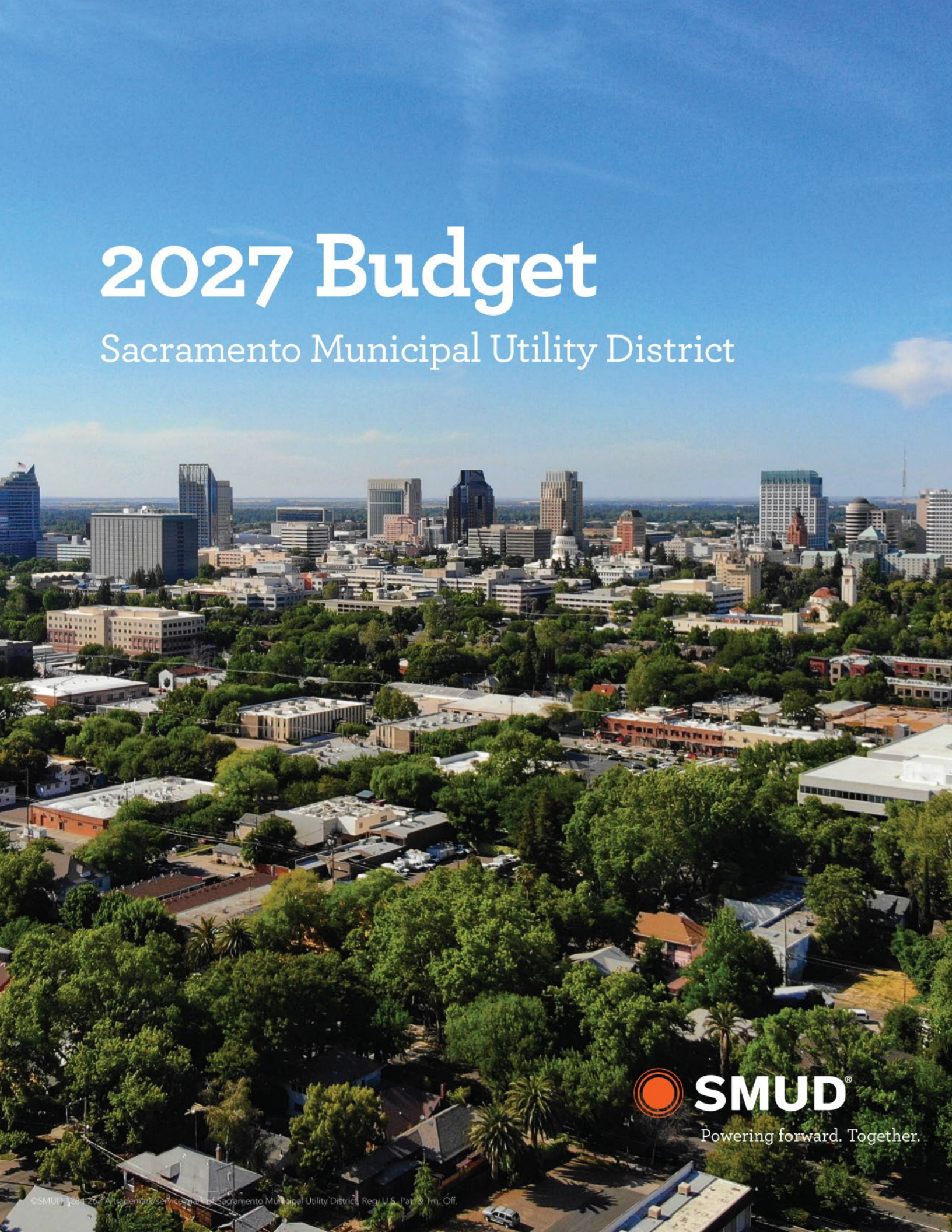
2027 Budget

Sacramento Municipal Utility District



SMUD®

Powering forward. Together.

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CEO & GM 2027 Budget Letter

SMUD

November 9, 2026
GM 26-174

Board of Directors

Re: 2027 SMUD Budget

Dear Board Members:

I'm pleased to present SMUD's proposed 2027 Budget of $2.4 billion. It provides funding for Operations and Maintenance (O&M), Public Good and Capital Programs needed to successfully meet the Board's Strategic Directions. The proposed Budget maintains compliance with legislative and regulatory requirements, while funding the work that supports continuous decarbonization, grid reliability, economic growth and our commitment to the community to keep rates amongst the lowest in California.

The proposed 2027 Budget supports the following four priorities: Safe & Resilient Operations, Environmental Sustainability, Employee & Customer Care and the Economic Engine. Our Interim Chief Financial Officer, Michelle Kirby, will present detailed information about our proposed 2027 Budget at the Nov. 17 Finance & Audit Committee meeting.

Executive summary

Every year, we look holistically at our Budget, programs, projects and initiatives to make sure SMUD continues to deliver value to our customers and community. Our goal is to ensure every dollar we spend delivers the most value possible. The proposed 2027 Budget funds activities that are important to support the needs of our customers and community today, while also supporting our long-term success and leadership position. It supports investments in projects that maintain and improve our infrastructure, meet carbon reduction mandates and support our transition to a zero carbon future, and community programs and outreach that deliver positive community impact. The proposed 2027 Budget also ensures SMUD's continued responsible and sustainable financial stewardship of a vital community asset. Our rates remain among the lowest in California and our system average rate is currently more than 44% lower than local investor-owned utilities.

Our Capital budget is increasing slightly--by $1 million. Major capital projects for 2027 include:

- Construction of Station J Substation.
- Upgrades to Elverta (El Rio) Substation.
- Construction of UC Davis Medical Center primary and backup service.
- Construction of our new Folsom Administrative Operations Building.
- Upgrading our Enterprise Resource Planning (ERP) software to S/4HANA.

Our O&M budget is increasing by $39.5 million (or about 5%). The Public Good budget stays flat at $73 million. Key initiatives in our 2027 proposed O&M and Public Good budgets include customer electrification programs and incentives, load flexibility programs and our Community Impact Plan. The O&M budget also includes funding for equipment maintenance, vegetation management, wildfire mitigation, cybersecurity and property and casualty insurance. We continue to minimize budget impacts from rising costs in these areas through ongoing Operational Excellence initiatives and by securing grant funding.

In 2027, we expect a $43 million increase in our Commodity budget due to higher fixed power costs for renewable energy projects, including Country Acres Solar plus Battery, Dry Creek Battery and Grace Solar. Commodity spending allows SMUD to meet energy and peak capacity needs and maintain reliability for our customers. California commodity markets for natural gas and electricity continue to be volatile. As a result, we'll continue our long-standing commodity hedging program and remain conservative in our commodity forecasting process to help manage market volatility. The proposed 2027 Budget includes assumptions for a normal water year.

The proposed 2027 Budget authorizes 2,295 full-time positions, flat to our 2026 plan. Also included is funding for our future workforce pipeline needs and flexibility for shorter-term needs, with limited-term, student and part-time positions to support our key priorities.

We recognize the potential for new growth in our service area and have maintained conservative planning assumptions so we can act nimbly as business conditions change. To manage potential impacts to our budget and operations, we'll monitor these and other factors throughout the year, including the local economy, construction costs and any supply chain and labor constraints.

In total, the proposed 2027 Budget allows us to:

- Deliver on the Board's Strategic Directions and the supporting priorities as outlined in our Enterprise Strategy.
- Execute our vision to deliver a balanced energy transition that keeps our power affordable, reliable and sustainable while powering the economic engine and elevating employee and customer care to strengthen our region's long-term prosperity.
- Maintain safe and resilient operations — today and in the future — through strong investments in our grid and other infrastructure.
- Invest in a clean energy future to benefit all communities.
- Maintain SMUD's strong financial position and meet financial metrics through prudent financial management – ensuring we can maintain affordable rates.

Budget breakdown

The table below provides a brief overview of the proposed 2027 Budget in millions of dollars ($M) compared to the 2026 Budget.

	2026 ($M)	2027 ($M)	Change ($M)
Commodity (a)	$592.5	$635.8	$43.3
Public Good excluding subsidies (b)	72.8	72.6	(0.3)
Other O&M (c)	769.2	808.7	39.5
Subtotal	**$1,434.5**	**$1,517.1**	**$82.6**
Debt Service (d)	216.3	228.0	11.7
Capital (e)	671.6	672.7	1.2
Total Budget Authorization	**$2,322.4**	**$2,417.8**	**$95.4**

Additional budget details
The following sections provide details on the major initiatives, projects and programs funded in the proposed 2027 Budget, grouped by our budget priorities and aligned to the Board's Strategic Directions (SD).

Safe & Resilient Operations

In support of SD-4, SD-6, SD-14, SD-16 and SD-17

Our commitment to safety and resiliency underpins every aspect of our operations. We are investing in maintaining and enhancing the electric system to ensure consistent, dependable service for our community today and in the future. Protecting the well-being of employees, contractors and the public remains a top priority, supported by rigorous safety practices and proactive hazard mitigation. At the same time, we safeguard critical infrastructure and information systems against evolving threats, strengthening our resilience through comprehensive risk management. Together, these efforts ensure that we deliver uninterrupted, secure service at affordable rates, while fostering a culture of safety and operational excellence.

The proposed 2027 Budget includes funding to ensure our transmission and distribution systems have sufficient capacity and load serving capability to meet the needs of our customers safely, reliably and affordably, while meeting regulatory compliance requirements. Key initiatives in 2027 include:

- **Substation investments:** Adding capacity to support reliability and load growth. This includes funds for the Station J substation, Elverta (El Rio) substation upgrades, and UC Davis Medical Center (UCDMC).
- **Folsom Administrative Operations Building (FAOB)**: A multi-year project to design, permit and construct a new building to support electric operations for the future.
- **Vegetation management & wildfire mitigation**: Reliability and risk reduction for wildfire.
- **Pole and cable replacements**: Replace ~850 poles and ~200,000 circuit feet of underground cable.
- **Reliability and load growth-driven initiatives**:

  - **Pocket Bulk Substation Replacement:** Begin design for this multi-year project that replaces Pocket substation with a new substation that will enable future load growth in the area.
  - **69kV Feeder Tie Lone Tree Blvd:** This project creates additional ties between El Rio and Natomas substations, expanding load serving capability in the Metro Air Park area.
  - **69kV Feeder Extension Elverta to Powerline:** This project extends a sixth feeder from El Rio Bulk Substation and creates additional ties, expanding load serving capability in the Metro Air Park and Natomas areas.
  - **Winding Way - New York Bank 1 Replacement:** This multi-year project will replace both banks at this substation to improve reliability for customers in the Fair Oaks community.
  - **Station DStation G 115kV Underground Transmission Line Reconducting:** This multi-year project will replace vintage 40-year-old cable in the downtown area which connects both Station D and Station G.
  - **Proactive Transformer and Protector Replacement:** Continue the multi-year project tied to the Community Energy Reliability and Resilience Investment (CERRI) grant by replacing aging infrastructure, improving the 12kV downtown network reliability.
- **Maintain reliability, compliance and extend the life of power generation assets, including**:
  - Replacement of Station Main Line Valves 8 and 10 of the natural gas pipeline that feeds our thermal power plants.

We continue to implement safety initiatives that maintain our position as a recognized safety leader and keep the safety of our employees, contractors and the public a top priority. Key initiatives in 2027 include:

- Expanding our Safety for Life program
- Growing our safe driving program.
- Voluntarily adopting the American Petroleum Institute's (API) recommended practice for Pipeline Safety Management Systems (PSMS).
- Continuing the success of our supervisor-employee interactions and investment in our Safety Management System (SMS) for preventative reporting.

In 2027, staff will continue working with several local jurisdictions on the following multi-year undergrounding projects. Altogether, these projects will underground approximately 1.8 miles of existing overhead lines.

- **Elk Grove:** Elk Grove Blvd. (between Waterman & School streets), with a planned construction start date in 2027.
- **Sacramento County:** Greenback Ln. (from Chestnut Ave. to Folsom City limit), with a planned construction start date in 2028.
- **Sacramento County:** Arden Way (between Hesket Way and Morse Ave.) with a planned construction start date in 2028.

Technology forms the foundation of how we operate. The proposed 2027 Budget allocates resources to information management solutions and strategies designed to effectively mitigate cyber risks. It empowers our people, processes and technology to securely achieve our business objectives. This commitment also encompasses maintaining regulatory compliance, and the continued ownership and operation of the Bulk Electric System. Key initiatives in 2027 include:

- **S/4HANA (Road to HANA) Transformation** will enable us to optimize and modernize our core systems and business processes, enhance productivity and improve reporting and data accuracy. In 2027, we'll onboard an implementation partner to work with staff on requirements gathering, design, build and testing, culminating in a planned go-live in April 2028.
- Deploying additional **KloudGin** functionality, leveraging the platform's advanced capabilities. These enhancements are designed to further optimize field operations, support digital transformation of our asset management platform and align with our strategic goals for operational excellence.
- Advancing the **Digital Employee Experience (DEX) program** into a fully operational enterprise capability, enhancing device health monitoring, proactive issue detection, and automation. This initiative aims to boost workforce productivity, improve service reliability, and support employee engagement through broader deployment and integration with modernization efforts like ServiceNow, Windows 11 and endpoint upgrades.
- **Implementing a System Hardening Initiative for Enterprise-Level Defense (SHIELD)** that will continue to ensure that new systems follow an enhanced and more standardized hardening approach.
- Advancing our **Zero Trust Network and Identity Management strategy** to block unauthorized devices on SMUD's network, limit attacker access and strengthen Multi-Factor Authentication against phishing.
- Strengthening and maturing our **IT Disaster Recovery (DR) Program** to protect our data, ensure quick recovery and keep our operations running smoothly in any situation.

Lastly, effective risk management remains foundational to our work. In 2026, we built on the enterprise risk framework to enhance monitoring, reporting and response to evolving risks. Key enhancements to the framework in 2027 include completing the annual SD-17 enterprise-wide risk assessment, conducting targeted risk reviews with leaders, rolling out new risk evaluation toolkits, improving the risk escalation process and delivering organization-wide risk training. We'll continue advancing our risk-aware culture and further embedding risk into our decision-making processes.

Environmental Sustainability

In support of SD-7 and SD-9

We're recognized as an environmental leader on multiple levels. This means we're committed to continuous decarbonization and advancing a clean energy transition that enhances the quality of life for all our customers, while maintaining a reliable grid and

affordable rates. We commit to minimizing our environmental footprint, conserving resources and fostering a healthier environment for current and future generations.

Our commitment to sustainability is grounded in a comprehensive, balanced approach. Our clean energy future entails much more than removing carbon from our power supply. Buildings and transportation account for the largest carbon emissions so investing in electrification programs is an important part of the budget and will help expedite our continuous decarbonization efforts.

Through thoughtful planning and strategic action, we'll advance electrification, increase energy efficiency and support a reliable, environmentally responsible energy supply that meets the evolving needs of our community. We also actively support the growth of local and regional renewable projects, advancing California's goals of achieving 60% renewable energy by 2030 and transitioning to 100% renewable and zero-carbon electric retail sales by 2045, in alignment with SB 100 and SB 1020.

Key initiatives in 2027 include:

- **Integrated Resource Plan (IRP):** Complete IRP analysis and share key scenarios and solutions, with Board approval of IRP by April 2027. SMUD will file the selected IRP with the California Energy Commission (CEC) by September 2027.
- **Hydro capital improvements:** Continued investments in our hydro generation in the Upper American River Project (UARP) – our oldest (60 yrs), cleanest and most economical resource:
  - Large Mechanical Projects:
    - Camino Generator 1 Rewind: Replacing the generator stator core, 13.8kV windings and a major field pole refurbishment.
    - Camino Generator Fire Protection (Units 1 & 2): Continuing to upgrade legacy fire protection systems at all powerhouses.
  - Transformer Replacement Projects:
    - These are large multi-year projects, requiring significant milestone payments annually. Locations include, Loon Lake, Jaybird, Chili Bar, Camino and a White Rock Spare.
  - Transformer Relay Protection Upgrades: Locations include White Rock, Union Valley, Jaybird, Camino and Jones Fork.
- **Transportation electrification**:
  - Medium and Heavy-Duty Commercial Fleet Forecasting tool development with Rocky Mountain Institute (RMI).
  - Completing FAST and REACH 2.0 grants by March 31, 2027, and transitioning to reporting phase, including achieving high charger uptime rates throughout the next 7 years.
  - Launching the SMUD EV Charging Network, onboarding over 20 DCFC Public Chargers throughout SMUD territory.
- **Building electrification:**
  - Expanding residential building electrification efforts to income-eligible households. Promote and expand EV circuit and Electric Vehicle Service

Equipment (EVSE) installation offerings for residential customers, including income-eligible customers.
  - The Advanced Homes Solutions (AHS) program will add a new rebate offer for smart electrical panels and meter collar devices.
  - Developing a contractor tool via XeroHome that will allow contractors to customize project proposals with detailed projections of energy and bill savings.
  - Implementing and transitioning our Complete Energy Solutions program to a new vendor following a competitive Request for Proposal (RFP) process to ensure continuity in building assessments and access to Small Medium Business commercial incentives.
  - Evolving our New Construction Smart Homes program in response to the 2025 building code. We'll launch an updated Smart Homes offering in 2027 designed to support multifamily developments, including new high-rise affordable housing projects as well as prefab and manufactured multifamily construction.
- **Load flexibility:**
  - Expanding Auto Demand Response (DR) options to new Commercial & Industrial (C&I) customers to increase flexible load shed capacity in the commercial sector.
  - Continuing to scale up the fleet of smart thermostats and refine deployment strategies to deliver a more reliable and dependable load flexibility resource.
  - Launching a Commercial Virtual Power Plant (VPP) program to deliver 5-7 customer sited commercial batteries in the 750 kW-1 MW range, integrated into Distributed Energy Resource Management System (DERMS) in targeted areas of our distribution system to support storage deployment at commercial customers to provide grid services, bill savings and customer resilience.
  - Delivering a solution to support Load Flex programs, which includes EV managed charging (EVMC), My Energy Optimizer (MEOP) smart thermostats program and My Energy Optimizer Parter Plus (MEOP+) battery storage program, under a single vendor to achieve financial efficiencies and improve the overall customer experience.
- **Green Pricing/Renewables:** Constructing and commissioning the solar and battery microgrid project at Grant Union High School that will support a Red Cross emergency shelter during declared disasters and prolonged outages. We'll include the resource in Residential Solar Shares and market it to local community customers.
- **Renewable projects**, including:
  - Country Acres – Ensure 344 MW solar and 172 MW x 4hr Battery project meets commercial operation by April 2027.
  - Dry Creek – Support energizing and commercial operation of the 160 MW x 4hr battery project by the end of 2027.
  - Curry Creek – Continue with development and finalize the CEQA document for the 156 MW solar and 156 MW x 4hr battery project.
  - Solano 5 – Continue with development and finalize the CEQA document for the repower of the Solano 2 Wind Project.

Employee & Customer Care

In support of SD-5, SD-8, SD-12, and SD-15

Ensuring a positive employee experience and strengthening our talent pipeline remain top priorities in 2027. When we ensure our employees' work experiences are better, safer and easier, we can see that translate into delivering exceptional care for our customers and community.

We prioritize our customers and community by delivering exceptional service, fostering an inclusive and engaged workforce and maintaining open, clear communication. By focusing on satisfaction, fairness and support, we ensure strong relationships that reflect our commitment to the people we serve and work alongside.

