instruments	46,656	54,145
Regulatory credits	1,119,507	994,763
Deferred pension inflows	62,880	8,416
Deferred other postemployment benefits inflows	16,385	23,556
Deferred lease inflows	15,684	16,434
Unamortized bond gains	30,463	36,102
Unearned revenue	3,448	3,661
TOTAL DEFERRED INFLOWS OF RESOURCES	1,295,023	1,137,077
NET POSITION		
Net investment in capital assets	2,131,651	1,843,190
Restricted:		
Revenue bond and debt service	64,390	71,726
Other funds	65,076	69,633
Unrestricted	913,424	827,571
TOTAL NET POSITION	3,174,541	2,812,120
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 8,947,194	\$ 8,444,406

The accompanying notes are an integral part of these financial statements.

**SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	Year Ended December 31,	
	2025	2024
	(thousands of dollars)	
OPERATING REVENUES		
Residential	\$ 903,743	\$ 891,583
Commercial and industrial	926,696	881,574
Street lighting and other	56,935	54,813
Wholesale	200,717	223,204
Senate Bill - 1 revenue deferral	1,493	1,042
AB-32 revenue	22,444	35,233
LCFS revenue	8,502	7,910
Rate stabilization fund transfers	216	(133,258)
Total operating revenues	2,120,746	1,962,101
OPERATING EXPENSES		
Operations:		
Purchased power	406,885	409,510
Production	324,751	361,068
Transmission and distribution	92,082	85,496
Administrative, general and customer	397,317	384,892
Public good	69,550	72,086
Maintenance	175,592	171,728
Depreciation and amortization	283,108	273,258
Regulatory amounts collected in rates	49,616	45,920
Total operating expenses	1,798,901	1,803,958
OPERATING INCOME	321,845	158,143
NON-OPERATING REVENUES AND EXPENSES		
Other revenues and (expenses):		
Interest income	48,616	45,481
Investment income (expense) - net	(2,876)	(5,173)
Other income - net	94,709	128,786
Total other revenues and (expenses)	140,449	169,094
Interest charges:		
Interest on debt	99,873	101,816
Total interest charges	99,873	101,816
Total non-operating revenues and (expenses)	40,576	67,278
CHANGE IN NET POSITION	362,421	225,421
NET POSITION - BEGINNING OF YEAR	2,812,120	2,586,699
NET POSITION - END OF YEAR	\$ 3,174,541	\$ 2,812,120

The accompanying notes are an integral part of these financial statements.

**SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS**

	Year Ended December 31,	
	2025	2024
	(thousands of dollars)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,875,462	\$ 1,789,294
Receipts from surplus power and gas sales	209,608	219,745
Other receipts	115,854	98,157
Payments to employees - payroll and other	(448,941)	(418,361)
Payments for wholesale power and gas purchases	(522,909)	(549,103)
Payments to vendors/others	(591,781)	(520,700)
Net cash provided by operating activities	637,293	619,032
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from bond issuance, net of premium	-0-	192,318
Repayment of debt	(33,750)	(25,530)
Payments for prepaid gas supply	-0-	(187,894)
Proceeds from insurance settlements	-0-	88,943
Receipts from federal and state grants	18,702	3,026
Interest on debt	(38,250)	(30,912)
Payments for debt issue costs	-0-	(9,628)
Net cash provided by (used in) noncapital financing activities	(53,298)	30,323
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction expenditures	(555,427)	(461,647)
Contributions in aid of construction	25,531	29,514
Net proceeds from bond issues	331,574	752,609
Repayments and refundings of debt	(264,820)	(547,705)
Issuance of commercial paper	75,000	-0-
Repayments of commercial paper	(75,000)	(150,000)
Proceeds from insurance settlements	-0-	7,515
Other receipts	132,426	7,863
Interest on debt	(111,079)	(147,831)
Lease and other receipts/payments - net	(41,404)	(36,851)
Net cash used in capital and related financing activities	(483,199)	(546,533)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of securities	960,902	635,879
Purchases of securities	(1,021,837)	(656,952)
Proceeds from termination of prepaid gas contracts	-0-	2,565
Interest and dividends received	47,534	46,433
Investment revenue/expenses - net	(2,847)	(5,140)
Net cash provided by (used in) investing activities	(16,248)	22,785
Net increase in cash and cash equivalents	84,548	125,607
Cash and cash equivalents at the beginning of the year	416,831	291,224
Cash and cash equivalents at the end of the year	\$ 501,379	\$ 416,831
Cash and cash equivalents included in:		
Unrestricted cash and cash equivalents	\$ 427,674	\$ 338,872
Restricted and designated cash and cash equivalents	56,431	65,930
Restricted and designated assets (a component of the total of \$375,574 and \$373,189 at December 31, 2025 and 2024, respectively)	17,274	12,029
Cash and cash equivalents at the end of the year	\$ 501,379	\$ 416,831

The accompanying notes are an integral part of these financial statements.

**SACRAMENTO MUNICIPAL UTILITY DISTRICT
SUPPLEMENTAL CASH FLOW INFORMATION**

A reconciliation of the statements of cash flows operating activities to operating income as follows:

	Year Ended December 31,	
	2025	2024
	(thousands of dollars)	
Operating income	\$ 321,845	\$ 158,147
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	283,108	273,258
Regulatory amortization	49,616	45,920
Other amortizations	36,607	40,060
Revenue deferred to (recognized from) regulatory credits - net	(1,708)	132,216
Other (receipts) payments - net	(32,447)	151,423
Changes in operating assets, deferred outflows, liabilities and deferred inflows:		
Receivables - retail customers, wholesale and other	21,834	(47,057)
Inventories, prepayments and other	(49,349)	(220,021)
Deferred outflows of resources	37,009	(7,154)
Payables and accruals	15,026	65,153
Decommissioning	(6,991)	(6,512)
Net pension liability	(98,752)	49,404
Net other postemployment benefits liability	14,325	8,798
Deferred inflows of resources	47,170	(24,603)
Net cash provided by operating activities	\$ 637,293	\$ 619,032

The supplemental disclosure of noncash financing and investing activities is as follows:

	Year Ended December 31,	
	2025	2024
	(thousands of dollars)	
Amortization of debt related (expenses) and premiums - net	\$ 39,945	\$ 45,129
Write-off unamortized premium and loss	3,891	-0-
Gain on debt extinguishment and refundings	3,851	(23,975)
Unrealized holding gain (loss)	828	906
Change in valuation of derivative financial instruments	(32,878)	53,799
Amortization of revenue for assets contributed in aid of construction	26,685	19,974
Construction expenditures included in accounts payable	106,312	83,461
Gain (Loss) on sale and retirement of assets - net	20,838	(270)
Write-off capital projects and preliminary surveys	(31,697)	(6,620)

The accompanying notes are an integral part of these financial statements.

Sacramento Municipal Utility District
Notes to Financial Statements
As of and for the Years Ended December 31, 2025, and 2024

NOTE 1. ORGANIZATION

The Sacramento Municipal Utility District (SMUD) was formed and operates under the State of California Municipal Utility District Act (Act). The Act gives SMUD the rights and powers to fix rates and charges for commodities or services it furnishes, and to incur indebtedness and issue bonds or other obligations. As a community-owned utility, SMUD is not subject to regulation or oversight by the California Public Utilities Commission.

SMUD is responsible for the acquisition, generation, transmission, and distribution of electric power to its service area, which includes most of Sacramento County and small adjoining portions of Placer and Yolo Counties. The Board of Directors (Board) determines SMUD's rates.

SMUD is exempt from payment of federal and state income taxes and, under most circumstances, real and personal property taxes. In addition, SMUD is responsible for the payment of a portion of the property taxes associated with its real property in California that lies outside of its service area.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. SMUD's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). SMUD's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission (FERC). SMUD's Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Electric revenues and costs that are directly related to the acquisition, generation, transmission, and distribution of electricity are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Financial Reporting Entity. These Financial Statements include SMUD and its component units. Although the component units are legally separate from SMUD, they are blended into and reported as part of SMUD because of the extent of their operational and financial relationships with SMUD. All significant inter-component transactions have been eliminated in consolidation.

Component Units. The component units include the Sacramento Municipal Utility Financing Authority (SFA), the Northern California Gas Authority No. 1 (NCGA) and the Northern California Energy Authority (NCEA). The primary purpose of SFA is to own and operate electric utility plants that supply power to SMUD. On October 1, 2025, SMUD entered into Assignment and Assumption Agreements (Agreements) with SFA. The Agreements transfer the assets and obligations, including ownership of the Cosumnes Power Plant, Carson Power Plant, Procter and Gamble Power Plant, Campbell Power Plant, and McClellan Power Plant (assigned Power Plants) to SMUD as of October 1, 2025 (see Note 3). The primary purpose of NCGA is to prepay for natural gas to sell to SMUD. The primary purpose of NCEA is to prepay for commodities in the form of

natural gas and electricity to sell to SMUD. SMUD’s Board comprises the Commissions that govern these entities (see Note 6).

Plant in Service. Capital assets are generally defined by SMUD as tangible assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of two years. The cost of additions to Plant in Service and replacement property units is capitalized. Repair and maintenance costs are charged to expense when incurred. When SMUD retires portions of its Electric Utility Plant, retirements are recorded against Accumulated Depreciation and the retired portion of Electric Utility Plant is removed from Plant in Service. Costs of removal, if any, are charged to Plant in Service and depreciated over the estimated life of the asset at the time they are incurred. Salvage value, if any, is credited to Other Income when received. SMUD generally computes depreciation on Plant in Service on a straight-line, service-life basis. The average annual composite depreciation rates for 2025 and 2024 was 3.1 percent. Depreciation is calculated using the following estimated lives:

Generation	4 to 80 years
Transmission and Distribution	4 to 50 years
Gas Pipeline	10 to 80 years
General	5 to 60 years

Investment in Joint Powers Authority (JPA). SMUD’s investment in the Transmission Agency of Northern California (TANC) is accounted for under the equity method of accounting. SMUD’s share of the TANC debt service costs and operations and maintenance expense, inclusive of depreciation, is included in Transmission and Distribution expense in the Statements of Revenues, Expenses and Changes in Net Position (see Note 5).

SMUD’s investment in the Balancing Authority of Northern California (BANC) is accounted for under the equity method of accounting. SMUD’s share of the BANC operations and maintenance expense is included in Transmission and Distribution expense in the Statements of Revenues, Expenses and Changes in Net Position (see Note 5).

Leases. Leases are contracts that convey control of the right to use another entity’s nonfinancial asset as specified for a period of time in an exchange or exchange-like transaction without the transfer of ownership of the asset. The lease term is the period of time where there is a noncancellable right to use the underlying asset (see Note 4).

For lessor contracts, lease receivables and deferred inflows of resources are reported at present value using SMUD’s incremental borrowing rate on the Statements of Net Position. The amortization of the discount for lessor contracts is recorded as Lease receivable for SMUD on the Statements of Net Position with the offset to interest income in Interest and other income on the Statements of Revenue, Expenses and Change in Net Position (see Note 4).

For lessee contracts, lease assets and liabilities are reported at present value using SMUD’s incremental borrowing rate on the Statements of Net Position. The lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset. The amortization of the discount for lessee contracts is recorded as Interest payable on the Statements of Net Position with the offset to Lease interest expense for SMUD on the Statements of Revenue, Expenses and Change in Net Position (see Note 4).

Subscription Assets. Subscription-based information technology arrangements (SBITAs) provide governments with access to vendors’ information technology (IT) software and associated tangible capital assets for subscription payments without granting governments perpetual license or title to the IT software and associated tangible capital assets. The subscription term is the period of time where there is a noncancellable right to use the underlying IT assets (see Note 4).

For SBITA contracts, subscription assets and liabilities are reported at present value using SMUD’s incremental borrowing rate on the Statements of Net Position. The subscription assets are amortized over the shorter of the lease term or the useful life of the underlying IT assets. The amortization of the discount for SBITA contracts is recorded as Interest payable on the Statements

of Net Position with the offset to SBITA interest expense for SMUD on the Statements of Revenue, Expenses and Change in Net Position (see Note 4).

Restricted and Designated Assets. Cash, cash equivalents, and investments, which are restricted by regulation or under terms of certain agreements for payments to third parties are included as restricted assets. Restricted assets include Revenue bond and debt service reserves, Nuclear decommissioning trust fund, Escrow fund, Collateral fund, Insurance captive fund and Other funds. Board actions limiting the use of such funds are included as designated assets. Designated assets include the Rate stabilization fund and Other funds. When SMUD restricts or designates funds for a specific purpose, and restricted and designated and unrestricted resources are available for use, it is SMUD's policy to use restricted and designated resources first, then unrestricted resources as they are needed.

Nuclear Decommissioning Trust Fund. SMUD made annual contributions to its Nuclear Decommissioning Trust Fund (Trust Fund) through 2008 to cover the cost of its primary decommissioning activities associated with the Rancho Seco facility. Primary decommissioning excludes activities associated with the spent fuel storage facility after 2008 and most non-radiological decommissioning tasks. Interest earnings on the Trust Fund assets are recorded as Interest Income and are accumulated in the Trust Fund.

Asset Retirement Obligations (ARO). SMUD records asset retirement obligations (ARO) for tangible capital assets when an obligation to decommission facilities is legally required. SMUD recognizes AROs for its Rancho Seco nuclear power plant and for the Carson power plant facility (see Note 13). The Rancho Seco ARO is recorded as Accrued Decommissioning and the unfunded portion of the ARO is recorded as current and noncurrent Regulatory Costs for Future Recovery (see Note 8) in the Statements of Net Position. Other AROs are recorded as Accrued Decommissioning and a corresponding Deferred Asset Retirement Obligation Outflows in the Statements of Net Position.

SMUD has identified potential retirement obligations related to certain generation, distribution and transmission facilities. SMUD's non-perpetual leased land rights generally are renewed continuously because SMUD intends to utilize these facilities indefinitely. GASB No. 83, "*Asset Retirement Obligations*" requires the measurement of the ARO to be based on the probability weighting of potential outcomes. Due to the low probability that these leases will be terminated, a liability has not been recorded.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less, deposits held at financial institutions, all investments in the Local Agency Investment Fund (LAIF), and money market funds. LAIF has an equity interest in the State of California (State) Pooled Money Investment Account (PMIA). PMIA funds are on deposit with the State's Centralized Treasury System and are managed in compliance with the California Government Code according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters, and maximum maturity of investments. The value of the pooled shares in LAIF which may be withdrawn anytime, are recorded at amortized cost which approximates fair value and is exempt from the fair value measurement.

Investments. Generally, SMUD's investments are reported at fair value in accordance with GASB No. 72, "*Fair Value Measurement and Application*" (see Note 12), except for guaranteed investment contracts (GICs) and commercial paper, which are reported at cost. Realized and unrealized gains and losses are included in Other income (expense) - net in the Statements of Revenues, Expenses and Changes in Net Position.

Electric Operating Revenues. Electric revenues are billed on the basis of monthly cycle bills and are recorded as revenue when the electricity is delivered. SMUD records an estimate for unbilled revenues earned from the dates its retail customers were last billed to the end of the month. At December 31, 2025 and 2024, unbilled revenues were \$92.7 million and \$89.1 million, respectively.

Purchased Power Expenses. A portion of SMUD's power needs are provided through power purchase agreements (PPA). Expenses from such agreements, along with associated transmission costs paid to other utilities, are charged to Purchased Power expense in the Statements of Revenues, Expenses and Changes in Net Position in the period the power is received. The costs or credits associated with energy swap agreements (gas and electric) or other arrangements that affect the net cost of Purchased Power are recognized in the period in which the underlying power delivery occurs. Contract termination payments and adjustments to prior billings are included in Purchased Power expense once the payments or adjustments can be reasonably estimated.

Credit and Market Risk. SMUD enters into forward purchase and sales commitments for physical delivery of gas and electricity with utilities and power marketers. These purchases and sales are exempt from derivative accounting (see Note 9). SMUD is exposed to credit risk related to nonperformance by its wholesale counterparties under the terms of these contractual agreements. In order to limit the risk of counterparty default, SMUD has a wholesale counterparty risk policy which includes using the credit agency ratings of SMUD's counterparties and other credit services, credit enhancements for counterparties that do not meet an acceptable risk level, and the use of standardized agreements that allow for the netting of positive and negative exposures associated with a single counterparty. SMUD is also subject to similar requirements for many of its gas and power purchase agreements. SMUD uses a combination of cash and securities to satisfy its collateral requirements to counterparties.

SMUD's component units, NCGA and NCEA, entered into GICs and are exposed to credit risk related to nonperformance by its investment provider. For NCGA, the investment provider provides collateral if their credit ratings fall below agreed upon levels. SMUD holds deposits by counterparties and an investment provider and records the amounts in Customer deposits and other in the Statements of Net Position.

Collateral deposits that SMUD has with counterparties are recorded as Credit Support Collateral Deposits in the Statements of Net Position.

Accounts Receivable, Allowance for Doubtful Accounts and Energy Efficiency Loans. Accounts receivable is recorded at the invoiced amount and does not bear interest, except for accounts related to energy efficiency loans. SMUD recognizes an estimate of uncollectible accounts for its receivables related to electric service, energy efficiency loans, and other non-electric billings, based upon its historical experience with collections and current energy market conditions. For large wholesale receivable balances, SMUD determines its bad debt reserves based on the specific credit issues for each account. In the Statements of Net Position, SMUD reports its receivables net of the allowance for uncollectible as current assets, and its energy efficiency loans net of the allowance for uncollectible as noncurrent assets in Prepayments and other. At December 31, 2025 and 2024, SMUD estimated its uncollectible retail customer accounts at \$8.9 million and \$16.9 million, respectively, based on non-payment behaviors by aging category. SMUD records bad debts for its estimated uncollectible accounts related to electric service as a reduction to the related operating revenues in the Statements of Revenues, Expenses and Changes in Net Position. SMUD records bad debts for its estimated uncollectible accounts related to energy efficiency loans and other non-electric billings in Administrative, General and Customer expense in the Statements of Revenues, Expenses and Changes in Net Position.

SMUD's receivables, allowances for uncollectible and energy efficiency loans are presented below:

	December 31,	
	2025	2024
	(thousands of dollars)	
Retail customers:		
Receivables	\$ 228,835	\$ 226,525
Less: Allowance for uncollectible	(8,867)	(16,935)
Receivables - net	\$ 219,968	\$ 209,590
Wholesale and other:		
Receivables	\$ 91,730	\$ 90,657
Less: Allowance for uncollectible	(2,485)	(4,240)
Receivables - net	\$ 89,245	\$ 86,417
Energy efficiency loans:		
Receivables	\$ 156	\$ 277
Less: Allowance for uncollectible	(97)	(90)
Energy efficiency loans - net	\$ 59	\$ 187

Regulatory Deferrals. The Board has the authority to establish the level of rates charged for all SMUD services. As a regulated entity, SMUD's financial statements are prepared in accordance with GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants Pronouncements,*" which requires that the effects of the ratemaking process be recorded in the financial statements. Accordingly, certain expenses and credits, normally reflected in Change in Net Position as incurred, are recognized when included in rates and recovered from or refunded to customers. SMUD records various regulatory assets and credits to reflect ratemaking actions of the Board (see Note 8).

Inventories. Inventories are stated at average cost, which approximates the first-in, first-out method.

Compensated Absences. SMUD implemented GASB No. 101 "*Compensated Absences*" in 2024. SMUD accrues vacation leave and compensatory time when employees earn the rights to the benefits. Since there are no cash payments made for sick leave when employees terminate or retire, sick leave is accrued when the employees earn the rights to the benefits and to the extent it is probable that the leave will be used. Compensated absences are recorded as Accrued salaries and compensated absences in the Statements of Net Position. For the years ended December 31, 2025 and 2024, the net increase in the estimated liability for vacation, sick and other compensated absences was \$1.6 million and \$12.4 million, respectively.

Public Good. Public Good expenses consist of non-capital expenditures for energy efficiency programs, low income subsidies, renewable energy resources and technologies, and research and development.

Gains/Losses on Bond Refundings. Gains and losses resulting from bond refundings are included as a component of Deferred Inflows of Resources or Deferred Outflows of Resources in the Statements of Net Position and amortized as a component of Interest on Debt in the Statements of Revenues, Expenses and Changes in Net Position over the shorter of the life of the refunded debt or the new debt using the effective interest method.

Gains/Losses on Bond Defeasances or Extinguishments. Gains and losses resulting from bond defeasances or extinguishments that were not financed with the issuance of new debt are included as a component of Interest on Debt in the Statements of Revenues, Expenses and Changes in Net Position.

Deferred Outflows of Resources. A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Deferred Inflows of Resources. A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized and an inflow of resources (revenue) until that future time.

Interest Payable. SMUD records interest payable for debt service, lease and subscription assets in the Statements of Net Position in Current Liabilities. Interest payable for debt services are paid from restricted assets. As of December 31, 2025 and 2024, interest payable for debt service included in interest payable was \$47.7 million and \$48.4 million, respectively. Interest payable for lease and subscriptions are paid from unrestricted assets. As of December 31, 2025 and 2024, interest payable for lease and subscription assets was \$0.2 million and \$0.4 million, respectively.

Derivative Financial Instruments. SMUD records derivative financial instruments (interest rate swap and gas price swap agreements, certain wholesale sales agreements, certain power purchase agreements and option agreements) at fair value in its Statements of Net Position. SMUD does not enter into agreements for speculative purposes. Fair value is estimated by comparing contract prices to forward market prices quoted by third party market participants and/or provided in relevant industry publications. SMUD is exposed to risk of nonperformance if the counterparties default or if the swap agreements are terminated. SMUD reports derivative financial instruments with remaining maturities of one year or less and the portion of long-term contracts with scheduled transactions over the next twelve months as current in the Statements of Net Position (see Note 9).

Interest Rate Swap Agreements. SMUD enters into interest rate swap agreements to modify the effective interest rates on outstanding debt (see Notes 9 and 10).

Gas and Electricity Price Swap and Option Agreements. SMUD uses forward contracts to hedge the impact of market volatility on gas commodity prices for its natural gas-fueled power plants and for energy prices on purchased power for SMUD's retail load (see Note 9).

Advanced Payments on Construction. SMUD receives deposits from customers in advance of completing customer directed projects. These funds are recorded in the Statements of net position as current or noncurrent liabilities.

Insurance Programs. SMUD records liabilities for unpaid claims at their present value when they are probable in occurrence and the amount can be reasonably estimated. SMUD records a liability for unpaid claims associated with general, auto, workers' compensation, and long-term disability based upon estimates derived by SMUD's claims administrator or SMUD staff. The liability comprises the present value of the claims outstanding and includes an amount for claim events incurred but not reported based upon SMUD's experience (see Note 16).

Pollution Remediation. GASB No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations*," (GASB No. 49) requires that a liability be recognized for expected outlays for remediating existing pollution when certain triggering events occur. SMUD recorded a pollution remediation obligation for its North City substation, which was built on a former landfill, for the former Community Linen Rental Services Property, and for obligations for several land sites, including a few sites where it will be building a substation. At December 31, 2025 and 2024, the total pollution remediation liability was \$21.2 million and \$20.6 million, respectively, and recorded as either Current Liabilities, Customer Deposits and Other or Noncurrent Liabilities, Self Insurance and Other in the Statements of Net Position. Costs were estimated using the expected cash flow technique prescribed under GASB No. 49, including only amounts that are reasonably estimable.

Hydro License. SMUD owns and operates the Upper American River Hydroelectric Project (UARP). The original license to construct and operate the UARP was issued in 1957 by FERC. Effective July 1, 2014, SMUD received a 50-year hydro license. As part of the hydro licensing process, SMUD entered into four contracts with government agencies whereby SMUD makes annual payments to them for various services for the term of the license. At December 31, 2025 and 2024, the liability for these contract payments was \$63.7 million and \$62.4 million, respectively, and recorded as either Current Liabilities, Customer Deposits and Other or Noncurrent Liabilities, Self-Insurance and Other in the Statements of Net Position (see Note 17).

Assembly Bill 32. California Assembly Bill (AB) 32 was an effort by the State of California to set a greenhouse gas (GHG) emissions reduction goal into law, and initially was set through 2020. In 2015, the state established a 2030 goal for GHG emissions at 40 percent below 1990 levels, and in July of 2017 AB-398 was approved by the Governor. Central to these initiatives is the Cap and Trade program, which covers major sources of GHG emissions in the State including power plants. AB-398 extended Cap and Trade through 2030, and more recently, in 2025, AB-1207 extended it through 2045 and renamed the program “Cap and Invest”. The Cap and Invest program includes an enforceable emissions cap that will decline over time. The State distributes allowances, which are tradable permits, equal to the emissions allowed under the cap. Sources under the cap are required to surrender allowances and offsets equal to their emissions at the end of each compliance period. SMUD is subject to AB-32 and has participated in California Air Resources Board (CARB) administered quarterly auctions in the past. In a normal water year, SMUD expects its free allocation of allowances from the CARB to cover its compliance costs associated with electricity delivered to its retail customers. SMUD expects to recover compliance costs associated with wholesale power sales costs through its wholesale power sales revenues. SMUD continues to monitor new legislation and proposed programs that could impact AB-32 and its subsequent extensions.

In addition, the Low Carbon Fuel Standards (LCFS) was enacted through AB-32. CARB is responsible for the implementation of LCFS and has established a program for LCFS credits. The LCFS program is designed to reduce greenhouse gas emissions associated with the lifecycle of transportation fuels used in California. SMUD participates in the program and receives LCFS credits from CARB for the electricity used to power electric vehicles. The LCFS credits are sold to parties (oil companies) that have a compliance obligation. CARB requires that electricity LCFS credit sales proceeds be spent in a way to benefit current or future Electric Vehicle drivers in California, for both commercial and residential vehicles.

Net Pension Asset (NPA) or Liability (NPL). The NPA or NPL is the difference between the actuarial present value of projected pension benefit payments attributable to employees’ past service and the pension plan’s fiduciary net position (see Note 14).

Net Other Postemployment Benefit (OPEB) Asset (NOA) or Liability (NOL). The NOA or NOL is the difference between the actuarial present value of projected OPEB benefit payments attributable to employee’s past service and the OPEB plan’s fiduciary net position (see Note 15).

Net Position. SMUD classifies its net position into three components as follows:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding debt balances, net of unamortized debt expenses. Deferred inflows and outflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are also included.
- Restricted – This component of net position consists of assets with constraints placed on their use, either externally or internally. Constraints include those imposed by debt indentures (excluding amounts considered in Net investment in capital assets, above), grants or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation or by the Board. These restricted assets are reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted – This component of net position consists of net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of “Net investment in capital assets” or “Restricted.”

Contributions in Aid of Construction (CIAC). SMUD records CIAC from customer contributions, primarily relating to expansions to SMUD’s distribution facilities, as Other income (expense) - net in the Statements of Revenues, Expenses and Changes in Net Position. Contributions of capital are valued at acquisition value. For ratemaking purposes, the Board does not recognize such revenues when received; rather, CIAC is included in revenues as such costs are amortized over the estimated useful lives of the related distribution facilities (see Note 8).

Revenues and Expenses. SMUD distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with SMUD's principal ongoing operations. The principal operating revenues of SMUD are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as Non-Operating Revenues and Expenses in the Statements of Revenues, Expenses and Changes in Net Position. In 2025, SMUD received an Inflation Reduction Act payment of \$91.8 million for a clean energy project, which is included in Other income - net. In 2024, SMUD received insurance proceeds of \$96.5 million, which are included in Other income - net.

Grants. SMUD receives grant proceeds from federal and state assisted programs for its projects which include, but are not limited to, advanced and renewable technologies, electric transportation, and energy efficiency. SMUD also periodically receives grant proceeds from federal or state assistance programs as partial reimbursements for costs it has incurred as a result of natural disasters, such as storm or fire damages. When applicable, these programs may be subject to financial and compliance audits pursuant to regulatory requirements. During 2025, SMUD recorded \$42.0 million of grant proceeds and recognized \$16.7 million as a component of Other Income - Net, in the Consolidated Statements of Revenues, Expenses and Changes in Net Position, and \$25.3 million as a Regulatory Credit (see Note 8).

Customer Sales and Excise Taxes. SMUD is required by various governmental authorities, including states and municipalities, to collect and remit taxes on certain customer sales. Such taxes are presented on a net basis and excluded from revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Position.

Subsequent Events. Subsequent events for SMUD have been evaluated through March 6, 2026 (see Note 19).

Reclassifications. Certain amounts in the 2024 Financial Statements have been reclassified in order to conform to the 2025 presentation.

Recent Accounting Pronouncements, adopted. In December 2023, GASB issued SGAS No. 102, "***Certain Risk Disclosures***" (GASB No. 102), to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. A *concentration* is defined as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. This Statement requires a government to assess whether a concentration or constraint could cause a substantial impact if the event occurred or has begun to occur prior to the issuance of financial statements. If a government determines that the criteria for disclosure have been met, it should disclose information in notes to financial statements in sufficient detail to enable financial statements users to understand the nature of the circumstances and the government's vulnerability to the risk of a substantial impact. This Statement is effective for SMUD in 2025 but had no impact.

Recent Accounting Pronouncements, not yet adopted. In April 2024, GASB issued SGAS No. 103, "***Financial Reporting Model Improvements***" (GASB No. 103), to improve key components of the financial reporting model. The purposes of the improvements are to (a) enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and (b) address certain application issues. This Statement is effective for SMUD in 2026. SMUD is currently assessing the impact of adopting this statement.

In September 2024, GASB issued SGAS No. 104, "***Disclosure of Certain Capital Assets***" (GASB No. 104), to require certain types of capital assets to be disclosed separately in the capital assets note disclosures. Lease assets and intangible right-to-use assets should be disclosed separately by major class of underlying asset in the capital asset note disclosures. Subscription assets should also be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class and requires additional disclosures for capital assets held for sale. This Statement is effective for SMUD in 2026. SMUD is currently assessing the disclosure impact of adopting this statement.

In December 2025, GASB issued SGAS No. 105, "***Subsequent Events***" (GASB No. 105), to enhance the consistency and quality of financial reporting related to subsequent events. Subsequent events are transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. The Statement defines the "date the financial statements are available to be issued" as the date when the financial statements are complete in accordance with GAAP and all necessary approvals for issuance have been obtained. It also clarifies the distinction between recognized and nonrecognized events and requires disclosure of the date through which subsequent events were evaluated. The requirements of this Statement are effective for SMUD in 2027. SMUD is currently assessing the disclosure impact of adopting this statement.

NOTE 3. COMPONENT UNIT ASSIGNMENT AND ASSUMPTION AGREEMENTS

The Agreements between SMUD and SFA transferred the operation and ownership of the assigned Power Plants to SMUD for operational and administrative efficiencies. The transfer meets the definition of a transfer of operations under GASB Statement No. 69 "***Government Combinations and Disposals of Government Operations***" (GASB No. 69). In accordance with GASB No. 69, SMUD began reporting 2025 operations of the assigned Power Plants as of October 1, 2025. Since these are blended component units, there was no impact to the assets, liabilities, and net position of SMUD (see Notes 2 and 6).

NOTE 4. ELECTRIC UTILITY PLANT

The summarized activity of SMUD's Electric Utility Plant during 2025 is presented below:

	Balance January 1, <u>2025</u>	<u>Additions</u>	Transfers and <u>Disposals</u>	Balance December 31, <u>2025</u>
	(thousands of dollars)			
Nondepreciable Electric Utility Plant:				
Land and land rights	\$ 197,108	\$ 5,350	\$ 9,792	\$ 212,250
CWIP	<u>527,739</u>	<u>561,686</u>	<u>(314,087)</u>	<u>775,338</u>
Total nondepreciable electric utility plant	<u>724,847</u>	<u>567,036</u>	<u>(304,295)</u>	<u>987,588</u>
Depreciable Electric Utility Plant:				
Generation	2,009,402	31,125	9,795	2,050,322
Transmission	676,698	14,327	117,753	808,778
Distribution	3,040,013	199,824	(84,843)	3,154,994
Intangibles	647,058	23,598	20,443	691,099
General	<u>1,125,176</u>	<u>47,631</u>	<u>(113,867)</u>	<u>1,058,940</u>
Total depreciable electric utility plant	7,498,347	316,505	(50,719)	7,764,133
Lease Assets:				
Land	1,764	-0-	-0-	1,764
Generation	78,389	-0-	-0-	78,389
General	<u>5,663</u>	<u>-0-</u>	<u>-0-</u>	<u>5,663</u>
Total lease assets	85,816	-0-	-0-	85,816
Subscription Assets	48,254	10,795	(2,400)	56,649
Less: accumulated depreciation and amortization	(3,812,196)	(285,861)	22,183	(4,075,874)
Less: accumulated amortization on JPAs	<u>(8,532)</u>	<u>-0-</u>	<u>(314)</u>	<u>(8,846)</u>
Total accumulated depreciation and amortization	(3,820,728)	(285,861)	21,869	(4,084,720)
Total depreciable plant	<u>3,811,689</u>	<u>41,439</u>	<u>(31,250)</u>	<u>3,821,878</u>
Total Electric Utility Plant - net	<u>\$ 4,536,536</u>	<u>\$ 608,475</u>	<u>\$ (335,545)</u>	<u>\$ 4,809,466</u>

The summarized activity of SMUD's Electric Utility Plant during 2024 is presented below:

	Balance January 1, 2024	Additions	Transfers and Disposals	Balance December 31, 2024
	(thousands of dollars)			
Nondepreciable Electric Utility Plant:				
Land and land rights	\$ 190,812	\$ 7,898	\$ (1,602)	\$ 197,108
CWIP	<u>590,659</u>	<u>510,809</u>	<u>(573,729)</u>	<u>527,739</u>
Total nondepreciable electric utility plant	<u>781,471</u>	<u>518,707</u>	<u>(575,331)</u>	<u>724,847</u>
Depreciable Electric Utility Plant:				
Generation	1,763,683	248,084	(2,365)	2,009,402
Transmission	649,509	30,608	(3,419)	676,698
Distribution	2,875,763	173,015	(8,765)	3,040,013
Intangibles	599,064	47,994	-0-	647,058
General	<u>1,139,118</u>	<u>55,245</u>	<u>(69,187)</u>	<u>1,125,176</u>
Total depreciable electric utility plant	7,027,137	554,946	(83,736)	7,498,347
Lease Assets:				
Land	1,764	-0-	-0-	1,764
Generation	-0-	78,389	-0-	78,389
General	<u>5,556</u>	<u>107</u>	<u>-0-</u>	<u>5,663</u>
Total lease assets	7,320	78,496	-0-	85,816
Subscription Assets	36,948	15,008	(3,702)	48,254
Less: accumulated depreciation and amortization	(3,637,296)	(261,993)	87,093	(3,812,196)
Less: accumulated amortization on JPAs	<u>(8,219)</u>	<u>-0-</u>	<u>(313)</u>	<u>(8,532)</u>
Total accumulated depreciation and amortization	(3,645,515)	(261,993)	86,780	(3,820,728)
Total depreciable plant	<u>3,425,890</u>	<u>386,457</u>	<u>(658)</u>	<u>3,811,689</u>
Total Electric Utility Plant - net	<u>\$ 4,207,361</u>	<u>\$ 905,164</u>	<u>\$ (575,989)</u>	<u>\$ 4,536,536</u>

Leases. SMUD engages in lease contracts for land, communication sites, buildings, and a power plant.

