

2021 Budget



Powering forward. Together.



2021 Budget

Strategic Direction

Purpose, Vision & Values



Powering forward. Together.



Strategic Direction



Core Values: Strategically Essential for SMUD

| | | | |
|------|------------------------------|-------|--|
| SD-1 | Purpose and Vision Statement | SD-8 | Employee Relations |
| SD-2 | Competitive Rates | SD-9 | Resource Planning |
| SD-3 | Access to Credit Markets | SD-10 | Innovation |
| SD-4 | Reliability | SD-11 | Public Power Business Model |
| SD-5 | Customer Relations | SD-12 | Ethics |
| SD-6 | Safety | SD-16 | Information Management & Security Policy |
| SD-7 | Environmental Leadership | SD-17 | Enterprise Risk Management |

Key Values: Provide Value-Added Services

| | |
|-------|--------------------------|
| SD-13 | Economic Development |
| SD-14 | System Enhancement |
| SD-15 | Outreach & Communication |
| SD-19 | Diversified Business |

Strategic Direction (continued)



Purpose Statement

SD-1A SMUD is community-owned. Our purpose is to enhance the quality of life for our customers and community through creative energy solutions.

Vision Statement

SD-1B SMUD's vision is to be the trusted partner with our customers and community, providing innovative solutions to ensure energy affordability and reliability, improve the environment, reduce our region's carbon footprint, and enhance the vitality of our community.

Strategic Direction (continued)



Core Values: Strategically Essential for SMUD

- SD-2 Maintain Competitive Rates
- SD-3 Maintain Access to Credit Markets
- SD-4 Reliability - Meeting customer energy requirements
- SD-5 Maintain a high level of Customer Relations
- SD-6 Safety - Creating a safe environment for employees and the public is a core value of SMUD
- SD-7 Environmental Leadership - Community engagement, continuous improvement in pollution prevention, carbon reduction, energy efficiency, and conservation
- SD-8 Employee Relations - Developing and maintaining a high quality, inclusive workplace that engages and inspires employees to commit to SMUD's purpose, vision and values

Core Values: Strategically Essential for SMUD

- SD-9 Provide customer-owners with a sustainable power supply through the use of an integrated Resource Planning process
- SD-10 Deliver innovative solutions, products and services to our customers
- SD-11 Public Power Business Model – Support and strengthen the public power business model
- SD-12 Ethics – Maintain the public trust and confidence in the integrity and ethical conduct of the Board and SMUD employees
- SD-16 Information Management and Security Policy - Proper management of cyber and physical information are critical to effective risk management and to ensure regulatory compliance, business resiliency and customer satisfaction. SMUD will take prudent and reasonable measures to ensure information security, customer privacy and proper record management.
- SD-17 SMUD will implement and maintain an integrated enterprise risk management process that identifies, assesses, manages and mitigates a variety of risks facing SMUD, including financial, supply, operational, physical security, climate change, legal, legislative and regulatory, and reputational risk.

Strategic Direction (continued)



Key Values: Provide Value-Added Services

- SD-13 Economic Development – Promote economic vitality of our region and the growth of our customer base
- SD-14 Make selected distribution system enhancements such as relocation or underground placement of primary power lines.
- SD-15 Broad Outreach and Communication to SMUD’s customers and the community
- SD-19 Broaden and diversify the products and services that SMUD offers

2021 Budget Performance Metrics



Powering forward. Together.



Performance Metrics



| Strategic Direction | Metric | 2020 Forecast | 2020 Target | 2021 Target |
|----------------------------------|--|---|---------------------------------------|---------------------------------------|
| SD-2 Competitive Rates | <u>Competitive System Average Rates</u> | | | |
| | Percent below Pacific Gas & Electric | 35.7% | 18.0% | 18.0% |
| | Percent below each Customer Class | 28.8% average below each Customer class | Meet 10% Goal for each Customer class | Meet 10% Goal for each Customer class |
| SD-3 Access to Credit Markets | Fixed Charge Ratio of at least 1.50 | 2.07 | 1.69 | 1.80 |
| SD-4 Reliability | Customer Load Demand | 100% | 100% | 100% |
| | SMUD Availability of Generation Assets [1] | 98% | 97% | 97% |
| | Overall Availability of Transmission Assets | 100% | >99.99% | >99.99% |
| | <u>Distribution System Reliability</u> | | | |
| | Duration of Outages (SAIDI) [2] | | | |
| | SAIDI With Major Event | N/A | 67.5 - 93.3 min | 67.5 - 93.3 min |
| | SAIDI Excludes Major Event | 54.1 | 49.7 - 68.7 min | 49.7 - 68.7 min |
| | Frequency of Outages (SAIFI) [2] | | | |
| SAIFI With Major Event | N/A | 0.99 - 1.33 | 0.99 - 1.33 | |
| SAIFI Excludes Major Event | 0.9 | 0.85 - 1.14 | 0.85 - 1.14 | |
| SD-5 Customer Relations | Customer Satisfaction Survey [3] | 95% | 95% | 95% |
| | Value for What You Pay [4] | 70% | 70% | 70% |

Performance Metrics (continued)



| Strategic Direction | Metric | 2020 Forecast | 2020 Target | 2021 Target |
|-------------------------------|--|---------------|-------------|-------------|
| SD-6 Safety | <u>Shift safety culture, improve safety results, and maintain positive financial performance</u> | | | |
| | Leading Indicator | | | |
| | Employee-Supervisor Interactions | 95% | 95% | 95% |
| | Incident Reports ≤ 3 days | 95% | 95% | 95% |
| | Incident Investigations ≤ 5 days | 95% | 95% | 95% |
| | Days Away Restricted Time (DART) | | | |
| Annual average | 1.2 | 1.0 | 1.0 | |
| | Workers' Compensation | | | |
| | Maintain positive financial performance of the workers' compensation program. | \$0.59 | \$0.94 | \$0.85 |
| | Public Safety | | | |
| | Corrective actions implemented (to protect the public from injuries related to SMUD ops. or facilities.) | 100% | 95% | N/A |
| SD-8 Employee Relations | <u>Employee Engagement</u> | | | |
| | Sustain Employee Engagement | N/A | >80% | >80% |
| SD-9 Resource Planning | <u>Renewable Energy to meet SMUD's Load</u> | | | |
| | Renewable Portfolio Standards (RPS) | 34.8% | 33.0% | 35.8% |
| SD-13 Economic Development | Supplier Education and Economic Development (SEED) - Percent of Contract Dollars | 20% | 20% | 20% |

Performance Metrics (continued)



Footnotes:

- [1] Maintain high level of availability of generation assets (adjusted IEEE availability for peak load season June – September).
- [2] We have not had any Major Events thus far in 2020. The 2020 forecast is based on actuals through August 2020, and averages of data from 2015-2019 for September – December.
- [3] The Customer Satisfaction metric measures customers responding as very satisfied or satisfied with service received in the areas of New Connect, Billing Inquiries, Outbound Outage Communication, Tree Trimming, IVR One Payment and IVR Payment Arrangements.
- [4] Board target is to reach 70% by the end of 2025 and 80% by the end of 2030, with neither the average commercial customer score falling below 69%, nor the average residential customer score falling below 65% in any year. The VFP score for 2021 is expected to be impacted by the restart of late fees, shut-offs, collections, communication of commercial rate restructure, rate action and smaller rate increases, NEM proposal/Board approval, and COVID slow economic recovery.
- [5] Employee-Supervisory Interactions Incident Reports excludes incident types where the date of injury may be difficult to determine. It measures the percentage of reports completed with the target date, which is normally set to 3 days, but may be extended due to extenuating circumstances.
- [6] Incident Investigations excludes incident types where the investigation may require coordination of outside parties or may have a high degree of complexity. It measures the percentage of investigations completed within the target date, which is normally set to 5 days, but may be extended due to extenuating circumstances.
- [7] Current Board SD-6 target is to reduce SMUD's injury severity rate to 1.4 by 2020. The Board SD-6 is being revised for 2021; DART Rate is under development with a 5-year goal of ≤ 1.0 with a recommended range of 1.1 to 0.90.
- [8] The projected loss rates per \$100 of payroll are calculated based on SMUD's historical loss experience and actuarial judgment.
- [9] SMUD will meet the 2020 target (33% - 3,130 GWh) using forecasted 2020 generation (34.8% - 3,300 GWh). The 2021 Renewable Portfolio Standard (RPS) target is 35.75% (~3,400 GWh). The RPS statutes allow renewables procured above the compliance period targets can be carried over and applied in future compliance periods.

2021 Budget

Business Units & Segments and Organizational Chart



Powering forward. Together.



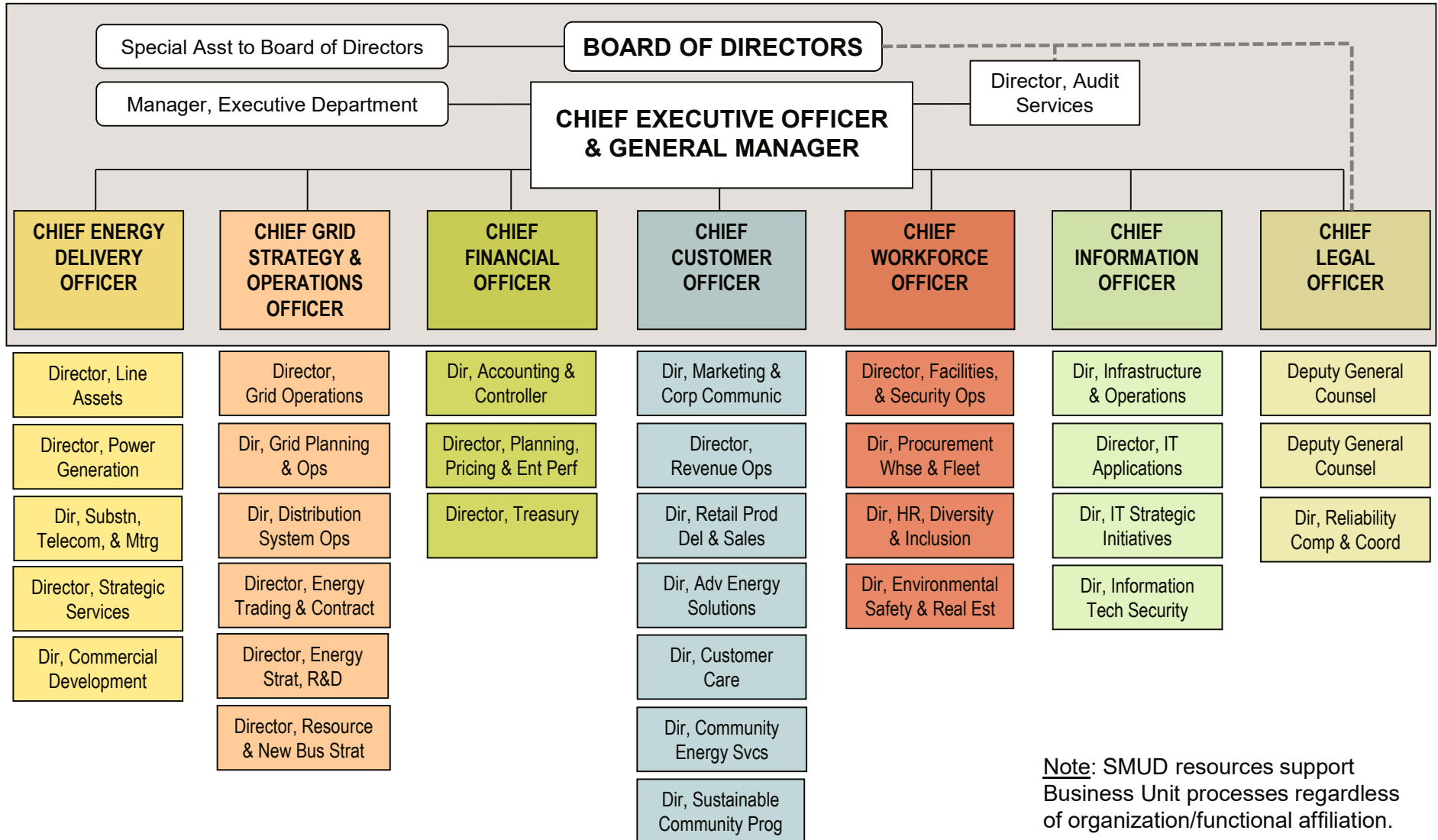
Business Units & Segments



The SMUD Budget is planned by Business Unit processes which in some cases differs from the organizational/functional reporting structure.

| Customer/ Community | Energy Operations | Energy Delivery | Internal | Technology | Corporate/ Enterprise |
|--|---|---------------------------|------------|-----------------------------------|--|
| Retail Product Delivery & Sales | Grid Planning & Operations | Power Generation | Operations | Applications & Projects | Governance |
| Advanced Energy Solutions | Commodity, Procurement & Sales | Grid Assets | Services | Infrastructure & Operations | Strategic & Finance |
| Revenue Services & Operations | Energy Strategy, Research & Development | Strategic Services | Support | Strategy Planning & Governance | Legal, Gov't Affairs & Reliability Compliance |
| Communic. Marketing & Community Relations | Resource & New Business Strategy | Commercial Development | | Strategic Initiatives | Enterprise Affairs |
| Customer Services & Operations | Integrated Resource Plan | | | Cybersecurity | |
| Sustainable Communities | | | | | |
| Community Energy Services | | | | | |
| Lean Portfolio Mgmt | | | | | |

Organization Chart by Executive



2021 Budget

Economic Outlook & Assumptions



Powering forward. Together.



Economic Outlook & Assumptions

The planning data presented here is based on a recent update as part of the Corporate Resource Planning process.

Customer count is down slightly in the 2020 Forecast from what was assumed in the 2020 Budget. Looking ahead, we are seeing regular growth in the future in residential customers and commercial customers.

New customers to be added to SMUD's customer base in 2021 are projected to total approximately 4,644. This is less than a 1 percent annual growth rate, which is below the average growth during the past decade. Of the 2021 projection, 4,398 are new residential customers and 246 are other customers.

| | 2020 | 2020 | 2021 |
|---------------------------|----------------------|------------------------|----------------------|
| | <u>BUDGET</u> | <u>FORECAST</u> | <u>BUDGET</u> |
| New residential customers | 4,825 | (174) | 4,398 |
| All other new customers | 754 | 22 | 246 |
| TOTAL new customers* | 5,579 | | 4,644 |
| Residential customers | 567,860 | 567,686 | 572,084 |
| All other customers | 75,880 | 75,902 | 76,148 |
| TOTAL customers** | 643,740 | 643,588 | 648,232 |

*Reflects monthly average instead of end-of-year count in order to reflect the fluctuation of SMUD's customer growth.