Key investments include:

- **Internal training, education, and workforce planning:** including a framework for leadership development to give SMUD's leaders foundational, operational and strategic leadership development
- **Expanding accessibility and inclusivity in Educational Program Design and Delivery:** Support the ongoing enhancement of accessibility and inclusivity across our educational program design and delivery. This investment will ensure training and learning experiences are accessible to all employees, and aligned with applicable legal and regulatory requirements, including Americans with Disabilities Act (ADA) Title I and ADA Title II.
- **Core training and development programs** that are strategically aligned with SMUD's competencies, mission, vision and values. This continued investment ensures all employees and leaders have access to foundational and advanced learning opportunities — such as trust-building, business acumen and collaborative mindset training — that directly support SMUD's commitment to an engaged, high-performing and customer-focused culture.
- **AI Career Pathway Model Pilot:** Providing on-demand support for employees to learn about job opportunities at SMUD.

SMUD is deeply rooted in the communities we serve. Through customer outreach, engagement, public events and dedicated customer assistance efforts, we make a meaningful impact on the lives of our customers. In 2027, we'll keep focusing on outreach and education, boost awareness, and advance customer technologies -- ensuring our customers remain actively engaged and empowered to help shape a sustainable energy future. Key 2027 initiatives include:

- Introducing **all-new electrification program marketing** to showcase benefits of SMUD's low rates, carbon reduction impacts.
- **Launching 80 years marketing campaign** to celebrate SMUD's legacy and commitment to our community.
- Conducting **extensive community education, outreach and communications campaign** to support the successful adoption of SMUD's new Integrated Resources Plan (IRP).

- Launching an **all-new multi-language, multi-channel spring marketing campaign** to support the vision.
- Conducting **extensive community education, outreach and communications campaign** to support a successful 2027 Rate Action.
- **Leveraging our existing partnerships and pursuing new opportunities to connect with customers across our service area**. Key work includes flagship partnerships such as our support for the SMUD Museum of Science & Curiosity (MOSAC), Sacramento Kings, the As and Sacramento River Cats and deepening outreach to community groups to understand individual community priorities through our Community Impact Plan, Sustainable Communities partnerships, Speakers Bureau and Homeowners Association strategy.
- **Continuing community education and gathering community and stakeholder feedback about large electrical load projects** so we can update our guidelines to reflect new, large requests. Our goals remain the same, to protect existing customers from the cost to connect large loads, protect and enhance reliability, and mitigate environmental concerns.
- **Education and workforce community partnerships:** Provide support and develop programs to train thousands of people for skilled jobs in the new energy economy.
- **Hosting 14 regional STEM events and competitions** to provide more than 20,000 students with hands on experiences that inspire them to participate in engineering and science.
- **Implementing new regional workforce efforts** to connect underserved communities to careers in the energy industry, including:
  - Utilities Vegetation Management program.
  - Partnership with Sheet Metal Local 104 to train more HVAC technicians and promote residential heat pump conversions.
  - 4-year Electrician Pathway Program.
- **Hosting up to 2 regional "shadow days"** to expose thousands of youth to utility careers and careers in the skilled trades.
- Creating connections and **opportunities for Sac State engineering students** and SMUD staff to partner through technical, educational and career pathway explorations.
- **Customer experience technology:**
  - **Digital Platform Transformation** overhauls key digital customer experiences. In 2027, this work will complete migrating our residential customers to an all-new My Account platform, retiring the legacy My Account system. This will deliver the Phase 2 enhancements customers asked for, including expanded mobile app and self-service features, and the community assistance agency portal. Consolidating these features on one platform lowers long-term operating cost and gives every customer segment the same modern experience.
  - Continuing to **allow customers to pay SMUD with a payment method of their choice** – including their strong preference for online payments via credit card and ACH. In addition, SMUD will obtain operational savings from enabling ACH push payments.

- **Shade Tree Program:** Enhance partnerships with the City of Sacramento and community nonprofits to plant more trees and shrubs in 2027. 2027 goals are: 11,500 shade trees, 2,500 shrubs, and 1,500 fruit trees delivered and planted in 2027 with a focus in under-canopied communities.

Economic Engine

In support of SD-2, SD-3, SD-10, SD-11, SD-13 and SD-19

We help drive regional growth by keeping costs competitive, maintaining strong financial footing and pursuing innovative ways to create value. Through local decision-making, business development and new products and services, we're committed to building a resilient utility that benefits our customers, community and long-term economic vitality.

In 2027, we'll continue implementing Operational Excellence (OpEx) initiatives and leverage emerging technologies as part of our Artificial Intelligence + Human Intelligence (AI + HI) Roadmap to streamline processes, reduce costs and improve overall efficiency. This targeted approach supports our ongoing commitment to delivering reliable, cost-effective service while fostering innovation and continuous improvement across the organization.

We're committed to embracing new technologies and innovative solutions that meet the evolving needs of our customers and community. By investing in research and development, and integrating cutting-edge business models, we ensure long-term competitiveness and create value that benefits everyone we serve. Key initiatives in 2027 include:

- **Smart Panel Cluster pilot:** Deploying SPAN™ smart electrical panels at approximately 30 transformers with moderate to heavy loading to demonstrate the ability to leverage the load flexibility of the smart panels and alleviate distribution capacity constraints.
- **Flexible Service Connection demo**: To study the technical capabilities, integration process, administrative feasibility and customer appetite for dynamic service connections. The demonstration plans to enroll up to 5 high EV charging load customers (under 4 MW) whose initial load request can't be fulfilled without a timely and costly infrastructure project or who are amenable to begin operations with less than their final capacity.
- **Demonstration of V2X:** Leveraging electric school buses across 2-3 sites (target ~10 buses and chargers total)
  - Vehicle to Grid (V2G) – Automated partial discharge of EV battery back through the charger at SMUD's request.
  - Managed charging (V1G) – Automated curtailment of charging or shifting charging times at SMUD's request. V1G events could be called daily.
- **ANYbotics robot dog inspection:** Continuing and expanding to new use cases for evaluation, like physical substation security and other potential inspection use cases (i.e. penstock).
- **Peak Energy:** Construction of 750 kW, 9 MWh demonstration battery at Hedge facility (size may change pending grant funding award).

- Testing of the **grid forming inverter** for distribution scale batteries, using modeling and hardware in the loop.

We'll also continue to promote the public power business model and advocate for policies that provide us with the flexibility to pursue innovative solutions that meet the needs of our customers and community while providing safe, reliable, affordable and sustainable electricity. Key initiatives in 2027 include:

- Advocating at the state legislature and relevant regulatory agencies to improve Advanced Clean Fleets implementation.
- Pursuing new grant programs.
- Protecting against new pole attachment rules that impose costs on SMUD under proposed Federal Communications Commission (FCC) rulemakings.
- Advocating through our trade groups on federal utility oversight/large load energy bill impact bill package(s).
- Engaging in legislative and regulatory processes addressing large load growth driven by AI and data centers through the Large Public Power Council (LPPC), of which SMUD is a member.

Lastly, we're committed to driving economic vitality and long-term financial health by supporting regional business growth, fostering innovation and expanding our range of products and services. Through strategic partnerships, workforce development and diversified business opportunities, we aim to create value for our customers and community while positioning ourselves for a sustainable and competitive future. Key initiatives in 2027 include:

- **Community Partnerships:** Our community partnerships are expected to reach more than 100,000 residential and commercial customers through expanded access to SMUD programs, clean energy workforce training and placement, STEM education and electrification support for 10 regional nonprofits.
- **Shine Awards:** Award 30-35 projects totaling over $500,000. Projects support workforce development, improve affordability and customer resiliency, drive economic development and expand STEM education.
- **SEED Program:** Advance readiness and access for local, small businesses to participate in SMUD contracting by launching PlanetBids video registration tutorials on the SMUD website, and collaborating with Marketing on a refreshed SEED vendor campaign, including translation of the new campaign outreach materials into 10+ languages.
- **Regional Start Up Ecosystem:** Activate 15 partnerships to promote entrepreneur education and success throughout the business lifecycle. Serve in the regional Sacramento Economic Growth Alliance (SEGA) on Global Entrepreneurship Week, Folsom Tech Week, Sac Tech Week and regional start-up collaboratives to empower and launch new businesses, including clean tech.
- **Community Impact Plan:**
  - Continue business and residential electrification work, expanding into new communities and business districts, including UC Davis 21kV Feeder Extension-impacted small businesses.

  - Stand up new partnerships with healthcare organizations who will provide education on the non-energy benefits of electrification to customers with certain health conditions, and connect those customers to SMUD to explore potential electrification incentives or programs.
  - Continue our Solar & Storage for Nonprofits Pilot Program identifying strategic nonprofit partnerships where installed systems contribute flexible grid capacity, and help strengthen system reliability during periods of peak demand.
- **Sustainable Communities Resource Priorities Map**: Reimagine the Resource Priorities Map including updated methodology allowing users to better align investments to specific factors exacerbating community vulnerability.

As we enter 2027, I'm excited about what we can accomplish together. Building on our strong foundation, we have an opportunity to shape the future through innovation, operational excellence and a continued commitment to the communities we serve.

Our new vision is to balance long-term investment with affordability as we advance decarbonization, modernize and strengthen our operations, expand community and economic benefits and deliver exceptional employee and customer experiences, while keeping rates among the lowest in California.

Thanks to the dedication of our employees and the partnership of our Board, we have made tremendous progress. As the landscape continues to evolve, we'll remain agile, focused and committed to delivering on our mission. I look forward to sharing regular updates on our progress throughout the year.

Respectfully submitted,



Lora Anguay
Chief Executive Officer and General Manager

cc: Corporate Files

About SMUD

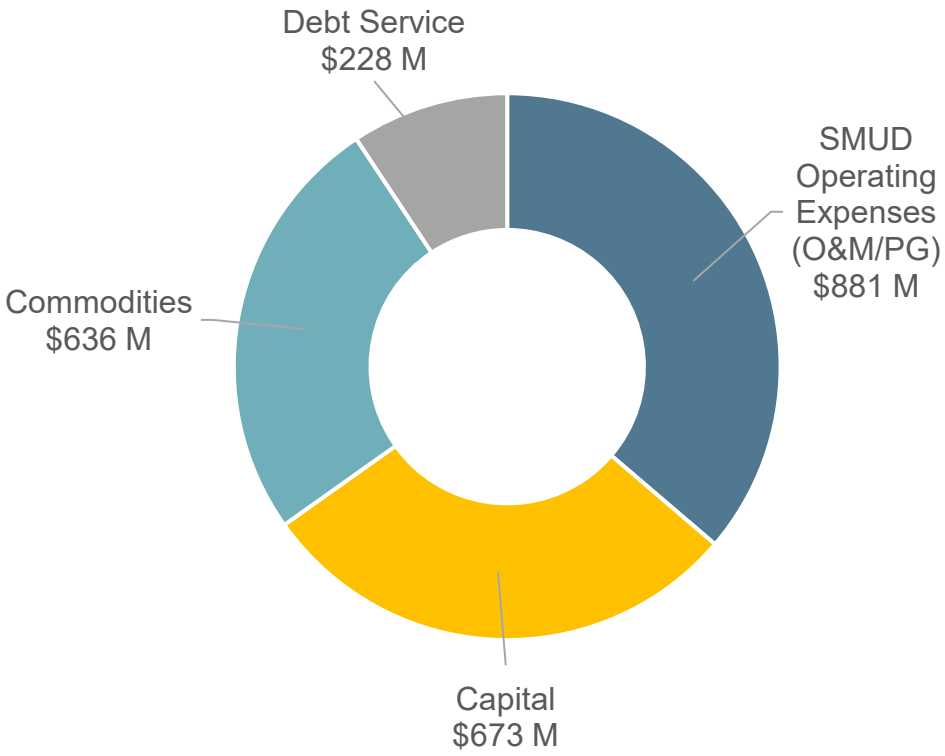
As the nation's sixth-largest, community-owned, not-for-profit electric service, SMUD has been providing safe, low-cost, reliable electricity to Sacramento County since 1946. SMUD is a recognized industry leader and award winner for its innovative energy efficiency programs, renewable power technologies and sustainable solutions for a healthier environment.

We provide electric service to most of Sacramento County and small, adjoining portions of Placer and Yolo counties. Our service area is divided into seven wards, each represented by an elected board member who serves a 4-year term. Our Board of Directors determines policy direction and appoints our Chief Executive Officer & General Manager, who is responsible for SMUD's day-to-day operations.

SMUD became a Control Area, presently called a Balancing Authority (BA), in June 2002 and since then has operated its transmission and generation system independently. On January 1, 2006, the Western Area Power Administration's Sierra Nevada Region was integrated into the SMUD BA, followed on December 1, 2006, by the California-Oregon Transmission Project a 500kV transmission line - and the Modesto Irrigation District (MID). On May 8, 2009, together with MID and the cities of Redding and Roseville, SMUD entered into a Joint Powers Agreement to create the new Balancing Authority of Northern California (BANC). With regulatory approval on May 1, 2011, the operations of SMUD BA were transferred to BANC BA. BANC uses SMUD's existing employees and physical resources to be the BANC Operator. BANC's General Manager reports to a five-person Commission made up of SMUD, MID, City of Redding, City of Roseville, and Trinity Public Utility Districts chief executives. This BA, as an independent entity, is not subject to market disruptions that result from financially induced supply shortages within the California Independent System Operator (CAISO) or investor-owned utilities. SMUD is still subject to certain CAISO transmission, grid management and other costs for transactions that use the CAISO controlled grid. These costs have been included in SMUD's 2027 Budget.

SMUD At a Glance

2027 Total Budget Authorization: $2.4 billion



Service Area Population
1.6 million

Service Area Size
900 square miles

Accounts Served (estimated)
614,734 Residential
78,884 Commercial

Miles of Power Lines We Own
11,476

Expected System Peak
3,091 MW

Expected Retail Energy Sales
10,930 GWh

Active Employees (at Oct 2027)
2,503 (all classifications)

GHG Emissions 2027 Estimate
1.4 million metric tonnes

SMUD Governance

Our Board of Directors

SMUD is owned by its customers, who elect a seven-member Board of Directors. Each director represents a different geographic area or "ward." During their four-year terms, they establish policies and values about how we serve our customers and community and set the long-term direction SMUD will take moving forward.

The Board has final approval for large expenditures, such as bond issuances, contracts, land purchases and power purchase agreements. For the annual budget process, the Board approves budgeted expenses (authorization to spend) and monitors performance through Strategic Direction reporting and monthly financial updates.



Brandon Rose
Ward 1



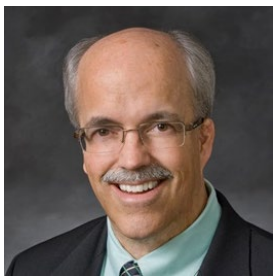
Nancy Bui-Thompson
Ward 2



Gregg Fishman
Ward 3



Rosanna Herber
Ward 4



Rob Kerth
Board Vice President
Ward 5



Dave Tamayo
Board President
Ward 6



Heidi Sanborn
Ward 7

Strategic Direction – Purpose, Vision & Values

Our Strategic Direction guides us in the decisions we make about SMUD's policies and operations. Our Board continually reviews and refines these guidelines to make sure we'll meet your energy needs, both now and in the future.

Purpose Statement (policy number: SD-1A)

SMUD's purpose is to enhance the quality of life for our customers and community by providing reliable and affordable electricity and leading the transition to a clean energy future.

Vision Statement (policy number: SD-1B)

SMUD's vision is to be a trusted and powerful partner in achieving an inclusive, zero carbon economy. SMUD will leverage its relationships to accelerate innovation, ensure energy affordability and reliability, protect the environment, eliminate greenhouse gas emissions, catalyze economic and workforce development, promote environmental justice, and enhance community vitality for all.

Core Values

- Competitive Rates (policy number: SD-2)
- Access to Credit Markets (policy number: SD-3)
- Reliability (policy number: SD-4)
- Customer Relations (policy number: SD-5)
- Safety Leadership (policy number: SD-6)
- Environmental Leadership (policy number: SD-7)
- Employee Relations (policy number: SD-8)
- Resource Planning (policy number: SD-9)
- Innovation (policy number: SD-10)
- Public Power Business Model (policy number: SD-11)
- Ethics (policy number: SD-12)
- Information Management and Security (policy number SD-16)
- Enterprise Risk Management (policy number: SD-17)

Key Values

- Economic Development (policy number: SD-13)
- System Enhancement (policy number: SD-14)
- Outreach and Communication (policy number: SD-15)
- Diversified Business (policy number: SD-19)

Budget Process and Assumptions

The process to complete the 2027 Budget began with setting financial limits to ensure that the budget would result in achieving our key financial metrics: Positive Net Income, Fixed Charge Ratio of at least 1.70 and Days Cash of 150 or more. With input from every business unit, we looked holistically at the work planned for the upcoming year and identified the most important work that must be done to support our Clean Energy Vision, our customers, and community. In October 2026, we presented an early look of the budget to the Board before the budget was finalized. The load, revenue, and commodity forecasts were then completed which results in the final proposed 2027 Budget.

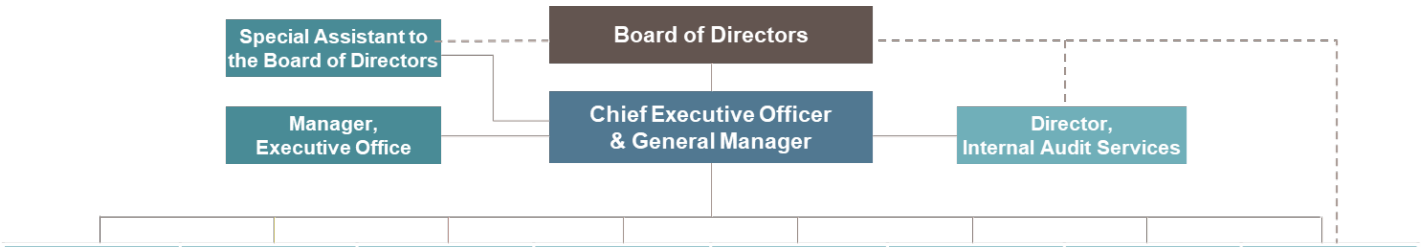
Our planning and budgeting philosophy is to plan and measure the total cost of SMUD business processes and set performance improvement targets for the processes and Business Units that will most efficiently accomplish strategic goals. This budgeting methodology also most efficiently allocates and plans resources throughout SMUD to the Business Units and work processes.

SMUD's Board of Directors has autonomous authority to establish the rates charged for all SMUD services. SMUD typically reviews and sets rates on a two-year cycle. This rate approval process is separate from the annual budget process. SMUD plans its revenue by using the Board approved rates in conjunction with the load forecast. Through approval of the budget, the Board provides the authorization to spend for SMUD to support the work we do to carry out our purpose of enhancing the quality of life for our customers and community by providing reliable and affordable electricity and leading the transition to a clean energy future. To learn more about our rate process please refer to the latest General Manager's Report.

Organizational Structure

Organization Chart by Executive

SMUD resources support Business Unit processes regardless of organization/functional affiliation.