Lessor. Lease agreements include land, communication sites, and a building. Lease terms range from 4 to 35 years including options to extend the lease term after completion of the initial contracted term. The likelihood that the renewal options will be exercised has been evaluated and it has been determined that Lessees will exercise the renewal options with reasonable certainty. The agreements allow for periodic increases to the lease payments. The interest rates range between 0.7 percent to 4.2 percent based on the AAA Muni Curve with the number of years to maturity that corresponds to the lease term, plus an additional credit spread to account for a different credit rating and other factors. At December 31, 2025 and 2024, lease receivables included in current assets, Receivables - net, wholesale and other were \$0.5 million and lease receivables included in noncurrent assets, Prepayments and other were \$16.2 million and \$16.7 million, respectively. As of December 31, 2025 and 2024, deferred lease inflows were \$15.7 million and \$16.4 million, respectively. SMUD recognized lease revenue of \$0.7 million for 2025 and 2024,

which is reported in Street lighting and other on the Statements of Revenues, Expenses and Changes in Net Position. SMUD recognized interest income of \$0.3 million in 2025 and 2024. There were no variable lease payments received in 2025 or 2024.

Lessee. Lessee agreements include land, buildings, and a power plant. Lease terms range from 3 to 25 years including options to extend the lease term after completion of the initial contracted term. The likelihood that the renewal options will be exercised has been evaluated and it has been determined that the lease agreements will be renewed with reasonable certainty. The agreements allow for periodic increases to the lease payments. The interest rates range between 0.8 percent to 4.2 percent based on the AAA Muni Curve with the number of years to maturity that corresponds to the lease term, plus an additional credit spread to account for a different credit rating and other factors. As of December 31, 2025 and 2024, assets recorded under leases were \$85.8 million and accumulated amortization associated with lease assets was \$54.5 million and \$27.9 million, respectively. SMUD recognized amortization expense of \$26.6 million in 2025 and 2024, which is reported as Depreciation and amortization on the Statements of Revenues, Expenses and Changes in Net Position. As of December 31, 2025 and 2024, lease obligations included in current liabilities, Customer deposits and other, were \$27.1 million and \$26.5 million, respectively, and lease obligations included in noncurrent liabilities, Self insurance and other, were \$5.2 million and \$32.3 million, respectively. There were no lease impairments in 2025 or 2024. There were no payments recorded in the current period that were not included in the measurement of the lease liability.

The following table summarizes the future annual lease principal and interest payments as of December 31, 2025 (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 27,120	\$ 475	\$ 27,595
2027	439	131	570
2028	448	126	574
2029	457	120	577
2030	467	114	581
2031-2035 (combined)	1,003	493	1,496
2036-2040 (combined)	1,100	354	1,454
2041-2045 (combined)	872	180	1,052
2046-2047 (combined)	<u>398</u>	<u>18</u>	<u>416</u>
Total	<u>\$ 32,304</u>	<u>\$ 2,011</u>	<u>\$ 34,315</u>

Subscription Assets. SMUD has noncancellable SBITAs for the right to use information technology hardware and software. SBITA subscription terms range from 2 to 9 years including options to extend the subscription term after completion of the initial contracted term. The agreements allow for periodic increases to the subscription payments. The interest rates range between 0.25 percent to 3.22 percent based on the AAA Muni Curve with the number of years to maturity that corresponds to the subscription term, plus an additional credit spread to account for a different credit rating and other factors. As of December 31, 2025 and 2024, subscription assets recorded were \$56.6 million and \$48.3 million, respectively, and accumulated amortization associated with subscription assets was \$30.3 million and \$19.6 million, respectively. SMUD recognized SBITA amortization expense of \$12.8 million in 2025 and \$9.3 million in 2024 which is reported as Depreciation and amortization on the Statements of Revenues, Expenses and Changes in Net Position. As of December 31, 2025 and 2024, subscription obligations included in current liabilities, Customer deposits and other, were \$7.9 million and \$10.4 million, respectively, and subscription obligations included in noncurrent liabilities, Self-insurance and other, were \$10.0 million and \$15.3 million, respectively. There were no subscription asset impairments in 2025 or 2024. There were no payments recorded in the current period that were not included in the measurement of the lease liability.

The following table summarizes the future annual SBITA principal and interest payments as of December 31, 2025 (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 7,876	\$ 343	\$ 8,219
2027	4,888	183	5,071
2028	3,930	99	4,029
2029	389	28	417
2030	315	20	335
2031-2033 (combined)	<u>461</u>	<u>15</u>	<u>476</u>
Total	<u>\$ 17,859</u>	<u>\$ 688</u>	<u>\$ 18,547</u>

NOTE 5. INVESTMENT IN JOINT POWERS AUTHORITY

TANC. SMUD and fourteen other California municipal utilities are members of TANC, a JPA. TANC, along with the other California municipal utilities, own and operate the California-Oregon Transmission Project (COTP), a 500-kilovolt transmission line between central California and southern Oregon. SMUD is obligated to pay approximately 39 percent of TANC's COTP debt service and operations costs in exchange for entitlement to approximately 536 megawatts (MW) of TANC's 1,390 MW transfer capability. Additionally, SMUD has a 48 MW share of TANC's 300 MW firm, bi-directional transmission over Pacific Gas and Electric Company's (PG&E) system between PG&E's Tesla and Midway substations (SOT). The total entitlement shares for the COTP and SOT described above include the long-term agreements listed below.

In 2009, SMUD entered into a 15-year long-term layoff agreement (LTLA) with TANC and certain members, expiring January 31, 2024. This agreement provides for the assignment of all rights and obligations of the City of Palo Alto and the City of Roseville related to their COTP and SOT entitlements. This agreement increased SMUD's COTP entitlement by 36 MW and SOT entitlement by 2 MW. On July 1, 2014, an amendment returned to the City of Roseville all rights and obligations related to the COTP entitlements, which decreased SMUD's COTP entitlement by 13 MW. In 2023, the Commission approved Amendment No. 3 to the 2009 LTLA. The amendment extends the duration of 2009 LTLA for an additional ten years and was effective January 30, 2024.

Effective July 1, 2014, SMUD entered into a 25-year LTLA with TANC and certain members that provides for the assignment of all rights and obligations of Northern California Power Agency and partial rights and obligations of the City of Santa Clara related to their COTP entitlements. This agreement increased SMUD's COTP entitlements by 130 MW.

The long-term debt of TANC, which totals \$152.1 million (unaudited) at December 31, 2025, is collateralized by a pledge and assignment of net revenues of TANC supported by take or pay commitments of SMUD and other members. Should other members default on their obligations to TANC, SMUD would be required to make additional payments to cover a portion of such defaulted payments, up to 25 percent of its current obligation. SMUD recorded transmission expenses related to TANC of \$19.6 million and \$18.9 million in 2025 and 2024, respectively.

In 2024, TANC issued a line of credit for \$120 million for the replacement project related to the series capacitors and has drawn \$92 million from the line of credit. In 2025, TANC amended the line of credit and extended the maturity date from September 3, 2025, to September 3, 2027.

Summary financial information for TANC is presented below:

	<u>December 31,</u>	
	2025	2024
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
	(thousands of dollars)	
Total Assets and Deferred Outflows of Resources	<u>\$ 515,535</u>	<u>\$ 501,368</u>
Total Liabilities	\$ 407,174	\$ 399,995
Total Deferred Inflows of Resources	1,193	1,287
Total Net Position	<u>107,168</u>	<u>100,086</u>
Total Liabilities and Net Position	<u>\$ 515,535</u>	<u>\$ 501,368</u>
Changes in Net Position for the Six Months Ended December 31	<u>\$ 11</u>	<u>\$ 6</u>

Copies of the TANC annual financial reports may be obtained from SMUD at P.O. Box 15830, Sacramento, California 95852 or online at www.tanc.us.

BANC. SMUD, City of Redding, City of Roseville, Modesto Irrigation District (MID), City of Shasta Lake, and Trinity Public Utilities District are members of BANC, a JPA formed in 2009. In 2011, operational control of Balancing Authority Area (BAA) operations was transferred from SMUD to BANC. BANC performs FERC approved BAA reliability functions that are managed by North American Electric Reliability Corporation (NERC), nationally, and by Western Electricity Coordinating Council functions in the west. SMUD recorded expenses related to BANC of \$5.1 million and \$5.3 million in 2025 and 2024, respectively.

Summary financial information for BANC is presented below:

	<u>December 31,</u>	
	2025	2024
	<u>(Audited)</u>	<u>(Audited)</u>
	(thousands of dollars)	
Total Assets	<u>\$ 7,409</u>	<u>\$ 7,753</u>
Total Liabilities	\$ 7,409	\$ 7,753
Total Net Position	<u>-0-</u>	<u>-0-</u>
Total Liabilities and Net Position	<u>\$ 7,409</u>	<u>\$ 7,753</u>
Changes in Net Position for the Year Ended December 31	<u>\$ -0-</u>	<u>\$ -0-</u>

Copies of the BANC annual financial reports may be obtained from SMUD at P.O. Box 15830, Sacramento, California 95852.

NOTE 6. COMPONENT UNITS

SFA. SFA is a JPA formed by SMUD and MID. SFA operates the Cosumnes Power Plant Project (Cosumnes), Carson Power Plant (Carson), Procter and Gamble Power Plant (Procter and Gamble), Campbell Power Plant (Campbell) and McClellan Power Plant (McClellan). Cosumnes is a 602 MW (net) natural gas-fired, combined cycle facility which began commercial operations in 2006. The revenue stream to pay the SFA bonds' debt service is provided by a "take-or-pay" power purchase agreement between SMUD and SFA. SFA's bonds were paid off in 2025. Carson began commercial operations in 1995 and is comprised of a 68 MW natural gas-fired combined cycle cogeneration facility and a 42 MW natural gas-fired simple cycle peaking plant. Procter and Gamble began commercial operations in 1997 and is comprised of a 145 MW natural gas-fired combined cycle plant and a 50 MW natural gas-fired simple cycle peaking plant which was subsequently added and

began commercial operations in 2001. Campbell began commercial operations in 1997 and is a 183 MW natural gas-fired combined-cycle cogeneration plant consisting of a combustion turbine generator and a steam turbine generator. McClellan is a 72 MW simple cycle combustion turbine and has been operating since 1986. On October 1, 2025, SFA assets and obligations, including ownership of the assigned Power Plants, were transferred to SMUD (see Notes 2 and 3).

NCGA. NCGA is a JPA formed by SMUD and the SFA. NCGA has a prepaid gas contract with Morgan Stanley Capital Group (MSCG) expiring in 2027, which is financed primarily by NCGA revenue bonds. SMUD has contracted with NCGA to purchase all the gas delivered by MSCG to NCGA, based on market prices. SMUD requested to have its entire daily contract quantity remarketed for each gas day of each month from November 1, 2023 until May 31, 2027. MSCG, pursuant to the Gas remarketing provisions shall purchase all of the remarketed gas for its own account. NCGA is obligated to pay the principal and interest on the bonds. Neither SMUD nor SFA is obligated to make debt service payments on the bonds. NCGA can terminate the prepaid gas contract under certain circumstances, including a failure by MSCG to meet its gas delivery obligation to NCGA or a drop in MSCG's credit rating below a specified level. If this occurs, MSCG will be required to make a termination payment to NCGA based on the unamortized prepayment proceeds received by MSCG.

NCEA. NCEA is a JPA formed by SMUD and the SFA. NCEA has a prepaid natural gas and electricity (commodity) contract with J. Aron & Company LLC (J. Aron) expiring in 2049, which is financed primarily by NCEA revenue bonds. The contract has been amended and restated to expire in 2054 due to the issuance of the 2024 Revenue Refunding Bond. SMUD has contracted with NCEA to purchase all the commodity delivered by J. Aron to NCEA, based on market prices. NCEA is obligated to pay the principal and interest on the bonds. Neither SMUD nor SFA is obligated to make debt service payments on the bonds. NCEA can terminate the prepaid commodity contract under certain circumstances, including a failure by J. Aron to meet its commodity delivery obligation to NCEA. If this occurs, J. Aron will be required to make a termination payment to NCEA based on the unamortized prepayment proceeds received by J. Aron.

The summarized activity of SMUD's component units for 2025 is presented below:

CONDENSED STATEMENTS OF NET POSITION
December 31, 2025
(thousands of dollars)

	SMUD	NCGA	NCEA	Eliminating	Total
Assets					
Electric Utility Plant - net	\$ 4,809,466	\$ -0-	\$ -0-	\$ -0-	\$ 4,809,466
Restricted and Designated Assets	375,574	-0-	-0-	-0-	375,574
Current Assets	1,486,678	56,361	41,008	(5,763)	1,578,284
Noncurrent Assets	1,186,086	16,284	678,266	(2,793)	1,877,843
Total Assets	7,857,804	72,645	719,274	(8,556)	8,641,167
Deferred Outflows of Resources	306,027	-0-	-0-	-0-	306,027
Total Assets and Deferred Outflows of Resources	<u>\$ 8,163,831</u>	<u>\$ 72,645</u>	<u>\$ 719,274</u>	<u>\$ (8,556)</u>	<u>\$ 8,947,194</u>
Liabilities					
Long-Term Debt - net	\$ 2,497,279	\$ 34,825	\$ 710,347	\$ -0-	\$ 3,242,451
Current Liabilities	626,335	33,187	19,245	(5,763)	673,004
Noncurrent Liabilities	562,049	-0-	126	-0-	562,175
Total Liabilities	3,685,663	68,012	729,718	(5,763)	4,477,630
Deferred Inflows of Resources	1,292,916	-0-	2,107	-0-	1,295,023
Net Position					
Net Investment in Capital Assets	2,131,651	-0-	-0-	-0-	2,131,651
Restricted	100,775	16,528	12,163	-0-	129,466
Unrestricted	952,826	(11,895)	(24,714)	(2,793)	913,424
Total Net Position	3,185,252	4,633	(12,551)	(2,793)	3,174,541
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 8,163,831</u>	<u>\$ 72,645</u>	<u>\$ 719,274</u>	<u>\$ (8,556)</u>	<u>\$ 8,947,194</u>

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

December 31, 2025

(thousands of dollars)

	<u>SMUD</u>	<u>NCGA</u>	<u>NCEA</u>	<u>Eliminating</u>	<u>Total</u>
Operating Revenues	\$ 2,311,280	\$ 1,932	\$ 27,785	\$ (220,251)	\$ 2,120,746
Operating Expenses	1,736,417	508	(1,083)	(220,049)	1,515,793
Depreciation and Amortization	283,310	-0-	-0-	(202)	283,108
Operating Income	291,553	1,424	28,868	-0-	321,845
Non-Operating Revenues and (Expenses)					
Interest Income	46,902	781	967	(34)	48,616
Investment Income (Expense) - net	(2,876)	-0-	-0-	-0-	(2,876)
Other Income - net	98,004	-0-	-0-	(3,295)	94,709
Interest Charges	(69,584)	(3,476)	(26,813)	-0-	(99,873)
Total Non-Operating Revenues and (Expenses)	72,446	(2,695)	(25,846)	(3,329)	40,576
Changes in Net Position Before Distributions and Contributions					
	363,999	(1,271)	3,022	(3,329)	362,421
Distributions to Member	-0-	(821)	(2,508)	3,329	-0-
Member Contributions	-0-	79	82	(161)	-0-
Change in Net Position	363,999	(2,013)	596	(161)	362,421
Net Position - Beginning of Year	2,821,253	6,646	(13,147)	(2,632)	2,812,120
Net Position - End of Year	<u>\$ 3,185,252</u>	<u>\$ 4,633</u>	<u>\$ (12,551)</u>	<u>\$ (2,793)</u>	<u>\$ 3,174,541</u>

CONDENSED STATEMENTS OF CASH FLOWS

December 31, 2025

(thousands of dollars)

	<u>SMUD</u>	<u>NCGA</u>	<u>NCEA</u>	<u>Eliminating</u>	<u>Total</u>
Net Cash Provided by Operating Activities	\$ 565,507	\$ 33,370	\$ 38,416	\$ -0-	\$ 637,293
Net Cash Provided by (Used in) Noncapital Financing Activities	22,030	(32,881)	(42,447)	-0-	(53,298)
Net Cash Used in Capital and Related Financing Financing Activities	(483,199)	-0-	-0-	-0-	(483,199)
Net Cash Provided by (Used in) Investing Activities	(19,893)	780	2,865	-0-	(16,248)
Net Increase (Decrease) in Cash and Cash Equivalents	84,445	1,269	(1,166)	-0-	84,548
Cash and Cash Equivalents at the Beginning of the Year	399,683	15,972	1,176	-0-	416,831
Cash and Cash Equivalents at the End of the Year	<u>\$ 484,128</u>	<u>\$ 17,241</u>	<u>\$ 10</u>	<u>\$ -0-</u>	<u>\$ 501,379</u>

The summarized activity of SMUD's component units for 2024 is presented below:

CONDENSED STATEMENTS OF NET POSITION

December 31, 2024
(thousands of dollars)

	SMUD	SFA	NCGA	NCEA	Eliminating	Total
Assets						
Electric Utility Plant - net	\$ 4,275,258	\$ 264,777	\$ -0-	\$ -0-	\$ (3,499)	\$ 4,536,536
Restricted and Designated Assets	373,189	-0-	-0-	-0-	-0-	373,189
Current Assets	1,244,949	144,962	51,027	43,720	(113,670)	1,370,988
Noncurrent Assets	1,386,560	481	52,230	687,870	(287,021)	1,840,120
Total Assets	7,279,956	410,220	103,257	731,590	(404,190)	8,120,833
Deferred Outflows of Resources	321,725	1,848	-0-	-0-	-0-	323,573
Total Assets and Deferred Outflows of Resources	<u>\$ 7,601,681</u>	<u>\$ 412,068</u>	<u>\$ 103,257</u>	<u>\$ 731,590</u>	<u>\$ (404,190)</u>	<u>\$ 8,444,406</u>
Liabilities						
Long-Term Debt - net	\$ 2,398,092	\$ 64,636	66,245	\$ 722,286	\$ -0-	\$ 3,251,259
Current Liabilities	599,061	70,466	30,366	19,824	(113,670)	606,047
Noncurrent Liabilities	626,028	15,340	-0-	60	(3,525)	637,903
Total Liabilities	3,623,181	150,442	96,611	742,170	(117,195)	4,495,209
Deferred Inflows of Resources	1,138,009	-0-	-0-	2,567	(3,499)	1,137,077
Net Position						
Net Investment in Capital Assets	1,661,837	181,353	-0-	-0-	-0-	1,843,190
Restricted	102,083	9,059	14,954	15,263	-0-	141,359
Unrestricted	1,076,571	71,214	(8,308)	(28,410)	(283,496)	827,571
Total Net Position	2,840,491	261,626	6,646	(13,147)	(283,496)	2,812,120
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 7,601,681</u>	<u>\$ 412,068</u>	<u>\$ 103,257</u>	<u>\$ 731,590</u>	<u>\$ (404,190)</u>	<u>\$ 8,444,406</u>

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

December 31, 2024
(thousands of dollars)

	SMUD	SFA	NCGA	NCEA	Eliminating	Total
Operating Revenues	\$ 1,953,511	\$ 283,543	\$ 1,088	\$ 24,316	\$ (300,357)	\$ 1,962,101
Operating Expenses	1,570,088	248,427	(2,027)	14,298	(300,086)	1,530,700
Depreciation and Amortization	234,644	38,885	-0-	-0-	(271)	273,258
Operating Income (Loss)	148,779	(3,769)	3,115	10,018	-0-	158,143
Non-Operating Revenues and (Expenses)						
Interest Income	41,907	2,219	889	514	(48)	45,481
Investment Income (Expense) - net	(5,173)	-0-	-0-	-0-	-0-	(5,173)
Other Income - net	129,224	86	-0-	-0-	(524)	128,786
Interest Charges	(70,250)	(2,649)	(4,688)	(24,229)	-0-	(101,816)
Total Non-Operating Revenues and (Expenses)	95,708	(344)	(3,799)	(23,715)	(572)	67,278
Changes in Net Position Before Distributions and Contributions						
and Contributions	244,487	(4,113)	(684)	(13,697)	(572)	225,421
Distributions to Member	-0-	-0-	(572)	-0-	572	-0-
Member Contributions	-0-	-0-	75	498	(573)	-0-
Change in Net Position	244,487	(4,113)	(1,181)	(13,199)	(573)	225,421
Net Position - Beginning of Year	2,596,004	265,739	7,827	52	(282,923)	2,586,699
Net Position - End of Year	<u>\$ 2,840,491</u>	<u>\$ 261,626</u>	<u>\$ 6,646</u>	<u>\$ (13,147)</u>	<u>\$ (283,496)</u>	<u>\$ 2,812,120</u>

CONDENSED STATEMENTS OF CASH FLOWS
December 31, 2024
(thousands of dollars)

	SMUD	SFA	NCGA	NCEA	Eliminating	Total
Net Cash Provided by						
Operating Activities	\$ 507,925	\$ 41,112	\$ 32,332	\$ 37,663	\$ -0-	\$ 619,032
Net Cash Provided by (Used in)						
Noncapital Financing Activities	92,383	156	(31,193)	(31,023)	-0-	30,323
Net Cash Used in						
Capital and Related Financing Financing	(515,523)	(31,010)	-0-	-0-	-0-	(546,533)
Net Cash Provided by (Used in)						
Investing Activities	29,136	2,032	897	(9,280)	-0-	22,785
Net Increase (Decrease) in Cash						
and Cash Equivalents	113,921	12,290	2,036	(2,640)	-0-	125,607
Cash and Cash Equivalents						
at the Beginning of the Year	226,801	46,671	13,936	3,816	-0-	291,224
Cash and Cash Equivalents						
at the End of the Year	<u>\$ 340,722</u>	<u>\$ 58,961</u>	<u>\$ 15,972</u>	<u>\$ 1,176</u>	<u>\$ -0-</u>	<u>\$ 416,831</u>

As described in Note 2, all of the activities and balances of the component units are blended into and reported as part of SMUD because of the extent of their operational and financial relationships with SMUD. Copies of NCGA's and NCEA's annual financial reports may be obtained from their Executive Office at P.O. Box 15830, Sacramento, California 95852 or online at www.smud.org.

NOTE 7. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Equivalents and Investments. SMUD's investment policy is governed by the California State and Municipal Codes and its Indenture, which allow SMUD's investments to include: obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; LAIF; and money market funds. SMUD's investment policy includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities, and minimum credit ratings.

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To mitigate this risk, SMUD limits investments to those rated, at a minimum, "A-1" or equivalent for short-term investments and "A" or equivalent for medium-term corporate notes by a nationally recognized rating agency, with the exception of the GICs held by NCEA. NCEA's GICs are rated at the credit rating of the commodity supplier, or, if not rated, the guarantor of the commodity supplier which is currently Goldman Sachs.

Custodial Credit Risk. This is the risk that, in the event of the failure of a depository financial institution or counterparty to a transaction, SMUD's deposits and investments may not be returned or SMUD will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of another party. SMUD does not have a deposit or investment policy for custodial credit risk.

As of December 31, 2025 and 2024, \$5.9 million and \$7.2 million in deposits were uninsured, respectively. The bank balance is also, per a depository pledge agreement between SMUD and SMUD's bank, collateralized at 155 percent and 134 percent of the collective funds on deposit (increased by the amount of accrued but uncredited interest, reduced by deposits covered by Federal Deposit Insurance Corporation) at December 31, 2025 and 2024, respectively. SMUD had unsecured deposits in commercial paper, money market funds and money market deposit accounts of \$224.4 million and \$196.3 million which were uninsured at December 31, 2025 and 2024, respectively. SMUD's investments and money market funds are held in SMUD's name.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of an entity’s investment in a single issuer. SMUD places no limit on the amounts invested in any one issuer for repurchase agreements, US Treasuries, federal agency, and state and municipal securities.

The following are the concentrations of risk greater than five percent in either year:

Investment Type:	December 31,	
	2025	2024
Federal Home Loan Banks	N/A	18%
Freddie Mac	8%	17%
Commercial Paper – Chesham Finance	12%	6%
Municipal Bond - Los Angeles CUSD	8%	N/A
Corporate Note – Toyota Motor Credit Corp	N/A	11%
Corporate Note – Wells Fargo Bank	12%	N/A
Corporate Note – Chevron Corp	8%	N/A
Corporate Note – Apple Inc	19%	20%
Guaranteed Investment Contracts	21%	13%

Interest Rate Risk. This is the risk of loss due to the fair value of an investment declining due to interest rates rising. Though SMUD has restrictions as to the maturities of some of the investments, it does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The following schedules indicate the credit and interest rate risk at December 31, 2025 and 2024. The credit ratings listed are from Standard & Poor’s (S&P) or Moody’s. (N/A is defined as not applicable to the rating disclosure requirements.)

At December 31, 2025, SMUD’s cash, cash equivalents, and investments consist of the following:

Description	Credit Rating	Remaining Maturities (in years)				Total Carrying Value
		Less Than 1	1-5	More Than 5		
(thousands of dollars)						
Cash and Cash Equivalents:						
Cash	N/A	\$ 19,220	\$ -0-	\$ -0-	\$ 19,220	
LAIF	Not Rated	74,885	-0-	-0-	74,885	
Money Market Funds	AAAm	191,936	-0-	-0-	191,936	
Money Market Deposit Account	N/A	17,395	-0-	-0-	17,395	
Collaterals and Escrows	N/A	83,239	-0-	-0-	83,239	
Commercial Paper	A-1	15,285	-0-	-0-	15,285	
US Treasury Obligations	Aaa	<u>99,419</u>	<u>-0-</u>	<u>-0-</u>	<u>99,419</u>	
Total cash and cash equivalents		501,379	-0-	-0-	501,379	
Investments:						
Freddie Mac	AA+	9,881	-0-	-0-	9,881	
U.S. Treasury Obligations	Aaa	446,179	179,485	-0-	625,664	
Corporate Notes	A/A+/AA/AA-/AA+	10,033	55,592	-0-	65,625	
Municipal Bonds	AA-	-0-	10,188	-0-	10,188	
Guaranteed Investment Contracts	AA+/A+	<u>-0-</u>	<u>-0-</u>	<u>26,684</u>	<u>26,684</u>	
Total investments		<u>466,093</u>	<u>245,265</u>	<u>26,684</u>	<u>738,042</u>	
Total cash, cash equivalents, and investments		<u>\$ 967,472</u>	<u>\$ 245,265</u>	<u>\$ 26,684</u>	<u>\$ 1,239,421</u>	

At December 31, 2024, SMUD's cash, cash equivalents, and investments consist of the following:

<u>Description</u>	<u>Credit Rating</u>	Remaining Maturities (in years)			<u>Total Carrying Value</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>More Than 5</u>	
(thousands of dollars)					
Cash and Cash Equivalents:					
Cash	N/A	\$ 28,256	\$ -0-	\$ -0-	\$ 28,256
LAIF	Not Rated	125,060	-0-	-0-	125,060
Money Market Funds	AAAm	166,139	-0-	-0-	166,139
Money Market Deposit Account	N/A	16,667	-0-	-0-	16,667
Collaterals and Escrows	N/A	66,977	-0-	-0-	66,977
Commercial Paper	A-1	<u>13,732</u>	<u>-0-</u>	<u>-0-</u>	<u>13,732</u>
Total cash and cash equivalents		416,831	-0-	-0-	416,831
Investments:					
Federal Home Loan Bank	AA+	39,932	-0-	-0-	39,932
Freddie Mac	AA+	27,887	9,495	-0-	37,382
U.S. Treasury Obligations	Aaa	344,507	124,639	-0-	469,146
Corporate Notes	AAA/AA+/AA/ A+	55,242	34,293	-0-	89,535
Municipal Bonds	AA+/AA/AA-	11,766	-0-	-0-	11,766
Guaranteed Investment Contracts	AA+/ A+	<u>-0-</u>	<u>-0-</u>	<u>28,517</u>	<u>28,517</u>
Total investments		<u>479,334</u>	<u>168,427</u>	<u>28,517</u>	<u>676,278</u>
Total cash, cash equivalents, and investments		<u>\$ 896,165</u>	<u>\$ 168,427</u>	<u>\$ 28,517</u>	<u>\$ 1,093,109</u>

SMUD's cash, cash equivalents, and investments are classified in the Statements of Net Position as follows:

	December 31,	
	<u>2025</u>	<u>2024</u>
(thousands of dollars)		
Cash, Cash Equivalents, and Investments:		
Revenue bond reserve and debt service funds:		
Debt service fund	\$ 71,639	\$ 68,099
Component unit bond reserve and debt service funds	<u>40,925</u>	<u>52,415</u>
Total revenue bond reserve and debt service funds	112,564	120,514
Nuclear decommissioning trust fund	10,327	9,909
Rate stabilization fund	350,173	345,389
Component unit other restricted funds	3,011	4,177
Escrow fund	19,405	14,027
Other restricted funds	42,772	51,962
Unrestricted funds	<u>701,169</u>	<u>547,131</u>
Total cash, cash equivalents, and investments	<u>\$ 1,239,421</u>	<u>\$ 1,093,109</u>

NOTE 8. REGULATORY DEFERRALS

The Board has taken various regulatory actions that result in differences between the recognition of revenues and expenses for ratemaking purposes and their treatment under generally accepted accounting principles for non-regulated entities (see Note 2). These actions result in regulatory assets and deferred inflow of resources, which are summarized in the tables below. Changes to these balances, and their inclusion in rates, occur only at the direction of the Board.

Regulatory Assets (Costs)

Decommissioning. SMUD's regulatory asset relating to the unfunded portion of its decommissioning liability for the Rancho Seco nuclear power plant is being collected through interest earnings on the Trust Fund. Nuclear fuel storage costs and non-radiological decommissioning costs have been collected in rates since 2009.

Derivative Financial Instruments. SMUD's regulatory costs and/or credits relating to investment and other derivative instruments are intended to defer the net difference between the fair value of derivative instruments and their cost basis, if any. Investment and other derivative instruments are reflected in rates at contract cost and as such, the balance is charged or credited into rates as the related asset or deferred inflow of resource is utilized (see Note 9).

Debt Issuance Costs. SMUD established a regulatory asset for costs incurred in connection with the issuance of debt obligations for the component units, principally underwriter fees and legal costs. The regulatory asset is amortized over the life of the bonds for the component units' debt issuance costs. Debt issuance costs after December 31, 2013 are expensed.

Pension Implementation Costs. SMUD established a regulatory asset for pension costs related to the implementation of GASB No. 68 which requires SMUD to record a net pension asset or a net pension liability. The regulatory asset is being amortized over a period of 25 years starting in 2018.

OPEB Implementation Costs. SMUD established a regulatory asset for OPEB costs related to the implementation of GASB No. 75 which requires SMUD to record a net OPEB asset or net OPEB liability. The regulatory asset is being amortized over a period of 25 years starting in 2020.

Pension/OPEB Deferred Outflows/Inflows. In 2022, SMUD established regulatory accounting for pension and OPEB regulatory costs and/or credits to defer recognition of certain expenses related to the amortization of the pension and OPEB deferred outflows and deferred inflows of resources to match such costs in the appropriate accounting period for rate-making purposes.

SMUD's total regulatory costs for future recovery are presented below:

	December 31,	
	2025	2024
	(thousands of dollars)	
Regulatory Costs:		
Decommissioning	\$ 118,490	\$ 105,119
Derivative financial instruments	1,432	622
Debt issuance costs	157	836
Pension – implementation costs	289,463	306,490
Pension – deferred outflows	363,841	274,163
OPEB – implementation costs	242,691	255,464
OPEB – deferred outflows	<u>79,021</u>	<u>59,219</u>
Total regulatory costs	1,095,095	1,001,913
Less: regulatory costs to be recovered within one year	<u>(97,466)</u>	<u>(78,921)</u>
Total regulatory costs for future recovery - net	<u>\$ 997,629</u>	<u>\$ 922,992</u>

Regulatory Credits

CIAC. In 2025 and 2024, SMUD added CIAC totaling \$30.7 million and \$32.7 million, respectively, to Regulatory Credits in the Statements of Net Position and recorded \$22.5 million and \$16.1 million of amortization, respectively, to Other income (expense) - net in the Statements of Revenues, Expenses and Changes in Net Position. SMUD's regulatory credit relating to CIAC is intended to offset the revenue and expense associated with this accounting treatment. Thus, this regulatory credit is being amortized into rates over the depreciable lives of the related assets in order to offset the earnings effect of these non-exchange transactions (see Note 2).

Rate Stabilization. SMUD's regulatory credit relating to Rate Stabilization is intended to defer the need for future rate increases when costs exceed existing rates. At the direction of the Board, amounts may be either deferred into this fund (which reduces revenues), or amounts are recognized out of this fund (which increases revenues). The Board authorizes Rate Stabilization Fund (RSF) deferrals on an event driven basis.

In 2025 and 2024, \$3.5 million and \$9.3 million, respectively, were deferred from revenue to the RSF as a result of higher than budgeted energy deliveries from the Western Area Power Administration.

SMUD participates in the carbon allowance auctions under AB-32, the Global Warming Solutions Act (see Note 2). The Board authorized deferral of AB-32 auction proceeds to match the revenue recognition with the related expenses. The difference between the auction proceeds received and the funds spent on AB-32 programs are deferred into future years. In 2025 and 2024, the Board authorized deferring the difference into the RSF and \$10.6 million and \$18.7 million, respectively, was deferred from revenue to the RSF.

SMUD sells LCFS credits under AB-32, the Global Warming Solutions Act (see Note 2). The Board authorized deferral of LCFS credit sales to match the revenue recognition with the related expenses. The difference between the LCFS credit sales and the funds spent on LCFS programs are deferred into future years. In 2025, the Board authorized deferring the difference and \$1.5 million was deferred from revenue to the RSF. In 2024, the Board authorized transferring the difference out of the RSF and \$0.3 million was recognized from the RSF to revenue.

Between the years 2020 and 2024, the Board authorized SMUD to defer operating revenue to the RSF. These transfers from revenue are intended to offset Community Impact Plan expenditures, future unexpected increases in commodity expenditures, and future one-time specific expenses, which may have a significant financial impact on SMUD. In 2025 and 2024, \$3.7 million and \$7.1 million was recognized from the RSF to revenue each year to offset Community Impact Plan expenditures.

Hydro Rate Stabilization. The Hydro Rate Stabilization Fund (HRSF) was established through the Hydro Generation Adjustment (HGA) mechanism, which helps manage volatility in energy costs. The HGA mechanism applies a formula based on precipitation and wholesale electricity prices to calculate needed withdrawals from or deposits to the HRSF. The maximum balance of the HRSF is 6 percent of the budgeted retail revenue and the maximum annual transfer in or out of the HRSF is 4 percent of budgeted retail revenue. If the HRSF is depleted, SMUD will apply a hydro rate surcharge to customers' bills up to 4 percent. When the HRSF reaches the 6 percent cap, the Board may authorize a hydro rebate to customers or direct the funds for another purpose. In 2025 and 2024, \$7.2 million and \$8.3 million were recognized from the HRSF to revenue as a result of low precipitation.

Senate Bill 1. SMUD implemented a per kilowatt hour solar surcharge, effective January 1, 2008 in order to fund investments in solar required by Senate Bill 1 (SB-1). The difference between the surcharge revenues received and the funds spent on solar initiatives will be recognized or deferred into future years. SMUD has spent less than it collected in SB-1 revenues and has recorded a regulatory credit. Collection of the solar surcharge ended in December 2017 when total collections reached \$130.0 million. In 2025 and 2024, \$1.5 million and \$1.0 million were spent for SB-1 programs, respectively.

Sustainable Communities. In 2023, the Board authorized a \$5.0 million restricted donation to be deferred to offset future expenses for sustainable communities. In 2025, \$5.0 million was recognized, offsetting Community Impact Plan expenses.

Grant Revenues. In 2010, the Board authorized the deferral of all grant revenue for capital expenditures as regulatory liabilities. This regulatory credit is deferred to match the depreciable lives of the related capital assets in order to offset the earnings effect of these non-exchange transactions (see Note 2).

TANC Operations Costs. SMUD’s cash payments to TANC exceeded TANC’s accrual-based costs and SMUD has recorded a regulatory credit.