Inflation Escalation Factors:

The forecasted inflation factor for use where applicable in preparing the 2021 Budget is 2%. The longer-term outlook (ten years) used in the business strategy update is the same, at 2% per year.

The cost-of-living (COLA) increase for SMUD salaries and wages during 2021 is based on formulas contained in negotiated bargaining agreements.

Economic Outlook & Assumptions



(continued)

Energy Sales & Requirements

| Description | 2020 Budget | 2021 Proposed | Change vs Budget |
|--|-------------|---------------|------------------|
| Expected System Peak (MW) | 2,850 | 2,870 | 20 |
| Expected Retail Energy Sales (GWh) | 10,258 | 10,087 | (171) |
| Expected Wholesale Sales, Distribution & Transmission Losses (GWh) | 482 | 474 | (8) |
| Expected Supply Requirements (GWh) | 10,740 | 10,561 | (179) |
| GENERATION | | | |
| Total SMUD Generation (GWh) | 7,572 | 6,820 | (753) |
| SMUD Generation as a % of expected supply requirement | 71% | 65% | -6% |
| PURCHASED POWER | | | |
| Net Purchased Power (GWh) | 3,167 | 3,742 | 574 |
| Net Purchased Power as % of expected supply requirement | 29% | 35% | 6% |
| GAS | | | |
| Expected Gas Burn (NG+Biogas) for Thermal Generation and Steam Sales (mmBtu) | 39,275,310 | 33,248,660 | (6,026,650) |
| Committed Fuel (NG+Biogas) Purchases (mmBtu) | 35,219,975 | 29,090,645 | (6,129,329) |
| Committed Purchases (NG+Green Gas) as a % of Expected for Thermal Generation and Steam Sales | 90% | 87% | -2% |
| ACTUAL / FORWARD PRICES of UNCOMMITTED TRANSACTIONS | | | |
| On Peak Power Price Forecast (\$/MWh) | \$38 | \$42 | \$4 |
| Off Peak Power Price Forecast (\$/MWh) | \$32 | \$34 | \$2 |
| Flat Power Price Forecast (\$/MWh) | \$35 | \$39 | \$3 |
| Forward Natural Gas Price Forecast (\$/mmBtu) | \$2.94 | \$3.08 | \$0.15 |

Energy sales to customers is projected to decrease from the 2020 Budget assumption.

Unmanaged Peak load is forecasted to increase by 20MW from the 2020 Budget assumption.

Economic Outlook & Assumptions



(continued)

Energy Requirements

| Summary (GWh) | 2020 Budget | 2021 Proposed | Change vs Budget | Change vs Budget |
|------------------------------------|---------------|---------------|------------------|------------------|
| Generation: | GWh | GWh | GWh | GWh |
| SMUD-Owned Large Hydro | 1,463 | 1,503 | 40 | 3% |
| SMUD-Owned Gas Fired | 4,580 | 4,239 | (340) | -7% |
| SMUD-Owned Renewable | 1,530 | 1,077 | (452) | -30% |
| TOTAL - Generation | 7,572 | 6,820 | (753) | -10% |
| Market Energy: | GWh | GWh | GWh | GWh |
| Uncommitted Sales | (2,199) | (2,473) | (274) | 12% |
| Long-Term Contracts | 3,542 | 4,185 | 644 | 18% |
| Short-Term Purchases | 0 | 0 | (0) | 0% |
| Uncommitted Purchases | 1,879 | 2,087 | 208 | 11% |
| TOTAL - Market Transactions | 3,222 | 3,799 | 577 | 18% |
| Transmission Losses | (55) | (58) | (3) | 5% |
| TOTAL - Supply Requirement | 10,740 | 10,561 | (178) | -2% |

Economic Outlook & Assumptions



(continued)

Power Supply Assumptions

The 2040 Energy Plan is the basis for the operating assumptions for the 2021 Budget. Electricity prices are forecast to be higher, and natural gas prices are forecast to be higher in the 2021 Proposed Budget than what was forecast in the 2020 Budget. The Upper American River Project (UARP) generation, renewable generation, and thermal generation are forecasted to be lower in the 2021 Budget.

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 (WAPA-SNR) was integrated into the SMUD BA, followed on December 1, 2006, by the California-Oregon Transmission Project (COTP) – 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 2021 Budget.

Economic Outlook & Assumptions



(continued)

SMUD Generation

SMUD Hydroelectric (Upper American River Project): The 2021 Plan assumes median rainfall and normal starting reservoir levels in 2021. Generation is expected to be 1,558 GWh.

Other SMUD Generation (South Fork, Chili Bar PH, Photovoltaic, Solano Wind): The 2021 Plan assumes average generation subject to limitations governing the operation of each plant. The largest contributor, Solano Wind Phases 1, 2 & 3 is expected to generate 612 GWh.

SFA Cosumnes Power Plant: This 500 MW gas-fired combined cycle power plant began commercial operation in February 2006. Forecasted generation from this plant in 2021 is 3,698 GWh.

CVFA Carson Cogeneration: This gas-fired cogeneration project, which began commercial operation in October 1995, consists of a 61 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 2021 is 181 GWh.

SCA Procter & Gamble Cogeneration: This gas-fired cogeneration plant began commercial operation in March 1997. It consists of a 120 MW combined cycle power plant and a 49 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 2021 is 454 GWh.

SPA Campbell Soup Cogeneration: This gas-fired combined cycle 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 2021 is 277 GWh.

Economic Outlook & Assumptions



(continued)

Purchased Power

The 2021 Plan assumes delivery of energy and capacity from the following contracts:

Western Area Power Administration (WAPA) / Central Valley Project (CVP): Provide 347 MW of capacity and 661 GWh of energy. Under a separate agreement, WAPA provides 38 GWh to serve its customers located within SMUD's service territory.

Kiefer Landfill: Provide a total of 12.0 MW of capacity and 109 GWh of energy under two separate agreements. The original Kiefer I contract was extended in November 2014, for an additional 10 years. The current Kiefer II contract was extended in March 2016, for an additional 10 years.

MM Yolo: Provide 2.4 MW of capacity and 21 GWh of green energy under an agreement that expires in June 2026.

IBR Highwinds: Provide 50 MW of capacity and 98 GWh of energy under an agreement signed in July 2015 to extend the original contract for additional 10 years.

IBR Biomass (previously RockTenn): Provide 45 MW of capacity and 180 GWh of energy under an agreement that expires in August 2021.

Grady Wind: Provide 200 MW of capacity and 934 GWh of energy of energy under an agreement that expires in December 2043.

enXco – Solar: Provide 1.0 MW of capacity and 2 GWh under an agreement which expires in August 2028.

Santa Cruz Landfill: Provide 1.5 MW of capacity and 12 GWh of energy under an agreement, which expires in September 2024.

Feed-in-Tariff Solar Projects: Provide 100 MW capacity and 212 GWh of energy delivered from all projects under a 20-year term ending in December 2030.

Van Warmerdam Dairy Biogas: Provide 0.5 MW of capacity and 2 GWh of energy under an agreement which expires in May 2033.