Chief Customer Officer	Chief Diversity Officer	Chief Financial Officer	Chief Information Officer	Chief Mktg. & Comms. Officer	Chief Operating Officer	Chief Zero Carbon Officer	Chief Legal & Government Affairs Officer
Director, Customer Success	Director, People Services & Strategies	Director, Accounting & Controller	Director, Enterp. Systems, Strategy & Gov.	Director, Marketing & Communications	Director, Transmission Planning & Ops.	Director Resource Plan. & Settlements	Deputy General Counsel
Director, Customer Operations & Assistance	Director, Facilities, Security & Emerg. Ops.	Director, Enterprise Strategy & Planning	Director, Customer & Grid Ops. Technical Center	Director, Community Relations Outreach & Sup.	Director, Distribution Planning & Ops.	Director Power Generation	Deputy General Counsel
Director, Customer Exp. Plan. & Integration	Director, DEIB, Learning & Sustainable Communities	Director, Treasury & Revenue Strategy	Director, Infra. Platform Services		Director, Line Assets	Director Research & Dev., Grants & Partnerships	Director Reliability Compliance & Coordination
			Director, AI, Automation & Customer Self-Service Tech.		Director, Substation, Telecom, Network & Metering	Director Customer & Grid Strategy	Director Procurement, Warehouse & Fleet
					Director, Env. Safety & Real Estate Services		Director Energy Trading & Contracts
					Director, Grid Assets Strategic Services		
					Director, Specialized Enterprise Initiatives		

Business Units & Segments

The SMUD Budget is planned by business unit processes which in some cases differ from the organizational/functional reporting structure. The Business Units and Segments are categorized based on work processes and operations and provide better alignment and allocation of costs to specific business functions.

Corporate	Zero Carbon Energy Solutions	Customer & Community Services	Energy Delivery & Operations	Information Technology	Workforce, Diversity & Enterprise Partnerships
Governance	Power Generation	Customer Success	Transmission Planning & Operations	Customer & Grid Operations Technology Center	People Services & Strategies
Finance & Strategy	Distributed Energy Solutions	Customer Operations & Assistance	Distribution Planning & Operations	Enterprise Systems, Strategy & Governance	Facilities, Security & Emerg Prep & Enterp Cont.
Legal, Government Affairs & Contracts	Research & Development, Grants & Partnerships	Customer Experience Planning & Integration	Line Assets	AI, Automation & Customer Self-Service Technologies	DEIB, Learning & Sust Communities
Communications, Marketing & Community Relations	Resource Planning and Settlements	Business Intelligence & Operations Support	Substation, Telecom, Network & Metering	Cybersecurity	Enterprise Change & Organizational Effectiveness
Enterprise Affairs			Environmental, Safety & Real Estate Services	Infrastructure Platform Services	
			Grid Assets Strategic Services		
			Operational Excellence		
			Specialized Enterprise Initiatives		

Budget Summary

Overview

The 2027 Budget Authorization totals $2.4 billion. This represents an increase of $95 million from the 2026 Budget. The 2027 Budget is a request to authorize spending.

Funding Type $000s	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
Commodities	$592,500	$635,791	$43,291	7%
Operating Expenses	769,165	808,699	39,534	5%
Public Good Expenses	72,822	72,566	(256)	0%
Capital	671,570	672,732	1,162	0%
Debt Service	216,305	228,013	11,708	5%
TOTAL Budget Authorization	**$2,322,361**	**$2,417,800**	**$95,439**	**4%**
Miscellaneous Revenues	(1,175)	(10,061)	(8,886)	
Net	$2,321,186	$2,407,739	$86,553	4%

The 2027 SMUD Budget summarized on the following pages is a blueprint of planned commodity, operating, public good, debt service expenses and capital expenditures for the fiscal year beginning January 1, 2027. Comparisons to the 2026 Budget adopted by the Board on December 11, 2025, are shown to put the proposed 2027 Budget into perspective.

The O&M and Capital Budgets are shown on the following pages by cost type and Business Unit. SMUD Business Units correspond to business processes which deliver specific products and services to SMUD customers. The core business processes are represented by Customer & Community Services, Energy Delivery & Operations and Zero Carbon Energy Solutions Business Units. Included within Zero Carbon and Customer & Community are Public Good costs related to energy efficiency, low-income assistance, and research and development. These costs are shown separately because they are designated as Public Goods programs as determined by statute.

The Energy Delivery & Operations, Information Technology, Workforce, Diversity & Enterprise Partnerships and Corporate Business Units provide services which enable the other business units to perform their work. The Enterprise Business Unit contains contingency and reserve estimates for the organization.

Within each Business Unit budget, work processes are subdivided into business segments and individual business processes. Business segments and processes enable each business unit to effectively plan and measure performance of its operations at a manageable level.

The budgeted costs shown under each core Business Unit include all the costs of performing the work planned for 2027. These include labor costs from departments throughout SMUD which perform work in the core business processes. Labor costs include employee benefits. Also included in the budget is a surcharge allocation of service costs such as fleet, facilities,

information technology, workforce management and support, environmental services, real estate, safety and security. The Corporate budget includes insurance and casualty risk management, and cash and debt management; a portion of this budget is allocated to Capital and Public Good.

For detailed descriptions of the cost categories that make up SMUD's budget please see the Supplemental Information section of this document or follow these links – Cost Categories and Expense Type Descriptions.

O&M Budget Summary

The O&M 2027 Proposed Budget totals $1,517.1 million (including Public Good), which is $82.6 million or 6 percent higher than the 2026 Budget. The O&M budget consists of commodity costs, business unit operating costs, public good and other employee benefit costs. The following sections present details for these O&M components.

Cost Type $000s	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
Labor & Benefit Costs	$286,510	$304,853	$18,342	6%
Materials & Equipment	16,249	14,523	(1,726)	-11%
Other Expenses	56,189	56,335	145	0%
Outside Sevices	212,235	226,145	13,910	7%
Insurance	47,522	52,501	4,979	10%
Rebates & Incentives	51,550	51,562	11	0%
Commodites (excl reimbursements)	799,900	813,914	14,014	2%
Total Operating Expenses	1,470,156	1,519,832	49,676	3%
Reimbursements	(235,982)	(217,961)	18,021	8%
Allocations/Surcharges	162,453	169,187	6,734	4%
Expenditures Subtotal	1,396,627	1,471,057	74,430	5%
Commodity Amortization	26,130	33,344	7,214	28%
JPA Interest	-	-	-	-
Other Employee Benefits	11,730	12,654	924	8%
Total O&M Budget	**$1,434,487**	**$1,517,056**	**$82,569**	**6%**

Business Unit O&M Budget

The following report highlights the O&M 2027 Proposed Budget categorized by Business Unit. This gives a different perspective of the O&M expenditures (including Public Good) by where the work is performed.

Total Business Unit O&M and Public Good, excluding Commodity and Other Employee Benefits, is $868.6 million, which is $38.7 million higher than the 2026 Budget. The 2027 Proposed Budget includes mandatory spending for vegetation management and wildfire mitigation. The 2027 Budget also funds ongoing efforts for community initiatives like our Community Impact Plan, maintaining operations, insurance, load flexibility and transportation electrification.

Business Unit $000s	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
Customer & Community Services	$109,832	$121,118	$11,286	10%
Energy Delivery & Operations	230,328	241,820	11,492	5%
Zero Carbon Energy Solutions	260,811	270,890	10,079	4%
Information Technology	37,650	30,654	(6,997)	-19%
Workforce, Diversity & Enterprise Partnerships	26,845	28,207	1,362	5%
Corporate	161,988	172,030	10,042	6%
Enterprise	2,803	3,891	1,088	39%
Total O&M Business Unit Budget	**$830,257**	**$868,610**	**$38,353**	**5%**
Commodity (incl reimbursements)	592,500	635,791	43,291	7%
Other Employee Benefits	11,730	12,654	924	8%
Total O&M Budget	**1,434,487**	**1,517,056**	**82,569**	**6%**

More detailed and specific information is provided within each Business Unit's documentation of their proposed budget. Please refer to this section for the detailed Business Unit budgets - Business Unit Budgets.

Public Good Budget

Public Good is included in the total O&M budget and is captured within the costs of the Business Unit responsible for the work. Therefore, these costs are not shown on a separate line of the O&M budget and are provided here for *information only* and to present details as to the programs covered.

Total Public Good is $103 million, which is $0.3 million less than the 2026 budget, after inclusion of rate subsidies. The Public Good 2027 Proposed Budget is $72.6 million and is the portion of the program that requires Board authorization.

Total subsidies are $30.7 million. The total cost of the Energy Assistance Program Rate (EAPR) subsidy is budgeted at $29.7 million in 2027, an increase of $0.06 million from 2026, and the subsidy for customers using medical equipment decreased by $0.5 million for a total of $1 million. By December 2027, the number of subsidized customers is expected to be approximately 77,059.

Energy efficiency budget totals $55.2 million, representing a $2.2 million decrease from the previous year. Building electrification, included in the energy efficiency public good portfolio, supports our commitment to environmental sustainability. Residential Assistance funding has increased by $2.1 million to better support community needs. Meanwhile, Research & Development proposed spending has slightly decreased by $0.1 million, remaining stable compared to the 2026 budget.

Description $000s	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
Energy Efficiency	$57,511	$55,271	($2,240)	-4%
Residential Assistance	7,958	10,056	2,098	26%
Research & Development	7,353	7,238	(114)	-2%
New Renewable Generation[1]	-	-	-	-
Public Good Budget	**$72,822**	**$72,566**	**($256)**	**0%**
Rate Subsidy	31,152	30,696	(456)	-1%
Total Public Good	$103,974	$103,261	($713)	-1%

[1] New renewable generation projects are planned as capital projects

The following report shows the Public Good 2027 Proposed Budget categorized by Business Unit. This gives a different perspective of the public good expenditures by where the work is performed.

Business Unit $000s	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
Customer & Community Services	$7,958	$10,056	$2,098	26%
Zero Carbon Energy Solutions	64,864	62,509	(2,354)	-4%
Workforce, Diversity & Enterprise Partnerships	-	-	-	-
Corporate	-	-	-	-
Public Good Business Unit Budget	**$72,822**	**$72,566**	**($256)**	**0%**
Rate Subsidy	31,152	30,696	(456)	-1%
Total Public Good	$103,974	$103,261	($713)	-1%

Commodity Budget

Commodity costs are part of the total O&M budget. The 2027 Proposed Commodity Budget of $635.6 million is $43.1 million higher than the 2026 Budget. Commodities are net of surplus power sales. The commodity budget assumes a typical water year. Purchased Power is increasing due to higher fixed costs for Country Acres Solar plus Battery and the Dry Creek Battery. Fuel for Generation is decreasing due to lower gas prices.

Further details on power supply information can be found in the Supplemental Information of this document in these sections – Power Supply & Requirements, SMUD Generation Sources, and Purchased Power.

Description $000s	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
Purchased Power	$410,507	$468,710	$58,203	14%
Fuel for Generation	181,993	166,920	(15,073)	-8%
Total Commodities	**$592,500**	**$635,630**	**$43,130**	**7%**

Other Employee Benefits Budget

Other Employee Benefits are part of the total O&M budget and are not allocated or included as labor expenses in the Business Unit expenditures. The 2027 Proposed Budget for Other Employee Benefits is $12.6 million, an increase of $0.9 million compared to the 2026 Budget. Included are Other Post-Employment Benefits (OPEB) expenses of $10 million, an increase of $0.9 million from the prior year. Also included is $2.6 million in workers' compensation expenses, which remained flat compared to the prior year.

Benefit Type $000s	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
Other Post-Employment Benefits (OPEB)	$9,128	$10,023	$896	10%
Workers Compensation	2,602	2,631	29	1%
Total Other Employee Benefits	**$11,730**	**$12,654**	**$924**	**8%**

Capital Budget Summary

The Capital 2027 Proposed Budget totals $673 million, which is $1 million higher than the 2026 Budget.

Cost Type $000s	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
Labor & Benefit Costs	$112,992	$166,809	$53,817	48%
Materials & Equipment	127,383	157,269	29,886	23%
Other Expenses	55,368	30,886	(24,483)	-44%
Outside Sevices	362,669	299,386	(63,283)	-17%
Insurance	783	1,054	271	35%
Total Expenses	659,194	655,404	(3,791)	-1%
Reimbursements	(58,971)	(63,632)	(4,661)	8%
Allocations/Surcharges	71,346	80,960	9,614	13%
Total Capital Budget	**$671,570**	**$672,732**	**$1,162**	**0%**

The proposed 2027 capital investment budget is for planned investments in generation, transmission, distribution, buildings, vehicles, technology, and other assets critical to meeting the energy needs of our customers. Proposed capital expenditures go through a rigorous evaluation and prioritization process, based on value and risk, to ensure we fund those that have the highest contribution to the Board's strategic directions.

The increase in capital is mainly due to the following major projects: Station J Substation, Elverta (El Rio) Substation, UC Davis Medical Center primary and backup service, construction of the Folsom Administrative Operations Building, and upgrading our Enterprise Resource Planning (ERP) software to S/4HANA.

The following report shows the Capital 2027 Proposed Budget categorized by Business Unit. This gives a different perspective of the capital expenditures by where the work is performed.

Business Unit $000s	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
Customer & Community Services	$5,947	$6,659	$712	12%
Energy Delivery & Operations	297,368	309,972	12,604	4%
Zero Carbon Energy Solutions	126,044	128,102	2,058	2%
Information Technology	69,977	66,965	(3,012)	-4%
Workforce, Diversity & Enterprise Partnerships	108,910	81,943	(26,967)	-25%
Corporate	17,666	17,652	(14)	0%
Enterprise	(15,092)	(9,131)	5,961	39%
OPEB/PERS Amortization	60,749	70,570	9,821	16%
Total Capital Business Unit Budget	**$671,570**	**$672,732**	**$1,162**	**0%**

More specific and detailed information is provided within each of the previously mentioned Business Unit's sections of this documentation. Please refer to this section for the Business Unit detailed budgets - Business Unit Budgets.

Details of planned capital projects by Business Unit can be found in the Supplemental Information of this document here - Capital Project Details

Allocated Budget Summary

The Allocated 2027 Proposed Budget totals $170.5 million, which is $13 million higher than the 2026 Budget. This is shown as *information only* as 100% of these allocated expenditures are included in the budgeted dollars of all SMUD O&M and Capital described in this documentation.

Cost Type $000s	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
Labor & Benefit Costs	$73,626	$80,536	$6,910	9%
Materials & Equipment	41,335	47,521	6,186	15%
Other Expenses	2,457	2,494	37	2%
Outside Sevices	19,666	18,344	(1,322)	-7%
Total Operating Expenses	137,083	148,895	11,812	9%
Reimbursements	(190)	(260)	(70)	37%
Allocations/Surcharges	20,276	21,868	1,592	8%
Total Allocated Budget	**$157,169**	**$170,503**	**$13,334**	**8%**

Portions of Information Technology, Workforce, Diversity & Enterprise Partnerships, Corporate, and Energy Delivery & Operations business unit costs are allocated to all other business units based on the quantity of labor hours.

The following report shows the Allocated 2027 Proposed Budget categorized by Business Unit. This gives a different perspective of the allocated expenditures by where the work is performed.

Business Unit $000s	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
Information Technology	$81,667	$88,612	$6,945	9%
Workforce, Diversity & Enterprise Partnerships	41,205	43,839	2,634	6%
Corporate	28,343	31,753	3,410	12%
Energy Delivery & Operations	5,954	6,299	345	6%
Total Allocated Business Unit Budget	**$157,169**	**$170,503**	**$13,334**	**8%**

More specific and detailed information is provided within each of the previously mentioned Business Unit's sections of this documentation. Please refer to this section for the Business Unit detailed budgets - Business Unit Budgets.

Position Count Summary

The full-time count of 2,295 is identified in the Board Resolution for approval. Total position growth for the 2027 budget year is flat to the prior year.

Executive Group	2026 Full-time	2026 Limited Term	2026 Part-time	2026 Positions Planned	2027 Full-time	2027 Limited Term	2027 Part-time	2027 Positions Planned	Increase/ Decrease
CEO & General Manager	32	0	0	32	32	0	0	32	0
Chief Communications & Mktg Officer	72	0	3	75	72	0	3	75	0
Chief Legal & Gov't Affairs Officer	181	1	4	186	181	1	4	186	0
Chief Financial Officer	105	5	10	120	105	5	13	123	3
Chief Operating Officer	864	21	10	895	864	21	10	895	0
Chief Zero Carbon Officer	261	3	9	273	261	3	9	273	0
Chief Strategy Officer	0	0	0	0	0	0	0	0	0
Chief Customer Officer	295	6	102	403	295	6	101	402	(1)
Chief Diversity Officer	218	8	35	261	218	8	35	261	0
Chief Information Officer	267	3	45	315	267	3	45	315	0
Full-time				**2,295**				**2,295**	**0**
Limited Term				**47**				**47**	**0**
Part-time				**218**				**220**	**2**
Total Positions	**2,295**	**47**	**218**	**2,560**	**2,295**	**47**	**220**	**2,562**	**2**

Labor Cost Summary

The labor summary reflects the cost of wages for SMUD employees. The budget for labor and associated benefit costs is shown as *information only* as 100% of these expenditures are included in the budgeted dollars of all SMUD O&M and Capital described in this documentation.

The cost-of-living increase for SMUD salaries and wages during 2027 is based on formulas contained in negotiated bargaining agreements and estimates established for unrepresented employees.

Executive Group $000s	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
CEO & General Manager	$9,299	$9,357	$59	1%
Chief Marketing & Communications Officer	10,089	10,553	464	5%
Chief Legal & Gov't Affairs Officer	28,381	29,894	1,513	5%
Chief Financial Officer	16,390	17,484	1,094	7%
Chief Operating Officer	164,791	179,475	14,684	9%
Chief Zero Carbon Officer	44,795	48,330	3,535	8%
Chief Customer Officer	40,020	41,294	1,274	3%
Chief Diversity Officer	34,880	36,291	1,411	4%
Chief Information Officer	47,249	49,200	1,951	4%
Total Salaries & Wages	**364,934**	**388,671**	**23,737**	**7%**
Total Overtime	**30,961**	**33,207**	**2,246**	**7%**
Total Salary Costs	**$395,895**	**$421,878**	**$25,983**	**7%**

Benefits Summary

The Benefits Summary reflects allocated costs for active employee benefits, the costs to administer those benefits, and Social Security and retirement contributions for current staff. The 2027 Proposed Budget of $152 million is an increase of $15 million from the 2026 Budget.

The budget for benefit costs is shown as *information only* as 100% of these expenditures are included in the budgeted dollars of all SMUD O&M and Capital described in this documentation.

Benefit Type $000s	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
Retirement Contribution	$45,307	$48,773	$3,466	8%
Social Security Contribution	28,815	29,476	661	2%
Total Retirement & Social Security	74,123	78,250	4,127	6%
Health & Welfare	60,087	69,570	9,483	16%
Administer Benefits	2,859	4,055	1,196	42%
Total Health & Welfare	62,946	73,625	10,680	17%
Total Benefits Budget	**$137,069**	**$151,875**	**$14,806**	**11%**

Debt Service

The following schedules show the summary and details of the Debt Service 2027 Proposed Budget. SMUD issues electric revenue bonds and commercial paper notes to finance long-lived capital assets. The Debt Service budget includes accrued interest expense on outstanding electric revenue bonds and commercial paper notes, net of any swap revenues tied to debt issues, scheduled principal repayments of bonds and commercial paper, trustee fees associated with administration of debt service payments, and interest expense and issuance costs associated with planned new debt issues.