SMUD’s total regulatory credits for future revenue recognition are presented below:

	December 31,	
	2025	2024
	(thousands of dollars)	
Regulatory Credits:		
CIAC	\$ 329,646	\$ 321,394
Rate stabilization	269,306	257,354
Hydro rate stabilization	80,867	88,035
Senate Bill 1	18	1,511
Sustainable Communities	-0-	5,000
Pension – deferred inflows	259,937	185,388
OPEB – deferred inflows	89,735	72,336
Grant revenues	49,317	28,255
TANC operations costs	<u>40,681</u>	<u>35,490</u>
Total regulatory credits	<u>\$ 1,119,507</u>	<u>\$ 994,763</u>

NOTE 9. DERIVATIVE FINANCIAL INSTRUMENTS

To help provide stable electric rates and to meet the forecasted power needs of its retail customers reliably, SMUD enters into various physical and financial fixed price purchase contracts for electricity and natural gas. These fixed price contracts and swap agreements are intended to hedge the exposure due to highly volatile commodity prices. SMUD also enters into interest rate swap agreements to reduce interest rate risk. SMUD utilizes these derivative financial instruments to mitigate its exposure to certain market risks associated with ongoing operations. SMUD has established policies set by an executive committee for the use of derivative financial instruments for trading purposes. These contracts are evaluated pursuant to GASB No. 53, *“Accounting and Financial Reporting for Derivative Instruments,”* (GASB No. 53) to determine whether they meet the definition of derivative instruments, and if so, whether they effectively hedge the expected cash flows associated with interest rate and commodity price risk exposures.

SMUD applies hedge accounting for derivative instruments that are deemed effective hedges. Under hedge accounting, the increase or (decrease) in the fair value of a hedge is reported as a Deferred Inflow or Deferred Outflow in the Statements of Net Position. Accumulated gains and losses from derivative instruments that do not meet the effectiveness tests are deferred for ratemaking purposes as regulatory assets on the Statements of Net Position (see Note 8).

SMUD executed numerous new gas and power related purchase agreements, some of which are recorded as hedging or other derivative instruments and are therefore included in the following table. All hedging, investment or other derivative instruments are recorded at fair value in the Statements of Net Position (see Note 12).

The following is a summary of the fair value, changes in fair value and notional amounts of derivative instruments, grouped by trading strategy, outstanding at December 31, 2025 (amounts in thousands; gains shown as positive amounts, losses as negative):

	2025 Changes in		Fair Value at		Notional
	Current	Noncurrent	Current	Noncurrent	
	Amount	Amount	Amount	Amount	
Cash Flow Hedges:					
(thousands of dollars)					
(thousands of Dekatherms (Dth))					
Asset: Other Derivative Instruments					
Gas – Commodity	\$ (31)	\$ -0-	\$ 49	\$ -0-	78 Dth
Electric – Commodity	-0-	-0-	-0-	-0-	
Gas – Storage	-0-	-0-	-0-	-0-	
Gas – Transportation	-0-	-0-	-0-	-0-	
Total Other					
Derivative Instruments	\$ (31)	\$ -0-	\$ 49	\$ -0-	
Asset: Hedging Derivative Instruments					
Gas – Commodity	\$ (9,355)	\$ 456	\$ 1,931	\$ 3,622	45,652 Dth
Electric – Commodity	3,681	1,123	10,399	1,123	1,709 Dth
Gas – Storage	74	-0-	1,182	-0-	1,102 Dth
Gas – Transportation	-0-	-0-	-0-	-0-	
Interest Rate	(625)	(2,843)	2,079	26,320	\$132,020
Total Hedging					
Derivative Instruments	\$ (6,225)	\$ (1,264)	\$ 15,591	\$ 31,065	
Liability: Other Derivative Instruments					
Gas – Commodity	\$ (731)	\$ (49)	\$ 1,112	\$ 369	3,155 Dth
Electric – Commodity	-0-	-0-	-0-	-0-	
Gas – Storage	-0-	-0-	-0-	-0-	
Gas – Transportation	-0-	-0-	-0-	-0-	
Interest Rate	-0-	-0-	-0-	-0-	\$0
Total Other					
Derivative Instruments	\$ (731)	\$ (49)	\$ 1,112	\$ 369	
Liability: Hedging Derivative Instruments					
Gas – Commodity	\$ (12,194)	\$ (923)	\$ 33,525	\$ 8,663	111,970 Dth
Electric – Commodity	(461)	(110)	461	110	302 Dth
Gas – Storage	(8)	-0-	29	-0-	78 Dth
Gas – Transportation	(9,488)	(1,394)	17,422	4,597	38,325 Dth
Interest Rate	-0-	-0-	-0-	-0-	\$0
Total Hedging					
Derivative Instruments	\$ (22,151)	\$ (2,427)	\$ 51,437	\$ 13,370	

The following is a summary of the fair value, changes in fair value and notional amounts of derivative instruments, grouped by trading strategy, outstanding at December 31, 2024 (amounts in thousands; gains shown as positive amounts, losses as negative):

	2024 Changes in		Fair Value at		Notional
	Fair Value		December 31, 2024		
	Current	Noncurrent	Current	Noncurrent	
	Amount	Amount	Amount	Amount	
<u>Cash Flow Hedges:</u>					
(thousands of dollars)					
(thousands of Dekatherms (Dth))					
<u>Asset: Other Derivative Instruments</u>					
Gas – Commodity	\$ 80	\$ -0-	\$ 80	\$ -0-	610 Dth
Electric – Commodity	-0-	-0-	-0-	-0-	
Gas – Storage	-0-	-0-	-0-	-0-	
Gas – Transportation	-0-	-0-	-0-	-0-	
Total Other					
Derivative Instruments	\$ 80	\$ -0-	\$ 80	\$ -0-	\$0
<u>Asset: Hedging Derivative Instruments</u>					
Gas – Commodity	\$ 7,177	\$ (6,530)	\$ 11,286	\$ 3,166	46,728 Dth
Electric – Commodity	5,627	-0-	6,718	-0-	501 Dth
Gas – Storage	(835)	-0-	1,108	-0-	1,133 Dth
Gas – Transportation	(661)	-0-	-0-	-0-	
Interest Rate	(682)	4,014	2,704	29,163	\$132,020
Total Hedging					
Derivative Instruments	\$ 10,626	\$ (2,516)	\$ 21,816	\$ 32,329	
<u>Liability: Other Derivative Instruments</u>					
Gas – Commodity	\$ 779	\$ (320)	\$ 381	\$ 320	2,535 Dth
Electric – Commodity	-0-	-0-	-0-	-0-	
Gas – Storage	-0-	-0-	-0-	-0-	
Gas – Transportation	-0-	-0-	-0-	-0-	
Interest Rate	-0-	-0-	-0-	-0-	\$0
Total Other					
Derivative Instruments	\$ 779	\$ (320)	\$ 381	\$ 320	
<u>Liability: Hedging Derivative Instruments</u>					
Gas – Commodity	\$ 28,904	\$ 14,563	\$ 21,331	\$ 7,740	59,473 Dth
Electric – Commodity	3,749	-0-	-0-	-0-	
Gas – Storage	(21)	-0-	21	-0-	218 Dth
Gas – Transportation	1,158	(3,203)	7,934	3,203	19,840 Dth
Interest Rate	-0-	-0-	-0-	-0-	\$0
Total Hedging					
Derivative Instruments	\$ 33,790	\$ 11,360	\$ 29,286	\$ 10,943	

Objectives and Terms of Hedging Derivative Instruments. The objectives and terms of SMUD’s hedging and other derivative instruments that were outstanding at December 31, 2025 are summarized in the table below. The table is aggregated by the trading strategy. Credit ratings of SMUD’s counterparties can be found in the table under Credit Risk. Details of SMUD’s interest rate derivative instruments can be found in Note 10.

	<u>Notional Amount Dth</u>	<u>Beginning Date</u>	<u>Ending Date</u>	<u>Minimum Price/Dth</u>	<u>Maximum Price/Dth</u>
Gas – Commodity	160,855	01/01/26	12/31/28	\$ (0.12)	\$ 5.04
Electric – Commodity	2,011	01/01/26	12/31/27	16.75	81.95
Gas – Storage	1,180	01/01/26	02/28/26	0.07	4.98
Gas – Transportation	38,325	01/01/26	12/31/27	(0.33)	0.61

The objectives and terms of SMUD’s hedging and other derivative instruments that were outstanding at December 31, 2024 are summarized in the table below. The table is aggregated by the trading strategy.

	<u>Notional Amount Dth</u>	<u>Beginning Date</u>	<u>Ending Date</u>	<u>Minimum Price/Dth</u>	<u>Maximum Price/Dth</u>
Gas – Commodity	109,346	01/01/25	12/31/27	\$ 0.91	\$ 5.59
Electric – Commodity	501	01/01/25	09/30/25	59.50	89.76
Gas – Storage	1,350	01/01/25	03/31/25	0.75	3.92
Gas – Transportation	19,840	01/01/25	12/31/26	(0.29)	3.24

SMUD hedges its interest rate exposure with swaps. As of December 31, 2025 and 2024, SMUD has one interest rate swap outstanding. The swap is used to convert the interest expense associated with the 2023 Series C variable rate bonds to a fixed interest expense (see Note 10).

SMUD hedges its power and natural gas costs so that it can offer predictable rates to its retail electric customers and support its credit ratings. SMUD maintains a risk management program to control the price, credit, and operational risks arising from its power and natural gas market activities. Under the program, authorized SMUD employees assemble a portfolio of swaps, futures, and forward contracts over time with the goal of making SMUD’s purchased power and fuel budget more predictable.

The hedged risks include those related to interest rate and commodity price fluctuations associated with certain forecasted transactions, including interest rate risk on long-term debt, and forward purchases of gas and electricity to meet load.

Derivative Instruments Not Designated as Hedging Derivative Instruments

Gas and Electric Contracts. SMUD utilizes certain gas swap and electric swap agreements under GASB No. 53 not designated as hedging derivative instruments to mitigate exposure to changes in the market price of natural gas and electricity. The fair value of each agreement, excluding the actual settlements to be paid or received as of the end of the period, is recorded in the Statements of Net Position in either Current or Noncurrent Assets, in Prepayments and other if in an asset position or Current Liabilities - Other Derivative Instruments or Noncurrent Liabilities in Self insurance and other, Other Derivative Instruments if in a liability position. An offsetting amount is included in Current or Noncurrent Regulatory Costs or Regulatory Credits for future recovery in the Statements of Net Position. The actual settlement payable is recorded in Accounts Payable in the Statements of Net Position, and the actual settlement receivable is recorded in Receivables - net: Wholesale and Other in the Statements of Net Position. The payments and receipts of the actual settlement are recorded as Investment Expense in the Statements of Revenues, Expenses and Changes in Net Position.

Interest Rate Contracts. SMUD utilized certain interest rate swap agreements not designated as hedging derivative instruments under GASB No. 53 to mitigate exposure to fluctuations in interest rates. The fair value of each agreement, excluding the balance of interest to be paid or received as of the end of the period, is recorded in the Statements of Net Position in either Current or Noncurrent Assets, Other Derivative Instruments if in an asset position or Current or Noncurrent

Liabilities, Other Derivative Instruments if in a liability position. An offsetting amount is included in Current or Noncurrent Regulatory Costs or Deferred Outflows or Inflows of Resources in the Statements of Net Position. The interest receivable is recorded in Receivables - net: Wholesale and Other in the Statements of Net Position and the accrued interest is recorded in Interest Payable in the Statements of Net Position. The payments or receipts of the actual settlement are recorded as Investment Expense in the Statements of Revenues, Expenses and Changes in Net Position. At December 31 2025, SMUD does not possess any outstanding ineffective interest rate swaps.

The Board has deferred recognition of the effects of reporting the fair value of Other Derivative Instruments for ratemaking purposes and maintains regulatory accounts to defer the accounting impact of these accounting adjustments (see Note 8). Fair values may have changed significantly since December 31, 2025.

Basis Risk. This is the risk that arises when a hedged item and a derivative instrument that is attempting to hedge that item are based on different indices. SMUD is exposed to basis risk when it hedges its natural gas purchases with NYMEX futures contracts, which settle based on the price at Henry Hub, Louisiana. SMUD enters into basis swaps to hedge against this risk, which converts the Henry Hub price to the various locations where SMUD purchases natural gas. SMUD is also exposed to basis risk with the Barclays interest rate swap which is based on 1-month Fallback SOFR whereas the 2023 Series C bonds are a tax-exempt variable-rate demand note with a daily or weekly rate reset.

Termination Risk. This is the risk that a derivative instrument will terminate prior to its scheduled maturity due to a contractual event. Contractual events include bankruptcy, illegality, default, credit events upon merger, and other events. One aspect of termination risk is that SMUD would lose the hedging benefit of a derivative instrument that becomes subject to a termination event. Another aspect of termination risk is that, if at the time of termination, the mark to market value of the derivative instrument was a liability to SMUD, SMUD could be required to pay that amount to the counterparty. Termination risk is associated with all of SMUD's derivative instruments up to the fair value amounts.

Counterparty Credit Risk. This is the risk of loss resulting when the counterparty is unable or unwilling to fulfill its present and future financial obligations. SMUD can be exposed to significant counterparty credit risk on all derivative instruments. SMUD seeks to minimize credit risk by transacting with creditworthy counterparties. SMUD has established and maintained strict counterparty credit guidelines. SMUD continuously monitors counterparty credit risk and utilizes numerous counterparties to diversify the exposure to potential defaults. Under certain conditions as outlined in SMUD's credit risk management policy, SMUD may require additional credit support under its trading agreements. Some of SMUD's derivative instrument master agreements contain credit contingent provisions that enable SMUD to maintain unsecured credit as a result of positive investment quality credit ratings from each of the major credit rating agencies. If SMUD's credit ratings were to be downgraded, there could be a step-down in SMUD's unsecured credit thresholds, and SMUD's counterparties would require additional collateral. If SMUD's credit ratings were to decrease below investment grade, SMUD's unsecured credit thresholds would be reduced to zero, and counterparties to the derivative instruments would demand ongoing full collateralization on derivative instruments in net out of the money positions (see Note 2).

Congestion Revenue Rights. In the normal course of business, SMUD acquires Congestion Revenue Rights (CRRs) as a hedge against congestion costs. While CRRs exhibit the three characteristics of derivative instruments as defined in GASB Statement No. 53, they are generally used by SMUD as factors in the cost of transmission. Therefore, these CRRs meet the normal purchases and sales scope exception and are thus reported on the Statements of Revenues, Expenses and Changes in Net Position as Transmission and distribution expenses a component of Operating Expenses.

The counterparties' credit ratings at December 31, 2025 and 2024 are shown in the table below. The credit ratings listed are from S&P or Moody's.

	December 31,	
	2025	2024
<u>Counterparty Gas Contracts:</u>		
Bank of Montreal	A+	A+
Barclays Bank PLC	A+	A+
Citigroup Energy	BBB+	BBB+
EDF North America	Baa3	Baa3
J.P. Morgan Ventures Energy	A	A
Merrill Lynch Commodities	A-	A-
Mitsui Bussan	A	A
Morgan Stanley Capital Group	A+	A+
Nextera	A-	A-
Royal Bank of Canada	AA-	AA-
Shell Trading Risk Management	A	A
<u>Interest Rate Contracts:</u>		
Barclays Bank PLC	A+	A+

NOTE 10. LONG-TERM DEBT

SMUD's total long-term debt is presented below:

	December 31,	
	2025	2024
	(thousands of dollars)	
Electric revenue bonds, 2.13%-5.0%, 2026-2054	\$ 1,908,940	\$ 1,898,985
Subordinated electric revenue bonds, 0.7%-5.0%, 2026-2055	432,020	332,020
Total electric revenue bonds	2,340,960	2,231,005
Component unit project revenue bonds, 5.0%, 2025	-	74,775
Gas and Commodity supply revenue bonds, index rates and 5.0%, 2026-2054	750,490	784,240
Total long-term debt outstanding	3,091,450	3,090,020
Bond premiums - net	281,826	299,304
Total long-term debt	3,373,276	3,389,324
Less: amounts due within one year	(130,825)	(138,065)
Total long-term debt - net	<u>\$ 3,242,451</u>	<u>\$ 3,251,259</u>

The summarized activity of SMUD's long-term debt during 2025 is presented below:

	January 1, 2025	Additions	Defeasance Payments or Amortization	December 31, 2025	Amounts Due Within One Year
(thousands of dollars)					
Electric revenue bonds	\$ 1,898,985	\$ 100,000	\$ (90,045)	\$ 1,908,940	\$ 94,565
Subordinate electric revenue bonds	332,020	200,000	(100,000)	432,020	-0-
Component unit project revenue bonds	74,775	-0-	(74,775)	-0-	-0-
Gas and Commodity supply revenue bonds	<u>784,240</u>	<u>-0-</u>	<u>(33,750)</u>	<u>750,490</u>	<u>36,260</u>
Total	3,090,020	300,000	(298,570)	3,091,450	<u>\$ 130,825</u>
Unamortized premiums - net	<u>299,304</u>	<u>31,574</u>	<u>(49,052)</u>	<u>281,826</u>	
Total long-term debt	<u>\$ 3,389,324</u>	<u>\$ 331,574</u>	<u>\$ (347,622)</u>	<u>\$ 3,373,276</u>	

The summarized activity of SMUD's long-term debt during 2024 is presented below:

	January 1, 2024	Additions	Defeasance Payments or Amortization	December 31, 2024	Amounts Due Within One Year
(thousands of dollars)					
Electric revenue bonds	\$ 1,783,965	\$ 649,610	\$ (534,590)	\$ 1,898,985	\$ 90,045
Subordinate electric revenue bonds	332,020	-0-	-0-	332,020	-0-
Component unit project revenue bonds	87,890	-0-	(13,115)	74,775	14,270
Gas and Commodity supply revenue bonds	<u>657,365</u>	<u>689,700</u>	<u>(562,825)</u>	<u>784,240</u>	<u>33,750</u>
Total	2,861,240	1,339,310	(1,110,530)	3,090,020	<u>\$ 138,065</u>
Unamortized premiums - net	<u>197,381</u>	<u>147,666</u>	<u>(45,743)</u>	<u>299,304</u>	
Total long-term debt	<u>\$ 3,058,621</u>	<u>\$ 1,486,976</u>	<u>\$ (1,156,273)</u>	<u>\$ 3,389,324</u>	

At December 31, 2025 scheduled annual principal maturities and interest are as follows:

	Principal	Interest	Total
(thousands of dollars)			
2026	\$ 130,825	\$ 146,565	\$ 277,390
2027	139,290	140,206	279,496
2028	112,085	133,859	245,944
2029	76,550	128,266	204,816
2030	82,475	125,272	207,747
2031 – 2035 (combined)	587,200	537,197	1,124,397
2036 – 2040 (combined)	643,505	391,991	1,035,496
2041 – 2045 (combined)	466,735	269,162	735,897
2046 – 2050 (combined)	529,705	157,221	686,926
2051 – 2055 (combined)	<u>323,080</u>	<u>42,791</u>	<u>365,871</u>
Total requirements	<u>\$ 3,091,450</u>	<u>\$ 2,072,530</u>	<u>\$ 5,163,980</u>

Interest in the preceding table includes interest requirements for fixed rate debt at their stated rates, variable rate debt covered by interest rate swaps at their fixed rate, and variable rate debt not covered by interest rate swaps using the debt interest rate of 70.0 percent of 1 month SOFR plus a fixed fee. The SOFR rate is based on the rate in effect at December 31, 2025 for the issues. The 2023 Series D, 2025 Series E and 2025 Series F Put Bonds assume a 3.0 percent fixed rate coupon after mandatory remarketing. The 2024 NCEA Put Bonds assume a 5.0 percent fixed rate coupon after mandatory remarketing.

Principal in the preceding table includes known principal payments and the amortization schedule for mandatory remarketing bonds.

The following bonds have been issued and are outstanding at December 31, 2025:

<u>Date</u>	<u>Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
(thousands of dollars)					
<u>Electric Revenue Bonds</u>					
07/14/2016	2016 Series D Bonds	08/15/2028	2.125% - 5.0%	\$ 149,890	\$ 57,160
12/14/2017	2017 Series E Bonds	08/15/2028	5.0%	202,500	47,520
07/12/2018	2018 Series F Bonds	08/15/2028	5.0%	165,515	47,670
07/25/2019	2019 Series G Bonds	08/15/2041	2.375% - 5.0%	191,875	191,875
05/07/2020	2020 Series H Bonds	08/15/2050	4.0% - 5.0%	400,000	400,000
07/14/2021	2021 Series I Bonds	08/15/2028	5.0%	106,875	69,750
06/23/2022	2022 Series J Bonds	08/15/2033	5.0%	132,725	87,870
06/22/2023	2023 Series K Bonds	08/15/2053	5.0%	200,000	200,000
06/22/2023	2023 Series L Bonds	08/15/2033	5.0%	61,115	57,485
04/11/2024	2024 Series M Bonds	11/15/2054	5.0%	250,000	250,000
04/11/2024	2024 Series N Bonds	11/15/2036	5.0%	399,610	399,610
06/26/2025	2025 Series O Bonds	09/15/2040	5.0%	100,000	100,000
<u>Subordinated Electric Revenue Bonds</u>					
06/23/2023	2023 Series C Bonds	08/15/2041	0.7%	132,020	132,020
06/22/2023	2023 Series D Bonds	08/15/2048	5.0%	100,000	100,000
06/26/2025	2025 Series E Bonds	08/15/2049	5.0%	100,000	100,000
06/26/2025	2025 Series F Bonds	08/15/2055	5.0%	100,000	100,000
<u>JPA Revenue Bonds</u>					
05/31/2007	2007B NCGA#1 Bonds	07/01/2027	Index Rate	668,470	66,245
04/05/2024	2024 NCEA Bonds	12/01/2054	5.0%	689,700	684,245

2025 Bond Issuances. In June 2025, SMUD issued \$100 million of 2025 Series E Subordinate Electric Revenue Refunding Bonds. The purpose of this transaction was to refund the fixed rate debt associated with 2019 Series B bonds and reimburse SMUD for capital projects in 2024. Proceeds from the 2025 Series E bonds defeased all the outstanding Series 2019 Series B bonds. A total of \$100 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-Term Debt - net in the Statements of Net Position. As of December 31, 2025, none of the defeased bonds remain outstanding. The 2025 Series E Subordinate Bonds have a fixed interest coupon rate of 5.0 percent, amortized from 2042 to 2049, with an optional call date beginning April 15, 2032, and a mandatory purchase date of October 15, 2032. The refunding resulted in the recognition of a deferred accounting gain of \$0.9 million as well as an increase in total debt service payments of \$180.5 thousand and an economic loss of \$191.5 thousand, which is the difference between the present values of the old and new debt service payments. The escrow agreement does not permit the substitution of essentially risk-free monetary assets with other assets.

In June 2025, SMUD issued \$100 million of 2025 Series O Electric Revenue Bonds and \$100 million of 2025 Series F Subordinate Electric Revenue Bonds. The 2025 Series O Bonds have a fixed coupon rate of 5.0 percent and amortize from 2029 to 2040. The 2025 Series F Subordinate Bonds have a fixed interest coupon rate of 5.0 percent, amortized from 2041 to 2049, with an optional call date beginning April 15, 2031, and a mandatory remarketing purchase date of October 15, 2031. Proceeds from the 2025 Series O Revenue Bonds and the 2025 Series F Subordinate Revenue Bonds were used to refund \$75 million of outstanding commercial paper and reimburse SMUD for capital spending in 2023 and 2024.

Component Unit Bond Defeasance. In May 2025, SFA used \$76.3 million of funds on hand to establish an escrow for the purpose of defeasing the 2015 Series Bonds which were to mature on July 1, 2025, and all the \$60.5 million of 2015 Series Bonds were callable on July 1, 2025. The defeasance resulted in a current accounting gain of \$2.9 million which is included in Interest on Debt in the Statements of Revenues, Expenses and Changes in Net Position. As of December 31, 2025, non of the defeased bonds remain outstanding. The escrow agreement does not permit the substitution of essentially risk-free monetary assets with other assets.

2024 Bond Issuances. In April 2024, SMUD issued \$399.6 million of 2024 Series N Revenue Refunding Bonds. The purpose of this transaction was to refund the fixed rate debt associated with 2009 Series V and 2010 Series W bonds. Proceeds from the 2024 Series N bonds defeased all the outstanding Series 2009 Series V and 2010 Series W bonds. A total of \$450 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-Term Debt - net in the Statements of Net Position. The refunding resulted in the recognition of a deferred accounting loss of \$26.9 million, which is being amortized over the life of the refunding issue. The 2024 Series N Refunding bonds reduced future aggregate debt service payments by \$23.7 million and resulted in a total economic gain of \$21.3 million, which is the difference between the present value of the old and new debt service payments.

In April 2024, SMUD issued \$250 million of 2024 Series M Revenue Bonds. The 2024 Series M Bonds have a fixed coupon rate of 5.0 percent and amortize from 2037 to 2054. Proceeds from the 2024 Series M Bonds were used to refund \$150 million of outstanding commercial paper and reimburse SMUD for capital expenses previously incurred.

2024 Commodity Supply Revenue Bond Issuance. In April 2024, NCEA issued \$689.7 million of 2024 Commodity Supply Revenue Refunding bonds (2024 Bonds). The 2024 Bonds mature in December 2054 and come with a mandatory tender purchase in August 2030. The purpose of this transaction was to refund the debt associated with 2018 Commodity Supply Revenue bonds (2018 Bonds). Proceeds from the 2024 Bonds refunded all the outstanding 2018 Bonds. A total of \$537.3 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-term debt - net in the Statements of Net Position. The refunding resulted in the recognition of a deferred gain on bond refunding of \$2.9 million, which is being amortized over the life of the refunding issue. The refunding increased future aggregate debt service payments by \$97.5 million due to the bond term extension and resulted in a total economic gain of \$8.4 million, which is the difference between the present value of the old and new debt service payments.

Terms of Debt Indentures. Debt indentures contain a provision that in an event of default, the holders of the majority of the debt outstanding are entitled to declare the outstanding amounts due immediately.

Interest Rate Swap Agreements. A summary of SMUD’s interest rate swap agreement as of December 31, 2025 is as follows. The credit ratings listed are from S&P.

Notional Amount (thousands)	SMUD Pays	Fixed Rate	Floating Rate	Termination Date	Counterparty Credit Rating
\$ 132,020	Fixed	0.7179%	70% of 1M Fallback SOFR	08/15/2041	A+

A summary of SMUD’s interest rate swap agreement as of December 31, 2024 are as follows:

Notional Amount (thousands)	SMUD Pays	Fixed Rate	Floating Rate	Termination Date	Counterparty Credit Rating
\$ 132,020	Fixed	0.7179%	70% of 1M Fallback SOFR	08/15/2041	A+

Component Unit Interest Rate Swap Agreements. NCGA had one interest rate swap agreement as of December 31, 2025, which is summarized as follows. The credit ratings listed are from S&P.

Notional Amount <u>(thousands)</u>	NCGA <u>Pays</u>	Fixed <u>Rate</u>	Floating <u>Rate</u>	Termination <u>Date</u>	Credit Support Provider Credit <u>Rating</u>
\$ 66,245	Fixed	4.304%	67% of 3M SOFR + .895%	07/01/27	A+

NCGA had one interest rate swap agreement as of December 31, 2024, which is summarized as follows. The credit ratings listed are from S&P.

Notional Amount <u>(thousands)</u>	NCGA <u>Pays</u>	Fixed <u>Rate</u>	Floating <u>Rate</u>	Termination <u>Date</u>	Credit Support Provider Credit <u>Rating</u>
\$ 94,540	Fixed	4.304%	67% of 3M SOFR + .895%	07/01/27	A+

At December 31, 2025 and 2024, NCGA had a variable-to-fixed interest rate swap agreement with a counterparty for the purpose of fixing the effective interest rate associated with the 2007 Series B Bonds. NCGA pays the counterparty a fixed rate on the notional amount and receives a floating rate equal to 67 percent of the three-month SOFR (3.67 percent at December 31, 2025 and SOFR rate of 4.33 percent at December 31, 2024) plus an interest rate spread, as specified in the swap agreement. The total notional amount of the swap at December 31, 2025 and 2024 was \$66.2 million and \$94.5 million, respectively, and was equivalent to the outstanding principal balance on the NCGA Bonds. The swap is amortized over the life of the swap agreement in a manner corresponding to the principal repayment schedule of the NCGA Bonds. Early termination of the swap would occur upon termination of the prepaid agreement for any reason. Upon early termination, the swap would have no value to either party.

Subordinated Electric Revenue Bonds. Payment of and interest on the Subordinated Electric Revenue Bonds is subordinate to the payment of the principal and interest on SMUD’s Electric Revenue Bonds.

Component Unit Bonds. The component units of SMUD have each issued bonds to finance their respective projects. The revenue stream to pay NCGA and NCEA bonds’ debt service is provided by “take-and-pay” purchase agreements. Therefore, principal and interest associated with these bonds are paid solely from the revenues and receipts collected in connection with the operation of the project. Most operating revenues earned by NCGA and NCEA are collected from SMUD in connection with the sale of gas or electricity to SMUD. The ability for NCGA and NCEA to service debt is dependent on various parties (particularly MSCG, as gas supplier for NCGA and J. Aron, as commodity supplier for NCEA) meeting their contractual obligations.

Callable Bonds. SMUD has \$170.8 million of Electric Revenue Bonds that are currently callable, \$132.0 million of the 2023 Series C bonds, and \$38.8 million of 2016 Series D Bonds. From 2026 through 2030, SMUD has \$556.7 million that become callable. SMUD also has a six-month call period on the 2023 Series D, 2025 Series E and 2025 Series F in advance of their mandatory remarketing date in 2030, 2031 and 2032 respectively.

Collateral. The principal and interest on SMUD’s bonds are payable exclusively from, and are collateralized by, a pledge of the net revenues of SMUD’s electric system. Neither the credit nor the taxing power of SMUD is pledged to the payment of the bonds and the general fund of SMUD is not liable for the payment thereof.

Covenants. SMUD’s bond resolutions contain various covenants that include requirements to maintain minimum debt service coverage ratios, certain other financial ratios, stipulated minimum funding of revenue bond reserves, and various other requirements including a rate covenant to raise rates to maintain minimum debt service coverage.

SMUD has pledged future net electric revenues to repay electric revenue and electric revenue refunding bonds issued from 2016 to 2025. Proceeds from the bonds provided financing for various capital improvement projects, component unit capital projects, and to refund previously issued bonds. The bonds are payable solely from the net revenues generated by SMUD’s electrical sales and are payable through 2054 as of December 31, 2025.

Additionally SMUD has pledged net gas supply prepayment revenues to repay gas supply prepayment revenue bonds issued from 2007 through 2024. Proceeds from the bonds provided financing for the prepayment of a 20 year supply of fuel and a 30 year supply of commodity. The bonds are payable solely from the net revenues generated by the gas supply prepayment revenues and are payable through 2054 at December 31, 2025.

GASB Statement No. 48, “*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*,” disclosures for pledged revenues are as follows:

	December 31,	
	2025	2024
	(thousands of dollars)	
Pledged future revenues	\$ 2,340,960	\$ 2,231,005
Principal and interest payments for the year ended	\$ 196,500	\$ 197,826
Total net revenues for the year ended	\$ 788,759	\$ 599,876
Total remaining principal and interest to be paid	\$ 3,818,614	\$ 3,588,393
Annual principal and interest payments as a percent of net revenues for the year ended	25%	33%

NOTE 11. COMMERCIAL PAPER NOTES

SMUD issues Commercial Paper Notes (Notes) to finance or reimburse capital expenditures. SMUD’s commercial paper program is \$400.0 million. At December 31, 2025 and 2024, there were no Notes outstanding. SMUD’s commercial paper program is backed by \$409.9 million in letter of credit agreements (LOCs) with two banks. Additionally, SMUD has a \$100 million revolving credit agreement with Wells Fargo Bank. As of December 31, 2025 and 2024, all \$100 million of the Lines of Credit remained unused and available. The LOCs are calculated as the sum of the maximum principal amount of the Notes plus interest thereon at a maximum rate of ten percent per annum for a period of 90 days calculated on the basis of a year of 365 days and the actual number of days elapsed. There have not been any term advances under the LOCs or the revolving credit agreement. The LOCs and revolving credit agreement contain a provision that in an event of default, the outstanding amounts may become immediately due.

The summarized activity of SMUD’s Notes during 2025 and 2024 is presented below:

	Balance at		Balance at	
	Beginning of	Additions		End of
	Year	Reductions	Year	
	(thousands of dollars)			
December 31, 2025	\$ -0-	\$ 75,000	\$ (75,000)	\$ -0-
December 31, 2024	\$ 150,000	\$ -0-	\$ (150,000)	\$ -0-

NOTE 12. FAIR VALUE MEASUREMENT

GASB No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). SMUD utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

GASB No. 72 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy defined by GASB No. 72 are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs that reflect SMUD's own assumptions about factors that market participants would use in pricing the asset or liability.

The valuation methods of the fair value measurements are as follows:

- U.S. Government Agency Obligations – uses a market-based approach which considers yield, price of comparable securities, coupon rate, maturity, credit quality and dealer-provided prices.
- U.S. Treasury Obligations – uses a market approach based on institutional bond quotes. Evaluations are based on various market and industry inputs.
- Corporate Notes – uses a market-based approach. Evaluations are based on various market and industry inputs.
- Municipal Bonds – uses a market approach based on institutional bond quotes. Evaluations are based on various market and industry inputs.
- Hedging and Other Derivative Instruments:
 - Interest rate swap agreements – uses the present value technique. The fair value of the interest rate swap agreements are calculated by discounting the expected cash flows. The cash flows and discount rates are estimated based on a 1-month SOFR forward curve from Bloomberg and assuming SIFMA is equal to 70.0 percent of 1-month SOFR.
 - Gas and Electric related agreements – uses the market approach based on monthly quoted prices from an independent external pricing service. The fair values for natural gas and electricity derivative financial instruments are calculated based on prevailing market quotes in active markets (i.e., Henry Hub and So Cal) where identical contracts are available. When external quoted market prices are not available, SMUD uses an internally developed valuation model utilizing short-term-observable inputs.

The following tables identify the level within the fair value hierarchy that SMUD's financial assets and liabilities were accounted for on a recurring basis as of December 31, 2025 and 2024, respectively. As required by GASB No. 72, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. SMUD's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of liabilities and their placement within the fair value hierarchy levels.

