General Manager's Report and Recommendation on

Rates and Services

April 7, 2011

Volume 1

SMUD

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Small Commercial and Residential Rate Restructuring and Changes to Miscellaneous Charges and Fees

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A Sacramento Municipal Utility District Publication

General Manager's Report and Recommendation on Rates and Services

April 7, 2011

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Sacramento Municipal Utility District (SMUD)
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For additional copies of this report, or for information on issues included in the report, please call SMUD's Pricing Division at:

(916) 732-6222

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Rate Requirements & Recommendations

1. Summary of Recommendations

This General Manager's Report and Recommendation on Rates and Services ("Report") advances a set of rate restructuring improvements that are better aligned with the Board of Directors' long-term Strategic Directives. These proposals will not raise system average rates or increase SMUD revenue. Instead, the main proposals will move the rates closer to reflecting SMUD's true cost of electricity when it is used, while encouraging customers to reduce use during summer peak periods when electricity costs are extremely high.

Many of the proposals have been made possible by the new smart metering technology. The proposals include extending time-of-use pricing to small commercial customers who presently pay flat prices, and launching a two-year study of time-based pricing for residential customers. The recommended changes will also improve the recovery of fixed infrastructure costs and prepare residential customers for future summer peak pricing by redefining seasons to more closely match SMUD's cost periods.

The Report also recommends changes to miscellaneous charges and fees, the creation of a new tariff for wheeling power across SMUD distribution lines, and other minor clarifications in SMUD's Rules and Regulations.

The Report consists of the following two volumes:

- Volume 1: Small Commercial and Residential Rate Restructuring, Changes to Miscellaneous Charges and Fees; and
- Volume 2: SmartSacramento® Pricing Pilot[1].

2. Background

With help from a U.S. Department of Energy grant, SMUD will soon completely transform its metering and distribution control infrastructure. By the end of 2011, most of our customers will have new two-way communicating "smart meters," giving our central billing and distribution operations enhanced capability. The improvements will provide new levels of reliability and timely support for our customers. The smart meters also open the door for a fresh approach to pricing our services that will enhance the way we interact with our customers in the future.

[1] ® A registered service mark of the Sacramento Municipal Utility District.

This Report proposes changes that will move our rates closer to SMUD's underlying costs. Unlike some of the past rate actions, the recommendations in this Report will not increase system average rates. Instead the proposals will restructure the pricing plans for our residential and small commercial customers to more closely reflect the Board's Strategic Directives for Rates[2], most notably to:

1. Reflect the cost of energy when it is used;
2. Reduce electricity use during SMUD's on-peak period;
3. Modify small commercial rate structures to more closely align with the large commercial rate structures; and
4. Equitably allocate costs across and within customer classes.

With these goals in mind, the Report recommends introducing time-varying summer pricing to our small commercial customers who currently pay for their electricity use on a flat price. The new on-peak pricing will be accompanied by lower off-peak energy pricing, which for most customers accounts for 85 percent or more of their total monthly electricity use. The result will be a new opportunity for small commercial customers to save money by shifting to low-cost time periods, while helping SMUD reduce its on-peak power requirements.

The Report makes additional recommendations that will prepare residential customers for on-peak pricing options. It will redefine the seasonal periods, creating a four-month summer that will better match future on-peak pricing plans. At the same time, it proposes a set of experimental summer peak rates for a two-year consumer behavior study with a selected sample of residential participants. Dubbed the SmartSacramento® Pricing Pilot, this study will be funded in part by a U.S. Department of Energy grant. It will test customer acceptance of on-peak pricing and measure any impacts from load shifting. The SmartSacramento® Pricing Pilot is the subject of Volume 2 of this Report.

Another important restructuring initiative will lower the electricity use charges on a year-round basis for small commercial and residential customers. In return, the Report recommends modest increases in the System Infrastructure Fixed Charge to help pay for SMUD's fixed equipment, metering, billing and related fixed costs in serving customer premises. The small increases will address the long-term Board goal of reflecting the true cost of service. Again, the reduction in electricity usage charges will balance the System Infrastructure Fixed Charge increase with no change in SMUD's system average rates or annual revenue.

We acknowledge that in the current recession, even a small increase in the System Infrastructure Fixed Charge from $3.50 to $5.00 will pose a burden for our low-income customers. For that reason, the Report recommends keeping the System Infrastructure Fixed Charge at $3.50 and proposes to reduce energy rates for all low-income customers who use up to 600 kWh above Base Usage. This results in lower bills for about 90 percent of current low-income participants in SMUD's Energy Assistance Program Rate (EAPR). The Report proposes to bill the portion of electricity over the 600 kWh Base Usage (for example, 1,300 kWh for standard rate summer use) at the standard rate and to encourage energy efficiency solutions to permanently reduce usage above that level.

The continuing interest in customer-sited renewable generation has prompted the need for other changes addressed in the Report. The Distribution Wheeling Tariff will allow customers the option to sell their renewable generation outside

[2] See the Strategic Directives Section for the full list of Board goals.

SMUD. Recommended changes also include new net metering rules for purchase of excess customer generation, and a new fee structure to encourage customer investment in public solar installations.

3. Workshops

SMUD will hold two qualifying Public Rate Workshops and two Public Hearings at the SMUD campus to provide complete information on the proposed rate changes. The workshops and hearings will:

- Present an opportunity for customers to join the Board of Directors and SMUD executives in a discussion of utility-related issues.
- Provide a forum to present proposed rates.
- Invite public input and response to questions on the proposed changes.
- Distribute fact sheets describing expected impacts to individual consumer classes.
- Inform customers about ways they can conserve energy to help save money.

Workshops and Public Hearing Schedule

Date & Time	Location	Address
Thursday May 5, 2011 6:00 p.m.	*Preliminary Hearing* SMUD Headquarters Auditorium	6201 S Street Sacramento
Wednesday, May 18, 2011 6:00 p.m.	*Workshop* SMUD Headquarters Auditorium	6201 S Street Sacramento
Tuesday, May 24, 2011 10:00 a.m.	*Workshop* SMUD Headquarters Auditorium	6201 S Street Sacramento
Thursday, June 16, 2011 9:00 a.m.	*Public Hearing* SMUD Headquarters Auditorium	6201 S Street Sacramento

SMUD staff will be on hand at the public workshops and the public hearings to provide further details on the rate issues addressed in the Report, and to answer any questions.

Community Participation

SMUD invites the public to participate in the rate process by providing feedback to SMUD's Board of Directors at one of the scheduled workshops or public hearings. In addition, the public can direct specific questions about a recommendation or the rate process, to Rob Landon, rates administrator, at (916) 732-6222.

Changes to Existing Rates

Overview

This volume of the Report presents recommended changes to the existing rate schedules, to be effective January 1, 2012, unless otherwise noted. The changes are part of SMUD'S long-term rate improvement initiative, which seeks to have pricing better reflect the cost of energy when it is used and to encourage customers to reduce their electricity use during SMUD's summer peak period. The changes will not raise system average rates and will not result in increased revenue.

The following summarizes the proposed changes, which are detailed in subsequent sections:

1. **Introducing summer peak pricing for small commercial customers**, together with lowered electricity usage charges and changes to monthly infrastructure charges that will align with SMUD's fixed costs.
2. **Lowering electricity usage charges year-round for residential customers** in return for a slight increase in the monthly System Infrastructure Fixed Charge.
3. **Creating a new residential four-month summer** to prepare customers for future summer peak pricing. Included in this change will be new fall and spring seasons, featuring revised Base Usage quantities for electric-heat customers and new pricing for closed electric-heat customers.
4. **Exempting low-income customers** from the System Infrastructure Fixed Charge increase, expanding the current discount for 90 percent of participants, and putting a cap on the electricity use that qualifies for a discount.
5. **Adding a Distribution Wheeling Tariff** to work in conjunction with the Open Access Transmission Tariff (OATT) as a means for local generation to access power purchasers outside SMUD.
6. **Clarifying fee and compensation structures** for surplus compensation for net metering, and miscellaneous rate options including General Service flat fee charges, and fees for the Community Solar and PV Pioneer programs.
7. **Making minor revisions to the Rules and Regulations** including a proposed late fee charge and changes to the interconnection agreement for customer-owned generation.

1. New SMUD Clear Terms[SM] Initiative[3]

This rate action introduces the SMUD Clear Terms[sm] Initiative, intended to add clarity to the current bill component nomenclature. The new terms, shown in the following table, appear in this Report and in all the applicable Tariff sheets. See the Glossary following the main body of the Report for further description of these terms. Additional new terms will be developed as part of this Initiative and will be incorporated into future revised Tariff sheets without the necessity of additional action by the Board of Directors.

SMUD Clear Terms Initiative[SM]	Replaces	Applicable Tariffs
System Infrastructure Fixed Charge	Service Charge	All
Electricity Usage	Energy Charge	All
Base Usage	Tier 1	Residential
Base-Plus Usage	Tier 2	Residential
Site Infrastructure Charge	Facilities Charge	Commercial > 20 kW
Maximum Demand Charge	Demand Charge	Commercial 300 – 999 kW

2. Small Commercial Non-Demand (<21 kW) Rate Restructure[4]

This rate group (GSN) represents the smallest-sized commercial customers who pay a monthly fixed service charge along with fixed prices for energy that vary little across six-month winter and summer seasons.

This rate design features a number of serious flaws that are at odds with the Board's Strategic Directives on rates. For one, the flat prices do not reflect the cost of energy when it is used. This is particularly evident in the summer, when the flat price shields the customer from SMUD's high cost of securing power during on-peak time periods.

Another issue is the low monthly System Infrastructure Fixed Charge, which at $8.25 pays for only a small portion of the ongoing costs for interconnection, billing and metering.

[3] [SM] is a service mark of the Sacramento Municipal Utility District.

[4] The proposed changes are consistent with pre-existing legislative action by the Board of Directors as evidenced by Strategic Direction (SD-2), Competitive Rates, last revised January 21, 2010 (See Strategic Directives Section of this Report). The proposed changes are intended to improve the relative cost recovery from customers in this rate group and to better align with SMUD's costs of providing the service.

Purpose

To address these underlying inadequacies, SMUD proposes a set of rate improvements that will create a new incentive for these GSN customers to reduce their on-peak loads, while re-aligning monthly infrastructure charges to encourage better recovery of fixed costs. The changes will include an adjustment to the winter electricity usage charges, to account for adding two formerly higher-priced summer months.

The proposed rate changes are designed to minimize the impact on this group of small commercial customers while encouraging them to shift their electricity use during SMUD's high-cost on-peak period. The on-peak and off-peak pricing structure will be in place for only four months, spanning the summer; the remaining eight months will retain the current fixed price structure. During the summer, the off-peak prices will be more than $0.02 lower than the current fixed prices. For most customers, more than 85 percent of their electricity use will occur during this off-peak period.

The on-peak price will be set at close to SMUD's actual cost for power, about three times the proposed off-peak price. Industry studies indicate that this level will provide sufficient incentive for customers to shift their use and save on their monthly bills. To make this shift easier, the on-peak period will be limited to only three hours, between 3:00 p.m. and 6:00 p m., at a time when most businesses will be winding down their operations.

The proposed increase in the System Infrastructure Fixed Charge will also be relatively small, less than $4.00 per month.

Revenue Impact

The proposed increase to the System Infrastructure Fixed Charge will increase revenue from the Non-Demand Metered Rate (GSN) class of customers by $2.3 million annually. As noted in the following section, this amount will be reduced from the Demand-Metered Rate (GSS). The overall results of the proposed rate changes will not increase or decrease SMUD system revenue.

Recommendations

1. Change the current six-month summer season period of May through October to a four-month summer season of June through September.

2. Retain the flat pricing structure for the eight remaining months, with a slight adjustment to account for the inclusion of the two formerly higher-priced summer months.

3. Convert the current summer flat pricing of $0.1271 per kWh to a higher on-peak price and a correspondingly lower off-peak price, where:

    - On-peak period hours occur from June through September on weekday afternoons starting at 3:00 p.m. and ending at 6:00 p.m., excluding July 4th and Labor Day; and

    - Off-peak period hours are all other hours during June through September.

4. Increase the monthly System Infrastructure Fixed Charge from the current $8.25 to $12.00.

5. Adopt the summer and winter prices shown in the following table.

Table 1. Recommended Pricing for GSN Rate

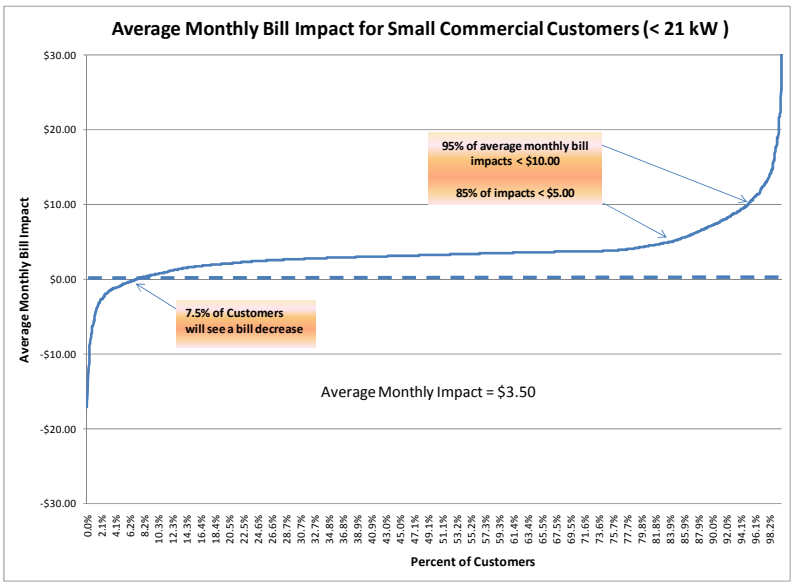
Season	Rate	Months	System Infrastructure Fixed Charge	On-peak $/kWh	Off-peak $/kWh
Summer	Current	May - Oct	$8.25	$0.1271	
	Proposed	Jun - Sep	$12.00	$0.2837	$0.1050
Winter	Current	Nov- Apr	$8.25	$0.1230	
	Proposed	Oct - May	$12.00	$0.1240	

Rate Impact

Under the recommended rate change, GSN customers will see an average monthly increase of around $3.50 on their bills due to the higher System Infrastructure Fixed Charge. The actual monthly impacts will vary somewhat across the year. During the months of October and May, the lower energy charges will result in bill savings for many customers. In the summer months of June through September, the bill impacts will be affected by the time-of-use pricing. Customers with a higher percentage of their use in the on-peak period will see a greater increase in their initial summer bills, unless they can shift power use to the lower cost off-peak period. For most customers, the impact will be relatively small.

Finally, during the winter months of November through April, all customers will see a slight bill increase. Overall on an annual basis as indicated in Figure 1, 7.5 percent of customers will see a bill reduction, 95 percent of customers will see a monthly increase of $10.00 or less and 85 percent will see a monthly increase of less than $5.00.

Figure 1. TOU Bill Impact: Small Commercial < 21 KW



3. Small Commercial Demand (21 – 299 kW) Rate Restructure

Purpose[5]

Historically, this small commercial General Service rate (GSS) has served as a transition from the flat energy pricing of the smallest customers on GSN and the time-of-use rates for all other medium and large commercial customers. Because of this, GSS has unique rate elements including inverted tier pricing and a demand charge exemption for 20 kW and under. Though useful at one point in time, aspects of the rate are now counter-productive to cost-efficient pricing, including the following:

- Energy pricing has no time differentiation to account for higher summer peak prices.
- An overlong six-month summer, which creates a dampening effect resulting in seasonal prices that vary little across the year.
- A monthly System Infrastructure Fixed Charge of $20.50, which does not fully cover the fixed costs for serving customers in this size range.

The intent of the proposed changes is to correct these rate shortcomings with a simplified rate structure that includes time differentiated summer pricing and improved cost recovery. In addition, the proposal would incorporate a slight

[5] The proposed changes are consistent with pre-existing legislative action by the Board of Directors as evidenced by Strategic Direction (SD-2), Competitive Rates, last revised January 21, 2010 (See Strategic Directives Section of this Report). The proposed changes are intended to improve the relative cost recovery from customers in this rate group and to better align with SMUD's costs of providing the service.

reduction in energy prices equivalent to the $2.3 million in added revenue from the rate changes proposed for the GSN customers. The point of this adjustment is to better align the GSS rate class revenue with SMUD's underlying costs.

Revenue Impact

The proposed changes will be revenue neutral for the SMUD system. The proposed rate change will decrease the revenue from the GSS class of customers by $2.3 million.

Recommendation

1. Increase the current monthly System Infrastructure Fixed Charge from $20.50 to $22.00.

2. Extend the demand charge, which currently exempts the first 20 kW, to cover all demand levels.

3. Redefine the current six-month seasons to a four-month summer (June through September) and an eight-month winter (October through May) periods.

4. Eliminate the current tier structure for energy pricing.

5. Institute a flat electricity price for the eight-month winter period.

6. Introduce summer on-peak and off-peak pricing, where the on-peak period consists of weekday hours between 3:00 p.m. and 6:00 p m., with Independence Day (July 4th) and Labor Day exempted. The off-peak period constitutes all remaining summer hours.

7. Implement the prices shown in Table 2 in which electricity prices decrease slightly as an incremental means of reducing the rate's current over-recovery of underlying costs.

Table 2. Current and Proposed GSS Rates

Current GSS Rate	Season	Months	System Infrastructure Fixed Charge	Site Infrastructure Charge		Electricity Usage Charges	
				< 21 kW	> 20 kW	< 7,300 kWh	> 7,300 kWh
	Summer	May - Oct	$20 50	$0.00	$6.80	$0.1267	$0.0976
	Winter	Nov - Apr				$0.1148	$0.0915

Proposed GSS Rate	Season	Months	System Infrastructure Fixed Charge	Site Infrastructure Charge	Electricity Usage Charges	
				All kW	On-peak	Off-peak
	Summer	Jun-Sep	$22.00	$6.80	$0.2336	$0.0810
	Winter	Oct-May			$0.0916	

Rate Impact

Figures 2 and 3 present the expected bill impacts for the proposed time-of-use (TOU) rate. As indicated in Figure 2, the majority of small commercial customers in this rate group will be affected only minimally over the course of the year. Significantly, more than 75 percent of these customers will realize savings. Nearly 90 percent will see less than 1 percent increase on their bills.

Figure 2. TOU Bill Impact: Small Commercial 21-299 kW

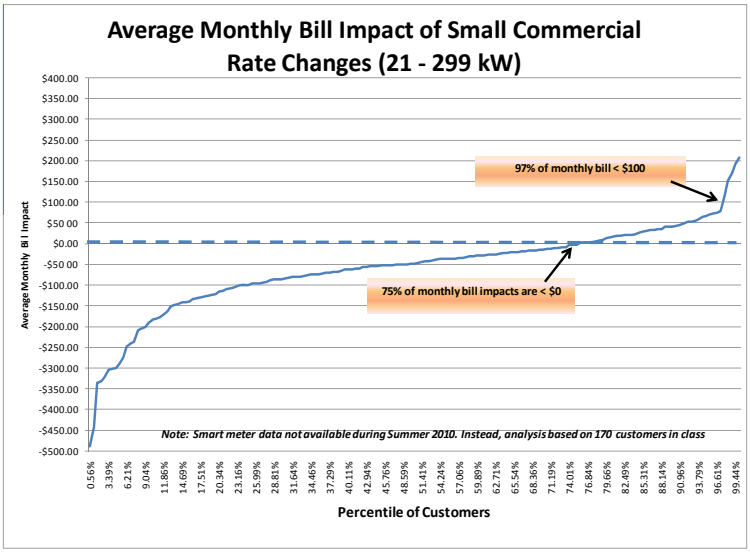
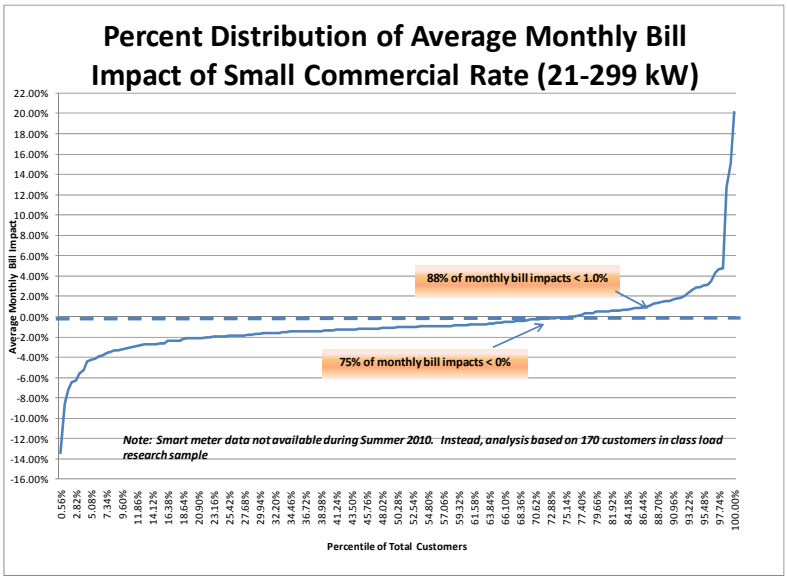


Figure 3. Percent TOU Bill Impact: Small Commercial 21-299 kW



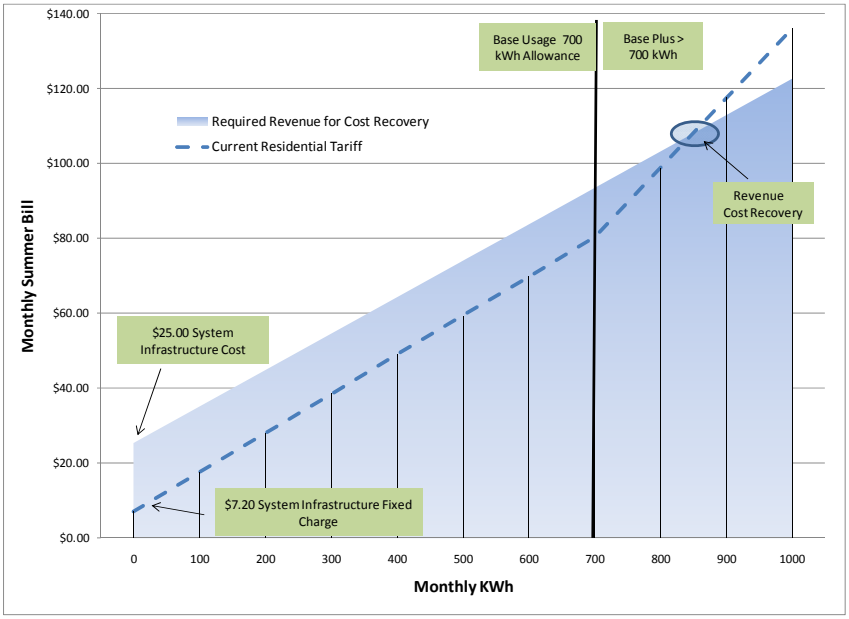
4. Residential Rate System Infrastructure Fixed Charge Increase

Purpose[6]

In more than a decade of rate actions, SMUD has gradually increased the System Infrastructure Fixed Charge for residential customers to more closely approximate the actual cost for interconnection, metering, billing and other customer services. Despite the increases, the System Infrastructure Fixed Charge still falls far short of full cost recovery. SMUD's fixed costs approximate $25.00 per residential customer, while the System Infrastructure Fixed Charge currently stands at $7.20 for standard customers and $3.50 for low-income participants.

To make up for the shortfall in fixed cost recovery from the System Infrastructure Fixed Charge, SMUD must rely on electricity usage charges, particularly by larger residential customers at the Base-Plus Usage pricing level. As indicated in Figure 4, customers who remain within the discounted Base Usage energy allowance do not fully compensate SMUD for the fixed costs of service. During the summer months, full recovery does not occur until around 850 kWh, well into Base-Plus Usage. The results for the winter months are similar.

Figure 4. Recovery of Residential System Infrastructure Fixed Costs



Note: Comparison of standard summer residential billing with required revenue to recover costs of SMUD power service.

[6] The proposed changes are consistent with pre-existing legislative action by the Board of Directors as evidenced by Strategic Direction (SD-2), Competitive Rates, last revised January 21, 2010 (See Strategic Directives Section of this Report). The proposed changes are intended to improve the relative cost recovery from customers in this rate group and to better align with SMUD's costs of providing the service.

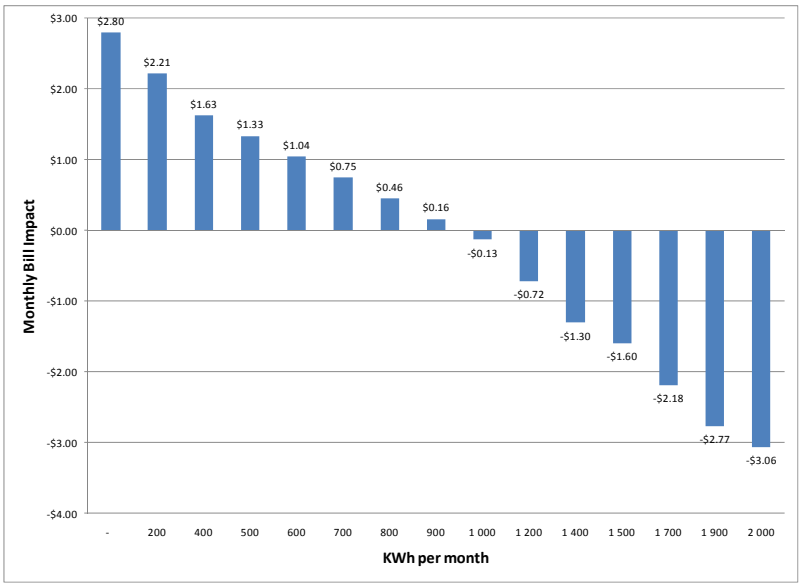
Staff forecast that customers will continue to lower their electricity use, a trend SMUD encourages through its energy conservation programs, support of new appliance and building standards and ongoing incentives for home-sited photovoltaic systems. Increasing the System Infrastructure Fixed Charge component will help ensure that even low-use customers will pay their fair share of the cost of service, without relying on subsidies from the remaining rate payers.

Revenue Impact

The fixed charge increase will not increase or decrease SMUD's overall revenue. The recommended increase in the System Infrastructure Fixed Charges will be balanced with corresponding decreases in the electricity usage charges, resulting in no overall revenue change for the class of residential customers. As indicated in Figure 5, the initial increase of $2.80 will dissipate as electricity use increases, falling to less than a dollar at 700 kWh. Customers with electricity use above 1,000 kWh will begin to see small relative decreases in their monthly bills.

The proposed increase in the System Infrastructure Fixed Charge will not have a corresponding discount in energy for the electric-heat customers. This is because the original discount and the winter pricing should remain the same.

Figure 5. Bill Impact of Added System Infrastructure Fixed Charge and Energy Price Reduction



Recommendation

1. Increase the System Infrastructure Fixed Charge from $7.20 per month to $10.00 per month for all residential customers on the Basic Rates, as well as for those on the Time-of-Use Option 1 rate.

2. Decrease the energy price to compensate for the monthly increase for all customers except for closed electric-heat rate customers.

3. Adopt the new residential prices shown in the attached Tariff sheets in Appendix C.

5. Residential Season Change

Purpose[7]

The residential rates currently employ six month seasons: May through October for summer and November through April for winter. This historic demarcation ineffectively represents Sacramento's true seasonal distinctions, and it distorts the efficient allocation of SMUD's actual costs for proper pricing.

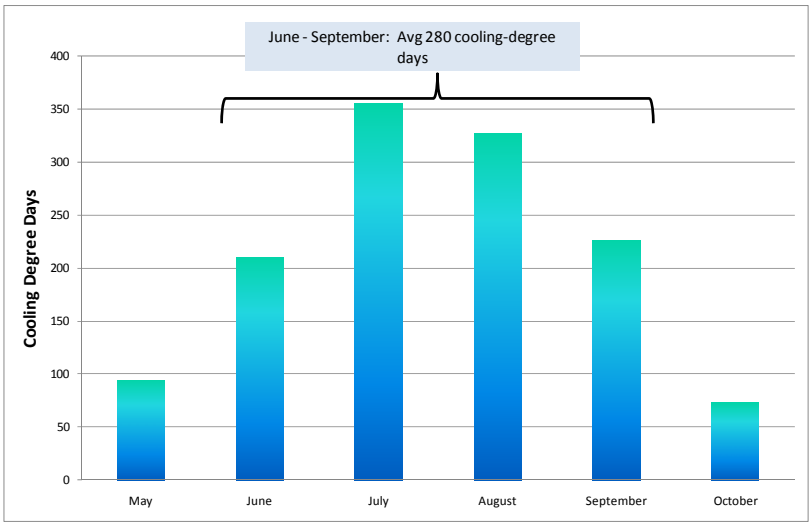
The months of June through September provide a more accurate cost reflection than the current six months of summer in terms of the hot temperatures that trigger air conditioning, on-peak loads and higher electricity market costs. As shown in Figure 6, the hot weather, measured traditionally in "cooling degree days[8]" (CDDs) begins in earnest in June and extends through September. These months average 280 CDDs, compared to an average of only 80 CDDs for the transitional months of May and October.

Redefining the summer rate months as June through September will also synchronize the rate period with those already established for large and medium commercial customers and — as proposed elsewhere in this Report — for small commercial customers. This change will have the further advantage of preparing the way for the residential time-of-use rates to be tested in the SmartSacramento® Pricing Pilot study for potential future adoption. These experimental rates are the subject of Volume 2.

[7] The proposed changes are consistent with pre-existing legislative action by the Board of Directors as evidenced by Strategic Direction (SD-2), Competitive Rates, last revised January 21, 2010 (See Strategic Directives Section of this Report). The proposed changes are intended to improve the relative cost recovery from customers in this rate group and to better align with SMUD's costs of providing the service.

[8] A cooling degree day (CDD) is a standardized unit representing the amount of cooling required relative to daily temperatures. It is computed on a daily basis by subtracting a base of 65˚ F from the average of the minimum and maximum daily temperatures. Typically, CDDs are summed by month or season.

Figure 6. May – October Cooling Days



The removal of May and October from the summer rate period will be a relatively easy transition for standard, nonelectric-heat customers. The two months will simply be added to the current winter pricing and Base Usage allowance schedule, creating a new eight-month baseline period.

For electric-heat customers, the switch will be more complex, since extending the winter Base Usage allowance of 1,120 kWh and the lower winter prices to the mild months of May and October would provide an overly generous windfall. The staff solution is to create two new shoulder periods with an 800 kWh Base Usage allowance at winter pricing. The winter months would be restricted to December through March[9] and the two shoulder periods would be October through November and April through May.

Revenue Impact

The changes will be revenue neutral at the class level, except for the closed electric-heat customers addressed in the following section. Individual customers will be affected by the new month assignments and new Base Usage levels.

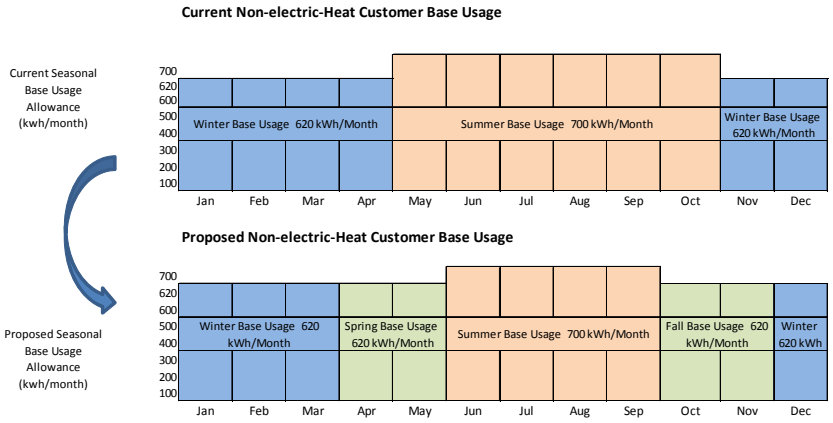
Recommendations

1. Redefine the summer residential pricing period as including the four months of June through September. Retain the 700 kWh Base Usage quantity allowance and 1,000 kWh for customers with domestic wells. Apply this change to all residential customers on Basic Rates, as well as those on the Time-of-Use Option 1 rate.

[9] Arguably, the month of November would be as good a candidate as March for inclusion in winter. November does have slightly more heating degree days than March, although March historically has more electricity used for heating because of the seasonal lag. The deciding factor is that the winter inclusion of November would cast October as an orphan month, causing billing complications and customer confusion.

2. For standard customers with nonelectric heating, add the months of May and October to the present winter pricing period, with the current 620 kWh Base Usage quantity, and with 920 kWh for customers with domestic wells. Figure 7 illustrates this new configuration of seasonal periods.

Figure 7. Proposed Seasonal Changes for Nonelectric-Heat Residential Customers



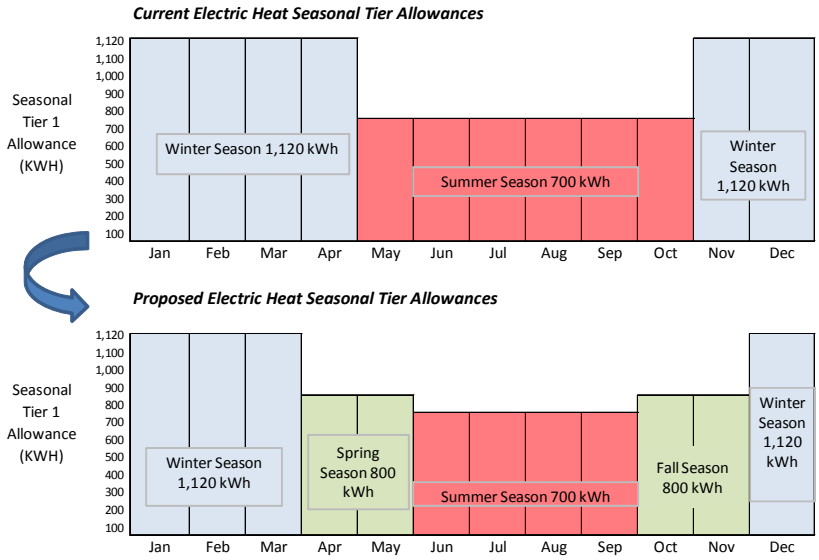
3. For electric-heat customers, create a new spring rate period consisting of April and May and a corresponding fall rate period consisting of October and November. Assign a Base Usage quantity of 800 kWh (1,100 kWh for wells) and winter pricing for these new periods.

4. Also for electric-heat customers, redefine the original winter rate period to include the months of December through March, with the original Base Usage allowances of 1,120 kWh (1,420 kWh for wells) and the current winter pricing. Figure 8 illustrates the new electric-heat seasonal rate periods.

5. For the Time-of-Use Option 1 rate, redefine summer to include June through September, with winter pricing to be effective for the remaining eight months.

6. Adopt the new residential pricing and seasonal periods shown in Appendix C.

Figure 8. Proposed Seasonal Rate Periods for Residential Electric-Heat Customers

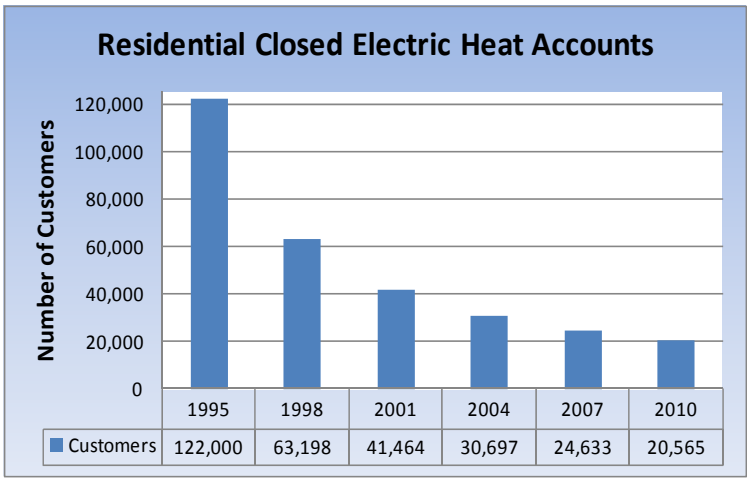


6. Closed Electric Rate Season Pricing

Purpose[10]

In May 1996 SMUD discontinued the discount for new electric-heat customers. The additional 500 kWh electric-heat allowance for Base Usage winter electricity use remained in place for customers already on the electric-heat discount rate. The discount, which amounts to approximately 20 percent off the electricity usage charges, continues to remain in effect for around 20,000 of the original electric-heat customers.

Figure 9. Historical Decline in Closed Electric



[10] The proposed changes are consistent with pre-existing legislative action by the Board of Directors as evidenced by Strategic Direction (SD-2), Competitive Rates, last revised January 21, 2010 (See Strategic Directives Section of this Report). The proposed changes are intended to improve the relative cost recovery from customers in this rate group and to better align with SMUD's costs of providing the service.

The intent of the original discount was to provide a cost break for electric heating during the winter months. For that reason, May and October, currently defined as summer months, would be ineligible for the discount. However the new seasons of spring and fall will combine these summer months with the current winter heating months of April and November. If the electric-heat discount were fully extended to these new seasons, the result would be a relatively large windfall for the closed electric-heat customers — even with the proposed electric heat Base Usage adjustments. As indicated in Table 3, the winter discounted price will result in an average bill savings of $7.50 per month for the spring and fall seasons.

To counter this staff proposes reducing the discount to approximately 10 percent for closed electric-heat customers during the new spring and fall months. As shown in Table 3 this adjustment will result in an average bill increase of less than 10 cents, effectively neutralizing unwarranted savings due to the new seasons.

Table 3. Closed Electric Bill Impact

Season	Month	Winter Price	New Season Price
Spring	April	$11.84	$20.26
	May	-$20.00	-$12.82
Fall	October	-$26.30	-$18.97
	November	$4.14	$11.68
	Average Bill Change	***-$7.50***	***$0.09***

Recommendations

1. Retain the current winter pricing for the closed electric-heat rate.

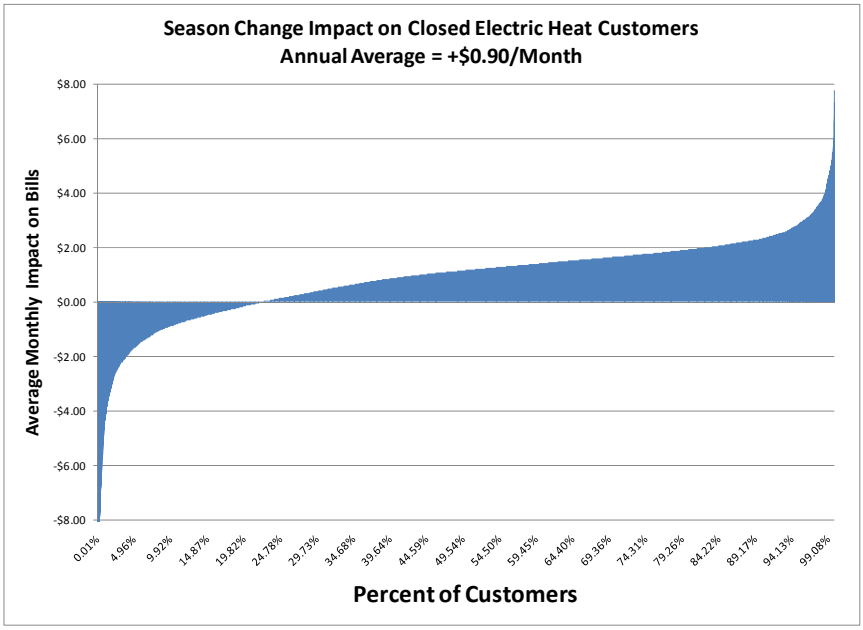
2. Adopt the following new Base Usage pricing for the spring and fall seasons on the closed electric-heat rate:

	Spring & Fall	**Winter**	**Standard**
Base Usage Price	$0.0849	$0.0757	$0.0938
Base-Plus Usage Price	$0.1535	$0.1443	$0.1765
Base Usage Discount	-9.5%	-19.3%	0.0%
Base-Plus Usage Discount	-13.0%	-18.2%	0.0%

Rate Impact

The annual monthly impact for electric-heat customers will be affected by the $2.80 increase in the System Infrastructure Fixed Charge, combined with the new spring and fall seasonal Base Usage and pricing. Figure 10 indicates that the net impact will be relatively small for most closed electric-heat customers, averaging around $0.90 per month.

Figure 10. Annual Average Bill Impacts of Changes to Closed Electric Heat



7. Energy Assistance Program Rate (EAPR) Modifications

Purpose[11]

In 2009, the residential monthly charge for low-income customers was set at $3.50. With the proposed increase from $7.20 to $10.00 for standard customers, the corresponding monthly charge for low-income customers would be set at $5.00. However, the Report acknowledges that in the current recession, even a small increase in the monthly System Infrastructure Fixed Charge from $3.50 to $5.00 will pose a burden for our low-income customers. To avoid increasing the monthly charge, the Report recommends a two-part approach: 1) keeping the System Infrastructure Fixed Charge at $3.50 and reducing energy rates for all low-income customers who use up to 600 kWh above the Base Usage allowance and 2) establishing a ceiling for discounted kWh. This results in lower bills for about 90 percent of current participants in EAPR.

Keeping the System Infrastructure Fixed Charge at $3.50 will result in foregone SMUD revenue of around $2 million. This is because low-income electricity rates will automatically decrease in conjunction with the decrease in standard electricity rates.

To address the issue, the Report proposes retaining the discounts for the low-income customers whose consumption falls below a specified allotment of monthly electricity use. The current discounts are 35 percent for electricity use

[11] The proposed changes are consistent with pre-existing legislative action by the California Legislature as evidenced by Public Utilities Code Section 386 and by the SMUD Board of Directors as evidenced by Board Resolution No. 05-03-08, adopted March 17, 2005, and Resolution No. 07-06-09, adopted June 21, 2007. The proposed changes are revenue neutral and will not increase the relative subsidization of this class of customers.

within the Base Usage allowance and 30 percent for the Base-Plus Usage energy. The proposal would essentially establish a maximum usage, above which low-income customers would be charged at standard, undiscounted prices at the Base-Plus Usage level. The threshold at which the discount ends will be set very high at 600 kWh above the Base Usage allowance — a level of use that only a few low-income customers currently reach.

For these large-use customers the new incremental cost will provide a strong incentive to work with SMUD's efficiency programs, many of which specifically target the low-income community. The approach represents a modified re-instatement of the original subsidy limit established when SMUD first implemented the Energy Assistance Program in 1989. At that time, the discount applied only to Base Usage in recognition that our low-income customers deserve a discount for such vital functions as heating, cooling, cooking, lighting and cleaning. In 2001, the Board expanded the EAPR discount to include the total use by the participants. The Base Usage allowance remains set at the average monthly electricity use for all residential customers.

Revenue Impact

The recommended proposals will result in no overall revenue impact. The $2 million revenue loss from freezing the EAPR service charge at $3.50 will be offset by the proposed new undiscounted electricity usage charges on high electricity use.

Recommendation

1. Retain the monthly System Infrastructure Fixed Charge for EAPR participants at $3.50.

2. Establish a ceiling for the EAPR discount at 600 kWh above the applicable Base Usage level. Any usage above the ceiling would be charged the standard Base-Plus Usage rates based on the customer's billed rate category and season. This is the current EAPR rate language:

   A discount of 35 percent of the energy charges for Tier 1 usage and 30 percent of the energy charges for Tier 2 usage per month is applied for residential customers who meet the eligibility requirements as specified below.

On Residential and General Service Energy Assistance Program sheet *1-EAPR-1* after the **Qualifications** paragraph insert language as follows:

Discount for Residential Customers

A discount of 35 percent of the electricity usage charges for Base Usage and 30 percent of the electricity usage charges for the kWh quantities in excess of Base Usage up to 600 kWh is applied for residential customers who meet the eligibility requirements as specified below.