Debt Service $000s	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
Interest Expense	$119,903	$121,646	$1,743	1%
Interest on New Debt Issuance		5,000	5,000	100%
Principal Repayments	94,565	99,380	4,815	5%
Fees/Bond Issuance Cost	1,837	1,987	150	8%
Total Debt Service	216,305	228,013	11,708	5%
Allocated to JPAs	-	-	-	0%
Net Debt Service	**$ 216,305**	**$ 228,013**	**$ 11,708**	**5%**

Interest expense on existing debt totals $121.6 million in the 2027 Proposed Budget, an increase of $1.7 million. This is primarily due to revenue bond interest increasing $1.65 million to $117.4 million and an increase to commercial paper interest of $0.09 million. The Debt Service budget includes net debt related swap payments and interest on long-term, variable rate, and subordinated debt. The budget assumes an interest rate of 2.79% (including all related fees & swaps) on an average commercial paper balance of $100 million.

Interest on new debt issuance totals $5 million in the 2027 Proposed Budget. This is an estimate of interest expense for new debt expected to be issued within 2027.

Scheduled principal repayments of revenue bonds and commercial paper notes total $99.4 million in 2027, a $4.8 million increase from the 2026 Budget.

Fees/bond issuance cost of $2 million are included for new 2027 bond issuances and related fees.

Please refer to this section for a Summary of Debt Service on Existing SMUD Bond Issues.

Budget Financial Statements

The SMUD financial statements depict the expected results of operations (Income Statement), assets and liabilities (Balance Sheet) and cash position (Statement of Cash Flow) at the end of the 2027 budget year. The Income Statement also includes "non-cash" expenses such as depreciation and amortization of capital and regulatory assets, which are not included in the 2027 Budget because funds were expended in prior budget years.

The pro forma financial statements include the consolidated accounts and operations of SMUD, the Northern California Gas Agency No. 1 (NCGA No. 1) and the Northern California Energy Authority (NCEA). NCGA No.1 is a joint powers authority that has issued bonds and used the proceeds to prepay long-term natural gas supply contracts. SMUD has entered into an agreement to buy all the gas procured by NCGA No.1 but is not liable for repayment of the bonds in the event of a default. NCEA is a joint powers authority that has issued bonds and used the proceeds to prepay long-term commodity supply contracts. SMUD has entered into an agreement to buy all the commodities procured by NCEA but is not liable for repayment of the bonds in the event of a default. The relationship between SMUD, NCGA No.1 and NCEA meets the criteria established by the Governmental Accounting Standards Board (GASB) for consolidation in the controlling entity's financial statements.

Budget At a Glance

Projected Operations Budget	
Revenues	$2,055.5 M
Commodity Costs	$635.6 M
Operating Expenses	$807.9 M
Net Income	$225.9 M

Public Good Projected Budget	
Projected Budget (incl in Op Expenses)	$72.6 M
Total including Rate Subsidy	$103.2 M

Credit Ratings	
Fitch	AA
Moodys	Aa2
Standard & Poors	AA

Other Budget Projections	
Unrestricted Cash (at 12/31/2026)	$609.4 M
Capital Additions	$672.7 M
Net Debt Service	$228 M

Rate Protection (at Aug. 2026)	
Hydro Rate Stabilization	$71.9 M
Rate Stabilization Fund	$186.4 M

Key Financial Metrics	
Fixed Charge Ratio (minimum 1.50)	2.65
Days Cash on Hand (target 150)	179

Consolidated Income Statement

$ Millions	2026 Budget	2027 Proposed
Operating Revenues:		
Sales to Customers	$1,968.3	$2,055.5
RSF & Other Deferrals	39.3	46.2
Other Electric Revenue	34.9	36.9
Total Operating Revenues	**2,042.5**	**2,138.5**
Operating Expenses:		
Commodities	592.5	635.6
Customer & Community Services	101.9	111.1
Energy Delivery & Operations	230.3	241.8
Zero Carbon Energy Solutions	195.9	207.9
Workforce, Diversity & Inclusion	26.8	28.2
Information Technology	37.7	30.7
Corporate Services	161.6	171.7
Enterprise	14.5	16.5
Public Good (including EAPR & MED Discount)	104.0	103.3
Total Operations	1,465.3	1,546.8
Depreciation, Depletion, and Amortization	241.2	266.3
Total Operating Expenses	**1,706.5**	**1,813.1**
Net Operating Income	**$336.0**	**$325.4**
Other (Income) Expenses:		
Interest Income and Other	($53.6)	($53.3)
Other Non Cash	48.5	36.3
Total Interest Income & Other	**(5.2)**	**(17.0)**
Interest Expense:		
Interest expense	115.2	116.5
Net Interest Charges	**115.2**	**116.5**
Change in Net Position - Net Income (Loss)	**$226.0**	**$225.9**
Interest Payments	$126.7	$131.5
Principal Payments	94.6	99.4
Total Fixed Costs	**$221.2**	**$230.9**

The consolidated income statement reports all SMUD's revenues and expenses for the periods shown. The 2027 Proposed Budget will produce $226 million of net income for SMUD, which is flat to the 2026 Budget. The fixed charge coverage ratio is planned at 2.65 times operating cash

flow. Revenue from electric sales has increased compared to the 2026 Budget due to the higher estimated load and increased customer count.

The budgeted and actual fixed charge ratio and net income as shown on the consolidated income statement are primary measures of SMUD's financial performance which are monitored closely by the bond rating agencies in setting SMUD's credit rating. The fixed charge ratio is a measure of the number of times net operating cash flow before interest expense covers total cash debt service payments, including both interest and principal, for SMUD, the JPAs and SMUD's share of Transmission Agency of Northern California (TANC) debt service. Net income is the residual after deducting all expenses from revenues for the period.

For detailed descriptions of the financial statement line items please refer to the Supplemental Information section using this link – Financial Statement Line Item Descriptions.

Summarized Balance Sheet / Statement of Net Position

$ Millions	Projected Yr End 2026	Projected Yr End 2027
Total Electric Utility Plant, Net	$5,163.7	$5,575.9
Total Restricted Funds (including RSF)	373.7	$361.0
Total Current Assets	1,595.9	1,595.9
Total Noncurrent Assets	1,900.5	1,900.5
Total Assets	**9,033.8**	**9,433.3**
Deferred Outflows of Resources	188.9	188.9
Total assets and deferred outflows of resources	**$9,222.7**	**$9,622.1**
Long Term Debt - net	$3,355.2	$3,455.8
Total Current Liabilities	639.2	$712.1
Total Noncurrent liabilities	480.8	$480.8
Total Liabilities	**4,475.4**	**$4,648.8**
Deferred Inflows of Resources	1,341.1	$1,341.1
Total Net Position	3,174.5	$3,406.4
Total Liabilities, Deferred Inflows of Resources & Net Position	**$8,991.1**	**$9,396.2**

The summarized balance sheet/statement of net position provides information about the nature and amount of resources and obligations at a specific point in time.

Total assets projected for 2027 increased $399.4 million, net of depreciation. This growth is primarily due to an increase of $412.2 million in electric utility plant – net, a decrease in total restricted funds of $12.8 million. Deferred outflows of resources is projected to remain flat for 2027 compared to 2026.

Total liabilities projected for 2027 increased $173.4 million due to an increase of $100.6 million in long term debt and a $72.9 million increase in current liabilities. The total net position projected for 2027 increased $405.2 million based on results of operations.

For detailed descriptions of the financial statement line items please refer to the Supplemental Information section using this link – Financial Statement Line Item Descriptions.

Statement of Cash Flows

$ Millions	2027 Proposed
Operating Uses/Sources of Funds:	
Receipts from Customers	$2,030.3
Other Electric Revenue	107.4
Total Operating Sources of Funds	2,137.7
Net Operating Expenses	881.3
Commodity Expenses	610.5
Total Operating Uses of Funds	1,491.8
Net Source of Funds from Operations	**645.9**
Financing Uses/Sources of Funds:	
Proceeds from Debt Issuance	200.0
Commercial Paper Issuance	0.0
Total Financing Sources of Funds	200.0
Capital Expenditures & Other Cash Payments	657.2
Principal Payments on Debt	99.4
Interest Payments on Debt	116.5
Total Financing Uses of Funds	873.1
Net (Use) of Funds from Financing	**(673.1)**
Investing Uses/Sources of Funds:	
Interest Income	34.8
Net Source of Funds from Investing	**34.8**
Net Funds from 2027 Proposed Budget	**$7.7**
Projected Unrestricted Cash Balance @ 1/1/27	**$609.4**
Net Cash Outflow from 2027 Proposed Budget	(192.3)
New Debt & Commercial Paper Issue	200.0
Projected Unrestricted Cash Balance @ 12/31/27	**$617.1**

The cash flow statement shows the budgeted sources and uses of cash and the projected year-end unrestricted cash balance for 2027. SMUD's current practice is to maintain unrestricted cash and Rate Stabilization Fund (RSF) balances at a minimum of 150 days cash on hand. At the end of 2027, SMUD's unrestricted cash balance is projected to be $617.1 million, in addition to the Rate Stabilization Fund balance of $186.4 million. The Hydro Rate Stabilization Fund balance, which is expected to be $71.9 million, is not included in this target minimum.

SMUD generates positive net cash flow from operations because of net income and non-cash expenses such as depreciation and amortization. In 2027, cash generated from operations is estimated to total approximately $645.9 million. The primary uses of this cash are capital investments, scheduled debt principal repayments and interest payments. The 2027 Proposed Budget for capital investment totals $673 million less expected revenues of $9.9 million. Scheduled debt principal repayments in 2027 total $99 million for SMUD.

We currently maintain $400 million in commercial paper capacity and a $100 million line of credit. Any new money needs can be handled through short-term borrowing or issuing new long-term debt.

Business Unit Budgets

The following pages show the detailed budgets and organizational information for each Business Unit of SMUD.

Customer & Community Services

The Customer & Community Services budget includes all residential and commercial customer-focused services such as the Contact Center, retail client services and customer experiences. Also included are costs for billing, revenue assurance, and commercial development. Lastly, this budget includes support of Community Energy Services.

Segments & Work Processes

The Business Intelligence & Operations Support segment integrates operational excellence efforts, data analytics and reporting. It uses operational and customer insights to improve program and service delivery.

The Community Energy Services (CES) segment is SMUD's retail organization that provides strategic and operational products and services in support of public power. It extends our best-in-class service to Community Choice Energy providers in support of SMUD's diversified business strategic direction. CES provides our award-winning call center operations, billing services and product design and delivery solutions to our clients. This helps our clients deliver cleaner power to their communities and continues our efforts to be a leader in clean power efforts across California.

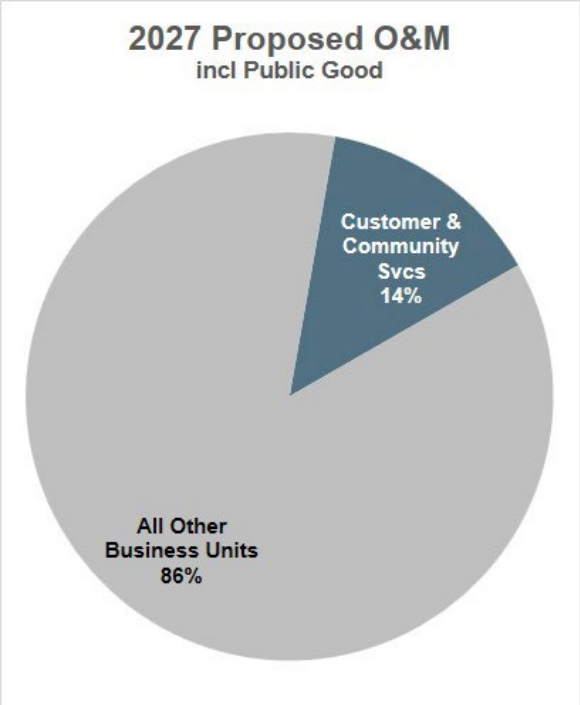
The Customer Experience Planning & Integration segment is responsible for identifying, developing and deploying strategic customer experience enhancements across a variety of channels and digital assets. We bring together our best customer experience strategy, planning and deployment systems for complete implementation in residential and business applications.

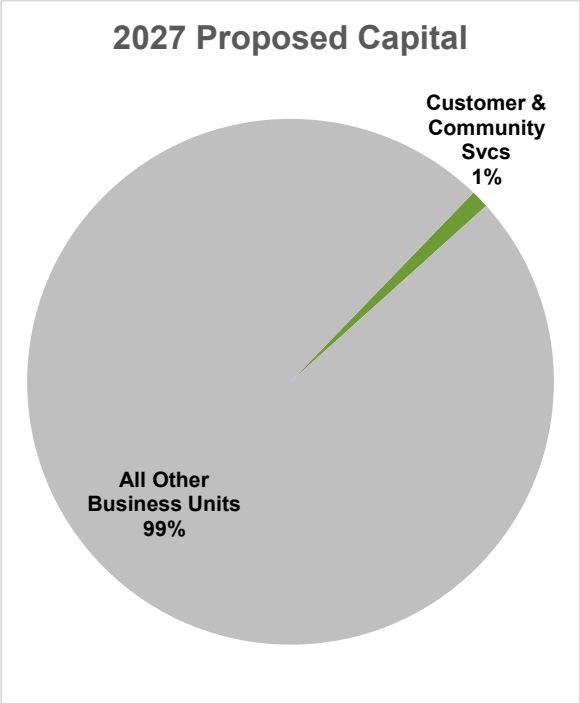
The Customer Operations & Assistance segment provides support for customer billing and payments, collections and claims activities. This group also provides customers and the community with essential support services and resources designed to ease financial challenges and connect to community care programs. We also design and offer personalized products and services aligned with SMUD's 2030 Clean Energy Vision.

The Customer Success segment is comprised of multiple departments with the unified goal of exceeding customer expectations. This group delivers best-in-class service and customized solutions for SMUD's residential and commercial segments. They empower SMUD customers with comprehensive resources and tools to increase energy efficiency, promote sustainability and lower the cost to serve our region. This team is also instrumental in driving the local business economy from business attraction to commercial development to account solutions and management. Once a business account is activated, SMUD's Strategic Account Advisors serve as dedicated energy experts and a first point-of-contact to address questions and provide customized energy solutions to help our business community thrive.

Business Unit Budget Summary

The following section includes the budget report for the Business Unit presented by the cost categories and its segments. Additionally, you can see from the charts below what proportion the Customer & Community Services Business Unit represents for SMUD in each of the cost categories.





Customer & Community Services Budget Summary by Segment ($000s)

Funding Type by Segment	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
O&M Expense (incl Public Good)				
Customer Success	$39,977	$42,133	$2,156	5%
Customer Operations & Assistance	39,655	44,106	4,451	11%
Community Energy Services	18,368	22,123	3,755	20%
Customer Experience Planning & Integration	6,257	6,856	600	10%
Business Intelligence & Operations Support	5,575	5,899	324	6%
Total O&M (incl Public Good)	**$109,832**	**$121,118**	**$11,286**	10%
Capital Expenditures				
Customer Operations & Assistance	5,947	6,659	712	12%
Total Capital	**5,947**	**6,659**	**712**	12%
Total Business Unit Budget	**$115,778**	**$127,776**	**$11,998**	**10.4%**

Energy Delivery & Operations

The Energy Delivery & Operations budget includes the costs of delivering electricity to our customers and maintaining the ability to do so safely and reliably. Also, the cost of electrical transmission, line inspections, corrective and preventative maintenance, vegetation management, and underground cable work are included here. Lastly, this budget includes program management services for construction and other non-technology projects, transmission and distribution planning and operations, operational efficiency efforts, and environmental, safety and real estate services.

Segments & Work Processes

The Distribution Planning & Operations (DP&O) segment develops short-term and long-term plans for SMUD's distribution system and asset management strategies for its transmission and distribution assets to ensure safety, capacity, reliability, and regulatory compliance requirements are achieved. DP&O operates SMUD's distribution system for the safe and reliable delivery of energy to our customers.

The Environmental, Safety & Real Estate Services segment provides environmental compliance; environmental stewardship; employee, contractor, and public safety; and real estate/land asset management services. This segment supports SMUD's business unit needs to achieve a zero-injury culture, a commitment to environmental leadership, and key support to the 2030 Clean Energy Vision.

The Line Assets segment includes all activities associated with design, modification, and installation of transmission and distribution lines; wildfire hardening and vegetation management; transmission and distribution system inspection; and prioritized system maintenance and improvement. This segment also includes design and installation of residential meters, service conductors, subdivision facilities, commercial, third party attachments, industrial developments, overhead and underground line extensions, outdoor lighting, and traffic signals.

The Operational Excellence segment supports the SMUD's vision and strategies by developing and managing a framework to reduce costs, increase efficiency and drive a culture of continuous improvement across the company.

The Strategic Services & Operations PMO segment provides portfolio management, program and project execution, continuous business process and technology solutions. This segment also delivers innovative solutions and provides business value by effectively managing the Operations PMO portfolio of projects and continuous improvement initiatives to reduce costs, increase efficiencies, and improve customer and stakeholder satisfaction.

This segment includes the Sacramento Power Academy (SPA), a vital resource to SMUD and the community that works to build skills and grow careers by providing the best training to our employees from development to analysis and delivery. The Sacramento Power Academy manages training for all Energy Delivery & Operations, Power Generation, Facilities, Warehouse and Fleet as well as manages SMUD's fifteen skilled trades apprenticeship programs of which twelve programs are state and/or federally certified.

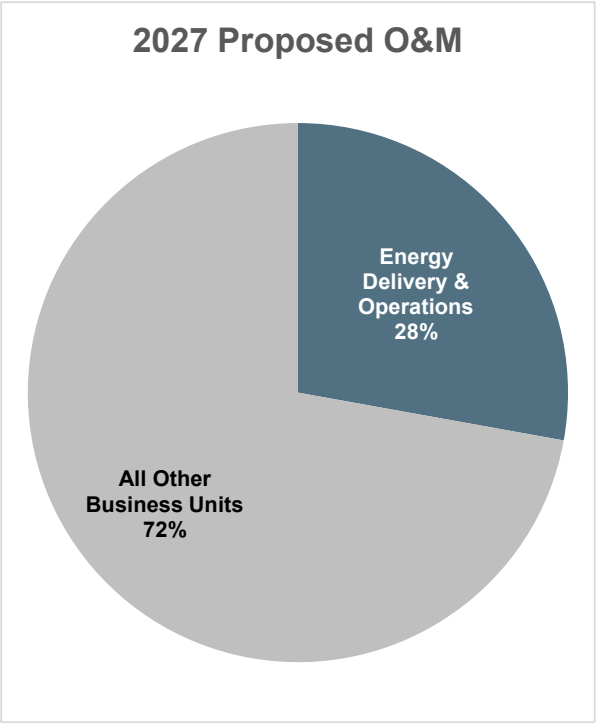
The Substation, Telecom, Network & Metering segment includes all activities associated with design, modification, and installation of transmission and distribution substations, transmission

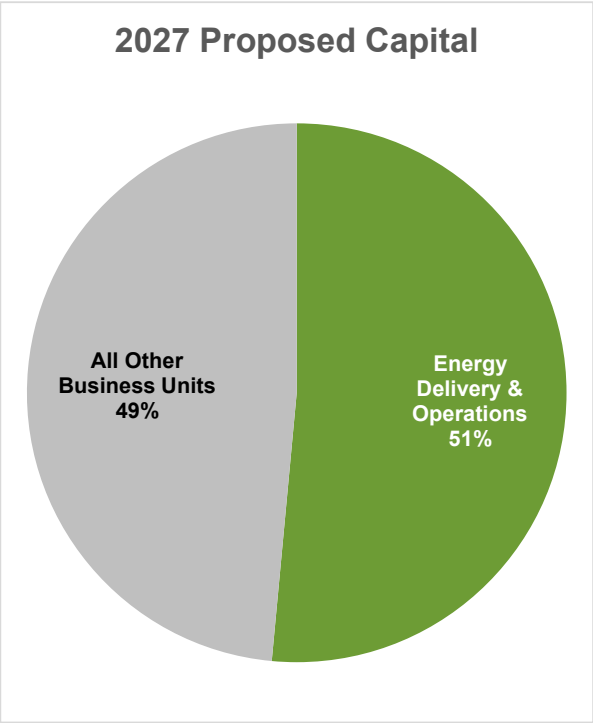
and generation line design and modifications, transmission and generation line encroachments, installation and maintenance of the underground network grids, transmission and distribution substation system inspection, and prioritized system maintenance and improvement. This segment also includes design and installation of meters, the downtown network system, and telecommunication systems relaying critical substation information to the Power System Operations team.