Recurring Fair Value Measures

	At fair value as of December 31, 2025		
	Level 1	Level 2	Total
	(thousands of dollars)		
Investments, including cash and cash equivalents:			
U.S. Government Agency Obligations	\$ -0-	\$ 9,881	\$ 9,881
U.S. Treasury Obligations	725,083	-0-	725,083
Corporate Notes	-0-	65,625	65,625
Municipal Bonds	-0-	10,188	10,188
Total Investments, including cash and cash equivalents	<u>\$ 725,083</u>	<u>\$ 85,694</u>	<u>\$ 810,777</u>
Other Derivative Instrument Assets:			
Gas related agreements	\$ 49	\$ -0-	\$ 49
Total Other Derivative Instrument Assets	<u>\$ 49</u>	<u>\$ -0-</u>	<u>\$ 49</u>
Hedging Derivative Instrument Assets:			
Gas related agreements	\$ 6,735	\$ -0-	\$ 6,735
Electric related agreements	11,522	-0-	11,522
Interest rate swap agreements	-0-	28,399	28,399
Total Hedging Derivative Instrument Assets	<u>\$ 18,257</u>	<u>\$ 28,399</u>	<u>\$ 46,656</u>
Other Derivative Instrument Liabilities:			
Gas related agreements	\$ 1,481	\$ -0-	\$ 1,481
Interest rate swap agreements	-0-	-0-	-0-
Total Other Derivative Instrument Liabilities	<u>\$ 1,481</u>	<u>\$ -0-</u>	<u>\$ 1,481</u>
Hedging Derivative Instrument Liabilities:			
Gas related agreements	\$ 64,236	\$ -0-	\$ 64,236
Electric related agreements	571	-0-	571
Interest rate swap agreements	-0-	-0-	-0-
Total Hedging Derivative Instrument Liabilities	<u>\$ 64,807</u>	<u>\$ -0-</u>	<u>\$ 64,807</u>

Recurring Fair Value Measures

	At fair value as of December 31, 2024		
	Level 1	Level 2	Total
	(thousands of dollars)		
Investments, including cash and cash equivalents:			
U.S. Government Agency Obligations	\$ -0-	\$ 77,314	\$ 77,314
U.S. Treasury Obligations	469,146	-0-	469,146
Corporate Notes	-0-	89,535	89,535
Municipal Bonds	-0-	11,766	11,766
Total Investments, including cash and cash equivalents	<u>\$ 469,146</u>	<u>\$ 178,615</u>	<u>\$ 647,761</u>
Other Derivative Instrument Assets:			
Gas related agreements	\$ 80	\$ -0-	\$ 80
Total Other Derivative Instrument Assets	<u>\$ 80</u>	<u>\$ -0-</u>	<u>\$ 80</u>
Hedging Derivative Instrument Assets:			
Gas related agreements	\$ 15,560	\$ -0-	\$ 15,560
Electric related agreements	6,718	-0-	6,718
Interest rate swap agreements	-0-	31,867	31,867
Total Hedging Derivative Instrument Assets	<u>\$ 22,278</u>	<u>\$ 31,867</u>	<u>\$ 54,145</u>
Other Derivative Instrument Liabilities:			
Gas related agreements	\$ 701	\$ -0-	\$ 701
Interest rate swap agreements	-0-	-0-	-0-
Total Other Derivative Instrument Liabilities	<u>\$ 701</u>	<u>\$ -0-</u>	<u>\$ 701</u>

Hedging Derivative Instrument Liabilities:			
Gas related agreements	\$ 40,229	\$ -0-	\$ 40,229
Electric related agreements	-0-	-0-	-0-
Interest rate swap agreements	-0-	-0-	-0-
Total Hedging Derivative Instrument Liabilities	<u>\$ 40,229</u>	<u>\$ -0-</u>	<u>\$ 40,229</u>

NOTE 13. ACCRUED DECOMMISSIONING LIABILITY

Asset Retirement Obligations (ARO). SMUD recognizes AROs for its Rancho Seco nuclear power plant facility and the Carson power plant facility. GASB No. 83 requires measurement of the ARO be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should be determined using all available evidence and requires probability weighting of potential outcomes when sufficient evidence is available. This statement also requires the current value be adjusted for the effects of the general inflation or deflation and an evaluation of relevant factors that may significantly change the estimated asset retirement outlays at least annually.

Rancho Seco Nuclear Power Plant. With the completion of nuclear decommissioning of the former 913 MW nuclear power plant, and the subsequent termination of the 10 Code of Federal Regulations (CFR) 50 license by the Nuclear Regulatory Commission (NRC) effective August 31, 2018, all remaining Rancho Seco decommissioning liability relates to the Independent Spent Fuel Storage Installation (ISFSI) licensed under 10 CFR Part 72. Nuclear decommissioning is the process of safely removing nuclear facilities from service and reducing residual radioactivity to a level that permits termination of the NRC licenses and release of the property for unrestricted use. Final decommissioning of the ISFSI will occur after the spent nuclear fuel (SNF) and Greater Than Class C (GTCC) radioactive waste is removed from the site and SMUD demonstrates that the site is suitable for release in accordance with release criteria specified in 10 CFR 20, Subpart E and an approved License Termination Plan.

The Department of Energy (DOE), under the Nuclear Waste Policy Act (NWPA) of 1982 as amended, is responsible for permanent disposal of spent nuclear fuel and GTCC radioactive waste, which are currently stored in the Part 72 licensed ISFSI. SMUD has a contract with the DOE for the removal and disposal of SNF and GTCC waste. All SMUD’s SNF and GTCC waste are currently stored in sealed canisters in the ISFSI. However, the date when DOE will remove the fuel and GTCC waste is uncertain. In 2010, the DOE formally withdrew the application for licensing of Yucca Mountain as a high-level waste repository. The DOE also announced in January 2010 the creation of a Blue-Ribbon Commission to study alternatives for developing a repository for the nation’s used nuclear fuel. The Commission provided a final report on alternatives in January 2012. The DOE evaluated the recommendations and published the report “Strategy for the Management and Disposal of Used Nuclear Fuel and High-Level Radioactive Waste” in January 2013.

The next phase of the process will be for Congress and the President of the United States to consider the recommendations and enact legislation to implement the recommendations. At this time, two license applications have been submitted to the NRC for the construction and operation of Consolidated Interim Storage Facility(s) that would store SNF and GTCC waste on an interim basis. One of these applications has been approved (and a license issued) and one application is currently under review by the NRC. Should the NRC license one or both facilities, Congress will have to modify the NWPA to allow for its use. In May 2018, the U.S. House of Representatives passed H.R. 3053 – the Nuclear Waste Policy Amendments Act, which was co-sponsored by Representative Doris Matsui and 109 other members of Congress. This bill includes a provision to allow a Consolidated Interim Storage Facility to store fuel from permanently shut down sites like Rancho Seco. The U.S. Senate did not act on the bill. Until legislation is passed which includes a significant step towards removal of the used nuclear fuel at the Rancho Seco facility, SMUD is committed to the safe and secure storage of its SNF and GTCC waste under its Part 72 license until DOE fulfills its obligation to dispose of this material in accordance with NWPA. In support of this commitment, SMUD submitted its ISFSI license renewal application to the NRC in March of 2018. The NRC issued Renewed Licensee No. SNM-2510 on March 9, 2020. This renewed license authorizes the continued storage of SMUD’s SNF and GTCC until June 30, 2060.

The Rancho Seco decommissioning liability is based on an internal study of the remaining decommissioning costs, which consist of: 1) annual spent fuel management costs, 2) transportation of the canisters in the ISFSI and 3) termination of the Part 72 license. The largest part of the decommissioning estimate is the annual spent fuel management costs; next year's annual budget is used for the estimate. The other costs were estimated based on prior experience and studies and prepared by management representatives of the nuclear power plant facility. The transportation costs of the canisters in the ISFSI estimate were in 2019 dollars. The termination of the Part 72 license costs in the estimate were in 2022 dollars. An employment cost index was used to adjust the other costs portion of the obligation for inflation in 2025. Probability weighting was assigned for two scenarios: 1) spent nuclear fuel will be removed from the site by 2034 and 2) spent nuclear fuel will be removed from the site by 2041. SMUD uses its Trust Fund (see Note 2) to demonstrate financial assurance to the NRC that there are enough funds to complete the termination of the Part 72 license; the balance of the Trust Fund at December 31, 2025 is \$10.3 million.

Carson Power Plant (Carson). SMUD's ground lease agreement with the Sacramento Regional County Sanitation District for Carson requires SMUD to restore the premises to its original condition upon termination of the contract. A new study to determine the current value of the asset retirement obligation was conducted by an external contractor who specializes in decommissioning studies. The expected costs and scope of work were based on the most recent cost estimate and assumes a contractor will be responsible for the work and that decommissioning would take place between 2025 and 2027. The estimated costs were in 2018 dollars. The result of this study was used to determine the new balance of the ARO and the deferred outflows at January 1, 2018, in order to account for the 2018 activity. The annual All Urban Consumer Price Index was used to adjust this obligation for inflation in 2025.

The current portion of the Accrued Decommissioning liability represents SMUD's estimate of actual expenditures for Rancho Seco in the next year, as set forth in the annual budget.

At December 31, 2025 and 2024, SMUD's Accrued Decommissioning balance in the Statements of Net Position was \$132.9 million and \$118.8 million, respectively.

NOTE 14. PENSION PLANS

Summary of Significant Accounting Policies. For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (PERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description and Benefits Provided. SMUD participates in PERS, an agent multiple-employer public employee defined benefit pension plan (PERS Plan). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by State statute and SMUD policies. The pension plan provides retirement benefits, survivor benefits, and death and disability benefits based upon employee's years of credited service, age, and final compensation. A full description of the pension plan regarding number of employees covered, benefit provision, assumptions (for funding, but not accounting purposes), and membership information are included in the annual actuarial valuation reports as of June 30, 2024 and June 30, 2023.

GASB No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. The following timeframes are used for the year ended:

PERS Plan	December 31,	
	2025	2024
Valuation date	June 30, 2024	June 30, 2023
Measurement date	June 30, 2025	June 30, 2024

Employees Covered by Benefit Terms. The following employees were covered by the benefit terms for the year ended:

PERS Plan	December 31,	
	2025	2024
Inactive employees or beneficiaries currently receiving benefit payments	3,258	3,217
Inactive employees entitled to but not yet receiving benefit payments	1,082	1,048
Active employees	<u>2,323</u>	<u>2,282</u>
Total employees covered by benefit terms	<u>6,663</u>	<u>6,547</u>

Contributions. Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through PERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the PERS fiscal years ended June 30, 2025 and 2024, the average active employee contribution rate is 7.1 percent of annual pay. For the PERS fiscal year ended June 30, 2025, the employer’s contribution rate is 9.5 percent of annual payroll plus \$10.7 million for the unfunded accrued liability contributions. For the PERS fiscal year ended June 30, 2024, the employer’s contribution rate is 9.6 percent of annual payroll. Employer contribution rates may change if plan contracts are amended. For the fiscal years ended June 30, 2025 and 2024, SMUD made contributions recognized by the PERS Plan in the amount of \$66.2 million and \$62.1 million, respectively.

Net Pension Asset (NPA) or Liability (NPL). SMUD’s NPA or NPL at December 31, 2025 and 2024 was measured at June 30, 2025 and 2024, respectively. The total pension liability used to calculate the NPA or NPL was determined by actuarial valuations as of June 30, 2024 and 2023 rolled forward using generally accepted actuarial procedures to the June 30, 2025 and 2024 measurement dates for the PERS Plan.

Actuarial Methods and Assumptions. The actuarial methods and assumptions used for the December 31, 2025 and December 31, 2024 total pension liabilities are as follows:

Actuarial Cost Method	Entry age actuarial cost method
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by entry age and service
Mortality Rate Table	The mortality table used was developed based on CalPERS’ specific data. The probabilities of mortality are based on the 2021 <i>CalPERS Experience Study and Review of Actuarial Assumptions</i> . Mortality rates incorporate full generational mortality improvement using 80% of scale MP-2020 published by the Society of Actuaries.
Post Retirement Benefit Increase	For 2024 and 2025, the lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

Discount Rates. For the PERS Plan, the discount rate used to measure the total pension liability for the years ended December 31, 2025 and 2024 was 6.90 percent. For the year ended December 31, 2025, this is based on the long-term expected rate of return on plan assets and is net of investment expenses but not reduced for administrative expenses. In determining the long-term expected rate of return, CalPERS took into account 20-year market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates to project compound (geometric) returns over the long term.

The expected real rates of return by asset class used for December 31, 2025 are as follows:

<u>Asset Class</u>	<u>Current Target Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37.0%	4.56%
Private Equity	17.0%	5.56%
Fixed Income	28.0%	2.53%
Real Assets	15.0%	3.03%
Private Debt	8.0%	4.93%
Strategic Leverage	(5.0%)	1.40%

The expected real rates of return by asset class used for December 31, 2024 are as follows:

<u>Asset Class</u>	<u>Current Target Assumed Asset Allocation</u>	<u>Real Return</u>
Global Equity – Cap-weighted	30.0%	4.54%
Global Equity – Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Estate	15.0%	3.21%
Leverage	(5.0%)	(0.59%)

Changes in the NPA or NPL. The following table shows the changes in NPA or NPL recognized over the year ended December 31, 2025:

	<u>Total Pension Liability (a)</u>	<u>Increase (Decrease) Plan Fiduciary Net Position (b)</u>	<u>Net Pension (Asset) Liability (a) – (b)</u>
		(thousands of dollars)	
Balances at January 1, 2025	<u>\$ 2,874,327</u>	<u>\$ 2,565,913</u>	<u>\$ 308,414</u>
Changes recognized for the measurement period:			
Service cost	48,210	-0-	48,210
Interest	197,469	-0-	197,469
Changes in benefit terms	-0-	-0-	-0-
Changes in assumptions	-0-	-0-	-0-
Differences between expected and actual experience	48,559	-0-	48,559
Contributions - employer	-0-	66,245	(66,245)
Contributions - employee	-0-	23,124	(23,124)

Net investment income	-0-	305,454	(305,454)
Benefit payments	(170,248)	(170,248)	-0-
Administrative expense	<u>-0-</u>	<u>(1,833)</u>	<u>1,833</u>
Net changes	<u>123,990</u>	<u>222,742</u>	<u>(98,752)</u>
Balances at December 31, 2025	<u>\$ 2,998,317</u>	<u>\$ 2,788,655</u>	<u>\$ 209,662</u>

Changes in the NPA or NPL. The following table shows the changes in NPA or NPL recognized over the year ended December 31, 2024:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) – (b)
		(thousands of dollars)	
Balances at January 1, 2024	<u>\$ 2,679,268</u>	<u>\$ 2,420,258</u>	<u>\$ 259,010</u>
Changes recognized for the measurement period:			
Service cost	46,378	-0-	46,378
Interest	189,234	-0-	189,234
Changes in benefit terms	-0-	-0-	-0-
Changes in assumptions	-0-	-0-	-0-
Differences between expected and actual experience	120,696	-0-	120,696
Contributions - employer	-0-	62,116	(62,116)
Contributions - employee	-0-	21,417	(21,417)
Net investment income	-0-	225,340	(225,340)
Benefit payments	(161,249)	(161,249)	-0-
Administrative expense	<u>-0-</u>	<u>(1,969)</u>	<u>1,969</u>
Net changes	<u>195,059</u>	<u>145,655</u>	<u>49,404</u>
Balances at December 31, 2024	<u>\$ 2,874,327</u>	<u>\$ 2,565,913</u>	<u>\$ 308,414</u>

Sensitivity of the NPA or NPL to Changes in the Discount Rate. The following presents the NPA or NPL of the Plan as of the measurement date, calculated using the current discount rate, as well as what the NPA or NPL would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
		(thousands of dollars)	
PERS Plan			
Plan's NPL (NPA), December 31, 2025	\$ 585,384	\$ 209,662	\$ (102,832)
	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Plan's NPL (NPA), December 31, 2024	\$ 670,730	\$ 308,414	\$ 7,220

Pension Plan Fiduciary Net Position. Detailed information about the PERS Plan's fiduciary net position is available in the separately issued PERS Plan financial statements. This report, the audited financial statements, and other reports can be obtained at the PERS' website at www.calpers.ca.gov.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the years ended December 31, 2025 and 2024, SMUD recognized pension expense of \$50.7 million and \$52.4 million, respectively.

At December 31, 2025 and 2024, SMUD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>December 31,</u>	
	<u>2025</u>	<u>2024</u>
	(thousands of dollars)	
Deferred outflows of resources:		
Changes of assumptions	\$ 640	\$ 7,049
Differences between expected and actual experience	111,935	118,058
Net differences between projected and actual earnings on pension plan investments	-0-	44,553
Employer's contributions to the Plan subsequent to the measurement of total pension liability	<u>38,194</u>	<u>24,474</u>
Total deferred outflows of resources	<u>\$ 150,769</u>	<u>\$ 194,134</u>
Deferred inflows of resources:		
Changes of assumptions	\$ -0-	\$ -0-
Differences between expected and actual experience	765	8,416
Net differences between projected and actual earnings on pension plan investments	<u>62,115</u>	<u>-0-</u>
Total deferred inflows of resources	<u>\$ 62,880</u>	<u>\$ 8,416</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be subject to regulatory accounting as follows (see Note 8):

Year ended December 31:

2026	\$ 92,154
2027	6,360
2028	(23,729)
2029	(25,090)
2030	-0-
Thereafter	-0-

Other Plans. SMUD provides its employees with two cash deferred compensation plans: one pursuant to Internal Revenue Code (IRC) Section 401(k) (401(k) Plan) and one pursuant to IRC Section 457 (457 Plan) (collectively, the Plans). The Plans are contributory plans in which SMUD's employees contribute the funds. Each of SMUD's eligible full-time or permanent part-time employees may participate in either or both Plans, and amounts contributed are vested immediately. Such funds are held by a Trustee in trust for the employees upon retirement from SMUD service and, accordingly, are not subject to the general claims of SMUD's creditors. SMUD is responsible for ensuring compliance with IRC requirements concerning the Plans and has the fiduciary duty of reasonable care in the selection of investment alternatives, but neither SMUD, nor its Board or officers have any liability for market variations in the Plans' asset values. SMUD employees are responsible for determining how their funds are to be invested and pay all ongoing fees related to the Plans. The Plans are currently not subject to discrimination testing, nor the requirements of the Employee Retirement Income Security Act of 1974. SMUD employees participating in the Plans are allowed to contribute a portion of their gross income not to exceed the annual dollar limits prescribed by the IRC.

SMUD makes annual contributions to the 401(k) Plan on behalf of certain employees pursuant to a memorandum of understanding with both of its collective bargaining units. SMUD also matches non-represented employee contributions to the 401(k) Plan up to a set amount. SMUD made contributions into the 401(k) Plan of \$8.1 million in 2025 and \$7.5 million in 2024. SMUD does not match employee contributions, nor make contributions on behalf of its employees to the 457 Plan. Participating employees made contributions into both Plans totaling \$38.5 million in 2025 and \$36.0 million in 2024.

NOTE 15. OTHER POSTEMPLOYMENT BENEFITS

Summary of Significant Accounting Policies. For purposes of measuring the net OPEB asset or liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan’s fiduciary net position have been determined on the same basis as they are reported by the California Employers’ Retiree Benefit Trust (CERBT). For this purpose, SMUD recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description and Benefits Provided. SMUD is a member of CERBT. The CERBT Fund is an IRC Section 115 Trust set up for the purpose of receiving employer contributions to prefund OPEB for retirees and their beneficiaries. CERBT is an agent multiple-employer defined benefit OPEB plan (OPEB Plan) administered by PERS. The OPEB Plan provides medical, dental and long-term disability benefits for retirees and their beneficiaries, in accordance with SMUD policy and negotiated agreements with employee representation groups. The benefit, benefit levels, retiree contributions and employer contributions are governed by SMUD and can be amended by SMUD through its personnel manual and union contracts. Any changes to these benefits would be approved by SMUD’s Board and unions.

Employees Covered by Benefit Terms. The following employees were covered by the benefit terms:

	December 31,	
	2025	2024
Inactive employees or beneficiaries currently receiving benefit payments	2,454	2,410
Inactive employees entitled to but not yet receiving benefit payments	44	47
Active employees	<u>2,327</u>	<u>2,261</u>
Total employees covered by benefit terms	<u>4,825</u>	<u>4,718</u>

Contributions. OPEB contributions are elective and not required. In December 2018, SMUD split its CERBT assets across two asset strategies to better align trust assets with liabilities (Strategy 1 for active employees and retirements after June 30, 2018 and Strategy 3 for retirements before July 1, 2018). SMUD contributes the normal cost to the CERBT, and annually receives reimbursement for cash benefit payments from the CERBT. SMUD may also elect to put additional contributions into the OPEB Plan. For the OPEB Plan’s fiscal years ended June 30, 2025 and 2024, SMUD made contributions recognized by the OPEB Plan in the amounts of \$11.6 million and \$11.3 million, respectively.

Net OPEB Asset (NOA) or Liability (NOL). SMUD’s NOL at December 31, 2025 and 2024 were measured as of June 30, 2025 and 2024, respectively, and the total OPEB liability used to calculate the NOL was determined by actuarial valuations as of those dates.

Actuarial Methods and Assumptions. The actuarial methods and assumptions used for the December 31, 2025 and December 31, 2024 total OPEB liabilities are as follows:

Discount Rate	5.93% (2025). Blended discount rate based on projected benefit streams expected to be paid from each Strategy. 6.02% (2024)
General Inflation	2.50% (2025 and 2024)
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 Experience Study (2025 and 2024)
Mortality Improvement	Mortality projected fully generational with Scale MP-2021 (2025 and 2024)
Salary Increases	Aggregate – 2.75%; Merit - CalPERS 2000-2019 Experience Study (2025 and 2024)
Healthcare Cost Trend Rates	Non-Medicare: 7.35% for 2027, decreasing to an ultimate rate of 3.45% in 2076 (2025), 7.90% for 2026, decreasing to an ultimate rate of 3.45% in 2076 (2024) Medicare: 6.50% for 2027, decreasing to an ultimate rate of 3.45% in 2076 (2025), 6.90% for 2026, decreasing to an ultimate rate of 3.45% in 2076 (2024)

Kaiser Medicare: 5.45% for 2027, decreasing to an ultimate rate of 3.45% in 2076 (2025),
5.65% for 2026, decreasing to an ultimate rate of 3.45% in 2076 (2024)

Discount Rates. For the OPEB Plan, the discount rate used to measure the total OPEB liability was 5.93 percent and 6.02 percent for the years ended December 31, 2025 and 2024, respectively. This rate is a blended discount rate based on projected benefit streams expected to be paid from Strategies 1 and 3. The projection of cash flows used to determine the discount rate assumed that SMUD contributes the full normal cost to the trust and only takes reimbursement from the trust of the cash benefit payments. Because the implied subsidy benefit payments have a larger present value than the payments toward the unfunded accrued liability, there should be sufficient plan assets to pay all benefits from the trust. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. The long-term expected rate of return of 6.25 percent for Strategy 1 and 5.25 percent for Strategy 3 was applied to all periods of projected benefit payments to determine the total OPEB liability for the years ended December 31, 2025 and 2024.

The expected real rates of return by asset class used and presented as geometric means for December 31, 2025 are as follows:

<u>Asset Class</u>	<u>Target Allocation CERBT Strategy 1</u>	<u>Expected Real Rate of Return</u>
Global Equity	49.0%	4.56%
Fixed Income	23.0%	1.56%
TIPS	5.0%	(0.08%)
Commodities	3.0%	1.22%
REITs	20.0%	4.06%

<u>Asset Class</u>	<u>Target Allocation CERBT Strategy 3</u>	<u>Expected Real Rate of Return</u>
Global Equity	23.0%	4.56%
Fixed Income	51.0%	1.56%
TIPS	9.0%	(0.08%)
Commodities	3.0%	1.22%
REITs	14.0%	4.06%

The expected real rates of return by asset class used and presented as geometric means for December 31, 2024 are as follows:

<u>Asset Class</u>	<u>Target Allocation CERBT Strategy 1</u>	<u>Expected Real Rate of Return</u>
Global Equity	49.0%	4.56%
Fixed Income	23.0%	1.56%
TIPS	5.0%	(0.08%)
Commodities	3.0%	1.22%
REITs	20.0%	4.06%

<u>Asset Class</u>	<u>Target Allocation CERBT Strategy 3</u>	<u>Expected Real Rate of Return</u>
Global Equity	23.0%	4.56%
Fixed Income	51.0%	1.56%
TIPS	9.0%	(0.08%)
Commodities	3.0%	1.22%
REITs	14.0%	4.06%

Changes in the NOA or NOL. The following table shows the changes in NOA or NOL recognized over the year ended December 31, 2025:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) – (b)
	(thousands of dollars)		
Balances at January 1, 2025	\$ 425,935	\$ 391,803	\$ 34,132
Changes recognized for the measurement period:			
Service cost	8,983	-0-	8,983
Interest	25,417	-0-	25,417
Changes in assumptions	4,635	-0-	4,635
Differences between expected and actual experience	30,227	-0-	30,227
Contributions - employer	-0-	11,597	(11,597)
Net investment income	-0-	43,474	(43,474)
Benefit payments	(25,426)	(25,426)	-0-
Administrative expense	-0-	(134)	134
Net changes	<u>43,836</u>	<u>29,511</u>	<u>14,325</u>
Balances at December 31, 2025	<u>\$ 469,771</u>	<u>\$ 421,314</u>	<u>\$ 48,457</u>

The following table shows the changes in NOA or NOL recognized over the year ended December 31, 2024:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) – (b)
	(thousands of dollars)		
Balances at January 1, 2024	\$ 397,699	\$ 372,365	\$ 25,334
Changes recognized for the measurement period:			
Service cost	8,709	-0-	8,709
Interest	23,720	-0-	23,720
Changes in assumptions	-0-	-0-	-0-
Differences between expected and actual experience	20,552	-0-	20,552
Contributions - employer	-0-	11,250	(11,250)
Net investment income	-0-	33,053	(33,053)
Benefit payments	(24,745)	(24,745)	-0-
Administrative expense	-0-	(120)	120
Net changes	<u>28,236</u>	<u>19,438</u>	<u>8,798</u>
Balances at December 31, 2024	<u>\$ 425,935</u>	<u>\$ 391,803</u>	<u>\$ 34,132</u>

Sensitivity of the NOA or NOL to Changes in the Discount Rate. The following presents the NOA or NOL of SMUD as of the measurement date, calculated using the current discount rate, as well as what the NOA or NOL would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

	1% Decrease (4.93%)	Current Discount Rate (5.93%)	1% Increase (6.93%)
	(thousands of dollars)		
NOL/(NOA), December 31, 2025	\$ 105,379	\$ 48,457	\$ 843

	1% Decrease <u>(5.02%)</u>	Current Discount <u>Rate (6.02%)</u>	1% Increase <u>(7.02%)</u>
		(thousands of dollars)	
NOL/(NOA), December 31, 2024	\$ 85,371	\$ 34,132	\$ (8,752)

Sensitivity of the NOA or NOL to Changes in the Healthcare Cost Trend Rates. The following presents the NOA or NOL of SMUD as of the measurement date, calculated using the current healthcare cost trend rate, as well as what the NOA or NOL would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current healthcare trend rate (see assumptions above for healthcare trend rate):

	1% Decrease	Current Healthcare <u>Trend Rate</u>	1% Increase
		(thousands of dollars)	
(NOA)/ NOL, December 31, 2025	\$ (4,228)	\$ 48,457	\$ 112,819
(NOA)/ NOL, December 31, 2024	\$ (13,227)	\$ 34,132	\$ 91,933

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB Plan's fiduciary net position is available in the separately issued OPEB Plan's report. This report can be obtained at the PERS' website at www.calpers.ca.gov.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the years ended December 31, 2025 and 2024, SMUD recognized OPEB expense of \$12.1 million and \$10.6 million, respectively. At December 31, 2025 and 2024, SMUD reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>December 31,</u>	
	<u>2025</u>	<u>2024</u>
	(thousands of dollars)	
Deferred outflows of resources:		
Changes of assumptions	\$ 13,205	\$ 13,187
Differences between expected and actual experience	39,085	17,183
Net differences between projected and actual earnings on OPEB plan investments	-0-	15,244
Employer's contributions to the OPEB Plan subsequent to the measurement of total OPEB liability	<u>12,281</u>	<u>12,601</u>
Total deferred outflows of resources	<u>\$ 64,571</u>	<u>\$ 58,215</u>
Deferred inflows of resources:		
Changes of assumptions	\$ 2,212	\$ 5,020
Differences between expected and actual experience	9,039	18,536
Net differences between projected and actual earnings on OPEB plan investments	<u>5,134</u>	<u>-0-</u>
Total deferred inflows of resources	<u>\$ 16,385</u>	<u>\$ 23,556</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be subject to regulatory accounting as follows (see Note 8):

Year ended December 31:	
2026	\$ 16,334
2027	3,326
2028	4,635
2029	4,987
2030	6,052
Thereafter	571

NOTE 16. INSURANCE PROGRAMS AND CLAIMS

SMUD is exposed to various risks of loss related to torts, theft of and destruction to assets, errors and omissions, cyber activities, natural disasters, employee injuries and illnesses, and other exposures. SMUD carries commercial insurance coverage to cover most claims in excess of specific dollar thresholds, ranging from \$5.0 thousand to \$10.0 million per claim. General liability (non-wildfire) limits are \$150.0 million, excess of a \$10.0 million self-insured retention. As of December 31, 2025, wildfire liability limits are \$315.0 million (\$280.0 million commercial insurance plus \$25.0 million self-insured retention) excess of \$10.0 million self-insured retention. SMUD's property insurance coverage is based on the replacement value of the asset. Effective January 1, 2025, SMUD discontinued its self-insurance programs for both short-term and long-term disability benefits. As a result, SMUD no longer retains liability for claims incurred after this date related to disability coverage, except for those claims incurred prior to January 1, 2025, which will continue to be administered and paid by SMUD under the former self-insurance arrangements. There have been no significant reductions in insurance coverage. In 2025, 2024, and 2023, the insurance policies in effect have adequately covered all settlements of the claims against SMUD. No claims have exceeded the limits of property or liability insurance in any of the past three years.

The claims liability is included as a component of Self Insurance and Other in the Statements of Net Position.

SMUD's total claims liability, comprising claims received and claims incurred but not reported, at December 31, 2025, 2024 and 2023 is presented below:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
		(thousands of dollars)	
Workers' compensation claims	\$ 9,741	\$ 6,428	\$ 6,926
General and auto claims	2,838	3,077	3,474
Short and long-term disability claims	<u>152</u>	<u>1,204</u>	<u>68</u>
Claims liability	<u>\$ 12,731</u>	<u>\$ 10,709</u>	<u>\$ 10,468</u>

Changes in SMUD's total claims liability during 2025, 2024 and 2023 are presented below:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
		(thousands of dollars)	
Claims liability, beginning of year	\$ 10,709	\$ 10,468	\$ 10,790
Add: provision for claims, current year	2,960	2,722	2,635
Increase in provision for claims in prior years	2,912	343	1,752
Less: payments on claims attributable to current and prior years	<u>(3,850)</u>	<u>(2,824)</u>	<u>(4,709)</u>
Claims liability, end of year	<u>\$ 12,731</u>	<u>\$ 10,709</u>	<u>\$ 10,468</u>

NOTE 17. COMMITMENTS

Electric Power and Gas Supply Purchase Agreements. SMUD has numerous power purchase agreements with other power producers to purchase capacity, transmission, and associated energy to supply a portion of its load requirements. SMUD has minimum take-or-pay commitments for energy on some contracts. SMUD has numerous long-term natural gas supply, gas transportation and gas storage agreements with Canadian and U.S. companies to supply a portion of the consumption needs of SMUD's natural gas-fired power plants.

At December 31, 2025, the approximate minimum obligations for the “take-or-pay” contracts over the next five years are as follows:

	<u>Electric</u>	<u>Gas</u>
	(thousands of dollars)	
2026	\$ 63,040	\$ 10,735
2027	92,722	11,342
2028	101,225	11,361
2029	101,782	11,454
2030	104,809	11,483

At December 31, 2025, the approximate minimum obligations for the remaining contracts, assuming the energy or gas is delivered over the next five years, are as follows:

	<u>Electric</u>	<u>Gas</u>
	(thousands of dollars)	
2026	\$ 315,748	\$ 120,362
2027	273,000	118,867
2028	303,940	116,536
2029	312,387	114,940
2030	343,991	113,082

Contractual Commitments beyond 2030 - Electricity. Several of SMUD’s purchase power and transmission contracts extend beyond the five-year summary presented above. These contracts expire between 2031 and 2057 and provide for power under various terms and conditions. SMUD estimates its annual minimum commitments under the take-or-pay contracts ranges between \$105.4 million in 2031 and \$34.0 million in 2057. SMUD estimates its annual minimum commitments under the remaining contracts, assuming the energy is delivered, ranges between \$358.3 million in 2031 and \$1.5 million in 2052. The Base Resource contract enables SMUD to receive a percentage of the amount of energy made available by Western, after meeting Central Valley Project use requirements, in any given year at a percent share of their revenue requirement; and SMUD has contracted for additional base resource power with no commitment until called upon. SMUD’s largest purchase power source (in volume) is the Country Acres contract, where SMUD has contracted ownership of 344 MW’s of Solar PV generation and 172 MW’s battery energy storage capacity. The Country Acres contract expires on December 31, 2057.

Contractual Commitments beyond 2030 - Gas. Several of SMUD’s natural gas supply, gas transportation and gas storage contracts extend beyond the five-year summary presented above. These contracts expire between 2031 and 2049 and provide transportation and storage under various terms and conditions. SMUD estimates its annual minimum commitments under the take-or-pay contracts ranges between \$11.5 million in 2031 and \$1.5 million in 2049. SMUD estimates its annual minimum commitments under the remaining contracts, assuming the gas is delivered, ranges between \$108.6 million in 2031 and \$8.2 million in 2049.

Electric Power Price Swap Agreements. SMUD has entered into multiple variable to fixed rate swap with a notional amount totaling 2,010,700 MWh for the purpose of fixing the rate on SMUD’s electric power purchases. This electric power price swap agreement results in SMUD paying fixed rates ranging from \$16.75 to \$81.95 per MWh. The swap agreements expire periodically from January 2026 through December 2027.

Gas Price Swap Agreements. SMUD has entered into numerous variable to fixed rate swaps with notional amounts totaling 199,472,500 Dths for the purpose of fixing the rate on SMUD’s natural gas purchases for its gas-fueled power plants and gas indexed electric contracts. These gas price swap agreements result in SMUD paying fixed rates ranging from \$3.451 to \$5.044 per Dth. The swap agreements expire periodically from January 2026 through December 2028.

Gas Transport Capacity Agreements. SMUD has multiple long-term natural gas transport capacity agreements with U.S. companies to transport natural gas to SMUD’s natural gas-fired power plants from the supply basins in the North to the

California-Oregon border and from supply basins in the southwest and Rocky Mountains to the Southern California border. These gas transport capacity agreements provide for the delivery of gas into SMUD-owned pipeline capacity within California. The gas transport capacity agreements provide SMUD with 48,206 Dth per day (Dth/d) of natural gas pipeline capacity from the North and 38,181 Dth/d from the Southwest or Rocky Mountain Basins through at least 2028.

Gas Storage Agreements. SMUD also has agreements for storage of natural gas at regional facilities of up to 3.0 million Dth through March 2029, lowering to 1.0 million Dth through March 2031.

Hydro License Agreements. SMUD has a hydro license for a term of 50 years effective July 1, 2014 (see Note 2). SMUD entered into four contracts with government agencies whereby SMUD makes annual payments to them for various services for the term of the license. Each contract is adjusted annually by an inflation index.

Construction Contracts. SMUD has entered into various construction contracts for the construction of the Folsom Administrative Operations Building, the El Rio substation, and meter replacements. As of December 31, 2025, the not-to-exceed price for these contracts totaled \$195.7 million. The remaining contract obligations for these contracts as of December 31, 2025 was \$148.7 million.

NOTE 18. CLAIMS AND CONTINGENCIES

FERC Administrative Proceedings. SMUD is involved in a number of FERC administrative proceedings related to the operation of wholesale energy markets, transmission and interconnection matters, gas transportation, and the development of NERC reliability standards. While these proceedings are complex and numerous, they generally fall into the following categories: (i) filings initiated by the California Independent System Operator Corporation (CAISO) (or other market participants) to adopt/modify the CAISO Tariff and/or establish market design and behavior rules; (ii) filings initiated by existing transmission owners (i.e., PG&E and the other Investor Owned Utilities) to pass through costs to their existing wholesale transmission customers; (iii) filings initiated by FERC or market participants to establish market design and behavior rules or to complain about or investigate market behavior by certain market participants; (iv) filings initiated by transmission owners under their transmission owner tariffs for the purpose of establishing a regional transmission planning process and interconnection agreements; (v) filings initiated by providers of firm gas transportation services under the Natural Gas Act; and (vi) filings initiated by NERC to develop reliability standards applicable to owners, users, and operators of the bulk power system. In addition, SMUD is an active participant in other FERC administrative proceedings, including those related to reliability and cybersecurity standards, variable resource integration, hydropower operations, and transmission planning and cost allocation. SMUD's management believes that the ultimate resolution of these matters will not have a material adverse effect on SMUD's financial position, liquidity or results of operations.