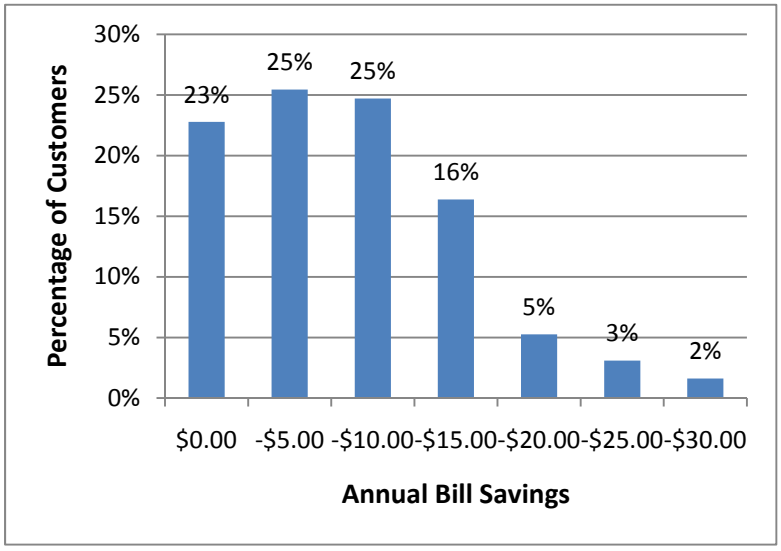
Rate Impact

Capping the EAPR discount at 600 kWh above the Base Usage allowance shifts approximately 4 percent of the subsidy downward from the high consumption customers to customers averaging approximately 1,450 kWh per month or less as identified in Table 4. Figure 11 show the range of savings that those EAPR customers who stay below the cap will experience with this proposal.

Table 4. Distribution of EAPR Subsidy Before and After Proposed Cap

kWh Range	Customers (%)	Subsidy % without cap	Subsidy % with cap
0 - 369	25%	10%	9%
369 - 588	25%	17%	18%
589 - 865	25%	26%	28%
866 - 1204	15%	23%	24%
1205 - 1464	5%	10%	11%
1465 - 1679	2%	5%	4%
1680 - 2357	2%	5%	5%
2358 +	1%	4%	1%

Figure 11. Annual Savings EAPR Customers Who Stay Below the Cap



The most significant impact will be on low-income customers who exceed the proposed cap. As indicated in Figure 12, the number will vary by month from a low of 2,200 customers in May to more than 12,000 in July. This translates to between 2 percent to 10 percent of the total approximate 100,000 current EAPR customers.

Figure 12. EAPR Customers Who Exceed Cap by Month

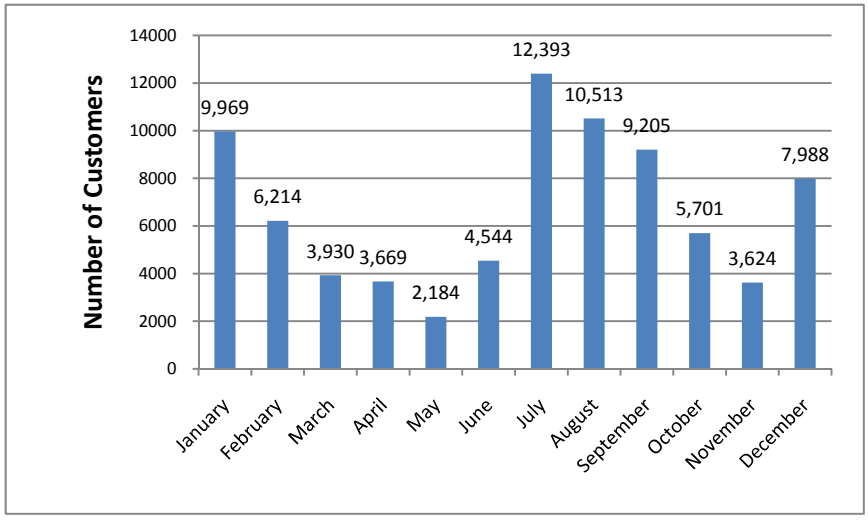


Figure 13 shows the average bill impacts that customers who exceed the cap can expect on an annual basis. The majority will pay an increase of $40 or less per year. The largest bill impacts will be experienced by customers using up to 10 times more electricity than the average EAPR customer. Average monthly bill impacts are shown in Figure 14. While the customers using more than the cap will see bill increases, 90 percent of EAPR bills will benefit from the changes.

Figure 13. Annual Bill Impacts for EAPR Who Exceed Proposed Cap

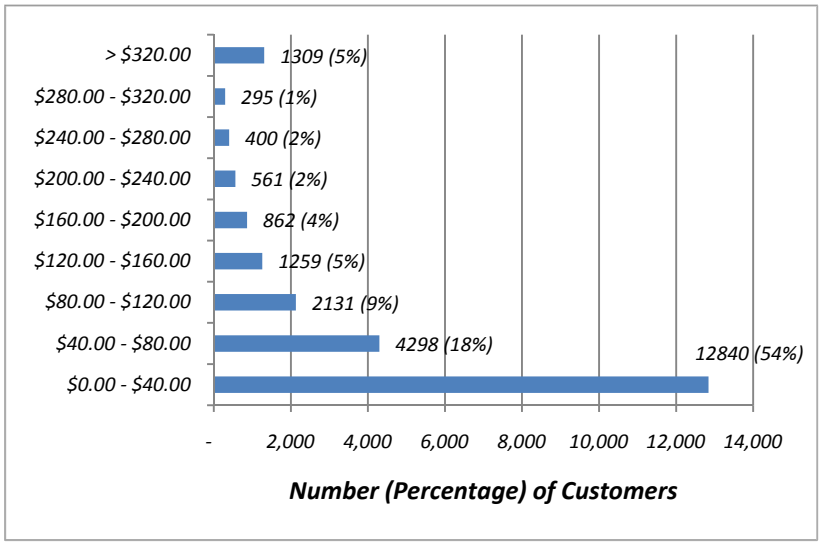
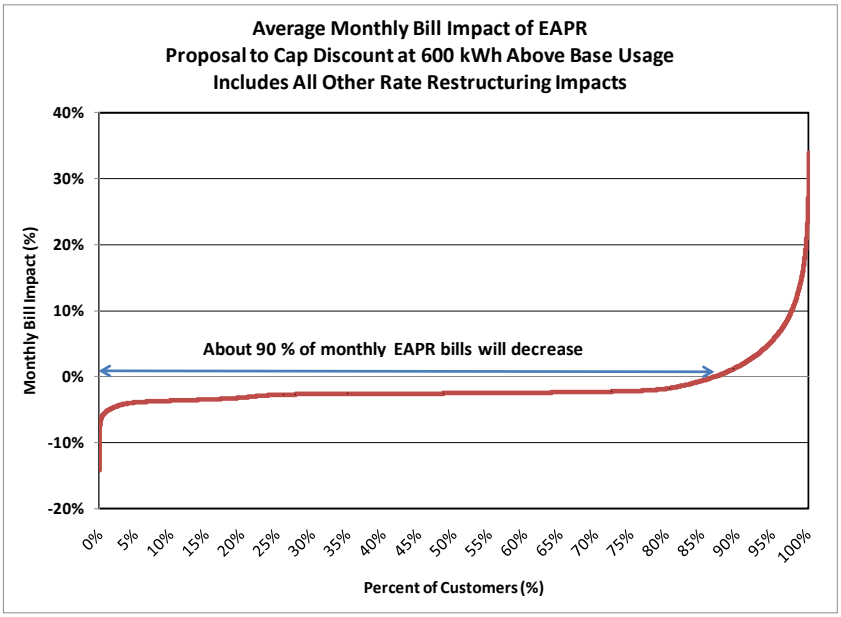


Figure 14. Average Monthly Bill Impacts for All EAPR Customers



8. Distribution Wheeling Tariff

The Report proposes a new Distribution Wheeling Tariff for local merchant projects to support the development of renewable resources within the SMUD service territory and enable third parties to transmit that power outside SMUD's transmission system. The tariff is a needed response to the growing interest in the commercial development of distributed renewable generation at a time when SMUD may not find it advantageous to purchase the output as part of our resource mix. Moreover, SMUD's feed-in tariff, which would normally provide a power purchase agreement for purchasing customer-owned generation, is currently fully subscribed.

The tariff will allow a proposed generating facility to connect at SMUD's 12, 21 or 69 kV distribution system and transmit the power to SMUD's high voltage transmission system at the 115 kV level or higher. Entities using the Distribution Wheeling Service will also need to apply for high voltage transmission service under SMUD's Open Access Transmission Tariff to wheel their generated power through the transmission system to entities outside of SMUD's service area. An interconnection agreement is mandatory for Distribution Wheeling Service.

Purpose[12]

- To provide a standard tariff outlining the costs and other requirements for third parties to wheel power across SMUD's distribution system to access SMUD's high voltage transmission system.

- To ensure SMUD efficiently and adequately recovers all relevant costs related to distribution wheeling without negative impacts to SMUD customer interests.

- To streamline access to Distribution Wheeling Service in SMUD's territory in response to expected future growth in local distributed generation.

Revenue Impact

The Distribution Wheeling Tariff is intended to be long-term revenue neutral and simply allows SMUD to recover all relevant costs incurred in providing service to applicants.

Recommendation

Staff recommends that the Board adopt the attached 12, 21 kV and 69 kV Distribution Wheeling Tariff 1-DWS-1, effective July 22, 2011, in order to provide efficient access to the high voltage transmission system for local merchant projects and to adequately recover all necessary costs for SMUD's customers.

[12] Charges imposed under the new rate are charged only to those customers taking service under the tariff and reflect the reasonable cost to SMUD of providing tariff service. SMUD's costs for providing service under the tariff were determined by 2009 data.

9. General Service Flat Non-Demand Rate (GFN)

Purpose

SMUD maintains this rate to accommodate small loads generally associated with telecommunication companies that locate equipment on utility poles or remote sites that would be difficult or cost-prohibitive to meter. Currently, the GFN price is not posted in SMUD's tariff sheets. Instead, Rule and Regulation 6 simply specifies the methodology for calculating the price as the average of summer and winter first tier energy charges on the General Service Non-Demand Rate (GSN).

This proposal will move the rate from its obscure location in Rule 6 by posting the most current price in the General Service Rate Schedule. It will also address the problem created by the introduction of summer on-peak and off-peak pricing to the reference GSN rate as proposed in this Report. While the rate will continue to be linked to GSN, the price will be calculated on the average annual energy price. Initially, this continues the GFN price at its current level.

Revenue Impact

The recommended changes will not alter the GFN price, resulting in no change to SMUD revenue.

Recommendation

Copy language, as modified below, from Rule and Regulation 6 and insert as a new section in Rate Schedule GS:

> *III. Non-Demand Non-Metered Rate*
>
> *Where the monthly consumption of electricity is consistently small or can be predetermined with reasonable accuracy by reference to the capacity of equipment served and the hours of operations, SMUD may, with customer's consent, calculate electricity consumed in lieu of providing metering equipment. The calculated electricity consumption will be billed at the average of the Non-Demand Metered Rate (GSN) ~~winter season and summer season first tier~~* ***annual*** *electricity usage charges.*
>
> *Small Commercial GFN*
>
> *Electricity Usage Charge (¢ per kWh) – all kWh ..... 12.51¢*

Remaining sections of General Service Rate Schedule GS will be renumbered.

10. Miscellaneous Changes

Community Solar Program Fees

Purpose

The Community Solar Program solicits voluntary contributions from customers to support placement of photovoltaic (PV) systems on deserving institutions that could not otherwise afford solar electricity. Historically, the beneficiaries have included schools and such nonprofit groups as Habitat for Humanity. By installing these systems in public locales, the program has helped foster greater public awareness and understanding of PV technology. This role becomes all the more important as SMUD's incentives decline under Senate Bill 1.

The program has not been aggressively marketed since its inception and currently consists of fewer than 300 active supporters. The proposed fee change seeks to boost support for this solar program, so that it can continue to serve as an important partnership between SMUD and community institutions.

Currently, contributors to Community Solar pay up to $0.02 more per kWh as one of the green pricing options under the applicable residential and commercial rate schedules. Under this fee structure, participant contributions vary each month with their electricity use. This payment method has proved far less appealing than a constant, predictable and affordable monthly fee offered by more successful programs such as Greenergy® and EnergyHELP. With this in mind, the proposal will recast the Community Solar program at a fixed fee contribution level. To facilitate this change, this proposal removes the Community Solar rate option pricing from the rate schedules and relocates all customers on this rate option to a new $5.00 or $9.00 fixed program fee. The fee would be subject to change in the future as costs change and would be posted on SMUD's website, www.smud.org.

Revenue Impact

Removing the Community Solar rate option pricing from the applicable rate schedules will have no revenue impact. Converting the program fee from a cent-per-kWh fee to a flat fee is expected to produce a negligible revenue impact, as it is designed to be revenue neutral at the current subscription level. The expectation is that offering a flat fee vs. a cent-per-kWh program fee would encourage more customers to subscribe to the program and result in a minimum revenue increase of approximately $112,000, quintupling the $22,500 it earned in 2009.

Recommendations

Remove the published charges from the applicable rate schedules and allow SMUD staff to modify these charges as costs change and post them on SMUD's website. Set the initial monthly flat fees at $5.00 and $9.00. The recommended modifications to the rate schedules are as follows:

Rate Schedule R - Section V Rate Option Menu

Option (G) Green Pricing Options

1. SMUD Community Solar Option

~~*Customers electing this premium service option will receive an additional monthly energy charge of no less than 1 cent and no greater than 2 cents per kWh. Contributions will be held until sufficient funds are available for construction of a solar roof top system.*~~

Under this premium service option, customers elect to contribute monthly payments toward the installation of a photovoltaic system at a selected community locale. See the SMUD website for further information on monthly contribution options and currently identified projects.

Rate Schedule GS - Section VIII Rate Option Menu

Option (D) Green Pricing Options

1. SMUD Community Solar Option

~~*Customers electing this premium service option will receive an additional monthly energy charge of no less than 1¢ and no greater than 2¢ per kWh. Contributions will be held until sufficient funds are available for construction of a solar roof top system.*~~

Under this premium service option, customers elect to contribute monthly payments towards the installation of a photovoltaic system at a selected community locale. See the SMUD website for further information on monthly contribution options and currently identified projects.

Rate Schedule AG - Section VI Rate Option Menu

Option (B) Green Pricing Options

1. SMUD Community Solar Option

~~*Customers electing this premium service option will receive an additional monthly energy charge of no less than 1 cent and no greater than 2 cents per kWh. Contributions will be held until sufficient funds are available for construction of a solar roof top system.*~~

Under this premium service option, customers elect to contribute monthly payments towards the installation of a photovoltaic system at a selected community locale. See the SMUD website for further information on monthly contribution options and currently identified projects.

Rate Schedule GS-TOU1 - Section III Rate Option Menu

Option (E) Green Pricing Options

1. SMUD Community Solar Option

~~*Customers electing this premium service option will receive an additional monthly energy charge of no less than 1/2¢ and no greater than 2¢ per kWh. Contributions will be held until sufficient funds are available for construction of a solar roof top system.*~~

Under this premium service option, customers elect to contribute monthly payments towards the installation of a photovoltaic system at a selected

community locale. See the SMUD website for further information on monthly contribution options and currently identified projects.

Rate Schedule GS-TOU2 - Section III Rate Option Menu

Option (E) Green Pricing Options

1. SMUD Community Solar Option

~~*Customers electing this premium service option will receive an additional monthly energy charge of no less than 1¢ and no greater than 2¢ per kWh. Contributions will be held until sufficient funds are available for construction of a solar roof top system.*~~

Under this premium service option, customers elect to contribute monthly payments towards the installation of a photovoltaic system at a selected community locale. See the SMUD website for further information on monthly contribution options and currently identified projects.

Rate Schedule GS-TOU3 - Section III Rate Option Menu

Option (E) Green Pricing Options

1. SMUD Community Solar Option

~~*Customers electing this premium service option will receive an additional monthly energy charge of no less than 1/2¢ and no greater than 2¢ per kWh. Contributions will be held until sufficient funds are available for construction of a solar roof top system.*~~

Under this premium service option, customers elect to contribute monthly payments towards the installation of a photovoltaic system at a selected community locale. See the SMUD website for further information on monthly contribution options and currently identified projects.

Rate Schedule GS-TDP - Section III Rate Option Menu

Option (A) Green Pricing Options

1. SMUD Community Solar Option

~~*Customers electing this premium service option will receive an additional monthly energy charge of no less than 1¢ and no greater than 2¢ per kWh. Contributions will be held until sufficient funds are available for construction of a solar roof top system.*~~

Under this premium service option, customers elect to contribute monthly payments towards the installation of a photovoltaic system at a selected community locale. See the SMUD website for further information on monthly contribution options and currently identified projects.

PV Pioneer Green Fee

Purpose

Currently, SMUD posts the Residential PV Pioneer Green Fee as a fixed charge in the Rate Schedule R of the Electric Rates, Rules and Regulations. Because changes to these charges require Board approval during a rate action, it has been difficult to update them to conform to new costs in a timely manner.

Revenue Impact

The proposal will have no revenue impact because the recommended change affects the approval mechanism for the PV Pioneer charges and makes no change to the actual fees.

Recommendation

Remove the published charges from Rate Schedule R and allow SMUD staff to modify these charges as costs change and post them on SMUD's website. The recommended modifications to Rate Schedule R are as follows:

Section V Rate Option Menu

Option (D) Residential PV Pioneer Green Fee

This option is for residential customers who participate in SMUD's "PV Pioneer Project." Participation in the "PV Pioneer Project" shall be at the sole discretion of SMUD.

~~*Green Fee per month ..... $4.00*~~

Consolidation of Surcharge Language

Purpose

Currently, SMUD makes multiple references in each rate schedule that the solar surcharge is applied to all kilowatt-hours billed. SMUD also references in the Hydro Generation Adjustment (HGA) tariff sheet that all kilowatt-hours billed are subject to an HGA surcharge. SMUD proposes consolidating the language applying the electricity usage surcharges in one place on each rate schedule. This will simplify the rate schedules.

Revenue Impact

The proposal will have no revenue impact because it will not affect existing billing practices.

Recommendation

Approve the language in the attached rate schedules in Appendix C as written in the "Electricity Usage Surcharge" section of each rate schedule.

Clarification of Service Voltage Definition

Purpose

The purpose of this proposal is to clarify the existing language governing service voltage definitions.

Revenue Impact

The proposal will have no revenue impact because it will not affect existing utility practices.

Recommendation

Approve the language in the attached rate schedules as written in the "Service Voltage Definition" section of each rate schedule and Rule and Regulation.

Clarification of Rate Charge Definitions

Purpose

The purpose of this proposal is to modify the existing Rate Charges definitions in Rule and Regulation 1 to eliminate obsolete charges and reflect new names of existing charges.

Revenue Impact

The proposal will have no revenue impact because it will not affect existing utility practices.

Recommendation

Approve the language in the attached Rule and Regulation 1 in Appendix C as written in the "Rate Charges" section.

11. Net Metering

Revise the Net Metering Surplus Compensation Value

Purpose

Staff proposes to include additional cost components used to calculate the net metering surplus compensation value. These cost components include some energy production costs that were inadvertently left out of the previous calculation.

The revised calculation would result in an estimated value of $0.0656 per kilowatt-hour, a $0.0074 increase over the current value of $0.0582.

Revenue Impact

The change to the evaluation can decrease SMUD's annual revenue by approximately $700 annually.

Recommendation

Modify the Tariff 1-NM, effective July 22, 2011, as attached in Appendix C. This language modification will allow the adoption of the proposed calculation. Additional language modifications are suggested to add clarity to the tariff based on feedback received from customers.

Expand the Eligibility of Net Metering to Allow Generation Facilities Up to 3 MW in Size

Purpose[13]

The existing tariff only allows net metering of generation facilities up to 1 megawatt in size, meeting the requirement of state law. Staff proposes expanding the eligibility of net metering of generation facilities up to 3 megawatts in size. The generation facility cannot be sized to generate more electricity than what the site load consumes on an annual basis.

Currently no other California utility offers or proposes to offer net metering up to this megawatt level. By providing this additional incentive for large commercial customers, staff believes SMUD will accelerate the achievement of its SB 1 goal of installing 125 megawatts of solar generation.

The existing Tariff 1-NM adheres to the legal mandate for subsidies on excess power deliveries on generating facilities up to 1 megawatt in size. The proposal will go beyond this legal mandate. Under net metering, SMUD accepts delivery of any power in excess of site loads, compensating the customer with credits based on retail prices in the applicable tariff. By comparison, non-renewable distributed generators and renewable generation above 1 MW can only receive compensation for energy deliveries under a negotiated SMUD power agreement. The net-metered customer also enjoys an exemption from the standby fees required by non-renewable distributed generators. Under the proposal, these benefits will be extended to net-metered customers up to the new 3 MW limit.

At this time, one qualifying customer, with a total of 2.5 megawatts of solar generation has expressed interest in taking service under this proposed tariff. Another customer plans to build approximately 2 megawatts of solar generation should this proposal be adopted.

Revenue Impact

Under current assumptions, when net metering installations reach the 5 percent of on-peak load cap limit, SMUD's revenue loss will be, at minimum, $13.5 million annually. This represents the value of public good fees uncollected by

[13] The proposed changes are consistent with pre-existing legislative action by the California Legislature as evidenced by Public Utilities Code Section 387.5 mandating that SMUD adopt a solar initiative program. The changes are consistent with and in furtherance of the legislation and SMUD's program.

customer generation, combined with the unrecovered cost of providing standby generation service.

If this proposal is adopted, SMUD will lose approximately $214,000 in annual revenue it would otherwise collect from the 2.5 MW qualifying customer under current distributed generation rules.

Recommendation

The recommendation is to adopt the proposed 1-NM "Net Metering for Qualifying Facilities" effective July 22, 2011 as detailed in Appendix C.

Clarify Existing Billing Practices

Purpose

Staff proposes modifying Tariff 1-NM, Net Metering for Qualifying Facilities, to address requests by SMUD customers to clarify ambiguity in the current description of billing practices. The new language will specify that energy credits for net power generation will only offset billed electricity usage charges. Other billing component charges will remain fully payable, including the System Infrastructure Fixed Charge, the Site Infrastructure Charge, the Maximum Demand Charge as well as miscellaneous taxes, surcharges and fees.

Revenue Impact

The proposed clarifying language will not change current billing practices and will have no revenue impact.

Recommendation

Adopt the modified Tariff 1-NM, effective July 22, 2011, as attached in Appendix C, with the new, proposed clarifying language.

Incorporate the Statutory Limit on Net-Metered Generation

Purpose

Staff proposes adoption of the state statutory limit on total net-metered capacity. The state statute, under Public Utility Code §2827(c)(1), permits net metering to customer generators on a first-come, first-served basis until the generated capacity exceeds 5 percent of the utility's aggregate customer demand. For SMUD, this proposed 5 percent cap would be 150 MW, based on the most recent 2010 system on-peak data. By comparison, around 20 MW of net-metered generation is currently installed, or less than 1 percent of system on-peak.

Revenue Impact

The proposed change will have no revenue impact.

Recommendation

Adopt the modified Tariff 1-NM, effective July 22, 2011, with the proposed new 5 percent limit on total net-metered generation capacity.

12. Feed-In Tariff

Clarify Feed-In Tariff Procedures

Purpose

Staff proposes adding clarifying language to the Feed-in Tariff in junction with the effort to clarify Rule and Regulation 21 governing interconnection requirements. The added language specifies that the procedures governing the Feed-in Tariff are in Policy and Procedure 8-04. The added language will also authorize the General Manager to modify the Feed-in Tariff procedures from time to time. Policy and Procedure 8-04 is available on SMUD's website.

Revenue Impact

There is no revenue impact associated with this recommendation.

Recommendation

Adopt the proposed Rule and Regulation 21 as detailed in Appendix C.

Changes to Rules and Regulations

Overview

This section presents the proposed changes to existing Rules and Regulations, effective January 1, 2012. The proposed changes include:

Modify Rule 6 - Modify language to institute a new late payment fee on customer billing and change language regarding calculation and pricing of unmetered energy.

Modify Rule 21 - Modify language to clarify the rules governing the interconnection for net-metered customer generation.

1. Rule and Regulation 6 Billing, Payment of Bills and Credit

Purpose

State law authorizes late fees as a means of recovering costs while promoting good payment practices. SMUD currently does not charge any late fees to its billed customers who are behind in their payments. This proposal will implement a late fee to encourage prompt payment and to help recover SMUD costs incurred because of late payments.

SMUD offers an installment plan to customers who cannot afford the full balance of a bill in one payment. Customers on an installment plan will not be subject to a late fee on the original bill provided the installment plan is requested prior to the due date of the original bill. If a customer were to be late while on an installment plan, then the billed installment will be subject to a late fee.

The proposed late fee will impose 1.5 percent interest on the outstanding balance of moneys owed, consistent with the maximum amount allowable under Public Utilities Code §12811. The charge will be ongoing until the account becomes current. Charges will not be levied on outstanding balances of $10.00 or less.

Staff believes that an interest-based late fee assures equitable treatment for both residential and commercial customers. Other fee structures considered by staff include the following alternatives:

- *A fixed late fee of $5.00*. Staff found this option would overly burden residential customers and produce significantly less revenue from commercial customers.

- *One-time late penalty*. Public Utilities Code allows a utility to impose a penalty fee of as much as 10 percent of the outstanding balance, charged only once per outstanding bill.

Revenue Impact

Assuming no change in consumer behavior when presented with late fees, staff estimates the proposal will generate approximately $3.6 million in potential late fees annually, net of write offs from uncollectable bills.

Recommendation

Modify Rule and Regulation 6 to insert a new section J with proposed language shown below. Remaining sections will be renumbered.

J. Late Payment Charge

A late payment charge of 1.5 percent may be applied to the total unpaid balance of a customer's bill if the customer's payment is not received by the end of the third working day after the due date indicated on the customer bill. The total unpaid balance must be equal to or greater than $10.00 before a late payment charge is applied.

2. Rule and Regulation 6 Calculation and Pricing of Unmetered Energy

Purpose

Section B of Rule and Regulation 6 specifies how SMUD may estimate energy consumption and billing for small loads where direct metering may be difficult or cost prohibitive. The wording refers to pricing based on the average of first tier energy charges for the current Non-Demand Metered Rate (GSN). With the proposed changes to the GSN rate, this wording no longer applies. In its place, the reference will be made to the average of annual electricity usage charges.

Revenue Impact

The wording change will not affect the actual rate, leaving revenue unchanged.

Recommendation

Modify Section B of Billing Payment of Bills and Credit Rule and Regulation 6 to strike out the reference to an average rate based on seasonal tiers and to replace it with the reference to annual charges. The following shows the recommended language change with the ~~strikeout~~ wording to be removed and the **bolded** wording to be inserted.

Where the monthly consumption of electricity is consistently small or can be predetermined with reasonable accuracy by reference to the capacity of

equipment served and the hours of operations, SMUD may, with customer's consent, calculate electricity consumed in lieu of providing metering equipment. The calculated electricity consumption will be billed at the average of the Non-Demand Metered Rate (GSN) ~~*winter season and summer season first tier*~~ ***annual*** *electricity usage charge.*

3. Revise Rule and Regulation 21

Purpose

Rule and Regulation 21 governs the interconnection requirements of distributed generation facilities. Staff proposes deleting sections C and D from this rule to allow the General Manager to have greater flexibility in changing interconnection requirements as new technologies and standards are developed. The interconnection requirements will be incorporated in existing Policies and Procedures and be available on the SMUD website, www.smud.org.

Revenue Impact

There is no revenue impact associated with this recommendation.

Recommendation

Adopt the proposed Rule and Regulation 21 effective July 22, 2011, as detailed in Appendix C.

Detail of Rate Changes

Residential Rates

General Service

	Standard	Low Income
System Infrastructure Fixed Charge	$10.00	$3.50
Electricity Charge ($/kWh)		
Winter: October - May		
Base Usage	$0.0938	$0.0609
Base-Plus Usage	$0.1765	$0.1240
Low-Income Cap		$0.1765
Summer: June - September		
Base Usage	$0.1016	$0.0660
Base-Plus Usage	$0.1830	$0.1281
Low-Income Cap		$0.1830

Closed Electric-Heat Rates

	Standard	Low Income
System Infrastructure Fixed Charge	$10.00	$3.50
Electricity Charge ($/kWh)		
Winter: October - May		
Base Usage	$0.0757	$0.0492
Base-Plus Usage	$0.1443	$0.1010
Low-Income Cap		$0.1443
Summer: June - September		
Base Usage	$0.1016	$0.0660
Base-Plus Usage	$0.1830	$0.1281
Low-Income Cap		$0.1830
Spring & Fall: April-May, October-November		
Base Usage	$0.0849	$0.0552
Base-Plus Usage	$0.1535	$0.1075
Low-Income Cap		$0.1535

Time-Of-Use Option 1

	Summer Jun - Sep	**Winter Oct - May**
System Infrastructure Fixed Charge	$10.00	$10.00
Electricity Charge ($/kWh)		
On-peak per kWh	$0.2441	$0.1120
Off-peak per kWh	$0.1151	$0.1037

Residential Seasons and Base Usage Allowances

Nonelectric Heat Customers

	Standard	With Wells
Electricity (kilowatt-hours)		
Winter: October - May		
Base Usage	*0 - 620*	*0 - 920*
Base-Plus Usage	*> 620*	*> 920*
Low-Income Cap	*> 1,220*	*> 1,520*
Summer: June - September		
Base Usage	*0 - 700*	*0 - 1000*
Base-Plus Usage	*> 700*	*> 1,000*
Low-Income Cap	*> 1,300*	*> 1,600*

Electric-Heat Customers

	Standard	With Wells
Electricity (kilowatt-hours)		
Winter: December - March		
Base Usage	*0 - 1,120*	*0 - 1,420*
Base-Plus Usage	*> 1,120*	*> 1,420*
Low-Income Cap	*> 1,720*	*> 2,020*
Summer: June - September		
Base Usage	*0 - 700*	*0 - 1000*
Base-Plus Usage	*> 700*	*> 1,000*
Low-Income Cap	*> 1,300*	*> 1,600*
Spring & Fall: April-May, October-November		
Base Usage	*0 - 800*	*0 - 1,100*
Base-Plus Usage	*> 800*	*> 1,100*
Low-Income Cap	*> 1,400*	*> 1,700*

Small Commercial Rates

Non-Demand Metered Rates (GSN 20 kW & below)

System Infrastructure Fixed Charge per month	$12.00
Electricity Charge- $ /kWh	
October - May	$0.1240
June - September	
On-peak per kWh	$0.2837
Off-peak per kWh	$0.1050

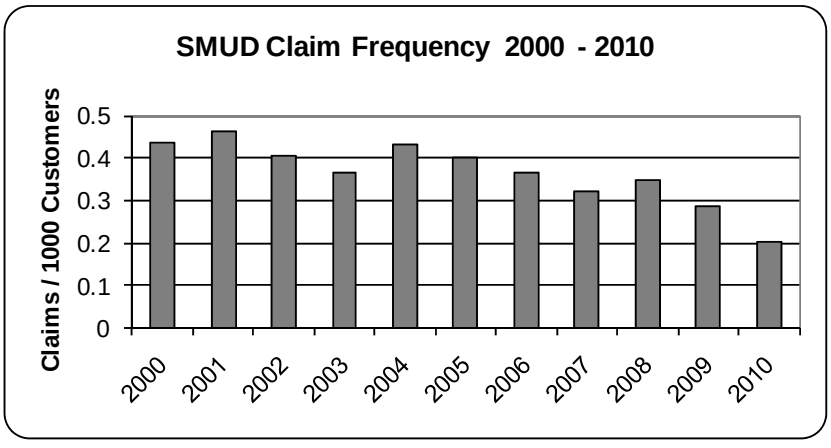
Demand Metered Rates (GSS 21 - 299 kW)

System Infrastructure Fixed Charge per month	$22.00
Site Infrastructure Fixed Charge per kW	$6.80
Electricity Charge - $ /kWh	
October - May	$0.0916
June - September	
On-peak per kWh	$0.2336
Off-peak per kWh	$0.0810

Information on SMUD Performance

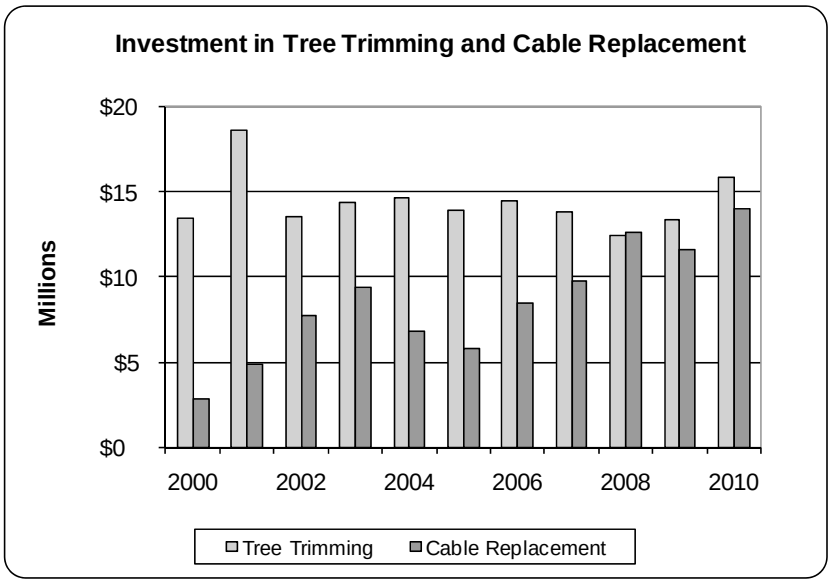
Improved efficiency, increased productivity, and streamlined operations have helped SMUD maintain competitive rates. Since 2000, system load (energy) has increased by 8 percent and the number of customers has increased by 15 percent (more than 79,000 additional customers). During this period staffing levels increased slightly, then tapered off, returning by the end of 2010 to the lowest level since 1998. This demonstrates significant gains in productivity during this time span, as well as SMUD's commitment to decrease expenses in response to the recession. During this same period, SMUD made notable strides in a variety of other areas including:

- Lowering the operating costs of our power plants through new contracts;
- New medical contracts that reduced the cost of out-of-state coverage for retirees;
- New meters that will be read electronically;
- Nuclear decommissioning under budget; and
- New financing structures for natural gas and wind.

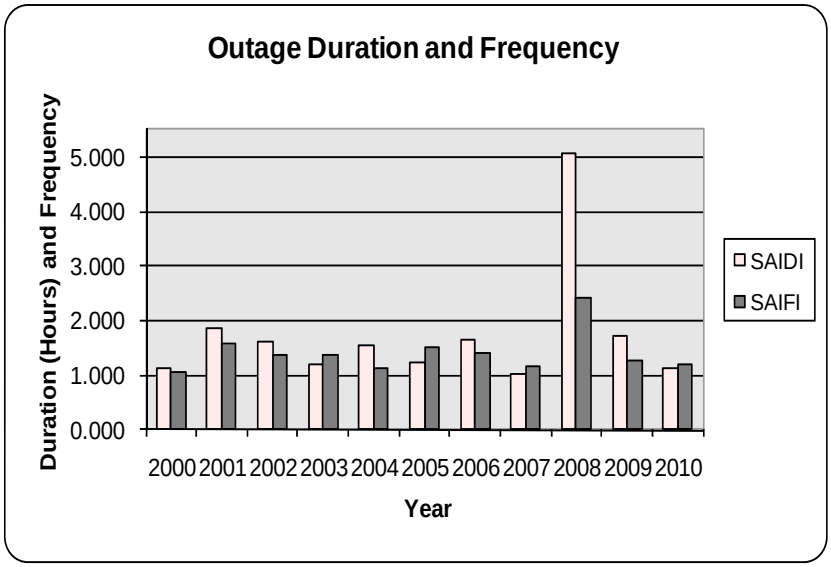


In the last five years, SMUD averaged 0.3 claims per 1,000 customers compared to 0.4 per 1,000 customers since 2000 (see previous graph). Depending on claim frequency and severity in a given year, reduced claims could save SMUD as much as $1 million per year.

Aggressive preventive maintenance in cable replacement and tree trimming: These proactive services continue to reduce customer outages and improve reliability.



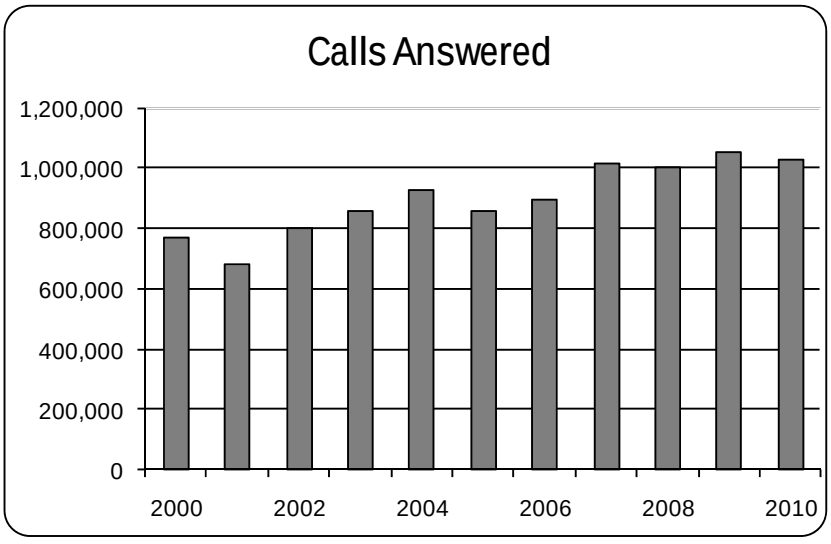
Outage statistics: Statistics are reported as duration of outage (SAIDI) and as the customer-weighted System Average Interruption Frequency Index (SAIFI). Both SAIDI and SAIFI statistics have remained fairly stable over the past 10 years, with the exception of 2008. A severe storm on January 4, 2008, adversely affected SMUD's distribution system, significantly increasing the indexes for 2008, with almost half of the occurrences and more than half of the outage duration being directly attributable to that storm.



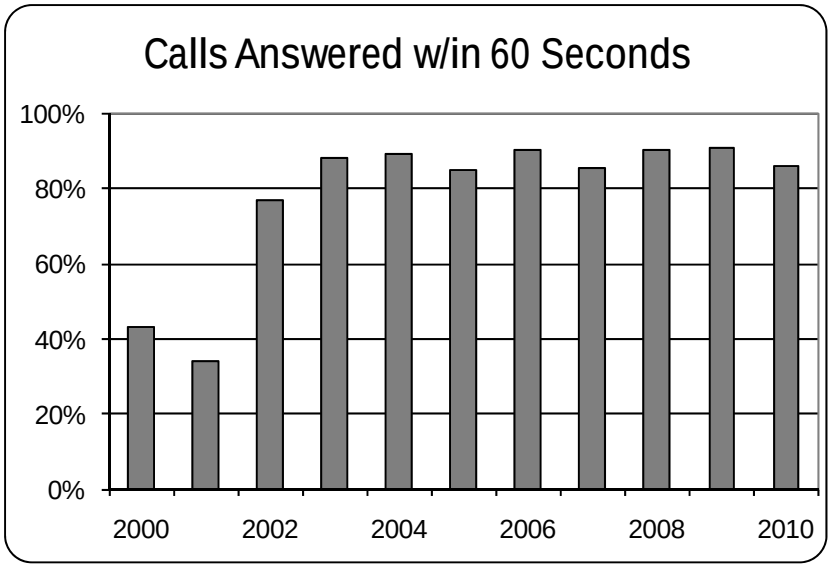
Enhanced service options: SMUD has improved service through both phone and website options including:

- Online display of hourly and daily electricity use;
- Map displaying District outages and personalized outage information;
- Interactive Voice Response (IVR) lower failure rate and higher satisfaction;
- Online Solar Sacramento Map that calculates the solar potential for customer dwellings and displays all the PV installations within the District ;
- Multiple electronic payment options and paperless billing;
- Online energy analysis for residential and small commercial customers;
- Online appliance and pool calculators to show how energy can be saved by installing and operating new energy-efficient appliances or adjusting the settings on existing equipment;
- Online Street / Night Light Outage repair request form; and
- Online program signup (for example, Solar Shares, Greenergy, and Carbon Offset).

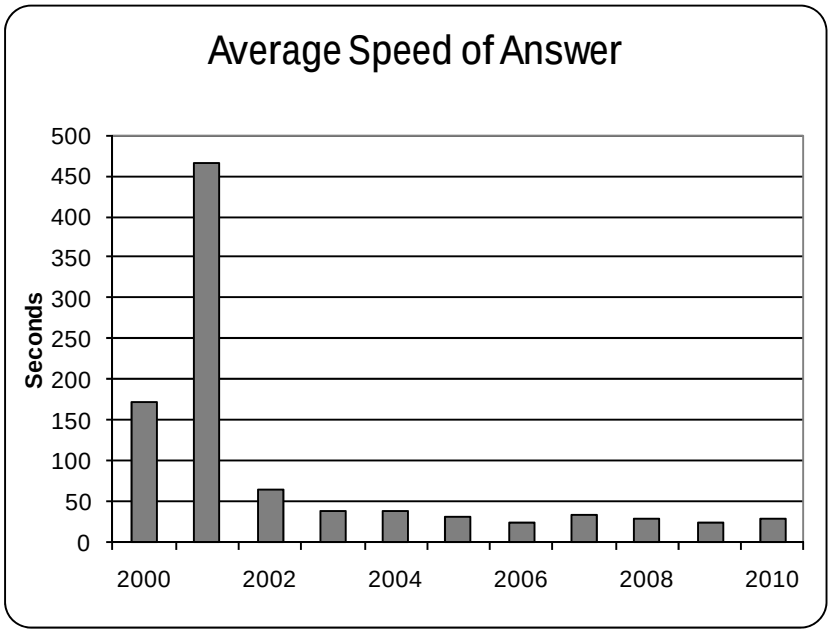
Improved mapping and interactive documentation: Enhanced systems identify distribution lines and circuit configurations. **Customer service:** SMUD's customer service, measured by a variety of methods, shows a trend of improvement. The following graphs show some of these improvements:



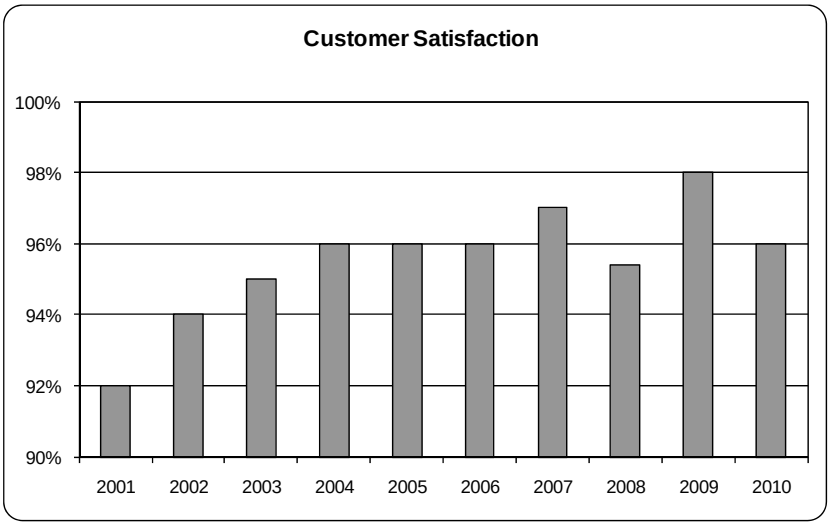
With answered call volumes increasing by 33 percent since 2000, calls answered within the first 60 seconds have improved from 43 percent in 2000 to approximately 86 percent by 2010.



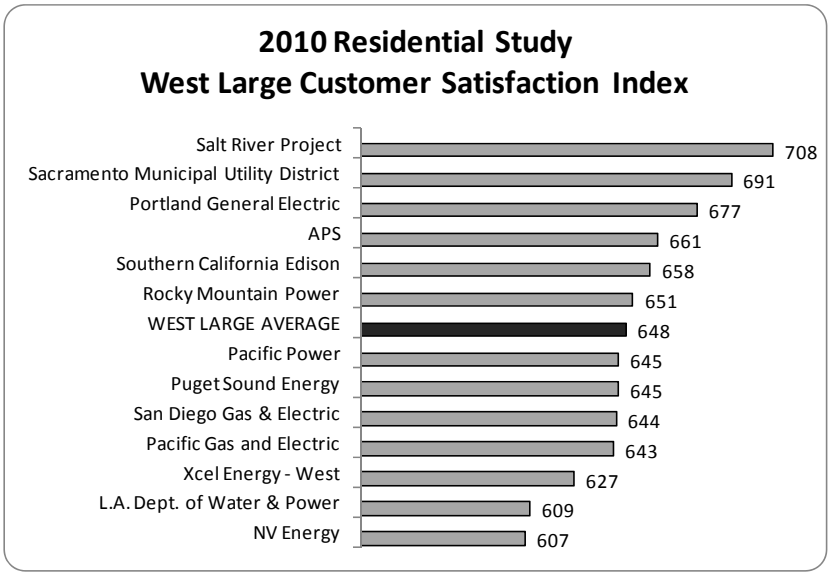
In this same period, the average speed of calls answered has dropped from more than 450 seconds to less than 30 seconds in 2010.