The Transmission Planning & Operations (TP&O) segment develops short-term and long-term system plans for SMUD's transmission grid to meet load serving capability, reliability, and regulatory compliance requirements. TP&O manages and operates the assets which remotely control and monitor fuel to generation sources and SMUD's extra high voltage transmission, generation, and gas pipeline system to deliver electrical energy to SMUD's distribution system. This segment also operates the Balancing Authority of Northern California (BANC) that includes transmission and generation facilities for Western Area Power Administrations (WAPA), United States Bureau of Reclamation (USBR), City of Roseville, City of Redding, Modesto Irrigation District, and the 500kV COTP, which stretches SMUD's operational control from the California-Oregon border to south of Modesto.

Business Unit Budget Summary

The following section includes the budget report for the Business Unit presented by the cost categories and its segments. Additionally, you can see from the charts below what proportion the Energy Delivery & Operations Business Unit represents for SMUD in each of the cost categories.



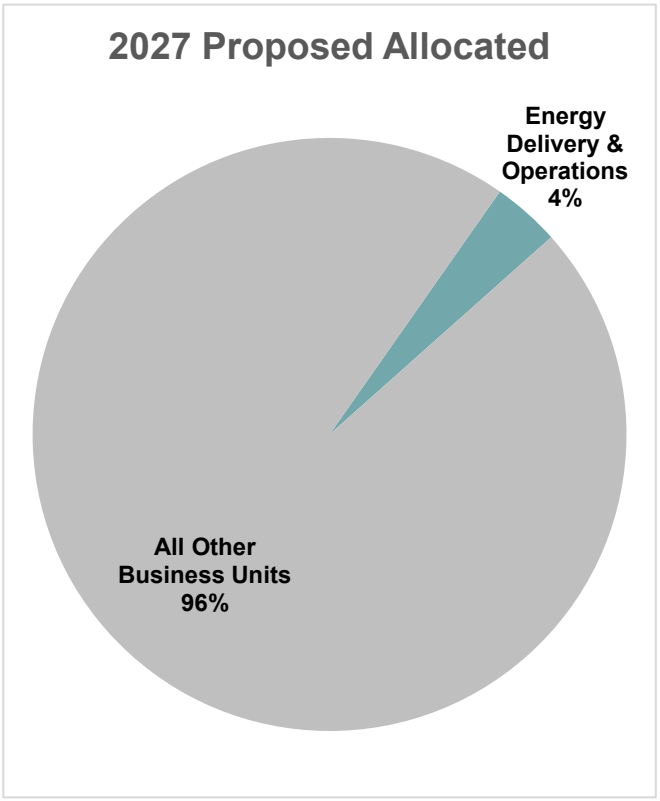


Energy Delivery & Operations Budget Summary by Segment ($000s)

Funding Type by Segment	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
O&M Expense				
Line Assets	$120,072	$122,755	$2,683	2%
Substation, Telecom, Network & Metering	32,538	33,667	1,129	3%
Transmission Planning & Operations	37,419	41,505	4,086	11%
Distribution Planning & Operations	24,908	27,398	2,490	10%
Strategic Services & Operations PMO	8,469	9,251	783	9%
Environmental, Safety & Real Estate Services	5,369	5,625	256	5%
Operational Excellence	1,554	1,619	65	4%
Total O&M	**230,328**	**241,820**	**11,492**	5%
Capital Expenditures				
Line Assets	98,382	118,311	19,929	20%
Substation, Telecom, Network & Metering	186,102	184,979	(1,124)	-1%
Transmission Planning & Operations	4,078	1,419	(2,659)	-65%
Distribution Planning & Operations	2,147	3,679	1,532	71%
Environmental, Safety & Real Estate Services	6,660	1,585	(5,074)	-76%
Total Capital	**297,368**	**309,972**	**12,604**	4%
Total Business Unit Budget	**$527,696**	**$551,792**	**$24,096**	**5%**

Energy Delivery & Operations Allocated Budget Summary by Segment ($000s)

Allocated expenditures are included in all SMUD Business Unit O&M and Capital line items. The Allocated budget of this Business Unit is presented here for *informational purposes only*.



Funding Type by Segment	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
Allocated Expense				
Environmental, Safety & Real Estate Services	$5,954	$6,299	$345	6%
Total Allocated	**$5,954**	**$6,299**	**$345**	**6%**

Zero Carbon Energy Solutions

The Zero Carbon Energy Solutions budget includes SMUD's integrated resource planning processes; energy transaction settlements; and design, construction, maintenance, and transition of SMUD's power generation assets. This includes operating and maintaining SMUD's hydroelectric reservoirs and powerhouses, thermal and cogeneration power plants, gas pipeline, and renewable generation wind and solar resources. Also included is establishing and developing new business partnerships, grants and research and development that align and support SMUD's vision and goals, as well as customer program planning and implementation and development of the strategic roadmap for distributed energy resources.

Segments & Work Processes

The Distributed Energy Solutions segment integrates the strategy, planning, development, implementation, and operation of customer programs and strategic initiatives that advance SMUD's goals at the distribution level. With end-to-end responsibility from strategic vision through execution and ongoing program management, this division focuses on accelerating building electrification, enhancing energy efficiency, promoting transportation electrification, enabling load flexibility, and supporting customer renewables and distributed energy storage solutions.

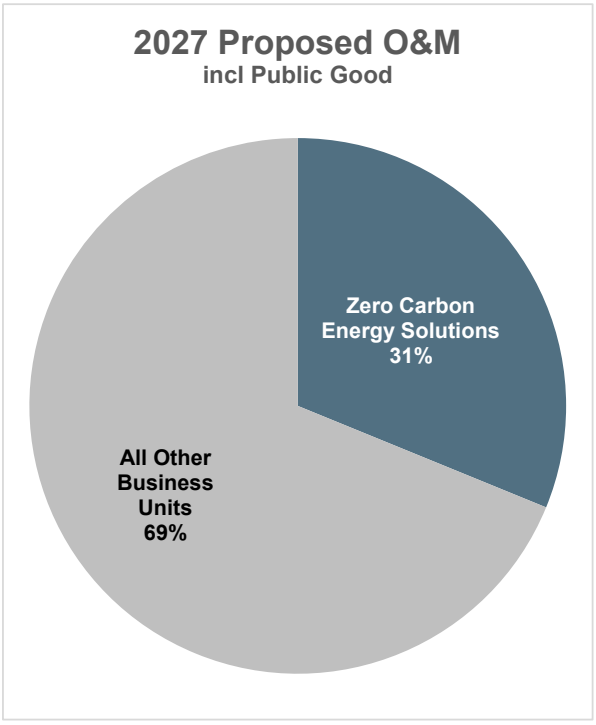
The Power Generation segment consists of the physical assets which provide natural gas and generate electrical power from hydro, thermal and renewable generation power sources and the employees who design, construct, operate, maintain, and manage those physical assets. Also included in the Power Generation segment is decommissioning, which is responsible for the monitoring of long-term fuel storage facilities.

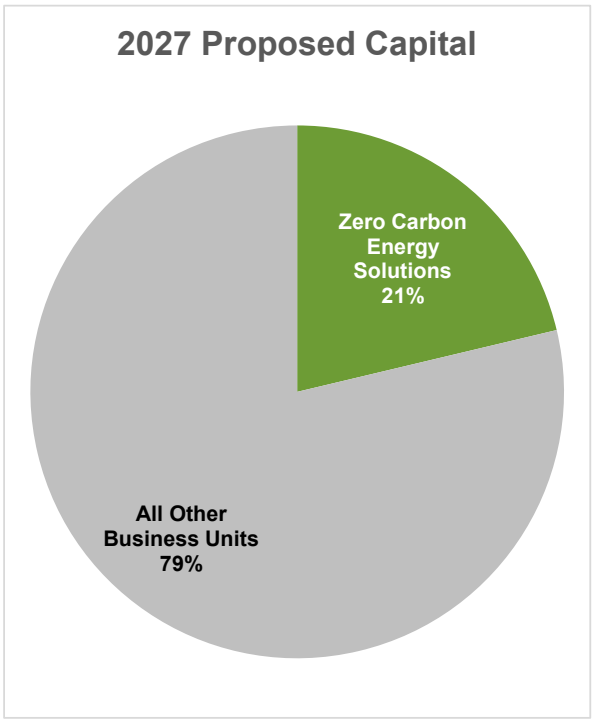
The Research & Development, Grants and Partnerships segment is responsible for identifying and investigating partnerships and technologies that can contribute to reliability and affordability. This segment develops partnerships with community partners, peer utilities and technology developers to accelerate technology development and deployment that aligns with the needs of SMUD, as well as the region. Collaboration includes pursuit of grant funding, execution of pilot projects, and transitioning research-based initiatives into standard practices. Internal to SMUD, this group focuses on identification of gaps and barriers that exist along the path to zero carbon and focuses on delivering solutions that help overcome those key challenges.

The Resource & Market Planning and Settlements segment provides the organization with strategic, long-term integrated resource planning and market strategy to help SMUD achieve our long-term greenhouse gas goals, meet all state resource and environmental related mandates, expand renewable generation, and maintain a reliable electric system at reasonable rates. This segment also includes commodity settlements which is dedicated to the analysis, reconciliation, and settlement of SMUD owned and contracted wholesale generation, transmission, and gas supply portfolio, used to meet SMUD's load.

Business Unit Budget Summary

The following section includes the budget report for the Business Unit presented by the cost categories and its segments. Additionally, you can see from the charts below what proportion the Zero Carbon Energy Solutions Business Unit represents for SMUD in each of the cost categories.





Zero Carbon Energy Solutions Budget Summary by Segment ($000s)

Funding Type by Segment	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
O&M Expense (incl Public Good)				
Power Generation	$130,543	$137,043	$6,500	5%
Distributed Energy Solutions	101,517	109,744	8,227	8%
Resource & Market Planning and Settlements	7,931	8,286	355	4%
Research & Development, Grants & Partnerships	20,821	15,818	(5,003)	-24%
Total O&M (incl Public Good)	**$260,811**	**$270,890**	**10,079**	4%
Capital Expenditures				
Power Generation	123,770	122,728	(1,041)	-1%
Research & Development, Grants & Partnerships	2,274	4,996	2,722	120%
Total Capital	**126,044**	**128,102**	**2,058**	2%
Total Business Unit Budget	**$386,855**	**$398,535**	**$11,680**	**3%**

Information Technology

The Information Technology budget includes costs to deliver technology solutions to our community and employees that are secure, reliable, and supportive of SMUD's current and future technology needs. This encompasses delivery and support of information technology systems, applications, and hardware, protecting SMUD's technology and information assets, setting enterprise technology strategy, and planning for and deploying future evolutions in technology in alignment with SMUD's Vision.

Segments & Work Processes

The AI, Automation & Customer Self-Service Technologies segment leads the design, delivery and ongoing evolution of SMUD's approach to Artificial Intelligence (AI)-enabled strategies, including data governance, analytics, Robotics Process Automation and test automation, enterprise document management, integration technologies and data science. The team is also responsible for the technical design, development, implementation, evaluation and modification of customer self-service technology programs, including integrated solutions to effectively deploy platforms including web, mobile, chat, text and other outbound communication channels.

The Customer & Grid Operations Technology Center segment is responsible for the development, oversight and implementation of Customer and Grid technology programs, projects, and solutions while ensuring the delivery of safe and reliable power. The team is focused on technology solutions to support the transformation of the distribution grid, which provide the building blocks necessary to accomplish SMUD's Vision.

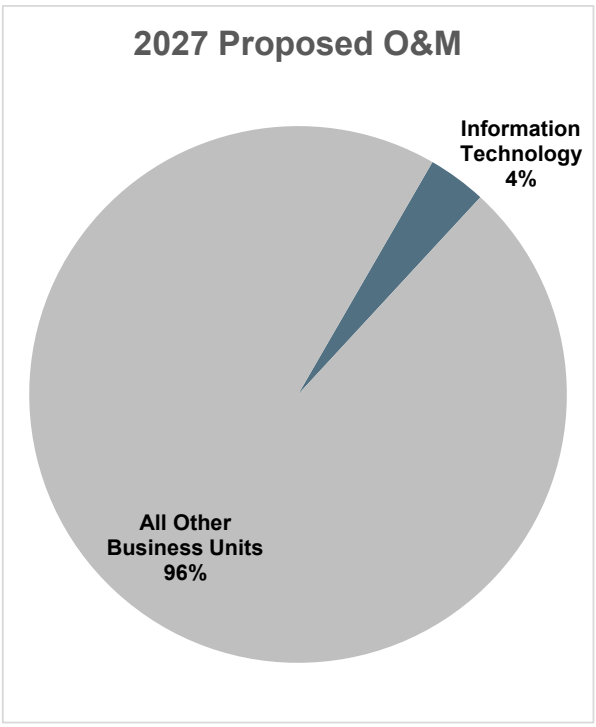
The Cybersecurity segment works as strategic advisors and subject matter experts to protect our people, processes, and technologies from possible cyberattacks and intrusions, using an organization-wide risk management approach.

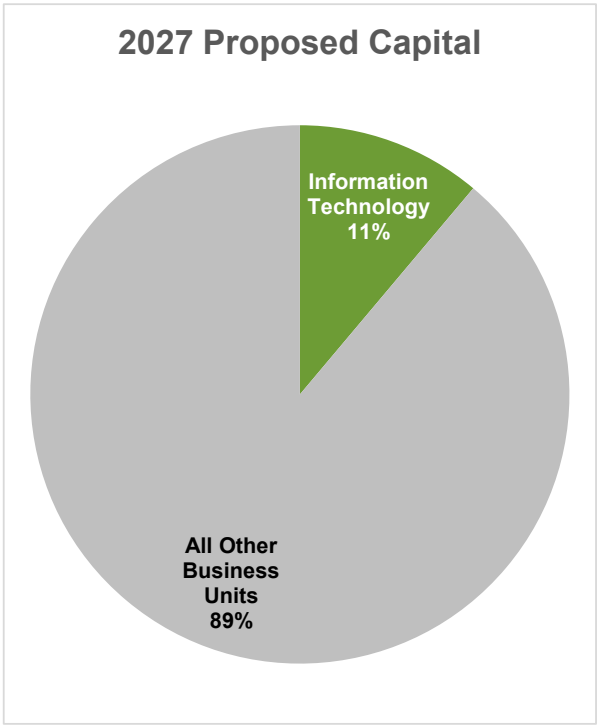
The Enterprise Systems, Strategy & Governance segment provides architecture, analysis, design, configuration, development, platform administration, application security, enterprise content management and ongoing support for SMUD's core business platforms. In addition, the team provides oversight and governance for IT's agile practice, project management office, strategic planning, and relationship building services. Together, these teams enable feature-rich, reliable technology solutions for SMUD employees and customers, in alignment with SMUD's Enterprise Strategy.

The IT Infrastructure Platform Services segment provides reliable, highly available technology infrastructure, services, and solutions. The Infrastructure Platform Services segment provides corporate data/voice network, server/storage infrastructure, corporate email, and system administration services, IT support center, endpoint computing, computer operations, data center administration, infrastructure change management, IT Disaster Recovery, and IT asset management.

Business Unit Budget Summary

The following section includes the budget report for the Business Unit presented by the cost categories and its segments. Additionally, you can see from the charts below what proportion the Information Technology Business Unit represents for SMUD in each of the cost categories.



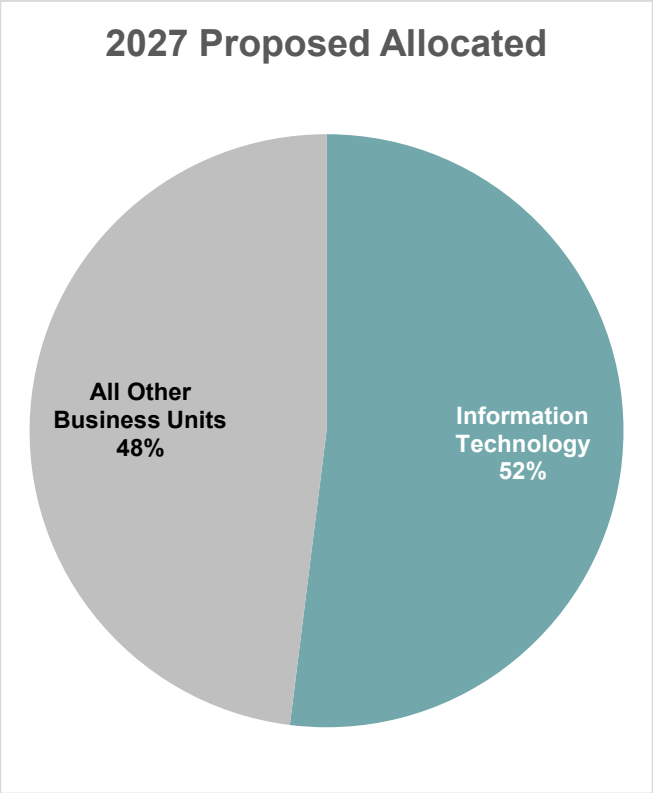


Information Technology Budget Summary by Segment ($000s)

Funding Type by Segment	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
O&M Expense				
Customer & Grid Operations Technology Center	$13,449	$11,291	($2,158)	-16%
Enterprise Systems, Strategy & Governance	15,203	11,369	(3,835)	-25%
AI, Automation & Customer Self-Service Technologies	3,491	3,621	129	4%
Cybersecurity	3,951	3,119	(833)	-21%
IT Infrastructure Platform Services	1,555	1,255	(301)	-19%
Total O&M	**37,650**	**30,654**	**(6,997)**	-19%
Capital Expenditures				
Customer & Grid Operations Technology Center	34,309	22,188	(12,121)	-35%
Enterprise Systems, Strategy & Governance	26,527	37,998	11,471	43%
AI, Automation & Customer Self-Service Technologies	5,666	2,415	(3,251)	-57%
Cybersecurity	763	2,264	1,501	197%
IT Infrastructure Platform Services	2,712	2,100	(612)	-23%
Total Capital	**69,977**	**66,965**	**(3,012)**	-4%
Total Business Unit Budget	**107,627**	**97,619**	**($10,009)**	**-9%**

Information Technology Allocated Budget Summary by Segment ($000s)

Allocated expenditures are included in all SMUD Business Unit O&M and Capital line items. The Allocated budget of this Business Unit is presented here for *informational purposes*.