CPUC Administrative Proceedings. SMUD monitors a number of CPUC proceedings. These proceedings generally fall into the following categories: (i) filings initiated by PG&E to adopt/modify its tariffs and/or rules; (ii) rulemakings initiated by the CPUC to establish market design and behavior rules or program rules affecting SMUD customers; and (iii) rulemakings initiated by the CPUC to establish electric and/or gas system safety design and maintenance rules. SMUD believes that determinations of these CPUC proceedings will not have a material adverse effect on SMUD's financial position, liquidity or results of operations.

State Agency Regulatory Proceedings. SMUD monitors regulatory activities and rulemakings initiated by key State agencies, including the California Air Resources Board (“CARB”), the California Energy Commission (“CEC”), and the State Water Resources Control Board (“SWRCB”). These proceedings generally fall into the following categories: (i) rulemakings establishing and implementing greenhouse gas emission limits, cap-and-trade program design, renewable energy targets, low carbon fuel mandates and market design, zero-emission vehicle mandates, and other measures implementing statewide climate goals; (ii) processes governing integrated resource planning, resource adequacy, energy efficiency and building standards, load management, and reliability programs; and (iii) proceedings related to Delta conveyance, water quality control planning, waste discharge permitting, and resource management activities that may indirectly affect power operations and statewide grid reliability. SMUD believes that determinations in these State regulatory proceedings will not have a material adverse effect on SMUD’s financial position, liquidity, or results of operations.

Environmental Matters. SMUD was one of many potentially responsible parties that had been named in a number of actions relating to environmental claims and/or complaints. SMUD has resolved these environmental claims and/or complaints and entered into settlement agreements and/or consent orders. These settlement agreements and consent orders have statutory reopener provisions which allow regulatory agencies to seek additional funds for environmental remediation under certain limited circumstances. While SMUD believes it is unlikely that any of the prior settlements or consent orders will be reopened, the possibility exists. If any of the settlements or consent orders were to be reopened, SMUD management does not believe that the outcome will have a material adverse effect on SMUD’s financial position, liquidity or results of operations.

Other Matters. Currently, SMUD is party to various claims, legal actions and complaints relating to its operations, including but not limited to property damage and personal injury, contract disputes, torts, and employment matters. SMUD’s management believes that the ultimate resolution of these matters will not have a material adverse effect on SMUD’s financial position, liquidity or results of operations.

NOTE 19. SUBSEQUENT EVENTS

SMUD evaluated subsequent events through March 6, 2026, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

On January 29, 2026, SMUD executed two significant changes to its credit facilities. The existing line of credit with Wells Fargo Bank was amended, reducing the available credit facility from \$100 million to \$50 million and a new revolving line of credit agreement with PNC Bank was entered into, providing an additional \$100 million of available credit. As of March 6, 2026, the date these financials were available to be issued, SMUD has not drawn on either of these lines of credit.

**Required Supplementary Information – Unaudited
For the Years Ended December 31, 2025 and 2024**

**Required Supplementary Information - Unaudited
For the Years Ended December 31, 2025 and 2024**

**Schedule of Changes in Net Pension Liability and Related Ratios
During the Measurement Period - PERS Plan**

	December 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	(thousands of dollars)									
Total pension liability:										
Service cost	\$ 48,210	\$ 46,378	\$ 42,960	\$ 41,885	\$ 38,900	\$ 38,901	\$ 38,061	\$ 36,029	\$ 35,040	\$ 29,044
Interest	197,469	189,234	176,370	167,926	168,984	164,044	157,976	151,354	150,119	147,497
Changes of assumptions	-0-	-0-	1,890	26,275	-0-	-0-	-0-	(61,585)	123,043	-0-
Differences between expected and actual experience	48,559	120,696	53,599	(31,370)	(5,875)	9,981	18,877	1,293	(29,276)	(8,357)
Benefit payments, including refunds of employee contributions	(170,248)	(161,249)	(149,331)	(137,603)	(130,376)	(125,581)	(117,548)	(111,763)	(104,428)	(99,155)
Net change in total pension liability	123,990	195,059	125,488	67,113	71,633	87,345	97,366	15,328	174,498	69,029
Total pension liability, beginning of year	2,874,327	2,679,268	2,553,780	2,486,667	2,415,034	2,327,689	2,230,323	2,214,995	2,040,497	1,971,468
Total pension liability, end of year (a)	<u>\$ 2,998,317</u>	<u>\$ 2,874,327</u>	<u>\$ 2,679,268</u>	<u>\$ 2,553,780</u>	<u>\$ 2,486,667</u>	<u>\$ 2,415,034</u>	<u>\$ 2,327,689</u>	<u>\$ 2,230,323</u>	<u>\$ 2,214,995</u>	<u>\$ 2,040,497</u>
Plan fiduciary net position:										
Contributions - employer	\$ 66,245	\$ 62,116	\$ 92,504	\$ 114,476	\$ 229,440	\$ 98,344	\$ 69,119	\$ 90,141	\$ 32,389	\$ 27,645
Contributions - employee	23,124	21,417	19,921	18,096	17,552	18,095	17,411	16,832	15,845	15,271
Net investment income	305,454	225,340	140,540	(189,479)	454,518	92,534	115,867	138,739	171,596	8,316
Benefit payments, including refunds of employee contributions	(170,248)	(161,249)	(149,331)	(137,603)	(130,376)	(125,581)	(117,548)	(111,763)	(104,428)	(99,155)
Administrative expense	(1,833)	(1,969)	(1,705)	(1,566)	(1,943)	(2,628)	(1,270)	(7,474)	(2,275)	(969)
Other miscellaneous income/(expense)	-0-	-0-	-0-	-0-	-0-	-0-	4	(4)	-0-	34
Net change in plan fiduciary net position	222,742	145,655	101,929	(196,076)	569,191	80,764	83,583	126,471	113,127	(48,858)
Plan fiduciary net position, beginning of year	2,565,913	2,420,258	2,318,329	2,514,405	1,945,214	1,864,450	1,780,867	1,654,396	1,541,269	1,590,127
Plan fiduciary net position, end of year (b)	<u>\$ 2,788,655</u>	<u>\$ 2,565,913</u>	<u>\$ 2,420,258</u>	<u>\$ 2,318,329</u>	<u>\$ 2,514,405</u>	<u>\$ 1,945,214</u>	<u>\$ 1,864,450</u>	<u>\$ 1,780,867</u>	<u>\$ 1,654,396</u>	<u>\$ 1,541,269</u>
Net pension liability/(asset), ending (a) - (b)	<u>\$ 209,662</u>	<u>\$ 308,414</u>	<u>\$ 259,010</u>	<u>\$ 235,451</u>	<u>\$ (27,738)</u>	<u>\$ 469,820</u>	<u>\$ 463,239</u>	<u>\$ 449,456</u>	<u>\$ 560,599</u>	<u>\$ 499,228</u>
Plan fiduciary net position as a percentage of the total pension liability	93.0%	89.3%	90.3%	90.8%	101.1%	80.5%	80.1%	79.8%	74.7%	75.5%
Covered payroll	\$ 305,515	\$ 290,769	\$ 265,184	\$ 256,965	\$ 257,613	\$ 254,756	\$ 247,759	\$ 235,902	\$ 223,685	\$ 207,119
Net pension liability/(asset) as a percentage of covered payroll	68.6%	106.1%	97.7%	91.6%	-10.8%	184.4%	187.0%	190.5%	250.6%	241.0%

Notes to Schedule:

Changes of Benefit Terms: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes in Assumptions: There were no assumption changes in 2023 through 2025. Effective with the June 30, 2021, valuation date (June 30, 2022, measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017, through June 30, 2021, and 7.65% for measurement date June 30, 2016.

Schedule of Plan Contributions for Pension - PERS Plan - Unaudited

	2025	2024	2023	2022	2021	December 31,		2017	2016	
						2020	2019			
							(thousands of dollars)			
Actuarially determined contribution	\$ 40,150	\$ 28,316	\$ 45,171	\$ 44,599	\$ 54,315	\$ 52,276	\$ 49,119	\$ 40,142	\$ 32,389	\$ 27,645
Contributions in relation to the actuarially determined contribution	(66,245)	(62,116)	(92,504)	(114,476)	(229,440)	(98,344)	(69,119)	(90,142)	(32,389)	(27,645)
Contribution excess	<u>\$ (26,095)</u>	<u>\$ (33,800)</u>	<u>\$ (47,333)</u>	<u>\$ (69,877)</u>	<u>\$ (175,125)</u>	<u>\$ (46,068)</u>	<u>\$ (20,000)</u>	<u>\$ (50,000)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered payroll	\$ 305,515	\$ 290,769	\$ 265,184	\$ 256,965	\$ 257,613	\$ 254,756	\$ 247,759	\$ 235,902	\$ 223,685	\$ 207,119
Contributions as a percentage of covered payroll	21.7%	21.4%	34.9%	44.5%	89.1%	38.6%	27.9%	38.2%	14.5%	13.4%

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for the year ended December 31, 2025 was derived from the June 30, 2022 funding valuation report.

Actuarial cost method	Entry age Actuarial Cost Method
Amortization method/period	For details, see June 30, 2022 Funding Valuation Report
Asset valuation method	Fair value of assets. For details, see June 30, 2022 Funding Valuation Report
Inflation	2.30%
Salary increases	Varies by entry age and service
Payroll growth	2.80%
Investment rate of return	6.80% Net of pension plan investment and administrative expenses; includes inflation
Retirement age	The probabilities of retirement are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.
Mortality	The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In 2024, the investment rate of return was changed from 7.00% to 6.80%. In 2021, the investment rate of return was changed from 7.25% to 7.00%. In 2020, the investment rate of return was 7.25%. Prior to 2024, the probabilities of retirement and mortality are based on the 2017 CalPERS Experience Study for the period from 2000 to 2019. Prior to 2020, the probabilities of mortality are based on the 2014 PERS Experience Study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries. Prior to 2017, the retirement age and mortality assumptions were based on the 2010 PERS Experience Study for the period from 1997 to 2007. In addition, the mortality assumption for pre-retirement and post-retirement rates included 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

Schedule of Changes in Net OPEB Asset or Liability and Related Ratios During the Measurement Period - Unaudited

OPEB. The schedule of changes in NOA or NOL and related ratios is presented above for the years for which SMUD has available data. SMUD will add to this schedule each year and when it reaches 10 years it will contain the last 10 years data which will then be updated each year going forward.

	December 31,								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
	(thousands of dollars)								
Total OPEB liability:									
Service cost	\$ 8,983	\$ 8,709	\$ 8,303	\$ 8,744	\$ 8,426	\$ 8,903	\$ 8,946	\$ 9,263	\$ 8,993
Interest on total OPEB liability	25,417	23,720	22,126	22,728	25,008	26,653	26,766	29,656	28,676
Changes of assumptions	4,635	-	17,036	(7,127)	5,895	(11,453)	15,332	3,105	-
Differences between expected and actual experience	30,227	20,552	(5,263)	(12,231)	(18,938)	(23,529)	(6,885)	(59,921)	-
Benefit payments	(25,426)	(24,745)	(24,967)	(24,169)	(24,081)	(23,848)	(24,521)	(24,672)	(22,192)
Net change in total OPEB liability	43,836	28,236	17,235	(12,055)	(3,690)	(23,274)	19,638	(42,569)	15,477
Total OPEB liability, beginning of year	425,935	397,699	380,464	392,519	396,209	419,483	399,845	442,414	426,937
Total OPEB liability, end of year (a)	<u>\$ 469,771</u>	<u>\$ 425,935</u>	<u>\$ 397,699</u>	<u>\$ 380,464</u>	<u>\$ 392,519</u>	<u>\$ 396,209</u>	<u>\$ 419,483</u>	<u>\$ 399,845</u>	<u>\$ 442,414</u>
Plan fiduciary net position:									
Contributions - employer	\$ 11,597	\$ 11,250	\$ 9,096	\$ 860	\$ 818	\$ 13,299	\$ 13,963	\$ 34,243	\$ 114,573
Net investment income (loss)	43,474	33,053	14,632	(52,917)	76,479	20,447	20,132	27,295	24,104
Benefit payments	(25,426)	(24,745)	(24,967)	(24,169)	(24,081)	(23,848)	(24,521)	(24,672)	(22,192)
Administrative expense	(134)	(120)	(107)	(114)	(144)	(191)	(81)	(635)	(123)
Net change in plan fiduciary net position	29,511	19,438	(1,346)	(76,340)	53,072	9,707	9,493	36,231	116,362
Plan fiduciary net position, beginning of year	391,803	372,365	373,711	450,051	396,979	387,272	377,779	341,548	225,186
Plan fiduciary net position, end of year (b)	<u>\$ 421,314</u>	<u>\$ 391,803</u>	<u>\$ 372,365</u>	<u>\$ 373,711</u>	<u>\$ 450,051</u>	<u>\$ 396,979</u>	<u>\$ 387,272</u>	<u>\$ 377,779</u>	<u>\$ 341,548</u>
Net OPEB (asset) or liability, ending (a) - (b)	<u>\$ 48,457</u>	<u>\$ 34,132</u>	<u>\$ 25,334</u>	<u>\$ 6,753</u>	<u>\$ (57,532)</u>	<u>\$ (770)</u>	<u>\$ 32,211</u>	<u>\$ 22,066</u>	<u>\$ 100,866</u>
Plan fiduciary net position as a percentage of the total OPEB liability	89.7%	92.0%	93.6%	98.2%	114.7%	100.2%	92.3%	94.5%	77.2%
Covered payroll	\$ 377,665	\$ 346,382	\$ 345,500	\$ 301,746	\$ 289,014	\$ 287,001	\$ 282,993	\$ 269,753	\$ 252,211
Net OPEB (asset) or liability as a percentage of covered payroll	12.8%	9.9%	7.3%	2.2%	-19.9%	-0.3%	11.4%	8.2%	40.0%

Notes to Schedule

Benefit Changes: There were no changes to benefits.

Changes in Assumptions: In 2025, the discount rate was updated based on cash flow projection of Strategy 1 and Strategy 3 funds. In 2024, there were no changes of assumptions. In 2023, the healthcare trends were updated. In 2022, the long-term rate of return for Strategy 3 was updated based on newer target asset allocation, the discount rate was updated based on crossover test, the demographic assumptions were updated to CalPERS 2000-2019 Experience Study, and the mortality improvement scale was updated to Scale MP-2021. In 2021, the discount rate was updated due to weighting of Strategy 1 and Strategy 3 and updated capital market assumptions, the mortality improvement scale was updated to Scale MP-2020, the inflation rate was changed to 2.5% and the implied subsidy was removed for Medicare Advantage Plans. In 2020, the discount rate reflected the split of assets between Strategy 1 and Strategy 3, the mortality improvement scale was updated to Scale MP-2019, and the Kaiser Medicare trend rates were updated.

Schedule of Plan Contributions for OPEB

OPEB Plan. The schedule of OPEB contributions is presented below for the years for which SMUD has available data. SMUD will add to this schedule each year and when it reaches 10 years it will contain the last 10 years data which will then be updated each year going forward.

	2025	2024	2023	2022	2021	December 31,		2018	2017
						2020	2019		
	(thousands of dollars)								
Actuarially determined contribution	\$ 11,461	\$ 10,650	\$ 8,566	\$ 5,425	\$ 8,661	\$ 12,201	\$ 10,710	\$ 15,366	\$ 16,472
Contributions in relation to the actuarially determined contribution	(11,277)	(11,864)	(8,806)	(1,157)	(853)	(13,233)	(13,155)	(35,128)	(116,181)
Contribution deficiency (excess)	\$ 184	\$ (1,214)	\$ (240)	\$ 4,268	\$ 7,808	\$ (1,032)	\$ (2,445)	\$ (19,762)	\$ (99,709)
Covered payroll	\$ 381,485	\$ 376,418	\$ 342,236	\$ 318,094	\$ 285,425	\$ 289,552	\$ 286,835	\$ 277,193	\$ 260,210
Contributions as a percentage of covered payroll	3.0%	3.2%	2.6%	0.4%	0.3%	4.6%	4.6%	12.7%	44.6%

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for the year ended December 31, 2025 were derived from the June 30, 2024 funding valuation report.

Actuarial cost method	Entry age normal, Level percent of pay
Amortization method	Level percent of pay
Amortization period	21-year fixed period for 2024/25
Asset valuation method	Market value of assets
Discount rate	6.25% for all actives and retirements after 6/30/2018, 5.25% for all retirements before 6/30/2018
Inflation	2.50%
Medical trend	Non-Medicare: 7.90% for 2026, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser): 6.90% for 2026, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Kaiser): 5.65% for 2026, decreasing to an ultimate rate of 3.45% in 2076
Mortality	CalPERS 2000-2019 experience study
Mortality improvement	Mortality projected fully generational with Scale MP-21

In 2025, the amortization period was for a 21-year fixed period. Mortality assumption used PERS 2000-2019 experience study. The mortality improvement projected fully generational with Scale MP-21. In 2024, the amortization period was for a 22-year fixed period. Mortality assumption used PERS 2000-2019 experience study. The mortality improvement projected fully generational with Scale MP-21. In 2022, the amortization period was for a 24-year fixed period. Mortality assumption used PERS 1997-2015 experience study. The mortality improvement projected fully generational with Scale MP-20. In 2021, the amortization period was for a 25-year fixed period. Mortality assumption used PERS 1997-2015 experience study. The mortality improvement projected fully generational with Scale MP-19. In 2020, the amortization period was for a 26-year fixed period. Mortality assumption used PERS 1997-2015 experience study. The mortality improvement projected fully generational with Scale MP-18. In 2019, the amortization period was for a 27-year fixed period. Mortality assumption used PERS 1997-2015 experience study. The mortality improvement projected fully generational with Scale MP-17. In 2018, the amortization period was for a 28-year fixed period. Mortality assumption used PERS 1997-2011 experience study. The mortality improvement projected fully generational with Scale MP-16. In 2017, the amortization period was for a 29-year fixed period. The inflation rate was 3.0% and the discount rate was 7.25%. The mortality projected fully generational with Scale MP-14, modified to converge in 2022.

Northern California Energy Authority

Financial Statements
and Independent Auditors' Report
December 31, 2025 and 2024

NORTHERN CALIFORNIA ENERGY AUTHORITY
TABLE OF CONTENTS

Independent Auditors' Report	1
Required Supplementary Information	
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	
Note 1. Organization and Operations	10
Note 2. Summary of Significant Accounting Policies	11
Note 3. Cash, Cash Equivalents, and Investments	13
Note 4. Prepaid Commodity Supply	14
Note 5. Long-term Debt	15
Note 6. Commitments	17
Note 7. Contingencies	17

NORTHERN CALIFORNIA ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Using this Financial Report

This annual financial report for Northern California Energy Authority (Agency) consists of management's discussion and analysis and the financial statements, including notes to financial statements. The Financial Statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Agency's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board. The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission.

Overview of the Financial Statements

The following discussion and analysis of the financial performance of the Agency provides an overview of the financial activities for the years ended December 31, 2025 and 2024. This discussion and analysis should be read in conjunction with the Agency's financial statements and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report all of the Agency's revenues and expenses during the periods shown.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses such as payments for debt service.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Organization and Nature of Operations

The Agency is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Municipal Utility District Financing Authority (SFA) in 2018. SFA is a JPA formed by SMUD and the Modesto Irrigation District. The Agency was formed for the purpose of prepaying for a fixed quantity supply of natural gas and electricity to be delivered over a thirty-year period by J. Aron & Company LLC (J. Aron) under a Prepaid Commodity Sales Agreement (Prepaid Agreement) between the Agency and J. Aron. The Prepaid Agreement, which originally terminates in May 2049, has been amended to terminate in October 2054. The Agency then sells the natural gas and electricity to SMUD. The Agency issued bonds in December 2018 and commenced gas sales in June 2019. In April 2024, the Agency issued 2024 Commodity Supply Revenue Refunding bonds for the purpose of refunding the debt associated with the 2018 bonds and increasing the value of the prepaid commodity.

SMUD purchases all the natural gas and electricity delivered to the Agency pursuant to the Commodity Supply Contract between SMUD and the Agency. The Agency has no employees, and SMUD contributes to the Agency the actual costs of providing general and administrative services.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, due to the extent of its operational and financial relationship with SMUD, it is included in the financial statements of SMUD.

FINANCIAL POSITION

The following table summarizes the financial position as of December 31 (in thousands).

CONDENSED STATEMENTS OF NET POSITION

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Assets			
Current assets	\$ 41,008	\$ 43,720	\$ 43,765
Noncurrent assets	678,266	687,870	509,358
Total assets	<u>\$ 719,274</u>	<u>\$ 731,590</u>	<u>\$ 553,123</u>
Liabilities			
Long-term debt - net	\$ 710,347	\$ 722,286	\$ 525,193
Current liabilities	19,245	19,824	27,630
Noncurrent liabilities	126	60	248
Total liabilities	729,718	742,170	553,071
Deferred Inflows of Resources	2,107	2,567	-0-
Net position			
Restricted	12,163	15,263	8,931
Unrestricted	(24,714)	(28,410)	(8,879)
Total net position	<u>(12,551)</u>	<u>(13,147)</u>	<u>52</u>
Total liabilities and net position	<u>\$ 719,274</u>	<u>\$ 731,590</u>	<u>\$ 553,123</u>

TOTAL ASSETS

Total assets in 2025 decreased \$12.3 million or 1.7% over 2024, primarily due to a \$9.5 million decrease in prepaid commodity supply due to the amortization for gas delivered in 2025 and \$1.8 million decrease in restricted investments due to lower reserve for long-term debt due within one year.

Total assets in 2024 increased \$178.5 million or 32.3% over 2023, primarily due to a \$187.9 million increase in prepaid commodity supply due to the amendment to the prepaid commodity sales agreement, offset by a \$8.4 million decrease in prepaid commodity supply due to the amortization for gas delivered in 2024.

TOTAL LIABILITIES & NET POSITION

Total liabilities in 2025 decreased \$12.5 million or 1.7% over 2024, primarily due to a \$12.6 million decrease in long-term debt - net as a result of \$5.5 million scheduled principal payment and \$7.1 million amortization of bond premium.

Net position in 2025 increased \$0.6 million over 2024, based on results of operations, offset by a \$2.5 million distribution to Member.

Total liabilities in 2024 increased \$189.1 million or 34.2% over 2023, primarily due to a \$195.8 million increase in long-term debt - net as a result of the issuance of 2024 Commodity Supply Revenue Refunding bonds for the purpose of refunding the debt associated with the 2018 bonds, offset by a \$6.6 million amortization of bond premium.

Net position in 2024 decreased \$13.2 million over 2023, based on results of operations.

RESULTS OF OPERATIONS

The following table summarizes the operating results for the years ended December 31 (in thousands).

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

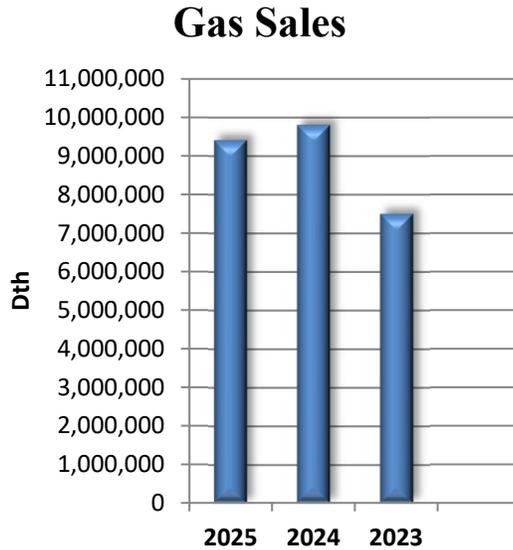
	2025	2024	2023
Operating revenues	\$ 38,417	\$ 38,290	\$ 26,303
Operating expenses	(9,549)	(8,500)	(4,366)
Operating income	28,868	29,790	21,937
Interest income - net	967	514	552
Interest on debt	(26,813)	(24,229)	(16,831)
Other expenses	-0-	(19,772)	-0-
Change in net position before distributions and contributions	3,022	(13,697)	5,658
Distributions to Member	(2,508)	-0-	(1,103)
Member contributions	82	498	107
Change in net position	596	(13,199)	4,662
Net position - beginning of year	(13,147)	52	(4,610)
Net position - end of year	<u>\$ (12,551)</u>	<u>\$ (13,147)</u>	<u>\$ 52</u>

OPERATING REVENUES

Total operating revenues were \$38.4 million for 2025, an increase of \$0.1 million or 0.3% over 2024. The gas dekatherm (Dth) sales decreased 4.1% compared to 2024. Gas sales to Member increased \$3.5 million due to higher gas price index, offset by a decrease of \$3.3 million in gas swap settlement - net due to lower net swap price.

Total operating revenues were \$38.3 million for 2024, an increase of \$12.0 million or 45.6% over 2023. The Dth sales increased 30.8% compared to 2023. Gas swap settlement - net increased \$48.8 million due to higher net swap price, offset by a decrease of \$36.8 million in gas sales to Member as a result of lower gas price index.

The following chart shows gas sales to Member for the past three years.



OPERATING EXPENSES

Total operating expenses were \$9.5 million for 2025, an increase of \$1.0 million or 12.3% over 2024, primarily due to an increase of \$1.1 million amortization of the prepaid commodity supply.

Total operating expenses were \$8.5 million for 2024, an increase of \$4.1 million or 94.7% over 2023, primarily due to an increase of \$4.1 million amortization of the prepaid commodity supply.

NON-OPERATING REVENUES (EXPENSES)

Total non-operating revenues (expenses) were (\$25.8) million expenses for 2025, a decrease of \$17.6 million expense or 40.6% over 2024, primarily due to \$19.8 million cost of issuance incurred in 2024 as a result of refunding of the 2018 bonds, partially offset by a higher interest expense of \$2.6 million as a result of a higher debt balance.

Total non-operating revenues (expenses) were (\$43.5) million expenses for 2024, an increase of \$27.2 million expense or 167.1% over 2023, primarily due to \$19.8 million cost of issuance and \$7.4 million increase in interest expense as a result of refunding of the 2018 bonds.

Requests for Information

For more information about the Northern California Energy Authority, visit our website at www.smud.org or contact us at customerservices@smud.org.

NORTHERN CALIFORNIA ENERGY AUTHORITY
STATEMENTS OF NET POSITION

	December 31,	
	2025	2024
ASSETS		
CURRENT ASSETS		
Restricted cash and cash equivalents	\$ 10,121	\$ 1,175,575
Restricted investments	26,684,200	28,516,848
Receivables:		
Gas sales to Member	4,709,520	4,313,340
Accrued interest and other	-0-	246,636
Prepaid commodity supply	9,604,298	9,467,057
Total current assets	41,008,139	43,719,456
NONCURRENT ASSETS		
Prepaid commodity supply	678,266,114	687,870,412
Total noncurrent assets	678,266,114	687,870,412
TOTAL ASSETS	\$ 719,274,253	\$ 731,589,868
LIABILITIES		
LONG-TERM DEBT - net	\$ 710,346,818	\$ 722,285,686
CURRENT LIABILITIES		
Long-term debt due within one year	4,840,000	5,455,000
Accrued interest and other	14,404,648	14,368,751
Total current liabilities	19,244,648	19,823,751
NONCURRENT LIABILITIES		
Arbitrage rebate liability	126,300	60,402
Total noncurrent liabilities	126,300	60,402
TOTAL LIABILITIES	729,717,766	742,169,839
DEFERRED INFLOWS OF RESOURCES		
Unamortized bond gains	2,107,473	2,567,285
TOTAL DEFERRED INFLOWS OF RESOURCES	2,107,473	2,567,285
NET POSITION		
Restricted	12,163,373	15,263,270
Unrestricted	(24,714,359)	(28,410,526)
TOTAL NET POSITION	(12,550,986)	(13,147,256)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 719,274,253	\$ 731,589,868

The accompanying notes are an integral part of these financial statements.

NORTHERN CALIFORNIA ENERGY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31,	
	2025	2024
OPERATING REVENUES		
Gas sales to Member	\$ 27,785,336	\$ 24,301,041
Gas swap settlement - net	10,631,645	13,973,910
Other gas sales	-0-	15,548
Total operating revenues	38,416,981	38,290,499
OPERATING EXPENSES		
Prepaid commodity amortization	9,467,057	8,394,357
Administrative and general	82,281	106,157
Total operating expenses	9,549,338	8,500,514
OPERATING INCOME	28,867,643	29,789,985
NON-OPERATING REVENUES (EXPENSES)		
Interest income - net	966,543	513,894
Interest on debt	(26,812,673)	(24,228,323)
Other expenses	-0-	(19,772,300)
Total non-operating revenues (expenses)	(25,846,130)	(43,486,729)
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS AND CONTRIBUTIONS		
	3,021,513	(13,696,744)
Distributions to Member	(2,507,524)	-0-
Member contributions	82,281	497,961
CHANGE IN NET POSITION	596,270	(13,198,783)
NET POSITION - BEGINNING OF YEAR	(13,147,256)	51,527
NET POSITION - END OF YEAR	\$ (12,550,986)	\$ (13,147,256)

The accompanying notes are an integral part of these financial statements.

**NORTHERN CALIFORNIA ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from gas sales to Member	\$ 27,389,156	\$ 26,227,592
Other receipts/payments - net	11,027,825	11,436,050
Net cash provided by operating activities	38,416,981	37,663,642
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from bond issuance, net of premium	-0-	192,318,022
Repayment of long-term debt	(5,455,000)	-0-
Payments for prepaid commodity supply	-0-	(187,893,579)
Payments for debt issue costs	-0-	(9,627,969)
Interest payments on long-term debt	(34,485,000)	(25,819,768)
Distributions to Member	(2,507,524)	-0-
Net cash used in noncapital financing activities	(42,447,524)	(31,023,294)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments	41,175,646	38,524,138
Purchases of investments	(39,342,998)	(48,551,575)
Interest received	1,032,441	747,538
Net cash provided by (used in) investing activities	2,865,089	(9,279,899)
Net decrease in cash and cash equivalents	(1,165,454)	(2,639,551)
Cash and cash equivalents - beginning of year	1,175,575	3,815,126
Cash and cash equivalents - end of the year	\$ 10,121	\$ 1,175,575
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 28,867,643	\$ 29,789,985
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization of prepaid gas supply	9,467,057	8,394,357
Changes in operating assets and liabilities:		
Receivables	(149,544)	1,679,915
Prepaid expenses	-0-	29,365
Payables and accruals	231,825	(2,229,980)
Net cash provided by operating activities	\$ 38,416,981	\$ 37,663,642
SUPPLEMENTAL DISCLOSURE OF		
NONCASH FINANCING ACTIVITIES		
Amortization of debt related premium and gain on refunding	\$ 7,558,680	\$ 6,901,882
Gain on refunding of long-term debt	-0-	2,907,035
Contributions from Member	82,281	497,961
Net proceeds from bond refundings deposited directly into escrow account	-0-	541,184,510
Underwriter's discount on bond refunding	-0-	3,433,289

The accompanying notes are an integral part of these financial statements.

NORTHERN CALIFORNIA ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2025 and 2024

NOTE 1. ORGANIZATION AND OPERATIONS

The Northern California Energy Authority (Agency) is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Municipal Utility District Financing Authority (SFA) pursuant to the California Government Code (collectively, Members). SFA is a JPA formed by SMUD and the Modesto Irrigation District. The purpose of the Agency is to prepay for a supply of a fixed quantity of natural gas and electricity (commodity) to be delivered over a thirty-year period (Commodity Project) by J. Aron & Company LLC (J. Aron) under a Prepaid Commodity Sales Agreement (Prepaid Agreement) between the Agency and J. Aron. The Prepaid Agreement, which originally terminates in May 2049, has been amended to terminate in October 2054. J. Aron is obligated to make payments to the Agency for any shortfall of commodity not delivered or taken under the Prepaid Agreement for any reason, including force majeure.

The Agency has entered into a Commodity Supply Contract (CSC) with SMUD that provides for the sale of all commodities delivered to the Agency over the term of the Prepaid Agreement. SMUD is obligated to pay the Agency for the quantities of commodity delivered under the CSC and to pay damages for commodity that SMUD fails to take pursuant to the terms of the CSC. SMUD has no obligation to pay for commodity that the Agency fails to deliver. The Agency anticipates that SMUD will be the only project participant with respect to the Commodity Project during the term of the Prepaid Agreement. However, in the event of a default by SMUD under the CSC, the Agency has agreed to terminate the CSC and may enter into a replacement CSC with one or more municipal utilities on substantially the same terms as the CSC.

The Agency has no employees. The Commodity Project is operated by SMUD's staff. SMUD is obligated to contribute to the Agency the actual costs of providing administrative and general services. SMUD contributed \$0.1 and \$0.5 million in 2025 and 2024, respectively.

The JPA agreement will remain in effect until terminated by a supplemental written agreement of the parties; provided, that in no event shall the JPA agreement terminate while any contracts between the Agency and either of the parties or other parties are in effect, or while any bonds or notes of the Agency are outstanding. Commodity Project revenues and the subsequent payments of principal and interest related to the Agency's long-term debt are dependent upon the continued delivery of commodity to the Commodity Project under the Prepaid Agreement. Various termination events are specified in the Prepaid Agreement. Upon the occurrence of any such event, the Prepaid Agreement may be terminated by the Agency or J. Aron. If the Prepaid Agreement is terminated, J. Aron will be required to pay a scheduled termination payment to the Agency. Any termination of the Prepaid Agreement will result in the extraordinary mandatory redemption of the Agency's long-term debt. Neither SFA nor SMUD has any obligation or liability to the Agency beyond that specifically provided for in the JPA agreement or the Commodity Project agreement.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, it is included in the financial statements of SMUD as a component unit because of the extent of its operational and financial relationships with SMUD.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accounting records of the Agency are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Commodity sale revenues, gas swap payments and purchase costs that are directly related to delivery of commodity are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows of resources, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted Assets. The Agency's restricted assets are comprised of U.S. government securities and guaranteed investment contracts which use is limited for specific purposes pursuant to the Indenture of Trust (Indenture) requirements. The Indenture specifies the flow of cash into the various Agency funds and dictates when they may become unrestricted.

Credit and Market Risk. The Agency entered into guaranteed investment contracts and are exposed to credit risk related to nonperformance by its investment provider.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less, obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; Local Agency Investment Fund; and money market funds.

Investments. The Agency's investments consist of guaranteed investment contracts and are measured at cost.

Receivable from Member. The Agency records as a receivable from Member the amounts due from SMUD for the purchase of commodity from the Commodity Project.

Prepaid Commodity Supply. The Agency has prepaid for delivery of a natural gas supply with the proceeds from revenue bonds. The Agency provides for amortization on the historical cost of the prepaid commodity supply on a net present value (NPV) basis in which the change in the NPV of the Prepaid Agreement for the remaining term of its contract life from the beginning of the period to the end of the period is the amortization charged for the period. When the Agency amortizes its prepaid commodity supply, the amortization is recorded against the current portion of prepaid commodity supply.

Derivative Instruments. The Agency enters into a forward contract (commodity price swap agreement) to manage its exposure to market volatility of commodity prices. The Agency does not enter into these agreements for trading purposes. Due to the termination provisions of these agreements, they have no fair value, and therefore, there is no mark-to-market and the Agency does not record these derivative instruments on its Statements of Net Position. The Agency is exposed to the risk of early termination of the Prepaid Agreement if the counterparties default or if the swap agreements are terminated. Net swap payments received or paid are reported as a component of Operating Revenues in the Statements of Revenues, Expenses and Changes in Net Position.

Gains/Losses on Bond Refundings. Gains and losses resulting from bond refundings are included as a component of Deferred Inflows of Resources or Deferred Outflows of Resources in the Statements of Net Position and amortized as a component of Interest on Debt in the Statements of Revenues, Expenses and Changes in Net Position over the shorter of the life of the refunded debt or the new debt using the effective interest method.