Economic Outlook & Assumptions



(continued)

Purchased Power, cont'd

New Hope Dairy Biogas: Provide 0.4 MW of capacity and 2 GWh of energy under an agreement which expires in August 2033.

Patua (aka: Gradient) Geothermal: Provide 19 MW of capacity and 147 GWh of energy under an agreement, which expires in December 2033.

Loyalton Biomass: Provide 4.2 MW of capacity and 33 GWh of energy under an agreement, which expires in March 2023.

Van Steyn Dairy Biogas: Provide 0.12 MW of capacity and 1 GWh of energy under an agreement, which expires in June 2035.

Camp Far West: Provide 6.8 MW of capacity and 21 GWh of energy under an agreement which expires in July 2031.

Conergy Solar: Provide 1.3 MW of capacity and 2 GWh of energy under an agreement that expires in August 2034.

Wildflower Solar: Provide 13 MW of capacity and 31 GWh of energy under an agreement that expires in December 2045.

Rancho Seco Solar: Rancho Seco I provides 11 MW of capacity and 23 GWh of energy under a 30-year agreement which expires in August 2036. Rancho Seco II will begin production on December 31, 2020 and will provide 160 MW of capacity and 337 GWh of energy through November 2039.

Recurrent Solar: Provide 55 MW of capacity and 171 GWh of energy under an agreement that expires in December 2037.

Sutter Energy Center: Provide 258 MW of capacity and 925 GWh of energy under a three-year contract with Calpine Energy Services, L.P. effective January 2021 from a natural gas-fired, combined-cycle.

CalEnergy: Provide 30 MW of capacity and 223 GWh of geothermal energy under an agreement expiring December 2039.

SB-859 Biomass: 2.7 MW capacity biomass project is expected in January 2021.

Economic Outlook & Assumptions



(continued)

Purchased Power

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. Lastly, another 5-year extension to the WAPA Custom Product ~300-MW sale/purchase contract with WAPA allows SMUD to import additional power from California Oregon Border through 2024.

2021 Budget

Budget Summary



Powering forward. Together.



Budget Summary



Overview

The 2021 Budget Authorization totals \$1.7 billion. This represents a decrease of \$62 million from the 2020 Budget. The 2021 Budget is a request to authorize new spending.

The 2021 SMUD Budget summarized on the following pages is a blueprint of planned operating, public goods and debt service expenses and capital expenditures for the fiscal year beginning January 1, 2021. Historical comparisons to the 2020 Budget adopted by the Board on November 20, 2019 are shown to put the 2021 Budget in perspective. A forecast of actual 2020 expenses is also shown.

The O&M and Capital Budgets are shown by 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 the Customer & Community Services, Energy Operations and Energy Delivery Business Units. Included within Energy Operations and Customer/Community are Public Good costs related to energy efficiency, low-income assistance, renewable generation and research and development. These costs are shown separately because they are designated as Public Goods programs as determined by statute.

The Technology, Internal Services and Corporate Services 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. The planning and budgeting philosophy is to more accurately 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 from throughout SMUD to the Business Units and work processes.

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

Budget Summary (continued)



The budgeted costs shown under each core Business Unit include all the costs of performing the work planned for 2021. 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 internal service costs such as transportation, facilities, technology, human resources, and security. Expenditures budgeted by Technology and Internal Services represent those process costs that are not allocated to the core business units, such as dedicated software implementations or enhancements that do not meet minimum SMUD criteria for capitalization. The Corporate Services budget includes insurance and risk management, cash and debt management, and corporate legal, reliability compliance, legislative, regulatory and government relations, planning and performance, executive management and Board of Directors; a portion of this budget is allocated to Capital and Public Good. The Enterprise budget includes contingency and reserve estimates for the organization.

The 2021 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 under Energy Delivery are fuel, operating and interest expense associated with CVFA's Carson Cogeneration plant, SCA's Procter & Gamble plant, SPA's Campbell Soup Cogeneration plant, SFA's Cosumnes Power Plant, NCGA No. 1 and NCEA pass-through gas costs. These expenses are shown in the SMUD Budget because SMUD will reimburse CVFA, SCA, SPA, SFA, NCGA No. 1 and NCEA for their costs under the terms of the Power and Gas Purchase Agreements. The detailed CVFA, SCA, SPA, SFA, NCGA No. 1 and NCEA Budgets are also in separate booklets and/or resolutions as they will be approved by the CVFA, SCA, SPA, SFA, NCGA No. 1 and NCEA Commissions.

Budget Summary (continued)



CAPITAL INVESTMENT: 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: Costs in the two supporting business units, Technology and Internal Services, which enable the core business units to perform work. These costs are allocated to both O&M and capital costs, based on the quantity of labor hours. The aggregated allocated costs for Technology and Internal Services are presented in the budget documentation separately as information only; the actual costs are reflected in each of the Business Unit's budgets as the total cost of their work processes.

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. Detail is provided in the Budget Summary.

Budget Summary (continued)



Description of Cost Categories

| | |
|----------------------------------|--|
| 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. |
| Dues & Publications | Dues and publications and general membership requirements to accomplish work. |
| General Expenditures | All services and other non-material costs not covered by other specific cost categories including training, travel, rents, leases, licenses, fees, taxes, etc. |
| Outside Services | The cost of outside services contracts, consultants, and outside legal service. |
| Advertising | The cost of advertising. |
| Utilities & Postage | The cost of telephones, other utilities and postage. |
| Insurance | The cost of property and liability insurance. |
| Rebates & Incentives | The cost of energy efficiency rebates and incentives. |
| Commodities | The cost of purchased power, wheeling, and fuel for SMUD and JPA generating plants. |
| Surplus/Whsl Pwr Sales | The revenue generated from selling energy which is not needed to meet SMUD retail load. |
| LI/LS Rate Discount | The discount given to customers who qualify for the Low Income or Medical Energy Discount (MED) rate subsidy. |
| Cost Reductions/Reimb | Reimbursements, cost-sharing grants, or pass-through amounts received from outside parties to reduce net costs. |
| Cost Center Overhead | A rate developed to recover the indirect costs of a Cost Center. Includes Activity Type labor for administration, supervision, training, and miscellaneous general expenses such as office supplies and travel. It is assessed per hour of Activity Type Labor planned directly to the work. |
| Surcharges | Surcharge rates developed to recover 1) an allocation of internal service costs such as transportation and technology assessed per hour of Activity Type Labor planned directly to the work, 2) the costs of procuring outside service agreements (excluding outside legal service) and cost of procuring, storing, and handling materials and equipment assessed relative to the contract amount or whether material issued from inventory or purchased specifically for a project or task, 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 activity type labor. |