Funding Type by Segment	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
Allocated Expense				
Customer & Grid Operations Technology Center	$23,453	$24,357	$904	4%
Enterprise Systems, Strategy & Governance	$10,110	10,675	565	6%
AI, Automation & Customer Self-Service Technologies	$11,630	14,910	3,280	28%
Cybersecurity	$9,983	10,255	272	3%
IT Infrastructure Platform Services	$26,490	28,415	1,925	7%
Total Allocated	**$81,667**	**$88,612**	**$6,945**	**9%**

Workforce, Diversity & Enterprise Partnerships

The Workforce, Diversity & Enterprise Partnerships budget includes the costs of employee services such as talent management, benefits management, learning and development programs as well as implementing strategies to establish SMUD as a diverse and inclusive employer. Also included are Sustainable Communities initiatives and programs which support community partnerships and help drive energy equity ensuring all in our service territory benefit from SMUD's partnerships and programs. Lastly, this budget supports work that attracts and retains businesses throughout SMUD's service territory and establishes career pathways to jobs in the evolving economy through workforce training programs.

Segments & Work Processes

The DEIB, Learning & Sustainable Communities segment serves as a catalyst for change both within SMUD and across our service territory. This team deploys DEIB initiatives and programs to establish SMUD as a diverse and inclusive employer, and position SMUD as a key player in the utility industry to achieve equity for the communities it serves. The Economic Development & Partnerships team promotes the region's economic vitality by employing strategies to attract, retain, and grow rate-paying businesses in our service area. The Sustainable Communities team invests in community partnerships that strengthen our neighborhoods and provide support to encourage inclusive economic development in our region. Through Regional Workforce Development programs, this segment creates diverse career pathways to jobs through education and on-the-job opportunities for underrepresented individuals participating in our workforce training programs.

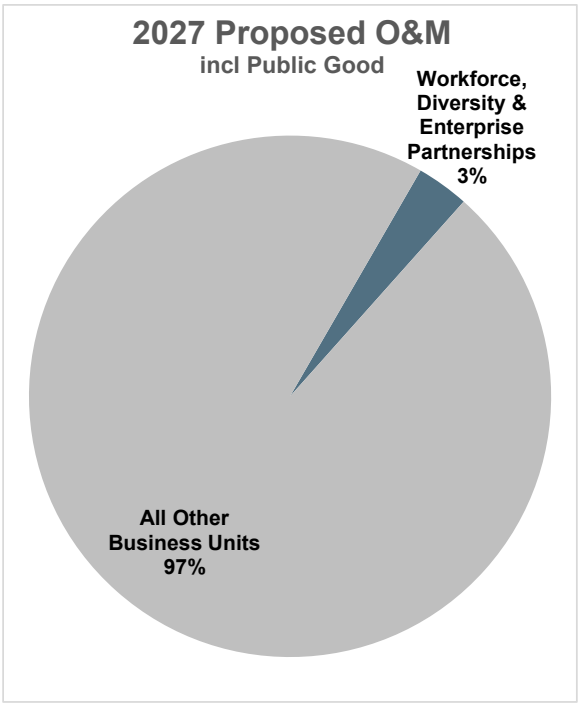
The Enterprise Change & Organizational Effectiveness segment provides expert consulting and support for people strategies that build organizational capacity. The organizational effectiveness team delivers programs in the areas of employee engagement, succession planning, and strategic workforce planning. The change management team develops change management plans for large scale, complex changes.

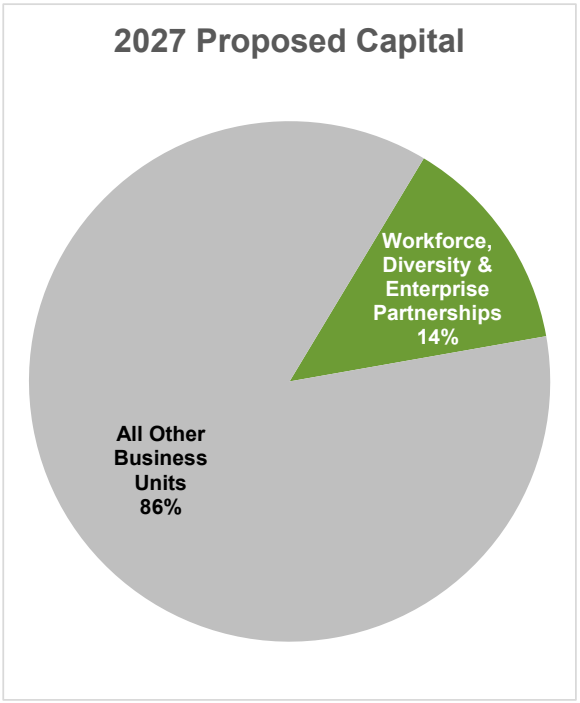
The Facilities, Security, & Emergency Operations segment provides planning, coordination, operations, and maintenance services for SMUD grounds and facilities. The segment also provides essential fire, physical security, emergency preparedness/response, and enterprise continuity services for SMUD.

The People Services & Strategies segment provides services, programs, and proactive strategic solutions for developing and maintaining a high quality and diverse workplace that engages and inspires employees to commit to SMUD's purpose, vision, and values. This segment delivers human resource services and strategies that include talent outreach & acquisition, benefits, performance, policies, employee & labor relations, and wellness programs to create an inclusive environment where SMUD employees thrive and do their best.

Business Unit Budget Summary

The following section includes the budget report for the Business Unit presented by the cost categories and its segments. Additionally, you can see from the chart below what proportion the Workforce, Diversity and Enterprise Partnerships Business Unit represents for SMUD in each of the cost categories.



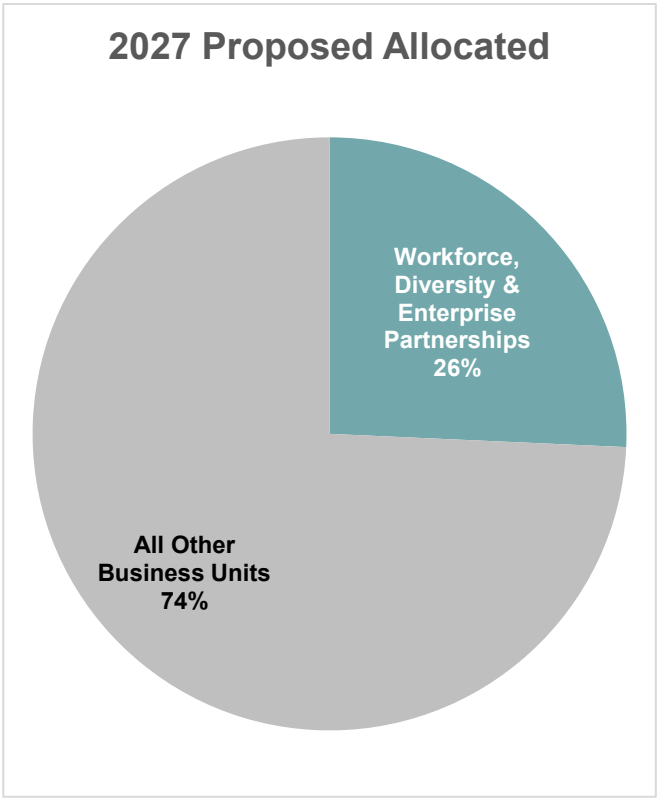


Workforce, Diversity & Enterprise Partnerships Budget Summary by Segment ($000s)

Funding Type by Segment	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
O&M Expense (incl Public Good)				
DEIB, Learning & Sustainable Communities	$16,235	$15,379	($857)	-5%
Facilities, Security & Emergency Operations	7,652	9,835	2,183	29%
People Services & Strategies	2,958	2,994	36	1%
Total O&M (incl Public Good)	**$26,845**	**$28,207**	**1,362**	5%
Capital Expenditures				
Facilities, Security & Emergency Operations	108,892	81,924	(26,967)	-25%
Total Capital	**108,910**	**81,943**	**(26,967)**	-25%
Total Business Unit Budget	**$135,755**	**$110,150**	**($25,605)**	**-19%**

Workforce, Diversity & Enterprise Partnerships Allocated Budget Summary by Segment ($000s)

Allocated expenditures are included in all SMUD Business Unit O&M and Capital line items. The Allocated budget of this Business Unit is presented here for *informational purposes only*.



Funding Type by Segment	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
Allocated Expense				
DEIB, Learning & Sustainable Communities	$3,504	$3,583	$79	2%
Facilities, Security & Emergency Operations	26,929	29,157	2,228	8%
People Services & Strategies	7,792	8,227	435	6%
Enterprise Change & Organizational Effectiveness	2,980	2,872	(108)	-4%
Total Allocated	**$41,205**	**$43,839**	**$2,634**	**6%**

Corporate

The Corporate budget includes the costs associated with corporate governance such as executive management and internal audit; strategic and finance functions like accounting, treasury, financial planning, and enterprise performance; and enterprise services such as communications, marketing, and community relations, procurement, warehouse, fleet and energy trading and contracts. Also included are the legal functions of legislative, regulatory, government affairs, corporate legal and records management, as well as ensuring adherence to all industry reliability and compliance standards and requirements.

Segments & Work Processes

The Communications, Marketing & Community Relations segment promotes the adoption of the SMUD brand and increases awareness of programs, services, and value to the community through marketing, market research, community engagement, digital communication channels and image production and postal services.

The Enterprise Affairs segment includes business unit type costs that are unique and not associated with one work process. Examples include storm costs, hazard mitigation, and contingency funds.

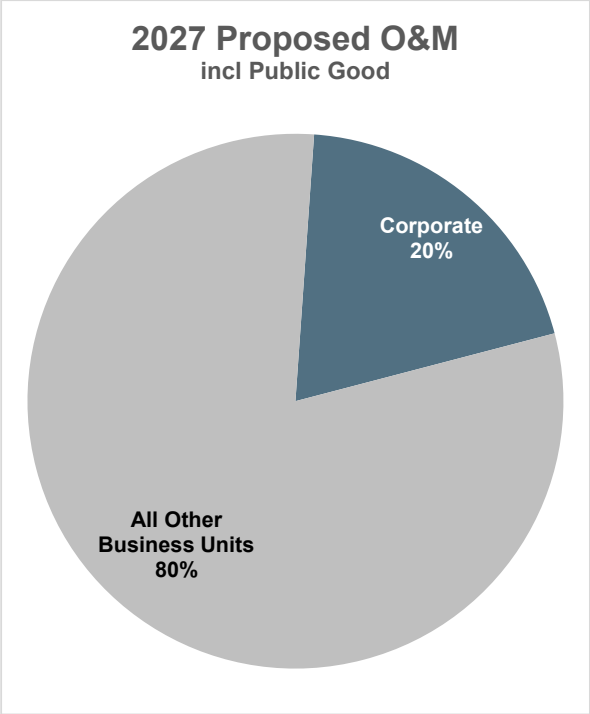
The Finance & Strategy segment coordinates the prioritization, development and reporting of strategic and operational plans, budgets, financial statements, and performance metrics for SMUD and JPAs. This area is also responsible for development of customer pricing of retail energy and load forecasting. This segment also manages accounting functions, investments, insurance programs and funding requirements, monitors enterprise-wide risk exposures, industry and market power issues and updates business and economic forecasts.

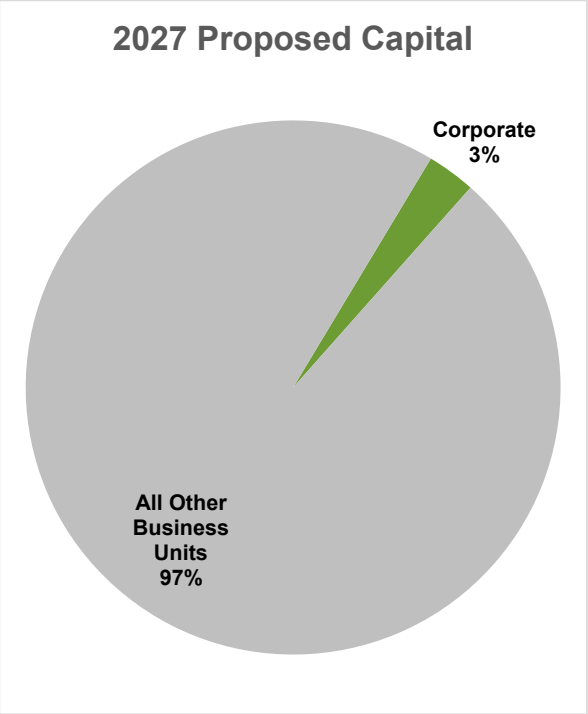
The Governance segment is responsible for the planning, organizing, staffing, leading/engaging, and controlling/monitoring of overall activities to ensure that SMUD goals are achieved.

The Legal, Government Affairs and Contracts segment has responsibility for all legal matters to which SMUD is a party or to which it is legally interested, and is responsible for enterprise records, management, and coordination regarding federal and state regulatory requirements, legislative initiatives and governmental policies, local and regional ordinances and policies and compliance filings to meet mandatory reliability standards. This segment also provides fleet equipment and services, warehousing and logistics support, and contracting solutions that support all other areas of SMUD. In addition, this segment is responsible for purchasing power to meet SMUD's energy needs and selling any excess power we generate to help ensure SMUD's energy resources are optimized and reliable in our service territory.

Business Unit Budget Summary

The following section includes the budget report for the Business Unit presented by the cost categories and its segments. Additionally, you can see from the charts below what proportion the Corporate Business Unit represents for SMUD in each of the cost categories.



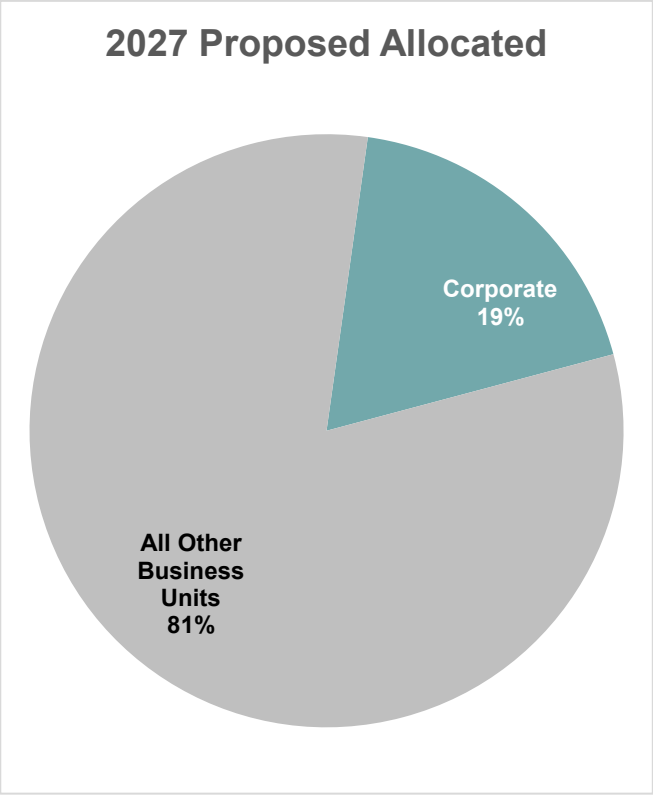


Corporate Budget Summary by Segment ($000s)

Funding Type by Segment	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
O&M Expense (incl Public Good)				
Finance & Strategy	$79,863	$87,089	$7,227	9%
Communications, Marketing & Community Relations	35,200	36,239	1,039	3%
Legal, Government Affairs & Contracts	32,332	33,389	1,057	3%
Governance	14,247	15,313	1,066	7%
Enterprise Affairs	-	-	-	-
Total O&M (incl Public Good)	**$161,988**	**$172,030**	**10,042**	6%
Capital Expenditures				
Legal, Government Affairs & Contracts	17,666	17,652	(14)	0%
Enterprise Affairs	-	-	-	-
Total Capital	**17,666**	**17,652**	**(14)**	0%
Total Business Unit Budget	**$179,654**	**$189,682**	**$10,028**	**6%**

Corporate Allocated Budget Summary by Segment ($000s)

Allocated expenditures are included in all SMUD Business Unit O&M and Capital line items. The Allocated budget of this Business Unit is presented here for *informational purposes only*.



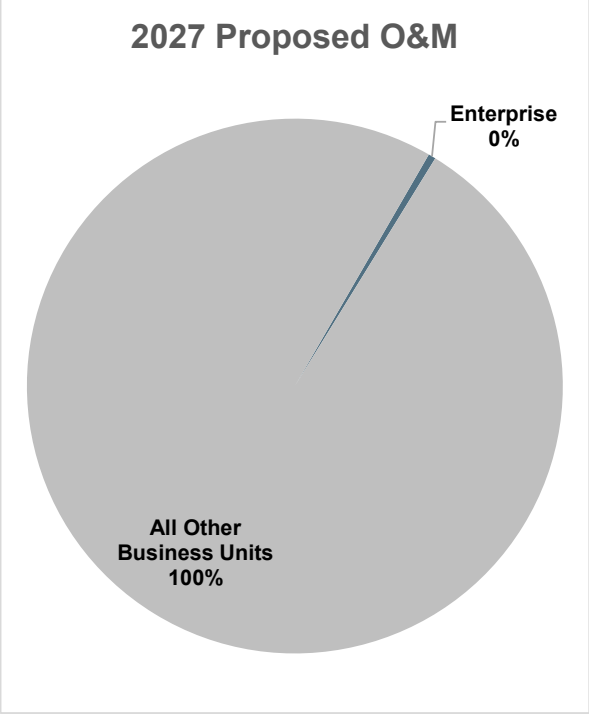
Funding Type by Segment	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
Allocated Expense				
Legal, Government Affairs & Contracts	$28,343	$31,753	$3,410	12%
Total Allocated	**$28,343**	**$31,753**	**$3,410**	**12%**

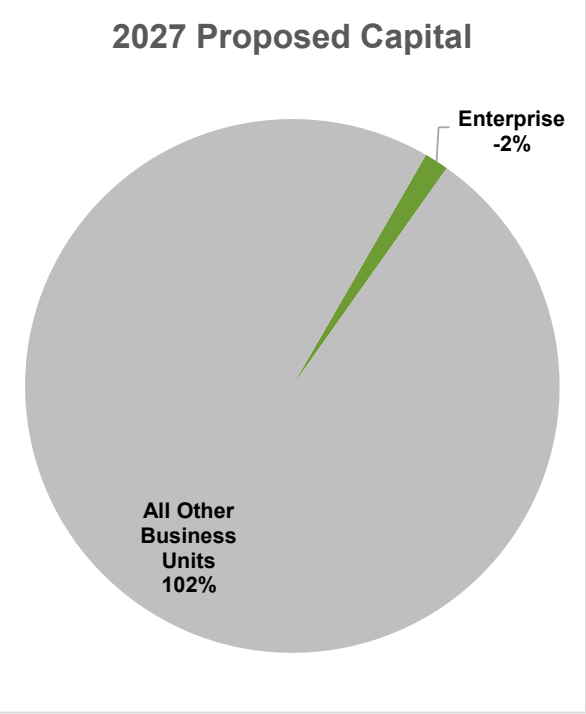
Enterprise

The Enterprise budget includes corporate contingency, claims, reserves, settlements, and other company-wide special items.

Business Unit Budget Summary

The following section includes the budget report for the Business Unit presented by the cost categories and its segments. Additionally, you can see from the charts below what proportion the Enterprise Business Unit represents for SMUD in each of the cost categories.