Deferred Inflows of Resources. A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized and an inflow of resources (revenue) until that future time.

Amortization of Bond Premiums. Bond premiums are amortized over the life of the bonds using the scientific amortized cost procedure gross method. Unamortized premiums are netted with Long-term Debt - net on the Statements of Net Position.

Commodity Price Swap Agreement. The Agency uses a forward contract to hedge the impact of market volatility on gas commodity prices for its CSC.

Net Position. The Agency classifies its Net Position into two components as follows:

- **Restricted** - This component of net position consists of assets with constraints placed on their use, either externally or internally. Constraints include those imposed by debt indentures, grants or laws and regulations of other governments, by law through constitutional provisions or enabling legislation, or by the Commission. These restricted assets are reduced by liabilities related to those assets. Restricted net assets are composed of cash and cash equivalents set aside to pay the principal and interest bond requirements due within one year, offset by accrued interest and other and the arbitrage rebate liability.
- **Unrestricted** - This component of net position consists of net amount of the assets and liabilities that do not meet the definition of "Restricted."

Gas Sales to Member. Gas sales to Member are recorded as revenues when the natural gas is delivered.

Operating Expenses. Operating expenses include the cost of sales and services, administrative expenses and amortization on prepaid commodity supply assets and are recorded when incurred.

Other Non-operating Expenses. Other non-operating expenses include debt issuance costs on bond refunding.

Distributions to Member. Amounts paid to SMUD from surplus funds are recorded as distributions to Member.

Member Contributions. Amounts contributed by SMUD for the actual costs of providing administrative and general services are recorded as Member contributions.

Subsequent Events. Subsequent events for the Agency have been evaluated through March 6, 2026 which is the date that the financial statements were available to be issued.

Recent Accounting Pronouncements, adopted. In December 2023, GASB issued SGAS No. 102, "*Certain Risk Disclosures*" (GASB No. 102), to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. A concentration is defined as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. This Statement requires a government to disclose such risks if a concentration or constraint could cause a substantial impact within 12 months of the financial statement date. The Agency evaluated its operations and determined that no concentrations or constraints met the criteria for disclosure for the period ending December 31, 2025.

Recent Accounting Pronouncements, not yet adopted. In April 2024, GASB issued SGAS No. 103, “*Financial Reporting Model Improvements*” (GASB No. 103), to improve key components of the financial reporting model. The purposes of the improvements are to (a) enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government’s accountability and (b) address certain application issues. This Statement is effective for the Agency in 2026. The Agency is currently assessing the impact of adopting this statement.

In September 2024, GASB issued SGAS No. 104, “*Disclosure of Certain Capital Assets*” (GASB No. 104), to require certain types of capital assets to be disclosed separately in the capital assets note disclosures. Lease assets and intangible right-to-use assets should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets should also be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class and requires additional disclosures for capital assets held for sale. This Statement is effective for the Agency in 2026. The Agency is currently assessing the impact of adopting this statement.

In December 2025, GASB issued SGAS No. 105, “*Subsequent Events*” (GASB No. 105), to enhance the consistency and quality of financial reporting related to subsequent events. Subsequent events are transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. The Statement defines the “date the financial statements are available to be issued” as the date when the financial statements are complete in accordance with GAAP and all necessary approvals for issuance have been obtained. It also clarifies the distinction between recognized and nonrecognized events and requires disclosure of the date through which subsequent events were evaluated. The requirements of this Statement are effective for the Agency in 2027. The Agency is currently assessing the disclosure impact of adopting this statement.

NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Equivalents and Investments. The Agency’s investment policy is governed by the California State and Municipal Codes and its Indenture, which allow Agency investments to include: obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers’ acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; Local Agency Investment Fund; and money market funds. The Agency’s investment policy also includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities, and minimum credit ratings. The Agency uses the credit ratings of Massachusetts Mutual Life Insurance (MassMutual) and Toronto Dominion Bank (TD Bank).

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To mitigate the risk, the Agency limits investments to those rated at least, at the credit rating of the commodity supplier, or, if the commodity supplier is not rated, the guarantor of the commodity supplier which is currently Goldman Sachs.

Custodial Credit Risk. This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Agency’s deposits may not be returned or the Agency will not be able to recover the value of its deposits, investments or securities that are in the possession of another party. The Agency does not have a deposit or investment policy for custodial credit risk. At December 31, 2025 and 2024, the Agency had money market funds of \$0.01 million and \$1.2 million, respectively, which were uninsured and held in trust for the benefit of the Agency, respectively. At December 31, 2025 and 2024, the Agency had no investments subject to custodial credit risk.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of an entity’s investment in a single issuer. The Agency places no limit on the amounts invested in any one issuer for federal agency securities. The Agency has concentrations of risk greater than five percent invested in TD Bank of 72% and MassMutual of 28% at December 31, 2025 and in TD Bank of 73% and MassMutual of 27% at December 31, 2024.

Interest Rate Risk. This is the risk that investments are exposed to fair value losses arising from increasing interest rates. Though the Agency has restrictions as to the maturities of some of the investments, it does not have a formal policy for interest rate risk. The Agency had no investments subject to this risk at December 31, 2025 and 2024. At December 31, 2025 and 2024, all investment funds were in guaranteed investment contracts that will terminate on August 1, 2030.

Investment Agreement. The Agency has entered into guaranteed investment contracts in which it has agreed to invest the debt service fund for a fixed rate of return of 4.52% with TD Bank, and the debt service reserve and the swap reserve funds for a guaranteed fixed rate of return of 4.72% with MassMutual. These agreements terminate on August 1, 2030.

The following schedules present credit risk by type of security held at December 31, 2025 and 2024. The credit ratings listed are from Standard & Poor's.

The Agency's cash, cash equivalents, and investments consist of the following:

	Credit Rating	December 31,	
		2025	2024
Cash and cash equivalents:			
Money market funds	AAAm	\$ 10,121	\$ 1,175,575
Total cash and cash equivalents		10,121	1,175,575
Investments:			
Guaranteed investment contracts	A+/AA+	26,684,200	28,516,848
Total investments		26,684,200	28,516,848
Total cash, cash equivalents, and investments		\$ 26,694,321	\$ 29,692,423

The Agency's cash, cash equivalents, and investments are classified in the Statements of Net Position as follows:

	December 31,	
	2025	2024
Cash, cash equivalents, and investments:		
Debt service funds	\$ 23,684,227	\$ 25,528,092
Total debt service funds	23,684,227	25,528,092
Other restricted funds:		
Working capital fund	3,000,000	3,000,000
Revenue fund	10,094	1,164,331
Total other restricted funds	3,010,094	4,164,331
Total cash, cash equivalents, and investments	\$ 26,694,321	\$ 29,692,423

NOTE 4. PREPAID COMMODITY SUPPLY

In April 2024, the original 2018 Prepaid Agreement was amended and restated through 2054, as a result of the issuance of the 2024 Commodity Supply Revenue Refunding Bonds.

The Agency's prepaid commodity supply is presented below:

	December 31,	
	2025	2024
Prepaid commodity supply	\$ 687,870,412	\$ 697,337,469
Less: amounts due within one year	(9,604,298)	(9,467,057)
Total prepaid commodity supply - noncurrent portion	\$ 678,266,114	\$ 687,870,412

The following summarizes prepaid commodity supply activity for the year ended December 31, 2025:

	January 1, 2025	Additions	Amortizations	December 31, 2025
Prepaid commodity supply	\$ 697,337,469	\$ -0-	\$ (9,467,057)	\$ 687,870,412

The following summarizes prepaid commodity supply activity for the year ended December 31, 2024:

	January 1, 2024	Additions	Amortizations	December 31, 2024
Prepaid commodity supply	\$ 524,549,289	\$ 187,893,579	\$ (15,105,399)	\$ 697,337,469

The prepaid commodity supply is the discounted NPV of the fixed monthly natural gas prices per million British Thermal Units (MMBtu) as specified in, and over the remaining term of, the Prepaid Agreement.

NOTE 5. LONG-TERM DEBT

The Agency issued \$689.7 million of 2024 Commodity Supply Revenue Refunding Bonds (Bonds) in April 2024 maturing in December 2054, with a mandatory tender purchase in August 2030.

The Agency's long-term debt is presented below:

	December 31,	
	2025	2024
2024 Commodity supply revenue refunding bonds, fixed rate 5.0%, 2026-2054	\$ 684,245,000	\$ 689,700,000
Unamortized premiums	30,941,818	38,040,686
Total long-term debt	715,186,818	727,740,686
Less: amounts due within one year	(4,840,000)	(5,455,000)
Total long-term debt - net	\$ 710,346,818	\$ 722,285,686

The following summarizes long-term debt activity for the year ended December 31, 2025:

	January 1, 2025	Additions	Payments/ Amortizations	December 31, 2025
2024 Commodity supply revenue refunding bonds	\$ 689,700,000	\$ -0-	\$ (5,455,000)	\$ 684,245,000
Unamortized premiums	38,040,686	-0-	(7,098,868)	30,941,818
Total long-term debt	\$ 727,740,686	\$ -0-	\$ (12,553,868)	\$ 715,186,818

The following summarizes long-term debt activity for the year ended December 31, 2024:

	January 1, 2024	Additions	Defeasance, Payments or Amortizations	December 31, 2024
2024 Commodity supply revenue refunding bonds	\$ -0-	\$ 689,700,000	\$ -0-	\$ 689,700,000
2018 Commodity supply revenue bonds	537,295,000	-0-	(537,295,000)	-0-
Unamortized premiums	<u>2,403,431</u>	<u>43,346,310</u>	<u>(7,709,055)</u>	<u>38,040,686</u>
Total long-term debt	<u>\$ 539,698,431</u>	<u>\$ 733,046,310</u>	<u>\$ (545,004,055)</u>	<u>\$ 727,740,686</u>

At December 31, 2025 scheduled annual principal maturities and interest are as follows:

Year	Principal	Interest	Total
2026	\$ 4,840,000	\$ 34,212,250	\$ 39,052,250
2027	5,085,000	33,970,250	39,055,250
2028	7,625,000	33,716,000	41,341,000
2029	6,775,000	33,334,750	40,109,750
2030	10,045,000	32,996,000	43,041,000
2031 – 2035 (combined)	127,260,000	150,271,250	277,531,250
2036 – 2040 (combined)	155,165,000	115,064,000	270,229,000
2041 – 2045 (combined)	97,175,000	82,669,750	179,844,750
2046 – 2050 (combined)	127,410,000	55,517,000	182,927,000
2051 – 2054 (combined)	<u>142,865,000</u>	<u>19,487,000</u>	<u>162,352,000</u>
Total	<u>\$ 684,245,000</u>	<u>\$ 591,238,250</u>	<u>\$ 1,275,483,250</u>

Interest in the preceding table includes interest requirements at current fixed rate coupon of 5.0 percent until mandatory remarketing date on August 1, 2030, and an assumed 5.0 percent fixed rate after mandatory remarketing. Principal in the preceding table includes known principal payments until mandatory remarketing date and the amortization schedule after mandatory remarketing date.

The Agency had pledged future net revenues to repay \$684.2 million and \$689.7 million at December 31, 2025 and 2024, respectively, for Bonds issued in April 2024. Proceeds from the Bonds were used to purchase the Commodity Project from J. Aron with the remaining amounts used to fund the appropriate accounts for the Agency. The Bonds, payable through 2054, are secured solely by a pledge of and lien on the trust estate under the Indenture which includes bond proceeds, rights under the CSC, revenues, any termination payment and any investment income. Annual principal and interest payments on the Bonds are expected to require approximately 100% of the Agency's net revenues. The total principal and interest remaining to be paid on the Bonds is \$852.5 million and \$892.4 million at December 31, 2025 and 2024, respectively. The remaining balances to be paid excludes the assumed interest payments after mandatory remarketing. Debt service payments on the Bonds are made semi-annually on February 1 and August 1. The Agency made the first bond principal payment on August 1, 2025 in the amount of \$5.5 million. Interest paid was \$34.5 million and \$27.6 million for 2025 and 2024, respectively. The 2024 interest paid includes interest payments on the 2024 and 2018 bonds. Total gross revenues were \$39.4 million and \$38.8 million for 2025 and 2024, respectively.

The ability of the Agency to pay related principal and interest payments associated with the Bonds is contingent upon the continued successful operation of the Commodity Project. If the Prepaid Agreement were to terminate, a termination payment would be received into the trust estate from J. Aron. The amount of the termination payment, together with the amounts required to be on deposit in certain funds and accounts held by the trustee, has been calculated to provide a sum sufficient to pay the redemption price of the Bonds upon early termination of the Prepaid Agreement. The amount of termination payment

declines over time as J. Aron performs its commodity delivery obligations under the Prepaid Agreement. The Members are not obligated to pay debt service costs if the Commodity Project is unable to operate pursuant to the Prepaid Agreement or if revenues generated by the Commodity Project are insufficient to meet debt service obligations.

2024 Bond Issuance. In April 2024, the Agency issued \$689.7 million of 2024 Commodity Supply Revenue Refunding bonds. The 2024 Bonds mature in December 2054 and come with a mandatory tender purchase in August 2030. The purpose of this transaction was to refund the debt associated with 2018 Commodity Supply Revenue bonds. Proceeds from the 2024 Bonds refunded all the outstanding 2018 Bonds. A total of \$537.3 million of bonds were defeased through a legal defeasance, and accordingly, the liability for the defeased bonds has been removed from Long-term Debt - net in the Statements of Net Position. The refunding resulted in the recognition of a deferred gain on bond refunding of \$2.9 million, which is being amortized over the life of the refunding issue.

Terms of Debt Indenture. The debt indenture contains a provision that in an event of default, the holders of the majority of the debt outstanding are entitled to declare the outstanding amounts due immediately.

NOTE 6. COMMITMENTS

Commodity Price Swap Agreement. The Agency has entered into a floating-to-fixed natural gas and electricity commodity price swap agreement (Commodity Swap Agreement) with a counterparty for the purpose of fixing the variable price on the Agency's commodity sales to SMUD under the CSC. The Agency pays an index-based commodity price over the thirty-year period and receives a fixed commodity price as specified in the Commodity Swap Agreement, for notional quantities of commodity at a pricing point corresponding to the daily contract quantity and the delivery point under the Prepaid Agreement. The Commodity Swap Agreement terminates on October 1, 2054. The total notional amount of the Commodity Swap Agreement remaining at December 31, 2025 through June 30, 2028, is 23.7 million MMBtu for gas and 23.9 million MWh for electricity for July 1, 2028 through October 1, 2054. Presently, the Commodity Swap Agreement is an average of 25,982 MMBtu per calendar day through June 30, 2028 for gas, and 2,482 MWh per day for electricity starting July 1, 2028. Actual daily commodity deliveries will vary from month to month, changing on the first day of the month. Early termination of the Commodity Swap Agreement would occur upon termination of the Prepaid Agreement for any reason whatsoever. Upon early termination, the Commodity Swap Agreement would have no value to either party.

NOTE 7. CONTINGENCIES

General Contingencies. The Agency's ability to make principal and interest payments on its Bonds is contingent upon the continued delivery of commodity to the Commodity Project under the Prepaid Agreement. The Members are not obligated to make principal and interest debt service payments in the event the Commodity Project does not operate and there are insufficient funds to pay the bondholders. The Agency expects that the commodity will continue to be delivered as planned.

In the normal operation of business, the Agency is party to various claims, legal actions and complaints. Management and the Agency's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the Agency.

Northern California Gas Authority No. 1

Financial Statements
and Independent Auditors' Report
December 31, 2025 and 2024

NORTHERN CALIFORNIA GAS AUTHORITY No. 1
TABLE OF CONTENTS

Independent Auditors' Report	1
Required Supplementary Information	
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	
Note 1. Organization and Operations	10
Note 2. Summary of Significant Accounting Policies	11
Note 3. Cash, Cash Equivalents, and Investments	13
Note 4. Prepaid Gas Supply	15
Note 5. Long-term Debt	15
Note 6. Commitments	17
Note 7. Contingencies	18

NORTHERN CALIFORNIA GAS AUTHORITY No. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Using this Financial Report

This annual financial report for Northern California Gas Authority No. 1 (Agency) consists of management's discussion and analysis and the financial statements, including notes to financial statements. The Financial Statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Agency's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board. The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission.

Overview of the Financial Statements

The following discussion and analysis of the financial performance of the Agency provides an overview of the financial activities for the years ended December 31, 2025, and 2024. This discussion and analysis should be read in conjunction with the Agency's financial statements and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report all of the Agency's revenues and expenses during the periods shown.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses such as payments for debt service.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Organization and Nature of Operations

The Agency is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Municipal Utility District Financing Authority (SFA) in 2007. SFA is a JPA formed by SMUD and the Modesto Irrigation District. The Agency was formed for the purpose of prepaying for a fixed quantity supply of natural gas to be delivered over a twenty-year period by Morgan Stanley Capital Group, Inc. (MSCG) under a Prepaid Gas Purchase and Sale Agreement (Prepaid Gas Supply) between the Agency and MSCG. The Agency then sells the natural gas to SMUD. The Agency issued bonds in May 2007 and commenced gas sales in June 2007.

SMUD purchases all of the natural gas delivered to the Agency pursuant to the Gas Supply Contract between SMUD and the Agency. In 2023, SMUD requested to have its entire daily contract quantity remarketed for each gas day of each month from November 1, 2023, until May 31, 2027. MSCG shall purchase all of the remarketed gas for its own account and make payment of such disposition proceeds to the Agency consistent with the terms of the Prepaid Agreement. The Agency has no employees, and SMUD contributes to the Agency the actual costs of providing general and administrative services.

The Agency’s Commission is comprised of SMUD’s Board of Directors. The Agency is a separate legal entity; however, due to the extent of its operational and financial relationship with SMUD, it is included in the financial statements of SMUD.

FINANCIAL POSITION

The following table summarizes the financial position as of December 31 (in thousands).

CONDENSED STATEMENTS OF NET POSITION

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Assets			
Current assets	\$ 56,361	\$ 51,027	\$ 45,409
Noncurrent assets	16,284	52,230	84,273
	<u>\$ 72,645</u>	<u>\$ 103,257</u>	<u>\$ 129,682</u>
Liabilities			
Long-term debt - net	\$ 34,825	\$ 66,245	\$ 94,540
Current liabilities	33,187	30,366	27,315
Total liabilities	<u>68,012</u>	<u>96,611</u>	<u>121,855</u>
Net position			
Restricted	16,528	14,954	12,500
Unrestricted	<u>(11,895)</u>	<u>(8,308)</u>	<u>(4,673)</u>
Total net position	<u>4,633</u>	<u>6,646</u>	<u>7,827</u>
	<u>\$ 72,645</u>	<u>\$ 103,257</u>	<u>\$ 129,682</u>
Total liabilities and net position			

TOTAL ASSETS

Total assets in 2025 decreased \$30.6 million or 29.7% over 2024, primarily due to a \$31.9 million decrease in prepaid gas supply due to amortization for gas delivered in 2025, partially offset by a \$1.3 million increase in restricted cash and cash equivalents due to higher reserves for long-term debt due within one year.

Total assets in 2024 decreased \$26.4 million or 20.4% over 2023, primarily due to a \$28.5 million decrease in prepaid gas supply due to amortization for gas delivered in 2024, partially offset by a \$2.0 million increase in restricted cash and cash equivalents due to higher reserve for long-term debt due within one year.

TOTAL LIABILITIES & NET POSITION

Total liabilities in 2025 decreased \$28.6 million or 29.6% over 2024, primarily due to a \$28.3 million decrease in long-term debt as a result of scheduled principal payment.

Net position in 2025 decreased \$2.0 million or 30.3% over 2024, based on results of operations and a \$0.8 million distribution to Member.

Total liabilities in 2024 decreased \$25.2 million or 20.7% over 2023, primarily due to a \$25.5 million decrease in long-term debt as a result of scheduled principal payment.

Net position in 2024 decreased \$1.2 million or 15.1% over 2023, based on results of operations and a \$0.6 million distribution to Member.

RESULTS OF OPERATIONS

The following table summarizes the operating results for the years ended December 31 (in thousands).

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

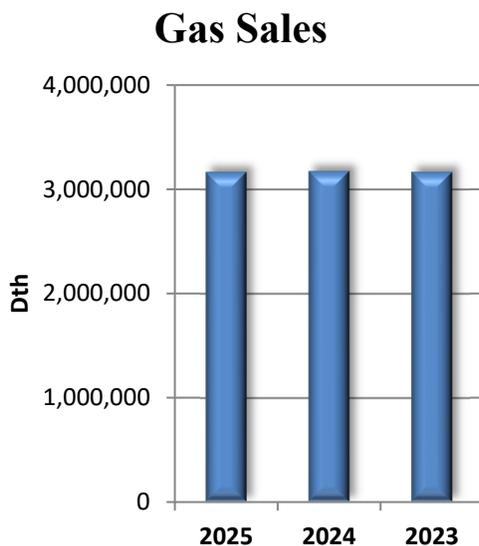
	2025	2024	2023
Operating revenues	\$ 33,530	\$ 31,774	\$ 29,999
Operating expenses	(32,106)	(28,659)	(25,361)
Operating income	1,424	3,115	4,638
Interest income	781	889	615
Interest on debt	(3,476)	(4,688)	(5,819)
Change in net position before distributions and contributions	(1,271)	(684)	(566)
Distributions to Member	(821)	(572)	(659)
Member contributions	79	75	63
Change in net position	(2,013)	(1,181)	(1,162)
Net position - beginning of year	6,646	7,827	8,989
Net position - end of year	<u>\$ 4,633</u>	<u>\$ 6,646</u>	<u>\$ 7,827</u>

OPERATING REVENUES

Total operating revenues were \$33.5 million for 2025, an increase of \$1.8 million or 5.5% over 2024. The gas dekatherm (Dth) sales decreased 0.3% compared to 2024. Gas swap settlement - net increased \$0.9 million due to higher net swap price and gas sales to Member increased \$0.8 million as a result of higher gas price index.

Total operating revenues were \$31.8 million for 2024, an increase of \$1.8 million or 5.9% over 2023. The Dth sales increased 0.3% compared to 2023. Gas swap settlement - net increased \$5.3 million due to higher net swap price, offset by a decrease of \$3.5 million in gas sales to Member as a result of lower gas price index.

The following chart shows gas sales to Member for the past three years.



OPERATING EXPENSES

Total operating expenses were \$32.1 million for 2025, an increase of \$3.4 million or 12.0% over 2024, primarily due to an increase of \$3.4 million amortization of the prepaid gas supply.

Total operating expenses were \$28.7 million for 2024, an increase of \$3.3 million or 13.0% over 2023, primarily due to an increase of \$3.3 million amortization of the prepaid gas supply.

Requests for Information

For more information about the Northern California Gas Authority No. 1, visit our website at www.smud.org or contact us at customerservices@smud.org.

NORTHERN CALIFORNIA GAS AUTHORITY No. 1
STATEMENTS OF NET POSITION

	December 31,	
	2025	2024
ASSETS		
CURRENT ASSETS		
Restricted cash and cash equivalents	\$ 17,241,388	\$ 15,971,864
Receivables:		
Gas sales to Member	626,031	366,437
Accrued interest and other	2,546,913	2,646,275
Prepaid gas supply	35,826,118	31,921,769
Other prepayments	15,630	15,630
Regulatory costs to be recovered within one year	104,796	104,796
Total current assets	56,360,876	51,026,771
NONCURRENT ASSETS		
Prepaid gas supply	16,223,607	52,049,725
Regulatory costs for future recovery	52,401	157,197
Prepaid bond insurance costs	7,816	23,446
Total noncurrent assets	16,283,824	52,230,368
TOTAL ASSETS	\$ 72,644,700	\$ 103,257,139
LIABILITIES		
LONG-TERM DEBT - net	\$ 34,825,000	\$ 66,245,000
CURRENT LIABILITIES		
Payable due to Member	1,053,492	1,053,492
Long-term debt due within one year	31,420,000	28,295,000
Accrued interest and other	712,875	1,017,326
Total current liabilities	33,186,367	30,365,818
TOTAL LIABILITIES	68,011,367	96,610,818
NET POSITION		
Restricted	16,528,513	14,954,464
Unrestricted	(11,895,180)	(8,308,143)
TOTAL NET POSITION	4,633,333	6,646,321
TOTAL LIABILITIES AND NET POSITION	\$ 72,644,700	\$ 103,257,139

The accompanying notes are an integral part of these financial statements.

NORTHERN CALIFORNIA GAS AUTHORITY No. 1
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31,	
	2025	2024
OPERATING REVENUES		
Gas sales to Member	\$ 1,931,574	\$ 1,088,135
Gas swap settlement - net	31,598,485	30,686,490
Total operating revenues	33,530,059	31,774,625
OPERATING EXPENSES		
Prepaid gas amortization	31,921,769	28,478,928
Administrative and general	78,941	75,670
Regulatory amounts collected in rates	104,796	104,796
Total operating expenses	32,105,506	28,659,394
OPERATING INCOME	1,424,553	3,115,231
NON-OPERATING REVENUES (EXPENSES)		
Interest income	780,509	889,288
Interest on debt	(3,475,723)	(4,688,833)
Total non-operating revenues (expenses)	(2,695,214)	(3,799,545)
CHANGE IN NET POSITION BEFORE DISTRIBUTIONS AND CONTRIBUTIONS		
	(1,270,661)	(684,314)
Distributions to Member	(821,268)	(571,710)
Member contributions	78,941	75,670
CHANGE IN NET POSITION	(2,012,988)	(1,180,354)
NET POSITION - BEGINNING OF YEAR	6,646,321	7,826,675
NET POSITION - END OF YEAR	\$ 4,633,333	\$ 6,646,321

The accompanying notes are an integral part of these financial statements.

NORTHERN CALIFORNIA GAS AUTHORITY No. 1
STATEMENTS OF CASH FLOWS

	December 31,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from gas sales to Member	\$ 1,305,544	\$ 721,698
Receipts from others	32,064,509	31,610,605
Net cash provided by operating activities	33,370,053	32,332,303
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of long-term debt	(28,295,000)	(25,530,000)
Interest payments on long-term debt	(3,764,547)	(5,091,795)
Distributions to Member	(821,268)	(571,710)
Net cash used in noncapital financing activities	(32,880,815)	(31,193,505)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	780,286	897,335
Net cash provided by investing activities	780,286	897,335
Net increase in cash and cash equivalents	1,269,524	2,036,133
Cash and cash equivalents - beginning of the year	15,971,864	13,935,731
Cash and cash equivalents - end of the year	\$ 17,241,388	\$ 15,971,864
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 1,424,553	\$ 3,115,231
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization of prepaid gas supply	31,921,769	28,478,928
Regulatory amortization	104,796	104,796
Changes in operating assets and liabilities:		
Receivables	(160,009)	(146,563)
Payables and accruals	78,944	779,911
Net cash provided by operating activities	\$ 33,370,053	\$ 32,332,303
SUPPLEMENTAL DISCLOSURE OF NONCASH		
INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Amortization of debt related premiums	\$ (15,630)	\$ (15,630)
Contributions from Member	78,941	75,670

The accompanying notes are an integral part of these financial statements.

NORTHERN CALIFORNIA GAS AUTHORITY No. 1
NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2025 and 2024

NOTE 1. ORGANIZATION AND OPERATIONS

The Northern California Gas Authority No. 1 (Agency) is a joint powers authority (JPA) formed by the Sacramento Municipal Utility District (SMUD) and the Sacramento Municipal Utility District Financing Authority (SFA) pursuant to the California Government Code (collectively, Members). SFA is a JPA formed by SMUD and the Modesto Irrigation District. The purpose of the Agency is to prepay for a supply of a fixed quantity of natural gas to be delivered over a twenty-year period (Gas Project) by Morgan Stanley Capital Group, Inc. (MSCG) under a Prepaid Gas Purchase and Sale Agreement (Prepaid Agreement) between the Agency and MSCG. The Prepaid Agreement terminates on May 31, 2027. MSCG is obligated to make payments to the Agency for any shortfall of gas not delivered or taken under the Prepaid Agreement for any reason, including force majeure.

The Agency has entered into a Gas Supply Contract (GSC) with SMUD that provides for the sale of all of the natural gas delivered to the Agency over the term of the Prepaid Agreement. SMUD is obligated to pay the Agency for the quantities of gas delivered under the GSC and to pay damages for gas that SMUD fails to take pursuant to the terms of the GSC. SMUD has no obligation to pay for gas that the Agency fails to deliver. The Agency anticipates that SMUD will be the only project participant with respect to the Gas Project during the term of the Prepaid Agreement. However, in the event of a default by SMUD under the GSC, the Agency has agreed to terminate the GSC and may enter into a replacement GSC with one or more municipal utilities on substantially the same terms as the GSC. In 2023, SMUD requested to have its entire daily contract quantity remarketed for each gas day of each month from November 1, 2023 until May 31, 2027. MSCG, pursuant to the Gas remarketing provisions of the Prepaid Agreement shall purchase all of the remarketed gas for its own account at a price equal to the monthly index price minus an administrative charge of \$0.05 per million British Thermal Units (MMBtu) and make payment of such disposition proceeds to the Agency consistent with the terms of the Prepaid Agreement.

The Agency has no employees. The Gas Project is operated by SMUD's staff. SMUD is obligated to contribute to the Agency the actual costs of providing administrative and general services. SMUD contributed \$0.1 million both in 2025 and 2024.

The JPA agreement will remain in effect until terminated by a supplemental written agreement of the parties; provided, that in no event shall the JPA agreement terminate while any contracts between the Agency and either of the parties or other parties are in effect, or while any bonds or notes of the Agency are outstanding. Gas Project revenues and the subsequent payments of principal and interest related to the Agency's long-term debt are dependent upon the continued delivery of natural gas to the Gas Project under the Prepaid Agreement. Various termination events are specified in the Prepaid Agreement. Upon the occurrence of any such event, the Prepaid Agreement may be terminated by the Agency or MSCG. If the Prepaid Agreement is terminated, MSCG will be required to pay a scheduled termination payment to the Agency. Any termination of the Prepaid Agreement will result in the extraordinary mandatory redemption of the Agency's long-term debt. Neither SFA nor SMUD has any obligation or liability to the Agency beyond that specifically provided for in the JPA agreement or the Gas Project agreement.

The Agency's Commission is comprised of SMUD's Board of Directors. The Agency is a separate legal entity; however, it is included in the financial statements of SMUD as a component unit because of the extent of its operational and financial relationships with SMUD.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accounting records of the Agency are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Natural gas sale revenues, gas swap payments and purchase costs that are directly related to delivery of natural gas are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S.) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted Assets. The Agency's restricted assets are comprised of U.S. government comprised money market funds and commercial paper which use is limited for specific purposes pursuant to the Indenture of Trust (Indenture) requirements. The Indenture specifies the flow of cash into the various Agency funds and dictates when they may become unrestricted.

Credit and Market Risk. The Agency entered into a synthetic guaranteed investment contract (see Note 3) in 2007 and is exposed to credit risk related to nonperformance by its investment provider. This contract requires the investment provider, MSCG, to post collateral if their credit ratings fall below agreed upon levels. The amount is recorded as current restricted asset with an associated current liability on the Statements of Net Position.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less, obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; Local Agency Investment Fund; and money market funds.

Receivable from/Payable to Member. The Agency records as a receivable from Member the amounts due from SMUD and a payable to Member the amounts due to SMUD for the purchase of natural gas from the Gas Project.

Prepaid Gas Supply. The Agency has prepaid for delivery of a natural gas supply with the proceeds from revenue bonds. The Agency provides for amortization on the historical cost of the prepaid gas supply on a net present value (NPV) basis in which the change in the NPV of the Prepaid Agreement for the remaining term of its contract life from the beginning of the period to the end of the period is the amortization charged for the period. When the Agency amortizes its prepaid gas supply, the amortization is recorded against the current portion of prepaid gas supply.

Regulatory Deferrals. As a regulated entity, the Agency's financial statements are prepared in accordance with GASB Statement No. 62, *"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants Pronouncements,"* which require that the effects of the rate making process be recorded in the financial statements. The Agency records regulatory assets and credits to reflect rate-making actions of the Commission. The account includes the unamortized debt issuance costs of previously issued bonds of the Agency. The regulatory asset is amortized using the straight line method over the remaining life of the associated bonds and recorded in Regulatory amounts collected in rates in the Statements of Revenues, Expenses and Changes in Net Position.

Prepaid Bond Insurance Costs. The Agency recorded a prepaid asset for the prepaid bond insurance portion of unamortized debt issuance costs of previously issued bonds of the Agency. The prepaid bond insurance costs will be amortized using the straight line method over the remaining life of the associated bonds and recorded in Interest on Debt in the Statements of Revenues, Expenses and Changes in Net Position.

Derivative Instruments. The Agency enters into forward contracts (interest rate swap and natural gas commodity price swap agreements) to manage its exposure to interest rate risk and market volatility of natural gas commodity prices. The Agency does not enter into these agreements for trading purposes. Due to the termination provisions of these agreements, they have no fair value, and therefore, there is no mark-to-market and the Agency does not record these derivative instruments on its Statements of Net Position. The Agency is exposed to the risk of early termination of the Prepaid Agreement if the counterparties default or if the swap agreements are terminated. Net swap payments received or paid for the gas swap are reported as a component of Operating Revenues in the Statement of Revenues, Expenses and Changes in Net Position.

Gas Swap Agreement. The Agency uses forward contracts to hedge the impact of market volatility on gas commodity prices for its GSC.

Interest Rate Swap Agreements. The Agency enters into interest rate swap agreements to modify the effective interest rates on outstanding debt. Interest expense is reported net of the swap payments received or paid as a component of Interest on Debt in the Statement of Revenues, Expenses and Changes in Net Position.

Net Position. The Agency classifies its Net Position into two components as follows:

- **Restricted** - This component of net position consists of assets with constraints placed on their use, either externally or internally. Constraints include those imposed by debt indentures, grants or laws and regulations of other governments, by law through constitutional provisions or enabling legislation, or by the Commission. These restricted assets are reduced by liabilities related to those assets. Restricted net assets are composed of cash and cash equivalents set aside to pay the principal and interest bond requirements due within one year, offset by accrued interest.
- **Unrestricted** - This component of net position consists of net amount of the assets and liabilities that do not meet the definition of "Restricted."

Gas Sales to Member. Amounts received by SMUD for the purchases of natural gas from the Gas Project are recorded as revenues when the natural gas is delivered.

Operating Expenses. Operating expenses include the cost of sales and services, administrative expenses and amortization on prepaid gas supply assets and regulatory amounts collected in rates and are recorded when incurred.

Distributions to Member. Amounts paid to SMUD from surplus funds are recorded as distributions to Member.

Member Contributions. Amounts contributed by SMUD for the actual costs of providing administrative and general services are recorded as Member contributions.

Subsequent Events. Subsequent events for the Agency have been evaluated through March 6, 2026, which is the date that the financial statements were available to be issued.

Recent Accounting Pronouncements, adopted. In December 2023, GASB issued SGAS No. 102, "*Certain Risk Disclosures*" (GASB No. 102), to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. A concentration is defined as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed

on a government by an external party or by formal action of the government's highest level of decision-making authority. This Statement requires a government to disclose such risks if a concentration or constraint could cause a substantial impact within 12 months of the financial statement date. The Agency evaluated its operations and determined that no concentrations or constraints met the criteria for disclosure for the period ending December 31, 2025.

Recent Accounting Pronouncements, not yet adopted. In April 2024, GASB issued SGAS No. 103, "*Financial Reporting Model Improvements*" (GASB No. 103), to improve key components of the financial reporting model. The purposes of the improvements are to (a) enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and (b) address certain application issues. This Statement is effective for the Agency in 2026. The Agency is currently assessing the impact of adopting this statement.