O&M Budget Summary



| Description (\$000s) | 2020 Forecast | 2020 Budget | 2021 Proposed | \$ Change vs Budget | % Change vs Budget |
|---|--------------------|--------------------|--------------------|------------------------|-----------------------|
| <i>Customer/Community (excl. PubGd)</i> | \$130,648 | \$141,435 | \$139,439 | (\$1,996) | -1% |
| <i>Public Good</i> | 36,524 | 35,811 | 28,643 | (7,168) | -20% |
| Customer/Community | 167,172 | 177,246 | 168,082 | (9,163) | -5% |
| <i>Energy Delivery (excl. JPA)</i> | 217,140 | 207,053 | 228,699 | 21,645 | 10% |
| <i>JPA Interest Expense</i> | 5,822 | 5,822 | 5,332 | (490) | -8% |
| Energy Delivery (excl. JPA) | 222,962 | 212,875 | 234,030 | 21,155 | 10% |
| <i>Commodity (net)</i> [1] | 456,217 | 474,182 | 440,889 | (33,293) | -7% |
| <i>Energy Operations (excl. PubGd)</i> | 83,171 | 109,269 | 96,746 | (12,523) | -11% |
| <i>Public Good</i> | 21,725 | 24,287 | 39,451 | 15,164 | 62% |
| Energy Operations | 561,113 | 607,738 | 577,086 | (30,652) | -5% |
| Internal Svcs | 21,422 | 15,201 | 16,363 | 1,162 | 8% |
| Technology | 31,581 | 40,358 | 35,215 | (5,143) | -13% |
| Corporate Services | 65,541 | 62,577 | 59,624 | (2,953) | -5% |
| <i>Enterprise (excl. PubGd)</i> | 6,203 | 1,400 | 17,102 | 15,702 | >999% |
| <i>Public Good</i> | 2,477 | 9,000 | 0 | (9,000) | -100% |
| Enterprise | 8,679 | 10,400 | 17,102 | 6,702 | 64% |
| Other Employee Benefits [2] | (3,864) | 31,651 | 32,704 | 1,053 | 3% |
| O&M Budget Authorization | \$1,074,605 | \$1,158,045 | \$1,140,206 | (\$17,839) | -2% |
| Revenue | (311) | (55) | (25) | 30 | 55% |
| O&M Net | \$1,074,294 | \$1,157,990 | \$1,140,181 | (\$17,809) | -2% |

[1] Net of surplus sales. The 2021 Budget assumes median water year.

[2] Other Post-Employment Benefits (OPEB) and Workers Compensation - These benefits are not allocated or included as a labor expense in the Business Units. 2020 forecast includes \$20M reimbursement from OPEB that was paid to PERS.

O&M Budget Summary (continued)



| Cost Category (\$000s) | 2020 Forecast | 2020 Budget | 2021 Proposed | \$ Change vs Budget | % Change vs Budget |
|---|--------------------|--------------------|--------------------|------------------------|-----------------------|
| ActivityType Labor | \$237,604 | \$244,249 | \$245,707 | \$1,458 | 1% |
| Material & Equipment | 10,345 | 10,204 | 9,614 | (589) | -6% |
| Dues & Publications | 9,233 | 7,048 | 6,584 | (464) | -7% |
| General Expenditures | 25,279 | 34,791 | 52,377 | 17,586 | 51% |
| Outside Services | 147,010 | 145,698 | 148,150 | 2,452 | 2% |
| Advertising | 2,910 | 3,665 | 3,725 | 60 | 2% |
| Utilities & Postage | 7,810 | 7,364 | 7,716 | 352 | 5% |
| Insurance | 22,088 | 22,477 | 24,228 | 1,751 | 8% |
| Rebates & Incentives | 24,616 | 29,097 | 28,216 | (882) | -3% |
| Commodities | 521,214 | 598,062 | 587,406 | (10,656) | -2% |
| Surplus/Whsl Pwr Sales | (53,594) | (77,974) | (97,957) | (19,982) | 26% |
| Non-Labor Expenditures | 716,911 | 780,432 | 770,060 | (10,372) | -1% |
| Cost Reduction/Reimb | (19,192) | (58,080) | (62,552) | (4,472) | 8% |
| Cost Center Overhead | 49,203 | 56,817 | 54,115 | (2,703) | -5% |
| Surcharges | 88,123 | 97,154 | 94,840 | (2,314) | -2% |
| Expenditures Subtotal | 1,072,648 | 1,120,572 | 1,102,170 | (18,402) | -2% |
| JPA Interest | 5,822 | 5,822 | 5,332 | (490) | -8% |
| Other Employee Benefits | (3,864) | 31,651 | 32,704 | 1,053 | 3% |
| O&M Budget Authorization [1] | \$1,074,605 | \$1,158,045 | \$1,140,206 | (\$17,839) | -2% |
| Revenue | (311) | (55) | (25) | 30 | 55% |
| O&M Net | \$1,074,294 | \$1,157,990 | \$1,140,181 | (\$17,809) | -2% |

[1] O&M Budget Authorization includes Public Good. A summary of Public Good is provided on the following page.

O&M Budget Summary (continued)



Public Good

| Description (\$000s) | 2020 Forecast | 2020 Budget | 2021 Proposed | \$ Change vs Budget | % Change vs Budget |
|--|------------------|-----------------|------------------|------------------------|-----------------------|
| Energy Efficiency | \$33,219 | \$37,135 | \$35,666 | (\$1,469) | -4% |
| Residential Assistance | 15,513 | 13,627 | 11,193 | (2,435) | -18% |
| Renewables | 2,787 | 4,525 | 724 | (3,801) | -84% |
| Research & Development | 9,207 | 13,811 | 20,511 | 6,700 | 49% |
| Public Good Budget Authorization | \$60,725 | \$69,098 | \$68,094 | (\$1,004) | -1% |
| Rate Subsidy | 32,375 | 29,578 | 40,021 | 10,443 | 35% |
| Total Public Good <i>[1], [2]</i> | \$93,100 | \$98,676 | \$108,115 | \$9,439 | 10% |

[1] Public Good expenditures are included in SMUD O&M summary (this table is information only)

[2] Specific information is provided within Customer/Community and Energy Operations.

O&M Budget Summary (continued)



Commodity Budget

| Description (\$000s) | 2020 Forecast | 2020 Budget | 2021 Proposed | \$ Change vs Budget | % Change vs Budget |
|----------------------------|------------------|------------------|------------------|---------------------|--------------------|
| Purchased Power (net) | \$270,369 | \$239,309 | \$251,152 | \$11,843 | 4% |
| Fuel for Generation | 158,560 | 203,924 | 159,567 | (44,357) | -28% |
| Transmission | 27,289 | 30,949 | 30,169 | (780) | -3% |
| O&M Commodities | \$456,217 | \$474,182 | \$440,889 | (\$33,293) | -7% |

O&M Budget Summary (continued)



The O&M Proposed Budget for 2021 totals \$1,140 million, which is \$18 million or 2 percent lower than the 2020 Budget.

Business Unit O&M:

Total Business Unit O&M, excluding Commodity and Public Good, is \$631.2 million, which is \$16.5 million higher than the 2020 Budget. The 2021 Proposed Budget includes increased mandatory spending for Vegetation Management and Wildfire Mitigation. The 2021 budget also funds ongoing efforts for Community Initiatives, maintaining operations, and Transportation Electrification. Transportation Electrification is a critical part of our newly-adopted 2040 Energy Plan and an important part of our strategy to continue to provide a leadership role in the region's transformation to a low-carbon future.

More detailed and specific information is provided within each Business Unit's documentation.

Public Good: Total Public Good is \$108.1 million, an increase of \$9.4 million, after inclusion of rate subsidies. The Public Good Budget is \$68.1 million. The difference is because the Budget represents the cash disbursement portion of the program that requires Board authorization.

By December 2021, the number of subsidized customers is expected to be approximately 128,983. The total cost of the EAPR subsidy is budgeted at \$38 million in 2021, an increase of \$10.7 million from 2020, and the subsidy for customers using medical equipment decreased by \$0.2 million to \$1.6 million. Total subsidies are \$40 million.