Enterprise Budget Summary by Segment ($000s)

Funding Type by Segment	2026 Budget	2027 Proposed	$ Change vs Budget	% Change vs Budget
O&M Expense				
General	$1,874	$1,891	$18	1%
Contingency	929	2,000	1,071	115%
Total O&M	**2,803**	**3,891**	**1,088**	39%
Capital Expenditures				
General	-	-	-	-
Contingency	(15,092)	(9,131)	5,961	39%
Total Capital	**(15,092)**	**(9,131)**	**5,961**	39%
Interest Expense				
JPA Interest Expense	-	-	-	-
Total Business Unit Budget	**($12,289)**	**($5,240)**	**$7,049**	**57%**

Supplemental Information

1. Power Supply & Requirements
    a. Power Supply Assumptions
    b. Energy Sales & Requirements
    c. Energy Requirements
2. SMUD Generation Sources
3. Purchased Power
4. Greenhouse Gas Emissions Estimate
5. Capital Project Details
6. Cost Categories
7. Expense Type Descriptions
8. Financial Statement Line Item Descriptions
9. Summary of Debt Service on Existing SMUD Bond Issues
10. Resolutions

Power Supply & Requirements

Electricity and natural gas prices in the 2027 Proposed Budget are forecasted to be lower than those projected in the 2026 Budget. Renewable generation is expected to be higher than the 2026 Budget due to Country Acres Solar, Grace Solar, and a full year of operation from SunZia Wind. The addition of Country Acres Battery and Dry Creek Battery will reduce capacity needs.

Energy Sales & Requirements

Total expected supply requirements for the 2027 Proposed Budget are forecasted to be approximately 1% lower than the 2026 Budget. Our expected retail energy sales to customers are projected to increase and our expected system peak load is forecasted to decrease.

The following tables provide additional information regarding generation, purchased power and market transactions.

Description	2026 Budget	2027 Proposed	Change vs Budget
Expected System Peak (MW)	3,133	3,091	(42)
Expected Retail Energy Sales (GWh)	10,819	10,898	79
Expected Wholesale Sales, Distribution & Transmission Losses (GWh)	340	155	(185)
Expected Supply Requirements (GWh)	11,159	11,053	(106)
Generation:			
Total SMUD Generation (GWh)	8,564	8,443	(121)
SMUD Generation as a % of expected supply requirement	77%	76%	-1%
Purchased Power:			
Net Purchased Power (GWh)	2,595	2,610	15
Net Purchased Power as % of expected supply requirement	23%	24%	1%
Gas:			
Expected Gas Burn (NG+Biogas) for Thermal Generation and Steam Sales (mmBtu)	44,247,334	44,803,996	556,662
Committed Fuel (NG+Biogas) Purchases (mmBtu)	44,685,859	44,888,631	202,772
Committed Purchases (NG+Green Gas) as a % of Expected for Thermal Generation and Steam Sales	101%	1	-1%
Actual / forward prices of uncommitted transactions:			
On Peak Power Price Forecast ($/MWh)	$49	$34	($15)
Off Peak Power Price Forecast ($/MWh)	$52	$46	($6)
Flat Power Price Forecast ($/MWh)	$50	$39	($11)
Forward Natural Gas Price Forecast ($/mmBtu)	$4.43	$3.44	($0.99)

Energy Supply Requirements

Description (GWh)	2026 Budget	2027 Proposed	Change vs Budget	% Change vs Budget
Generation:				
SMUD-Owned Large Hydro	1,591	1,456	(135)	-8%
SMUD-Owned Gas Fired	6,028	6,049	21	0%
SMUD-Owned Renewable	945	937	(8)	-1%
Total Generation	**8,564**	**8,443**	**(121)**	**-1%**
Market Energy:				
Market Sales	(3,765)	(4,325)	(560)	15%
Long-Term Contracts	5,859	6,502	643	11%
Short-Term Purchases	92	-	(92)	-100%
Market Purchases	423	496	73	17%
Battery Charging	-	(308)	(308)	-
Battery Discharging	-	261	261	-
Total Market Transactions	**2,609**	**2,625**	**16**	**1%**
Market Energy:				
Transmission Losses	**(14)**	**(15)**	**(1)**	**7%**
Total Supply Requirement	**11,159**	**11,053**	**(106)**	**-1%**

The following sections have details about the budget assumptions for SMUD's power supply by generation and purchasing sources.

Return to O&M Budget Summary section

SMUD Generation Sources

SMUD Hydroelectric (Upper American River Project)

The 2027 Budget assumes average rainfall and normal starting reservoir levels in 2027. The forecasted generation is expected to be 1,504 GWh.

Other SMUD Renewable Generation (South Fork, Chili Bar, Photovoltaic, Hedge Battery, Solano Wind)

The 2027 Budget assumes average generation subject to limitations governing the operation of each plant. The largest contributor, Solano Wind, is expected to generate 795 GWh.

Cosumnes Power Plant

This 603 MW gas-fired combined cycle power plant began commercial operation in February 2006. Forecasted generation from this facility in 2027 is 4,014 GWh.

Carson Cogeneration

This gas-fired cogeneration project, which began commercial operation in October 1995, consists of a 65 MW combined cycle unit and a 42 MW peaking unit. With the installation of an auxiliary steam boiler in 2017, if running the cogeneration unit is uneconomic, it can be turned off. Energy will be supplied from the auxiliary boiler instead of the cogeneration unit. The forecasted generation from this facility in 2027 is 336 GWh.

Procter & Gamble Cogeneration

This gas-fired cogeneration plant began commercial operation in March 1997. It consists of a 136 MW combined cycle power plant and a 50 MW peaking unit that became operational in May 2001. With the installation of an auxiliary steam boiler in 2016, if running the cogeneration unit is uneconomic, it can be turned off. Steam will be supplied from the auxiliary boiler instead of the cogeneration unit. Forecasted generation from this facility in 2027 is 762 GWh.

Campbell Soup Cogeneration

This 160 MW gas-fired combined cycle power plant began commercial operation in December 1997. It consists of a 170 MW combined cycle power unit. Beginning in 2008 the 72 MW McClellan gas turbine is also included under SPA. Forecasted generation from these two units in 2027 is 1001 GWh.

Return to the O&M Budget Summary section.

Purchased Power

The 2027 Budget assumes delivery of energy and capacity from the following contracts:

Counterparty	Capacity MW	Energy GWh	Expiration Date
Western Area Power Administration (WAPA) / Central Valley Project (CVP)	339 MW	660 GWh	2054
Western Area Power Administration (WAPA Wheeling)	19 MW	38 GWh	2029
Sutter Energy Center	258 MW	1,042 GWh	2029
Kiefer Landfill Biogas	12 MW	80 GWh	2028
Country Acres Solar	344 MW	630 GWh	2057
SunZia Wind	150 MW	488 GWh	2041
Grace Solar	70 MW	3 GWh	2047
Feed-in-Tariff Solar Projects	100 MW	206 GWh	2031
Calpine Geysers Geothermal	100 MW	876 GWh	2042
Van Warmerdam Dairy Biogas	0.5 MW	2 GWh	2033
New Hope Dairy Biogas	0.4 MW	2 GWh	2033
Patua Geothermal	19 MW	146 GWh	2033
Conergy Solar	1.4 MW	2 GWh	2034
Van Steyn Dairy Biogas	0.12 MW	1 GWh	2030
Rancho Seco Solar I	11 MW	22 GWh	2036
Recurrent Solar	60 MW	164 GWh	2037
CalEnergy Geothermal	30 MW	223 GWh	2039
Grady Wind	200 MW	897 GWh	2044
Wildflower Solar	13 MW	31 GWh	2045
Rancho Seco Solar II	160 MW	294 GWh	2051
Drew Solar	100 MW	296 GWh	2052
Sloughhouse Solar	50 MW	130 GWh	2052
Hatchet Ridge Wind	101 MW	270 GWh	2032

The balance of energy requirements to meet forecasted sales to customers will be met by short-term purchases of energy.

Some of the long-term and short-term contracts will be delivered over SMUD's 528 MW share of the California-Oregon Transmission Project (Northwest) or under the South-of-Tesla transmission agreement with PG&E (Southwest & Southern California). These purchases are coordinated through SMUD's membership in the Western Systems Power Pool (WSPP), which facilitates sales and exchanges among its 30 member utilities, and through market trading.

Return to O&M Budget Summary section.

Greenhouse Gas Emissions Estimate

Source	Emissions (1,000 MT CO2e)
Thermal Emissions less any Cogen Steam Sales: *	
Cosumnes	1,523
Proctor	322
Campbell	435
Carson	147
McClellan	6
Calpine Sutter	423
Short-Term Purchases	-
Uncommitted Purchases, Sales and Losses	(1,497)
Total	**1,360**

*SMUD thermal emissions are estimates based on 2027 forecast and historical emissions factors.

Based on 2027 budgeted generation from SMUD thermals, purchased power, hydro generation, and renewables, our SD-7 greenhouse gas emissions are estimated to be about 1.4 million metric tonnes. This estimate is based on normal conditions, and the use of our thermals and associated emissions could be lower or higher based on actual conditions in the 2027 operating year. Further, the estimate assumes our short-term power purchases are from general market power which carry an emissions factor. While carbon-free power purchases are subject to hydro conditions and availability year to year, SMUD's Energy Traders continually look for opportunities to purchase clean power from the market to reduce greenhouse gas emissions in our portfolio.

Capital Project Details

The following is additional detail of the $673 million 2027 capital project budget for each Business Unit organized by major project groupings.

Energy Delivery & Operations Capital Projects

Transmission Substation Improvements Major Transmission substation projects including Station J New Substation, El Rio Substation, Meadowview Sub and Line Work, Circuit Breaker Replacements (Hurley, Orangevale, Carmichael, Foothill), Mid City Bank work, and Station D Bus Relay Replacement.	**102,215**
Distribution Substation Improvements Grid Substation improvements such as UCDMC, Station J, Cargo Northgate Bank 2 Upgrade, Winding Way Tranformer Replacement, Requa Farm Bank 1, Elkhorn Natomas Bank 2, 48th-MLK Transformer Upgrade, CSUS Transformer Upgrade, Powerline-Elkhorn CB Replacement, and Birkmont-Alabama Substation.	**82,715**
Line Distribution Projects Equipment replacement, upgrades, and line work including Cargo Northgate, Natomas Lines, Birkmont-Alabama, Folsom SOI, Mayhew-Jackson, Shore Vista Drive Overpass, Cordova Hills Line, Rule 16offsite projects, 69kV feeder tie (White Rock Industrial Area, Pocket Line 6, Grant Line Cordova), and Eschinger to Franklin Reconductor.	**39,868**
New Services Connections Projects associated with the connection of Commercial/Industrial & Residential customers. Includes: Subdivisions, Local Agency projects, Regional Transit and System Enhancements.	**27,120**
Cable Replacement & Rehabilitation Program to reduce the yearly number of primary underground cable failures which decreases future outages, repair costs, customer issues and the quantity of poorly performing circuits.	**21,935**
Pole Replacement & Reinforcement Includes replacing poles that have failed an inspection and must be replaced as well as pole reinforcements.	**14,151**
Distribution Replacements (Non-network) Work to repair, replace or install transformers, switchgear, reclosers, capacitor banks, down line wires, air switches, etc.	**13,253**
Substation Easement & Land Various land aquisitions such as Watt EV, Mill Creek, Whiterock Mangini, Grant Line, Folsom SOI and other distribution substations & easement land purchases.	**3,679**
Environmental Projects Developing and implementing soil/groundwater investigation and remediation projects under agency oversight within Sacramento County, including the Formerly Community Linen site, Thorton Street Remediation and 59th Street Remediation.	**1,585**
Transmission & Planning Capital Projects Includes customer interconnection project planning efforts and EMS Lifecycle Upgrades	**1,419**
Transmission Line Projects Projects associated with the transmission line structure replacement program.	**733**
Grid Modernization 69kV motorized switches and line sensor upgrades, Distribution Automation (DA) recloser replacements.	**469**
Other Various Projects	**831**
Total Proposed Capital Expenditures	**$309,972**

Zero Carbon Energy Solutions Capital Projects

Hydro Generation Capital Hydro projects including UARP improvements, Camino 1 Rehab, White Rock, Jaybird and Chili Bar transformer replacements, Untion Valley Switchyard Rockfall Netting, Chili Bar Dam Improvements, Jaybird Canyon Rockfall Mitigation, UARP radio upgrades, and Hydromet System Assessment and Upgrade.	**48,933**
Renewable Projects Ongoing Renewable Capital Projects such as Curry Creek Solar and Storage, Country Acres Solar, Twin Cities Solar, Dry Creek, and Oveja Ranch Solar.	**31,445**
Thermal Projects Projects to upgrade and repair SMUD's thermal plants, including peaker generator protection, condenser retube, air compressor replacements, CO catalyst replacement, CT Rotor LTEs, and CT Hardware & Repair.	**22,854**
Decommissioning Used fuel management of the Rancho Seco Independent Spent Fuel Storage Installation (ISFSI) in accordance with Nuclear Regulatory Commission (NRC) regulation and SMUD specific license requirements.	**9,215**
Hydro License & Other Includes Recreation Plan Projects such as reservoir and campground upgrades and implementation fees.	**4,938**
Gas Pipeline Improvements and testing of the local gas pipeline.	**3,386**
Solano Wind Ongoing work with the Solano Wind Phase 5 Project.	**1,278**
Storage Projects McClellan BESS and Hedge BESS 2.	**679**
Other Various Projects	**5,374**
Total Proposed Capital Expenditures	**$128,102**

Workforce, Diversity & Enterprise Partnerships Capital Projects

Folsom Administrative Operations Building (FAOB) This includes planning efforts, utilities work and construction for the new Folsom Administrative Operations Building.	**64,117**
Facilities Projects Facilities Projects including the UARP Hardening work, Mechanical System Development, and Substation Facilities work.	**17,807**
Other Various Projects	**19**
Total Proposed Capital Expenditures	**81,943**

Information Technology Capital Projects

New Technology Projects	**54,399**
Development and implementation of new technologies including Digital Platform Transformation, Vegetation Work Management Solution Phase 2, S/4 HANA Implementation, Forescout IT/OT Security Monitoring Tool, KloudGin Implementation, and DERMS.	
Enhancement Projects	**8,914**
Improvements to existing technology including Extended Day Ahead Market (EDAM), Authentication Solution, OT Sensor Deployments, Certification Management, and Detection Engineering Solution.	
Lifecycle Projects	**3,280**
Upgrades of storage, computers, and network. Includes SAP Enhancements, IT Network and Genentec Network.	
Other Various Projects	**372**
Total Proposed Capital Expenditures	**66,965**

Enterprise Capital Projects

OPEB & PERS Amortization	**70,570**
Retiree medical, dental and unfunded actuarial accrued liability amortization costs (OPEB) and retirement contributions (PERS) unfunded accrued liability costs shifted from expense to the balance sheet to align our budget with our accounting treatment.	
Contingency	**(9,131)**
Total Proposed Capital Expenditures	**61,439**

Corporate Capital Projects

Vehicle Replacement	**13,937**
Electric vehicle purchases and replacements related to work efficiency, legal and regulatory compliance and lifecycle.	
Fuel Supply Improvements	**3,715**
Capital improvements and modifications to SMUD's portion of PG&E gas lines.	
Total Proposed Capital Expenditures	**$17,652**

Customer & Community Services Capital Projects

Meters	**6,659**
Purchase and installation of meters	
Total Proposed Capital Expenditures	**$6,659**

Cost Categories (or funding types)

The budget includes the following major components:

Operating Expenses (O&M): Expenses related to producing and acquiring energy, operating and maintaining the electrical delivery system, providing service to customers including public goods (energy efficiency, low-income assistance, new renewable generation sources, and research and development of advanced technologies) programs, and corporate activities. Included within this category as a separate line item are commodity costs associated with energy supply. These costs include purchased power, fuel for energy production, and transmission wheeling costs.

Also included in O&M are operating and interest expense associated with NCGA No. 1, and NCEA pass-through gas costs. These expenses are shown in the SMUD budget because SMUD will reimburse NCGA No. 1 and NCEA for their costs under the terms of the Power and Gas Purchase Agreements. The detailed NCGA No. 1 and NCEA budgets are also in separate resolutions as they will be approved by the NCGA No. 1 and NCEA Commissions.

Capital Investments: Investment in additions and improvements to SMUD's property, plant and equipment. The Capital investment budget includes all qualifying costs related to acquiring or constructing tangible and intangible assets which meet SMUD's capitalization guidelines - cost exceeding $5,000 and an estimated service life greater than two years. SMUD follows Federal Energy Regulatory Commission (FERC) capitalization guidelines which dictate the inclusion of all direct costs (labor, employee benefits, materials, services and other) and a proportionate share of indirect costs (engineering and construction supervision and support, transportation, insurance, etc.) related to capital projects. Capital assets are depreciated on a straight-line basis over their estimated useful service life.

Allocated Expenses: A portion of the costs in four business units: Information Technology, Workforce, Diversity & Enterprise Partnerships, Energy Delivery & Operations and Corporate, which enable the business units to perform work. These costs are pooled and then allocated to both O&M and capital costs based on the quantity of labor hours planned in the receiving business unit. The aggregated allocated costs are presented in the budget documentation separately as information only; the actual costs are reflected in each of the Business Unit's budgets as part of the total cost of their work processes. Examples of allocated costs are enterprise-wide used software, safety services, human resources, procurement and fleet services.

Debt Service: Interest expense on and principal repayments of SMUD's outstanding long-term debt and commercial paper notes, any revenues or payments on interest rate swaps, and trustee fees and debt issuance costs.

Return to Budget Summary Overview section

Expense Type Descriptions

Activity Type Labor: SMUD employee labor planned to a business unit work process. Each Activity Type has a standard hourly charge-out rate that is based on work (non-leave) hours, average annual employee salaries, and includes benefits.

Materials & Equipment: Materials and equipment either issued from inventory or purchased for a specific project or task.

Other Expenses: Is a grouping of several non-material costs including dues and publications, memberships, training, travel, rents, leases, license fees, taxes, advertising, utilities, and postage.

Outside Services: The cost of outside services contracts, consultants, and outside legal counsel services.

Insurance: The cost of insurance premiums.

Rebates & Incentives: The cost of rebates and incentives paid to customers for energy efficiency, building electrification and electric transportation programs.

Commodities: The cost of purchased power, wheeling, and fuel for SMUD and JPA generating plants, net of surplus/wholesale power sales which represents revenues from the sale of generation and bulk power purchases which are surplus to our generation needs.

Reimbursements: Reimbursements, cost-sharing grants, or pass-through amounts received from outside parties to reduce net costs.

Allocations/Surcharges: Includes cost center overheads and surcharges. Cost center overheads are a rate developed to recover the indirect costs of a Cost Center and include labor for administration, supervision, training, and miscellaneous expenses such as office supplies and travel. It is assessed per hour of labor planned directly to the work processes. Surcharge rates are developed to recover 1) an allocation of internal service costs such as transportation and technology assessed per hour of labor planned directly to the work processes, 2) the costs of procuring outside service agreements and costs of procuring, storing, and handling materials and equipment and 3) miscellaneous general and administrative SMUD expenses including insurance and risk management, cash management, debt management, and other assessed to capital and public good projects based on a flat percentage of overall SMUD labor.

Return to Budget Summary Overview section

Financial Statement Line Item Descriptions

Sales to Customers: The Sales to Customers budget is the revenue received from our residential and commercial electrical customers for power usage.

RSF & Other Deferrals: The Rate Stabilization Fund (RSF) & Other Deferrals budget includes revenues deferred to or recognized from the rate stabilization fund.

Other Electric Revenue: The Other Electric Revenue budget is the revenue received from other services such as Community Energy Services in support of Community Choice Aggregators, LCFS revenues, steam sales, rental income and miscellaneous services revenues.

Commodities: The Commodities budget includes the long, medium and short-term power, electric transmission, and natural gas purchases. The budget is shown net of surplus and wholesale power sales revenue, which represents revenues from the sale of generation and bulk power purchases which are surplus to our generation needs.