In September 2024, GASB issued SGAS No. 104, "*Disclosure of Certain Capital Assets*" (GASB No. 104), to require certain types of capital assets to be disclosed separately in the capital assets note disclosures. Lease assets and intangible right-to-use assets should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets should also be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class and requires additional disclosures for capital assets held for sale. This Statement is effective for the Agency in 2026. The Agency is currently assessing the impact of adopting this statement.

In December 2025, GASB issued SGAS No. 105, "*Subsequent Events*" (GASB No. 105), to enhance the consistency and quality of financial reporting related to subsequent events. Subsequent events are transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. The Statement defines the "date the financial statements are available to be issued" as the date when the financial statements are complete in accordance with GAAP and all necessary approvals for issuance have been obtained. It also clarifies the distinction between recognized and nonrecognized events and requires disclosure of the date through which subsequent events were evaluated. The requirements of this Statement are effective for the Agency in 2027. The Agency is currently assessing the disclosure impact of adopting this statement.

NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Equivalents and Investments. The Agency's investment policy is governed by the California State and Municipal Codes and its Indenture, which allow Agency investments to include: obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; Local Agency Investment Fund; and money market funds. The Agency's investment policy also includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities, and minimum credit ratings.

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To mitigate the risk, the Agency limits investments to those rated, at a minimum, "A-1" or equivalent for short-term investments and "A" or equivalent for medium-term corporate notes by a nationally recognized rating agency.

Custodial Credit Risk. This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Agency's deposits may not be returned, or the Agency will not be able to recover the value of its deposits, investments or securities that are in the possession of another party. The Agency does not have a deposit or investment policy for custodial credit risk. At December 31, 2025 and 2024, the Agency had unsecured deposits in commercial paper and money market funds of \$17.2 million and \$16.0 million which were uninsured and held in trust for the benefit of the Agency, respectively. There is no collateral deposit held at December 31, 2025 or 2024.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of an entity’s investment in a single issuer. The Agency places no limit on the amounts invested in any one issuer for federal agency securities. To limit the Agency’s credit risk for commercial paper purchased under the Debt Service Fund Agreement, the aggregate maturity amount invested in any combination of one issuer, affiliate of issuer, or backed by any one credit support, cannot exceed \$30.0 million. The Agency has concentrations of risk greater than five percent invested in Chesham of 100% at December 31, 2025 and 2024.

Interest Rate Risk. This is the risk that investments are exposed to fair value losses arising from increasing interest rates. Though the Agency has restrictions as to the maturities of some of the investments, it does not have a formal policy for interest rate risk. At December 31, 2025 and 2024, all of the Agency’s investments had maturities of one year or less.

Debt Service Fund Agreement. The Agency has entered into a synthetic guaranteed investment contract, in the form of a forward supply agreement, in which it has agreed to purchase securities with the debt service deposit amounts for a guaranteed fixed rate of return of 5.148%. Commercial paper delivered under the forward supply agreement is included within the investments below. The agreement terminates on June 30, 2027.

The following schedules present credit risk by type of security held at December 31, 2025 and 2024. The credit ratings listed are from Standard & Poor’s.

The Agency’s cash and cash equivalents consist of the following:

	Credit Rating	<u>December 31,</u>	
		<u>2025</u>	<u>2024</u>
Cash and cash equivalents:			
Money market funds	AAAm	\$ 1,956,219	\$ 2,239,891
Commercial paper	A-1	<u>15,285,169</u>	<u>13,731,973</u>
Total cash and cash equivalents		<u>\$ 17,241,388</u>	<u>\$ 15,971,864</u>

The Agency’s cash and cash equivalents are classified in the Statements of Net Position as follows:

	<u>December 31,</u>	
	<u>2025</u>	<u>2024</u>
Cash and cash equivalents:		
Debt service fund	<u>\$ 17,240,951</u>	<u>\$ 15,969,371</u>
Other restricted funds:		
Interest on credit support	77	74
Revenue fund	<u>360</u>	<u>2,419</u>
Total other restricted funds	<u>437</u>	<u>2,493</u>
Total cash and cash equivalents	<u>\$ 17,241,388</u>	<u>\$ 15,971,864</u>

NOTE 4. PREPAID GAS SUPPLY

The Agency's prepaid gas supply is presented below:

	December 31,	
	2025	2024
Prepaid gas supply	\$ 51,750,614	\$ 83,474,785
Prepaid gas supply revenue	<u>299,111</u>	<u>496,709</u>
Total prepaid gas supply	52,049,725	83,971,494
Less: amounts due within one year	<u>(35,826,118)</u>	<u>(31,921,769)</u>
Total prepaid gas supply - noncurrent portion	<u>\$ 16,223,607</u>	<u>\$ 52,049,725</u>

The following summarizes prepaid gas supply activity for the year ended December 31, 2025:

	January 1, 2025	Terminations	Amortization	December 31, 2025
Prepaid gas supply	\$ 83,474,785	\$ -0-	\$ (31,724,171)	\$ 51,750,614
Prepaid gas supply revenue	<u>496,709</u>	<u>-0-</u>	<u>(197,598)</u>	<u>299,111</u>
Total prepaid gas supply	<u>\$ 83,971,494</u>	<u>\$ -0-</u>	<u>\$ (31,921,769)</u>	<u>\$ 52,049,725</u>

The following summarizes prepaid gas supply activity for the year ended December 31, 2024:

	January 1, 2024	Terminations	Amortization	December 31, 2024
Prepaid gas supply	\$ 111,766,389	\$ -0-	\$ (28,291,604)	\$ 83,474,785
Prepaid gas supply revenue	<u>684,033</u>	<u>-0-</u>	<u>(187,324)</u>	<u>496,709</u>
Total prepaid gas supply	<u>\$ 112,450,422</u>	<u>\$ -0-</u>	<u>\$ (28,478,928)</u>	<u>\$ 83,971,494</u>

The prepaid gas supply is the discounted NPV of the fixed monthly natural gas prices per MMBtu as specified in, and over the remaining term of, the Prepaid Agreement. The prepaid gas supply revenue is the discounted NPV of \$0.07 per MMBtu over the remaining term of the Prepaid Agreement.

NOTE 5. LONG-TERM DEBT

The Agency issued \$668.5 million of 2007 Series B Gas Project Revenue Bonds (Bonds) in May 2007 maturing in July 2027.

The Agency's long-term debt is presented below:

	December 31,	
	2025	2024
2007 Series B Gas project revenue bonds, variable rates, 2026-2027	\$ 66,245,000	\$ 94,540,000
Less: amounts due within one year	<u>(31,420,000)</u>	<u>(28,295,000)</u>
Total long-term debt - net	<u>\$ 34,825,000</u>	<u>\$ 66,245,000</u>

The following summarizes long-term debt activity for the year ended December 31, 2025:

	January 1, 2025	Additions	Payments/ Amortizations	December 31, 2025
2007 Gas project revenue bonds	\$ 94,540,000	\$ -0-	\$ (28,295,000)	\$ 66,245,000
Total long-term debt	<u>\$ 94,540,000</u>	<u>\$ -0-</u>	<u>\$ (28,295,000)</u>	<u>\$ 66,245,000</u>

The following summarizes long-term debt activity for the year ended December 31, 2024:

	January 1, 2024	Additions	Payments/ Amortizations	December 31, 2024
2007 Gas project revenue bonds	\$ 120,070,000	\$ -0-	\$ (25,530,000)	\$ 94,540,000
Total long-term debt	<u>\$ 120,070,000</u>	<u>\$ -0-</u>	<u>\$ (25,530,000)</u>	<u>\$ 94,540,000</u>

At December 31, 2025 scheduled annual principal maturities and interest are as follows:

Year	Principal	Interest	Total
2026	\$ 31,420,000	\$ 2,513,106	\$ 33,933,106
2027	34,825,000	1,124,151	35,949,151
Total	<u>\$ 66,245,000</u>	<u>\$ 3,637,257</u>	<u>\$ 69,882,257</u>

Interest in the preceding table includes interest requirements for fixed rate debt at their stated rates and variable rate debt covered by interest rate swaps at their fixed swap rate.

The Agency had pledged future net revenues to repay \$66.2 million and \$94.5 million at December 31, 2025 and 2024, respectively, for Bonds issued in May 2007. Proceeds from the Bonds were used to purchase the Gas Project from MSCG at a price of \$754.1 million with the remaining amounts used to fund the appropriate accounts for the Agency. The Bonds, payable through 2027, are secured solely by a pledge of and lien on the trust estate under the Indenture which includes bond proceeds, rights under the GSC, revenues, any termination payment and any investment income. Annual principal and interest payments on the Bonds are expected to require approximately 100% of the Agency's net revenues. The total principal and interest remaining to be paid on the Bonds was \$69.9 million and \$101.9 million at December 31, 2025 and 2024, respectively. Debt service payments on the Bonds are made quarterly on January 1, April 1, July 1 and October 1. Principal and interest paid was \$32.1 million and \$30.6 million for 2025 and 2024, respectively. Total gross revenues were \$34.5 million and \$33.7 million for 2025 and 2024, respectively.

The ability of the Agency to pay related principal and interest payments associated with the Bonds is contingent upon the continued successful operation of the Gas Project. If the Prepaid Agreement were to terminate, a termination payment would be received into the trust estate from MSCG. The amount of the termination payment, together with the amounts required to be on deposit in certain funds and accounts held by the trustee, has been calculated to provide a sum sufficient to pay the redemption price of the Bonds upon early termination of the Prepaid Agreement. The amount of termination payment declines over time as MSCG performs its gas delivery obligations under the Prepaid Agreement. The Members are not obligated to pay debt service costs if the Gas Project is unable to operate pursuant to the Prepaid Agreement or if revenues generated by the Gas Project are insufficient to meet debt service obligations.

Terms of Debt Indenture. The debt indenture contains a provision that in an event of default, the holders of the majority of the debt outstanding are entitled to declare the outstanding amounts due immediately.

Interest Rate Swap Agreements - 2007 Series B Bonds.

The following summarizes the Agency's swap agreement at December 31, 2025:

<u>Notional Amount</u>	<u>Agency Pays</u>	<u>Fixed Rate</u>	<u>Floating Rate</u>	<u>Termination Date</u>	<u>Credit Support Provider Credit Rating (S&P)</u>
\$ 66,245,000	Fixed	4.304%	67% of SOFR + .89528%	07/01/27	A+

The following summarizes the Agency's swap agreement at December 31, 2024:

<u>Notional Amount</u>	<u>Agency Pays</u>	<u>Fixed Rate</u>	<u>Floating Rate</u>	<u>Termination Date</u>	<u>Credit Support Provider Credit Rating (S&P)</u>
\$ 94,540,000	Fixed	4.304%	67% of SOFR +.89528%	07/01/27	A+

The Agency has a variable-to-fixed interest rate swap agreement with a counterparty. The Agency pays the counterparty a fixed rate on the notional amount and receives a floating rate equal to 67% of the three-month Chicago Mercantile Exchange Term SOFR (3.99% for 2025 and 4.59% for 2024) plus an interest spread, as specified in the swap agreement. The total notional amount of the swap at December 31, 2025 and 2024 was \$66.2 million and \$94.5 million, respectively, and was equivalent to the outstanding principal balance on the Agency's Bonds. The swap is amortized over the life of the swap agreement in a manner corresponding to the principal repayment schedule of the Bonds. Early termination of the swap would occur upon termination of the Prepaid Agreement for any reason. Upon early termination, the swap would have no value to either party.

Variable Rate 2007 Series B Bonds. The Agency's variable rate Bonds bear interest at a quarterly rate of 3.56% and 3.97% at December 31, 2025 and 2024, respectively.

NOTE 6. COMMITMENTS

Natural Gas Commodity Price Swap Agreement. The Agency has entered into a floating-to-fixed natural gas commodity price swap agreement (Gas Swap Agreement) with a counterparty for the purpose of fixing the variable price on the Agency's natural gas sales to SMUD under the GSC. The Agency pays an index-based natural gas price over the twenty-year period and receives a fixed natural gas price as specified in the Gas Swap Agreement, for notional quantities of natural gas at a pricing point corresponding to the daily contract quantity and the delivery point under the Prepaid Agreement. The Gas Swap Agreement terminates on May 31, 2027. The total notional amount of the Gas Swap Agreement remaining at December 31, 2025 was 4.5 million MMBtu. Presently, the Gas Swap Agreement is 8,675 MMBtu per calendar day, and this amount will change on June 1 of each remaining year of the Gas Swap Agreement and will range from 8,673 to 8,675 MMBtu per calendar day. Early termination of the Gas Swap Agreement would occur upon termination of the Prepaid Agreement for any reason whatsoever. Upon early termination, the Gas Swap Agreement would have no value to either party.

NOTE 7. CONTINGENCIES

General Contingencies. The Agency's ability to make principal and interest payments on its Bonds is contingent upon the continued delivery of natural gas to the Gas Project under the Prepaid Agreement. The Members are not obligated to make principal and interest debt service payments in the event the Gas Project does not operate and there are insufficient funds to pay the bondholders. The Agency expects that the natural gas will continue to be delivered as planned.

In the normal operation of business, the Agency is party to various claims, legal actions and complaints. Management and the Agency's legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the Agency.

SSS No. CFO 26-003

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date Finance & Audit – 3/17/26
Board Meeting Date N/A

TO	TO
1. Scott Martin	6.
2. Farres Everly	7.
3. Jose Bodipo-Memba	8.
4.	9. Legal
5.	10. CEO & General Manager

Consent Calendar		Yes	<input checked="" type="checkbox"/>	No <i>If no, schedule a dry run presentation.</i>	Budgeted		Yes	No <i>(If no, explain in Cost/Budgeted section.)</i>
FROM (IPR) Lisa Limcaco				DEPARTMENT Accounting				MAIL STOP B352 EXT. 7045 DATE SENT 2/20/26

NARRATIVE:

Requested Action: SMUD’s Financial Results for the year 2025.

Summary: Informational presentation with an overview of SMUD’s 2025 financial results.

Board Policy: GP-3, Board Job Description
(Number & Title)

Benefits: Provide Board members current information regarding SMUD’s financial condition.

Cost/Budgeted: Included in budget for internal labor.

Alternatives: Provide Board members with an overview of SMUD’s 2025 Financial Results via written memo.

Affected Parties: SMUD, Accounting

Coordination: Accounting

Presenter: Lisa Limcaco, Finance Transformation Leader

Additional Links:

SUBJECT SMUD’s 2025 Financial Results	ITEM NO. <i>(FOR LEGAL USE ONLY)</i>
---	--------------------------------------

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SSS No. CFO 25-023

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date FINANCE & AUDIT - 2026
Board Meeting Date N/A

TO				TO							
1.	Scott Martin	6.									
2.	Farres Everly	7.									
3.	Jose Bodipo-Memba	8.									
4.		9.	Legal								
5.		10.	CEO & General Manager								
Consent Calendar		Yes	<input checked="" type="checkbox"/>	No <i>If no, schedule a dry run presentation.</i>		Budgeted	<input checked="" type="checkbox"/>	Yes	No <i>(If no, explain in Cost/Budgeted section.)</i>		
FROM (IPR) Lisa Limcaco				DEPARTMENT Accounting				MAIL STOP B352	EXT. 7045	DATE SENT 12/30/25	

NARRATIVE:

Requested Action: Provide the Board with SMUD’s financial results for the year-to-date period and a summary of SMUD’s current Power Supply Costs.

Summary: Staff will present SMUD’s financial results for the year-to-date period and a summary of SMUD’s current Power Supply Costs to the Board of Directors.

Board Policy: Governance Process GP-3, Board Job Description
(Number & Title)

Benefits: Provide Board members with information regarding SMUD’s financial position and SMUD’s current power supply costs.

Cost/Budgeted: Included in budget for internal labor.

Alternatives: Provide information via written memo/report to the Board.

Affected Parties: Accounting

Coordination: Accounting

Presenter: Lisa Limcaco, Finance Transformation Leader

Additional Links:

SUBJECT	SMUD’s Financial Results & Power Supply Costs	ITEM NO. <i>(FOR LEGAL USE ONLY)</i>
---------	--	--------------------------------------

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

**SACRAMENTO MUNICIPAL UTILITY DISTRICT
OFFICE MEMORANDUM**

TO: Distribution

DATE: February 25, 2026
ACC 26-003

FROM: Michael Wilson / Lisa Limcaco / George Vaughn

SUBJECT: **JANUARY 2026 FINANCIAL RESULTS AND OPERATIONS DATA**

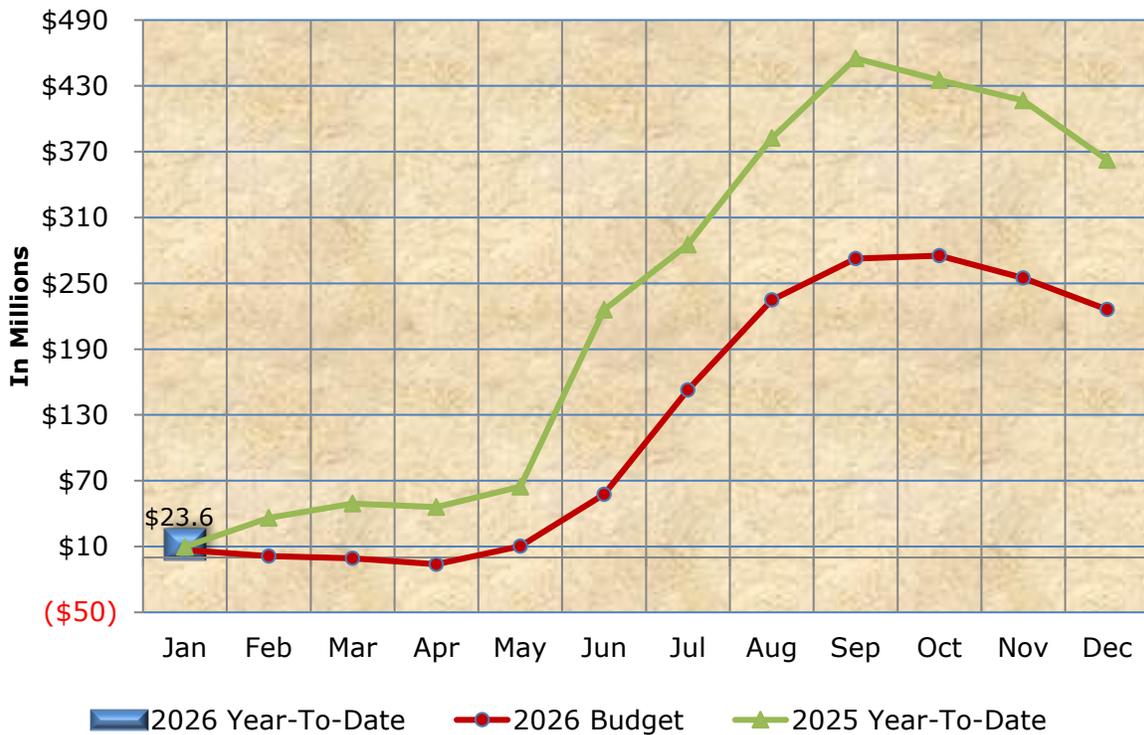
We are attaching the financial and operating reports for the one month of 2026. They include sales and generation statistics and other selected data.

The change in net position is an increase of \$23.6 million compared to a budgeted increase of \$6.7 million, resulting in a favorable variance of \$16.9 million.

We prepared these statements on the accrual basis of accounting, and they conform to generally accepted accounting principles. The bases for the budget amounts are:

- 1) Budgeted electric revenues are based on the Forecast of Revenues by the Pricing Department, adjusted for unbilled revenues; and
- 2) Budgeted operating expenses reflect the 2026 Budget approved by the Board of Directors on December 11, 2025.

Change in Net Position Year To Date



**SACRAMENTO MUNICIPAL UTILITY DISTRICT
EXECUTIVE SUMMARY
For the One Month Ended January 31, 2026**

Net Position

- The change in net position is an increase of \$23.6 million compared to a budgeted increase of \$6.7 million, resulting in a favorable variance of \$16.9 million.

Revenues

- Revenues from sales to customers were \$135.4 million, which was \$2.8 million lower than planned. The decrease is primarily due to:
 - lower residential customer revenue of \$2.9 million, primarily due to lower customer usage.
- Other electric revenues increased by \$1.6 million, primarily due to non-refundable deposits related to two large interconnection agreements and higher than expected lease rent collections.

Commodities, Purchased Power, and Production

- SMUD's generation was lower by 151 GWh (19.0 percent); JPA and other generation was lower by 244 GWh (36.7 percent); and Hydro generation was higher by 93 GWh (72.1 percent).
- Purchased power expense of \$24.3 million, less surplus power sales of \$7.6 million was \$16.7 million, which was \$6.7 million higher than planned. Increased precipitation boosted hydro generation and lowered market power prices, making it more economical to reduce thermal plant generation and supplement generation with additional power purchases.
- Production operations cost of \$29.3 million less surplus gas sales of \$13.6 million, was \$15.7 million, which was \$22.2 million lower than planned.
 - Fuel costs of \$18.7 million less surplus gas sales of \$13.6 million, was \$5.1 million, which was \$18.2 million lower than planned, primarily due to reduced fuel prices and a decrease in thermal generation, as purchasing power proved to be more cost-effective.
 - Carbon allowances decreased by \$4.3 million, primarily due to reduced thermal generation and reduced Calpine Sutter generation, resulting in a lower obligation for allowance usage.
- The "power margin", or sales to customers less cost of purchased power, production operations costs and gas hedges included in investment revenue was \$103.9 million, which was \$12.0 million higher than planned. The power margin as a percentage of sales to customers was 76.7 percent, which was 11.0 percent higher than planned. This is primarily due to lower production costs due to lower fuel costs and carbon allowances.

Other Operating Expenses

- All other operating expenses were \$82.4 million, which was \$3.3 million lower than planned.
 - Customer service and information expenses were down \$1.7 million primarily due to the cancellation of the Residential Energy Assistance through Community Help (REACH) 1.0 Grant and delays in the REACH 2.0 Grant, which is still pending California Environmental Quality Act (CEQA) approval.
 - Public good expenses were \$1.9 million lower than planned, mainly due to slower participation in low-income building electrification programs. Participation is expected to increase as the year progresses.
 - Transmission and distribution maintenance expenses were \$1.4 million lower than planned, primarily due to lower unit costs for routine distribution tree work, fewer out-of-cycle unit repairs, and a shift in operational focus.

Non-operating Revenues and Expenses

- Other revenue, net, was \$1.5 million lower than planned mainly because of investment expenses related to natural gas hedging activity.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Month Ended January 31, 2026
(thousands of dollars)

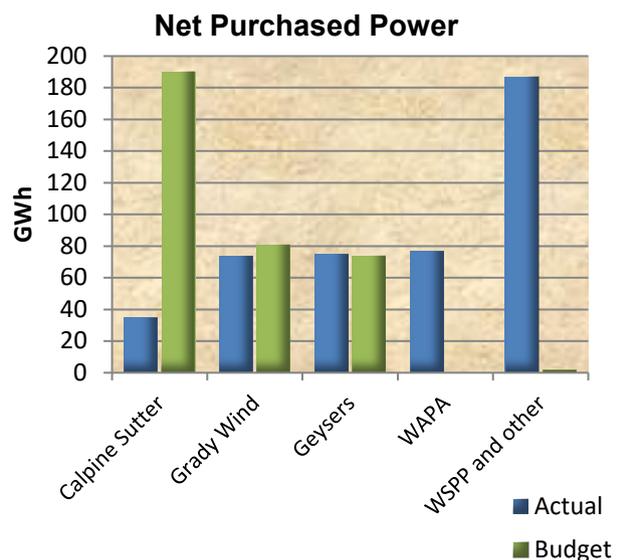
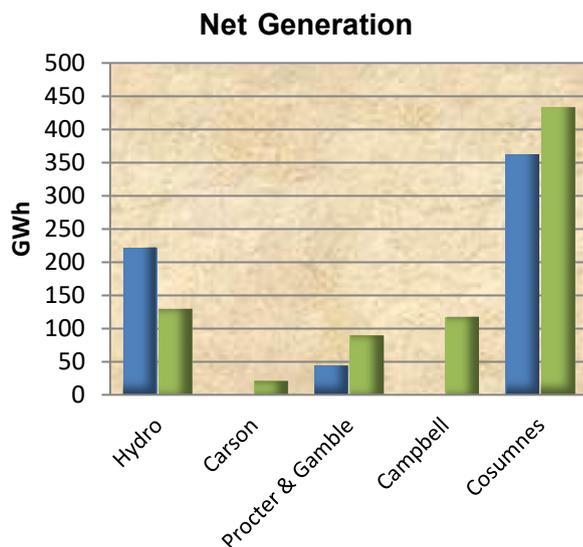
	<u>Actual</u>	<u>Budget</u>	<u>Over (Under)</u>	<u>Percent of Increase (Decrease)</u>
OPERATING REVENUES				
Sales to customers	\$ 135,405	\$ 138,249	\$ (2,844)	(2.1) %
Sales of surplus power	7,624	25,681	(18,057)	(70.3)
Sales of surplus gas	13,605	5,119	8,486	165.8
SB-1 revenue (deferral)/recognition, net	(4)	-	(4)	*
Other electric revenue	6,577	4,995	1,582	31.7
Revenue from rate stabilization fund	1,259	1,166	93	8.0
Total operating revenues	164,466	175,210	(10,744)	(6.1)
OPERATING EXPENSES				
Operations				
Purchased power	24,323	35,695	(11,372)	(31.9)
Production	29,297	43,053	(13,756)	(32.0)
Transmission and distribution	7,966	7,724	242	3.1
Customer accounts	5,001	4,952	49	1.0
Customer service and information	9,540	11,205	(1,665)	(14.9)
Administrative and general	18,764	17,558	1,206	6.9
Public good	3,070	4,921	(1,851)	(37.6)
Total operations	97,961	125,108	(27,147)	(21.7)
Maintenance				
Production	2,448	3,276	(828)	(25.3)
Transmission and distribution	8,137	9,522	(1,385)	(14.5)
Total maintenance	10,585	12,798	(2,213)	(17.3)
Depreciation and amortization				
Depreciation and amortization	22,678	21,907	771	3.5
Amortization of regulatory asset	4,777	4,570	207	4.5
Total depreciation and amortization	27,455	26,477	978	3.7
Total operating expenses	136,001	164,383	(28,382)	(17.3)
OPERATING INCOME (LOSS)	28,465	10,827	17,638	162.9
NON-OPERATING REVENUES AND EXPENSES				
Other revenues/(expenses)				
Interest income	3,077	2,441	636	26.1
Investment revenue (expenses)	(1,194)	-	(1,194)	*
Unrealized holding gains (losses)	(369)	-	(369)	*
Revenue - CIAC	1,856	1,837	19	1.0
Other income (expense) - net	205	773	(568)	(73.5)
Total other revenues/(expenses)	3,575	5,051	(1,476)	(29.2)
Interest charges				
Interest on long-term debt	8,301	8,922	(621)	(7.0)
Interest on commercial paper and other	117	269	(152)	(56.5)
Total interest charges	8,418	9,191	(773)	(8.4)
CHANGE IN NET POSITION	\$ 23,622	\$ 6,687	\$ 16,935	253.3 %

* Equals 1000% or greater.

**SACRAMENTO MUNICIPAL UTILITY DISTRICT
SOURCES AND USES OF ENERGY - COMPARED TO BUDGET
For the Period Ended January 31, 2026**

Sources of Energy (GWh)	Month		Increase (Decrease)	Year to Date		Increase (Decrease)
	Actual	Budget	Percentage	Actual	Budget	Percentage
Net Generated						
Hydro	222	129	72.1	222	129	72.1
Carson Power Plant	-	21	(100.0)	-	21	(100.0)
Procter & Gamble Power Plant	44	89	(50.6)	44	89	(50.6)
Campbell Power Plant	-	117	(100.0)	-	117	(100.0)
Cosumnes Power Plant	362	433	(16.4)	362	433	(16.4)
Other	15	5	200.0	15	5	200.0
Total net generation	643	794	(19.0)	643	794	(19.0)
Purchased Power less transmission losses:						
CalEnergy	18	19	(5.3)	18	19	(5.3)
Calpine Sutter	35	190	(81.6)	35	190	(81.6)
Drew Solar	18	17	5.9	18	17	5.9
Feed in Tariff	7	9	(22.2)	7	9	(22.2)
Geysers	75	74	1.4	75	74	1.4
Grady Wind	74	81	(8.6)	74	81	(8.6)
Hatchet Ridge	27	24	12.5	27	24	12.5
Rancho Seco PV II	13	13	0.0	13	13	0.0
WAPA	77	-	*	77	-	*
WSPP and other	187	2	*	187	2	*
Other long term power	33	39	(15.4)	33	39	(15.4)
Total net purchases	564	468	20.5	564	468	20.5
Total sources of energy	1,207	1,262	(4.4)	1,207	1,262	(4.4)
Uses of energy:						
SMUD electric sales and usage	863	871	(0.9)	863	871	(0.9)
Surplus power sales	307	354	(13.3)	307	354	(13.3)
System losses	37	37	0.0	37	37	0.0
Total uses of energy	1,207	1,262	(4.4) %	1,207	1,262	(4.4) %

* Change equals 1000% or more.



Net generation is lower than planned for the one-month period.

- Hydro generation is higher than planned (72.1 percent).
- JPA generation is lower than planned (38.5 percent).

Purchased power, less surplus power sales, is higher than plan (125.4 percent).

**SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION**

	January 31,	
	2026	2025
	(thousands of dollars)	
ASSETS		
ELECTRIC UTILITY PLANT		
Plant in service	\$ 8,121,760	\$ 7,843,704
Less accumulated depreciation and amortization	(4,107,004)	(3,843,293)
Plant in service - net	4,014,756	4,000,411
Construction work in progress	807,676	536,996
Total electric utility plant - net	4,822,432	4,537,407
RESTRICTED AND DESIGNATED ASSETS		
Revenue bond and debt service reserves	140,072	146,225
Nuclear decommissioning trust fund	10,360	9,946
Rate stabilization fund	348,914	340,978
Escrow fund	19,450	14,374
Collateral fund	8,128	11,032
Insurance captive fund	26,292	25,534
Other funds	11,615	20,129
Less current portion	(190,479)	(198,840)
Total restricted and designated assets	374,352	369,378
CURRENT ASSETS		
Unrestricted cash and cash equivalents	487,950	262,039
Unrestricted investments	179,622	229,222
Restricted and designated cash, cash equivalents, and investments	190,479	198,840
Receivables - net:		
Retail customers	216,604	201,867
Wholesale and other	82,913	91,861
Regulatory costs to be recovered within one year	108,727	94,336
Hedging derivative instruments maturing within one year	45,446	19,686
Inventories	203,518	175,668
Prepaid gas to be delivered within one year	45,772	41,699
Prepayments and other	39,055	34,659
Total current assets	1,600,086	1,349,877
NONCURRENT ASSETS		
Regulatory costs for future recovery	1,133,520	1,050,088
Prepaid gas	690,026	735,799
Hedging derivative instruments	34,076	30,651
Credit support collateral deposits	22,605	20,750
Due from affiliated entity	40,681	35,490
Investment in TANC	42,920	40,051
Prepayments and other	53,512	50,605
Total noncurrent assets	2,017,340	1,963,434
TOTAL ASSETS	8,814,210	8,220,096
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivative instruments	109,939	34,560
Deferred pension outflows	57,849	143,317
Deferred other postemployment benefits outflows	55,931	50,990
Deferred asset retirement obligations outflows	258	1,095
Unamortized bond losses	25,317	29,477
TOTAL DEFERRED OUTFLOWS OF RESOURCES	249,294	259,439
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 9,063,504	\$ 8,479,535

**SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION**

	January 31,	
	2026	2025
	(thousands of dollars)	
LIABILITIES		
LONG-TERM DEBT - net	\$ 3,238,905	\$ 3,247,407
CURRENT LIABILITIES		
Accounts payable	177,217	130,598
Purchased power payable	40,621	36,163
Long-term debt due within one year	130,825	138,065
Accrued decommissioning	8,661	7,471
Interest payable	59,278	57,974
Accrued salaries and compensated absences	72,698	70,365
Hedging derivative instruments maturing within one year	79,410	22,442
Advanced payments on construction	47,673	47,609
Lease liability	24,645	26,236
Customer deposits and other	29,863	20,511
Total current liabilities	670,891	557,434
NONCURRENT LIABILITIES		
Net pension liability	209,686	308,564
Net other postemployment benefits liability	46,420	32,207
Accrued decommissioning	123,868	110,773
Hedging derivative instruments	30,992	13,562
Advanced payments on construction	65,091	37,985
Self insurance and other	100,402	132,527
Total noncurrent liabilities	576,459	635,618
TOTAL LIABILITIES	4,486,255	4,440,459
DEFERRED INFLOWS OF RESOURCES		
Accumulated increase in fair value of hedging derivative instruments	75,681	50,147
Regulatory credits	1,168,168	1,095,433
Deferred pension inflows	62,114	765
Deferred other postemployment benefits inflows	24,080	15,238
Deferred lease inflows	15,593	16,375
Unamortized bond gains	30,012	35,620
Unearned revenue	3,438	3,651
TOTAL DEFERRED INFLOWS OF RESOURCES	1,379,086	1,217,229
NET POSITION		
Balance at beginning of year	3,174,541	2,812,119
Net increase for the year	23,622	9,728
TOTAL NET POSITION	3,198,163	2,821,847
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 9,063,504	\$ 8,479,535

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS
For the Period Ended January 31, 2026
(thousands of dollars)

	Month	Year to Date
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 144,781	\$ 144,781
Receipts from surplus power and gas sales	16,486	16,486
Other receipts	8,231	8,231
Payments to employees - payroll and other	(43,311)	(43,311)
Payments for wholesale power and gas purchases	(39,486)	(39,486)
Payments to vendors/others	(63,834)	(63,834)
Net cash provided by operating activities	22,867	22,867
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from federal and state grants	23,323	23,323
Interest on debt	(713)	(713)
Net cash provided by noncapital financing activities	22,610	22,610
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction expenditures	(54,755)	(54,755)
Contributions in aid of construction	3,504	3,504
Interest on debt	(207)	(207)
Lease receipts/payments - net	(2,969)	(2,969)
Net cash used in capital and related financing activities	(54,427)	(54,427)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of securities	74,254	74,254
Purchases of securities	(4,661)	(4,661)
Interest and dividends received	3,494	3,494
Investment revenue/expenses - net	(1,191)	(1,191)
Net cash provided by investing activities	71,896	71,896
Net increase in cash and cash equivalents	62,946	62,946
Cash and cash equivalents at the beginning of the month and year	501,379	501,379
Cash and cash equivalents at January 31, 2026	\$ 564,325	\$ 564,325
Cash and cash equivalents included in:		
Unrestricted cash and cash equivalents	\$ 487,950	\$ 487,950
Restricted and designated cash and cash equivalents	59,064	59,064
Restricted and designated assets (a component of the total of \$374,352 at January 31, 2026)	17,311	17,311
Cash and cash equivalents at January 31, 2026	\$ 564,325	\$ 564,325

SSS No. SCS 26-015

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date
Finance & Audit – 03/17/26
Board Meeting Date
March 19, 2026

TO		TO	
1.	Casey Fallon	6.	Jose Bodipo-Memba
2.	Rachel Huang	7.	
3.	Brandy Bolden	8.	
4.	Scott Martin	9.	Legal
5.	Farres Everly	10.	CEO & General Manager

Consent Calendar	<input checked="" type="checkbox"/>	Yes	<i>No If no, schedule a dry run presentation.</i>	Budgeted	<input checked="" type="checkbox"/>	Yes	<i>No (If no, explain in Cost/Budgeted section.)</i>		
FROM (IPR)			DEPARTMENT				MAIL STOP	EXT.	DATE SENT
Andrew McDermott			Procurement				EA404	5862	02/27/26

NARRATIVE:

Requested Action: Approve negotiation and execution of Contract Change No. 5 to Contract No. 4500120070 with TRC Engineers, Inc., for professional services to administer SMUD’s Complete Energy Solutions Program, to extend the contract expiration date by one year from February 28, 2027, to February 28, 2028, and to increase the contract not-to-exceed amount by \$8 million, from \$21.67 million to \$29.67 million.