Customer Satisfaction: SMUD has worked on customers' satisfaction with a result averaging 96 percent satisfied since 2001. The satisfaction statistics include follow-up surveys on service requests such as troubleshooting problems, new connects and tree trimming services.



J.D. Power and Associates: Since 2000, SMUD has participated in the annual *Electric Utility Residential Customer Satisfaction Study* conducted by J.D. Power and Associates. This study ranks electric utilities from across the United States on a Customer Satisfaction Index and on five sub-components to the overall satisfaction index. SMUD has been ranked in the top ten in the Western Region on the Customer Satisfaction Index since 2004. SMUD is currently ranked in the top five across the entire nation by both commercial and residential consumers.



Environmental Assessment

1.0 Section 21080(b)(8) of the California Public Resources Code and Section 15273 of the California Environmental Quality Act (CEQA) Guidelines (California Code of Regulations, Title 14, Sections 15000, et seq.) provide that CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, and other charges by public agencies which the public agency finds are for the purpose of:

(1) Meeting operating expenses, including employee wage rates and fringe benefits;

(2) Purchasing or leasing supplies, equipment, or materials;

(3) Meeting financial reserve needs and requirements;

(4) Obtaining funds for capital projects necessary to maintain service within existing service areas; or

(5) Obtaining funds that are necessary to maintain such intra-city transfers as are authorized by city charter.

2.0 Section 15061(b) (3) of the CEQA Guidelines provides that where it can be said with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

3.0 The proposed action to restructure the non-demand rate for small commercial customers, is for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

4.0 The proposed action to redefine the rate seasons for small commercial non-demand customers, is for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

5.0 The proposed action to restructure the demand rate for small commercial customers, is for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

6.0 The proposed action to redefine the rate seasons for small commercial demand customers, is for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

7.0 The proposed action to restructure the rates for residential customers, is for the purposes set forth in (1) through (4) of

Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

8.0 The proposed action to increase the system infrastructure fixed charge for residential customers, is for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

9.0 The proposed action to redefine the rate seasons for residential customers, is for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

10.0 The proposed action to reduce the discount provided to closed electric-heat customers during the proposed new spring and fall seasons, is for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

11.0 The proposed actions to retain the monthly system infrastructure fixed charge for EAPR participants and establish a cut-off for the EAPR discount, are for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

12.0 The proposed action to adopt a new Distribution Wheeling Tariff for local merchant projects, is for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

13.0 It can be seen with certainty that there is no possibility that the proposed action to move the GFN rate from Rule and Regulation 6 and post it in the General Service Rate Schedule may have a significant effect on the environment. Therefore, this proposed action is not subject to CEQA.

14.0 The proposed action to remove the Community Solar rate option pricing from the rate schedules and relocate all customers on this rate option to a fixed program fee posted on SMUD's website, is for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

15.0 The proposed action to remove the published charges for the residential PV Pioneer Green Fee from Rate Schedule R and allow SMUD staff to modify these charges as costs change and post the charges on SMUD's website, is for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

16.0 It can be seen with certainty that there is no possibility the proposed action to consolidate the language applying the electricity usage surcharges in one place on each rate schedule may have a significant effect on the environment. Therefore, this proposed action is not subject to CEQA.

17.0 It can be seen with certainty that there is no possibility the proposed action to clarify the existing language governing service

voltage definitions may have a significant effect on the environment. Therefore, this proposed action is not subject to CEQA.

18.0 The proposed action to include additional cost components used to calculate the net metering surplus compensation value, inadvertently left out of the previous calculation, is for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

19.0 The proposed action to adopt a new large generation facility net metering tariff for facilities up to 3 megawatts in size, is for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

20.0 It can be seen with certainty that there is no possibility the proposed action to modify Tariff 1-NM in order to clarify existing billing practices may have a significant effect on the environment. Therefore, this proposed action is not subject to CEQA.

21.0 It can be seen with certainty that there is no possibility the proposed action to adopt the state statutory 5 percent limit on total net-metered capacity may have a significant effect on the environment. Therefore, this proposed action is not subject to CEQA.

22.0 The proposed action to modify Rule and Regulation 6 to implement a late fee for customers who are behind in their payments, is for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

23.0 It can be seen with certainty that there is no possibility the proposed action to modify Rule and Regulation 6 to strike out the reference to an average rate based on seasonal tiers and to replace it with the reference to annual charges may have a significant effect on the environment. Therefore, this proposed action is not subject to CEQA.

24.0 It can be seen with certainty that there is no possibility the proposed action to clarify language in Rule and Regulation 21 may have a significant effect on the environment. Therefore, this proposed action is not subject to CEQA..

Energy Saving Tips

SMUD can provide assistance to our small commercial and residential customers in managing their energy costs in the face of the proposed rate changes. Simple actions and low-cost measures, such as the examples listed here can either reduce electricity use or for the new commercial time-of-use rates shift power use to less costly periods. SMUD staff can also help customers through cash rebates and other programs listed on page 49.

Residential Customers

Replace incandescent bulbs with compact fluorescent lamps (CFLs). Replacing the five bulbs used most frequently in your house with CFLs will save about $60.00 per year. New technology CFLs last an average of six times longer than incandescent bulbs, use only 30 percent of the energy, and produce significantly less heat than incandescent lights.

Lower the thermostat setting of central heating systems. Reducing the thermostat setting from 68 to 60 degrees overnight can save up to $13.00 per month for a gas furnace and $10.00 per month with an electric heating system. Also lowering the thermostat just 2 degrees (for example, from 70 to 68 degrees) at other times will save about 5 percent off the costs of heating your home.

Change the filter on your central heating/cooling system at least once a month. This helps to keep the system operating at peak efficiency.

Unplug a spare refrigerator or freezer located in the garage. This can lower the average residential bill by up to $16.00 per month. If you are storing an unused refrigerator or freezer in your garage, be sure to remove all appliance doors to prevent accidental suffocation.

Replace refrigerators that are 10 or more years old. ENERGY STAR® models can save about $8.00 per month over the older appliances.

Run washing machines and dishwashers with full loads. This can reduce an average monthly electric bill by as much as $7.00.

Upgrade or install weather stripping and caulking every five years. This will increase the comfort level in the home and lower electric bills by as much as $5.00 per month.

Install a water-heater blanket on your water heater. Some newer water heaters have insulation already incorporated into the unit and may not need an external blanket, so check the owner's manual first.

Find more tips at: http://www.smud.org/en/residential/conservation-tips/pages/index.aspx

Commercial Customers

Take advantage of new time-of-use rates by managing your loads. New rate structures for small and medium commercial customers provide new opportunities to reduce your energy costs. With discounted base rates and higher on-peak rates only from 3:00 p.m. to 6:00 p.m. on summer week days, any on-peak electric loads that you can reduce or shift to the other hours can have a big impact on your monthly bills.

Schedule any flexible energy-consuming activities and equipment use before 3:00 p.m. Switch off lighting where late afternoon daylight is adequate.

Consider an HVAC tune-up or replacement to minimize your on-peak cooling costs.

Turn off PCs, monitors, printers and copiers nightly and on weekends. If unable to switch off the entire computer, turn off the monitor and printer.

Choose ENERGY STAR® models when purchasing PCs, monitors, printers, fax machines and copiers that can switch to a power-saving mode when not in use.

If you have multiple, networked PCs, consider installing Network PC Power Management software. It reduces electricity use by automatically engaging sleep mode or turning off PCs for a designated period of time.

Install time clocks, set-back thermostats and microprocessor thermostats. These controls can reduce your heating and cooling electricity use when buildings are unoccupied.

Check and adjust alignment between motor and drive equipment to reduce wear and excessive torque.

Purchase motors with the highest energy efficiency available.

Find more tips at: www.smud.org/business

Programs and Links

Additional information and assistance is available through the following links.

Save with SMUD

http://www.smud.org/en/savetoday/pages/index.aspx

Promotions, Rebates and Financing

SMUD has promotions and rebates to help our customers save energy and money. For example, SMUD buys down the cost of electric appliances and products to encourage energy efficiency.

http://www.smud.org/en/rebates/Pages/index.aspx

Home Performance Program

Leaky ducts, faulty insulation and problems with your A/C system can rob you of money and comfort at home. SMUD's new Home Performance Program mixes technology, building science and hard work to test your home's performance. If you want to address problems, rebates up to $5,000, tax incentives and financing options are available through 2011 or until funding is gone.

Greenergy®

Through its Greenergy program, SMUD offers you the choice of supporting energy created from green resources.

http://www.smud.org/en/community-environment/greenergy/pages/index.aspx

Offset Your Carbon Footprint

SMUD's carbon offset program provides you with an opportunity to neutralize the carbon dioxide emissions produced during a number of daily activities — driving a car, using the air conditioner, turning on household lights or taking a trip on a plane.

Strategic Directives

These Strategic Directives have been adopted by resolution of the Board of Directors to set forth the core values and strategic framework for the District. *Note: Strategic Directives are grouped by Core Values and Key Values, so numbering is not sequential.*

SD-1A Purpose Statement

SMUD's purpose is to provide solutions for meeting our customers' electrical energy needs.

SD-1B Vision Statement

SMUD's vision is to empower our customers with solutions and options that increase energy efficiency, protect the environment, reduce global warming, and lower the cost to serve our region.

In implementing this vision, SMUD will adhere to these principles:

a) Preserve our customers' quality of life by offering flexibility and options;

b) Enable customers to use both active and passive means to achieve these goals;

c) Enable all customers to participate;

d) Collaborate, as appropriate, with partners who share SMUD's goals;

e) Focus on investing in energy efficient infrastructure for both SMUD and customer facilities;

f) Use a comprehensive communication strategy;

g) Leverage SMUD's leadership role to achieve these goals.

Core Values

SD-2 Competitive Rates –

Maintaining competitive rates is a core value of the District.

Therefore:

a) The Board establishes a rate target of 18 percent below Pacific Gas & Electric Company's published rates on a system average basis. In addition, the Board establishes a rate target of at least 10 percent below PG&E's published rates for each customer class.

b) SMUD's rate of change for both rates and bills shall be competitive with other local utilities on a system average basis.

c) In addition, SMUD's rates shall be designed to balance and achieve the following goals:

i) Reflect the cost of energy when it is used;

ii) Reduce use on-peak;

iii) Encourage energy efficiency and conservation;

iv) Minimize "sticker" shock in the transition from one rate design to another;

v) Offer flexibility and options;

vi) Be simple and easy to understand;

vii) Meet the needs of people with fixed low incomes and severe medical conditions; and

viii) Equitably allocate costs across and within customer classes.

SD-3 Access to Credit Markets –

Maintaining access to credit is a core value of SMUD.

Therefore:

a) For SMUD's annual budgets, the Board establishes a minimum target of cash coverage of all debt service payments (fixed charge ratio) of 1.3 times.

b) When making resource decisions, SMUD shall weigh the impacts on long-term revenue requirements, debt, financial risk and flexibility.

c) SMUD's goal is to maintain at least an "A" rating with credit rating agencies.

SD-4 Reliability –

Meeting customer energy requirements is a core value of SMUD.

Therefore:

a) SMUD will assure all customer energy requirements are met. This will be accomplished through the use of: (i) its generation resources and purchase power portfolio 100 percent of the time; and (ii) its transmission assets to assure an overall availability of at least 99.99 percent.

b) SMUD will achieve distribution system reliability by:

Limiting the average frequency of outage per customer per year to:

- With major event: 0.99 – 1.33
- Excluding major event: 0.85 – 1.14

Limiting the average duration of outages per customer per year to:

- With major event: 67.5 – 93.3 minutes
- Excluding major event: 49.7 – 68.7 minutes

Ensuring that no individual circuits exceed these targets for more than two consecutive years.

c) SMUD will maintain the electric system in good repair and make the necessary upgrades to maintain load serving capability and regulatory standards.

SD-5 Customer Relations –

Maintaining a high level of customer relations is a core value of SMUD.

Therefore, the Board establishes an overall customer satisfaction target of 95 percent with no individual component measured falling below 85 percent.

As part of this policy:

a) SMUD customers shall be treated in a respectful, dignified and civil manner.

b) SMUD shall communicate a procedure for customers who believe they have not received fair treatment from SMUD to be heard.

SD–6 Safety –

Creating a safe environment for workers and customers is a core value of SMUD.

Therefore, the Board is committed to meeting all applicable laws and regulations, continuous safety improvement, and establishes a target to reduce 2006 SMUD safety incident rates by 40 percent by 2013.

SD-7 Environmental Leadership –

Environmental leadership is a core value of SMUD. The Board is committed to environmental leadership through community engagement, continuous improvement in pollution prevention, carbon reduction, energy efficiency, and conservation.

Therefore:

a) SMUD will conduct its business affairs and operations in a manner that reduces adverse environmental impacts, reduces pollution, and enhances resource conservation and stewardship.

b) SMUD will provide leadership in the reduction of the region's total emissions of greenhouse gases through proactive programs in all SMUD activities and development and support of national, State, and regional climate change policies and initiatives.

c) SMUD will promote the efficient use of energy by its customer-owners.

d) SMUD will proactively engage its customer-owners and other stakeholders in meeting this directive.

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 is a core value of SMUD.

Therefore:

a) SMUD shall foster trust, innovation, open communication, and accountability in its workforce.

b) SMUD shall build, foster and sustain a work environment that encourages inclusion of different viewpoints, approaches, backgrounds, where employees are valued and respected.

c) SMUD shall engage its workforce in personal and professional development.

d) SMUD shall engage its workforce to:

i) Understand and actively support SMUD's purpose, vision and values;

ii) Work with the community to support SMUD's purpose, vision and values.

e) SMUD's workforce shall reflect the broader values and interests of the community and its customer-owners.

f) SMUD shall maintain and communicate written policies that define procedures and expectations for staff and provide for effective handling of grievances.

g) Annually, and consistent with State and Federal law, the Board shall receive a report detailing the demographics of the SMUD workforce, the available workforce, and the Sacramento region.

SD-9 Resource Planning –

It is a core value of SMUD to provide its customer-owners with a sustainable power supply through the use of an integrated resource planning process.

A sustainable power supply is defined as one that reduces SMUD's net long-term greenhouse gas emissions to serve customer load to 350,000 tonnes (10 percent of its 1990 carbon dioxide emission levels) by 2050, while assuring reliability of the system, minimizing environmental impacts on land, habitat, water quality, and air quality, and maintaining a competitive position relative to other California electricity providers.

To guide SMUD in its resource evaluation and investment, the Board sets the following interim goals:

Year	Net Greenhouse Gas Emissions Tonnes (metric tons)
2012	2,608,000
2020	2,318,000

In keeping with this policy, SMUD shall also achieve the following:

a) Acquire cost-effective, reliable and feasible energy efficiency and demand reduction resources (e.g. distributed storage, direct load management, and time-of-use pricing). Set a goal of reducing energy consumption by 15% by 2020 and meet the following milestones (targets shall be reviewed and revised every three years):

Year	Gigawatt Hours	Megawatts
2011	166	26.5
2012	169	27.1
2013	171	27.3
2014	175	28.0
2015	179	28.7
2016	183	29.2
2017	185	29.6
2018	187	30.0
2019	190	30.5
2020	194	31.0
Total	1,798	287.7

b) Provide dependable renewable resources to meet 20% of SMUD's load by 2010, and 33% of its load by 2020, excluding additional renewable energy acquired for certain customer programs. In acquiring renewable resources, SMUD shall emphasize local and regional environmental benefits.

c) Promote cost effective, clean distributed generation through SMUD programs. As part of this policy, SMUD shall continue to be a leader in solar power.

SD-11 Local Governance –

Support for public power and preservation of local decision-making and flexibility are core values of SMUD. Local decision- making and flexibility are essential to effective and responsible local government. Community-owned utilities are primarily accountable to customers-owners, not stockholders. Community citizens have a direct voice in utility decisions.

Preservation of local governance is vital to ensure public power systems provide solutions that best meet the needs of their customers.

SD-12 Ethics –

Maintaining the public trust and confidence in the integrity and ethical conduct of the Board and District employees is a core value of the District. Therefore, to ensure the public interest is paramount in all official conduct, the Board shall adopt and update, as necessary: a Conflict of Interest Code as required by State law. The District shall also maintain and enforce a code of ethics applicable to all employees.

Among other things the code of ethics shall:

a) Require high ethical standards in all aspects of official conduct;

b) Establish clear guidelines for ethical standards and conduct by setting forth those acts that may be incompatible with the best interests of the District and the public;

c) Require disclosure and reporting of potential conflicts of interest; and

d) Provide a process for reporting and investigating suspected violations of the code of ethics.

SD-16 Information Management and Security –

Proper management of District information is a core value of the District. Consistent information management practices are critical to reduce the risk of legal liability, regulatory noncompliance, natural disaster recovery, criminal activity, theft of critical resources, and to assure customer satisfaction. The District shall take reasonable measures to ensure:

a) Information Security: The protection of District information (confidential, proprietary, and intellectual property) and information systems from unauthorized access, use, disclosure, disruption, modification, or destruction;

b) Customer Privacy: Maintaining the confidential nature of customer information that is proprietary or relates to customer privacy interests, including social security numbers, addresses, phone numbers, birth dates, and specific billing, credit and energy usage information; provided however, customer privacy shall not extend to aggregate information regarding the usage, load shape or other general characteristics of a group or rate classification. Release of customer information is permissible as reasonably necessary to meet the District's business interests (e.g., collection of unpaid bills or debts, reporting to credit agencies, exchange of customer information with other utilities for collection purposes or determinations of creditworthiness, or cooperation with law enforcement).

c) Records Management: The efficient and systematic control of the creation, capture, identification, receipt, maintenance, use, disposition, and destruction of District records, in accordance with legal requirements and Board policies.

SD-17 Enterprise Risk Management –

Effectively balancing and managing risk to further SMUD's policies and business goals is a core value of SMUD.

Therefore:

SMUD will implement and maintain an integrated enterprise risk management process that identifies, assesses, prudently manages and mitigates a variety of risks facing SMUD, including financial risk, supply risk, operational risk, physical security risk, legal risk, legislative and regulatory risk, and reputational risk.

Key Values

SD-10 Research and Development –

To assure SMUD's long-term competitiveness and its ability to deliver innovative products and services, SMUD shall invest in research and development projects that support its core and key values, based on an analysis of the projects' relative risks and their potential benefits to SMUD customers.

SD-13 Economic Development –

Promoting local and regional economic benefits is a key value of the District. Therefore, the District shall assist in retaining, recruiting and growing rate-paying businesses in order to build and maintain a healthy and inclusive commercial and industrial customer base that benefits all customer classes. The District shall emphasize assistance to businesses that promote energy efficiency, advanced renewable technologies, and environmental protection.

Therefore, the District shall:

a) Promote the development and growth of small and emerging businesses.

b) Partner with local and regional organizations in collaborative efforts.

c) Develop enhanced rates and new service incentives.

d) Support the Sacramento Region Blueprint Transportation and Land Use Study planning principles and preferred growth scenario.

SD-14 System Enhancement –

As a community-owned utility, SMUD recognizes that the relocation or underground placement of primary voltage power lines may be desirable to local jurisdictions to improve aesthetics, economic vitality, safety and access for persons with disabilities. Therefore, it is a key value of the District to make selected distribution system enhancements, such as relocation or underground placement of primary power lines below 69 kV.

a) The District will, at its expense and where technically feasible, relocate or underground existing overhead distribution facilities provided the governing body of the city or county in which the electric facilities are and will be located has:

i) Identified, after consultation with SMUD, a specific system enhancement project;

ii) Determined the project is in the public interest;

iii) Ensured all existing overhead communication facilities related to the project will also be relocated or placed underground;

iv) Obtained and provided SMUD with all easements necessary for the project.

b) After achievement of core financial targets, the District will annually commit up to one-half of one percent of its annual gross electric sales revenue to system enhancements. The proposed projects will be subject to the District's annual budget approval process, and uncommitted funds from any given year will not be carried over to future years. Funding will be assigned to projects brought forward by local cities or counties based on applying the following criteria (not in order of preference):

i) Project scale and/or cost when measured against available District resources.

ii) Requesting entity has developed full scope, obtained all necessary easements and development plan for customer service conversion from overhead to underground, as required.

iii) Extent to which the costs are borne by others.

SD-15 Outreach and Communication –

Providing broad outreach and communication to SMUD's customers and the community is a key value of the District.

Specifically:

a) SMUD shall provide its customers the information, education and tools they need to best manage their electricity use according to their needs.

b) SMUD will use an integrated and consistent communication strategy that recognizes the unique customer segments that SMUD serves.

c) SMUD's communication and community outreach activities shall reflect the diversity of SMUD. SMUD shall use a broad mix of communication channels to reach all customer segments. This communication shall be designed to ensure that all groups are aware of SMUD's major decisions and programs.

Glossary of Terms

Base Usage

Base Usage is a standard allotment of electricity at a certain price. Typically the Base Usage price is lowest and prices rise thereafter.

Base-Plus Usage

Base-Plus Usage is electricity usage above the standard allotment. Typically the Base-Plus Usage price is greater than the Base Usage price.

Bulk Power System (High Voltage Transmission System)

The bulk power system transmits electric power efficiently and in large amounts from generating stations to consumption areas. Such transmission is also used to interconnect adjacent power systems for mutual assistance in case of emergency and to gain for the interconnected power systems the economies possible in regional operation. In SMUD's case the bulk power system transmits at 115 kV and above.

Closed Electric Rate

In May 1996, SMUD closed the discounted rate for customers with electric space heat. Customers on the rate at that time are grandfathered on the rate until such time as they move out. At that time the premise rate becomes the standard electric-heat rate.

Community Solar

The Community Solar program solicits voluntary contributions to support placement of PV systems on deserving institutions that could not otherwise afford solar electricity.

Cooling Degree Day

A cooling degree day (CDD) is a standardized unit representing the amount of cooling required relative to daily temperatures. It is computed on a daily basis by subtracting a base of 65˚ F from the average of the minimum and maximum daily temperatures. Typically, CDDs are summed by month or season.

Distributed Generation

Distributed generation, also called on-site generation, decentralized generation, decentralized energy or distributed energy, generates electricity from many small energy sources. Distributed energy resource (DER) systems are small-scale power generation technologies (typically in the range of 3 kW to 10,000 kW) used to provide an alternative to or an enhancement of the traditional electric power system.

Distribution Wheeling

The transfer of Merchant Generator power at 12 kV, 21 kV or 69 kV for delivery to a third party outside SMUD service territory.

EAPR

A discounted Energy Assistance Program Rate for low-income customers who meet specific eligibility criteria.

EAPR Cap (or ceiling)

This is the number of kWh above an EAPR customer's Base Usage allowance that qualifies for the EAPR discount.

EnergyHELP

SMUD's EnergyHELP program provides qualified low-income customers with immediate financial assistance to maintain electricity service in their homes. EnergyHELP is funded through voluntary residential customer donations of as little as $1 a month added to the donor's SMUD bill. All donated funds are distributed through four charities: the Salvation Army, the Sacramento Food Bank Services, Travelers Aid and the Folsom Cordova Community Partnership.

Feed-In Tariff

The Feed-In Tariff is SMUD's standard tariff for qualifying renewable and combined heat and power generating facilities. It offers fixed time-based prices for purchase of electricity that third-party generators "feed-in" to SMUD's distribution system.

Fixed Costs

Expenses that are not dependent on the level of goods or services (energy) produced by the business. They tend to be time-related, such as non-product associated salaries or rents being paid per month, and are sometimes referred to as overhead costs. This is in contrast to variable costs. Example of variable costs would be energy generation, transmission, and most distribution costs, which are volume-related and are paid out based on quantity produced.

Greenergy

Greenergy is a renewable energy program under which customers pay an addition charge to ensure that a certain amount of their energy consumption comes from renewable resources such as wind, water, and sun.

IVR - Interactive Voice Response

This refers to an automated telephone response system allowing customers the ability to transact business without the assistance of a Customer Service Representative. This system is also capable of routing inquiries to the appropriate Customer Service Representative.

Interconnection

This refers to connecting power systems together or connecting generating resources equipment at the transmission level.

Marginal Costs

Marginal costs refer to the long-term incremental cost of adding a new unit of energy or load to SMUD's system. SMUD bases its marginal energy costs on the expense of operating a natural-gas peaking power plant. Marginal capacity costs refer to the debt service and fixed costs associated with the power plant.

Maximum Demand Charge

Large commercial sites can impact the community's electricity grid and energy supply during the summer (June through September). This charge is assessed to maintain the additional capacity needed to meet your highest electricity usage. This was formerly called the "Demand Charge."

Net Metering

Typically a rooftop renewable generation application that nets the solar production before it is recorded in the meter and credits the account for excess from over-producing hours. While the customer sees the solar production, the meter reads on the bill already reflect the net of solar.

Net Metering Surplus Compensation Value

The price paid for annual excess generation. SMUD's price is based on generation and production costs divided by the forecasted gigawatt-hour sales to all customers.

Open Access Transmission Tariff (OATT)

The OATT is the tariff for wheeling service over high voltage transmission lines at 115 kV or greater.

Program Incentives

Reward or rebate that encourages customers to participate in various SMUD programs particularly energy efficiency programs.

PV Pioneer Program

A program implemented in 1993 whereby customers allowed SMUD to install 2 to 4 kW PV systems on the customer's rooftop. SMUD owned the system and its output and was responsible for system operations and maintenance. The homeowner paid a monthly fee to participate in the program.

Purchase Power Agreement (PPA)

A contract between two parties, one who generates electricity for the purpose of sale (the seller) and one who is looking to purchase electricity (the buyer).

Reliability Targets

These are targets for system outages (see SAIDI and SAIFI statistics) established by the Board of Director's Reliability Policy, Strategic Directive 4 (SD-4).

Renewable Energy

Renewable energy is energy generated from natural resources such as sunlight, wind, rain, tides and geothermal heat that are renewable (naturally replenished).

SAIDI frequency statistics

System Average Interruption Duration Index (SAIDI) is an index that measures electric system reliability, or the frequency of electric service outages per customer on an annual basis.

SAIFI frequency statistics

System Average Interruption Frequency Index (SAIFI) is an index that measures electric system reliability, or the frequency of electric service outages per customer on an annual basis.

SGIG

SGIG is an acronym for SMUD's Smart Grid Investment Grant from the U. S. Department of Energy that is providing a major source of funding for the installation of Advanced Metering Infrastructure including smart meters.

Site Infrastructure Charge

Formerly called "Facility Charge," this charge covers the additional costs associated with providing service to an individual, medium, or large commercial site. These distribution costs primarily include substations and power lines. This charge allows us to provide exceptional equipment and reliable service to each of our larger commercial customers.

Smart Meter

These meters report electricity consumption on an hourly basis, sometimes more frequently and provide for two-way communication between the home and the utility. This enables the utility to explore pricing that varies by season and time of the day, rewarding customers who shift electricity use to off-peak periods. The smart grid also allows a utility to give customers timing and pricing options and can aid in outage reporting and management.

Strategic Directives

SMUD's Strategic Directives include our *Vision Statement, Purpose Statement, and Core Values,* which are strategically essential for SMUD and *Key Values,* which provide value added services to SMUD customers and ratepayers.

Surplus Compensation

Surplus Compensation refers to the payment provided by SMUD for net excess electricity delivered from renewable generation by customers who participate in the net metering option. Net excess electricity is any kilowatt-hours (kWh) cumulatively delivered to SMUD's distribution system less SMUD power delivered to the customer generator at the end of twelve months. The payment is equal to the total net excess electricity amount in kWh multiplied by the Surplus Compensation Value. SMUD sets the Surplus Compensation Value annually.

System Infrastructure Fixed Charge

Formerly called the "Service Charge," this monthly flat-rate charge covers a small portion of the shared fixed costs necessary to run our operations, including power lines, transformers, trucks, and the customer call center. All of our customers contribute and benefit from the upkeep of these services and resources.

Time-of-Use rate

Time-of-use rates vary so as to reflect the purchase cost and customer demand of energy at various times throughout the day. The time-of-use rate better transmits the cost signal to the customer, improving the incentive for conservation.

Wheeling Service

Wheeling Service is a utility service whereby the utility receives power from one entity and transmits that power over its lines to a third party. Wheeling Service can be provided at various voltage levels. SMUD's Distribution Wheeling Service is provided at 12 kV, 21 kV, and 69 kV. See the Open Access Transmission Tariff for wheeling at higher voltage levels.

Appendix A. Audited Financial Statements

SACRAMENTO MUNICIPAL UTILITY DISTRICT
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Sacramento Municipal Utility District
Sacramento, California

We have audited the accompanying consolidated balance sheets of Sacramento Municipal Utility District and its blended component units as of December 31, 2010 and 2009, and the related consolidated statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of Sacramento Municipal Utility District's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sacramento Municipal Utility District and its blended component units at December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will issue a report on our consideration of Sacramento Municipal Utility District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As discussed in Note 3 to the financial statements, effective with the financial statements for 2010 the Sacramento Municipal Utility District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

The management's discussion and analysis on pages 2 through 15 and the Schedules of Funding Progress are not a required part of the consolidated financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
February 18, 2011

SACRAMENTO MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

The following discussion and analysis of the Sacramento Municipal Utility District and its component units (SMUD) financial performance provides an overview of SMUD's financial activities for the years ended December 31, 2010 and 2009. This discussion and analysis should be read in conjunction with SMUD's financial statements and accompanying notes, which follow this section.

BACKGROUND

SMUD was formed by a vote of the electors in 1923, under provisions of the State of California Municipal Utility District Act, and began electric operations in 1947. SMUD is governed by an elected Board of Directors (Board) and has the rights and powers to fix rates and charges for commodities or services furnished, and to incur indebtedness and issue bonds or other obligations. SMUD is responsible for the acquisition, generation, transmission, and distribution of electric power to its service area, which includes most of Sacramento County and small adjoining portions of Placer County and Yolo County.

Setting of Rates

The Board has autonomous authority to establish the rates charged for all SMUD services. Changes in such rates require formal action, after public hearing, by the Board.

In June 2009, the Board approved an average system rate increase of approximately 5.5 percent that was effective in rates beginning September 1, 2009; 5.5 percent effective in rates beginning March 1, 2010; and 2.25 percent effective in rates January 1, 2011. In April 2009, $11 million from the Hydro Rate Stabilization Fund (HRSF) was recognized as revenue to cover the budget impact of lower hydro generation resulting from lower precipitation for the period April 1, 2008 through March 31, 2009. In April 2010, the remaining $4.1 million in the HRSF was recognized as revenue to cover the budget impact of lower hydro generation for the period April 1, 2009 through March 31, 2010 as a result of lower precipitation. In December 2010, $2.1 million of the Rate Stabilization Fund was recognized as revenue, $1.1 million of which was to offset the higher cost of purchased power due to lower Western Area Power Administration energy deliveries for the year.

Financial Reporting

SMUD's accounting records are maintained in accordance with Generally Accepted Accounting Principles (GAAP) for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB) and, where not in conflict with GASB pronouncements, accounting principles prescribed by the Financial Accounting Standards Board (FASB). Over the years, the FASB and other designated GAAP-setting bodies, have issued standards in the form of FASB Statements, Interpretations, etc. The FASB recognized the complexity of its standard-setting process and embarked on a revised process in 2004 that culminated in the release on July 1, 2009, of the FASB Accounting Standards Codification ™, sometimes referred to the Codification or ASC. The Codification does not change how SMUD accounts for its transactions or the nature of related disclosures made. However, when referring to guidance issued by the FASB, SMUD refers to topics in the ASC rather than Statement 143, etc. The above change was made effective by the FASB for periods ending on or after September 15, 2009. References to GAAP in this Annual Report have been updated to reflect the guidance in the Codification. SMUD's accounting records generally follow the Uniform System of Accounts for Public Licensees prescribed by the Federal Energy Regulatory Commission, except as it relates to the accounting for contributions of utility property in aid of construction.

In accordance with Financial Accounting Standards Board ASC 980, formerly known as Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation", the Board has taken various regulatory actions for ratemaking purposes that result in the deferral of expense or revenue recognition. With the implementation of the Statement of Government Accounting Standard No. 53 *"Accounting and Financial Reporting for Derivative Instruments"*, 2009 deferrals related to effective energy and gas related derivatives have been reclassified as Deferred outflow resources for future recovery. The implementation also resulted in additional reclassifications of 2009 amounts, and as a result, certain categories are no longer comparable for 2009 and 2008. As of December 31, 2010, SMUD had total Regulatory Costs for Future Recovery of $258 million, which is a net increase of $24 million from 2009. The increase is primarily due to an increase in the valuation of derivative financial instruments and an increase in the deferred costs for Rancho Seco decommissioning, partially offset by a reduction in the deferred TANC operation costs. SMUD also had Regulatory Credits of $294 million as of December 31, 2010, which is a net increase of $9 million from 2009. The increase is primarily due to the deferral of Grant revenues related to capital assets. This was partially offset by the recognition of $4 million of revenue from the Hydro Rate Stabilization Fund to offset

lower hydro generation as a result of lower precipitation, and the recognition of revenues from the Rate Stabilization Fund to offset lower Western Area Power Administration (Western) energy deliveries. Additionally, revenues were recognized related to Contributions In Aid of Construction. The Regulatory Costs and Regulatory Credits will be recognized in the Consolidated Statement of Revenues, Expenses and Changes in Net Assets in future periods as determined by the Board for ratemaking purposes.

Using This Financial Report

This financial annual report consists of management's discussion and analysis and the consolidated financial statements, including notes to the consolidated financial statements. The financial annual report reflects the activities of SMUD primarily funded through the sale of energy, transmission, and distribution services to its customer-owners.

Consolidated Balance Sheets, Statements of Revenues, Expenses and Changes in Net Assets, and Statements of Cash Flows

The consolidated financial statements provide both short-term and long-term information about SMUD's financial status. The Consolidated Balance Sheets include all of SMUD's assets and liabilities, using the accrual method of accounting, as well as an indication about which assets can be utilized for general purposes, and which assets are restricted as a result of bond covenants, Board action and other commitments. The Consolidated Balance Sheets provide information about the nature and amount of resources and obligations at a specific point in time. The Consolidated Statements of Revenues, Expenses and Changes in Net Assets report all of SMUD's revenues and expenses during the periods indicated. The Consolidated Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income, debt financing, and other cash uses such as payments for bond principal and capital additions and betterments.

FINANCIAL HIGHLIGHTS

Condensed Consolidated Balance Sheets

(millions)

Assets	December 31, 2010	2009	2008
Electric Utility Plant – net	$ 3,004	$ 2,979	$ 2,927
Restricted and Designated Assets	205	202	274
Current Assets	989	786	739
Noncurrent Assets and Deferred Charges	896	857	1,159
	$ 5,094	$ 4,824	$ 5,099
Liabilities and Net Assets			
Long-Term Debt - net	$ 3,156	$ 3,008	$ 3,205
Current Liabilities and Deferred Credits	718	690	740
Noncurrent Liabilities and Deferred Credits	673	611	643
Net Assets:			
Invested in capital, net of related debt	97	222	274
Restricted	101	86	122
Unrestricted	349	207	115
	$ 5,094	$ 4,824	$ 5,099

ASSETS

Utility Plant – net

2010 Compared to 2009

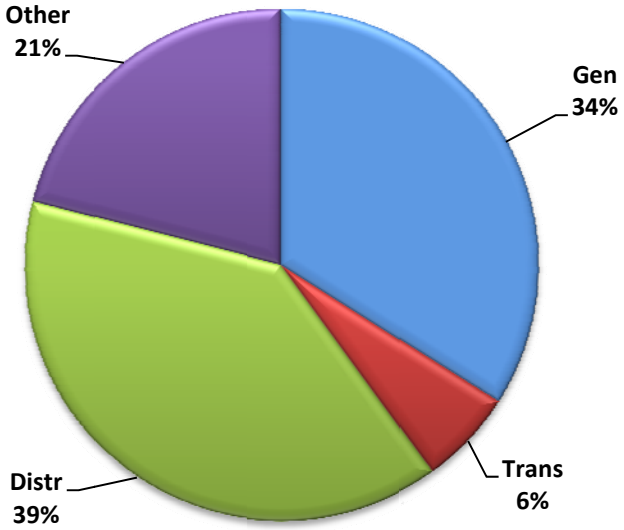
SMUD has invested approximately $3,004 million in utility plant assets and Construction Work in Progress net of accumulated depreciation at December 31, 2010. Net utility plant makes up about 59 percent of SMUD's assets, approximately 3 percent less than the previous year. During 2010, SMUD capitalized approximately $198 million of additions to utility plant, including additions to Construction Work in Progress in SMUD's Consolidated Balance Sheets. This was a result of the Smart Grid project, land acquisition and preliminary costs for the East Campus project, and routine capital additions for generation, transmission, distribution, and general plant.

2009 Compared to 2008

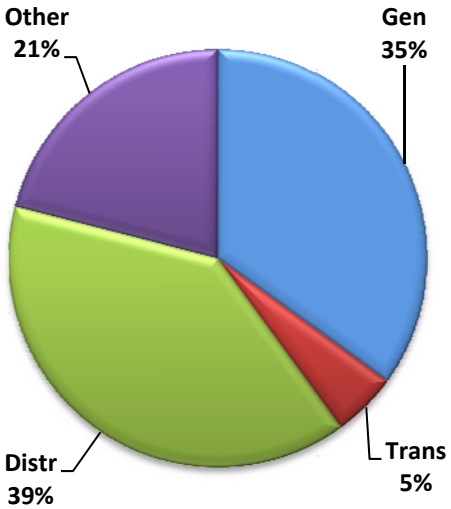
SMUD has invested approximately $2,979 million in utility plant assets and Construction Work in Progress net of accumulated depreciation at December 31, 2009. Net utility plant makes up about 62 percent of SMUD's assets, approximately 5 percent more than the previous year. During 2009, SMUD capitalized approximately $217 million of additions to utility plant, including additions to Construction Work in Progress in SMUD's Consolidated Balance Sheets. This was a result of routine capital additions for generation, transmission, distribution, and general plant.

The following charts show the breakdown of net utility plant by major plant category – Generation (Gen), Transmission (Trans), Distribution (Distr), and Other:

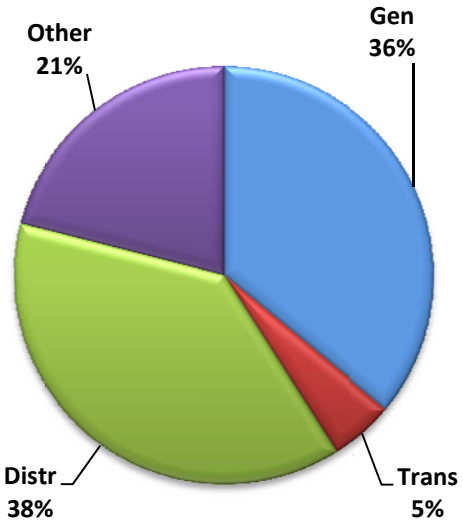
December 31, 2010



December 31, 2009



December 31, 2008



Restricted and Designated Assets

2010 Compared to 2009

SMUD's Restricted and Designated Assets increased by $3 million during 2010. Revenue Bond, Debt Service, and Construction Reserves increased by $31 million mainly due to higher component unit funds. This was partially offset by lower Nuclear decommissioning trust funds due to reimbursement for decommissioning activities, lower Rate stabilization funds after recognition of revenues to offset the budget impact of lower hydro generation resulting from lower precipitation in the previous water year, and for lower energy deliveries from Western. There was no Securities lending collateral held at year-end and a higher current portion of Restricted and Designated Assets.

2009 Compared to 2008

SMUD's Restricted and Designated Assets decreased by $72 million during 2009. There was a significant decrease in Revenue Bond, Debt Service, and Construction Reserves mainly due to component unit refundings that resulted in a reduction in the requirement for various restricted funds. The Rate Stabilization Funds decreased due to the recognition of revenue to offset the budget impact of lower hydro generation resulting from lower precipitation in the previous water year and for lower energy deliveries from Western. There was a significant decrease in funds held for Securities Lending Collateral.

Current Assets

2010 Compared to 2009

Current Assets increased by $203 million in 2010 due to increases in Unrestricted Cash and Cash Equivalents, Receivables from customers, and Energy Efficiency Loans due Within One Year, Interest Receivable, Grant Receivable and Other, Regulatory costs and Deferred Outflow Resources to be Recovered Within One Year, and Credit Support Collateral Deposits. These increases were partially offset by a lower current portion of Restricted and Designated Assets, lower Derivative Investment and Hedging Derivative Instruments Maturing within One Year, lower Materials and Supplies, and lower Prepayments.

2009 Compared to 2008

Current Assets increased by $47 million in 2009 due to increases in Unrestricted Cash and Cash Equivalents, Receivables for retail customers, Derivative Financial Instruments maturing within one year, and Prepayments. These increases were

partially offset by a lower current portion of Restricted and Designated Assets, lower wholesale receivables, and lower Materials and Supplies.

Noncurrent Assets and Deferred Charges

2010 Compared to 2009

Total Noncurrent Assets and Deferred Charges increased by $39 million mainly due to an increase in the Deferred Outflow Resources for Future Recovery, an increase in Regulatory Costs for Future Recovery, and an increase in Credit Support Collateral Deposits. These were partially offset by decreases in Pre-paid gas, the long-term portion of Advance Capacity Payments, Investment and Hedging Derivative Instruments Maturing within One Year, Unamortized Debt Issuance Costs, and Energy Efficiency Loans - net.

2009 Compared to 2008

Total Noncurrent Assets and Deferred Charges decreased by $299 million mainly due to a $272 million reduction in the long-term portion of the Prepaid Gas asset. Twice during 2009, Morgan Stanley Capital Group (MSCG) extinguished component unit debt and made cash payments in exchange for a reduction in their obligation for daily natural gas deliveries. Additionally, there were decreases in the long-term portion of Advance Capacity Payments, Derivative Financial Instruments, Unamortized Debt Issuance Costs, and Preliminary Project Studies and Other.

LIABILITIES

Long-Term Debt

2010 Compared to 2009

In July 2010, SMUD issued $250 million of fixed-rate 2010 Series W Electric Revenue Bonds. These bonds qualify under the federal program as “Build America Bonds” and SMUD expects to receive a cash subsidy from the United States Treasury equal to 35 percent of the interest payable. The interest payments on these bonds are fully taxable.

2009 Compared to 2008

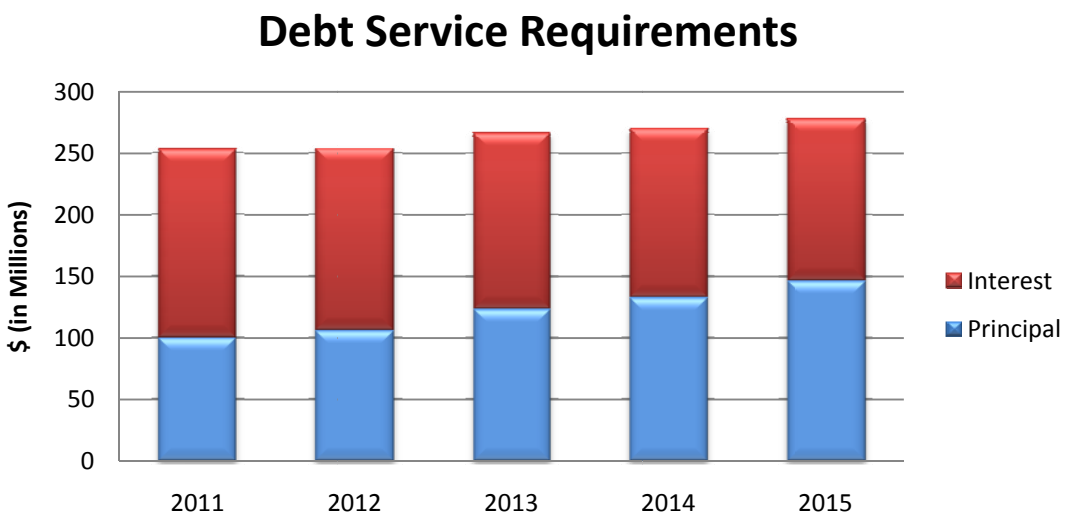
In January 2009, SMUD extinguished $250 million of 2007 Northern California Gas Authority #1 (NCGA) Series B Gas Project Revenue Bonds, a component unit of SMUD. In August 2009, SMUD extinguished an additional $10 million of 2007 NCGA Series B Gas Project Revenue Bonds. For both extinguishments, MSCG funded the bond extinguishment plus made cash payments to NCGA in exchange for lowering their obligation for daily natural gas deliveries.