Energy efficiency spending decreased \$1.5 million. Incorporation of savings from codes and standards was included as a component of the energy efficiency portfolio to match standard industry practice going forward. The energy efficiency budget remains in line with the goal of achieving savings of 1.5% of average annual retail energy sales. Research & Development increased \$6.7 million to \$20.5 million to reflect increased investment in innovation and achieving a low-carbon future.

More detailed and specific information is provided within the Customer and Energy Operations Business Unit documentation.

O&M Budget Summary (continued)



Commodities: The Commodity budget for 2021 of \$440.9 million is \$33.3 million lower than the 2020 Budget. Purchased power is increasing primarily due to Sutter/Calpine contract extending for the full year (capacity and energy), Mid-River capacity contract, and additional Renewable Energy Credits (REC) purchases as part of the optimization strategy (proceeds from biogas sale). Fuel for Generation is decreasing due to biogas sales, Rosa sale, and shift of SMUD thermal to Sutter/Calpine due to reduced fuel cost. Further details on power supply information can be found on pages 17-23.

Other Employee Benefits: SMUD's Other Employee Benefits, is \$32.7 million, an increase of \$1 million. This item consists of the O&M portion (unfunded liability) of Other Post-Employment Benefits (OPEB) expense of \$29 million and \$3.7 million of workers compensation.

The total OPEB cost of \$39 million is the sum of the O&M portion of \$29 million and the current year contribution of \$9.6 million. OPEB are costs related to other post employment benefits other than pension (primarily health and dental insurance), for SMUD current and future retirees.

Capital Budget Summary



| Description (\$000s) | 2020 Forecast | 2020 Budget | 2021 Proposed | \$ Change vs Budget | % Change vs Budget |
|-------------------------------------|------------------|------------------|------------------|------------------------|-----------------------|
| Customer/Community | \$4,672 | \$4,406 | \$7,298 | \$2,892 | 66% |
| Energy Delivery | 230,764 | 261,380 | 208,262 | (53,118) | -20% |
| Energy Delivery Resource Projects | 15,061 | 36,845 | 60,720 | 23,874 | 65% |
| Energy Operations | 1,835 | 5,899 | 5,354 | (545) | -9% |
| Energy Operations Resource Projects | 3,019 | 3,250 | 3,000 | (250) | -8% |
| Internal Services | 25,159 | 27,531 | 33,902 | 6,372 | 23% |
| Technology | 29,158 | 36,100 | 26,267 | (9,833) | -27% |
| Corporate | 0 | 6,298 | 0 | (6,298) | -100% |
| Contingency & Reserve | 44,800 | 74,900 | 46,100 | (28,800) | -38% |
| Capital Budget Authorization | \$354,467 | \$456,610 | \$390,903 | (\$65,706) | -14% |
| Revenue | (513) | (705) | 0 | 705 | -100% |
| Capital Net | \$353,954 | \$455,904 | \$390,903 | (\$65,001) | -14% |

Capital Budget Summary (continued)



| Cost Category (\$000s) | 2020 Forecast | 2020 Budget | 2021 Proposed | \$ Change vs Budget | % Change vs Budget |
|-------------------------------------|------------------|------------------|------------------|------------------------|-----------------------|
| ActivityType Labor | \$64,395 | \$65,974 | \$62,642 | (\$3,331) | -5% |
| <i>Material & Equipment</i> | 61,293 | 69,005 | 72,415 | 3,410 | 5% |
| <i>Dues & Publications</i> | 93 | 201 | 91 | (110) | -55% |
| <i>General Expenses</i> | 52,247 | 84,964 | 68,471 | (16,493) | -19% |
| <i>Outside Services</i> | 150,878 | 194,438 | 154,510 | (39,928) | -21% |
| <i>Advertising</i> | 11 | 0 | 0 | 0 | 0% |
| <i>Utilities & Postage</i> | 11 | 6 | 3 | (3) | -50% |
| <i>Insurance</i> | 215 | 656 | 659 | 3 | 0% |
| Non-Labor Expenses | 264,748 | 349,269 | 296,148 | (53,121) | -15% |
| Cost Reduction/Reimb | (24,898) | (15,258) | (21,870) | (6,612) | 43% |
| Expenditures | 304,245 | 399,984 | 336,921 | (63,064) | -16% |
| Cost Center Overhead | 16,801 | 18,595 | 18,147 | (447) | -2% |
| Surcharges | 33,421 | 38,030 | 35,835 | (2,195) | -6% |
| Capital Budget Authorization | \$354,467 | \$456,610 | \$390,903 | (\$65,706) | -14% |
| Revenue | (513) | (705) | 0 | 705 | -100% |
| Capital Net | \$353,954 | \$455,904 | \$390,903 | (\$65,001) | -14% |

Capital Budget Summary (continued)



| Project Summary (\$000s) | 2021 <i>[1]</i> | 2022-23 <i>[2]</i> |
|--|--------------------|-----------------------|
| Customer/Community | \$ 6,884 | \$ - |
| <i>Meters</i> | 6,884 | |
| Energy Operations | \$ 8,354 | \$ 9,859 |
| <i>Energy Operations Technology</i> | 1,180 | 1,606 |
| <i>Gas</i> | 3,000 | |
| <i>Interconnection</i> | 1,112 | |
| <i>Research & Development</i> | 667 | 160 |
| <i>Substation Land & Easement</i> | 2,395 | 8,094 |
| Internal Services | \$ 33,902 | \$ 21,731 |
| <i>Environmental</i> | 2,540 | 9,818 |
| <i>Facilities</i> | 20,019 | 11,912 |
| <i>Vehicle Replacement</i> | 11,343 | |
| Technology | \$ 26,681 | \$ 15,148 |
| <i>Customer Technology</i> | 784 | |
| <i>Grid Technology</i> | 6,503 | 613 |
| <i>IT Lifecycle and Infrastructure</i> | 6,311 | 2,270 |
| <i>Telecom</i> | 3,722 | |
| <i>Enterprise Technology</i> | 4,384 | 3,548 |
| <i>Distribution Management System</i> | 4,977 | 8,717 |

Capital Budget Summary (continued)



| Project Summary (\$000s) | 2021 <i>[1]</i> | 2022-23 <i>[2]</i> |
|---|--------------------|-----------------------|
| Energy Delivery | \$ 268,982 | \$ 337,774 |
| <i>Cable Replacement</i> | 23,278 | |
| <i>Decommissioning</i> | 6,751 | 11,609 |
| <i>Gas Pipeline</i> | 866 | 4 |
| <i>Hydro License</i> | 26,942 | 27,724 |
| <i>Hydro Other</i> | 18,470 | 8,466 |
| <i>Hydro Production</i> | 9,896 | 25,420 |
| <i>Line Projects</i> | 45,623 | 27,918 |
| <i>New Services/Local Agency</i> | 12,627 | 2,135 |
| <i>New Substation</i> | 24,314 | 12,333 |
| <i>Other Energy Assets</i> | 558 | 491 |
| <i>Pole Replacement</i> | 19,893 | |
| <i>Renewable Production</i> | 2,911 | 10,801 |
| <i>Substation Lifecycle and Improvements</i> | 31,185 | 26,667 |
| <i>Thermal Production</i> | 1,362 | 200 |
| <i>Solano 4</i> | 11,409 | 99,385 |
| <i>Transmission Substation</i> | 23,038 | 76,852 |
| <i>Transmission Line</i> | 9,859 | 7,770 |
| Corporate | \$ 46,100 | \$ - |
| <i>Corporate Contingency</i> | 46,100 | |
| Capital Budget Authorization <i>[1], [2]</i> | \$ 390,903 | \$ 384,512 |

[1] Requested Board Authorization amount for 2021 spending.