Summary: This contract was awarded on a competitive basis to TRC Engineers, Inc. (TRC) in March 2020. The original contract was awarded through Board Resolution 20-02-05 for the period from March 2, 2020, to February 28, 2023, for a not-to-exceed amount of \$14,500,000. Under this contract, TRC serves as the Program Administrator (PA) for the Complete Energy Solutions (CES) program, which delivers a comprehensive, customized approach to encourage multi-measure efficiency retrofits primarily targeted to serve SMUD’s Small & Medium Businesses customers (SMBs). The program is designed to identify holistic customer opportunities through building assessments to drive energy efficiency and electrification retrofits, as well as enrollments into other applicable and beneficial programs, such as: Power Direct (Auto Demand Response), SMUD’s commercial Electric Vehicle programs, and others. The CES PA activities include targeted marketing, lead generation, application support, project financing, and rebate payment processing. Contract Change No. 01 increased scope to allow TRC to provide these services on an ad hoc basis per SMUD’s direction, to select larger customers above the 500kW threshold. Contract Change No. 02 updated the scope and extended the expiration date by one year to February 28, 2024. Contract Change No. 03 extended the expiration date by one year to February 28, 2025. Contract Change No. 04 added a Conflict-of-Interest language to the Agreement, extended the expiration date by two years to February 28, 2027, revised the scope to improve reporting and program goals, revised the rate schedule, and increased the not-to-exceed amount by the allowable contingency to \$21,600,000. Contract Change No. 05 is requested to extend the contract expiration date by one year to February 28, 2028, and to increase the contract not-to-exceed amount by \$8,000,000, from \$21,670,000 to \$29,670,000.

Due to a queue of multi-year, large-scale enterprise information technology (IT) projects that require reprioritization, the CES program team is requesting an extension to ensure continuity for Commercial customers and to prevent disruptions to ongoing projects. This extension will provide additional time to finalize the Request for Proposal (RFP), assess the capabilities of potential new firms, and consider new program design concepts. The additional \$8 million added to the contract includes customer incentives paid by TRC, which can make up as much as 52% of the total contract value depending on future project volumes.

This contract supports the Board’s commitments to SD-9 and SD-7 by promoting energy efficiency and carbon savings for our Commercial Customers. Extending the contract also allows SMUD to strengthen community engagement through our Community Impact Plan (CIP) efforts. The CES contributes to SMUD’s CIP by

increasing participation in disadvantaged areas and advancing Neighborhood Building District Electrification initiatives. Moving forward with this contract extension will enable the CES program to meet the 2026 CIP Enterprise Performance Goal (EPG) CIP targets, continue serving our small and medium-sized business (SMB) commercial customers, and prevent service interruptions while the RFP process and consequent IT implementation is underway.

Currently, the contract balance is approximately \$4.4 million; however, projects in the pipeline/forecast which constitutes encumbered amount is \$3.035 million. The unencumbered amount is \$1.3 million.

Contract Actions	Amount	Cumulative Total	Description
Original Contract	\$14,500,000	\$14,500,000	
Change No. 01	\$0	\$14,500,000	Increased scope
Change No. 02	\$0	\$14,500,000	Updated scope and extended
Change No. 03	\$0	\$14,500,000	Extended
Change No. 04	\$7,100,000	\$21,670,000	Added COI, extended, and increased by allowable contingency
Pending Change No. 05	\$8,000,000	\$29,670,000	Increases and extends by one year, and updates certain fees

Board Policy: Board-Staff Linkage BL-8, Delegation to the CEO with Respect to Procurement; Procurement; Strategic Direction SD-7, Environmental Leadership (SD-7) and Strategic Direction SD-9, Resource Planning (SD-9). This contract supports the Board’s commitment to SD-9 and SD-7 by contributing to energy efficiency and carbon savings, and by promoting efficient use of energy by its customers, while allowing SMUD to increase our engagement with and provide additional value to our commercial customers
(Number & Title)

Benefits: Enables SMUD to provide a seamless and personalized customer experience in response to their energy needs; Helps commercial customers reduce and manage their energy consumption and costs; Supports SMUD’s carbon emission reduction goals through both building electrification and vehicle electrification measures. Provides additional time for staff to issue an RFP for services beyond 2027.

Cost/Budgeted: \$29,330,000; Budgeted for 2026-2031 by Distributed Energy Solutions

Alternatives: Do not extend the agreement and shut down program while competitive process is completed. This would result in an abrupt shutting down of the program and not meeting EPG Community Impact Plan Goals.

Affected Parties: Distributed Energy Solutions, Supply Chain Services, and Contractor

Coordination: Distributed Energy Solutions, Supply Chain Services, and Legal

Presenter: Rachel Huang, Director, Distributed Energy Solutions

Additional Links:

SUBJECT	Contract Change for Complete Energy Solutions Contract (TRC Engineers)	ITEM NO. (FOR LEGAL USE ONLY)
---------	---	--------------------------------------

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SSS No. IAS 2026-4

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date Finance & Audit March 17, 2026
Board Meeting Date March 19, 2026

TO				TO				
1.	Scott Martin	6.						
2.	Farres Everly	7.						
3.	Jose Bodipo-Memba	8.						
4.		9.	Legal					
5.		10.	CEO & General Manager					
Consent Calendar	Yes	No	<i>If no, schedule a dry run presentation.</i>	Budgeted	x	Yes	No	<i>(If no, explain in Cost/Budgeted section.)</i>
FROM (IPR) Claire Rogers		DEPARTMENT Internal Audit Services			MAIL STOP B409	EXT. 7122	DATE SENT 2/24/26	

NARRATIVE:

Requested Action: Internal Audit Services Reports: Grants Administration and GO165 Transmission Line Maintenance.

Summary: Informational agenda item to provide Board Members with the opportunity to ask questions and/or discuss recent reports issued by Internal Audit Services.

Reports issued by Internal Audit Services:

<u>Title</u>	<u>Report Number</u>
• Grants Administration	28007761
• GO165 Transmission Line Maintenance	28007884

Board Policy: Board-Staff Linkage BL-3, Board-Internal Auditor Relationship
(Number & Title)

Benefits: N/A

Cost/Budgeted: N/A

Alternatives: N/A

Affected Parties: SMUD Board and Internal Auditor

Coordination: Internal Audit Services

Presenter: Claire Rogers, Director, Internal Audit Services

Additional Links:

SUBJECT Internal Audit Services Reports	ITEM NO. (FOR LEGAL USE ONLY)
---	-------------------------------

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

Grants Administration

Executive Summary

Internal Audit Services (IAS) has completed a review of SMUD's Grants Administration. The purpose of this audit was to evaluate the processes and controls in place to administer grants. This audit was included in the 2025 IAS Audit Plan.

SMUD's 2030 Zero Carbon Plan's implementation priorities included the organization of a dedicated grants team for centralized grants administration. The grants team collaborates with the grant's project manager for project deliverables and with Accounting's Grants section for financial tracking and expenditure reimbursement.

We evaluated the effectiveness and consistency of the grant application process; we reviewed the procedures implemented by the Grants team, including the alignment of grant pursuit with SMUD's objectives and strategies, the identification of resources prior to submission, and adherence to application timelines. Our review of a sample of grant opportunities found that each underwent an initial evaluation, was appropriately documented and assessed for strategic alignment, had necessary resources identified, and was submitted on time.

We also evaluated the team's processes for monitoring grants by confirming the establishment of clear roles and responsibilities for oversight of grant activities and expenditures. Our review confirmed that the Grants team effectively established and consistently followed processes for monitoring grants. Specifically, we reviewed the two grants that had spending and reimbursement requests that were monitored under the current process and found that roles and responsibilities for the grants were documented, reimbursement requests were properly supported and allowable, expenditure tracking was accurate, and project closeouts required assessments and identification of improvement areas.

The Grid Resiliency and Innovation Partnership (GRIP) grant, SMUD's largest, was awarded before the current grants administration process was implemented and is not included in this audit. We will perform a separate advisory review of the GRIP grant.

IAS would like to thank the Grants team and the Grants Accounting team for their cooperation and support during this audit. We commend them for their dedication to improving grants processes and supporting SMUD's 2030 Zero Carbon Plan.

Internal Audit Services

Grants Administration

Audit Report #28007761



Grants Administration

Internal Audit Services Report

Background:

Internal Audit Services (IAS) has completed a review of SMUD's Grants Administration. The purpose of this audit was to evaluate the processes and controls in place to administer grants. This audit was included in the 2025 IAS Audit Plan.

SMUD's 2030 Zero Carbon Plan's implementation priorities included the organization of a grant capture team to proactively seek opportunities for funding and research partnerships. Subsequently, in 2024, SMUD's Chief Zero Carbon officer announced a new director of Research & Development, Grants and Partnerships to lead a Grant Management and Administration team that is responsible for securing external funding through grants, ensuring compliance with grant requirements, and establishing strategic partnerships that align with and support SMUD's vision. The Grants team works cross-functionally with internal and external stakeholders to accelerate SMUD's Zero Carbon goals.

In October 2024, a new grants administration process was implemented across SMUD to centralize grant activities and ensure all new grant opportunities follow a centralized approach. Key stakeholders in the grants process include the Grants team, responsible for overseeing administration of grants; the project implementation team, which manages the project in relation to deliverables; and the Grants Accounting team, which assists with financial tracking and reimbursement of grant expenditures. Currently, the Grants team assists in managing 11 competitive grants worth over \$91 million.

Scope:

The scope of this audit included all information related to the current grants administration process, including all strategy and planning documentation and presentations, all tracking and monitoring tools, and all associated funding agreements and invoices.

SMUD's largest grant—the Grid Resiliency and Innovation Partnership (GRIP) grant—was awarded prior to the implementation of the current grants administration process and therefore was outside the scope of this audit. However, because the GRIP grant is the largest grant administered by SMUD and was recently rescinded by the awarding agency, we will conduct a separate advisory review of the GRIP grant.

Objectives:

The objectives of this audit were to:

1. Evaluate the effectiveness and consistency of the grant application process and confirm that grants are sufficiently evaluated before being pursued.
2. Determine whether grants are effectively monitored.

Summary:

We interviewed members of both the Grants team and Accounting's Grants section to understand grant acquisition and monitoring processes. We also obtained and reviewed grant documentation, including the Grants program's policies and procedures and other guidance documents; presentations; grant planning and application documents; grant agreements; grant reimbursement requests and supporting documentation; and budget and expenditure tracking reports.

To evaluate the effectiveness and consistency of the grant application process, we first reviewed the procedures implemented by the Grants team for evaluating applications, aligning priorities with SMUD's objectives and strategies, confirming resource requirements and commitments prior to submission, and setting appropriate timelines for grant application completion and submission. We then selected a sample of grant opportunities considered by the Grants team and confirmed that these processes were effectively and consistently applied. Specifically, our review confirmed that each grant opportunity in the sample underwent an initial evaluation for alignment with operational objectives; necessary resources were identified prior to submission; and all applications in the sample were submitted by their respective deadlines.

We also assessed the effectiveness of grant monitoring by confirming that the Grants team has established processes for identifying individuals responsible for overseeing grant activities and expenditures, and for ensuring clarity regarding their monitoring duties. We reviewed the team's processes for maintaining appropriate evidence to support grant reimbursements; for accurately tracking grant budget information, including expenditures and matching funds; for reporting accurate grant information; and for reviewing completed grant projects to assess their value and identify areas for improvement. Although the team is currently managing 11 grants, we found that just two of them had spending and reimbursement requests at the time of our audit and were monitored under the current process. We reviewed the two grants and confirmed that the processes were effectively and consistently applied. Specifically, we confirmed that each grant in our sample contained documentation indicating that roles and responsibilities were discussed. For each grant, we examined all reimbursement request packages and found that the included costs were both allowable and properly supported. We also verified that the expenditure amounts reported to granting agencies reflected the Grants team's and Accounting's tracking documents. Lastly, we confirmed that all sampled grants required an assessment of the project and identification of areas needing improvement at closeout.

Conclusion:

The Grants team consistently applied procedures for evaluating grant opportunities to ensure that grant applications aligned with SMUD's priorities and available resources. Additionally, the Grants team's monitoring processes ensure that roles and responsibilities for monitoring grant activities are made clear, supporting documentation for reimbursement requests were maintained, and expenditures were allowable and accurately tracked.



IAS would like to thank the Grants team and the Grants Accounting team for their cooperation and support during this audit. We commend them for their dedication to improving grants processes and supporting SMUD's 2030 Zero Carbon Plan.

GO165 - Transmission Line Maintenance

Executive Summary

Internal Audit Services (IAS) has completed a review of GO165 - Transmission Line Maintenance. The purpose of the audit was to evaluate the controls in place for transmission line inspections and maintenance activities, including compliance with existing policies, procedures, and regulatory requirements. The audit was included in the 2025 IAS audit plan.

General Order 165 (GO165) mandates that utilities prepare and follow procedures for inspection and maintenance of transmission lines as well as maintain records of these activities. SMUD complies with these mandates through the development and implementation of the Transmission Maintenance Inspection Plan (TMIP) which covers Aerial (Helicopter) Patrols, Ground Patrols, Infrared Inspections (both Ground and Aerial), Intrusive Inspections of Wood Poles, and Right-Of-Way Inspections. Audits of Intrusive Inspections and Right-Of-Way Inspections were previously completed and were excluded from this review's scope.

IAS completed an evaluation of SMUD's transmission line maintenance program and determined it meets CPUC's GO165 standards, with inspections completed in a timely manner, and maintenance records consistently containing the required information and properly retained in SAP and SharePoint, as required by the TMIP. However, there are improvement opportunities related to the timely completion and closure of Corrective Maintenance (CM) notifications in SAP. Additional opportunities were identified to strengthen documentation of annual work plan, formalize CM Priority criteria, update the TMIP to reflect current asset details, clarify inspection frequency for pothead and surge arresters, and expand CM notification monitoring to include underground equipment to ensure timely completion of corrective actions.

IAS would like to thank Transmission and Distribution Maintenance Planning (TDMP), Substation Maintenance, Network, and Transmission & Distribution Line Construction & Maintenance for their cooperation and support in conducting this audit.

ERM Risk

Reliability Compliance



Internal Audit Services

GO165 - Transmission Line Maintenance

Audit Report 28007884



GO165 - Transmission Line Maintenance

Internal Audit Services Report

Background:

First adopted in 1997, the California Public Utilities Commission's (CPUC's) General Order Number 165 (GO165) establishes requirements for electric distribution and transmission facilities (excluding those facilities contained in a substation) regarding inspections in order to ensure safe and high-quality electrical service.

In response to GO165, SMUD developed the Transmission Maintenance Inspection Plan (TMIP), which covers Aerial (Helicopter) Patrols, Ground Patrols, Infrared Inspections (both Ground and Aerial), Intrusive Inspections of Wood Poles, and Right-Of-Way Inspections. Audits of Intrusive Inspections and Right-Of-Way Inspections were recently completed and were excluded from this review's scope. The TMIP summarizes inspections that must be conducted, their frequency, and record keeping requirements. While not regulated by the CPUC, SMUD has elected to meet the requirements outlined in GO165.

SMUD's Transmission and Distribution Maintenance Planning (TDMP) group develops projects and programs that ensure SMUD's compliance with Federal and State regulations. TDMP is responsible for the development of yearly Operation and Maintenance (O&M) and Capital plans for all SMUD-owned substations and transmission & distribution lines. This includes developing maintenance plans within SAP for the inspection of both overhead and underground transmission lines. SMUD's Transmission & Distribution Line Construction & Maintenance, Substation Maintenance, and Network groups are responsible for completing inspections of overhead and underground transmission lines, respectively, and documenting the results of the inspections.

Inspection documentation for overhead transmission line equipment is completed by using the Transmission Line Inspection (TLI) app and automatically uploaded into SAP. When a deficiency is identified, the TLI app automatically generates a Corrective Maintenance (CM) notification in SAP and assigns a pre-determined Priority based on the nature of the deficiency. Documentation of underground transmission line equipment inspections and related CM notifications are manually created into SAP, and the assignment of Priority levels is based on the Asset Supervisor's experience.

Scope:

SMUD's processes for the inspection and maintenance of overhead (excluding intrusive testing of wood poles and vegetation growth/rights of way) and underground transmission line components associated with Section 3 of the Transmission Maintenance Inspection Plan (TMIP). Specifically for the time period of 1/1/2021 to 12/31/2024 or the last time the equipment was inspected.

Objectives:

1. Evaluate SMUD's TMIP to assess if it is meeting the standard of care as defined by the CPUC's GO165.
2. Evaluate SMUD's adherence to the transmission line equipment inspection timeframes in the TMIP. Specifically:
 - a. If transmission lines have been identified as such,
 - b. If transmission line inspections are performed at the intervals prescribed by the TMIP.
3. Evaluate if corrective actions identified by the transmission line inspections are completed in accordance with the "Required End" date / Priority assigned.
4. Evaluate if transmission line inspection and maintenance records contain the required information.
5. Evaluate if transmission line inspection and maintenance records are properly retained.

Summary:

IAS interviewed staff from TDMP, Transmission & Distribution Line Construction & Maintenance, Substation Maintenance, and Network and reviewed available documentation to obtain an understanding of the processes and procedures of the Transmission Line Maintenance program.

To evaluate whether SMUD's TMIP complies with the standard of care outlined in CPUC's GO165, we reviewed the key requirements of Section IV of GO165 and found that they are aligned with the TMIP. Additionally, to evaluate if the transmission line inspection and maintenance records contain the required information, we examined a sample of completed records and determined that they generally contain the necessary details. Furthermore, to verify proper record retention, we reviewed a sample of inspection and maintenance work completed during the audit period and confirmed that the records are properly retained in SAP and SharePoint as required by the TMIP.

To evaluate SMUD's adherence to transmission line equipment inspection timeframes outlined in the TMIP, we compared the current asset inventory in SAP with inspection records from the audit period. Our review confirmed that overhead equipment inspections were generally completed at the required frequencies, demonstrating effective governance and control in this area. However, we identified inconsistencies in the TMIP regarding monthly inspection requirements for sites with underground cables leading to potheads and surge arresters, and noted gaps in documentation including the identification and notification process for equipment inspections.

To evaluate whether corrective actions identified during transmission line inspections are completed by their due dates, we reviewed all CM notifications within the audit period. Our analysis revealed that 37% of notifications were completed after their assigned due dates, indicating an opportunity to improve timely completion and to refine the process for setting practical, regulatory-compliant due dates. Additionally, a large number of open CM notifications for overhead transmission lines had not been administratively closed in SAP, even though the work was completed or reassigned, and these notifications (NFWC & TRFD statuses) should have been updated

accordingly. Lastly, for underground assets, we found that TDMP's monthly monitoring report does not track underground CM notifications which could result in late or missed corrective actions.

Conclusion:

IAS completed a review of processes for inspecting and maintaining overhead and underground transmission line components as outlined in Section 3 of the TMIP. The review assessed whether the TMIP aligns with CPUC's GO165 and evaluated SMUD's compliance with inspection timeframes, including identification of transmission lines, adherence to inspection intervals, timely completion of corrective actions, completeness of records, and proper record retention.

While the TMIP aligns with CPUC's GO 165 standards, with inspections completed in a timely manner, and maintenance records consistently containing the required information and properly retained in SAP and SharePoint, as required, we identified several opportunities to enhance processes and controls. The process for assigning and adhering to corrective maintenance due dates should be refined to improve timeliness and regulatory compliance, and administrative practices for closing completed or reassigned corrective maintenance notifications in SAP can be strengthened. Additional improvement opportunities include formalizing documentation of procedures, including those for identifying equipment needing inspection, generating notifications, and establishing clear Priority criteria; clarifying and ensuring consistency in inspection frequency requirements, especially for underground transmission sites; and expanding monitoring reports to include underground corrective maintenance activities. Addressing these areas will help strengthen governance, risk management, and operational effectiveness in SMUD's transmission line inspection and maintenance program.

We would like to thank Transmission and Distribution Maintenance Planning, Substation Maintenance, Network, and Transmission & Distribution Line Construction & Maintenance for their cooperation and support in conducting this audit.

GO165 - Transmission Line Maintenance

Observations

Observation 1 – Completion and Closure of Corrective Maintenance Notifications			
Risk Ranking	Category	Department(s) Responsible	Planned Completion Date
Medium	Process Improvement	Transmission & Distribution Line Construction & Maintenance	11/13/2026
<p>Criteria: According to TDMP, in conjunction with CPUC’s GO 165, SMUD has chosen to comply with GO 95 when developing and implementing its transmission line maintenance program. GO95, Rule 18 establishes three priority levels for corrective actions or corrective maintenance (CM), each with specified maximum completion times based on their potential impact on safety or reliability. Additionally, there are a few exceptions to the maximum completion times that are allowed, called "Opportunity Maintenance," which must be performed during the next visit when a crew is at the structure to perform the same or higher-level tasks.</p> <p>Closing work requests, such as CM notifications, promptly upon completing the work is widely recognized as a best practice across organizations. This practice supports data integrity and improves operational efficiency by providing accurate, timely information for decision makers.</p>			
<p>Conditions: <u>Overhead CM Notifications:</u> IAS identified that approximately 37% of the CM notifications closed during our audit scope period were completed after their assigned due date.</p> <p>IAS identified that a large number (87%) of open CM notifications which had already exceeded their due dates at the time of our audit related to CM notifications that had been completed or transferred to another CM notification for completion that should have been closed in SAP.</p> <p><u>Underground CM Notifications:</u> Monitoring efforts by TDMP and Network do not include CM notifications for underground equipment, consequently there is not a consistent process to identify and monitor past due corrective maintenance for underground equipment</p>			
<p>Causes: <u>Overhead CM Notifications:</u> Delays in completing CM work were attributed to factors such as weather conditions, material availability, the need for clearance approvals, and unplanned outages.</p>			

Transmission & Distribution Line Construction & Maintenance uses the Transmission Line Inspection (TLI) app to perform overhead inspections. When deficiencies are found, the app creates a CM notification in SAP and assigns a priority based on the deficiency. Because the deadline to fix these issues can be much longer than the inspection cycle – such as a 59-month deadline for equipment inspected every year – multiple CM notifications can be generated for the same problem.

Underground CM Notifications:

Due to the small number of underground transmission line assets, and the resulting low volume of corrective action notifications for these assets, formal monitoring of CM notifications for underground equipment has not been implemented.

Effects:

Failure to complete CM work on the transmission system by the due date may adversely affect system reliability and pose safety risks to SMUD employees and the general public. Additionally, it could lead to noncompliance with the CM priorities set forth by the CPUC and SMUD.

Not closing notifications in SAP promptly after completing CM work could result in inefficient use of resources, including the potential reassignment of already completed work to employees. It could also compromise data accuracy, which could impair analysis and decision-making processes and potentially result in compliance violations.

Recommendations:

Overhead CM Notifications:

Transmission & Distribution Line Construction & Maintenance and TDMP should collaborate to ensure CM work is completed within the time frames allowed by GO95. This may include extending due dates to the maximum time periods allowed by GO95, including “Opportunity Maintenance” as appropriate.

Transmission & Distribution Line Construction & Maintenance should review and close existing completed or transferred CM notifications in SAP. Moving forward, they should refine their process to ensure CM notifications are promptly closed after the fieldwork, including those transferred to other notifications.

Underground CM Notifications:

Transmission & Distribution Line Construction & Maintenance should collaborate with TDMP to ensure all open underground CM notifications are included in their status reports that are used for monitoring the completion of CM notifications. Proactive inclusion of underground CM notifications in status reports is a best practice that ensures timely completion of corrective actions if any issues do arise, mitigates future risks, and maintains consistent standards for both overhead and underground transmission line maintenance.

Management Responses:

Transmission & Distribution Line Construction & Maintenance agrees with the IAS recommendations and will collaborate with TDMP to ensure CM work is completed within the time frames allowed by GO95.

Additionally, Line Construction & Maintenance will collaborate with TDMP on a quarterly basis to ensure all completed or transferred CM notifications are closed out promptly.

TDMP will:

1. Run a monthly CM report and flag any completion due dates.
2. Perform an end of the year audit of all completion due dates per year.

Line Assets will:

1. Consult with TDMP should a CM needs to be extended to ensure it is allowed by GO95.

The planned completion date is November 13, 2026.

Observation 2 – Procedure Documentation

Risk Ranking	Category	Department(s) Responsible	Planned Completion Date
Medium	Policy/Procedure	Transmission and Distribution Maintenance Planning (TDMP)	11/13/2026

Criteria:

Well-documented procedures are widely considered a best practice in organizations; they help ensure tasks are performed consistently, facilitate effective training for new employees, preserve institutional knowledge, identify areas for improvement, and demonstrate compliance with regulatory requirements.

Conditions:

Based on our testing results, the procedures for identifying transmission line equipment requiring inspection or testing in the upcoming year, as well as for exporting data from SAP to generate annual inspection requests, are not documented in a way that ensures consistency or supports effective training. Specifically:

Overhead Procedures:

We noted that the procedures are incomplete. Last revision was dated September 2023.

Underground Procedures:

We were unable to access the separate procedure for underground equipment. TDMP informed us that this procedure has not yet been finalized.

Causes:

The existing documents were originally created by TDMP’s engineers as a reference document and not a formal procedure. TDMP does not have a review/approval process for procedures such as the Annual Transmission Line Work Plan.

Effects:

Not having detailed, up-to-date procedures could result in inspections or testing of transmission line equipment under TMIP being performed inconsistently and potentially not within required timeframes, which may negatively impact the reliability and safety of SMUD's transmission system. A lack of procedures also increases the risk of losing critical knowledge if key personnel depart and may hinder SMUD's ability to effectively train staff.

Recommendations:

TDMP should finalize the documented procedures for identifying transmission line equipment requiring inspection or testing, as well as for exporting data from SAP to generate annual inspection requests. Additionally, a regular review schedule should be established to ensure these procedures remain up to date.

Management Responses:

TDMP agrees with the IAS recommendation and plans on finalizing the documented procedure that is used to prepare the annual inspections and testing per GO165.

The plan completion date is November 13, 2026.

Observation 3 – Corrective Maintenance Priorities (CM)

Risk Ranking	Category	Department(s) Responsible	Planned Completion Date
Medium	Policy/Procedure	Transmission and Distribution Maintenance Planning (TDMP)	11/13/2026

Criteria:

Well-documented procedures are widely considered a best practice in organizations; they help ensure tasks are performed consistently, facilitate effective training for new employees, preserve institutional knowledge, identify areas for improvement, and demonstrate compliance with regulatory requirements.

Conditions:
Overhead CM Priorities:

Only informal corrective maintenance priority guidelines exist for overhead transmission lines. These guidelines were documented in 2019 when the Transmission Line Inspection (TLI) application was developed.

Underground CM Priorities:

There are no documented priority guidance documents for corrective maintenance of underground transmission lines. Instead, priorities are assigned based on the Asset Supervisor's experience.

Causes:Overhead CM Priorities:

The existing documents for overhead CM Priorities were originally created by TDMP's engineers as a reference document and not a formal procedure. TDMP does not have a review/approval process for documents such as the Annual Transmission Line Work Plan or the CM Priority Guidance document.

Underground CM Priorities:

CM Priority documentation for underground has not been developed.

Effects:

The absence of guidance documents may result in inconsistent or improperly prioritized CM activities, loss of procedural knowledge if staff leave, and difficulties in training personnel. This could potentially compromise the reliability and safety of the electrical system.

Recommendations:

TDMP should develop and maintain formal, up-to-date procedure documents that clearly define corrective maintenance priority levels and criteria for both overhead and underground transmission lines. Priority assignment procedures should be standardized and made easily accessible to staff to ensure consistency, support effective training, and minimize the risk of knowledge loss if key personnel leave. A review schedule should be established to help ensure the procedures are kept current.

Management Responses

TDMP agrees with the IAS recommendation and plans to create a document defining corrective maintenance priority levels aligning with GO95 for both overhead and underground transmission lines.

The plan completion date is November 13, 2026.

Observation 4 – Equipment Inspection Frequency			
Risk Ranking	Category	Department(s) Responsible	Planned Completion Date
Medium	Policy/Procedure	Transmission and Distribution Maintenance Planning (TDMP)	Completed
<p>Criteria: TMIP Section 3.6.2.2, Potheads and Arresters, of the TMIP identifies potheads and surge arresters as underground transmission line components inspected by Substation Maintenance workers and states that pothead inspections are to be performed monthly.</p> <p>TMIP Section 4, Switchyard and Substation Maintenance also requires potheads and surge arresters to be inspected monthly. However, Section 4.3, Maintenance Intervals, allows inspections to be performed at a reduced frequency to accommodate for competing priorities - requiring at least 10 inspections per year, with intervals no longer than two months for each substation.</p>			
<p>Conditions: We identified inconsistencies within the TMIP regarding the required frequency of inspections for potheads and surge arresters. As a result, inspections met the reduced frequency outlined in Section 4.3 but did not consistently comply with the stricter monthly inspection requirement stated in Sections 3.6.2.2.</p>			
<p>Causes: TMIP does not clearly define which requirement takes precedence (Section 3.6.2.2 or Section 4), leading to varied interpretations and application of the inspection schedule.</p>			
<p>Effects: This inconsistent inspection schedule increases the risk that potential issues or failures with potheads and surge arresters could go undetected for longer periods, potentially compromising the reliability and safety of the transmission system.</p>			
<p>Recommendations: TDMP should update the TMIP to reconcile and clarify the inspection frequency requirements for potheads and surge arresters, clearly specify which section governs the inspection schedule and ensure that all maintenance personnel are informed of the updated standards.</p>			
<p>Management Responses: TDMP has completed this recommendation. TMIP revision 13 was completed and signed by all key stakeholders on December 29, 2025. Specifically to IAS recommendation, Section 3.6.2.2 Potheads and Arresters language was modified to read as follows:</p>			

Potheads

The Substation Maintenance Worker inspects for pothead oil leaks and tracking on the same schedule for surge arrestors as shown on Table 14 of Section 4.4. Inspections are performed monthly; however, as competing priorities arise, inspections can be performed at least 10 times per year, but no less than once every two months.

IAS verified that Revision 13 of the TMIP was approved in December 2025 and Section 3.6.2.2, Potheads and Arresters, was updated with the above language. **IAS considers this observation closed.**

Observation 5 – TMIP Update

Risk Ranking	Category	Department(s) Responsible	Planned Completion Date
Low	Policy/Procedure	Transmission and Distribution Maintenance Planning (TDMP)	Completed

Criteria:

SMUD’s Transmission Maintenance Inspection Plan (TMIP) is required to be reviewed every year. During each review, any changes—such as new facilities, new equipment, or updated work procedures—should be incorporated into the TMIP. Appendix "A" of the TMIP should provide an accurate and up-to-date list of all components of the transmission system whenever the TMIP is revised.

Conditions:

The current TMIP does not accurately reflect the components of the underground transmission line assets now present in the system.

Causes:

The list of transmission line components in Appendix “A” comes from SAP which is updated from SMUD’s Geographic Information System (GIS). However, GIS has not been updated to include new assets, such as those at Station E and related equipment.

Effects:

These inconsistencies between the TMIP and SMUD’s main system of record (SAP) may create confusion for staff, potentially resulting in operational or maintenance errors that could impact reliability and safety. Over time, such discrepancies can reduce trust in the documents, lowering their effectiveness as reliable resources. Furthermore, differences between official documents like the TMIP and SAP may result in regulatory compliance risks.

Recommendations:

TDMP should collaborate with the GIS team to ensure that the GIS database is updated promptly and update the TMIP document accordingly. Going forward, the TMIP should be reviewed annually as required, and the date of each review, even if no changes are made, should be documented in the version history.

Management Responses:

TDMP agrees with this recommendation. TDMP has completed the latest revision to the TMIP and produced Rev. 13 on December 29, 2025.

IAS verified that the list of transmission line components in Appendix "A" of the TMIP has been updated. **IAS considers this observation closed.**

Appendix A - Observation Definitions

Observation: Audit observations are risk ranked using the guidance below and focused on policy, compliance and operational improvement opportunities of the audited area.

Risk Rankings:

Extremely High

- Material loss of assets or financial impact; or
- Severe legal, regulatory or compliance sanctions; or
- Cessation of business services for the foreseeable future; or
- Critical impact in achieving SMUD's goals and objectives; or
- Major deterioration in customer metrics and surveys. Irreparable negative media coverage and damage to SMUD's reputation; or
- Widespread loss of confidence from employees. Unable to fill critical positions for a long period of time

High

- Significant loss of assets or financial impact; or
- Significant legal, regulatory or compliance sanctions; or
- Widespread disruption of service levels and interruption of business functions; or
- Significant delays or modification of operational goals and objectives; or
- Significant deterioration in customer metrics and surveys; Significant negative media and erosion of trust; or
- Significant loss of confidence from employees. Significant increase in unanticipated employee separations. Slight impact to fill critical positions

Medium

- Moderate loss of assets or financial impact; or
- Moderate legal, regulatory or compliance sanctions; or
- Moderate operational impact to service levels or business disruption; or
- Moderate delays or modification to goals and objectives; or
- Moderate decline in customer metrics and surveys. Modest negative media; or
- Moderate loss of confidence from employees. Moderate increase in unanticipated employee separations. Little to no impact to critical positions

Low

- Minor loss of assets or financial impact; or
- Minor legal, regulatory or compliance sanctions; or
- Minor operational impact to service levels and business activity; or
- Minor delays or modifications to goals and objectives; or
- Slight decline in customer metrics and surveys. Limited public criticism; or
- Minor loss of confidence from employees. Slight increase in unanticipated employee separations. No impact to critical positions

Components:

Criteria – The standards, measures, or expectations used in making an evaluation and/or verification (the correct state)

Conditions – The situation that you found, supported by evidence and characterized by facts, measurements, examples, etc. (the current state)

Causes – The reasons for the difference between expected and actual conditions

Effects – The actual or potential risks or exposure the organization faces if the causes and the conditions continue.

SSS No. BOD 2026-002

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date FINANCE & AUDIT - 2026
Board Meeting Date N/A

TO				TO							
1.	Farres Everly	6.									
2.	Jose Bodipo-Memba	7.									
3.	Scott Martin	8.									
4.		9.	Legal								
5.		10.	CEO & General Manager								
Consent Calendar		Yes	<input checked="" type="checkbox"/>	No <i>If no, schedule a dry run presentation.</i>		Budgeted	<input checked="" type="checkbox"/>	Yes	No <i>(If no, explain in Cost/Budgeted section.)</i>		
FROM (IPR) Marythony Sohl / Crystal Henderson				DEPARTMENT Board Office				MAIL STOP B304	EXT. 5424	DATE SENT 12/18/25	

NARRATIVE:

Requested Action: A summary of directives is provided to staff during the committee meeting.

Summary: The Board requested an ongoing opportunity to do a wrap up period at the end of each committee meeting to summarize various Board member suggestions and requests that were made at the meeting to make clear the will of the Board. The Finance & Audit Committee Chair will summarize Board member requests that come out of the committee presentations for this meeting.

Board Policy: Governance Process GP-4, Board/Committee Work Plan and Agenda Planning, states the Board will focus on the results the Board wants the organization to achieve.
(Number & Title)

Benefits: Having an agenized opportunity to summarize the Board’s requests and suggestions that arise during the committee meeting will help clarify what the will of the Board.

Cost/Budgeted: Included in budget.

Alternatives: Not to summarize the Board’s requests at this meeting.

Affected Parties: Board of Directors and Executive Office

Coordination: Board Office

Presenter: Brandon Rose, Finance & Audit Committee Chair

Additional Links:

SUBJECT Summary of Committee Direction – Finance & Audit Committee	ITEM NO. (FOR LEGAL USE ONLY)
--	-------------------------------

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.