In May 2009, SMUD issued $200 million of fixed-rate 2009 Series V Electric Revenue Bonds. These bonds qualify under the federal program as "Build America Bonds" and SMUD expects to receive a cash subsidy from the United States Treasury equal to 35 percent of the interest payable. The interest payments on these bonds are fully taxable.

In August 2009, SMUD issued $58 million of fixed-rate 2009 Series Sacramento Cogeneration Authority (SCA) Cogeneration Project Revenue Refunding Bonds, a component unit of SMUD. Bond proceeds plus $7 million of available funds were used to refund $68 million of outstanding 1998 Series SCA Cogeneration Project Revenue Bonds.

In August 2009, SMUD issued $49 million of fixed-rate 2009 Series Central Valley Financing Authority (CVFA) Cogeneration Project Revenue Refunding Bonds, a component unit of SMUD. Bond proceeds plus $5 million of available funds were used to refund $55 million of outstanding 1998 Series CVFA Cogeneration Project Revenue Bonds.

The following table shows SMUD's future debt service requirements through 2015 as of December 31, 2010:



As of December 31, 2010, SMUD had an underlying rating of "A+" from Standard & Poor's, "A" from Fitch, and "A1" from Moody's. Most of SMUD's bonds are insured and are rated by the rating agencies at the higher of the insurer's rating or SMUD's underlying rating.

Current Liabilities and Deferred Credits

2010 Compared to 2009

Current Liabilities and Deferred Credits increased by approximately $28 million during 2010. Investment and Hedging Derivative Instruments Maturing within One Year increased by $53 million and Customer deposits and other increased by $6 million and higher Accrued Salaries and Compensated Balances. These increases were partially offset by lower Purchased Power Payable, lower Long-term Debt due within One Year, lower Accrued Decommissioning, and no Securities Lending Collateral Obligation at year-end.

2009 Compared to 2008

Current Liabilities and Deferred Credits decreased by approximately $50 million during 2009. The most significant decrease was a reduction in SMUD's obligation for Securities Lending Collateral reflecting lower securities lending activity in 2009. SMUD's obligation for Credit Support Collateral also decreased during the year as a result of lower energy and gas prices. Other decreases were attributable to Accounts Payable, Interest Payable, and Regulatory Credits to be recognized within one year. These decreases were partially offset by an increase in Long-Term Debt due within one year and Derivative Financial Instruments maturing within one year.

Noncurrent Liabilities and Deferred Credits

2010 Compared to 2009

Noncurrent Liabilities and Deferred Credits increased by $62 million during 2010. Accrued Decommissioning increased by $7 million reflecting a higher estimate for the cost of completing decommissioning at the Rancho Seco nuclear plant site. Also, the value of the liability for Investment and Hedging Derivative Instruments increased by approximately $46 million due to price changes in the power and gas markets. Regulatory Credits also increased by $10 million reflecting the deferral of grant revenues related to capital projects.

2009 Compared to 2008

Noncurrent Liabilities and Deferred Credits decreased by $32 million during 2009. Accrued Decommissioning decreased by $12 million reflecting a lower estimate for the cost of completing decommissioning at the Rancho Seco nuclear plant site. Also, the value of the liability for Derivative Financial Instruments decreased by approximately $21 million due to price changes in the power and gas markets. Regulatory Credits also decreased by $17 million reflecting the recognition in 2009 of previously deferred revenue. These decreases were partially offset by increase for amounts Due to Affiliated Entity and for Self-Insurance, Deferred Credits and Other.

Condensed Statement of Consolidated Revenues, Expenses and Changes in Net Assets

(millions)

	December 31,		
	2010	2009	2008
Operating revenues	$ 1,323	$ 1,293	$ 1,487
Operating expenses	(1,156)	(1,178)	(1,349)
Operating income	167	115	138
Other revenues	4	(16)	38
Interest charges	(140)	(111)	(164)
Net increase/(decrease) in net assets before extraordinary income	31	(12)	12
Extraordinary income	0	17	10
Increase/(decrease) in net assets	31	5	22
Net assets – beginning of year	516	511	488
Net assets – end of year	$ 547	$ 516	$ 510

CHANGES IN NET ASSETS

Operating Revenues

2010 Compared to 2009

Operating Revenues were $1,323 million in 2010, an increase of $30 million from 2009. Sales to retail customers were $1,184 million in 2010, an increase of $50 million as compared to 2009 sales. SMUD sold about 3.8 percent less energy to its retail customers, which grew from 595,076 customers in 2009 to 597,097 customers at the end of 2010, at an average revenue per kilowatt hour that increased by 8.5 percent. SMUD transferred $2 million from the Rate Stabilization Fund in 2010 as compared to a transfer from the Rate Stabilization Fund of $16 million in 2009. SMUD also transferred $4 million from the Hydro Rate Stabilization Fund during 2010 as compared to a transfer of $11 million in 2009. Additionally, SMUD recognized

approximately $1 million of previously deferred Senate Bill 1 revenues to match them against expenditures in the current year.

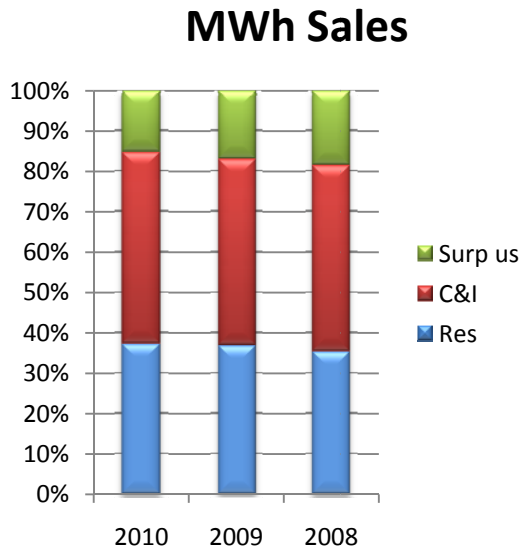
Wholesale revenues are comprised of both surplus energy and gas sales. In 2010, surplus gas sales were $60 million as compared to $61 million in 2009. The amount of surplus gas sold was 16 percent lower, but at higher average prices. Surplus energy sales in 2010 were $1 million higher than in 2009. The increase is due to significantly higher average prices (20 percent), although a lower volume was sold (15 percent) as compared to 2009.

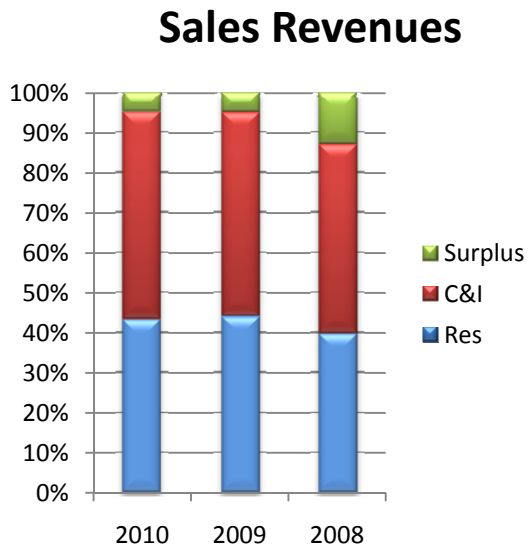
2009 Compared to 2008

Operating Revenues were $1,293 million in 2009, a decrease of $194 million from 2008. Sales to retail customers were $1,134 million in 2009, a decrease of $17 million as compared to 2008 sales. SMUD sold about 2.1 percent less energy to its retail customers, which grew from 592,490 customers in 2008 to 595,076 customers at the end of 2009, at an average revenue per kilowatt hour that increased by 0.3 percent. SMUD transferred $16 million from the Rate Stabilization Fund in 2009 as compared to a transfer from the Rate Stabilization Fund of $16 million in 2008. SMUD also transferred $11 million from the Hydro Rate Stabilization Fund during 2009. Additionally, SMUD recognized approximately $1 million of previously deferred Senate Bill 1 revenues to match them against expenditures in the current period.

Wholesale revenues are comprised of both surplus energy and gas sales. In 2009, surplus gas sales were $61 million as compared to $139 million in 2008. The amount of surplus gas sold was lower, but at higher average prices. Surplus energy sales in 2009 were $112 million lower than in 2008. The decrease is due to lower volume (12 percent) at significantly lower average prices (61 percent) than in 2008.

The following charts show the percentage of megawatt hour (MWh) sales and sales revenue in 2010, 2009, and 2008 by surplus energy sales (Surplus), commercial and industrial (C&I), and residential (Res) customers:





Operating Expenses

2010 Compared to 2009

Operating Expenses were $1,156 million in 2010, approximately $22 million lower than in 2009. Purchased Power expense was $84 million lower in 2010 mainly due to less energy purchased and slightly lower average prices as compared to 2009. Approximately 24 percent less energy was purchased in 2010 at average prices that were one percent lower than in 2009. Purchased Power expense increased by $4 million for precipitation hedges and insurance. In 2010, net fuel costs for generation, a component of Production Costs, were approximately $295 million (inclusive of ineffective hedges reported as Investment Expense), or $24 million higher than 2009. More fuel was used in 2010 (1.2 million decatherms), primarily due to higher production at the component unit generation plants (6 percent). Average net fuel prices were higher by 6 percent in 2010 as compared to 2009.

Administrative, General and Customer expenses were $3 million lower in 2010 than in 2009 reflecting lower Cosumnes Power Plant litigation costs and efforts to reduce expenses.

Depreciation expense increased by $12 million due to a change in the remaining service life for meters as SMUD transitions to advanced metering technology and due to normal capital plant additions.

In 2010, power supply costs made up approximately 59 percent of total Operating Expenses as compared to 61 percent for 2009.

2009 Compared to 2008

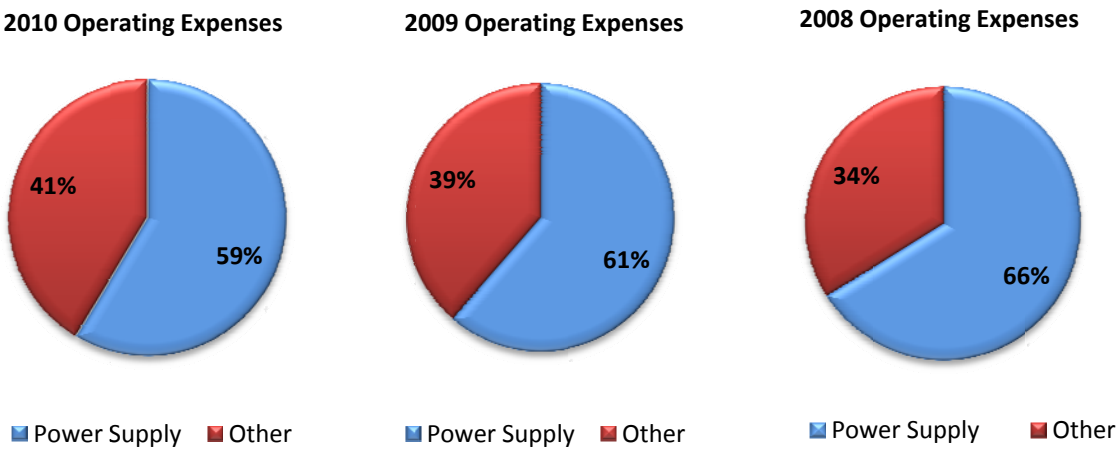
Operating Expenses were $1.2 billion in 2009, approximately $139 million lower than in 2008. Purchased Power expense was $107 million lower in 2009 mainly due to lower average prices and less energy purchased as compared to 2008. Approximately three percent less energy was purchased in 2009 at average prices that were 22 percent lower than in 2008. Purchased Power expense increased by $4 million for precipitation hedges and insurance. In 2009, net fuel costs for generation, a component of Production Costs, were approximately $271 million, or $34 million higher than 2008. Less fuel was used in 2009 (5.4 million decatherms), primarily due to lower production at all of the component unit cogeneration plants (14 percent). Average net fuel prices were 30 percent higher in 2009 as compared to 2008.

These reductions were partially offset by higher Administrative, General and Customer expenses, which were $6 million higher in 2009 than in 2008.

Depreciation expense increased by $7 million due to a change in the remaining service life for meters as SMUD transitions to advanced metering technology and due to normal capital plant additions.

In 2009, power supply costs made up approximately 61 percent of total Operating Expenses as compared to 66 percent for 2008.

The following charts compare the relative cost of Purchased Power, Production expenses, and depletion of the Rosa gas field (power supply costs) to all other Operating Expenses in 2010, 2009, and 2008:



Other Revenues (Expenses)

2010 Compared to 2009

Other Revenues were $20 million higher in 2010 as compared to 2009. Interest Income was $2 million lower due to significantly lower interest rates. Other Income - net was $7 million higher due to higher Build America Bond interest subsidies. Investment Expense related to ineffective hedges was lower by $14 million.

2009 Compared to 2008

Other Revenues were $10 million lower in 2009 as compared to 2008. Interest Income was $18 million lower due to significantly lower interest rates and lower securities lending income.

Interest Charges

2010 Compared to 2009

Interest Charges in 2010 were $30 million higher than in 2009, due mainly to a 2009 gain on the extinguishments of a portion of the NCGA long-term debt.

2009 Compared to 2008

Interest Charges in 2009 were $41 million lower than in 2008, due mainly to a gain on the extinguishments of a portion of the NCGA long-term debt. This also resulted in lower Interest on Debt for 2009.

Extraordinary Income

SMUD recognized Extraordinary Income of $17 million in 2009 for natural gas and power settlements.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2010	DECEMBER 31, 2009
	(thousands of dollars)	
ASSETS		
ELECTRIC UTILITY PLANT		
Plant in service	$ 4,505,686	$ 4,342,758
Less accumulated depreciation and depletion	(1,755,534)	(1,608,459)
Plant in service - net	2,750,152	2,734,299
Construction work in progress	254,064	244,324
Total electric utility plant - net	3,004,216	2,978,623
RESTRICTED AND DESIGNATED ASSETS		
Revenue bond, debt service and construction reserves	239,533	208,663
Nuclear decommissioning trust fund	30,335	38,849
Rate stabilization fund	41,471	47,688
Securities lending collateral	-0-	5,247
Other funds	750	805
Less current portion	(107,649)	(98,757)
Total restricted and designated assets	204,440	202,495
CURRENT ASSETS		
Unrestricted cash and cash equivalents	371,090	257,648
Restricted and designated cash and cash equivalents	39,056	49,981
Restricted and designated investments	68,593	48,776
Receivables - net:		
Retail customers	154,489	150,811
Wholesale	47,594	40,743
Energy efficiency loans due within one year, interest receivable, grants receivable and other	33,524	25,008
Regulatory costs to be recovered within one year	52,626	37,736
Deferred outflow resources to be recovered within one year	104,556	61,062
Investment derivative instruments maturing within one year	905	1,792
Hedging derivative instruments maturing within one year	13,232	17,064
Materials and supplies	44,518	47,526
Prepaid gas to be delivered within one year	21,309	22,114
Credit support collateral deposits	22,761	8,872
Prepayments	14,676	17,001
Total current assets	988,929	786,134
NONCURRENT ASSETS AND DEFERRED CHARGES		
Regulatory costs for future recovery	205,052	195,798
Deferred outflow resources for future recovery	113,064	67,063
Prepaid Gas	406,046	427,355
Advance capacity payments	16,795	21,713
Investment derivative instruments	-0-	294
Hedging derivative instruments	27,654	38,467
Unamortized debt issuance costs	31,459	32,368
Energy efficiency loans - net	57,959	60,497
Credit support collateral deposits	27,139	2,128
Preliminary project studies and other	11,081	11,507
Total noncurrent assets and deferred charges	896,249	857,190
TOTAL ASSETS	$ 5,093,834	$ 4,824,442

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

SACRAMENTO MUNICIPAL UTILITY DISTRICT
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2010	DECEMBER 31, 2009
	(thousands of dollars)	
LIABILITIES		
LONG-TERM DEBT - net	$ 3,156,447	$ 3,007,908
CURRENT LIABILITIES AND DEFERRED CREDITS		
Commercial paper notes	200,000	200,000
Accounts payable	77,422	77,105
Purchased power payable	52,104	70,491
Credit support collateral obligation	6,050	6,050
Long-term debt due within one year	99,935	106,775
Accrued decommissioning	1,893	6,913
Interest payable	47,119	46,299
Accrued salaries and compensated absences	37,747	33,943
Investment derivative instruments maturing within one year	29,076	15,345
Hedging derivative instruments maturing within one year	117,787	78,126
Regulatory credits to be recognized within one year	11,941	13,549
Securities lending collateral obligation	-0-	5,247
Customer deposits and other	36,207	30,066
Total current liabilities and deferred credits	717,281	689,909
NONCURRENT LIABILITIES AND DEFERRED CREDITS		
Accrued decommissioning	165,603	158,436
Investment derivative instruments	43,703	32,418
Hedging derivative instruments	140,717	105,530
Regulatory credits	281,740	271,482
Due to affiliated entity	9,448	13,041
Due to U.S. Bureau of Reclamation	6,300	6,400
Self insurance, deferred credits and other	25,908	23,384
Total noncurrent liabilities and deferred credits	673,419	610,691
TOTAL LIABILITIES	4,547,147	4,308,508
NET ASSETS		
Invested in capital assets, net of related debt	96,871	221,988
Restricted	100,889	86,321
Unrestricted	348,927	207,625
TOTAL NET ASSETS	546,687	515,934
COMMITMENTS AND CONTINGENCIES (Notes 17 and 18)		
TOTAL LIABILITIES AND NET ASSETS	$ 5,093,834	$ 4,824,442

SACRAMENTO MUNICIPAL UTILITY DISTRICT
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended December 31, 2010	2009
	(thousands of dollars)	
OPERATING REVENUES		
Residential	$ 526,860	$ 514,320
Commercial and industrial	640,727	604,907
Street lighting and other	28,762	26,344
Wholesale	119,490	119,956
Senate Bill - 1 revenue	1,232	722
Rate stabilization fund transfers	6,217	27,088
Total operating revenues	1,323,288	1,293,337
OPERATING EXPENSES		
Operations:		
Purchased power	255,523	339,310
Production	404,845	360,022
Transmission and distribution	49,879	50,175
Administrative, general and customer	140,025	142,860
Public good	53,236	47,607
Maintenance	74,498	74,706
Depreciation	162,708	150,811
Depletion	10,894	12,188
Decommissioning	4,704	421
Total operating expenses	1,156,312	1,178,100
OPERATING INCOME	166,976	115,237
NON-OPERATING REVENUES AND EXPENSES		
Other revenues		
Interest income	10,123	12,326
Investment expense	(30,175)	(44,302)
Revenue - Grants	6,354	4,925
Pass through expenditures - Grants	(365)	(177)
Other income - net	17,906	10,800
Total other revenues and (expenses)	3,843	(16,428)
Interest charges		
Interest on debt	145,148	143,111
Gain on debt extinguishment and refundings	-0-	(28,320)
Allowance for funds used during construction	(5,079)	(4,197)
Total interest charges	140,069	110,594
INCREASE (DECREASE) IN NET ASSETS BEFORE EXTRAORDINARY INCOME	30,750	(11,785)
EXTRAORDINARY INCOME		
Natural gas and power settlement proceeds	3	17,170
INCREASE IN NET ASSETS	30,753	5,385
NET ASSETS - BEGINNING OF YEAR	515,934	510,549
NET ASSETS - END OF YEAR	$ 546,687	$ 515,934

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

SACRAMENTO MUNICIPAL UTILITY DISTRICT
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2010	2009
	(thousands of dollars)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from retail customers	$ 1,184,802	$ 1,127,952
Receipts from surplus power sales	56,696	59,225
Receipts from surplus gas sales	55,745	63,646
Receipts from steam sales	8,565	8,013
Natural gas and power settlement proceeds	3	702
Other receipts	11,753	7,921
Payments for credit support collateral, net	(38,900)	(8,450)
Issuance/repayment of energy efficiency loans, net	(778)	(5,313)
Payments to employees - payroll and other	(226,522)	(223,857)
Payments for wholesale power	(261,617)	(326,611)
Payments for gas purchases	(313,559)	(281,195)
Payments to vendors/others	(149,455)	(154,701)
Payments for weather hedge/insurance	(3,462)	(4,218)
Payments for decommissioning	(4,801)	(3,859)
Net cash provided by operating activities	318,470	259,255
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of debt	(23,465)	(24,085)
Proceeds from extinguishment of long-term debt	-0-	20,529
Receipts from federal and state grants	20,432	7,007
Other receipts	-0-	528
Interest on debt	(19,335)	(23,542)
Net cash used in noncapital financing activities	(22,368)	(19,563)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Construction expenditures	(194,207)	(211,234)
Contributions in aid of construction	6,566	18,813
Net proceeds from bond issues	247,777	310,276
Repayments and refundings of debt	(83,310)	(218,322)
Interest on debt	(123,440)	(120,813)
Net cash used in capital financing activities	(146,614)	(221,280)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of securities	116,368	239,480
Purchases of securities	(173,586)	(142,055)
Interest and dividends received	10,306	12,749
Investment revenue/expenses, net	(30,176)	(44,302)
Securities lending collateral - net	(5,247)	(26,153)
Net cash provided by (used in) investing activities	(82,335)	39,719
Net increase in cash and cash equivalents	67,153	58,131
Cash and cash equivalents at the beginning of the year	470,839	412,708
Cash and cash equivalents at the end of the year	$ 537,992	$ 470,839
Cash and cash equivalents included in:		
Unrestricted cash and cash equivalents	$ 371,090	$ 257,648
Restricted and designated cash and cash equivalents	39,056	49,981
Revenue bond, debt service and construction reserves (a component of the total of $239,533 and $208,663 at December 31, 2010 and 2009, respectively)	127,846	163,210
Cash and cash equivalents at the end of the year	$ 537,992	$ 470,839

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

SACRAMENTO MUNICIPAL UTILITY DISTRICT
SUPPLEMENTAL CASH FLOW INFORMATION

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

	Year Ended December 31,	
	2010	2009
	(thousands of dollars)	
Operating income	$ 166,976	$ 115,237
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	162,708	150,811
Depletion	10,894	12,188
Decommissioning	4,704	421
Amortization of advance capacity & other	5,464	5,431
Amortization of prepaid gas supply	22,113	21,350
Revenue (recognized from) deferred to regulatory credits, net	(7,466)	(28,447)
Natural gas and power settlement proceeds	3	702
Payments for credit support collateral, net	(38,900)	(8,450)
Other receipts/payments	5,525	7,632
Changes in operating assets and liabilities:		
Customer and wholesale receivables	(10,727)	(2,749)
Energy efficiency loans	(778)	(5,313)
Other assets	6,808	4,016
Payables and accruals	(4,053)	(9,715)
Decommissioning	(4,801)	(3,859)
Net cash provided by operating activities	$ 318,470	$ 259,255

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

	Year Ended December 31,	
	2010	2009
	(thousands of dollars)	
Gain or (Loss) on debt extinguishment and refundings	-0-	7,791
Amortization of debt related costs	(1,546)	(2,355)
Unrealized holding gain or (loss)	(92)	(301)
Change in valuation of derivative financial instruments	(115,690)	5,043
Amortization of revenue for assets contributed in aid of construction	9,133	8,689
Allowance for funds used during construction	5,079	4,197
Construction costs included in accounts payable	30,576	32,443
Extinguishment of long-term debt	-0-	259,840
Partial termination of prepaid gas supply	-0-	(250,988)

NOTE 1. ORGANIZATION

The Sacramento Municipal Utility District (SMUD) was formed and operates under the State of California Municipal Utility District Act (Act). The Act confers upon SMUD the rights and powers to fix rates and charges for commodities or services furnished, and to incur indebtedness and issue bonds or other obligations. As a public utility, SMUD is not subject to regulation or oversight by the California Public Utilities Commission. SMUD is responsible for the acquisition, generation, transmission, and distribution of electric power to its service area, which includes most of Sacramento County and small adjoining portions of Placer County and Yolo County. The Board of Directors (Board) determines SMUD's rates. SMUD is exempt from payment of federal and state income taxes and, under most circumstances, real and personal property taxes. SMUD is not exempt from real and personal property taxes on assets it holds outside of California. In addition, SMUD is responsible for the payment of a portion of the property taxes associated with its real property located in California but outside of its service area.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. SMUD's accounting records are maintained in accordance with Generally Accepted Accounting Principles (GAAP) for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB) and, where not in conflict with GASB pronouncements, accounting principles prescribed by the Financial Accounting Standards Board (FASB). References to GAAP issued by the FASB in these footnotes are to the *FASB Accounting Standards Codification* ™, sometimes referred to as the Codification or ASC. The FASB finalized the Codification for periods ending on or after September 15, 2009. Prior FASB standards like FASB No. 157, "Fair Value Measurements", are no longer being issued by the FASB. For further discussion of the Codification see "FASB Codification Discussion" in Management's Discussion and Analysis elsewhere in this report. SMUD's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission (FERC), except as it relates to the accounting for contributions of utility property in aid of construction. SMUD's consolidated financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Electric revenues and costs that are directly related to the acquisition, generation, transmission, and distribution of electricity are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

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

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

Component Units. The component units include the Central Valley Financing Authority (CVFA), the Sacramento Cogeneration Authority (SCA), the Sacramento Power Authority (SPA), the Sacramento Municipal Utility District Financing Authority (SFA), and the Northern California Gas Authority No. 1 (NCGA). The primary purpose of CVFA, SCA, SPA and SFA is to own and operate electric utility plants that supply power to SMUD. The primary purpose of NCGA is to prepay for natural gas and to sell the natural gas to SMUD. SMUD's Board comprises the Commissions that govern these entities.

Plant in Service. The cost of additions to Plant in Service and replacement property units is capitalized. Repair and maintenance costs are charged to expense when incurred. When SMUD retires portions of its Electric Utility Plant, retirements are recorded against Accumulated Depreciation and the retired portion of Electric Utility Plant is removed from Plant in Service. The costs of removal and the related salvage value, if any, are charged or credited as appropriate to Accumulated Depreciation. SMUD generally computes depreciation on Plant in Service on a straight-line, service-life basis. The consolidated average annual composite depreciation rates for 2010 and 2009 were 3.88 and 3.72 percent, respectively. Depreciation is calculated using the following estimated lives:

Generation	5 to 90 years
Transmission and Distribution	5 to 50 years
General	2 to 50 years
Gas Pipeline	5 to 90 years

Investments in Joint Power Agency (JPA). SMUD's investment in the Transmission Agency of Northern California (TANC) is accounted for under the equity method of accounting and is reported as a component of Plant in Service. SMUD's share of the TANC debt service costs and operations and maintenance expense, inclusive of depreciation, is included in Transmission and Distribution expense in the Consolidated Statements of Revenues, Expenses and Changes in Net Assets.

Investments in Gas Properties. SMUD has an approximate 23 percent non-operating ownership interest in the Rosa Unit gas properties in New Mexico of which, SMUD's portion of the extracted gas is transported for use in its component unit natural gas-fired power plants (see Note 6). SMUD uses the successful efforts method of accounting for its investment in gas producing properties. Costs to acquire mineral interests in gas properties, to drill and equip exploratory wells that find proved

reserves, and to drill and equip development wells are capitalized as a component of Plant in Service on the Consolidated Balance Sheets. Costs to drill exploratory wells that do not find proved reserves, geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed. SMUD has purchased proven reserves and has not participated in exploratory drilling. Capitalized costs of producing gas properties, after considering estimated residual salvage values, are depleted by the unit-of–production method based on the estimated future production of the proved developed producing wells. SMUD's investment in gas properties is reported as a component of Plant in Service.

Restricted and Designated Assets. Cash, cash equivalents, and investments, which are restricted under terms of certain agreements for payments to third parties or Board actions limiting the use of such funds, are included as restricted assets. When SMUD restricts funds for a specific purpose, and both restricted and unrestricted resources are available for use, it is SMUD's policy to use restricted resources first, then unrestricted resources as they are needed.

Restricted Bond Funds. SMUD's Indenture Agreements (Indenture) and Bond Resolutions require the maintenance of minimum levels of reserves for debt service and certain construction costs intended by the related debt offerings.

Nuclear Decommissioning Trust Fund. SMUD made annual contributions to its Nuclear Decommissioning Trust Fund (Trust Fund) through 2008 to cover the cost of its primary decommissioning activities associated with the Rancho Seco facility. Primary decommissioning excludes activities associated with the spent fuel storage facility after 2008 and most non-radiological decommissioning tasks. SMUD determined early in 2008 that there were enough funds in the trust to complete the radiological decommissioning of the Rancho Seco nuclear plant site, and stopped contributing to the Trust Fund (see Note 13).

Interest earnings on the Trust Fund assets are recorded as Interest Income and are accumulated in the Trust Fund. Annual Decommissioning expense comprises the interest earnings on Trust Fund assets during the year and spent fuel storage facility and non-radiological decommissioning expenses that cannot be taken from the Trust account.

Accrued Decommissioning. SMUD accrues decommissioning costs related to Utility Plant when an obligation to decommission facilities is legally required. Adjustments are made to such liabilities based on estimates by SMUD staff in accordance with FASB ASC 410, *Asset Retirement and Environmental Obligations* (FASB ASC 410), (formerly known as Statement of Financial Accounting Standards (SFAS) No. 143, "*Accounting for Asset Retirement Obligations" (ARO))*. For active plants, such costs are included in the Utility Plant's cost and included as a component of Operating Expense over the Utility Plant's life. Expenditures for decommissioning activities are recorded as reductions to Accrued Decommissioning liability. Changes in the Rancho Seco decommissioning liability estimates arising from inflation, annual accretion, and other changes to the cost assumptions are recorded directly to Accrued Decommissioning with a corresponding adjustment to the related regulatory deferral. The

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

SMUD has identified potential retirement obligations related to certain generation, distribution and transmission facilities. SMUD's non-perpetual leased land rights generally are renewed continuously because SMUD intends to utilize these facilities indefinitely. Since the timing and extent of any potential asset retirements are unknown, the fair value of any obligations associated with these facilities cannot be reasonably estimated. Accordingly, a liability has not been recorded.

At December 31, 2010 and 2009, SMUD's Accrued Decommissioning balance in the Consolidated Balance Sheets relating to Rancho Seco was $160.5 million and $158.8 million, respectively (see Note 13). The Accrued Decommissioning balance in the Consolidated Balance Sheets relating to other electricity generation and gas production facilities totaled $7.0 million and $6.5 million as of December 31, 2010 and 2009, respectively.

Securities Lending Transactions. SMUD lends its securities to broker-dealers and other entities secured by collateral with a simultaneous agreement to return the collateral for the same securities in the future. SMUD policy requires cash collateral of 102 percent of the market value of the loaned securities. Both the investments purchased, with the collateral received, and the related liability to repay the collateral are included in the Consolidated Balance Sheets. At December 31, 2010 SMUD had no securities lending transactions.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less, all investments in the Local Agency Investment Fund (LAIF), and money market mutual funds. LAIF has an equity interest in the State of California (State) Pooled Money Investment Account (PMIA). PMIA funds are on deposit with the State's Centralized Treasury System and are managed in compliance with the California Government Code according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters, and maximum maturity of investments. SMUD's deposits with LAIF comprise cash representing demand deposits up to $50.0 million maximum, and cash equivalents representing amounts above $50.0 million which may be withdrawn once per month after a thirty-day period. The debt instruments and money market mutual funds are reported at amortized cost which approximates fair value, and the LAIF is reported at the value of its pool shares.

Investments. SMUD's investments are reported at fair value. Realized and unrealized gains and losses are included in Interest and Other Income in the Consolidated Statements of Revenues, Expenses and Changes in Net Assets. Premiums and discounts on zero coupon bonds are amortized using the effective interest method. Premiums and discounts on other securities are amortized using the straight-line method, which approximates the effective interest method.

Electric Operating Revenues. Electric revenues are billed on the basis of monthly cycle bills and are recorded as revenue when the electricity is delivered. SMUD records an estimate for unbilled revenues

earned from the dates its retail customers were last billed to the end of the month. At December 31, 2010 and 2009, unbilled revenues were $67.6 million and $64.3 million, respectively.

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

Advanced Capacity Payments. Some long-term agreements to purchase energy or capacity from other providers call for up-front payment. Such costs are generally recorded as an asset and amortized over the length of the contract.

Credit and Market Risk. SMUD enters into forward purchase and sales commitments for physical delivery of gas and electricity with utilities and power marketers. SMUD is exposed to credit risk related to nonperformance by its wholesale counterparties under the terms of these contractual agreements. In order to limit the risk of counterparty default, SMUD has a wholesale counterparty risk policy which includes using the credit agency ratings of SMUD's counterparties, credit enhancements for counterparties that do not meet an acceptable risk level, and the use of standardized agreements that allow for the netting of positive and negative exposures associated with a single counterparty. SMUD is also subject to similar requirements for many of its gas and electricity purchase agreements. At both December 31, 2010 and 2009, SMUD held $6.1 million on deposit by counterparties. The amount is recorded as unrestricted cash with an associated short-term and long-term liability. At December 31, 2010, SMUD had $49.9 million in collateral on deposit with counterparties. SMUD has a $50 million letter of credit facility to support collateral requirements under SMUD's various energy and natural gas purchase, sale and swap agreements.

Accounts Receivable and Allowance for Doubtful Accounts. Accounts Receivable is recorded at the invoiced amount and does not bear interest, except for accounts related to energy efficiency loans. SMUD recognizes an estimate of uncollectible accounts for its receivables related to electric service, wholesale activities, and energy efficiency loans based upon its historical experience with collections and current energy market conditions. For large wholesale receivable balances, SMUD determines its bad debt reserves based on the specific credit issues for each account. SMUD records bad debts for its estimated uncollectible accounts related to electric service and wholesale activities as a reduction to the related operating revenues in the Consolidated Statements of Revenues, Expenses and Changes in Net Assets. SMUD records bad debts for its estimated uncollectible accounts related to energy efficiency loans in Administrative, General and Customer expense in the Consolidated Statements of Revenues, Expenses and Changes in Net Assets.

The summarized activity of the changes in the allowance for doubtful accounts during 2010 and 2009 is presented below (thousand of dollars):

	Balance at beginning of Year	Additions	Write-offs and Recoveries	Balance at end of Year
California ISO and PX:				
December 31, 2010.....	$ 23,848	$ 222	$ 63	$ 24,007
December 31, 2009.....	$ 24,582	$ 237	$ 971	$ 23,848
Wholesale Power and Other:				
December 31, 2010.....	$ 1,518	$ 659	$ 958	$ 1,219
December 31, 2009.....	$ 1,681	$ 400	$ 563	$ 1,518
Retail Customers:				
December 31, 2010.....	$ 3,548	$ 7,432	$ 7,034	$ 3,946
December 31, 2009.....	$ 2,882	$ 6,617	$ 5,951	$ 3,548
Energy Efficiency Loans:				
December 31, 2010.....	$ 2,978	$ 2,312	$ 2,007	$ 3,283
December 31, 2009.....	$ 2,349	$ 2,351	$ 1,722	$ 2,978

Regulatory Deferrals. The Board has the authority to establish the level of rates charged for all SMUD services. As a regulated entity, SMUD's financial statements are prepared in accordance with FASB ASC 980, *Regulated Operations*, formerly known as SFAS 71, "*Accounting for the Effects of Certain Types of Regulation*", which requires that the effects of the rate-making process be recorded in the financial statements. Accordingly, certain expenses and credits, normally reflected in Net Increase (Decrease) in Net Assets as incurred, are recognized when included in rates and recovered from, or refunded to, customers. SMUD records various regulatory assets and credits to reflect rate-making actions of the Board.

Materials and Supplies. Materials and supplies are stated at average cost, which approximates the first-in, first-out method.

Unamortized Debt Issuance Costs. The costs incurred in connection with the issuance of debt obligations, principally underwriters fees and legal costs, are recorded as Unamortized Debt Issuance Costs in the Consolidated Balance Sheets and are amortized over the terms of the related obligations using the effective interest method.

Compensated Absences. SMUD accrues vacation leave and compensatory time when employees earn the rights to the benefits. SMUD does not record sick leave or other leave as a liability until it is taken by the employee, since there are no cash payments for sick leave or other leave made when employees terminate or retire. At both December 31, 2010 and 2009, the total estimated liability for vacation and other compensated absences was $24.4 million.

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

Gains/Losses on Bond Refundings. Gains and losses resulting from bond refundings are included as a component of Long-Term Debt on the Consolidated Balance Sheets and amortized as a component of Interest on Debt in the Consolidated Statements of Revenues, Expenses and Changes in Net Assets over the shorter of the life of the refunded debt or the new debt using the effective interest method.

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

Allowance for Funds Used During Construction (AFUDC). SMUD capitalizes, as an additional cost of Construction Work In Progress (CWIP), AFUDC, which represents the cost of borrowed funds used for such purposes. The amount capitalized is determined by a formula prescribed by FERC. The AFUDC rates for 2010 and 2009 were 3.9 percent and 3.5 percent, respectively, of eligible CWIP.

Derivative Financial Instruments. SMUD records derivative financial instruments (interest rate swap and gas price swap agreements, certain wholesale sales agreements, certain electricity purchase agreements and option agreements) at fair value on its Consolidated Balance Sheets. SMUD generally does not enter into agreements for trading purposes. Fair market value is estimated by comparing contract prices to forward market prices quoted by third party market participants and/or provided in relevant industry publications. SMUD is exposed to risk of nonperformance if the counterparties default or if the swap agreements are terminated. SMUD reports derivative financial instruments with remaining maturities of one year or less and the portion of long-term contracts with scheduled transactions over the next twelve months as current on the Consolidated Balance Sheets. See Notes 3 and 9.

Interest Rate Swap Agreements. SMUD enters into interest rate swap agreements to modify the effective interest rates on outstanding debt. See Notes 3 and 9.

Gas and Electricity Price Swap and Option Agreements. SMUD uses forward contracts to hedge the impact of market volatility on gas commodity prices for its gas-fueled power plants and for energy prices on purchased power for SMUD's retail load. See Notes 3 and 9.

Precipitation Hedge Agreements. SMUD enters into non-exchange traded precipitation hedge agreements to hedge the increased cost of power caused by low precipitation years (Precipitation Agreements). SMUD records the intrinsic value of the Precipitation Agreements on the Consolidated Balance Sheets. Settlement of the Precipitation Agreements is not performed until the end of the period covered (water year ended September 30). The intrinsic value of a Precipitation Agreement is the difference between the expected results from a monthly allocation of the cumulative rainfall amounts, in an average rainfall year, and the actual rainfall during the same period.

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

Net Assets. SMUD classifies its net assets into three components as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of Accumulated Depreciation reduced by the outstanding debt balances, net of unamortized debt expenses.
- Restricted – This component consists of net assets with constraints placed on their use, either externally or internally. Constraints include those imposed by debt indentures (excluding amounts considered in net capital, above), grants or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation or by the Board.
- Unrestricted – This component of net assets consists of net assets that do not meet the definition of "Invested in Capital Assets, Net of Related Debt" or "Restricted."

Contributions in Aid of Construction (CIAC). SMUD records CIAC from customer contributions, primarily relating to expansions to SMUD's distribution facilities, as Non-Operating Revenues in the Consolidated Statements of Revenues, Expenses and Changes in Net Assets. Contributions of capital are valued at estimated market cost. For rate-making purposes, the Board does not recognize such revenues when received; rather, CIAC is included in revenues as such costs are amortized over the estimated useful lives of the related distribution facilities.

Revenues and Expenses. SMUD distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with SMUD's principal ongoing operations. The principal operating revenues of SMUD are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Grants. SMUD receives grant proceeds from federal and state assisted programs for its advanced and renewable technologies, electric vehicle, and energy efficiency programs. SMUD also periodically receives grant proceeds from federal or state assistance programs as partial reimbursements for costs it has incurred as a result of storm damages. Additionally, SMUD received several large American Recovery and Reinvestment Act (ARRA) grants in 2009. When applicable, these programs may be subject to financial and compliance audits pursuant to regulatory requirements. SMUD considers the possibility of any material disallowances to be remote. During 2010, SMUD recorded $26.5 million of grant proceeds and recognized $6.4 million as a component of Interest and Other Income, in the

Consolidated Statements of Revenues, Expenses and Changes in Net Assets, $19.5 million as a Regulatory Deferral (Note 8), and $0.6 million as deferred revenues as a component of Self Insurance, Deferred Credits and Other on the Consolidated Balance Sheets. During 2009, SMUD recognized grant proceeds of $4.9 million, as a component of Interest and Other Income, in the Consolidated Statements of Revenues, Expenses and Changes in Net Assets. In 2010 and 2009, SMUD issued taxable Build America Bonds. SMUD will receive an interest subsidy from the federal government equal to 35 percent of the interest paid (Note 10). In 2010 and 2009, SMUD recognized $6.7 and $2.8 million in revenues for its Build America Bonds, as a component of Interest Income, in the Consolidated Statements of Revenues, Expenses and Changes in Net Assets.

Extraordinary Income. During 2008 and 2009, SMUD received several settlements that were considered extraordinary income. SMUD was involved in a natural gas antitrust litigation settlement, and received $16.5 million in December 2008. The Board opted to defer $16.5 million to be recognized as revenue in 2009 for rate-making purposes. The deferred amount was recognized equally in January through March of 2009, and an additional $0.4 million was received in 2009 related to the litigation. SMUD also received $0.3 million in 2009 related to a bankruptcy claim related to sales into the California market that were related to gaming activities. This amount was for purchased power, and was not passed through to the component units. In 2010, SMUD received and recognized an additional $3 thousand of extraordinary income for purchased power and it was not passed through to the component units.

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

Termination Benefits. Termination benefits are benefits provided to employees as an incentive to hasten the termination of services, as a result of a voluntary early termination, or as a consequence of involuntary early termination.

SMUD has identified a termination benefit liability related to certain employees related to the Rancho Seco site. There are voluntary separation programs and retention agreements for certain employees. Benefits provided include up to six months of paid Consolidated Omnibus Reconciliation Act of 1985 (COBRA) medical benefits, outplacement services, and severance, based on length of service and type of termination agreement. Employees with sufficient length of service are eligible for Other Post Employment Benefits (OPEB) after termination. As of December 31, 2010, 3 employees had retention agreements totaling $0.1 million, recorded as a component of Customer Deposits and Other on the Consolidated Balance Sheets.

In October 2009, SMUD announced that the installation of “Smart Meters” would affect certain job classifications. A separation package and talent retention program was outlined with employees. Benefits provided include up to 12 weeks of paid leave, plus pay in lieu of benefits for up to 12 weeks.

Because some of the affected employees must work through January 2012, the amount of the termination liability is being recognized ratably on a monthly basis through January 2012. There is also a termination liability for another separation package for employees that will work through September 2011. As of December 31, 2010, there were approximately 52 positions affected, and SMUD had a termination liability of $0.7 million, recorded as a component of Customer Deposits and Other on the Consolidated Balance Sheets.

Reclassifications. Certain amounts in the 2009 consolidated financial statements have been reclassified in order to conform to the 2010 presentation.

Recent Accounting Pronouncements. In September 2006, the FASB issued FASB ASC 820, "*Fair Value Measurements and Disclosures"*(FASB ASC 820), formerly known as SFAS No. 157, "*Fair Value Measurements*". FASB ASC 820 provides guidance for using fair value to measure assets and liabilities. The statement clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability. The statement also establishes a fair value hierarchy that prioritizes the information used to develop these assumptions. This statement was effective for SMUD beginning in 2008. See Note 3.

Effective in 2009, SMUD adopted an amendment to FASB ASC 820, formerly known as FASB Staff Position FAS 157-2 "*Effective Date of FASB Statement No. 157*," which requires calculation of the fair market value of AROs that are measured on a nonrecurring basis. See Note 12.

In May 2009, the FASB issued FASB ASC 855, "*Subsequent Events"* (FASB ASC 855). FASB ASC 855 establishes standards of accounting and disclosure for events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This statement introduces the concept of financial statements being "available to be issued", and requires that an entity disclose the date that through which it has evaluated subsequent events. This statement was effective for SMUD in 2009. Subsequent events for SMUD have been evaluated through February 18, 2011, which is the date that the financial statements were available to be issued.