[2] Provided for Board information as an estimate of the amount needed to complete projects started in 2021 or earlier. 2022-23 costs do not include amounts for ongoing annual programmatic spending or for projects starting after 2021.

Capital Budget Summary (continued)



SMUD has historically had two categories of capital for budget authorization, Annual and Reserve/Contingency Capital. Annual Capital is for projects with completion dates or specific milestone dates within the current budget year and as such budget dollars are requested during the annual budget cycle. Projects that were approved in prior years but have not been completed are resubmitted to the Board annually for approval to continue the project. Reserve/Contingency Capital projects will be completed if load growth or customer growth is greater than expected, if there are unexpected expenditures, or if there are projects in which the planning phase will be complete and work will begin in 2021.

Capital: The proposed 2021 capital investment budget is \$390.9 million, for planned investment in generation, transmission, distribution, buildings, vehicles, technology and other assets critical to meeting the energy needs of our customers. Proposed ongoing 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 directives. This total includes the Reserve Capital Budget of \$15 million for unexpected end-of-year project carryover and capital contingency.

Major capital expenditures planned in 2021 include work for Station E and Station G, starting development work for additions to our wind farm with Solano Phase IV, and the purchase of Chili Bar. Ongoing capital planned in 2021 includes cable and pole replacement programs, installing new meters, and new fleet purchases. Technology investments included in the 2021 Proposed Budget are to complete the Advanced Distribution Management System (ADMS), ongoing work for Workforce Optimization, and improvements to HR systems and network communications systems.

Contingency and Reserve in the 2021 Proposed Budget totals \$46.1 million. This contingency/reserve money is planned for the following potential items: reserve for carry-over and unexpected capital projects, system enhancement projects, land purchases, and inventory/spare parts purchases.

More detailed and specific information is provided within each Business Unit's Documentation.

Allocated Budget Summary



| Description (\$000s) | 2020 Forecast | 2020 Budget | 2021 Proposed | \$ Change vs Budget | % Change vs Budget |
|--|------------------|------------------|------------------|------------------------|-----------------------|
| Internal Services | \$63,343 | \$70,441 | \$68,938 | (\$1,504) | -2% |
| Technology | 61,707 | 65,620 | 62,378 | (3,242) | -5% |
| Total Allocated Budget ^[1] | \$125,050 | \$136,061 | \$131,316 | (\$4,745) | -3% |

[1] Allocated Budget expenditures are included in all SMUD Business Unit's O&M and Capital summaries (this table is information only)

Allocated Budget Summary (continued)



| Cost Category (\$000s) | 2020 Forecast | 2020 Budget | 2021 Proposed | \$ Change vs Budget | \$ Change vs Budget |
|-----------------------------------|------------------|------------------|------------------|------------------------|------------------------|
| ActivityType Labor | \$59,235 | \$63,974 | \$65,899 | \$1,925 | 3% |
| <i>Material & Equipment</i> | 35,275 | 12,831 | 28,532 | 15,701 | 122% |
| <i>Dues & Publications</i> | 126 | 90 | 113 | 23 | 25% |
| <i>General Expenses</i> | 731 | 1,226 | 460 | (766) | -62% |
| <i>Outside Services</i> | 10,165 | 33,871 | 12,951 | (20,921) | -62% |
| <i>Advertising</i> | 35 | 153 | 44 | (110) | -72% |
| <i>Utilities & Postage</i> | 1,497 | 1,793 | 1,844 | 50 | 3% |
| <i>Insurance</i> | 285 | 294 | 317 | 23 | 8% |
| Non-Labor Expenses | 48,113 | 50,259 | 44,260 | (5,999) | -12% |
| Cost Reduction/Reimb | (73) | (90) | (436) | (346) | 383% |
| Expenditures | 107,275 | 114,143 | 109,723 | (4,420) | -4% |
| Cost Center Overhead | 12,315 | 16,175 | 15,437 | (737) | -5% |
| Surcharges | 5,459 | 5,743 | 6,155 | 412 | 7% |
| Total Allocated Budget [1] | \$125,050 | \$136,061 | \$131,316 | (\$4,745) | -3% |

[1] Allocated Budget expenditures are included in all SMUD Business Unit's O&M and Capital summaries (this table is information only)

Allocated Budget Summary (continued)



The Allocated Proposed Budget for 2021 totals \$131.3 million, which is \$4.7 million lower than the 2020 Budget. This is shown as **information only** as 100% of these allocated expenditures are included in the budget dollars of all SMUD O&M and Capital described in this documentation. Internal Services and Technology costs are allocated to business units based on the quantity of labor hours.

More specific and detailed information is provided within Internal & Technology Business Unit Documentation.

Position Count Summary



| Executive Hierarchy | 2020 Full-time | 2020 Limited Term | 2020 Part-time | 2020 Approved Positions | 2021 Full-time | 2021 Limited Term | 2021 Part-time | 2021 Positions Planned | Increase/Decrease |
|--|----------------|-------------------|----------------|-------------------------|----------------|-------------------|----------------|------------------------|-------------------|
| CEO & General Manager | 33 | 1 | 1 | 35 | 32 | 0 | 1 | 33 | (2) |
| Chief Legal Officer | 40 | 2 | 4 | 46 | 38 | 0 | 4 | 42 | (4) |
| Chief Financial Officer | 88 | 7 | 6 | 101 | 90 | 3 | 5 | 98 | (3) |
| Chief Energy Delivery Officer | 694 | 27 | 13 | 734 | 681 | 24 | 7 | 712 | (22) |
| Chief Grid Strategy & Operations Officer | 289 | 3 | 23 | 315 | 281 | 0 | 22 | 303 | (12) |
| Chief Customer Officer | 414 | 47 | 113 | 574 | 417 | 44 | 113 | 574 | 0 |
| Chief Workforce Officer | 367 | 9 | 21 | 397 | 354 | 8 | 9 | 371 | (26) |
| Chief Information Officer | 262 | 15 | 49 | 326 | 264 | 13 | 37 | 314 | (12) |
| Full-time | | | | 2,187 | | | | 2,157 | (30) |
| Limited Term | | | | 111 | | | | 92 | (19) |
| Part-time | | | | 230 | | | | 198 | (32) |
| SMUD Total | 2,187 | 111 | 230 | 2,528 | 2,157 | 92 | 198 | 2,447 | (81) |

Position Count: The full-time count is identified in the Board Resolution.