Customer & Community Services: Follow this link to learn more about this business unit.

Energy Delivery & Operations: Follow this link to learn more about this business unit.

Zero Carbon Energy Solutions: Follow this link to learn more about this business unit.

Information Technology: Follow this link to learn more about this business unit.

Workforce, Diversity & Enterprise Partnerships: Follow this link to learn more about this business unit.

Corporate: Follow this link to learn more about this business unit.

Enterprise: Follow this link to learn more about this business unit.

Public Good: Public Goods programs include customer public good programs such as solar rebates and incentives, low income & medical rate subsidies and administration, emerging technologies, energy efficiency and building electrification. It also includes research and development projects such as EV charging, renewable initiatives such as biomass gasification, and distributed technology.

Depreciation and Amortization: The depreciation and amortization budget are the depreciation of SMUD's electric utility property, plant and equipment. The budget amount is based on existing property, plant and equipment and estimated completion dates for construction work-in-progress, and the most current depreciation rates. It also includes amortization of costs associated with the operating license for SMUD's Upper American River Project (UARP) hydroelectric generation facilities and Rancho Seco fuel decommissioning.

Interest Income and Other: The interest income and other budget is SMUD's interest income, based on the assumption that SMUD will earn an average of approximately 2.90 percent on unrestricted and restricted cash balances. This line also includes any interest earned by NCGA No. 1 and NCEA on their fund balances. Also included in this line is miscellaneous income.

Other Non-Cash: The other non-cash budget includes write-off of project costs, corporate capital surcharge, Contributions in Aid of Construction (CIAC), advance capacity payments and uncollectable expense for non-retail sales. Write-off of project costs includes an estimate of current projects undergoing feasibility studies that will not be developed. CIAC represents the recognition of money received for development costs, grant projects and capital items, which is offset by depreciation expense in the same period.

Interest Expense: The interest expense budget includes accrual basis interest on long-term debt and commercial paper which reflects SMUD's obligation for existing debt, and interest expense on NCGA No. 1 and NCEA bonds.

Interest Payments: Represents the cash basis interest payments on SMUD, NCGA No.1 and NCEA bonds, commercial paper notes, and SMUD's share of TANC bonds, not including amortization of deferred bond issuance costs and gain/loss on bond refundings.

Principal Payments: Represents scheduled repayment of long-term debt.

Cash Available to Pay Fixed Costs: Represents the net cash flow before interest expense on a consolidated basis.

Fixed Charge Coverage Ratio: The fixed charge coverage ratio is a measure of the number of times net cash flow before interest expense on a consolidated basis covers total cash debt service payments, including both interest and principal, for SMUD and SMUD's share of TANC debt service.

Rate Stabilization Fund: Fund set up by the Board to provide protection against a rate increase in years where weather conditions or other non-controllable events cause large budget variances. No transfers in or out of the Rate Stabilization Funds are budgeted.

Unrestricted Cash: Cash available for operating and capital expenditures. Detail of change is shown on the Pro Forma Sources and Uses of Cash.

Restricted for Debt Service: Amounts deposited in restricted debt service funds as fixed by Bond Resolutions.

Total Electric Utility Plant: Production, transmission and distribution, and general plant facilities.

Total Restricted Funds (including Rate Stabilization Fund (RSF): Funds reserved for specific uses. The Rate Stabilization Fund is intended to defer the need for future rate increases when costs exceed existing rates.

Total Current Assets: Short-term, liquid assets that are expected to be converted to cash within one fiscal year. They include cash and cash equivalents, marketable securities, accounts receivable, inventory and supplies, prepaid expenses and other liquid assets.

Total Noncurrent Assets: Assets that are not expected to be converted into or used as cash within one year. They typically have a life of more than one year and their cost is spread out

over time either through depreciation, amortization or depletion over their estimated useful life. They include equipment, real estate, patents, and long-term investments.

Deferred Outflows of Resources: Resources expended over time rather than immediately.

Long Term Debt: Debt that matures in more than one year. Includes credit lines, loans and bonds with obligations and maturities greater than one year.

Total Current Liabilities: Debts or obligations that are due to be paid within one year.

Total Noncurrent Liabilities: Financial obligations that are not due for more than a year. They include longer-term loans, deferred revenue, lease obligations, pension obligations and bonds payable.

Deferred Inflows of Resources: Resources received before they are earned.

Total Net Position: The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources.

Return to Financial Statements section

Summary of Debt Service on Existing SMUD Bond Issues ($000s)

Date Issued	Issue	1/1/2027 Principal Balance	Issued Interest Rate	Final Maturity Date	2027 Scheduled Principal Payment	2027 Interest Expense
	Electric Revenue Bonds					
Jul-16	Series D (Refunding)	38,755	2.00% to 5.00%	2028	19,300	1,561
Dec-17	Series E (Refunding)	32,615	5.00%	2028	15,825	1,332
Aug-18	Series F (Refunding)	32,510	5.00%	2028	15,875	1,326
Apr-19	Series G	191,875	2.38% to 5.00%	2041	0	9,352
May-20	Series H	400,000	4.00% to 5.00%	2050	0	18,699
Jul-21	Series I (Refunding)	46,885	5.00%	2028	24,000	1,891
Jun-22	Series J (Refunding)	66,825	5.00%	2033	13,790	3,081
Jun-23	Series K	200,000	5.00%	2053	0	10,000
Jun-23	Series L (Refunding)	55,300	5.00%	2033	10,590	2,565
Apr-24	Series M	250,000	5.00%	2054	0	12,500
Apr-24	Series N-1 (Refunding)	377,450	5.00%	2036	0	18,873
Apr-24	Series N-2 (Refunding)	22,160	5.00%	2036	0	1,108
Jun-25	Series O	100,000	5.00%	2040	0	5,000
Jull-26	Series P	125,000	5.00%	2039	0	6,250
	Subtotal	1,939,375			99,380	93,536
	Subordinated Electric Revenue Bonds					
Jun-23	*Series C*[1] *(Refunding)*	132,020	Variable	2041	0	2,223
Jun-23	*Series D*	100,000	5.00%	2049	0	5,000
Jun-25	*Series E*	100,000	5.00%	2049	0	5,000
Jun-25	*Series F*	100,000	5.00%	2055	0	5,000
Jul-26	*Series G*	125,000	5.00%	2056	0	6,250
	Subtotal	557,020			-	23,473
	Total Outstanding Bonds	2,496,395	Principal & Interest Payments		99,380	117,009
	Total Debt Service				**99,380**	**117,009**

Footnote:

1) Swapped to a fixed rate for the life of the debt, interest expense net of swap payment. Interest expense without swap would be $4,250,013.

Return to Debt Service section.

Resolutions

1. 2027 Budget Resolution
2. 2027 Debt Resolution

RESOLUTION NO. _____

WHEREAS, the proposed 2027 Budget is expected to result in a positive net income for 2027; **NOW THEREFORE,**

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF SACRAMENTO MUNICIPAL UTILITY DISTRICT:

Section 1. This resolution may be referred to as the 2027 Budget Resolution.

Section 2. (a) There is hereby appropriated from the General Fund sufficient monies for the payment of demands against SMUD which relate to obligations incurred for the purposes and within the amount specified for such purposes in the following projection of SMUD's program for the period January 1, 2027, through December 31, 2027.

Operations and maintenance:	
Commodity - purchased power, fuel, and wheeling	$635,790,942
Public Goods	72,565,547
Customer, energy delivery, zero carbon, workforce diversity & enterprise partnerships, information technology, corporate services & Rancho Seco	808,699,089
Sub-Total	$1,517,055,578
Debt Service	228,012,742
Capital and reserve	672,731,813
TOTAL	$2,417,800,133

(b) The Commodity line-item budget is based on assumptions of average rainfall and temperatures during 2027. SMUD has in

place a Hydro Generation Adjustment (SMUD HGA) mechanism whereby, based on the actual rainfall amounts between April 1, 2026, and March 31, 2027, in comparison to the budget assumptions, SMUD may transfer funds to or from the Hydro Rate Stabilization Fund and, once pre-established limits are met, increase or decrease customer rates accordingly. The Commodity line-item budget will be increased or reduced based on the actual transfer and/or change in customer revenues from the SMUD HGA adjustment.

(c) SMUD has budgeted to receive energy in 2027 under its contract with the Western Area Power Administration (WAPA). SMUD has in place a WAPA Hydro Generation Adjustment (WAPA HGA) mechanism whereby, based on the actual delivery from WAPA between April 1, 2026, and March 31, 2027, in comparison to the budget assumptions, SMUD may transfer funds to or from the WAPA Rate Stabilization Fund and, once pre-established limits are met, increase or decrease customer rates accordingly. This energy primarily is generated at Central Valley Project hydroelectric plants, and the actual quantity of energy received will be dependent on rainfall, carryover water storage and operation of the WAPA system to meet contractual water deliveries. Because WAPA generation facilities are spread over a wide area, insurance is not practical for offsetting variations of energy deliveries due to weather. One purpose of the WAPA Rate Stabilization Fund is to mitigate such variations. The Commodity line-item budget will be increased or reduced based on the actual transfer and/or change in customer revenues from the WAPA HGA.

(d) Budgeted energy purchases necessary to meet customer energy sales requirements (10,930 GWh) are based on average weather conditions and expected customer growth in 2027. Should actual weather conditions or growth levels cause SMUD retail sales and related energy requirements to be higher, the Commodity line-item budget will be increased by the NP15 power price per megawatt-hour of additional retail energy sales to offset the cost of these sales.

(e) SMUD participates in regulatory programs such as Low Carbon Fuel Standard (LCFS) and Cap-and-Trade. Under these programs, SMUD has the option to monetize the credits and allowances applicable to these programs through sales transactions. When SMUD collects revenues through these sales, it is required to apply the proceeds toward specific expenses that support the program goals. An additional purpose of the Rate Stabilization Funds is to mitigate fluctuations from regulatory programs. The Accountant is hereby authorized to transfer funds to or from the Rate Stabilization Funds to match LCFS and Cap-and-Trade revenues with expenses. The budgeted amounts will be increased or decreased accordingly.

(f) For purposes of Section 11891.6 of the Municipal Utility District Act, there shall be deemed added to each line item, in section 2a, a 10 percent contingency. Demands against SMUD which relate to obligations incurred for each line item and are within such line item amount plus the 10 percent contingency may be paid without prior specific approval of this Board, provided the total of such payments during 2027 may not exceed the total budget

amount plus this 10% contingency, plus the commodity contingency and adjustments for weather hedge contracts, higher retail sales and Rate Stabilization transfers as set forth in paragraphs (b), (c), (d), and (e) above.

Section 3. Demands against SMUD may be paid without the prior specific approval of this Board if they relate to obligations incurred for the purposes and within the amounts specified in Section 2, provided such demands are approved by the CEO & General Manager or someone to whom she has delegated such approval authority. It is the purpose and intent of this paragraph to delegate to the CEO & General Manager authority to make purchases, to negotiate and execute contracts, and expend funds in any manner necessary or appropriate to the administration of the business affairs of SMUD, all within the amounts and for the purposes set forth above, and subject to the provisions of existing law and of all the duly passed resolutions of this Board, including the Board-approved delegations of authority.

Section 4. At monthly intervals, the Treasurer shall transfer from the General Fund appropriate amounts into each of the various funds established to service SMUD's general obligation indebtedness, its Electric System Revenue Bond indebtedness, and its Electric Revenue Bond indebtedness in approximately equal installments as set forth in the tabulations on file with the Accountant. Investment authority, for all funds, is delegated to the Treasurer for a one-year period in accordance with California Government Code Section 53607.

Section 5. The number of permanent full-time employees during 2027 shall not exceed 2,295 employees plus a five percent contingency without further authorization of this Board.

Section 6. The Public Goods Charge shall be adjusted for expenditures of $103 million, which exceeds the minimum of 2.85% of 1994 revenues. The percentage allocation for the public goods charge expenditures shall apply to low-income assistance, energy efficiency, research and development, and new renewable generation.

Section 7. The CEO & General Manager, or her designee, is authorized to make future changes to the **Budget** that, in her prudent judgment: (a) further the primary purpose of the **Budget**; (b) are intended to provide a net benefit to SMUD; and (c) do not exceed the authorized **Budget** amounts and applicable contingencies.

DRAFT RESOLUTION NO. _____

Supplemental Resolution (Supplemental	)
to Resolutions No. 6457, 8107, 83-7-26	)
as amended by Resolution No. 87-10-22,	)
No. 92-12-29, No. 93-12-19, No. 94-12-16,	)
No. 95-12-10, No. 96-12-07, No. 97-12-18,	)
No. 98-11-12, No. 99-12-10, No. 00-12-11,	)
No. 01-12-02, No. 02-11-04, No. 03-12-14,	)
No. 04-12-11, No. 05-12-13, No. 06-12-08,	)
No. 07-12-08, No. 08-12-05, No. 09-12-08,	)
No. 10-12-03, No. 11-12-08, No. 12-12-06,	)
No. 13-12-09, No. 14-12-13, No. 15-12-08,	)
No. 16-12-14, No. 17-12-13, No. 18-12-12,	)
No. 19-11-05, No. 20-12-14, No. 21-12-11,	)
No. 22-12-06, No. 23-12-10, 24-12-07, and	)
No. 25-12-12 declaring the intention of the	)
Board of Directors of the Sacramento Municipal	)
Utility District to Authorize the issuance of	)
additional Revenue Bonds	

WHEREAS, Sacramento Municipal Utility District ("SMUD") on July 23, 1970, May 2, 1974, and July 21, 1983, by the adoption by its Board of Directors of Resolutions No. 6457, 8107, and 83-7-26, as amended by Resolution No. 87-10-22 adopted October 1, 1987; Resolutions No. 92-2-11, No. 92-12-29, No. 93-12-19, No. 94-12-16, No. 95-12-10, No. 96-12-07, No. 97-12-18, No. 98-11-12, No. 99-12-10, No. 00-12-11, No. 01-12-02, No. 02-11-04, No. 03-12-14, No. 04-12-11, No. 05-12-13, No. 06-12-08, No. 07-12-08, No. 08-12-05, No. 09-12-08, No. 10-12-03, No. 11-12-08, No. 12-12-06, No. 13-12-09, No. 14-12-13, No.15-12-08, No.17-12-13, No. 18-12-12, No. 19-11-05, No. 20-12-14, No. 21-12-11, No. 22-12-06, No. 23-12-14, No. 24-12-07, and No. 25-12-12 adopted by the Board of Directors on February 6, 1992, December 17, 1992, December 16, 1993, December 15, 1994, December 14, 1995, December 19, 1996, December 17, 1997, November 30, 1998,

December 2, 1999, December 7, 2000, December 6, 2001, November 7, 2002, December 4, 2003, December 2, 2004, December 1, 2005, December 7, 2006, December 6, 2007, December 4, 2008, December 3, 2009, December 3, 2010, December 1, 2011, December 6, 2012, December 5, 2013, December 4, 2014, December 3, 2015, December 1, 2016, December 21, 2017, December 20, 2018, November 21, 2019, December 10, 2020, December 9, 2021, December 8, 2022, December 14, 2023, December 12, 2024, and December 11, 2025 respectively (collectively, the "Prior Resolutions"), found and determined that it was necessary to raise funds by the issuance of revenue bonds in the maximum principal amount of $9,855,000,000 pursuant to Sections 12850, et seq., of the California Public Utilities Code (the "Act"); and

WHEREAS, in order to provide reliable electric service to its customers, it is necessary for SMUD to make certain capital improvements and other capital expenditures to its system, which capital improvements and other capital expenditures are designed to have useful lives of up to 40 years, or more; and

WHEREAS, to fairly apportion the costs of such capital improvements and other capital expenditures among SMUD's customers who will receive the benefits of such improvements, SMUD has determined to authorize the financing of such improvements and expenditures with bonds of SMUD; and

WHEREAS, to provide bond financing for such improvements and expenditures, it now appears necessary to increase the authorized issue of revenue bonds that may be issued by SMUD pursuant to the Act; and

WHEREAS, the Board of Directors of SMUD desires to inform its customers and the public of its plans for financing capital improvements and other capital expenditures to its system by specifying certain items for which the proceeds of said revenue bonds are to be used, which uses shall not include daily maintenance and operations costs; **NOW, THEREFORE,**

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF SACRAMENTO MUNICIPAL UTILITY DISTRICT:

Section 1. The Board of Directors of SMUD declares its intention to authorize the issuance of additional revenue bonds or Clean Renewable Energy Bonds for the purpose of financing, in whole or in part, the costs of the capital items identified in SMUD's 2027 capital budget, 2025 and 2026 capital expenditures not previously financed, the prepayment of purchased power or natural gas and the purchase of natural gas reserves, pipelines or storage facilities, for all of which SMUD is authorized by law to issue such bonds. SMUD has paid or reasonably expects to pay certain expenditures (the "Reimbursement Expenditures") in connection with such capital items prior to the issuance of such bonds, and hereby officially declares its intent to use certain proceeds of such bonds to reimburse the Reimbursement Expenditures. The declarations contained in this section are made solely for purposes of establishing compliance with Section 1.150-2 of the U. S. Treasury Regulations, and do not bind SMUD to make any expenditure, incur any indebtedness or proceed with the above-mentioned capital expenditures.

Section 2. The maximum principal amount of the additional revenue bonds proposed to be issued under this supplemental resolution is

$400,000,000. Such maximum principal amount is in addition to the $9,855,000,000 principal amount of revenue bonds authorized pursuant to the Prior Resolutions. Such additional bonds may be issued in series from time to time, and it shall not be necessary that all of the bonds proposed to be issued be issued at any one time.

Proceeds from the issuance of these bonds will be used to finance capital improvements identified in SMUD's 2027 capital budget, 2025 and 2026 capital expenditures not previously financed, capital expenditures for the prepayment of purchased power or natural gas and the purchase of natural gas reserves, pipelines, or storage facilities. The declarations in this section are made solely to establish compliance with Section 12852 of the California Public Utilities Code, and do not bind SMUD to make any expenditure, incur any indebtedness or proceed with the above-mentioned capital expenditures.

Section 3. The maximum term of any of such bonds is 40 years. In the event the maximum authorized amount under a series of bonds is divided into two or more series, the said maximum term shall be calculated in each case from the date of each divided series of bonds.

Section 4. The maximum rate of interest to be payable upon such bonds shall not exceed the interest rate per annum equal to the greater of fifteen percent (15 percent) per annum or the yield of United States Treasury bonds having a remaining term equal, as nearly as practicable, to the final maturity of such bonds, as determined by SMUD as of the date of sale of such

bonds, plus three percent (3 percent). The maximum discount with respect to such bonds shall not exceed ten percent (10 percent).

Section 5. This resolution shall take effect immediately, subject only to the right of referendum provided in Article 6a of Chapter 6 of Division 6 of the California Public Utilities Code (beginning at Section 12850 thereof).

Section 6. The Secretary of SMUD is hereby directed to publish a copy of this resolution once a week for two successive weeks in a newspaper of general circulation published within SMUD's boundaries. At any time within 60 days after the date of the second such publication, a referendum petition signed by voters in number equal to at least three percent (3 percent) of the total vote cast, as defined in Section 11507 of the California Public Utilities Code, demanding the submission of this resolution to a vote of the voters of SMUD for their assent to the issuance of the proposed bonds, may be filed with the Secretary of SMUD. Upon presentation to the Secretary of SMUD of such a referendary petition, this resolution shall not be of effect unless and until it has been assented to by the voters.