In June 2009, the FASB issued FASB ASC 105, "*Generally Accepted Accounting Principles"* (FASB ASC 105), which establishes the FASB Accounting Standards Codification (ASC or Codification) as the sole source of authoritative GAAP. Pursuant to the provisions of FASB ASC 105, SMUD has updated references to GAAP in its financial statements issued for the period ended December 31, 2009. The adoption of FASB ASC 105 did not impact SMUD's financial position or results of operations.

In August 2009, the FASB Issued Accounting Standards Update No. 2009-05, "*Fair Value Measurements and Disclosures relating to FASB ASC 820"*. This update requires that the fair value of liabilities be measured under the assumption that the liability is transferred to a market participant, and provides guidance on how to estimate the fair value of a liability. This update was effective for SMUD in 2009.

In August 2009, the FASB Issued Accounting Standards Update No. 2009-05, "*Fair Value Measurements and Disclosures relating to FASB ASC 820"*. This update requires that the fair value of

liabilities be measured under the assumption that the liability is transferred to a market participant, and provides guidance on how to estimate the fair value of a liability. This update was effective for SMUD in 2009.

In January 2010, FASB issued Accounting Standards Update No. 2010-06 "*Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*" (ASU 2010-06). ASU 2010-06 seeks to improve disclosure relating to fair values. The update requires the separate disclosure of and explanation of significant transfers in and out of fair values based on Level 1 and Level 2 inputs. The update also requires the presentation of separate information about purchases, sales, issuances, and settlements activity for fair values based on Level 3 inputs. For 2010, this specifically refers to SMUD's disclosure relating to its Rancho Seco Asset Retirement Obligation. The portion of this update related to the Rancho Seco ARO is effective for SMUD for 2011. SMUD is currently assessing the financial statement impact of adopting the statement, but does not believe that its impact will be material.

In April 2010, FASB issued Accounting Standards Update No. 2010-17 "*Revenue Recognition – Milestone Method (Topic 605): Milestone Method of Revenue Recognition – a consensus of the FASB Emerging Issues Task Force*" (ASU 2010-17). ASU 2010-17 establishes authoritative guidance for revenue recognition relating to milestone contracts. This update provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition. This update is effective for SMUD for 2011. SMUD is currently assessing the financial statement impact of adopting the update, but does not believe that its impact will be material.

In November 2006, GASB issued Statement of Government Accounting Standards (SGAS) No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations*" (GASB No. 49). GASB No. 49 requires local governments to provide the public with better information about the financial impact of environmental cleanups. A government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and if certain events have occurred. This statement was effective for SMUD beginning in 2008. In December 2009, SMUD identified a pollution remediation obligation at its North City Substation. This substation was built on a former landfill, and the site requires remediation. As part of the 2010 Budget Resolution, the Board authorized SMUD to defer the expense for rate-making purposes, and SMUD recorded a pollution remediation liability of $12.0 million and a corresponding regulatory asset for the remediation project. See Note 8.

In June 2007, GASB issued SGAS No. 51, "*Accounting and Financial Reporting for Intangible Assets"* (GASB No. 51). GASB No. 51 provides guidance regarding how to identify, account for and report intangible assets. Intangible assets are defined as assets that lack physical substance, are non-financial in nature, and have an initial useful life extending beyond a single reporting period. The statement provides that intangible assets be classified as capital assets, except for items explicitly excluded from the scope of the standard. This statement is effective for SMUD beginning in 2010.

SMUD has assessed the financial statement impact of adopting the new statement, and its impact is not material.

In June 2007, GASB issued SGAS No. 53, "*Accounting and Financial Reporting for Derivative Instruments*" (GASB No. 53). GASB No. 53 provides a comprehensive framework for the measurement, recognition and disclosure of derivative financial instrument transactions entered into by state and local governments. The statement requires that all derivative financial instruments be measured at fair value which will be reported on the Consolidated Balance Sheets, and that all derivative financial instruments are tested for effectiveness. The change in valuation of ineffective hedges should be reported as Investment Revenue on the Consolidated Statements of Revenues, Expenses and Changes in Net Assets. This statement is effective for SMUD beginning in 2010. See Note 3.

In March 2009, GASB issued SGAS No. 55, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*" (GASB No. 55). GASB No. 55 incorporates the hierarchy of GAAP for state and local governments into the GASB's authoritative literature. Prior to this standard, the GAAP hierarchy was included in an American Institute of Certified Public Accountants (AICPA) Statements on Auditing Standards, rather than in the GASB's literature. This statement was effective for SMUD upon issuance and does not have a material impact on SMUD's financial statements.

In March 2009, GASB issued SGAS No. 56, "*Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*" (GASB No. 56). GASB No. 56 incorporates certain accounting and financial reporting guidance presented in the AICPA's Statements on Auditing Standards into the GASB's authoritative literature. This statement was effective for SMUD upon issuance and does not have a material impact on SMUD's financial statements.

In December 2009, GASB issued SGAS No. 57, "*OPEB Measurements by Agent Employers and Agent Multiple – Employer Plans*" (GASB No. 57). GASB No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer OPEB plans. The statement amends previous GASB statements on OPEB plans, and will improve the consistency of reporting for OPEB plans. This statement is effective for SMUD for 2012. SMUD is currently assessing the financial statement impact of adopting this portion of the statement, but does not believe that its impact will be material.

In June 2010, GASB issued SGAS No. 59, "*Financial Instruments Omnibus*" (GASB No. 59). GASB No. 59 addresses topics relating to the reporting and disclosure of certain financial instruments and external investment pools, and includes some clarifications to GASB No. 53. This statement is effective for SMUD for 2011. SMUD is currently assessing the financial statement impact of adopting the statement, but does not believe that its impact will be material.

In November 2010, GASB issued SGAS No. 61, "*The Financial Reporting Entity - Omnibus – An Amendment of GASB Statements No. 14 and No. 34*" (GASB No. 61). GASB No. 61 modifies

requirements for inclusion of component units and amends criteria for reporting of component units. The statement also clarifies the reporting of equity interests in legally separate organizations. This statement is effective for SMUD for 2013. SMUD is currently assessing the financial statement impact of adopting the statement, but does not believe that its impact will be material.

In December 2010, GASB issued SGAS No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in the Pre-November 30,1989 FASB and AICPA Pronouncements*" (GASB No. 62). GASB No. 62 incorporates into GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 included in: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure that do not conflict with or contradict GASB pronouncements. The statement also supersedes SGAS No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting"* which eliminates the election for business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. This statement is effective for SMUD for 2012. SMUD is currently assessing the financial statement impact of adopting the statement, but does not believe that its impact will be material.

NOTE 3. ACCOUNTING CHANGE

Effective with the Financial Statements for 2010, SMUD implemented GASB No. 53. The statement requires that all derivative financial instruments be measured at fair value which will be reported on the Consolidated Balance Sheets, and that all derivative financial instruments are tested for effectiveness.

The fair values of SMUD's derivative instruments (gas, electric and interest rate swap agreements), as defined by GASB No. 53, are reported in current and noncurrent assets and liabilities on the Consolidated Balance Sheets.

Effective hedges are recognized as Hedging Derivative Instruments. Changes in the fair value of Hedging Derivative Instruments are reported as Deferred Outflow of Resources on the Consolidated Balance Sheets.

Ineffective hedges are recognized as Investment Derivative Instruments. Changes in the fair value of Investment Derivative Instruments are expensed and then deferred to regulatory accounts per the Board Resolution (see Note 8).

All settlement payments or receipts for Hedging Derivative Instruments are recorded as either Production Expense for natural gas related derivative instruments, Purchased Power for energy related derivative instruments or Interest Expense for interest rate derivative instruments on the Consolidated Statements of Revenues, Expenses and Changes in Net Assets in the period incurred. All settlement payments or receipts for Investment Derivative Instruments are recorded as Investment Expense in the Consolidated Statements of Revenues, Expenses and Changes in Net Assets in the period incurred.

NOTE 4. UTILITY PLANT

The summarized activity of SMUD's utility plant during 2010 is presented below (thousands of dollars):

	Balance December 31, 2009	Additions	Transfers and Deletions	Balance December 31, 2010
Nondepreciable Utility Plant:				
Land	$ 101,258	$ 13,943	$ (4)	$ 115,197
CWIP	244,324	190,602	(180,862)	254,064
Total nondepreciable utility plant	345,582	204,545	(180,866)	369,261
Depreciable Utility Plant:				
Generation	1,423,331	12,451	(1,483)	1,434,299
Transmission	221,223	17,224	(1,539)	236,908
Distribution	1,587,736	88,700	(5,659)	1,670,777
Investment in gas properties	186,824	5,788	-0-	192,612
Investment in JPAs	10,391	1,410	-0-	11,801
Intangibles	175,098	8,096	(3,589)	179,605
General	636,897	40,500	(12,910)	664,487
	4,241,500	174,169	(25,180)	4,390,489
Less: accumulated depreciation and depletion	(1,604,624)	(173,363)	26,601	(1,751,386)
Less: accumulated amortization on JPAs	(3,835)	(313)	-0-	(4,148)
	(1,608,459)	(173,676)	26,601	(1,755,534)
Total depreciable plant	2,633,041	493	1,421	2,634,955
Total Utility Plant - net	$ 2,978,623	$ 205,038	$(179,445)	$ 3,004,216

The summarized activity of SMUD's utility plant during 2009 is presented below (thousands of dollars):

	Balance December 31, 2008	Additions	Transfers and Deletions	Balance December 31, 2009
Nondepreciable Utility Plant:				
Land	$ 96,859	$ 5,869	$ (1,470)	$ 101,258
CWIP	237,149	213,358	(206,183)	244,324
Total nondepreciable utility plant	334,008	219,227	(207,653)	345,582
Depreciable Utility Plant:				
Generation	1,386,758	41,081	(4,508)	1,423,331
Transmission	204,739	21,801	(5,317)	221,223
Distribution	1,501,004	93,278	(6,546)	1,587,736
Investment in gas properties	180,561	6,263	-0-	186,824
Investment in JPAs	11,836	-0-	(1,445)	10,391
Intangibles	161,653	15,087	(1,642)	175,098
General	643,025	27,570	(33,698)	636,897
	4,089,576	205,080	(53,156)	4,241,500
Less: accumulated depreciation and depletion	(1,493,316)	(162,578)	51,270	(1,604,624)
Less: accumulated amortization on JPAs	(3,522)	(313)	-0-	(3,835)
	(1,496,838)	(162,891)	51,270	(1,608,459)
Total depreciable plant	2,592,738	42,189	(1,886)	2,633,041
Total Utility Plant - net	$ 2,926,746	$ 261,416	$(209,539)	$ 2,978,623

NOTE 5. INVESTMENT IN JOINT POWERS AGENCY

TANC. SMUD and fourteen other California municipal utilities are members of TANC, a JPA. TANC, along with the other California municipal utilities, own and operate the California-Oregon Transmission Project (COTP), a 500-kilovolt transmission line between central California and southern Oregon. SMUD is obligated to pay approximately 30.0 percent of TANC's COTP debt service and operations costs in exchange for entitlement to approximately 419 megawatts (MW) of TANC's 1,390 MW transfer capability. Additionally, SMUD has a 48 MW share of TANC's 300 MW firm, bi-directional transmission over Pacific Gas and Electric's (PG&E) system between PG&E's Tesla and Midway substations (SOT).

In October 2007, TANC entered into a sales and purchase agreement with the City of Vernon (Vernon) whereby TANC purchased entitlement, rights, title and interest in Vernon's COTP transmission assets (approximately 121 MW North-to-South). The assignment and transfer of Vernon's COTP entitlement occurred in April 2008. SMUD received an additional entitlement to 36 MW of the COTP and 2 MW of SOT, both of which are included in the 419 MW COTP and 48 MW SOT totals, respectively.

In December 2009, SMUD entered into a long-term reallocation agreement with TANC and the City of Santa Clara. Effective January 2010 through 2013, SMUD has an additional 30 MW, which makes SMUD's entitlement a 78 MW share of the SOT.

The long-term debt of TANC, which totals $421.4 million (unaudited) at December 31, 2010, is collateralized by a pledge and assignment of net revenues of TANC supported by take-or-pay commitments of SMUD and other members. Should other members default on their obligations to TANC, SMUD would be required to make additional payments to cover a portion of such defaulted payments, up to 25 percent of its current obligation.

Copies of the TANC annual financial reports may be obtained from SMUD at 6201 S Street, P.O. Box 15830, Sacramento, California 95852.

SMUD recorded transmission expenses related to TANC of $18.5 million and $18.0 million in 2010 and 2009, respectively.

Summary financial information for TANC is presented below:

	December 31,	
	2010 (Unaudited)	2009 (Unaudited)
	(thousands of dollars)	
Total assets	$ 488,664	$ 491,624
Total liabilities	$ 479,982	$ 488,030
Total net assets	8,682	3,594
Total liabilities and net assets	$ 488,664	$ 491,624
Changes in net assets for the six months ended December 31	$ (2,199)	$ (82)

Balancing Authority of Northern California (BANC). SMUD and three other California municipal utilities formed BANC, a JPA, in 2009. BANC was formed to perform North American Electric Reliability Corporation (NERC) functions that would otherwise be performed by the BANC members or on their behalf.

Summary financial information for BANC is presented below:

	December 31, 2010 (Unaudited)	December 31, 2009 (Audited)
	(thousands of dollars)	
Total assets	$ 37,201	$ 172
Total liabilities	$ 37,201	$ 172
Total net assets	-0-	0
Total liabilities and net assets	$ 37,201	$ 172
Changes in net assets for the twelve and five months ended December 31	$ -0-	$ -0-

SMUD recorded expenses related to BANC of $0.15 million in both 2010 and 2009.

NOTE 6. COMPONENT UNITS

CVFA Carson Cogeneration Project. CVFA is a JPA formed by SMUD and the Sacramento Regional County Sanitation District. CVFA operates the Carson Project, a 57 MW (net) natural gas-fired cogeneration facility and a 43 MW (net) natural gas-fired simple cycle peaking plant. In 2010, the turbine for the combined cycle cogeneration facility was upgraded, which increased plant capacity by 8 MW. The revenue stream to pay the CVFA bonds' debt service is provided by a take or pay purchase power agreement between SMUD and CVFA.

SCA Procter & Gamble Cogeneration Project. SCA is a JPA formed by SMUD and the SFA. SCA operates the Procter & Gamble Project, a 136 MW (net) natural gas-fired cogeneration facility and a 44 MW (net) natural gas-fired simple cycle peaking plant. In 2010, the turbine for the peaking plant was upgraded, which increased plant capacity by 6 MW. The revenue stream to pay the SCA bonds' debt service is provided by a take or pay purchase power agreement between SMUD and SCA.

SFA Cosumnes Power Plant Project. SFA is a JPA formed by SMUD and the Modesto Irrigation District. SFA operates the Cosumnes Power Plant Project, a 501 MW (net) natural gas-fired, combined cycle facility. The revenue stream to pay the SFA bonds' debt service is provided by a take and pay power purchase agreement between SMUD and SFA

SPA Campbell Soup Cogeneration Project. SPA is a JPA formed by SMUD and the SFA. SPA operates the Campbell Soup Project, a 160 MW (net) natural gas-fired cogeneration facility, and the McClellan Project, a 72 MW (net) natural gas-fired simple cycle peaking plant. The revenue stream to pay the SPA bonds' debt service is provided by a take and pay power purchase agreement between SMUD and SPA.

NCGA. NCGA is a JPA formed by SMUD and the SFA. NCGA has a twenty-year prepaid gas contract with Morgan Stanley Capital Group (MSCG), which is financed primarily by NCGA revenue bonds. SMUD has contracted with NCGA to purchase all of the gas delivered to NCGA pursuant to the gas

contract with MSCG. NCGA is obligated to pay the principal and interest on the bonds. SMUD is obligated to purchase and pay for gas tendered for delivery by NCGA at market prices and is not obligated to make payments in respect to debt service on the bonds. In January and August 2009, some NCGA bonds were extinguished.

As described in Note 2, all of the activities and balances of the component units are blended into and reported as part of SMUD because of the extent of their operational and financial relationships with SMUD. Copies of CVFA's, SCA's, SPA's, SFA's and NCGA's annual financial reports may be obtained from their Executive Office at 6201 S Street, P.O. Box 15830, Sacramento, California 95852.

NOTE 7. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Equivalents and Investments. SMUD's investment policies are governed by the California State and Municipal Codes and its Indenture, which restricts SMUD's investment securities to obligations which are unconditionally guaranteed by the United States (U.S.) Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; certificates of deposit; repurchase agreements; and taxable government and tax-exempt money market portfolios. SMUD's investment policy includes restrictions for investments relating to maximum amounts invested as a percentage of total portfolio and with a single issuer, maximum maturities, and minimum credit ratings.

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

Custodial Credit Risk. This is the risk that, in the event of the failure of a depository financial institution or counterparty to a transaction, SMUD's deposits may not be returned or SMUD will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of another party. SMUD does not have a deposit policy for custodial credit risk. At December 31, 2010, SMUD did not have any securities lending transactions. At December 31, 2009, $5.2 million in money market funds were held by a counterparty that was acting as SMUD's agent in securities lending transactions.

On November 9, 2010, the Federal Deposit Insurance Corporation (FDIC) issued a Final Rule implementing section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which will provide unlimited insurance coverage for non-interest bearing transaction deposit accounts at FDIC-insured institutions. This unlimited insurance coverage is temporary and will remain in effect until December 31, 2012.

On October 14, 2008, the FDIC announced a temporary Transaction Account Guarantee Program, which provided full coverage for non-interest bearing transaction deposit accounts at FDIC-insured

institutions which agreed to participate in the program. This unlimited insurance coverage remained in effect for participating institutions until December 31, 2009.

Due to these temporary programs, all of SMUD's commercial cash deposits were fully insured at December 31, 2010 and 2009. The bank balance is also, per a depository pledge agreement between SMUD and SMUD's bank, collateralized at 755 percent and 649 percent of the collected funds on deposit (increased by the amount of accrued but uncredited interest, reduced by deposits covered by FDIC) at December 31, 2010 and 2009, respectively. At December 31, 2010, SMUD has a Money Market Deposit Account of $30.0 million which is uninsured. SMUD's investments are held in SMUD's name.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. SMUD places no limit on the amounts invested in any one issuer for repurchase agreements and federal agency securities. The following are the concentrations of risk greater than five percent in either year:

	December 31,	
Investment Type:	2010	2009
Federal National Mortgage Association (Fannie Mae)	7%	5%
Federal Home Loan Banks	0%	5%
Municipal Bonds – State of California	11%	0%

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

Securities Lending Transactions. SMUD is authorized by its investment policy and by California Government Code to enter into securities lending agreements for up to 20 percent of its investment portfolio, not to exceed $75.0 million, only with counterparties that are primary dealers of the Federal Reserve Bank of New York. There have been no violations of the provisions of the authorization during 2010 or 2009. The maturities of the investments made match the maturities of the securities loaned, which are U.S. Treasuries and Agencies. At December 31, 2010 SMUD had no security lending transactions. At December 31, 2009, SMUD had no credit risk exposure to borrowers because the amount SMUD owed the borrowers exceeded the amounts the borrowers owed SMUD. The contract with SMUD's custodial bank requires it to indemnify SMUD if the borrowers fail to return the securities (and the collateral is inadequate to replace the securities lent), or fail to pay SMUD for income distributions by the securities' issuers while the securities were on loan. SMUD cannot pledge or sell collateral securities without borrower default. SMUD receives cash collateral and invests in certain securities allowed for in the securities lending agreement.

The following schedules indicate the credit and interest rate risk at December 31, 2010 and 2009. The credit ratings listed are from S&P. (N/A is defined as not applicable to the rating disclosure requirements).

At December 31, 2010, SMUD's cash, cash equivalents, and investments consist of the following:

Description	Credit Rating	Remaining Maturities (in years) Less Than 1	1-5	More than 5	Total Fair Value
		(thousands of dollars)			
Cash and Cash Equivalents:					
Cash Deposits	N/A	$ 4,418	$ -0-	$ -0-	$ 4,418
LAIF	Not Rated	352,185	-0-	-0-	352,185
Money Market Mutual Funds	AAAm/N/A	85,669	-0-	-0-	85,669
Money Market Deposit Account	A-1+	30,000	-0-	-0-	30,000
Commercial Paper	A-1+/A-1	65,720	-0-	-0-	65,720
Total cash and cash equivalents		537,992	-0-	-0-	537,992
Investments:					
Fannie Mae	AAA	29,985	20,107	-0-	50,092
Federal Home Loan Banks	AAA	-0-	4,501	-0-	4,501
Federal Home Loan Mortgage Corp	AAA	2,086	-0-	-0-	2,086
Municipal Bonds	SP-1	75,579	-0-	-0-	75,579
Corporate Note	AAA/AA+	12,929	-0-	-0-	12,929
Total investments		120,579	24,608	-0-	145,187
Total cash, cash equivalents, and investments		$ 658,571	$ 24,608	$ -0-	$683,179

At December 31, 2009, SMUD's cash, cash equivalents, and investments consist of the following:

Description	Credit Rating	Remaining Maturities (in years) Less Than 1	1-5	More than 5	Total Fair Value
		(thousands of dollars)			
Cash and Cash Equivalents:					
Cash Deposits	N/A	$ 10,544	$ -0-	$ -0-	$ 10,544
LAIF	Not Rated	255,056	-0-	-0-	255,056
Money Market Mutual Funds	AAAm	141,959	-0-	-0-	141,959
Fannie Mae	AAAm	17,999	-0-	-0-	17,999
Bankers Acceptance	A-1+	4,100	-0-	-0-	4,100
Commercial Paper	A-1	35,934	-0-	-0-	35,934
Money Market Funds	AAA	5,247	-0-	-0-	5,247
Total cash and cash equivalents		470,839	-0-	-0-	470,839
Investments:					
Fannie Mae	AAA	-0-	9,972	-0-	9,972
Federal Home Loan Banks	AAA	20,007	10,028	-0-	30,035
Federal Home Loan Mortgage Corp	AAA	-0-	2,164	-0-	2,164
Bankers Acceptance	A-1+	9,998	-0-	-0-	9,998
United States Treasuries	N/A	-0-	20,667	-0-	20,667
Corporate Note	AAA/AA+	-0-	15,225	-0-	15,225
Total investments		30,005	58,056	-0-	88,061
Total cash, cash equivalents, and investments		$ 500,844	$ 58,056	$ -0-	$558,900

SMUD's cash, cash equivalents, and investments are classified in the Consolidated Balance Sheets as follows:

	December 31, 2010	2009
	(thousands of dollars)	
Total Cash, Cash Equivalents, and Investments:		
Revenue bond reserve, debt service and construction funds:		
Revenue bond reserve fund	$ 53,271	$ 56,740
Debt service fund	47,691	48,026
Component unit bond reserve and construction funds	138,571	103,897
Total revenue bond reserve, debt service and construction funds	239,533	208,663
Nuclear decommissioning trust fund	30,335	38,849
Rate stabilization fund	41,471	47,688
Securities lending collateral	-0-	5,247
Other restricted funds	750	805
Unrestricted funds	371,090	257,648
Total cash, cash equivalents, and investments	$ 683,179	$ 558,900

NOTE 8. REGULATORY DEFERRALS

The Board has taken various regulatory actions that result in differences between the recognition of revenues and expenses for rate-making purposes and their treatment under generally accepted

accounting principles for non-regulated entities. These actions result in regulatory assets and liabilities, which are summarized in the tables below. Changes to these balances, and their inclusion in rates, occur only at the direction of the Board.

Regulatory Assets (Costs)

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

Wholesale Power Receivables. SMUD's regulatory asset relating to its wholesale receivables that were fully reserved as uncollectible in 2001. These wholesale receivable reserves relate to amounts due from the California Power Exchange totaling $24.0 million and $23.8 million at December 31, 2010 and 2009, respectively. The ultimate recovery of these amounts is dependent on numerous factors and cannot be determined at this time. This regulatory asset will be reversed concurrent with the reasonable certainty of collections, or by inclusion in rates in future periods.

TANC Operations Costs. SMUD's regulatory asset relating to deferred TANC costs comprises the difference between its cash payments made to TANC and its share of TANC's accrual-based costs of operations. This regulatory asset is being collected in rates over the life of TANC's assets during the period that cash payments to TANC exceed TANC's accrual-based costs.

U.S. Bureau of Reclamation. In December 2004, SMUD established a regulatory asset to defer recognizing the expense related to the settlement with the U.S. Bureau of Reclamation (Bureau) on a billing dispute. SMUD will make increased payments in future rates to settle the dispute. This regulatory asset will be collected in rates for future water service over the twenty-five year period SMUD is committed to making the increased rate payments to the Bureau.

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

Pollution Remediation. With the adoption of the 2010 Budget Resolution, SMUD established a regulatory asset to defer recognition of the expense related to the investigation, design and remediation necessary for the North City Substation site. SMUD has recorded a liability for the full $12.0 million estimated for the project under GASB No. 49. This regulatory asset will be collected in rates in 2012 and 2013.

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

	December 31, 2010	December 31, 2009
	(thousands of dollars)	
Regulatory Costs for Future Recovery:		
Decommissioning	$ 134,050	$ 132,567
Wholesale power receivables	24,007	23,849
TANC operations costs	9,447	13,041
U.S. Bureau of Reclamation	6,300	6,400
Derivative financial instruments	71,874	45,677
Pollution remediation	12,000	12,000
Total regulatory costs	257,678	233,534
Less: regulatory costs to be recovered within one year	(52,626)	(37,736)
Total regulatory costs for future recovery - net	$ 205,052	$ 195,798

Regulatory Liabilities (Credits)

CIAC. In 2010 and 2009 SMUD capitalized CIAC totaling $6.6 million and $18.8 million, respectively, in Plant in Service in the Consolidated Balance Sheets and recorded $9.1 million and $8.7 million, respectively, of Depreciation Expense in the Consolidated Statements of Revenues, Expenses and Changes in Net Assets. SMUD's regulatory credit relating to CIAC is intended to offset the revenue and expense associated with this accounting treatment. Thus, this regulatory credit is being amortized into rates over the depreciable lives of the related contributed distribution plant assets in order to offset the earnings effect of these nonexchange transactions.

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

Hydro Rate Stabilization. In May 2008, the Board approved a Hydro Generation Adjustment (HGA) mechanism effective July 1, 2008. The HGA will automatically adjust rates in April each year based on the precipitation results from the previous April 1 through March 31. The increase or decrease in rates will be limited to a maximum rate change of four percent. The HGA also established a Hydro Rate Stabilization Fund (HRSF) with the transfer of $30.0 million from the Rate Stabilization Fund. In 2010, $4.1 million from the HRSF was recognized as revenue to cover the budget impact of low precipitation.

Grant Revenues. In 2009, SMUD was awarded several large grants under the ARRA, which provided large amounts of reimbursements for capital expenditures. In 2010, the Board authorized the deferral of grant income for capital expenditures as regulatory liabilities. Thus, this regulatory credit will be

deferred to match the depreciable lives of the related capital assets in order to offset the earnings effect of these nonexchange transactions.

Public Good. SMUD's regulatory credit relating to Public Good comprises the amounts collected in rates for specifically identified Public Good programs that have not been fully expended. These regulatory deferrals are credited to revenue in the period when the expenditures on identified projects occur.

Precipitation Hedges. Settlements of Precipitation Agreements are included in rates in the year settled and accordingly, the intrinsic value of open precipitation hedges is deferred as regulatory assets or liabilities.

Senate Bill 1. During 2007, SMUD implemented a per kilowatt hour solar surcharge, effective January 1, 2008. The surcharge was implemented in order to fund investments in solar required by Senate Bill 1 (SB-1). The difference between the surcharge revenues received and the funds spent on solar initiatives will be deferred into future years. In 2010, SMUD spent less than it collected in SB-1 revenues, and has recorded a regulatory credit.

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

	December 31,	
	2010	2009
	(thousands of dollars)	
Regulatory Credits for Future Revenue Recognition:		
CIAC	$ 227,127	$ 229,694
Rate stabilization	41,471	43,605
Hydro rate stabilization	-0-	4,083
Grant Revenues	19,042	-0-
Public good	273	290
Precipitation Hedge	-0-	359
SB-1	5,768	7,000
Total regulatory credits for future revenue recognition	293,681	285,031
Less: regulatory credits to be recognized within one year	(11,941)	(13,549)
Total regulatory credits – net	$ 281,740	$ 271,482

NOTE 9. DERIVATIVE FINANCIAL INSTRUMENTS

To help provide stable electric rates and to meet the forecasted power needs of its retail customers reliably, SMUD enters into various physical and financial fixed price purchase contracts for electricity and natural gas. These fixed price contracts and swap agreements are intended to hedge the exposure due to highly volatile and fluctuating commodity prices. SMUD also enters into interest rate swap agreements to reduce interest rate risk, or to enhance the relationship between the risk and return regarding SMUD's assets or debt obligations. SMUD utilizes these derivative financial instruments to mitigate its exposure to certain market risks associated with our ongoing operations. It should be noted that SMUD does not use derivative financial instruments for trading or speculative

purposes. These contracts are evaluated pursuant to GASB No. 53 to determine whether they meet the definition of derivative instruments, and if so, whether they effectively hedge the expected cash flows associated with interest rate and commodity price risk exposures.

SMUD applies hedge accounting for derivatives that are deemed effective hedges. Under hedge accounting, the increase (decrease) in the fair value of a hedge is reported as a deferred inflow or deferred outflow on the Consolidated Balance Sheets. Derivatives that don't meet the effectiveness tests, that would be recorded on the Consolidated Statements of Revenues, Expenses and Changes in Net Assets, are deferred for rate-making purposes as regulatory assets or liabilities on the Consolidated Balance Sheets (Note 8).

SMUD implemented GASB No. 53 in 2010. The statement requires governments to retroactively apply the provisions of the statement by restating prior periods presented in the financial statements if practical. SMUD has restated its 2009 results to comply with GASB No. 53.

During 2010 and 2009, SMUD executed numerous new gas and power related purchase agreements, some of which are recorded as hedging or investment derivatives and are therefore included in the table below. All hedging or investment derivatives are recorded at fair value on our Consolidated Balance Sheets.

For electricity and gas derivatives, fair values are estimated by comparing contract prices to forward market prices quoted by an independent external pricing service. When external quoted market prices are not available for derivative contracts, SMUD uses an internally developed valuation model utilizing short term observable inputs. For interest rate derivatives, SMUD subscribes to a financial information service that it uses to verify fair value estimates obtained from its counterparties.

The following is a summary of the fair values, changes in fair value and notional amounts of derivative instruments, grouped by trading strategy, outstanding at December 31, 2010 (amounts in thousands; gains shown as positive amounts, losses as negative):

	2010 Changes in Fair Value		Fair Value at December 31, 2010		
Cash Flow Hedges:	Current Amount	Non Current Amount	Current Amount	Non Current Amount	Notional (in Thousands)
Investment Derivative Instruments: (thousands of dollars)					
Asset: Investment Derivative Instruments					
Change in valuation to:					
Gas – Basis	$ (1,096)	(282)	695	-0-	10,045 Dth
Gas – Commodity	-0-	(12)	-0-	-0-	
Gas – Storage	210	-0-	210	-0-	450 Dth
Total Investment Derivative Instruments	(886)	(294)	905	-0-	
Hedging Derivative Instruments:					
Asset: Hedging Derivative Instruments:					
Gas – Basis	(5,210)	(12,649)	9,068	-0-	17,035 Dth
Gas – Commodity	-0-	(221)	-0-	-0-	
Gas – Storage	1,060	(13)	1,952	-0-	1,093 Dth
Interest Rate	317	2,070	2,212	27,654	$131,030
Total Hedging Derivative Instruments	(3,833)	(10,813)	13,232	27,654	
Investment Derivative Instruments:					
Liability: Investment Derivative Instruments:					
Gas – Basis	123	-0-	-0-	-0-	
Gas – Commodity	(12,949)	(6,079)	24,821	11,834	43,048 Dth
Gas – Storage	(77)	-0-	77	-0-	341 Dth
Interest Rate	(828)	(5,206)	4,178	31,869	$380,995
Total Investment Derivative Instruments	(13,731)	(11,285)	29,076	43,703	
Hedging Derivative Instruments:					
Liability: Hedging Derivative Instruments:					
Gas – Basis	26	-0-	-0-	-0-	
Gas – Commodity	(36,805)	(35,943)	114,818	140,718	90,753 Dth
Gas – Storage	(50)	39	137	-0-	737 Dth
Electric – Commodity	(2,832)	717	2,832	-0-	166 MWh
Total Hedging Derivative Instruments	(39,661)	(35,187)	117,787	140,718	

The following is a summary of the fair values, changes in fair value and notional amounts of derivative instruments outstanding at December 31, 2009 (amounts in thousands; gains shown as positive amounts, losses as negative)

Cash Flow Hedges:

	2009 Changes in Fair Value		Fair Value at December 31, 2009		
Cash Flow Hedges:	Current Amount	Non Current Amount	Current Amount	Non Current Amount	Notional (in Thousands)
Investment Derivative Instruments: (thousands of dollars)					
Asset: Investment Derivative Instruments					
Change in valuation to:					
Gas – Basis	$ 1,701	121	1,792	282	15,903 Dth
Gas – Commodity	-0-	12	-0-	12	305 Dth
Gas – Storage	(62)	-0-	-0-	-0-	
Total Investment Derivative Instruments	1,639	133	1,792	294	
Hedging Derivative Instruments:					
Asset: Hedging Derivative Instruments:					
Gas – Basis	12,836	12,677	14,278	12,649	68,148 Dth
Gas – Commodity	-0-	(17,601)	-0-	221	6,093 Dth
Gas – Storage	(4,309)	13	891	13	1,375 Dth
Electric - Commodity	(1,037)	-0-	-0-	-0-	166 MWh
Interest Rate	(496)	(9,081)	1,895	25,584	$131,030
Total Hedging Derivative Instruments	6,994	(13,992)	17,064	38,467	
Investment Derivative Instruments:					
Liability: Investment Derivative Instruments:					
Gas – Basis	1,038	66	123	-0-	1,033 Dth
Gas – Commodity	321	209	11,872	5,755	32,280 Dth
Gas – Exchange	486	-0-	-0-	-0-	
Gas – Storage	55	-0-	-0-	-0-	
Interest Rate	1,714	23,158	3,350	26,663	$380,995
Total Investment Derivative Instruments	3,614	23,433	15,345	32,418	
Hedging Derivative Instruments:					
Liability: Hedging Derivative Instruments:					
Gas – Basis	32,096	168	26	-0-	388 Dth
Gas – Commodity	(60,410)	(2,039)	78,013	104,775	130,588 Dth
Gas – Exchange	4,775	-0-	-0-	-0-	
Gas – Storage	(87)	(39)	87	39	390 Dth
Electric – Commodity	9,475	(717)	-0-	716	166 MWh
Total Hedging Derivative Instruments	(14,151)	(2,627)	78,126	105,530	

Objective and terms of hedging derivative instruments. The objectives and terms of SMUD's hedging derivative instruments that were outstanding at December 31, 2010 are summarized in the table below. The table is aggregated by the trading strategy. Credit ratings of SMUD's counterparties can be found in the table under Credit Risk. Details of SMUD's interest rate derivative instruments can be found in Note 10.

	Notional Amount	Beginning Date	Ending Date	Minimum Price	Maximum Price
Gas – Basis	27,080	12/1/10	12/31/11	$ (0.27)	$ (1.15)
Gas – Commodity	133,800	01/1/08	12/31/22	6.00	10.80
Gas – Storage	2,621	01/1/11	03/31/11	0.01	7.30
Electric	166	07/1/11	09/30/11	77.72	77.72

The objectives and terms of SMUD's hedging derivative instruments that were outstanding at December 31, 2009 are summarized in the table below. The table is aggregated by the trading strategy. Credit ratings of SMUD's counterparties can be found in the table under Credit Risk. Details of SMUD's interest rate derivative instruments can be found in Note 10.

	Notional Amount	Beginning Date	Ending Date	Minimum Price	Maximum Price
Gas – Basis	85,470	04/1/08	12/31/11	$ (1.23)	$ 0.11
Gas – Commodity	169,265	01/1/08	12/31/13	6.44	12.41
Gas – Storage	1,675	01/1/10	01/01/11	5.22	7.74
Electric	166	07/1/11	09/30/11	77.72	77.72

SMUD hedges its interest costs. The interest rate swaps are designed to synthetically fix the cash flows associated with variable rate bonds. See Note 10.

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

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

Derivatives not designated as hedging instruments.

Gas Contracts. SMUD utilizes certain gas swap agreements under FASB ASC 815 not designated as hedging derivative instruments to mitigate exposure to changes in the market price of natural gas. The fair value of each agreement, excluding the actual settlements to be paid or received as of the end of the period, is recorded in either Current or NonCurrent Assets, Investment Derivative Instruments on the Consolidated Balance Sheets if in an asset position or Current or NonCurrent Liabilities,

Investment Derivative Instruments on the Consolidated Balance Sheets if in a liability position. An offsetting amount is included in Current or Noncurrent Regulatory Costs or Regulatory Credits for future recovery in the Consolidated Balance Sheets. The actual settlement payable is recorded in Accounts Payable on the Consolidated Balance Sheets, and the actual settlement receivable is recorded in Energy Efficiency loans due within one year, accrued interest and other on the Consolidated Balance Sheets. The payments and receipts of the actual settlement are recorded as Investment Expense in the Consolidated Statements of Revenues, Expenses and Changes in Net Assets.

Electric Contracts. SMUD utilizes certain electric swap agreements under FASB ASC 815 not designated as hedging derivative instruments to mitigate exposure to changes in the market price of electricity. The fair value of each agreement, excluding the actual settlements to be paid or received as of the end of the period, is recorded in either Current or NonCurrent Assets, Investment Derivative Instruments on the Consolidated Balance Sheets if in an asset position or Current or NonCurrent Liabilities, Investment Derivative Instruments on the Consolidated Balance Sheets if in a liability position. An offsetting amount is included in Current or Noncurrent Regulatory Costs or Regulatory Credits for future recovery in the Consolidated Balance Sheets. The actual settlement payable is recorded in Accounts Payable on the Consolidated Balance Sheets, and the actual settlement receivable is recorded in Energy Efficiency Loans due within one year, Accrued Interest and Other on the Consolidated Balance Sheets. The payments or receipts of the actual settlement are recorded as Investment Expense in the Consolidated Statements of Revenues, Expenses and Changes in Net Assets.

Interest Rate Contracts. SMUD utilizes certain interest rate swap agreements not designated as hedging derivative instruments under FASB ASC 815 to mitigate exposure to changes in the fair value of variable rate debt resulting from fluctuations in interest rates. The fair value of each agreement, excluding the balance of interest to be paid or received as of the end of the period, is recorded in either Current or NonCurrent Assets, Investment Derivative Instruments on the Consolidated Balance Sheets if in an asset position or Current or NonCurrent Liabilities, Investment Derivative Instruments on the Consolidated Balance Sheets if in a liability position. An offsetting amount is included in Current or Noncurrent Regulatory Costs or Regulatory Credits for future recovery in the Consolidated Balance Sheets. The interest receivable is recorded in Energy Efficiency Loans due within one year, Accrued Interest and Other on the Consolidated Balance Sheets, and the interest payable is recorded Accrued interest on the Consolidated Balance Sheets. The payments or receipts of the actual settlement are recorded as Investment Expense in the Consolidated Statements of Revenues, Expenses and Changes in Net Assets.

The Board has deferred recognition of the effects of reporting the fair value of Investment Derivative Instruments for rate-making purposes, and maintains regulatory accounts to defer the accounting impact of these accounting adjustments (see Note 8). Market values may have changed significantly since December 31, 2010.

Interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of SMUD's interest rate swaps. SMUD is exposed to interest rate risk on its interest rate swaps, as LIBOR or the Securities Industry and Financial Markets Association swap index decreases, SMUD's net payment on the swap increases.

Basis risk. Basis risk is the risk that arises when a hedged item and a derivative that is attempting to hedge that item are based on different indices. SMUD is exposed to basis risk when it hedges its natural gas purchases, which are priced at various locations, with NYMEX futures contracts, which settle based on the price in Henry Hub, Louisiana. SMUD enters into Basis Swaps to hedge against this risk.

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

Credit Risk. Credit risk is the risk of loss resulting when the counterparty is unable or unwilling to fulfill its present and future financial obligations. SMUD is exposed to counterparty credit risk on all of its Investment Derivative Instruments. SMUD seeks to minimize credit risk by transacting with creditworthy counterparties. SMUD has established and maintained strict counterparty credit guidelines and enters into contracts only with institutions that are investment grade or better. SMUD continuously monitors counterparty credit risk, and utilizes numerous counterparties to minimize exposure to potential defaults. Under certain conditions as outlined in SMUD's credit risk management policy, SMUD may require collateral under these agreements.

Some of SMUD's derivative master agreements contain credit contingent provisions that enable SMUD to maintain unsecured credit as a result of positive investment quality credit ratings from each of the major credit rating agencies. If SMUD's debt were to go down below investment grade, it would trigger some of these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. The counterparty's current credit rating at December 31, 2010 is shown in the table below:

Counterparty	Counterparty Credit Rating
J. Aron & Company(gas & electric)	A
Barclays Bank PLC	AA-
Citigroup Energy	A
Credit Suisse Energy LLC	A+
Deutsche Bank AG Energy Trading LLC	AA-
BNP Paribas Energy Trading Canada Corp.	BBB
J.P. Morgan Ventures Energy Corp.	A+
Macquarie Bank Limited	A
Merril Lynch Commodities, Inc	A
Morgan Stanley Capital Group, Inc	A
Powerex Corp.	AA-
Shell Energy North America (US), L.P.	A-
UBS AG	A+
Goldman Sachs Capital Markets, L.P.(treasury)	A
Goldman Sachs Mitui Marine Derivative Products L.P.(treasury)	AAA
Morgan Stanley Capital Services, Inc.(treasury)	A

NOTE 10. LONG-TERM DEBT

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

	December 31, 2010	December 31, 2009
	(thousands of dollars)	
Electric Revenue Bonds:		
Electric revenue bonds, 2.5%-6.5%, 2011-2033	$ 2,143,690	$ 1,948,645
Subordinated electric revenue bonds, 0.2%-8.0%, 2011-2028	197,850	207,850
Total electric revenue bonds	2,341,540	2,156,495
Component unit project revenue bonds, 2.25%-5.50%, 2011-2030	470,310	488,665
Gas supply prepayment bonds 3.385%-5.0%, 2011-2027	431,000	454,465
Total long-term debt outstanding	3,242,850	3,099,625
Bond premiums - net	76,386	86,951
Deferred losses on bond refundings - net	(62,854)	(71,893)
Total long-term debt	3,256,382	3,114,683
Less: amounts due within one year	(99,935)	(106,775)
Total long-term debt - net	$ 3,156,447	$ 3,007,908

The summarized activity of SMUD's long-term debt during 2010 is presented below (thousands of dollars):

	December 31, 2009	Additions	Payments or Amortization	December 31, 2010	Amounts Due Within One Year
Electric revenue bonds	$1,948,645	$250,000	$ (54,955)	$2,143,690	$ 54,775
Subordinate electric revenue bonds	207,850	-0-	(10,000)	197,850	-0-
Component unit project revenue bonds	488,665	-0-	(18,355)	470,310	22,790
Gas supply prepayment bonds	454,465	-0-	(23,465)	431,000	22,370
Total	3,099,625	250,000	(106,775)	3,242,850	$ 99,935
Unamortized premiums - net	86,951	-0-	(10,565)	76,386	
Deferred losses on bond refundings - net	(71,893)	-0-	9,039	(62,854)	
Total long-term debt	$3,114,683	$250,000	$ (108,301)	$3,256,382	

The summarized activity of SMUD's long-term debt during 2009 is presented below (thousands of dollars):

	December 31, 2008	Additions	Payments or Amortization	December 31, 2009	Amounts Due Within One Year
Electric revenue bonds	$1,814,480	$200,000	$ (65,835)	$1,948,645	$ 54,955
Subordinate electric revenue bonds	222,425	-0-	(14,575)	207,850	10,000
Component unit project revenue bonds	519,205	106,450	(136,990)	488,665	18,355
Gas supply prepayment bonds	738,390	-0-	(283,925)	454,465	23,465
Total	3,294,500	306,450	(501,325)	3,099,625	$ 106,775
Unamortized premiums - net	93,303	7,385	(13,737)	86,951	
Deferred losses on bond refundings - net	(78,857)	(7,575)	14,539	(71,893)	
Total long-term debt	$3,308,946	$306,260	$ (500,523)	$3,114,683	

At December 31, 2010 scheduled annual principal maturities and interest are as follows (thousands of dollars):

	Principal	Interest	Total
2011	$ 99,935	$ 153,351	$ 253,286
2012	105,925	148,335	254,260
2013	123,380	143,425	266,805
2014	132,685	137,727	270,412
2015	146,395	131,928	278,323
2016 – 2020 (combined)	831,505	551,631	1,383,136
2021 – 2025 (combined)	786,215	367,777	1,153,992
2026 – 2030 (combined)	563,265	205,648	768,913
2031 – 2035 (combined)	369,775	86,025	455,800
2036	83,770	2,591	86,361
Total Requirements	$ 3,242,850	$ 1,928,438	$ 5,171,288

Interest in the preceding table includes interest requirements for fixed rate debt at their stated rates, variable rate debt covered by interest rate swaps at their fixed rate, and variable rate debt not covered by interest rate swaps using the debt interest rate of 0.30 and 0.34 percent in effect at December 31, 2010 for the issue.