Labor Cost Summary



| Executive Hierarchy (\$000) | 2020 Forecast | 2020 Budget | 2021 Proposed | \$ Change vs Budget | % Change vs Budget |
|--|------------------|------------------|------------------|------------------------|-----------------------|
| CEO & General Manager | \$6,157 | \$6,348 | \$6,177 | (\$171) | -3% |
| Chief Legal Officer | 5,810 | 6,036 | 5,797 | (239) | -4% |
| Chief Financial Officer | 11,408 | 11,482 | 11,518 | 36 | 0% |
| Chief Energy Delivery Officer | 96,695 | 102,698 | 101,355 | (1,343) | -1% |
| Chief Grid Strategy & Operations Officer | 43,209 | 44,595 | 44,581 | (14) | 0% |
| Chief Customer Officer | 48,587 | 51,438 | 51,351 | (86) | 0% |
| Chief Workforce Officer | 39,024 | 40,495 | 39,811 | (684) | -2% |
| Chief Information Officer | 37,007 | 39,617 | 39,033 | (584) | -1% |
| Salaries & Wages* | \$267,550 | \$284,038 | \$281,710 | (\$2,328) | -0.8% |
| Overtime | \$20,346 | \$18,671 | \$17,913 | (\$758) | -4.1% |
| SMUD TOTAL | \$287,896 | \$302,709 | \$299,623 | (\$3,086) | -1.0% |

*Salaries & Wages includes paid leave ----- 2020 Budget not adjusted for any organizational realignment

Labor Salaries: The labor summary reflects the cost of wages for SMUD employees. The budget for labor and associated benefit costs is included on the previous budget summary pages.

Benefits Summary



| Summary (\$000s) | 2020 Forecast | 2020 Budget | 2021 Proposed | \$ Change vs Budget | % Change vs Budget |
|---------------------------------------|------------------|------------------|------------------|---------------------|--------------------|
| Active Employee Benefits | \$40,860 | \$44,970 | \$45,188 | \$218 | 0% |
| Administer Benefits | 2,003 | 2,594 | 2,532 | (62) | -2% |
| Normal Cost Retirement Funding (OPEB) | 9,451 | 9,547 | 9,597 | 50 | 1% |
| Subtotal Health & Welfare | \$52,315 | \$57,112 | \$57,317 | \$206 | 0% |
| FICA Contribution | 21,125 | 22,703 | 22,472 | (231) | -1% |
| Retirement Contribution | 84,152 | 84,614 | 71,159 | (13,455) | -16% |
| Subtotal FICA and Retirement | \$105,277 | \$107,317 | \$93,631 | (\$13,687) | -13% |
| TOTAL | \$157,591 | \$164,429 | \$150,948 | (\$13,481) | -8% |

Benefits: The benefits summary reflects costs for active and retired employee benefits, the costs to administer those benefits, and FICA and retirement contributions for current staff. 2021 proposed budget is decreasing mainly due to lower staffing levels compared to 2020 Budget, partially offset by increasing medical and other benefits costs.

2021 Budget Debt Service



Powering forward. Together.



Debt Service Budget



The following schedules show the summary and details of the 2021 Proposed Budget for Debt Service. 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.

Revenue Bond Interest totals \$113.6 million in the 2021 Budget, an increase of \$15.2 million from 2020.

Commercial Paper Interest totals \$3.8 million in the 2021 Budget, a decrease of \$1 million from 2020. Short-term interest rates assumed for 2021 are an average of 0.52%; The budget assumes an average commercial paper balance of \$100 million.

Scheduled Principal Repayments of revenue bonds and commercial paper notes total \$98 million in 2021, a \$5.1 million increase from 2020.

Fees/Bond Issuance Costs of \$2.1 million are included for new 2021 bond issuances and related fees.

Debt Service Budget (continued)



| Debt Service (\$000s) | 2020 Forecast | 2020 Budget | 2021 Proposed | \$ Change vs Budget | % Change vs Budget |
|-------------------------------|------------------|------------------|------------------|------------------------|-----------------------|
| Interest Expense ¹ | \$102,467 | \$103,245 | \$117,425 | \$14,180 | 14% |
| Principal Repayments | 92,920 | 92,920 | 98,040 | 5,120 | 6% |
| Fees/Bond Issuance Cost | 1,850 | 1,836 | 2,079 | 243 | 13% |
| Total Debt Service | \$197,237 | \$198,001 | \$217,544 | \$19,543 | 10% |
| Allocated to JPAs | (6,126) | (6,126) | (3,812) | 2,314 | -38% |
| NET DEBT SERVICE | \$191,111 | \$191,875 | \$213,732 | \$21,857 | 11% |

[1] Build America Bonds are shown gross of the rebate of \$9.3 million expected in 2021. The budget authorization is requested gross of the rebate. Includes net debt related swap payments and interest on long-term, variable rate, and subordinated debt. Assumes an interest rate of 4.34% (incl. all related fees & swaps) on avg. commercial paper balance of \$100 million.

Debt Service Budget (continued)



| SUMMARY OF DEBT SERVICE ON SMUD BOND ISSUES (\$000s) | | | | | | |
|--|-----------------------------------|----------------------------|-------------------------------|---------------------|----------------------------------|-----------------------|
| Date Issued | Issue | 1/1/2021 Principal Balance | Issued Interest Rate | Final Maturity Date | 2021 Scheduled Principal Payment | 2021 Interest Expense |
| Electric Revenue Bonds | | | | | | |
| Jun-97 | Series K ¹ | 72,620 | 5.25% to 5.90% | 2024 | 16,785 | 113 |
| May-09 | Series V ² | 200,000 | 6.322% (4.11% net) | 2036 | - | 12,644 |
| Jul-10 | Series W ³ | 250,000 | 6.156% (4.00% net) | 2036 | - | 15,390 |
| Sep-11 | Series X (Refunding) | 156,770 | 1.50% to 5.00% | 2028 | 29,740 | 7,229 |
| Jan-12 | Series Y (Refunding) | 169,530 | 3.00% to 5.00% | 2033 | 5,765 | 8,186 |
| May-13 | Series A | 132,020 | 3.75% and 5.00% | 2041 | - | 6,592 |
| May-13 | Series B (Refunding) | 84,905 | 3.00% to 5.00% | 2033 | 3,025 | 4,072 |
| Jul-16 | Series D (Refunding) | 133,360 | 5.00% | 2028 | 9,200 | 6,368 |
| Dec-17 | Series E (Refunding) | 152,560 | 3.00% to 5.00% | 2028 | 19,690 | 7,256 |
| Aug-18 | Series F (Refunding) | 141,480 | 5.00% | 2028 | 13,835 | 6,813 |
| Apr-19 | Series G | 191,875 | 5.00% | 2041 | - | 9,352 |
| May-20 | Series H | 400,000 | 4.00% to 5.00% | 2050 | - | 18,699 |
| Aug-20 | Series I ⁴ (Refunding) | 0 | 1.55% | 2028 | - | 875 |
| | Subtotal | <u>2,085,120</u> | | | <u>98,040</u> | <u>103,588</u> |
| Subordinated Electric Revenue Bonds | | | | | | |
| Jul-19 | Series A | 100,000 | 5% | 2049 | - | 5,000 |
| Jul-19 | Series B | 100,000 | 5% | 2049 | - | 5,000 |
| | Subtotal | <u>200,000</u> | | | <u>-</u> | <u>10,000</u> |
| | Total Outstanding Bonds | <u>2,285,120</u> | Principal & Interest Payments | | <u>98,040</u> | <u>113,588</u> |
| | Total Debt Service | | | | <u>98,040</u> | <u>113,588</u> |

1) Swapped to a variable rate for the life of the debt, interest expense net of swap payment. Interest expense without swap would be \$3,371,944.

2) Interest expense gross of federal government Build America Bond rebate of \$4,173,152.

3) Interest expense gross of federal government Build America Bond rebate of \$5,079,470.

4) Forecasted debt service based on 2011X refunding