2010 Bond Issuances – In July 2010, SMUD issued $250.0 million of 2010 Series W Electric Revenue Bonds at par. These bonds were issued as taxable Build America Bonds under the provisions of the American Recovery and Reinvestment Act of 2009. SMUD expects to receive a cash subsidy payment from the U.S. Treasury equal to 35 percent of the interest payable on the bonds which will be recorded as a component of Interest and Other Income, in the Consolidated Statements of Revenues, Expenses and Changes in Net Assets.

2009 Revenue Bonds Refunding and Extinguishments. In January 2009, NCGA extinguished $250.0 million of 2007 NCGA Series B Gas Project Revenue Bonds (NCGA Bonds). This bond extinguishment resulted in a current accounting gain of $26.9 million, which is included in Gain or Loss on Debt Extinguishment and Refundings in the Consolidated Statements of Revenues, Expenses and Changes in Net Assets. Redeeming the bonds reduced the aggregate future debt service payments by $417.3 million.

In May 2009, SMUD redeemed $14.6 million of SMUD 1985 Subordinated Series ER Bonds. This bond redemption resulted in a current accounting gain of $0.5 million, which is included in Gain or Loss on Debt Extinguishment and Refundings in the Consolidated Statements of Revenues, Expenses and Changes in Net Assets. Redeeming the bonds reduced the aggregate future debt service payments by $16.3 million.

In August 2009, NCGA extinguished $9.8 million of NCGA Bonds. This bond extinguishment resulted in a current accounting gain of $1.1 million, which is included in Gain or Loss on Debt Extinguishment and Refundings in the Consolidated Statements of Revenues, Expenses and Changes in Net Assets. Redeeming the bonds reduced the aggregate future debt service payments by $16.2 million.

In August 2009, SCA issued $57.5 million of 2009 Series SCA Cogeneration Project Revenue Refunding Bonds. Proceeds from the 2009 bonds and $7.1 million of available funds were used to refund $67.8 million of the outstanding 1998 SCA 1998 revenue bonds and accordingly, the liability for the extinguished bonds has been removed from Long-Term Debt in the Consolidated Balance Sheets. The refunding resulted in the recognition of a deferred accounting loss of $4.0 million, which is being amortized over the life of the refunding issue, and a current period loss of $0.2 million which is included in Gain or Loss on Debt Extinguishment and Refundings in the Consolidated Statement of Revenues, Expenses, and Changes in Net Assets. The 2009 refunding reduced future aggregate debt service payments by $15.1 million and resulted in a total economic gain of $4.9 million, which is the difference between the present value of the old and new debt service payments.

In August 2009, CVFA issued $48.9 million of 2009 Series CVFA Cogeneration Project Revenue Refunding Bonds. Proceeds from the 2009 CVFA bonds and $5.0 million of available funds were used to refund $55.2 million of the outstanding CVFA 1998 revenue bonds and accordingly, the liability for the extinguished bonds has been removed from Long-Term Debt in the Consolidated Balance Sheets. The refunding resulted in the recognition of a deferred accounting loss of $3.6 million, which is being amortized over the life of the refunding issue, and a current period loss of $0.07 million which is included in Gain or Loss on Debt Extinguishment and Refundings in the Consolidated Statement of Revenues, Expenses, and Changes in Net Assets. The 2009 refunding reduced future aggregate debt service payments by $10.8 million and resulted in a total economic gain of $4.0 million, which is the difference between the present value of the old and new debt service payments.

2009 Bond Issuances – In May 2009, SMUD issued $200 million of 2009 Series V Electric Revenue Bonds at par. These bonds were issued as taxable Build America Bonds under the provisions of the American Recovery and Reinvestment Act of 2009. SMUD expects to receive a cash subsidy payment from the U.S. Treasury equal to 35 percent of the interest payable on the bonds which will be recorded as a component of Interest and Other Income, in the Consolidated Statements of Revenues, Expenses and Changes in Net Assets.

Interest Rate Swap Agreements. A summary of SMUD's three swap agreements are as follows:

Initial Notional Amount (thousands)	SMUD Pays	Fixed Rate	Floating Rate	Termination Date	Counterparty Credit Rating (S&P)
$ 131,030	Variable	5.154%	SIFMA	07/01/24	A
269,095	Fixed	4.345%	70% of LIBOR	08/15/18	AAA
111,900	Fixed	2.894%	63% of LIBOR	08/15/28	A

SMUD has a fixed-to-variable interest rate swap agreement with an initial notional amount of $131.0 million, which is equivalent to the principal amount of SMUD's 1997 Series K Electric Revenue Bonds. Under this swap agreement, SMUD pays a variable rate equivalent to the Securities Industry and Financial Markets Association (SIFMA) Index (0.34 percent at December 31, 2010) and receives fixed rate payments of 5.154 percent. In connection with the swap agreement, SMUD has a put option agreement, also with an initial notional amount of $131.0 million, which gives the counterparty the right to sell to SMUD, at par, either the 1997 Series K Bonds, or a portfolio of securities sufficient to defease the 1997 Series K Bonds. The exercise of the option terminates the swap at no cost to SMUD. The term of both the swap and the put is equal to the maturity of the 1997 Series K Bonds.

Additionally, SMUD has two variable-to-fixed interest rate swap agreements with a combined initial notional amount of $381.0 million originally entered into for the purpose of fixing the effective interest rate associated with certain of its subordinated bonds that were refunded during 2008. The notional values of the two swaps are amortized over the life of the respective swap agreements. SMUD can

terminate all swap agreements at any time, with payment or receipt of the fair market value of the swaps as of the date of termination. The obligations of SMUD under the swap agreements are not secured by a pledge of revenues of SMUD's electric system or any other property of SMUD.

Component Unit Interest Rate Swap Agreements. NCGA has four swap agreements, which are summarized as follows:

Initial Notional Amount (thousands)	Agency Pays	Fixed Rate	Floating Rate	Termination Date	Credit Support Provider Credit Rating (S&P)
$ 43,770	Fixed	3.851%	67% of LIBOR +.45%	07/01/13	A
100,385	Fixed	4.062%	67% of LIBOR +.60%	07/01/17	A
65,865	Fixed	4.144%	67% of LIBOR +.63%	07/01/19	A
458,450	Fixed	4.304%	67% of LIBOR +.72%	07/01/27	A

NCGA has four variable-to-fixed interest rate swap agreements with a counterparty for the purpose of fixing the effective interest rate associated with the 2007 Series B Bonds. NCGA pays the counterparty a fixed rate on the notional amount and receives a floating rate equal to 67 percent of the three month LIBOR (0.30 percent at December 31, 2010) plus an interest rate spread, as specified in each swap agreement. The total notional amount of the four swaps at December 31, 2010 was $408.6 million and was equivalent to the outstanding principal balance on the NCGA Bonds. The swaps are amortized over the life of their respective swap agreements in a manner corresponding to the principal repayment schedule of the NCGA Bonds. Early termination of the swaps would occur upon termination of the prepaid agreement for any reason. Upon early termination, the swaps would have no value to either party.

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

Variable Rate Bonds. SMUD's Variable Rate Bonds bear interest at weekly rates, ranging from 0.30 percent to 0.34 percent at December 31, 2010. SMUD can elect to change the interest rate period or fix the interest rate, with certain limitations. SMUD's Variable Rate Bonds can be put to SMUD's Trustee by the bondholders; however, SMUD has in place a reimbursement agreement with Bank of America to enable SMUD to pay off the bonds over five years if the bonds are put. Accordingly, SMUD has recorded such bonds as Long-Term Debt, less amounts scheduled for redemption within one year.

Component Unit Bonds. The component units of SMUD have each issued bonds to finance their respective projects. The revenue stream to pay the SPA, NCGA and SFA bonds' debt service is provided by a take and pay purchase agreement. Principal and interest associated with these bonds are paid solely from the component units' revenues and receipts collected in connection with the operation of the projects. Most operating revenues earned by the component units are collected from

SMUD in connection with the sale of gas or electricity to SMUD. The ability to service debt for SPA and SFA is dependent upon the successful availability of operations, and for NCGA is dependent on various parties (particularly Morgan Stanley Capital Group Inc., as gas supplier) meeting their contractual obligations. The ability of SCA and CVFA to service their debt is no longer dependent upon the successful operation of the project, as SMUD is now required, under a "take-or-pay" contract to make payments sufficient to pay principal and interest and all other payments required to be made under CVFA and SCA's indenture of trust, regardless of the continued successful operation of the Project.

Callable Bonds. SMUD has $647.9 million of Electric System Revenue Bonds that are currently callable, $450.0 million of which are fixed rate Build America Bonds debt and $197.9 million of subordinate Variable Rate Demand Notes (VRDN's). SMUD also has $1,172.7 million of bonds that become callable from 2011 through 2018, and these bonds can be called until maturity.

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

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

SMUD has pledged future net electric revenues, component unit net project revenues, and net gas supply prepayment revenues to repay $3,242.9 million and $3,099.6 million at December 31, 2010 and 2009, respectively, in electric revenue, component unit project revenue, and gas supply prepayment revenue bonds issued from 1993 through 2010. Proceeds from the bonds provided financing for various capital improvement projects, component unit capital projects, and the prepayment of a twenty-year supply of natural gas. The bonds are payable solely from the net revenues generated by SMUD's electrical sales, component unit project revenues, and gas supply prepayment revenues and are payable through 2036 at December 31, 2010, and through 2035 at December 31, 2009. Annual principal and interest payments on the bonds are expected to require approximately 30 and 38 percent of net revenues for the years ending December 31, 2010 and 2009, respectively. The total principal and interest remaining to be paid on the bonds is $5,171.3 million and $4,817.4 million at December 31, 2010 and 2009, respectively. Principal and interest paid was $249.6 million for 2010, and $275.9 million for 2009. Total net revenues were $827.8 million for 2010 and $720.7 million for 2009.

NOTE 11. COMMERCIAL PAPER NOTES

SMUD issues Commercial Paper Notes (Notes) to finance or reimburse capital expenditures. At December 31, 2010 and 2009 Notes outstanding totaled $200.0 million. The effective interest rate for

the Notes outstanding at December 31, 2010 was 0.3 percent and the average term was 94 days. SMUD has a $204.9 million letter of credit agreement, and there have not been any term advances under it.

The summarized activity of SMUD's Notes during 2010 and 2009 is presented below (thousands of dollars):

	Balance at beginning of Year	Additions	Reductions	Balance at end of Year
December 31, 2010	$ 200,000	$ -0-	$ -0-	$ 200,000
December 31, 2009	$ 200,000	$ -0-	$ -0-	$ 200,000

NOTE 12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate the value:

Investments. The fair values of investments, including cash equivalents, are based upon quoted market prices.

Long-Term Debt. The fair value of Long-Term Debt, which includes the short-term portion, was calculated by determining the value of each individual series using a standard bond pricing formula and market yields from representative yield curves. For debt with a stepped interest rate, the fair market value of debt was calculated by discounting future interest and principal payments using a market yield from a representative yield curve. For 2010 and 2009, due to the weakened financial condition of bond insurers, the yield curve for insured municipal bonds was not used for SMUD's debt. SMUD's electric revenue bonds, SCA bonds, and CVFA bonds were instead valued at the yield curve for "A" rated municipal power bonds. For the same reasons, the yield curve for "BBB" rated municipal power bonds was used for insured component unit bonds of SPA and SFA instead of the "A" ratings used in past years. The yield curve for "A" rated finance bonds was used for NCGA debt, reflecting the downgrade of Morgan Stanley in 2008. All yield curves were obtained from Bloomberg, L.P.

Interest Rate Swap and Put Agreements. The fair values of interest rate swap and put agreements are based on values provided by counterparties.

Gas and Electricity Related Derivatives. The fair values of gas and electricity price swap agreements and electricity option agreements are based on forward prices from established indexes for the applicable regions. The fair values of gas and electricity purchase agreements are based on forward prices from established indexes from applicable regions and discounted using established interest rate indexes.

Asset Retirement Obligation. SMUD values its ARO for Rancho Seco based on significant unobservable inputs (Level 3). During 2010, the ARO was updated to reflect new information and revise the estimated costs. The information used to develop the inputs was a combination of actual

historical costs and published data with contingencies to account for uncertainties in future costs. There was no change in the methodology used from the prior estimate.

The estimated fair values of SMUD's financial instruments are presented below. Market values may have changed significantly since December 31, 2010.

	December 31, 2010	
	Recorded Value	Fair Value
	(thousands of dollars)	
Investments, including cash and cash equivalents	$ 683,179	$ 683,179
Long-term debt	(3,256,382)	(3,216,440)
Interest rate swap and put agreements - net	(6,181)	(6,181)
Gas and electricity related derivatives - net	(283,311)	(283,311)
Asset Retirement Obligation	(160,492)	(160,492)

	December 31, 2009	
	Recorded Value	Fair Value
	(thousands of dollars)	
Investments, including cash and cash equivalents	$ 558,900	$ 558,900
Long-term debt	(3,117,342)	(3,149,721)
Interest rate swap and put agreements - net	(2,534)	(2,534)
Gas and electricity related derivatives - net	(171,269)	(171,269)
Asset Retirement Obligation	(158,817)	(158,817)

Fair Value Measurements. FASB ASC 820, as discussed in Note 2, requires enhanced disclosures about assets and liabilities carried at fair value. FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). SMUD uses FASB ASC 820 for its Asset Retirement Obligation.

FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy defined by FASB ASC 820 are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date. An active market is a market in which the transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs that are other than quoted prices included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies.

Level 3 – Pricing inputs that are unobservable for the asset or liability for which there is little, if any, market activity as of the reporting date. These inputs may be used with internally developed methodologies that result in SMUD's best estimate of fair value. Level 3 fair values for asset retirement obligations are calculated by estimating future costs on the basis of published and historical data and including contingencies for uncertainty in future costs.

The following table sets forth by level within the fair value hierarchy SMUD's asset retirement obligation that was accounted for at fair value on a recurring basis as of December 31, 2010 and 2009. As required by FASB ASC 820, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. SMUD's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value assets of and liabilities and their placement within the fair value hierarchy levels.

Recurring Fair Value Measures

	At fair value as of December 31, 2010			
	Level 1	Level 2	Level 3	Total
	(thousands of dollars)			
Asset Retirement Obligation Liability:				
Rancho Seco	-0-	-0-	160,492	160,492

	At fair value as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
	(thousands of dollars)			
Asset Retirement Obligation Liability:				
Rancho Seco	-0-	-0-	158,817	158,817

NOTE 13. RANCHO SECO DECOMMISSIONING LIABILITY

Background. The Rancho Seco decommissioning liability relates to the nuclear decommissioning of the former 913 MW nuclear power plant, which terminated commercial operations in 1989. Nuclear decommissioning is the process of safely removing nuclear facilities from service and reducing residual radioactivity to a level that permits termination of the Nuclear Regulatory Commission (NRC) license, and release of the property for unrestricted use. The NRC has approved SMUD's decommissioning plan, which delineates a phased process, and the first phase of physical work was completed in 2008.

In 2009, the NRC released all of the land under the Part 50 license for unrestricted use with the exception of the 1 acre fenced area around the Interim Onsite Storage Building (IOB) that houses the stored class B and C waste. This waste will be stored for an unspecified period pending availability of appropriate disposal sites. The facility operating license will be terminated after the waste is removed.

The Department of Energy (DOE), under the Nuclear Waste Policy Act of 1982, is responsible for permanent disposal of spent nuclear fuel and high-level radioactive waste. SMUD has a contract with

the DOE for the removal and disposal of spent nuclear fuel and high-level (greater than class "C": GTCC) radioactive waste. However, the date when fuel and GTCC waste removal will be complete is uncertain. In 2010, the DOE formally withdrew the application for licensing of Yucca Mountain as a high-level waste repository, essentially removing Yucca Mountain as an option for disposal of SMUD's used nuclear fuel. The DOE also announced in January 2010 the creation of a Blue Ribbon Commission to study alternatives for developing a repository for the nation's used nuclear fuel. The Commission is tasked with providing a final report on alternatives in two years or January 2012. At this time, there is no credible information available to determine when the DOE would remove the used nuclear fuel from the Rancho Seco facility. SMUD maintains a separately licensed on-site independent spent fuel storage facility (Storage Facility) which stores all of SMUD's spent fuel and GTCC waste in sealed canisters. The Storage Facility will remain under the regulation of the NRC until such time as it is decommissioned after the DOE removes the nuclear fuel and GTCC radioactive waste.

Asset Retirement Obligations. These financial statements reflect SMUD's current estimate of its obligation for the cost of decommissioning (including the cost of managing the Storage Facility until it can be decommissioned) under the requirements of FASB ASC 410, based on studies completed each year. Each year, SMUD evaluates the estimate of costs of decommissioning and there was a slight increase in cost in the 2010 study. The ARO estimate assumes all spent nuclear fuel will be removed from the site by 2028.

Rancho Seco's ARO is presented below:

	December 31,	
	2010	2009
	(thousands of dollars)	
Active decommissioning	$ 25,940	$ 26,309
Spent fuel management	134,552	132,508
Total ARO	$ 160,492	$ 158,817
Less: current portion	(1,893)	(6,913)
Total Non-current portion of ARO	$ 158,599	$ 151,904

The summarized activity of the Rancho Seco ARO during 2010 and 2009 are presented below. The annual adjustments include a savings computed as the difference between the fair value of the obligation as if the decommissioning activities were performed by a third party and the amount actually incurred by SMUD performing the decommissioning activities.

	December 31,	
	2010	2009
	(thousands of dollars)	
ARO at beginning of year	$ 158,817	$ 171,392
Accretion	7,879	7,416
Expenditures	(4,512)	(2,070)
Change in Study	140	13,605
Annual adjustments	(1,832)	(31,526)
Total ARO	$ 160,492	$ 158,817

SMUD made no contributions to the Trust Fund in 2010 and 2009.

NOTE 14. PENSION PLANS

Defined Benefit Pension Plan. SMUD participates in the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by State statute and SMUD policies. The pension plan provides retirement benefits, survivor benefits, and death and disability benefits based upon employees years of credited service, age, and final compensation. Copies of PERS' annual financial report may be obtained from their Executive Office at 400 Q Street, Sacramento, California 95814.

Funding Policy. Participants are required to contribute approximately 7 percent of their annual covered salary. SMUD makes either the full or partial contributions required of SMUD employees on their behalf and for their account. SMUD is currently required to contribute 8.1 percent of payroll to the plan. The contribution requirements of plan members and SMUD are established and may be amended by PERS.

Annual Pension Cost. PERS payments made by SMUD in 2010 were $28.1 million. The Annual Pension Cost for 2010 was $28.6 million, and $0.5 million was paid by employees for purchase of additional service credits. Overall, SMUD paid $27.6 million, and employees paid $0.5 million. PERS payments made by SMUD in 2009 were $28.0 million. The Annual Pension Cost for 2009 was $27.4 million, and $0.6 million was paid by employees for purchase of additional service credits. Overall, SMUD paid $27.1 million, and employees paid $0.9 million. Contributions are determined by actuarial valuations, which are performed based on the entry age normal actuarial cost method. The

contribution for the first half of 2010 was determined by PERS as part of the annual actuarial valuation as of June 30, 2008; the contribution for the second half of 2010 was determined by PERS as part of the annual actuarial valuation as of June 30, 2009. The actuarial assumptions included: (a) a 7.75 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.0 percent per year cost-of-living adjustments. Both (a) and (b) also included an inflation component of 3.0 percent. The actuarial value of PERS' assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value).

Three-year trend information for PERS is presented below (thousands of dollars):

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contribution
6/30/10	$ 28,617	100%
6/30/09	$ 27,372	100%
6/30/08	$ 27,405	100%

Funded Status and Funding Progress. As of June 30, 2009, the most recent actuarial valuation date, the plan was 92.7 percent funded. The actuarial accrued liability for benefits was $1,532 million, and the actuarial value of assets was $1,420 million, resulting in an unfunded actuarial accrued liability (UAAL) of $112 million. The covered payroll (annual payroll of active employees covered by the plan) was $185.5 million, and the ratio of the UAAL to the covered payroll was 60.3 percent. The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

SMUD makes annual contributions to the 401(k) Plan on behalf of certain employees pursuant to a memorandum of understanding with both of its collective bargaining units. SMUD does not match employee contributions, nor make contributions on behalf of its employees to the 457 Plan. Participating employees and SMUD made contributions into the Plans totaling $15.2 million and $1.2 million in 2010, respectively, and $15.5 million and $1.6 million in 2009, respectively.

NOTE 15. OTHER POSTEMPLOYMENT BENEFITS

SMUD provides postemployment healthcare benefits, in accordance with SMUD policy and negotiated agreements with employee representation groups in a single employer defined benefit plan, to all employees who retire from SMUD, and their dependents. SMUD also provides postemployment healthcare benefits to covered employees who are eligible for disability retirement. SMUD contributes the full cost of coverage for retirees hired before January 1, 1991, and a portion of the cost based on credited years of service for retirees hired after January 1, 1991. SMUD also contributes a portion of the costs of coverage for these retirees' dependents. Retirees are required to contribute the portion that is not paid by SMUD. The benefits, benefit levels, retiree contributions and employer contributions are governed by SMUD and can be amended by SMUD through its personnel manual and union contracts. At December 31, 2010, 2,782 postemployment participants, including retirees, spouses of retirees, surviving spouses, and eligible dependents, participated in SMUD's healthcare benefits program.

OPEB arises from an exchange of salaries and benefits for employee services rendered, and refers to postemployment benefits other than pension benefits such as post employment healthcare benefits. SMUD considers the following benefits to be OPEB: Medical, Dental and Long-Term Disability.

Plan Description. SMUD is a member of the California Employers Retiree Benefit Trust (CERBT) for prefunding of OPEB obligations. The CERBT Fund is an IRC Section 115 Trust set up for the purpose of receiving employer contributions to prefund health and other postemployment benefits for retirees and their beneficiaries. The plan is an agent multiple employer plan administered by PERS, which provides medical, dental and long-term disability benefits for retirees and their beneficiaries. Any changes to these benefits would be approved by SMUD's Board and union contracts. To obtain a CERBT report, please contact PERS at 888-CALPERS.

The funding of a plan occurs when the following events take place: the employer makes payments of benefits directly to or on behalf of a retiree or beneficiary; the employer makes premium payments to an insurer; or the employer irrevocably transfers assets to a trust or other third party acting in the role of trustee, where the plan assets are dedicated to the sole purpose of the payments of the plan benefits, and creditors of the government do not have access to those assets.

Funding Policy. SMUD has elected to net fund to PERS, so the contributions are the Annual Required Contribution (ARC) less the estimated cash flow for retiree benefit costs for each year. In 2010 and

2009, the net ARC contribution to the CERBT was $5.9 and $6.6 million, respectively. During 2010 and 2009, SMUD made the following healthcare benefit contributions by paying actual medical costs of $17.3 and $13.6 million, respectively.

Funding Status and Funding Progress. At December 31, 2010 and 2009, SMUD estimates that the actuarially determined accumulated postemployment benefit obligation was approximately $311.0 million and $286.9 million, respectively. The plan was 9.9 percent and 5.8 percent funded in 2010 and 2009, respectively. The covered payroll (annual payroll of active employees covered by the plan) is $195.4 million for 2010. The ratio of the UAAL to covered payroll is 143.4 percent for 2010.

Annual OPEB Cost. The annual OPEB cost (expense) is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. For 2010, SMUD's annual OPEB Cost (expense) of $21.4 million was equal to the ARC.

The following table shows the components of SMUD's annual OPEB cost for the year, the amount actually paid in premiums, and changes in the net OPEB obligation:

	Year Ended December 31,	
	2010	2009
	(thousands of dollars)	
Annual required contribution	$ 21,441	$ 19,582
Interest on net OPEB obligation	-0-	-0-
Annual OPEB cost (expense)	21,441	19,582
Contributions made	(23,133)	(20,110)
Increase (decrease) in net OPEB obligation	(1,692)	(528)
Net OPEB obligation, beginning of year	(528)	-0-
Net OPEB obligation (asset), end of year	$ (2,220)	$ (528)

SMUD's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years is as follows (thousands of dollars):

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
December 31, 2010	$21,441	108%	(2,220)
December 31, 2009	$19,582	103%	(528)
December 31, 2008	$19,589	176%	-0-

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the

types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal was used in the December 31, 2010 and 2009 actuarial valuation. Actuarial assumptions used a 7.75 percent investment rate of return (net of administrative expenses), and a 3.25 percent inflation assumption. For 2010, the actuarial assumptions for an annual healthcare cost trend growth of 9.5 percent for the current year, 8.5 percent for 2011, 8.0 percent for 2012, and declining 0.5 percent per year until 5 percent is reached. The 5 percent growth is used on a go-forward basis. The UAAL will be amortized as a percentage of payroll over an open 30-year period. The actuarial value of assets was $30.8 million and $16.6 million in 2010 and 2009, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 16. INSURANCE PROGRAMS AND CLAIMS

SMUD is exposed to various risks of loss related to torts, theft of and destruction to assets, errors and omissions, and natural disasters. In addition, SMUD is exposed to risks of loss due to injuries to, and illnesses of, its employees. SMUD carries commercial insurance coverage to cover most claims in excess of specific dollar thresholds, which range from $5 thousand to $2.5 million per claim with total excess liability insurance coverage for most claims of $125.0 million. SMUD property insurance coverage is based on the replacement value of the asset. There have been no significant reductions in insurance coverage, and in some cases, certain coverages increased in 2010. In 2010, 2009 and 2008, the insurance policies in effect have adequately covered all settlements of the claims against SMUD. No claims have exceeded the limits of property or liability insurance in any of the past three years.

The claims liability is included as a component of Self Insurance, Deferred Credits and Other in the Consolidated Balance Sheets.

SMUD's total claims liability, comprising claims received and claims incurred but not reported, at December 31, 2010, 2009, and 2008 is presented below:

	2010	2009	2008
		(thousands of dollars)	
Workers' compensation claims	$ 11,338	$ 9,605	$ 7,066
General and auto claims	1,260	1,221	761
Short- and long-term disability claims	87	73	79
Claims liability	$ 12,685	$ 10,899	$ 7,906

Changes in SMUD's total claims liability during 2010, 2009 and 2008 is presented below:

	2010	2009	2008
		(thousands of dollars)	
Claims liability, beginning of year	$ 10,899	$ 7,906	$ 9,465
Add: provision for claims, current year	3,025	2,512	3,111
Increase/(Decrease) in provision for claims in prior years	2,923	3,763	(470)
Less: payments on claims attributable to current & prior years	(4,162)	(3,282)	(4,200)
Claims liability, end of year	$ 12,685	$ 10,899	$ 7,906

NOTE 17. COMMITMENTS

Electric Power and Gas Supply Purchase Agreements. SMUD has numerous power purchase agreements with other power producers to purchase capacity, transmission, and associated energy to supply a portion of its load requirements. SMUD has minimum take-or-pay commitments for energy on some contracts. Certain contracts allow SMUD to exchange energy, received primarily in the summer months, when SMUD most needs the energy and to return energy during the winter months, or other subsequent periods. SMUD has numerous long-term natural gas supply, gas transportation and gas storage agreements with Canadian and U.S. companies to supply a portion of the consumption needs of SMUD's natural gas-fired power plants, which expire through 2040.

At December 31, 2010, the approximate minimum obligations for the take or pay contracts over the next five years are as follows:

	Electric	Gas
	(thousands of dollars)	
2011	$ 77,521	$ 17,363
2012	47,736	12,529
2013	43,103	11,343
2014	36,512	11,343
2015	31,713	11,343

At December 31, 2010, the approximate minimum obligations for the remaining contracts, assuming the energy or gas is delivered over the next five years, are as follows:

	Electric	Gas
	(thousands of dollars)	
2011	$ 118,620	$ 146,756
2012	121,484	154,259
2013	115,966	162,202
2014	110,868	162,428
2015	69,916	145,576

Contractual Commitments beyond 2015 – Electricity. Several of SMUD's purchase power and transmission contracts extend beyond the five-year summary presented above. These contracts expire between 2016 and 2033 and provide for power under various terms and conditions. SMUD estimates its annual minimum commitments under the take or pay contracts ranges between $27.2 million in 2016 and $4.4 million in 2033. SMUD estimates its annual minimum commitments under the remaining contracts, assuming the energy is delivered, ranges between $59.1 million in 2016 and $0.2 million in 2033. SMUD's largest purchase power source is the Western Area Power Administration (Western) Base Resource contract, whereby SMUD receives 31.25 percent of the amount of energy made available by Western, after meeting Central Valley Project use requirements, in any given year at a 31.25 percent share of their revenue requirement. On January 1, 2015, SMUD's percentage share changes to approximately 25 percent. The Western contract expires on December 31, 2024.

Contractual Commitments beyond 2015 - Gas. Several of SMUD's gas transport and gas storage contracts extend beyond the five-year summary presented above. These contracts expire between 2016 and 2040 and provide for transportation and storage under various terms and conditions. SMUD estimates its annual minimum commitments under the take or pay contracts ranges between $11.3 million in 2016 and $0.7 million in 2040. SMUD estimates its annual minimum commitments under the

remaining contracts, assuming the gas is delivered, ranges between $139.2 million in 2016 and $32.6 million in 2040.

Additional Contracts. SMUD has entered into two additional power contracts that have been excluded from the table above due to unknown start dates. Both contracts are based on generation that has not been built and is expected online between 2011 and 2013. Because of the uncertainty of the start dates, they have been excluded from the table above.

Electric Power Price Swap Agreements. SMUD has entered into one variable to fixed rate swap with a notional amount totaling 92,400 megawatt hours (MWh) for the purpose of fixing the rate on SMUD's electric power purchases. This electric power price swap agreement results in SMUD paying fixed rates of $77.72 per MWh. The swap agreement expires in September 2011.

Gas Price Swap Agreements. SMUD has entered into numerous variable to fixed rate swaps with notional amounts totaling 164,448,500 million British Thermal Units (mmbtu) for the purpose of fixing the rate on SMUD's natural gas purchases for its gas-fueled power plants and gas indexed electric contracts. These gas price swap agreements result in SMUD paying fixed rates ranging from $4.11 to $10.80 per mmbtu. The swap agreements expire periodically from January 2011 through December 2022.

Gas Transport Capacity Agreements. SMUD has numerous long-term natural gas transport capacity agreements with Canadian and U.S. companies to transport natural gas to SMUD's natural gas-fired power plants from the supply basins in Alberta to the California-Oregon border and from supply basins in the southwest and Rocky Mountains to the Southern California border. These gas transport capacity agreements provide for the delivery of gas into SMUD-owned pipeline capacity within California. The gas transport capacity agreements provide SMUD with 64,000 dekatherms (Dth) per day (Dth/d) of natural gas pipeline capacity from the North, including the Canadian Basins through 2023 and 66,000 Dth/d from the Southwest or Rocky Mountain Basins through at least 2018.

Gas Storage Agreements. SMUD also has an agreement for the storage of up to 2.33 million Dth of natural gas at a regional facility. The gas storage agreement was renewed in 2009 and expires in 2011.

NOTE 18. CLAIMS AND CONTINGENCIES

Replacement Reserves Dispute. In August 2003, Pacific Gas and Electric (PG&E) issued invoices totaling $2.2 million for replacement reserve charges purportedly incurred by PG&E for energy scheduled through the Rancho Seco intertie point from July 2000 through June 2002. In September 2003, SMUD provided PG&E notice of dispute of the invoices arguing that the billing was inconsistent with the Restated Interim Agreement, the primary agreement between the parties governing such transactions; and therefore, no Replacement Reserve charges are due. PG&E functioned as the Scheduling Coordinator on SMUD's behalf for transactions with the California Independent System Operator (ISO) at this intertie point until June 2002, when SMUD became its own balancing authority.

These Replacement Reserve charges purportedly relate to power purchased by the ISO to cover deviations between actual load and forecasted load.

SMUD believes that, even if the charges were appropriate, PG&E's delay in billing within a reasonable timeframe compromised SMUD's ability to modify its operations or scheduling procedures to eliminate or mitigate the charges. In October 2003 SMUD and PG&E entered into a tolling agreement, which among other things, tolls any applicable statute of limitations and may be terminated by either party upon thirty days written notice. SMUD estimates its maximum liability for this matter at $2.2 million; however, SMUD management believes that it is not likely that it will be found liable for any charges in this matter; and therefore, no liability has been recorded.

Claims for 2000 and 2001 Power Sales. On December 6, 2005, PG&E, Southern California Edison Company, San Diego Gas & Electric Company and the Electricity Oversight Board (collectively, the California Parties) filed a claim for damages pursuant to California Government Code § 910.4 (Tort Claims Act) and in March 2006 filed complaints against SMUD and other governmental entities (Governmental Entities) for damages and/or restitution and declaratory relief in Federal District Court in the Eastern District of California, Sacramento Division (Federal Court). The California Parties claim arises from SMUD's power sales from May 1, 2000 through June 20, 2001 (Refund Period) in the wholesale electricity markets operated by the ISO and the California Power Exchange (PX) under Tariffs filed with the FERC.

In a related matter, the State of California and the California Department of Water Resources (DWR) (collectively, the State Entities) filed a complaint in 2006, as amended in 2007, seeking damages similar to those sought by the California Parties. The complaint further claimed damages arising of SMUD's voluntary power sales to the DWR and the ISO, for which the DWR paid, during the Refund Period. On February 23, 2007, SMUD entered into a tolling agreement with the State Entities, under which the State Entities agreed to dismiss without prejudice its claim against SMUD on or before March 1, 2007. The State Entities' complaint was dismissed without prejudice. The tolling agreement serves to put a temporary hold on all future action in the State's prosecution of its claims, and in any claims which SMUD may bring against the State Entities, until the Parties have a better understanding of the progress of other related proceedings.

In proceedings before the FERC (California Refund Proceedings), the California Parties contended that SMUD and other municipals should be subject to the mitigated market clearing price for any sales made into the ISO and PX markets. However, the Supreme Court ruled that municipal entities like SMUD were not subject to the FERC refund liability under the Federal Power Act. The California Parties now allege that SMUD is contractually obligated under the PX Participation Agreement to reimburse the California Parties for any amounts that the FERC might find were unjust under the California Refund Proceedings but for the FERC's lack of jurisdiction. In March 2007, the Federal Court dismissed the

complaints for lack of subject matter jurisdiction. The California Parties appealed the judge's decision in the U.S. Court of Appeals for the Ninth Circuit (Ninth Circuit).

In April 2007, the California Parties filed a breach of contract claim in Los Angeles Superior Court (LA Superior Court) against the Governmental Entities on the same grounds and seeking the same relief as in the Federal Court action described above. In 2009, the LA Superior Court bifurcated the issues of liability and damages. A liability trial was set for November 2010.

The California Parties, State Entities (collectively, the Parties), and SMUD entered into a Binding Term Sheet, dated October 19, 2010, that requires the Parties negotiate in good faith to complete a definitive settlement agreement (Settlement Agreement) that (i) embodies the terms set forth in the Binding Term Sheet, and (ii) to the extent not otherwise addressed therein, includes terms that are consistent with the terms of the California Parties' settlements with other governmental utilities. The Settlement Agreement would resolve all disputes between the Parties with respect to the transactions in the Western Energy Markets during the Refund Period. It would also require the Parties to waive any potential claim that they may have against SMUD for any bilateral or market sales made during the Refund Period. The Binding Term Sheet, among other things, provides that, upon the FERC approval of the Settlement Agreement, the PX and the ISO shall pay to SMUD $31 million from its receivables and accrued interest at the PX and the ISO. The Parties are currently negotiating the Settlement Agreement.

On October 26, 2010, the LA Superior Court issued an order approving a stay of the litigation pending the execution of the definitive settlement agreement and receipt of all required regulatory approvals. SMUD expects the FERC to approve the final settlement in 2011.

NERC Compliance Investigation. On April 20, 2009, SMUD received notice from the North American Electric Reliability Corporation (NERC) that it initiated a NERC Compliance Violation Investigation in response to possible compliance violations as a result of a system disturbance that occurred on December 26, 2008. A preliminary investigation revealed that the disturbance was caused by a failing battery charger at the Orangevale Substation.

On October 29, 2010, NERC issued a Notice of Preliminary Findings and Analysis (Notice) identifying possible violations of seven requirements of five separate reliability standards. SMUD responded to the Notice on November 30, 2010. In its response, SMUD objected to many of NERC's findings, provided NERC with additional information, and requested that settlement discussions commence. Because the investigation is ongoing and no Notice of Alleged Violation has been issued, it is impossible to state with any degree of certainty the amount of any proposed penalty, if any. SMUD expects that the penalty levied by NERC will be less than $1 million. Accordingly, management believes that the outcome of this matter will not have a material adverse impact on SMUD's financial position or results of operations.

Fru-Con Construction Corporation Construction Matters. In August 2003, SMUD entered into a contract with Fru-Con Construction Corporation (Fru-Con) to construct SMUD's 500 MW Cosumnes Power Plant (CPP Project). St. Paul Travelers Casualty Company (Travelers) is obligated, under a Performance Bond, to guarantee Fru-Con's performance under the contract. The original construction schedule for the CPP Project called for commercial operation in September 2005. The CPP Project became operational on February 24, 2006.

Though Fru-Con had previously made claims for comparably smaller amounts that had been resolved through negotiation, in October 2004, Fru-Con asserted additional claims totaling $26.0 million. Beginning in October 2004 and continuing until early February 2005, SMUD and Fru-Con participated in negotiations to resolve disputes over both cost and delays in the CPP Project schedule. SMUD also notified Travelers in January 2005 about Fru-Con's defaults. The parties were unable to resolve the disputes to the satisfaction of SMUD and in February 2005, SMUD terminated its contract with Fru-Con on the basis of breach of contract by Fru-Con, and took steps to complete the CPP Project. In February 2005, SMUD filed suit in the Sacramento County Superior Court against Fru-Con and one of its sub-contractors alleging breach of contract and violation of the California False Claims Act (State Court Action).

In March 2005, Fru-Con filed a complaint against SMUD in federal court, alleging breach of contract (Federal Court Action) and attempted to remove the State Court Action to federal court. In May 2005, the federal court granted SMUD's motion to remand, and transferred the State Court Action back to the Sacramento County Superior Court.

SMUD also pursued a claim against Travelers under the performance bond. In September 2005, Travelers denied SMUD's claim and filed a declaratory relief action in the same federal court as the Fru-Con Federal Court Action. SMUD filed a counterclaim in response to Travelers' lawsuit. In general, SMUD is seeking to recover from Travelers all of the damages it claims against Fru-Con, including attorneys' fees. Fru-Con's federal case has been consolidated with the Travelers lawsuit for purposes of discovery.

In June 2007, the Sacramento County Superior Court issued a summary adjudication order upholding SMUD's right to terminate the contract, leaving for trial only the issue of the amount of damages owing by Fru-Con to SMUD. Fru-Con appealed the Superior Court order to the Court of Appeals. In September 2007, the California Supreme Court denied Fru-Con's Petition for Review seeking to overturn the Court of Appeals decision, which had denied their petition to reverse the Superior Court order.

The Superior Court trial commenced in January 2009. SMUD presented evidence at trial to support an award of $47.1 million net in damages, excluding interest and attorney's fees, comprised of SMUD's cost to complete Fru-Con's scope of work ($38.8 million), contract liquidated damages ($8.2 million) and statutory damages for false claims ($153 thousand). This net total included offsets for Fru-Con's legitimate change order requests for out-of-scope work that Fru-Con actually performed prior to

termination and the $7.8 million in retained funds held by SMUD. In contrast, Fru-Con presented evidence at trial that SMUD should not be awarded any damages, and instead that Fru-Con should be awarded roughly $45 million, inclusive of claims for extra work for change orders, delays and inefficiencies allegedly caused by SMUD, and attorneys' fees.

In June 2009, the jury rendered a verdict awarding SMUD $42.2 million in damages, excluding interest and attorneys' fees ($35.6 million cost to complete, $6.6 million in liquidated damages, and $10,000 for False Claims), and awarding Fru-Con $1.5 million for change orders.

In December 2009, following a hearing on motions for pre-judgment interest and attorneys fees, the Final Judgment on Verdict was issued. In addition to the $42.2 million in damages to SMUD, SMUD was awarded $13 million in prejudgment interest through the date of Judgment, and reduced Fru-Con's net award to $1.2 million, which offsets against SMUD's award, resulting in a net total of approximately $54 million, plus costs to be submitted. SMUD's request for attorney's fees was denied.

In December 2009, Fru-Con filed motions for a mistrial and a judgment in Fru-Con's favor notwithstanding the verdict. In February, 2010, the Judge issued his final ruling denying both motions, and Fru-Con filed a Notice of Appeal of the final judgment, including prejudgment orders and the order denying both post-judgment motions with the State Court of Appeals for the Third Appellate District. On January 3, 2011, Fru-Con filed its opening brief with the Third Appellate District. SMUD will file its response during the first quarter of 2011.

Meanwhile in September 2009, Federal District Court handed SMUD a further procedural victory by issuing a Stay Order. This Stay Order puts a hold on the federal trial pending the final resolution of the state court proceedings. Effectively, the state judgment would then be binding on the federal court. In September 2009, Fru-Con filed an appeal of the Stay Order to the Ninth Circuit, followed by a similar appeal by Travelers. Fru-Con and Travelers also filed motions to expedite appeal and to consolidate. In October 2009, the Ninth Circuit ordered the appeals consolidated, but denied Fru-Con's and Travelers' motions to expedite the appeal, retaining the regular briefing schedule. On August 19, 2010, the Ninth Circuit panel denied Fru-Con and Travelers appeal and upheld the Judge's Stay Order. Consequently, there will be no additional Federal District Court activity in this case until the State court proceedings are resolved.

SMUD management continues to believe that over the course of the state and federal appellate review proceedings and any follow-up trial court proceedings, SMUD is reasonably likely to be successful in refuting, at a minimum, a majority of Fru-Con's claims and to prevail in a majority of its claims against Fru-Con, as well as the surety Travelers. SMUD management also believes that the outcome of this matter will not have a material adverse impact on SMUD's financial position or results of operations. No liability or receivable has been recorded by SMUD in connection with these disputes.

North City Environmental Remediation. In 1950, SMUD purchased property from the City of Sacramento and the Western Railroad Company (the "Site"). Portions of the Site prior to the sale had been operated as a municipal landfill by the City of Sacramento. SMUD currently operates a bulk

substation on the Site. SMUD intends to assure compliance with the State standards at closed landfill sites and is in the process of determining the appropriate remediation of the Site. SMUD believes that there are potentially responsible parties legally obligated to contribute to the remediation costs at the Site and intends to pursue recovery from those parties. In 2010, SMUD established a regulatory asset to defer recognition of the expense related to the investigation, design and remediation necessary for the Site, and has recorded a liability for the full $12 million estimated for the project under GASB No. 49. This regulatory asset will be collected in rates in 2012 and 2013 (see Note 8).

Other Construction Matters. SMUD contracts with various other firms to design and construct facilities for SMUD. Currently, SMUD is party to various claims, legal actions and complaints on some of these construction projects. SMUD management believes that it will be successful in refuting these allegations, and estimates that the ultimate resolution of these matters will not have a material adverse effect on SMUD's financial position or results of operations.

Environmental Matters. SMUD is one of many potentially responsible parties that have been named in a number of actions relating to environmental claims and/or complaints. Due to the nature of these claims, legal actions or complaints, SMUD is unable to predict the range of costs for resolution of these actions and intends to take all actions necessary to defend its position. Some of these matters name SMUD along with other electric utilities as potentially responsible parties. SMUD has estimated its exposure to such costs based on its proportionate share of the potential claim and recorded its share as a liability; in most instances this is a relatively small percentage. However, should other named responsible parties become insolvent and unable to pay their share of the claims, SMUD's share of these contingent liabilities would increase and could be material. SMUD management does not believe this will occur, and accordingly, management believes that the outcome of these environmental claims will not have a material adverse impact on SMUD's financial position or results of operations.

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

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Schedules of Funding Progress

PERS Pension. The schedule of funding progress for PERS is presented below for the three most recent years for which SMUD has available data (thousands of dollars):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (Excess of Assets over AAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of Assets over AAL) as a Percentage of Covered Payroll ((b-a)/c)
6/30/09	$ 1,419,866	$1,531,728	$ 111,862	92.7%	$185,474	60.3%
6/30/08	$ 1,373,974	$1,393,705	$ 19,731	98.6%	$180,362	10.9%
6/30/07	$ 1,300,814	$1,315,424	$ 14,611	98.9%	$171,285	8.5%

OPEB. The schedule of funding progress for the other post-employment benefit healthcare plan is presented below for the three recent years for which SMUD has available data (thousands of dollars):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2010	$ 30,781	$ 310,993	$ 280,212	9.9%	$195,413	143%
1/1/2009	$ 16,570	$ 286,874	$ 270,304	5.8%	$197,772	137%
1/1/2008	$ 22,923	$ 263,982	$ 241,059	8.7%	$199,369	121%

Appendix B. Unaudited Financial Statistics

Energy Sales

September 2010

Managed Monthly Energy Sales by Rate Class

In Megawatt Hours

YEAR	MONTH	Res_Non-Electric	Res-Electric	GSN	GSS	GSTOU3	GSTOU2	GSTOU1	AGR	Street Light	Night Light	Total
2011	1	311,071	156,221	51,968	140,707	68,132	61,568	150,970	1,451	6,551	341	948,980
2011	2	269,405	128,737	44,748	140,624	68,142	61,997	139,098	2,144	6,558	341	861,795
2011	3	241,992	106,328	43,588	132,788	68,199	59,453	138,905	2,227	6,566	340	800,386
2011	4	223,812	85,097	40,791	130,602	64,654	59,533	138,137	3,237	6,573	340	752,776
2011	5	228,800	77,961	41,092	137,414	66,613	60,699	139,029	4,379	6,581	340	762,908
2011	6	283,003	89,217	47,345	159,825	74,422	66,563	142,499	8,054	6,589	339	877,856
2011	7	354,711	103,111	52,521	174,951	79,243	70,067	147,691	10,209	6,596	339	999,438
2011	8	374,225	109,513	54,654	181,129	81,240	71,324	148,731	10,549	6,604	338	1,038,306
2011	9	344,967	99,949	51,814	173,255	78,740	69,866	145,798	8,843	6,611	338	980,182
2011	10	275,733	86,933	46,869	159,378	74,489	65,428	141,793	5,826	6,619	338	863,406
2011	11	232,015	82,269	43,103	143,396	69,656	62,115	136,267	3,547	6,627	337	779,333
2011	12	277,898	121,658	46,679	140,723	68,975	61,704	135,332	1,992	6,633	337	861,931
2012	1	305,643	153,823	51,244	142,566	69,903	61,931	145,444	1,451	6,640	336	938,983
2012	2	264,863	126,604	44,666	142,559	69,839	62,356	134,784	2,144	6,647	336	854,798
2012	3	245,458	107,724	44,626	137,528	69,793	59,729	135,403	2,227	6,654	335	809,478
2012	4	219,508	83,120	41,088	132,228	66,058	59,745	135,396	3,237	6,661	334	747,375
2012	5	223,540	75,658	41,820	139,091	67,910	60,857	137,897	4,379	6,668	334	758,155
2012	6	279,379	87,068	47,437	161,991	75,830	66,855	143,367	8,054	6,675	333	876,990
2012	7	351,851	100,691	52,633	177,090	80,534	70,281	149,336	10,209	6,682	333	999,639
2012	8	371,983	107,022	54,867	183,387	82,480	71,553	151,405	10,549	6,689	332	1,040,267
2012	9	343,698	97,637	51,312	175,660	79,865	70,180	149,630	8,843	6,696	331	983,853
2012	10	273,844	84,670	46,578	161,650	75,546	65,746	143,705	5,826	6,703	331	864,599
2012	11	229,846	80,075	43,718	145,562	70,700	62,493	138,335	3,547	6,710	330	781,316
2012	12	276,879	119,320	47,298	142,880	69,970	62,098	137,072	1,992	6,718	330	864,557

PRO FORMA INCOME STATEMENT
$ Millions

	2011 BUDGET	2012 PROJECTION
OPERATING REVENUES:		
Net Billed Sales (Inc. EARP/MED Discounts)	1,246.8	1,245.8
Other Adjustments	(6.9)	(6.9)
= Net Sales	1,240.0	1,238.9
Other Revenue	28.4	22.0
Total Operating Revenues	1,268.4	1,260.9
OPERATING EXPENSES:		
Purchased Power (Net of Sales)	195.7	172.3
Fuel	361.0	318.1
Transmission Contracts	26.2	30.4
Production	90.6	103.6
Transmission & distribution	76.0	78.6
Customer accounts	47.1	46.6
Customer services	35.2	36.3
Public Good Expenses	65.1	64.8
Admin & General Expenses	60.9	65.9
Total Operation & Maintenance	957.7	916.5
Provision for depreciation-SMUD & JPAs	161.7	155.1
Total Other Non-Cash	15.2	18.9
Total Operating Expenses	1,134.6	1,090.5
Net Operating Income	133.7	170.4
Total Other Income (Deduction)	8.9	13.8
Income before interest	142.6	184.3
INTEREST EXPENSE:		
Interest on Long-Term Debt	117.3	125.8
Interest on commercial paper	1.6	5.6
JPA Interest Expense	22.0	21.0
AFUDC - borrowed funds	(7.5)	(15.7)
Net Interest Charges	133.4	136.8
NET INCOME	9.2	47.5
Cash Available for Fixed Debt Service	333.6	374.0
Interest Payments for SMUD, JPAs, TANC	153.6	165.5
Principal Payments for SMUD, JPAs, TANC	78.0	85.4
Total Fixed Debt Service	231.6	251.0
Fixed Charge Coverage Ratio	1.44	1.49

PRO FORMA CASH FLOW STATEMENT
$ Millions

	2010	2011 BUDGET	2012 PROJECTION	2013 PROJECTION
SOURCES OF CASH				
Net Income	30.8	9.2	47.5	47.5
Add Back:				
Depreciation Expense	162.7	161.7	155.1	188.8
Other Non-Cash	(14.4)	15.2	18.9	22.3
Less:				
AFUDC	(5.1)	(7.5)	(15.7)	(7.9)
Contribution to JPA Overhaul Funds	(13.7)	(12.1)	(12.0)	(12.0)
CASH FLOW FROM OPERATIONS	160.3	166.5	193.8	238.7
OTHER CASH INFLOWS				
Grant Receipts	16.6	56.0	12.8	
USES OF CASH				
Debt Principal Repayments	(106.8)	(78.0)	(84.0)	(104.4)
Capital Expenditures	(193.6)	(532.1)	(246.5)	(258.9)
NET CASH FLOW	(123.5)	(387.5)	(123.9)	(124.6)
BEGINNING BALANCE UNRESTRICTED CASH	257.6	371.1	235.6	199.3
NEW DEBT ISSUED	247.8	250.0	91.0	121.6
CHANGE IN RESTRICTED FUNDS	(10.8)	2.0	(3.4)	3.0
ENDING BALANCE UNRESTRICTED CASH	371.1	235.6	199.3	199.3

PRO FORMA CAPITAL EXPENDITURES
$ Millions

	2011 BUDGET	2012 PROJECTION	2013 PROJECTION
Distribution	84.7	111.8	104.0
Energy Supply	261.6	35.9	50.2
Customer	104.3	6.8	9.8
Technology	26.7	19.5	21.0
Internal Services	54.7	72.5	73.9
TOTAL CAPITAL	532.1	246.5	258.9

SACRAMENTO MUNICIPAL UTILITY DISTRICT
ANNUAL SALES DATA BY RATE SCHEDULE - 2009
UNAUDITED

		RATE CATEGORY	2009 MONTHLY AVERAGE OF CUSTOMERS	BILLED THIS YEAR KWH	BILLED THIS YEAR REVENUE	ESTIMATED UNBILLED - DEC. 31, 2009 KWH	ESTIMATED UNBILLED - DEC. 31, 2009 REVENUE
AGRICULTURAL		AOD	3	261476	34628.17	3544	602
		AON	4	73447	8284.84	1	18
		ASD	494	47416746	4783420.28	1727867	203511
		ASN	1879	19735120	2270014.76	392377	52622
		ASN-BH	1	0	-18203.83	0	0
		Various*	0	0	0	0	0
TOTAL AGRICULTURAL			2381	67486789	7078144.22	2123789	256753
SMALL COMMERCIAL		GFN	448	70479	52183.75	4072	3104
		GSN	48173	578856047	69020331.03	32680329	3994742
		GSN_1	268	2861617	372610.7	181678	24261
		GSN_2	1512	15088489	1897935.11	841382	108375
		GSN_3	1	26482	3301.66	1880	241
		GT4S1	15	183842	19822.49	0	0
		Various*	0	-23755000	-1383579.55	0	0
TOTAL SMALL COMMERCIAL			50417	573331956	69982605.19	33709341	4130723
INDUSTRIAL		GSS_S	11146	1903892065	216989377.2	106112482	12300542
		GSS_S1	18	4197453	500852.96	275747	33270
		GSS_S2	86	10324616	1248423.18	594524	71468
		GT4S2	6	552261	64887.44	0	0
		GUP_S	42	21735071	2338251.54	1645498	146090
		GUS_S	906	789206045	81622786.28	49955566	4421625
		GUS_S1	1	904000	116897.66	0	0
		GUS_S2	4	2468840	264300.04	123912	11608
		Sub-total	12206	2733280351	303145776.3	158707729	16984603
		GUP_M	18	36681840	3405646.74	2370742	188894
		GUP_M1	1	367200	72676.25	9774	2610
		GUS_M	296	721340412	68952396.6	47274997	3877541
		GUS_M1	3	9665800	1010709.36	818034	74831
		GUS_M2	2	8491800	816073.44	686710	57711
		GUT_M	5	2533951	351720.89	170317	27301
		Sub-total	325	779081003	74609223.28	51330574	4228888
		GES_250	0	0	0		
		GET_250	0	0	0		
		GNT_04	1	45733360	4141945.18	4322197	402432
		Sub-total	1	45733360	4141945.18	4322197	402432
		GDT_99	2	117716177	8198708.4	11785313	775346
		GUP_L	32	372599932	31586079.56	21473573	1723781
		GUP_L1	1	13159370	1229697.09	3628840	330692
		GUS_L	97	623555414	58529942.1	41808071	3695779
		GUS_L1	1	5506487	583378.39	1354372	137557
		GUS_L2	1	4295100	429429.24	345795	31953
		GUT_L	18	520058864	41456592.19	42229656	3233542
	a)	GUT_L19	1	6844900	849768.45	0	73830
		GUT_L2	0	427000	40649.56	257985	25536
		GUT_L99	1	55084883	3784013.89	5027132	340732
		Various*	0	0	-311136.73	0	0
		Sub-total	154	1719248127	146377122.1	127910737	10368748
TOTAL INDUSTRIAL			12687	5277342841	528274066.9	342271237	31984671
STREET LIGHTS		SL_CODM	41	833524	85883.87	23829	2677
		SL_COM	330	63708817	3966303.88	1951881	128890
		SL_DOM	571	8605798	2348600.48	274888	81737
		SL_TSF	6	620748	89192.45	18430	2641
		Various*	0	0	72577.99	0	0
TOTAL STREET LIGHTS			948	73768887	6562558.67	2269028	215945
INTERSECTION LGHT		TS	1628	6912789	605788.15	465190	42174
		TS_F	57	98510	9886.95	4065	432
		Various*	0	0	-317.35	0	0
TOTAL INTERSECTION LIGHTS			1684	7011299	615357.75	469255	42606
NIGHT LIGHTS		NLGT @	5500	4240334	1139227.77	184551	52261
		Various*	0	0	21.4	0	0
TOTAL NIGHT LIGHTS			5500	4240334	1139249.17	184551	52261

SACRAMENTO MUNICIPAL UTILITY DISTRICT
ANNUAL SALES DATA BY RATE SCHEDULE - 2009
UNAUDITED

	RATE CATEGORY	2009 MONTHLY AVERAGE OF CUSTOMERS	BILLED THIS YEAR KWH	BILLED THIS YEAR REVENUE	ESTIMATED UNBILLED - DEC. 31, 2009 KWH	ESTIMATED UNBILLED - DEC. 31, 2009 REVENUE
RESIDENTIAL	RSC	15898	210353242	22056556.44	13213563	1238798
	RSC_1	128	1330236	144671.54	83844	8503
	RSC_11	673	9008634	1000738.04	639703	63795
	RSC_12	675	8421362	895713.65	556900	53022
	RSC_13	2	16305	1828.71	881	91
	RSC_14	0	3554	360.67	0	0
	RSC_2	56	591749	61285.43	39791	3687
	RSC_3	11	94141	10301.33	6401	636
	RSC_5	5	43823	5225.21	3714	413
	RSC_6	0	0	0		
	RSC_E	1681	17928791	1209977.39	1125816	67266
	RSC_E1	8	86515	6531.16	4993	358
	RSC_E11	34	401269	30196.76	24111	1561
	RSC_E12	82	864218	60984.26	45130	2822
	RSC_E14	1	12320	909.38	669	47
	RSC_E2	3	32360	2376.57	2620	174
	RSC_EL	142	1848961	111000.65	127973	6873
	RSC_EL1	1	10549	605.03	560	39
	RSC_EL11	5	61406	3972.73	2865	163
	RSC_EL12	7	81134	4535.27	4473	223
	RSC_EL2	0	997	39.7	793	32
	RSC_L	483	7952596	596913.76	479823	31720
	RSC_L1	1	13136	1165.11	1208	88
	RSC_L11	23	443748	36187.52	29633	2106
	RSC_L12	24	385873	29331.41	24330	1652
	RSC_L2	3	34542	2435.78	1266	74
	RSE	68626	603353153	68450181.26	37895901	4265867
	RSE_E	19213	176591449	13181296.51	11455011	828461
	RSE_E1	28	251844	21487.75	14813	1252
	RSE_E11	360	3443711	288340.09	233910	18864
	RSE_E12	1120	10757517	848604.11	695531	52393
	RSE_E13	2	19700	1800.56	1218	100
	RSE_E14	3	16544	1466.53	1303	109
	RSE_E2	4	48029	3773.08	2849	233
	RSE_E3	2	6745	548.44	521	42
	RSE_EL	917	10075369	638460.97	682289	41476
	RSE_EL1	1	9049	519.1	698	39
	RSE_EL11	26	362183	26631.73	27114	1905
	RSE_EL12	68	811897	54755.14	56781	3709
	RSE_L	751	10221836	822314.44	594629	47044
	RSE_L1	0	0	0	0	0
	RSE_L11	34	485888	42593.17	34956	2860
	RSE_L12	64	820033	67802.7	54313	4346
	RSE_L2	0	0	0	0	0
	RSE_1	132	1270951	155061.78	83515	10088
	RSE_11	2080	21158291	2565761.34	1483525	175050
	RSE_12	3880	36242408	4198287.5	2324481	265321
	RSE_13	26	171934	22652.96	13882	1773
	RSE_14	6	45008	5256.85	3148	352
	RSE_2	46	415105	48211.56	28573	3348
	RSE_3	7	62843	8111.06	3779	498
	RSE_4	1	16760	2248.95	1448	203
	RSE_5	2	16274	2084.33	1072	152
	RSE_6	1	6821	804.86	419	48
	RTC	11	233719	25149.71	15687	1508
	RTC_12	2	33288	3801.47	1592	158
	RTE	103	1935220	213247.56	79606	7673
	RTE_11	2	28915	3327.33	1951	194
	RTE_12	2	37588	4365.43	469	47
	RTE_2	0	0	0		
	RTE4S	8	136836	16617.77	0	0
	RTE4S_E	3	47089	3730.72	0	0
	RTE5	7	237792	25511.41	13209	1321
	RTE5_12	0	0	0		
	RTEV	5	6227	459.81	630	45
	RTT	86	1474455	126474.46	53265	4319
	RTT_11	3	57092	5124.98	957	79
	RTT_12	4	64263	5488.52	2477	210
	RWC	1938	38413966	4069264.44	2667517	252544
	RWC_1	15	317082	36651.17	25243	2720
	RWC_11	66	1266507	136209.25	99565	9776
	RWC_12	68	1444205	155860.96	105413	10422
	RWC_2	8	139347	15303.94	7611	776
	RWC_3	0	0	0	0	0
	RWC_E	87	1565571	108404.64	126828	7822
	RWC_E1	0	5549	418.21	0	0
	RWC_E11	1	10696	755.82	1180	62
	RWC_E12	4	100846	7496.12	5743	428
	RWC_EL	7	177147	11933.22	21667	1426
	RWC_EL12	0	0	0		
	RWC_L	81	1839690	133892.53	122223	8202
	RWC_L1	2	34591	3217.62	3618	272
	RWC_L11	6	131472	10086.46	15389	1151
	RWC_L12	5	104012	8535.04	11530	791
	RWE	1840	34244952	4093567.4	2436573	285550
	RWE_1	4	75468	9274.56	6485	767
	RWE_11	57	1305814	166205.8	93728	11810
	RWE_12	73	1513017	187793.07	95812	11280
	RWE_2	4	44477	5231.95	2290	272
	RWE_E	184	3774459	308394.54	301954	24330
	RWE_E1	1	30517	3041.7	2529	234
	RWE_E11	2	53708	4815.97	6103	608
	RWE_E12	7	153123	13640.95	11193	983
	RWE_EL	7	133688	8476.14	10260	611
	RWE_L	44	1084640	93883.7	73042	6089
	RWE_L11	1	22836	2130.48	0	0
	RWE_L12	1	25601	2215.82	1676	139
	Various*	0	0	0		
	Sub-total	122093	1229008268	127762900.9	78541754	7864295

SACRAMENTO MUNICIPAL UTILITY DISTRICT
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UNAUDITED

	RATE CATEGORY	2009 MONTHLY AVERAGE OF CUSTOMERS	BILLED THIS YEAR KWH	BILLED THIS YEAR REVENUE	ESTIMATED UNBILLED - DEC. 31, 2009 KWH	ESTIMATED UNBILLED - DEC. 31, 2009 REVENUE
	RSG	303663	2602987711	310474519.5	126628233	15332503
RESIDENTIAL	RSG_1	1439	11320620	1422767.51	578585	74026
	RSG_11	11512	102013474	13023541.47	5655048	731616
	RSG_12	17342	145512591	17737950.39	7423057	914292
	RSG_13	78	574533	78581.07	34635	4784
	RSG_14	12	76345	10305.82	2658	362
	RSG_2	573	4537650	544673.05	231130	28376
	RSG_3	93	663438	84484.38	31386	4073
	RSG_4	39	218369	28976.26	11806	1594
	RSG_5	4	39273	5323.98	1979	273
	RSG_6	8	64310	8991.79	2699	383
	RSG_E	52439	399403824	30917389.85	20821579	1610557
	RSG_E1	116	779651	66478.21	42271	3571
	RSG_E11	986	7749129	675345.58	435710	38366
	RSG_E12	2803	22138450	1827192.48	1178132	97514
	RSG_E13	2	16700	1517.45	1459	134
	RSG_E14	1	5834	534.93	0	0
	RSG_E2	50	333741	26500.1	19179	1572
	RSG_E3	5	37227	3351.3	1382	123
	RSG_EL	2442	23656784	1612665.6	1263457	86220
	RSG_EL1	4	30475	2088.84	1659	99
	RSG_EL11	63	625088	47940.65	35205	2696
	RSG_EL12	133	1352275	98982.77	77115	5920
	RSG_EL2	1	3076	152.61	0	0
	RSG_EL5	1	11378	1257.39	112	14
	RSG_L	5258	62293344	5284639.08	2957206	253372
	RSG_L1	25	279457	26853.51	14706	1449
	RSG_L11	219	2690010	247112.18	140035	12971
	RSG_L12	316	3662955	322720.11	167930	14944
	RSG_L13	1	5838	521.73	428	37
	RSG_L2	14	147741	12675.04	7377	657
	RSG_L3	3	29260	2569.11	1469	137
	RSG_L5	0	252	22.86	0	0
	RTG	96	1376584	156245.09	43366	4323
	RTG_1	1	12646	1568.8	0	0
	RTG_11	6	81455	9870.12	1135	121
	RTG_12	7	86012	10126.43	3384	346
	RTG4S	63	609669	62935.24	0	0
	RTG4S_E	8	63194	3887.32	0	0
	RTG5	44	849404	96027.96	45190	4645
	RWG	3088	43456170	5217564.53	2743131	329799
	RWG_1	14	164423	21205.66	8603	1080
	RWG_11	83	1196293	150663.26	107191	13756
	RWG_12	90	1275313	155828.16	86699	10751
	RWG_2	3	42191	5686.87	1174	124
	RWG_3	2	23594	2830.74	608	67
	RWG_E	213	3080283	250166.74	204444	16520
	RWG_E1	0	1415	127.85	1035	94
	RWG_E11	2	32377	2634.87	1437	106
	RWG_E12	15	184588	14856.85	11622	912
	RWG_E2	1	11631	814.68	336	23
	RWG_EL	10	152331	10089.8	10185	685
	RWG_EL11	1	11913	813.93	64	7
	RWG_L	62	1099706	93332.49	71481	5973
	RWG_L11	2	27477	2206.16	2016	177
	RWG_L12	4	61216	5236.96	2771	225
	Various*	0	0	-1909000.77	0	0
	Subtotal	403455	3447160688	388964346.4	171113499	19612369
	RMHP	80	28617899	2564511.68	1562331	138627
	Various*	0	0	0		
TOTAL RESIDENTIAL		525628	4704786855	519291759	251217584	27615291
TOTAL ALL CLASSES		593744	10707968961	1132943741	632244785	64298250

Customer count per Monthly General Ledger Balancing Report totals (SMUD properties excluded). a) Co-gen account with Facilities and Minimum Charges.
@ Night Light customers not included in customer count.
* Manual adjustments to billings, unreconciled differences within SAP, and other adjustments.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
ANNUAL SALES DATA BY RATE SCHEDULE - 2010
UNAUDITED

	RATE CATEGORY	2010 MONTHLY AVERAGE OF CUSTOMERS	BILLED THIS YEAR KWH	BILLED THIS YEAR REVENUE	ESTIMATED UNBILLED KWH	DEC. 31, 2010 REVENUE
AGRICULTURAL	AOD	3	184,923	28,603.11	0	0.00
	AON	4	76,330	8,372.90	64	70.00
	ASD	495	42,902,601	4,748,766.79	1,550,307	202,822.00
	ASN	1,866	17,519,517	2,246,630.70	549,932	77,732.00
	ASN-BH	1	3,760	(18,564.27)	3,509	393.00
	Various*	0	0	(953.24)	0	0.00
TOTAL AGRICULTURAL		**2,369**	**60,687,131**	**7,012,855.99**	**2,103,812**	**281,017.00**
SMALL COMMERCIAL	GFN	459	60,360	51,152.95	3,611	3,000.00
	GSN	49,960	572,343,095	74,681,314.78	34,702,938	4,518,306.00
	GSN_1	48	729,613	98,140.13	0	0.00
	GSN_2	245	3,534,086	459,379.40	0	0.00
	GSN_3	0	5,998	773.99	0	0.00
	Various*	0	(25,656,000)	(1,612,745.98)	0	0.00
TOTAL SMALL COMMERCIAL		**50,711**	**551,017,152**	**73,678,015.27**	**34,706,549**	**4,521,306.00**
INDUSTRIAL	GSS_S	10,927	1,773,132,482	221,985,698.65	104,128,378	12,873,513.00
	GSS_S1	3	991,826	122,986.26	0	0.00
	GSS_S2	14	2,318,999	285,489.61	0	0.00
	GUP_S	45	21,600,343	2,611,752.73	1,951,609	180,243.00
	GUS_S	1,004	822,151,345	92,935,511.23	52,644,552	4,919,391.00
	GUS_S2	1	533,740	50,541.25	0	0.00
	Sub-total	11,994	2,620,728,735	317,991,979.73	158,724,539	17,973,147.00
	GUP_M	17	31,566,220	3,284,208.90	2,165,774	196,954.00
	GUP_M1	0	34,800	8,101.90	0	0.00
	GUS_M	288	702,362,238	73,416,226.13	41,383,711	3,624,834.00
	GUS_M1	1	2,650,800	247,222.11	0	0.00
	GUS_M2	0	1,863,300	159,469.48	0	0.00
	GUT_M	5	2,896,841	432,512.40	197,009	32,681.00
	Sub-total	312	741,374,199	77,547,740.92	43,746,494	3,854,469.00
	GNT_04	1	46,224,263	4,482,850.07	4,090,032	344,341.00
	Sub-total	1	46,224,263	4,482,850.07	4,090,032	344,341.00
	GDT_99	2	122,754,867	9,043,065.96	10,797,579	756,023.00
	GUP_L	34	388,206,035	36,222,505.27	24,042,093	2,090,699.00
	GUP_L1	0	6,517,426	570,101.76	0	0.00
	GUS_L	96	619,664,033	63,869,972.38	46,063,815	4,302,921.00
	GUS_L1	0	2,080,899	201,902.60	0	0.00
	GUS_L2	0	894,000	84,860.20	0	0.00
	GUT_L	21	519,058,019	45,398,552.65	38,878,813	3,196,409.00
	a) GUT_L19	1	364,886	525,451.79	0	45,141.00
	GUT_L2	0	203,000	27,109.53	0	0.00
	GUT_L99	1	47,925,831	3,571,121.37	3,804,301	280,893.00
	Various*	0	0	(775,653.84)	0	0.00
	Sub-total	155	1,707,668,996	158,738,990	123,586,601	10,672,086.00
TOTAL INDUSTRIAL		**12,462**	**5,115,996,193**	**558,761,560.39**	**330,147,666**	**32,844,043.00**
STREET LIGHTS	SL_CODM	42	811,317	94,398.02	22,677	2,720.00
	SL_COM	327	61,534,616	4,225,629.58	1,876,857	131,996.00
	SL_DOM	597	8,287,464	2,555,221.20	259,680	84,788.00
	SL_TSF	6	637,798	93,720.95	17,511	2,664.00
	Various*	0	0	(24,565.97)	0	0.00
TOTAL STREET LIGHTS		**972**	**71,271,195**	**6,944,403.78**	**2,176,725**	**222,168.00**
INTERSECTION LGHT	TS	1,647	6,647,114	637,692.05	446,125	43,198.00
	TS_F	58	92,103	10,169.19	3,303	389.00
	Various*	0	0	0.00	0	0.00
TOTAL INTERSECTION LIGHTS		**1,704**	**6,739,217**	**647,861.24**	**449,428**	**43,587.00**
NIGHT LIGHTS	NLGT @	5,344	4,110,437	1,213,707.82	191,178	57,854.00
	Various*	0	0	0.00	0	0.00
TOTAL NIGHT LIGHTS		**5,344**	**4,110,437**	**1,213,707.82**	**191,178**	**57,854.00**

SACRAMENTO MUNICIPAL UTILITY DISTRICT
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UNAUDITED

	RATE CATEGORY	2010 MONTHLY AVERAGE OF CUSTOMERS	BILLED THIS YEAR KWH	BILLED THIS YEAR REVENUE	ESTIMATED UNBILLED DEC. 31, 2010 KWH	ESTIMATED UNBILLED DEC. 31, 2010 REVENUE
RESIDENTIAL	RSC	16,247	199,590,430	22,788,114.57	13,067,639	1,296,798.00
	RSC_1	19	364,300	36,338.83	0	0.00
	RSC_11	117	2,794,021	276,483.70	0	0.00
	RSC_12	115	2,527,138	238,772.50	0	0.00
	RSC_13	0	6,434	646.20	0	0.00
	RSC_2	9	165,954	15,528.78	0	0.00
	RSC_3	2	26,650	2,686.66	0	0.00
	RSC_5	1	16,519	1,862.32	0	0.00
	RSC_E	1,742	18,003,387	1,317,997.26	1,177,737	75,586.00
	RSC_E1	1	22,716	1,616.35	0	0.00
	RSC_E11	5	114,901	7,489.52	0	0.00
	RSC_E12	13	247,556	15,441.32	0	0.00
	RSC_E14	0	4,979	378.27	0	0.00
	RSC_E2	1	10,886	746.13	0	0.00
	RSC_EL	151	1,963,053	125,308.42	127,045	7,125.00
	RSC_EL1	0	3,673	206.61	0	0.00
	RSC_EL11	1	11,994	615.87	0	0.00
	RSC_EL12	1	16,632	769.28	0	0.00
	RSC_EL2	0	2,772	106.87	0	0.00
	RSC_L	457	7,221,979	706,065.22	427,229	36,996.00
	RSC_L1	0	4,964	429.26	0	0.00
	RSC_L11	4	126,436	10,572.60	0	0.00
	RSC_L12	4	116,683	9,274.74	0	0.00
	RSC_L2	0	6,144	414.72	0	0.00
	RSE	71,445	590,433,184	72,824,983.54	38,812,923	4,611,890.00
	RSE_E	23,777	211,766,652	16,998,044.15	13,578,385	1,042,062.00
	RSE_E1	4	72,783	6,304.82	0	0.00
	RSE_E11	105	1,234,273	99,540.65	0	0.00
	RSE_E12	303	3,561,607	270,995.81	0	0.00
	RSE_E13	0	4,158	346.58	0	0.00
	RSE_E14	1	4,540	396.54	0	0.00
	RSE_E2	1	15,118	1,255.20	0	0.00
	RSE_E3	0	1,819	145.61	0	0.00
	RSE_EL	1,087	11,646,168	769,699.39	699,561	45,554.00
	RSE_EL1	0	2,394	124.64	0	0.00
	RSE_EL11	5	133,126	9,531.66	0	0.00
	RSE_EL12	12	239,541	15,034.95	0	0.00
	RSE_L	732	9,458,827	994,708.98	534,736	55,548.00
	RSE_L11	6	140,969	13,649.56	0	0.00
	RSE_L12	10	247,912	23,491.91	0	0.00
	RSE_1	21	345,399	41,575.08	0	0.00
	RSE_11	349	6,319,311	749,332.83	0	0.00
	RSE_12	597	9,949,716	1,138,211.85	0	0.00
	RSE_13	4	56,649	7,242.23	0	0.00
	RSE_14	1	11,543	1,388.68	0	0.00
	RSE_2	7	114,099	13,147.32	0	0.00
	RSE_3	1	18,062	2,398.68	0	0.00
	RSE_4	0	5,457	753.44	0	0.00
	RSE_5	0	3,618	458.82	0	0.00
	RSE_6	0	2,649	303.71	0	0.00
	RTC	12	227,519	26,867.50	12,752	1,327.00
	RTC_12	0	7,821	796.90	0	0.00
	RTE	95	1,691,551	204,743.78	66,420	6,903.00
	RTE_11	1	13,293	1,380.41	0	0.00
	RTE_12	1	7,482	774.11	0	0.00
	RTE5	6	205,306	23,970.98	14,825	1,580.00
	RTEV	5	6,414	525.33	511	40.00
	RTT	87	1,408,774	136,715.92	56,733	4,897.00
	RTT_11	1	14,241	1,226.43	0	0.00
	RTT_12	1	9,815	849.93	0	0.00
	RWC	1,979	36,884,624	4,235,075.21	2,916,495	294,234.00
	RWC_1	4	107,843	11,856.20	0	0.00
	RWC_11	17	442,277	43,709.27	0	0.00
	RWC_12	16	444,349	43,833.48	0	0.00
	RWC_2	2	36,306	3,622.10	0	0.00
	RWC_E	103	1,735,023	128,609.97	158,700	10,648.00
	RWC_E11	1	8,810	488.36	0	0.00
	RWC_E12	1	38,757	2,734.39	0	0.00
	RWC_EL	15	389,220	30,759.39	30,332	2,120.00
	RWC_L	76	1,695,568	170,540.42	121,180	10,992.00
	RWC_L1	1	19,946	1,878.91	0	0.00
RESIDENTIAL	RWC_L11	2	63,149	5,595.38	0	0.00
	RWC_L12	2	42,530	3,436.01	0	0.00
	RWE	1,975	34,600,129	4,427,551.90	2,773,885	344,637.00
	RWE_1	1	22,041	2,557.31	0	0.00
	RWE_11	14	411,553	52,626.96	0	0.00
	RWE_12	18	430,241	51,872.83	0	0.00
	RWE_2	1	11,136	1,277.72	0	0.00
	RWE_E	231	4,680,704	410,482.28	375,706	32,500.00
	RWE_E1	0	3,975	289.53	0	0.00
	RWE_E11	1	29,412	2,726.97	0	0.00
	RWE_E12	2	67,123	6,029.99	0	0.00
	RWE_EL	10	181,130	13,194.22	13,053	997.00
	RWE_L	40	947,985	107,277.88	59,450	6,781.00
	RWE_L12	0	7,446	777.32	0	0.00
	Various*	0	0	0.00		
	Sub-total	122,075	1,166,053,268	129,697,587.92	75,025,297	7,889,215.00

SACRAMENTO MUNICIPAL UTILITY DISTRICT
ANNUAL SALES DATA BY RATE SCHEDULE - 2010
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	RATE CATEGORY	2010 MONTHLY AVERAGE OF CUSTOMERS	BILLED THIS YEAR KWH	BILLED THIS YEAR REVENUE	ESTIMATED UNBILLED KWH	DEC. 31, 2010 REVENUE
	RSG	324,176	2,606,872,408	338,679,646.78	143,940,769	18,584,270.00
	RSG_1	224	2,643,188	342,747.77	0	0.00
	RSG_11	2,021	26,201,492	3,426,911.43	0	0.00
	RSG_12	2,940	34,897,345	4,345,230.07	0	0.00
	RSG_13	20	148,028	20,589.45	0	0.00
	RSG_14	3	12,498	1,661.16	0	0.00
	RSG_2	136	1,073,639	132,731.83	0	0.00
	RSG_3	22	153,389	20,123.64	0	0.00
	RSG_4	9	55,874	7,675.19	0	0.00
	RSG_5	1	9,150	1,266.27	0	0.00
	RSG_6	2	14,774	2,113.78	0	0.00
	RSG_E	63,123	469,342,086	39,283,034.22	25,532,385	2,125,032.00
	RSG_E1	28	193,656	16,521.82	0	0.00
	RSG_E11	288	2,310,088	205,649.99	0	0.00
	RSG_E12	750	6,003,565	503,556.53	0	0.00
	RSG_E13	1	5,978	527.92	0	0.00
	RSG_E2	12	83,527	6,818.37	0	0.00
	RSG_E3	1	5,806	507.83	0	0.00
	RSG_EL	2,772	26,090,327	1,796,355.70	1,335,529	90,485.00
	RSG_EL1	1	5,875	338.46	0	0.00
	RSG_EL11	18	174,403	12,584.27	0	0.00
	RSG_EL12	40	387,334	27,034.82	0	0.00
	RSG_EL5	0	1,650	157.44	0	0.00
	RSG_L	5,306	60,093,347	6,532,013.80	2,926,806	314,631.00
	RSG_L1	7	81,203	9,088.04	0	0.00
	RSG_L11	58	687,374	72,940.70	0	0.00
	RSG_L12	78	840,309	84,574.04	0	0.00
	RSG_L13	0	1,734	167.80	0	0.00
	RSG_L2	3	37,819	3,808.93	0	0.00
	RSG_L3	1	5,930	648.37	0	0.00
	RTG	101	1,366,822	171,470.63	50,449	5,468.00
	RTG_11	2	18,617	2,013.80	0	0.00
	RTG_12	2	18,678	1,976.53	0	0.00
	RTG5	46	916,745	102,791.05	115,453	5,742.00
	RWG	3,243	43,372,007	5,616,180.89	3,156,689	405,758.00
	RWG_1	3	37,260	4,775.65	0	0.00
	RWG_11	23	448,352	59,343.33	0	0.00
	RWG_12	23	357,446	44,415.33	0	0.00
	RWG_2	1	4,728	509.24	0	0.00
	RWG_3	1	4,250	478.91	0	0.00
	RWG_E	261	3,580,457	310,107.17	276,670	23,912.00
	RWG_E1	0	3,847	337.56	0	0.00
	RWG_E11	1	12,550	989.01	0	0.00
	RWG_E12	3	53,934	4,578.88	0	0.00
	RWG_E2	0	2,919	220.21	0	0.00
	RWG_EL	16	230,138	16,841.71	16,660	1,190.00
	RWG_EL11	0	56	8.13	0	0.00
	RWG_L	64	1,106,233	123,579.39	72,964	8,099.00
	RWG_L11	0	1,694	153.24	0	0.00
	RWG_L12	1	23,280	2,341.20	0	0.00
	Various*	0	0	(2,106,206.64)	0	0.00
	Subtotal	405,830	3,289,993,809	399,893,931.64	177,424,374	21,564,587.00
	RMHP	87	27,253,724	2,694,246.05	1,707,684	168,164.00
	Various*	0	0	0.00	0	0.00
TOTAL RESIDENTIAL		**527,993**	**4,483,300,801**	**532,285,765.61**	**254,157,355**	**29,621,966.00**
TOTAL ALL CLASSES		**596,211**	**10,293,122,126**	**1,180,544,170.10**	**623,932,713**	**67,591,941.00**

Customer count per Monthly General Ledger Balancing Report totals (SMUD properties excluded).

a) Co-gen account with Fac lities and Minimum Charges.

@ Night Light customers not included in customer count.

* Manual adjustments to billings, unreconc led differences within SAP, and other adjustments.

Appendix C. New and Revised Tariffs

Agricultural Service
Rate Schedule AG

I. Applicability

This schedule is applicable to single or 3 phase service, delivered at such nominal voltage as the customer selects from among those which SMUD designates are available at the customer's premises, for pumping loads where a preponderance of the load is devoted to agricultural purposes, farm lighting, feed choppers, milking machines, heating for incubators, brooders and other farm uses: to drainage pumping loads where a preponderance of the area drained is agricultural; and to irrigation pumping loads for non-agricultural purposes where the entire loads, except for minor incidental uses are devoted to such pumping. This schedule is applicable to customer accounts with billing demands that do not exceed 300 kW for 3 or more consecutive months.

II. Non-Demand Metered Rates

This rate is for general service customers having a demand of 30 kW or less. Whenever use of electricity by non-demand metered general service customers is 12,000 kWh or more for 3 consecutive months or whenever, in SMUD's judgment, the demand will exceed 30 kW, a demand meter will be installed and the customer will be billed on the applicable demand metered rate. The customer will be billed on the demand-metered rate until the demand falls below 31 kW and energy is less than 8,750 kWh for 12 consecutive months before being returned to the ASN rate.

Small Agricultural Service ASN	**Summer**	**Winter**
System Infrastructure Fixed Charge per month	$9.90	$9.90
Electricity Usage Charge (¢ per kWh) – all kWh	11.98¢	10.95¢

III. Demand Metered Rates

This rate is for general service customers having a demand of 31 kW or more and whereby a demand meter is installed. The demand for any month will be the maximum 15-minute kW delivery during the month. The customer will be billed on the demand-metered rate until the demand falls below 31 kW and energy is less than 8,750 kWh for 12 consecutive months before being returned to the ASN rate.

Large Agricultural Demand-Metered Service ASD	**Summer**	**Winter**
System Infrastructure Fixed Charge per month	$22.90	$22.90
Site Infrastructure Charge per 12 month maximum kW or installed capacity		
First 30 kW	No Charge	No Charge
Additional kW per month	$2.25	$2.25
Electricity Usage Charge (¢ per kWh)		
First 8,750 kWh per month	11.61¢	12.12¢
Additional kWh per month	8.40¢	9.50¢

IV. Optional Time Based Pricing Plans

This optional rate is for non-demand metered small agricultural customers and demand metered large agricultural customers. Transfers to the agricultural TOU schedule must remain in effect for at least 4 months. Customers cannot return to service under this schedule for 12 months. Service under this schedule is subject to meter availability.

Small Agricultural Time of Use Service AON	**Summer**	**Winter**
System Infrastructure Fixed Charge per month	$13.20	$13.20
Electricity Usage Charge (¢ per kWh)		
On-peak period	18.25¢	12.59¢
Off-peak period	9.81¢	10.73¢

Large Agricultural Time of Use Service AOD	**Summer**	**Winter**
System Infrastructure Fixed Charge per month	$79.65	$79.65
Maximum Demand Charge ($ per kW)	$3.15	$2.25
Electricity Usage Charge (¢ per kWh)		
On-peak period	19.40¢	12.54¢
Off-peak period	10.34¢	10.64¢

V. Electricity Usage Surcharges

The following surcharges will apply to all kWh used per month subject to the conditions detailed in the following Tariff sheets:

Solar Surcharge, established to comply with state regulation, creates a fund for encouraging customer-owned solar power generation. See Tariff Sheet No. 1-SB-1 for further details, including current surcharge amount.

Hydro Generation Adjustment (HGA) will only apply when low levels of precipitation adversely affect SMUD's hydroelectric production. See Tariff Sheets No. 1-HGA-1-2 for further information on how the HGA is calculated and when it applies.

VI. Discontinuance of Service

Any customer resuming service within 12 months after discontinuing service will be required to pay the Site Infrastructure Charges and System Infrastructure Fixed Charges that would have been billed if service had not been discontinued, except when a customer agrees to lock out service during the full period of June through September. The Site Infrastructure Charge and System Infrastructure Fixed Charge will be waived during each of those months.

VII. Rate Option Menu

(A) Standby Service Option

This option applies to general service customers who operate, in whole or in part, customer-owned generator(s) on their premises and where 1) the output connects to SMUD's electrical system, and 2) SMUD must stand ready to provide backup or maintenance service to replace the generator(s).

Standby Service Charge by Voltage Level	**Secondary**	**Primary**	**Sub-transmission**
($/kW of Contract Capacity per month)	$6.25	$4.95	$2.50

"Contract Capacity" is a fixed kilowatt value determined by the rating of the generator unit. In addition to the standby service charge, SMUD will continue to bill for all applicable charges under this rate schedule. These charges include System Infrastructure Fixed Charges and Site Infrastructure Charges, as well as Electricity Usage and Maximum Demand Charges for District-provided power.

(B) Green Pricing Options

1. **SMUD Community Solar Option**
   Under this premium service option, customers elect to contribute monthly payments towards the installation of a photoelectric system at a selected community locale. See the SMUD website for further information on monthly contribution options and currently identified projects.

2. **SMUD Renewable Energy Option**
   Customers electing this premium power service will receive an additional charge for monthly energy of no less than 1/2 cent and no greater than 2 cents per kWh. SMUD may offer up to 3 premium rate options representing various blends of renewable resources within the 1/2 cent to 2 cent range. The actual prices will be published each November and will be based on the expected above market cost of renewable resources for the upcoming year. Participation will be limited to the amount of resources that SMUD is able to secure below the 2 cent premium limit.

(C) Net Metering for Solar Electric, Wind Turbine, and Biomass Generation Facilities

Please see Sheet No. 1-NM-1 for details on the Net Metering option.

VII. Special Metering Charge

For customers who purchase and install communications hardware and software to transfer energy load data from their meter/recorders to a personal computer, SMUD will charge a monthly service fee to cover maintenance, software support and the annual licensing fee.

VIII. Conditions

(A) Type of Electric Service

SMUD will provide customers on this Rate Schedule standard, firm service consisting of a continuous and sufficient supply of electricity.

(B) Service Voltage Definition

The following defines the 3 voltage classes available. The rate shall be determined by the voltage level at which service is taken according to the following:

1. Secondary Service Voltage
This service class provides power at voltage levels below 12 kilo-Volts (kV), or at a level not otherwise defined as "Primary" or "Sub-transmission".

2. Primary Service Voltage
This service class provides power at a voltage level of 12 kV or 21 kV. To be eligible for Primary Service Voltage, the customer's monthly demand must exceed 299 kW, the voltage must be available in the area being served, and SMUD must approve the arrangement for power provision.

3. Sub-transmission Service Voltage
This sub-transmission service class provides power at a voltage level of 69 kV or as otherwise defined by SMUD. To be eligible for voltage service at this level, the customer's monthly demand must exceed 499 kW, the voltage must be available in the area being served, and SMUD must approve the arrangement for power provision.

(C) Power Factor Adjustment

Accounts with demands of 20 kW or greater may be subject to a power factor adjustment. SMUD, at its option, may place VAR metering equipment to record reactive power conditions. Effective January 1, 1998, when a customer's monthly power factor falls below 95% leading or lagging, the following billing adjustment will apply

$$\textit{Electricity Usage} \times \$0.0098 \times \left(\frac{95\%}{\textit{Power Factor}} - 1 \right)$$

Electricity Usage = the total monthly kWh for the account
Power Factor = the lesser of the customer's monthly power factor or 95%

Customers that contract with SMUD for power factor corrections will have the power factor adjustment waived for the portion that is covered under the contract.
The fee for correction per KVAR $0.2588
KVAR = maximum 12 month KVAR in excess of 33% of kW.

(D) Agricultural Time of Use Rate Periods

The following defines the time period definitions for the Agricultural time of use rates:

Agricultural Time of Use rate periods (Applicable to Rate Categories AON & AOD)

On-peak hours include the following:

WINTER SEASON - NOVEMBER 1 Through APRIL 30
Weekdays: Between 7:00 a.m. and 10:00 a m. and 5:00 p m. and 8:00 p.m.

SUMMER SEASON - MAY 1 Through OCTOBER 31
Weekdays: Between 2:00 p m. and 8:00 p m.

Off-peak hours include all other hours not defined as super-peak or on-peak, including all day on weekends and the following holidays:

Holiday	**Month**	**Date**
New Year's Day	January	1st
Martin Luther King Jr.'s Birthday	January	Third Monday
Lincoln's Birthday	February	12th
Presidents Day	February	Third Monday
Memorial Day	May	Last Monday
Independence Day	July	4th
Labor Day	September	First Monday
Columbus Day	October	Second Monday
Veteran's Day	November	11th
Thanksgiving Day	November	Fourth Thursday
Christmas Day	December	25th

(E) Billing

Meter reading for service rendered in accordance with this rate will not be combined for billing purposes unless SMUD determines it is necessary or convenient to do so.

PRORATION OF CHARGES

The Electricity Usage allowances, System Infrastructure Fixed Charge, and Site Infrastructure Charge will be prorated during non-standard billing periods and when the billing period spans more than one season. The following table shows the basis for the proration during these circumstances.

Billing Circumstance	Basis for Proration
Bill period is shorter than 27 days	Relationship between the length of the billing period and 30 days
Bill period is longer than 34 days	
Seasons overlap within bill period	Relationship between the length of the billing period and the number of days that fall within the respective season.

(End)

Distribution Wheeling Service
Rate Schedule DWS

I. Applicability

The District may, at its discretion, provide distribution wheeling service to Independent Power Producers and Cogenerators within SMUD territory, who establish a need for this service. Wheeling service requests will be evaluated on a case by case basis and may be limited by availability of distribution system capacity. This rate has been developed for wholesale power transactions and the District will not wheel non-District power to its retail customers under this rate.

This Schedule is available to entities owning generating facilities that meet the following conditions:

- The entity's generating facility is connected to SMUD's distribution system;
- The entity has a power purchase (offtake) agreement for the output of the generating facility with another entity than SMUD; and,
- Power delivery under the power purchase agreement occurs at a location outside of the SMUD system.

Under the service, the power from the associated generating facility will be wheeled (transferred) across SMUD's distribution system from the point of interconnection of SMUD's distribution system (Interconnection Point) to SMUD's bulk power system. Entities taking service under this tariff will also be required to take Transmission Wheeling Service from SMUD under the SMUD OATT.

Service under this schedule is on a first-come, first-served basis and is available unless the usage of these wheeling facilities would be detrimental to SMUD.

II. Territory

This Schedule is available for interconnection of the generating facility is to the SMUD distribution system, wherever that may occur within the SMUD service territory.

III. General Conditions

1. APPLICATION FOR SERVICE

   Any entity requesting service under this tariff must submit an application for Distribution Wheeling Service. Application for such service can be located at www.smud.org.

2. REQUIRED SERVICE CONTRACT

   The entity taking wheeling service under the tariff shall execute a Distribution Wheeling Agreement (DWA) in accordance with SMUD Policy and Procedure 8-05.

3. RESERVATION DEPOSIT

   The entity requesting service under this tariff will be required to submit a deposit equal to one month of service under this tariff. The deposit will be refundable up until the time that the entity commits to service by execution of the DWA. Once the DWA is executed, the reservation deposit becomes a non-refundable payment for the first month of service under the tariff.

4. TERM

   Applicant must specify, at the time of application, the date for start of the requested service. Applicant must also specify the duration that is requested for service. SMUD will accept applications for service up to 20 years.

5. APPLICATION UNDER SMUD'S OATT

   Applicants must also make application for Transmission Service under SMUD's Open Access Transmission Tariff.

6. DEFINITIONS

   The following definitions apply to this Schedule:

   a. Applicant: The entity requesting service under this tariff.

   b. Distribution Wheeling: The transfer of Merchant Generator power at 12 kV, 21 kV or 69 kV for delivery to a third party outside SMUD service territory.

7. ELECTRICAL INTERCONNECTION

Applicant must also make a request for interconnection that complies with SMUD's Rule 21 process for interconnection, and must meet the requirements of Rule 21, which includes executing an Interconnection Agreement with SMUD. Any resources ***not*** meeting the Rule 21 requirements will not be eligible for service under this Schedule.

8. METERING REQUIREMENTS

Distributed generation resources receiving service under this Schedule shall comply with all applicable rules in installing a meter appropriate for full output monitoring agreements, and which can be read daily by electronic means acceptable to SMUD. The customer shall be responsible for procuring and maintaining any communication link required by SMUD for retrieving meter data.

IV. Line Losses

Generators taking service under this tariff will be assessed a line loss factor. Line losses will be applied as the electricity transitions from one voltage level to another. The line losses by voltage level are as follows:

Voltage Level	Loss Factor
12/21kV	4.06%
69kV	1.53%

The District reserves the right to update the line loss factor annually on January 1.

Line losses will be applied to the amount of generated electricity that is measured at the point of interconnection between the Generator's facility and the District's electrical system.

V. Rates

Distribution Wheeling Charge	**12/21 kV***	**69 kV**
$/kW-month	$5.829	$1.355

* includes all path charges to bulk power system

Residential and General Service
Energy Assistance Program

I. Applicability

To customers receiving service under residential or general service rates who meet the eligibility requirements.

II. Qualification

To qualify for the Energy Assistance Program, the customer must complete an eligibility application approved by the District. Applications are provided and processed by the District's designated agent.

III. Discount for Residential Customers

The system infrastructure fixed charge is $3.50 per month. A discount of 35% is applied to the electricity usage charges for Base Usage. A discount of 30% is applied to usage charges for the kWh quantities in excess of Base Usage up to 600 kWh (discount ceiling) for residential customers who meet the eligibility requirements as specified below. Any electricity usage above the discount ceiling will be charged the Base-Plus Usage rate based on the customer's billed residential rate category and the season.

IV. Basic Residential EAPR Rates

SUMMER SEASON – JUNE 1 through SEPTEMBER 30

	Standard and Closed Electric Pricing (RSGH, RWGH, RSEH, RWEH, RSCH, RWCH)*		
System Infrastructure Fixed Charge	Base Usage	Base-Plus Usage	**Non-Discounted Base-Plus Usage**
$3.50	$0.0660	$0.1281	**$0.1830**

WINTER SEASON - DECEMBER 1 through MARCH 31
SPRING SEASON – APRIL 1 through MAY 31
FALL SEASON – OCTOBER 1 through NOVEMBER 30

	Standard Pricing (RSGH, RWGH, RSEH, RWEH)*		
	WINTER/SPRING/FALL		
System Infrastructure Fixed Charge	Base Usage	Base-Plus Usage	**Non-Discounted Base-Plus Usage**
$3.50	**$0.0609**	**$0.1240**	**$0.1765**

	Closed Electric Pricing (RSCH, RWCH)***					
	WINTER			***SPRING/FALL***		
System Infrastructure Fixed Charge	Base Usage	Base-Plus Usage	**Non-Discounted Base-Plus Usage**	Base Usage	Base-Plus Usage	**Non-Discounted Base-Plus Usage**
$3.50	$0.0492	$0.1010	**$0.1443**	$0.0552	$0.1075	**$0.1535**

*With suffix _E or _EL

**The Winter Season (CLOSED) Electric Space Heat Rate is no longer available to new installations of electric space heat equipment, effective May 1, 1996. Any new occupant to a current premise with (CLOSED) Rate Categories RSCH, RTC, or RWCH will be placed on the Standard Rate (Rate Categories RSEH, RWEH) or on the Time-of-Use (Rate Category RTE) if applicable, upon application for service. New occupants and new customers installing electric space heat equipment (Rate Categories RSEH, RWEH) shall be entitled to the Base Usage Quantities for Electric Space Heat and billed the Standard Rate.

V. Basic Residential EAPR Usage Quantities

WINTER SEASON - DECEMBER 1 through MARCH 31
(Kilowatt-hours per month)

Rate Category*	Standard Heat		Electric Heat	
	RSGH	**RWGH (with Wells)**	**RSEH, RSCH**	**RWEH, RWCH (with Wells)**
Base Usage	0-620	0-920	0-1120	0-1420
Base-Plus Usage	621-1220	921-1520	1121-1720	1421-2020
Non-Discounted Base-Plus Usage	>1220	>1520	>1720	>2020

SPRING and FALL SEASONS - APRIL 1 - MAY 31 and OCTOBER 1 – NOVEMBER 30
(Kilowatt-hours per month)

Rate Category*	Standard Heat		Electric Heat	
	RSGH	**RWGH (with Wells)**	**RSEH, RSCH**	**RWEH, RWCH (with Wells)**
Base Usage	0-620	0-920	0-800	0-1100
Base-Plus Usage	621-1220	921-1520	801-1400	1101-1700
Non-Discounted Base-Plus Usage	>1220	>1520	>1400	>1700

SUMMER SEASON - JUNE 1 through SEPTEMBER 30
(Kilowatt-hours per month)

Rate Category*	RSCH, RSEH, RSGH	RWCH, RWEH, RWGH (with Wells)
Base Usage	0-700	0-1000
Base-Plus Usage	701-1300	1001-1600
Non-Discounted Base-Plus Usage	>1300	>1600

*With suffix _E or _EL

VI. Time Based Pricing Plans

(A) SmartSacramento® Pricing Pilot EAPR Rates[1]
(Rate Categories RSCH_E_CB, RSEH_E_CB, RSGH_E_CB, RWCH_E_CB, RWEH_E_CB, RWGH_E_CB)

Applicability

These rates will be offered only to selected participants for a limited trial period. They apply only during the summer season. Participants will revert to their otherwise applicable rates during the remaining months of the year.

SmartSacramento® Pricing Pilot Time of Use EAPR Rate (Summer Season Only)

System Infrastructure Fixed Charge per month.....$3.50
On-Peak ¢/kWh.....20.00¢
Off-Peak ¢/kWh:
- Off-Peak Base Usage per month.....5.50¢
- Off-Peak Base-Plus Usage per month.....11.62¢
- Off-Peak Non-Discounted Base-Plus Usage per month.....16.60¢

SmartSacramento® Pricing Pilot Critical Peak EAPR Rate (Summer Season Only)

System Infrastructure Fixed Charge per month.....$3.50
Critical Peak ¢/kWh.....50.00¢
Off-Peak ¢/kWh:
- Off-Peak Base Usage per month.....5.53¢
- Off-Peak Base-Plus Usage per month.....11.65¢
- Off-Peak Non-Discounted Base-Plus Usage per month.....16.65¢

SmartSacramento® Pricing Pilot Combined Time of Use and Critical Peak EAPR Rate (Summer Season Only)

System Infrastructure Fixed Charge per month.....$3.50
Critical Peak ¢/kWh.....50.00¢
On-Peak ¢/kWh.....20.00¢
Off-Peak ¢/kWh:
- Off-Peak Base Usage per month.....4.68¢
- Off-Peak Base-Plus Usage per month.....9.87¢
- Off-Peak Non-Discounted Base-Plus Usage per month.....14.11¢

SmartSacramento® Pricing Pilot EAPR Billing Periods (June 1 – September 30 Summer Only)

On-Peak Hours	Summer weekdays between 4:00 p.m. and 7:00 p m., exclusive of Independence Day (July 4th) and Labor Day holidays.
Critical Peak Hours	Up to twelve summer weekdays between 4:00 p m. and 7:00 p.m., exclusive of Independence Day (July 4th) and Labor Day holidays, announced by SMUD a day in advance as a critical peak event day.
Off-Peak Base Usage, Base-Plus Usage, and Non-Discounted Base-Plus Usage Hours	Usage in all other non-peak hours in accordance with the Summer Season Basic Residential EAPR Usage Quantities indicated in Section V above.

[1] ®A registered service mark of the Sacramento Municipal Utility District

VII. Electricity Usage Surcharges

The following surcharges will apply to all kWh used per month, subject to the conditions detailed in the following Tariff sheets:

Solar Surcharge, established to comply with state regulation, creates a fund for encouraging customer-owned solar power generation. See Tariff Sheet No. 1-SB-1 for further details, including current surcharge amount.

Hydro Generation Adjustment (HGA) will only apply when low levels of precipitation adversely affect SMUD's hydroelectric production. See Tariff Sheets No. 1-HGA-1-2 for further information on how the HGA is calculated and when it applies.

VIII. Eligibility for Residential Customers

To be eligible for the Energy Assistance Program the customer must meet the following requirements:

- The total gross household income must conform to the Government Income Guidelines as specified on the application,
- He/she cannot be claimed as a dependent on another person's income tax return, and
- The service address shown on the application is the customer's primary residence.

IX. Discount for Non-Profit Agency Customers

A discount of 15 percent of the electricity usage charge and site infrastructure charge each month is applied for general service customers directly served by the District, who are certified non-profit agencies that meet the eligibility criteria as outlined below. The General Service GSN_T system infrastructure fixed charge will be $5.10. The small General Service GSS_T system infrastructure fixed charge will be $12.60.

X. Eligibility for Non-Profit Agencies

Non-Profit agencies must apply directly to the District for the Energy Assistance Program. To qualify for this program, the District must directly serve an agency. In addition, the agency must be a certified non-profit public or private agency, defined by the Internal Revenue Service code as a charitable and/or educational organization that owns and operates residential unit(s) and whose residents meet the Energy Assistance Program income guidelines. An energy survey of the residential unit(s) is recommended at the time of being placed on this program and implementation of recommended cost effective energy efficiency measures is encouraged. The primary function shall be to provide a home (sleeping quarters) for low-income residents who would otherwise meet the residential Energy Assistance Program Rate guidelines defining low-income if permanently residing in a residence. Given that the primary function is provided by the non-profit agencies, associated facilities that provide daytime services for the homeless (e.g. personal hygiene facilities, laundry facilities, kitchen and/or dining facilities, etc.) may also qualify for the discount. At least 75 percent of the facility's square footage must be directly related to meeting these functions.

XI. Verification of Eligibility

Upon request, each applicant shall provide proof, satisfactory to the District or its designated agent, that they meet the eligibility requirements. Failure to provide proof as requested will be considered just cause for denial to the Energy Assistance Program. It is the customer's responsibility to immediately notify the District or its designated agent when eligibility requirements change to the extent that the applicant no longer qualifies for this program. Applicants served under this program will be subject to annual review and/or verification. Any intent to defraud the District will result in rebilling of the applicant's bill and removal from the Energy Assistance Program. The District reserves the right to take appropriate legal action as warranted.

XII. Application

The Energy Assistance Program option will become effective commencing with the beginning of the billing period in which the request is received and approved. Return to another rate option will be effective commencing with the beginning of the billing period in which the request is received or the cancellation date, if this enrollment in the Energy Assistance Program is terminated.

(End)

Feed-In Tariff for Distributed Generation (FIT)

I. Applicability

This Schedule is optional for customers who wish to sell to SMUD the power output from an eligible small-scale Distributed Generation Resource, with capacity of not more than 5 MW, as defined in the General Conditions section of this Schedule.

Service under this schedule is on a first-come, first-served basis until the combined rated generation capacity within SMUD's service territory reaches 100 MW. Feed-in Tariff procedures are available in SMUD Policy and Procedure 8-04 and are posted at smud.org.

SMUD's General Manager is authorized to develop, implement, and revise the Feed-in Tariff procedures from time to time.

II. Territory

This Schedule is available to the entire service territory.

III. General Conditions

1. REQUIRED CONTRACT
   Distributed generation resources accepting service under the tariff shall execute a power purchase agreement (PPA) with SMUD.

2. DURATION OF TERM:
   The tariff shall be offered for contract durations of 10-, 15- or 20-years at the option of the customer.

3. PARTICIPATION IN OTHER SMUD PROGRAMS
   Customers taking service under this Schedule may not also obtain benefits from any of the following:

   a. A power purchase agreement with SMUD for deliveries from the same facility;
   b. Incentives from SMUD under customer programs implemented in compliance with SB 1 requirements or similar program; or
   c. The net metering option for energy deliveries from the same facility.

4. ENVIRONMENTAL ATTRIBUTES
   A distributed generation resource accepting service under this tariff will deliver to SMUD both the electricity generated and any environmental attributes associated with that energy.

5. DEFINITIONS
   The following definitions apply to this Schedule:

   a. *Eligible Renewable Generation Resource* – An electric generating facility as defined in Public Utilities Code Section 399.12 and California Public Resource Code Section 25741, as either code provision may be amended or supplemented from time to time.

   b. *Eligible Combined Heat and Power (CHP) Resource* – An electric generation facility that produces both electricity and thermal energy from a single fuel input. An eligible CHP system shall meet an emissions rate standard of 0.07 pounds of nitrogen oxides (NOx) per MWh. It must also meet a minimum efficiency of 60 percent, measured as useful energy output divided by fuel input at 100 percent of generator load.

      An eligible CHP system that meets both these efficiency and NOx standards may take an emission credit at the rate of one megawatt-hour for each 3.4 million British thermal units of heat recovered. To remain eligible, the CHP system shall be adequately maintained and serviced to continue meeting or exceeding the efficiency and emissions standards during its operation.

6. ELECTRICAL INTERCONNECTION
   Distributed generation resources receiving service under this Schedule shall be interconnected within SMUD's service territory and shall be required to comply with SMUD's Rule 21 process for interconnection. Any resources not meeting the Rule 21 requirements will ***not*** be eligible for service under this Schedule.

7. METERING REQUIREMENTS
   Distributed generation resources receiving service under this Schedule shall comply with all applicable rules in installing a meter appropriate for full buy/sell or excess sale agreements, and which can be read daily by electronic means acceptable to SMUD. The customer shall be responsible for procuring and maintaining any communication link required by SMUD for retrieving meter data.

IV. Distributed Generation Feed-In Tariff Cost Components

Under this Schedule, SMUD will pay the eligible distribution generator the applicable price for metered electricity delivered during the time periods specified for the chosen contract term and start year. The start year is the calendar year when actual commercial operation begins.

The FIT prices will be posted on the SMUD Web site (smud.org), with prices differentiated by

- Project start date;
- Contract term; and
- Time-of-delivery (TOD).

The FIT prices reflect SMUD's underlying marginal costs for procurement and delivery of comparable power during the specified terms and time periods.

For customers with CHP generation facilities, the FIT prices for electricity delivered to SMUD will be based on the following cost components:

- Market Energy Price including losses
- Ancillary Services
- Generation Capacity
- Transmission
- Sub-Transmission Capacity

For customers with eligible renewable generation facilities, the FIT prices for electricity delivered to SMUD will include the above cost components and the following additional premiums:

- Projected cost offsets associated with avoided greenhouse gas mitigation.
- Estimates of risk avoidance from future natural gas price increases.

The FIT prices shall be periodically, but not less frequently than one time per calendar year, reviewed and adjusted based on the criteria set forth above.

V. Time-of-Delivery Periods

The time periods in this Schedule correspond to the following definitions:

<table>
<tr><th>Time of Delivery</th><th>Months</th><th>Super Peak</th><th>On Peak</th><th>Off Peak</th></tr>
<tr><td>Summer</td><td>June - Sept</td><td rowspan="3">2:00 to 8:00 p.m.
Mon – Sat except holidays</td><td rowspan="3">6:00 a.m. to 2:00 p.m. &
8:00 p.m. to 10:00 p.m.
Mon - Sat except holidays</td><td rowspan="3">All other hours</td></tr>
<tr><td>Fall & Winter</td><td>Oct - Feb</td></tr>
<tr><td>Spring</td><td>Mar - May</td></tr>
<tr><td>Holidays</td><td colspan="4">New Year's Day ..... January 1
Memorial Day ..... Last Monday in May
Independence Day ..... July 4
Labor Day ..... 1st Monday in September
Thanksgiving Day ..... 4th Thursday in November
Christmas Day ..... December 25</td></tr>
</table>

(End)

General Service
Rate Schedule GS

I. Applicability

This schedule applies to non-residential general service accounts with billing demand that does not exceed 300 kW for 3 or more consecutive months. General Service customers include commercial, industrial or non-agricultural irrigation pumping accounts who take single or 3-phase service at nominal voltages designated by SMUD as available at the customer premise.

II. Non-Demand Metered Rates

This rate applies to general service customers having a demand of 20 kW or less. Whenever use of energy by non-demand metered general service customers is 7,300 kWh or more for 3 consecutive months or whenever, in SMUD's judgment, the demand will exceed 20 kW, a demand meter will be installed and the customer will be billed on the applicable demand metered rate. The customer will be billed on the demand-metered rate until the demand falls below 21 kW and energy is less than 7,300 kWh for 12 consecutive months before being returned to the GSN_T rate.

Small Commercial GSN_T

SUMMER SEASON - JUNE 1 through SEPTEMBER 30

System Infrastructure Fixed Charge per month	$12.00
Time of Use Electricity Usage Charges (see section IV)	
On-Peak ¢/kWh	28.37¢
Off-Peak ¢/kWh	10.50¢

ALL OTHER MONTHS - OCTOBER 1 through MAY 31

System Infrastructure Fixed Charge per month	$12.00
Electricity Usage Charge - ¢/kWh for all kWh	12.40¢

III. Demand Metered Rates

This rate applies to general service customers having a demand of 21 kW or more and whereby a demand meter is installed. The demand for any month will be the maximum 15-minute kW delivery during the month. The customer will be billed on the demand-metered rate until the demand falls below 21 kW and energy is less than 7,300 kWh for 12 consecutive months before being returned to the GSN_T rate.

Small Commercial Demand-Metered Service GSS_T

SUMMER SEASON - JUNE 1 through SEPTEMBER 30

System Infrastructure Fixed Charge per month	$22.00
Site Infrastructure Charge per 12 month maximum kW or installed capacity	$6.80
Time of Use Electricity Usage Charges (see section IV)	
On-Peak ¢/kWh	23.36¢
Off-Peak ¢/kWh	8.10¢

ALL OTHER MONTHS - OCTOBER 1 through MAY 31

System Infrastructure Fixed Charge per month	$22.00
Site Infrastructure Charge per 12 month maximum kW or installed capacity	$6.80
Electricity Usage Charge – ¢/kWh for all kWh	9.16¢

IV. Summer Time of Use Billing Periods (June 1 – September 30)

On-Peak Hours: Summer weekdays between 3:00 p.m. and 6:00 p m., exclusive of July 4th and Labor Day holidays.
Off-Peak Hours: All other summer hours.

V. Electricity Usage Surcharges

The following surcharges will apply to all kWh used per month subject to the conditions detailed in the following Tariff sheets:

Solar Surcharge, established to comply with state regulation, creates a fund for encouraging customer-owned solar power generation. See Tariff Sheet No. 1-SB-1 for further details, including current surcharge amount.

Hydro Generation Adjustment (HGA) will only apply when low levels of precipitation adversely affect SMUD's hydroelectric production. See Tariff Sheets No. 1-HGA-1-2 for further information on how the HGA is calculated and when it applies.

VI. Optional Time Based Pricing Plan

Commercial and industrial demand metered customers below 300 kW may choose to be served under the small commercial Time of Use rate schedule (GS-TOU3). Transfers from "Time of Use" rate schedules may not be made more than 1 time in a 4-month period. Customers cannot return to Time of Use service for 12 months.

VII. Discontinuance of Service

Any customer resuming service within 12 months after discontinuing service will be required to pay the Site Infrastructure Charges and System Infrastructure Fixed Charges that would have been billed if service had not been discontinued, except when a customer agrees to lock out service during the full period of June through September. The Site Infrastructure Charges and System Infrastructure Fixed Charges will be waived during each of those months.

VIII. Rate Option Menu

(A) Energy Assistance Program for Non-Profit Agencies

Please see Sheet No. 1-EAPR-1 for details on the Energy Assistance Program.

(B) Standby Service Option

This option is for general service customers who operate, in whole or in part, customer-owned generator(s) on their premises and where 1) the output connects to SMUD's electrical system and 2) SMUD must stand ready to provide backup or maintenance service to replace the generator(s).

Standby Service Charge by Voltage Level	**Secondary**	**Primary**	**Sub-transmission**
($/kW of Contract Capacity per month)	$6.25	$4.95	$2.50

"Contract Capacity" is a fixed kilowatt value determined by the rating of the generator unit. In addition to the standby service charge, SMUD will continue to bill for all applicable charges under this rate schedule. These charges include System Infrastructure Fixed Charges and Site Infrastructure Charges, as well as Electricity Usage and Maximum Demand Charges for District-provided power.

(C) Plug-in Electric Vehicle (PEV) Option

Owners of licensed commercial plug-in electric vehicles (PEV) and/or commercial battery electric or plug-in hybrid electric vehicles (PHEV) may choose to have a charging location be billed under GSTOU2. The term PEV is meant to be inclusive of both Battery Electric Vehicle and Plug-in Hybrid Electric Vehicles.

(D) Green Pricing Options

1. **SMUD Community Solar Option**
   Under this premium service option, customers elect to contribute monthly payments towards the installation of a photoelectric system at a selected community locale. See the SMUD website for further information on monthly contribution options and currently identified projects.

2. **SMUD Renewable Energy Option**
   Customers electing this premium power service will receive an additional charge for monthly energy of no less than 1/2¢ and no greater than 2¢ per kWh. SMUD may offer up to 3 premium rate options representing various blends of renewable resources within the 1/2¢ to 2¢ range. The actual prices will be published each November and will be based on the expected above market cost of renewable resources for the upcoming year. Participation will be limited to the amount of resources that SMUD is able to secure below the 2¢ premium limit.

(E) Implementation of Energy Efficiency Program or Installation of New Solar/Photovoltaic Systems

Customers who implement a District-sponsored Energy Efficiency program or a District-approved solar/photovoltaic system to offset their on-site energy usage may request a reset of their 12-month historical demand upon completion of the project.

(F) Net Metering for Solar Electric, Wind Turbine, and Biomass Generation Facilities

Please see Sheet No. 1-NM-1 for details on the Net Metering option.

IX. Special Metering Charge

For customers who purchase and install communications hardware and software to transfer energy load data from their meter/recorder to a personal computer, SMUD will charge a monthly service fee to cover maintenance, software support and the annual licensing fee.

X. Conditions

(A) Type of Electric Service

SMUD will provide customers on this Rate Schedule standard, firm service consisting of a continuous and sufficient supply of electricity.

(B) Service Voltage Definition

Customers on this Rate Schedule may only apply for Secondary Service Voltage as defined below. Customers seeking an alternate class of voltage service must comply with the criteria listed below and apply under the applicable Rate Schedule.

1. Secondary Service Voltage
This service class provides power at voltage levels below 12 kilo-Volts (kV), or at a level not otherwise defined as "Primary" or "Sub-transmission".

2. Primary Service Voltage
This service class provides power at a voltage level of 12 kV or 21 kV. To be eligible for Primary Service Voltage, the customer's monthly demand must exceed 299 kW, the voltage must be available in the area being served, and SMUD must approve the arrangement for power provision.

3. Sub-transmission Service Voltage
This sub-transmission service class provides power at a voltage level of 69 kV or as otherwise defined by SMUD. To be eligible for voltage service at this level, the customer's monthly demand must exceed 499 kW, the voltage must be available in the area being served, and SMUD must approve the arrangement for power provision.

(C) Power Factor Adjustment

Accounts on a demand rate may be subject to a power factor adjustment. SMUD, at its option, may place Volt ampere-reactive (VAR) metering equipment to record reactive power conditions. Effective January 1, 1998, when a customer's monthly power factor falls below 95% leading or lagging, the following billing adjustment will apply

$$\textit{Electricity Usage} \times \$0.0098 \times \left(\frac{95\%}{\textit{Power Factor}} - 1 \right)$$

Electricity Usage = the total monthly kWh for the account
Power Factor = the lesser of the customer's monthly power factor or 95%

Customers that contract with SMUD for power factor corrections will have the power factor adjustment waived for the portion that is covered under the contract.
The fee for correction per KVAR …….....$0.2588
KVAR = maximum 12 month KVAR in excess of 33% of kW.

(D) Billing

Meter reading for service rendered in accordance with this rate will not be combined for billing purposes unless SMUD determines it is necessary or convenient to do so.

PRORATION OF CHARGES

The Electricity Usage allowances, System Infrastructure Fixed Charge, and Site Infrastructure Charge will be prorated during non-standard billing periods and when the billing period spans more than one season. The following table shows the basis for the proration during these circumstances.

Billing Circumstance	Basis for Proration
Bill period is shorter than 27 days	Relationship between the length of the billing period and 30 days
Bill period is longer than 34 days	
Seasons overlap within bill period	Relationship between the length of the billing period and the number of days that fall within the respective season.

(End)

General Service
Temperature-Dependent Pricing/Economic Retention
Rate Schedule GS-TDP *(Closed to new customers)*

I. Applicability

This rate schedule is closed to new participants effective January 1, 1998.

Applicable to single or three-phase service, delivered at Sub-transmission voltage level. This schedule was available to new or existing commercial or industrial customers. The rate paid by the customer shall vary depending on the maximum forecasted temperature during the summer season (June through September). The District is utilizing temperature-dependent pricing as an additional rate option for economic retention. Retaining existing customers benefits the entire District by retaining the customer's contribution to the District's fixed costs.

To be eligible for this schedule, customers must have met the following requirements:
(1) certify to the District that serving their load has become competitive as shown through evidence of viable competitive energy sources from relocation, self-generation, cogeneration, etc.;
(2) verify that electricity costs are at least 10% of their variable production costs;
(3) agree to remain a full-requirements District customer for a minimum period of five (5) years. If the customer chooses to bypass the District before the five (5) year period has expired, the customer shall reimburse the District for all cumulative savings received under the temperature-dependent pricing rate compared to the standard rate. The customer may elect to terminate District service after four (4) years, with a one (1) year advance notification, without penalty.

Participation in the temperature-dependent pricing rate shall be at the sole discretion of the District. Customers taking service under this rate schedule must agree to remain on the rate for a minimum of four (4) consecutive months.

Service under this schedule is subject to availability of equipment necessary to monitor hourly loads and communicate maximum forecasted temperatures.

II. Firm Service Rate

	Rate Category:	**GDT_99**
	Voltage Level:	**Sub-transmission**
WINTER SEASON		
System Infrastructure Fixed Charge		$256.10
Site Infrastructure Charge (per 12 months max kW or installed capacity)		$0.50
Electricity Usage Charge		
On-Peak Period ¢/kWh		8.83¢
Off-peak period ¢/kWh		6.34¢
SUMMER SEASON		
System Infrastructure Fixed Charge		$256.10
Site Infrastructure Charge (per 12 months max kW or installed capacity)		$0.50
TDP Maximum Demand Charge ($/kW):		
Per kW of maximum demand during Super-Peak Period per day if forecasted daily maximum temperature (T) for the following day is:		
"Heat Storm"	if T >= 100° for 2 or more consecutive days; or	$5.10
"Extremely Hot"	if T >= 100° for a single day; or	$4.85
"Very Hot"	if 100° > T > 95°; or	$0.90
"Hot"	if 95° >= T > 90°; or	No Charge
"Moderate/Mild"	if T <= 90°	No Charge
Electricity Usage Charge (¢ per kWh):		
Super-Peak ¢/kWh		12.03¢
On-Peak ¢/kWh		10.57¢
Off-Peak ¢/kWh		7.99¢

The TDP Maximum Demand Charge varies depending on the forecasted maximum temperature, based on a mutually agreed upon weather forecast source for the Sacramento area, for the following day.

MINIMUM DEMAND CHARGE DAY
A "Minimum Demand Charge Day" may be declared on days when the forecast maximum daily temperature is greater than 95°F and less than 50 percent of SMUD's available peaking resources are being utilized. On a "Minimum Demand Charge Day" the super-peak maximum demand charge shall be equal to the TDP maximum demand charge for a "Hot" day (No Charge).

III. Electricity Usage Surcharges

The following surcharges will apply to all kWh used per month subject to the conditions detailed in the following Tariff sheets:

Solar Surcharge, established to comply with state regulation, creates a fund for encouraging customer-owned solar power generation. See Tariff Sheet No. 1-SB-1 for further details, including current surcharge amount.

Hydro Generation Adjustment (HGA) will only apply when low levels of precipitation adversely affect SMUD's hydroelectric production. See Tariff Sheets No. 1-HGA-1-2 for further information on how the HGA is calculated and when it applies.

IV. Rate Option Menu

(A) Green Pricing Options

1. **SMUD Community Solar Option**
   Under this premium service option, customers elect to contribute monthly payments towards the installation of a photoelectric system at a selected community locale. See the SMUD website for further information on monthly contribution options and currently identified projects.

2. **SMUD Renewable Energy Option**
   Customers electing this premium power service will receive an additional charge for monthly energy of no less than 1¢ and no greater than 2¢ per kWh. SMUD may offer up to three premium rate options representing various blends of renewable resources within the 1/2¢ to 2¢ range. The actual prices will be published each November and will be based on the expected above market cost of renewable resources for the upcoming year. Participation will be limited to the amount of resources that SMUD is able to secure below the 2¢ premium limit.

V. Special Metering Charge

For customers who purchase and install communications hardware and software to transfer energy load data from their meter/recorders to a personal computer, the District will charge a monthly service fee to cover maintenance, software support and the annual licensing fee.

VI. Conditions

(A) Service Voltage Definition

1. Secondary Service Voltage
This service class provides power at voltage levels below 12 kilo-Volts (kV), or at a level not otherwise defined as "Primary" or "Sub-transmission".

2. Primary Service Voltage
This service class provides power at a voltage level of 12 kV or 21 kV. To be eligible for Primary Service Voltage, the customer's monthly demand must exceed 299 kW, the voltage must be available in the area being served, and SMUD must approve the arrangement for power provision.

3. Sub-transmission Service Voltage
This sub-transmission service class provides power at a voltage level of 69 kV or as otherwise defined by SMUD. To be eligible for voltage service at this level, the customer's monthly demand must exceed 499 kW, the voltage must be available in the area being served, and SMUD must approve the arrangement for power provision.

(B) Power Factor Adjustment

Accounts with demands of 20 kW or greater may be subject to a power factor adjustment. The District, at its option, may place VAR metering equipment to record reactive power conditions. Effective January 1, 1998, when a customer's monthly power factor falls below 95% leading or lagging, the following billing adjustment will apply:

$$\textit{Electricity Usage} \times \$0.0098 \times \left(\frac{95\%}{\textit{Power Factor}} - 1\right)$$

Electricity Usage = the total monthly kWh for the account
Power Factor = the lesser of the customer's monthly power factor or 95%

Customers that contract with SMUD for power factor corrections will have the power factor adjustment waived for the portion that is covered under the contract.
The fee for correction per KVAR $0.2588
KVAR = maximum 12 month KVAR in excess of 33% of kW.

(C) Time of Use Billing Periods

Super-peak hours include the following:
SUMMER SEASON (ONLY) – JUNE 1 through SEPTEMBER 30
Weekdays: Between 2:00 p m. and 8:00 p m.

On-peak hours include the following:
SUMMER SEASON - JUNE 1 through SEPTEMBER 30
Weekdays: Between 12:00 noon and 2:00 p m. and between 8:00 p m. and 10:00 p.m.
WINTER SEASON - OCTOBER 1 Through MAY 31
Weekdays: Between 12:00 noon and 10:00 p m.

Off-peak hours include all other hours not defined as super-peak or on-peak, including all day on weekends and the holidays in the following table:

Holiday	Month	Date
New Year's Day	January	1st
Martin Luther King Jr.'s Birthday	January	Third Monday
Lincoln's Birthday	February	12th
Presidents Day	February	Third Monday
Memorial Day	May	Last Monday
Independence Day	July	4th
Labor Day	September	First Monday
Columbus Day	October	Second Monday
Veteran's Day	November	11th
Thanksgiving Day	November	Fourth Thursday
Christmas Day	December	25th

(D) Billing

Meter reading for service rendered in accordance with this rate will not be combined for billing purposes unless SMUD determines it is necessary or convenient to do so.

The District will provide, install and maintain a load profile recorder at the customer's meter in order for the District to determine the customer's daily maximum demand. The customer shall provide a dedicated telephone line at the meter location in order for the District to read the recorder.

PRORATION OF CHARGES

The Electricity Usage allowances, System Infrastructure Fixed Charge, and Site Infrastructure Charge will be prorated during non-standard billing periods and when the billing period spans more than one season. The following table shows the basis for the proration during these circumstances.

Billing Circumstance	Basis for Proration
Bill period is shorter than 27 days	Relationship between the length of the billing period and 30 days
Bill period is longer than 34 days	
Seasons overlap within bill period	Relationship between the length of the billing period and the number of days that fall within the respective season.

(E) Notification of Minimum Demand Charge Day

It is the responsibility of the customer to communicate with the District to determine whether the SMUD system operator has declared a "Minimum Demand Charge Day." The District reserves the right to cancel a "Minimum Demand Charge Day" if necessary. Any such update will be provided to the customer no later than one hour prior to application of the TDP super-peak maximum demand charge.

(End)

Large General Service
Time of Use
Rate Schedule GS-TOU1

I. Applicability

Applicable to single or three phase service, delivered at such nominal voltage as the customer selects from among those which SMUD designates are available at the customer's premises. This schedule is mandatory for all commercial and industrial (C&I) customers whose monthly demand is 1,000 kW or over for three consecutive months during the preceding 12 months. Customers will remain on this rate schedule until their demand falls below 1000 kW for 12 consecutive months. Service under this schedule is subject to meter availability. The demand for any month will be the maximum 15-minute kW delivery during the month.

II. Firm Service Rate

	Large C&I	**Large C&I**	**Large C&I**
Rate Category	GUS_L	GUP_L	GUT_L
Voltage Level	**Secondary**	**Primary**	**Sub-transmission**
Winter Season - October 1 through May 31			
System Infrastructure Fixed Charge - per month per meter	$96.70	$96.70	$256.10
Site Infrastructure Charge *(per 12 months max kW or installed capacity)*	$3.60	$3.45	$2.75
Electricity Usage Charge			
On-Peak ¢/kWh	9.64¢	9.17¢	8.83¢
Off-Peak ¢/kWh	7.64¢	7.15¢	6.99¢
Summer Season - June 1 through September 30			
System Infrastructure Fixed Charge - per month per meter	$96.70	$96.70	$256.10
Site Infrastructure Charge *(per 12 months max kW or installed capacity)*	$3.60	$3.45	$2.75
Electricity Usage Charge			
Super-Peak ¢/kWh	15.03¢	12.39¢	12.03¢
On-Peak ¢/kWh	12.01¢	11.29¢	10.57¢
Off-Peak ¢/kWh	9.60¢	8.76¢	8.63¢

III. Electricity Usage Surcharges

The following surcharges will apply to all kWh used per month subject to the conditions detailed in the following Tariff sheets:

Solar Surcharge, established to comply with state regulation, creates a fund for encouraging customer-owned solar power generation. See Tariff Sheet No. 1-SB-1 for further details, including current surcharge amount.

Hydro Generation Adjustment (HGA) will only apply when low levels of precipitation adversely affect SMUD's hydroelectric production. See Tariff Sheets No. 1-HGA-1-2 for further information on how the HGA is calculated and when it applies.

IV. Rate Option Menu

(A) Energy Assistance Program Rate (EAPR) for Non-Profit Agencies

Please see Sheet No. 1-EAPR-1 for details on the Energy Assistance Program Rate.

(B) Campus Rates

Campus billing is a condition whereby the customer is served from a common address or industrial campus and has several accounts or services entrances on the same contiguous campus. Campus billing provides for either hardwire or post metering combination of these accounts to a single load shape for billing purposes. This option would have the characteristics of avoiding multiple System Infrastructure Fixed Charges. The following criteria define the conditions under which campus rates would be granted:

1. Contiguous site.
2. Same legal entity buying and consuming the power at the site.
3. No sub-metering on campus to third parties.
4. Special facilities charges applied to recover additional meter/metering expense.
5. Single point of contact at the place of business both for billing and service questions.
6. All accounts served from a common rate and service voltage.
7. Use of parallel systems for shifting load between different rate offerings will be considered a violation of terms of this agreement. SMUD shall have the right to corrective billing on a single rate and full reimbursement of waived System Infrastructure Fixed Charges.
8. This type of service requires interval metering on each service entrance. Customers at the secondary service level will be required to pay the System Infrastructure Fixed Charge associated with primary service to account for additional costs to SMUD. A monthly service fee will be charged for the additional costs of multiple site metering.

(C) Standby Service Option

This option is for general service customers who operate, in whole or in part, customer-owned generator(s) on their premises and where 1) the output connects to SMUD's electrical system, and 2) SMUD must stand ready to provide backup or maintenance service to replace the generator(s).

Standby Service Charge	**Secondary**	**Primary**	**Sub-transmission**
($/kW of Contract Capacity per month)	$6.25	$4.95	$2.50

"Contract Capacity" is a fixed kilowatt value determined by the rating of the generator unit. In addition to the standby service charge, SMUD will continue to bill for all applicable charges under this rate schedule. These charges include System Infrastructure Fixed Charges and Site Infrastructure Charges, as well as Electricity Usage and Maximum Demand Charges for District-provided power.

(D) Economic Development Rate Option

This option is applicable to full service customers with load in excess of 299 kW who create a minimum of 50 new jobs and add load at a new or expanded site. For existing customers, only the additional load will qualify for the discount. Eligibility for this discount is limited to customers with Standard Industrial Classifications (SIC) 2000-3999 Manufacturing, 4800-4899 Communications, 7300-7499 Business Services and 8700-8799 Professional Services or the equivalent new NAICS codes. Qualified customers must agree to be a full service customer for five years. Qualified customers will receive a reduction of the System Infrastructure Fixed Charge, Maximum Demand Charge, Site Infrastructure Charge and Electricity Usage components of their bill, based on the table below.

Economic Development Discount				
Year 1	Year 2	Year 3	Year 4	Year 5
5%	3%	1%	0%	0%

(E) Green Pricing Options

1. **SMUD Community Solar Option**
   Under this premium service option, customers elect to contribute monthly payments towards the installation of a photoelectric system at a selected community locale. See the SMUD website for further information on monthly contribution options and currently identified projects.

2. **SMUD Renewable Energy Option**
   Customers electing this premium power service will receive an additional charge for monthly energy of no less than 1/2¢ and no greater than 2¢ per kWh. SMUD may offer up to three premium rate options representing various blends of renewable resources within the 1/2¢ to 2¢ range. The actual prices will be published each November and will be based on the expected above market cost of renewable resources for the upcoming year. Participation will be limited to the amount of resources that SMUD is able to secure below the 2¢ premium limit.

(F) Implementation of Energy Efficiency Program or Installation of New Solar Photovoltaic Systems

Customers who implement a SMUD-sponsored Energy Efficiency program or who install a SMUD-approved solar/photovoltaic system to offset their on-site energy consumption may request a reset of their 12-month historical demand upon completion of the project.

(G) Net Metering for Solar Electric, Wind Turbine, and Biomass Generation Facilities

Please see Sheet No. 1-NM-1 for details on the Net Metering option.

V. Special Metering Charge

For customers who purchase and install communications hardware and software to transfer energy load data from their meter/recorders to a personal computer, SMUD will charge a monthly service fee to recover maintenance, software support costs and the annual licensing fee.

VI. Conditions

(A) Type of Electric Service

SMUD will provide customers on this Rate Schedule standard, firm service consisting of a continuous and sufficient supply of electricity.

(B) Service Voltage Definition

The following defines the three voltage classes available. The rate shall be determined by the voltage level at which service is taken according to the following:

1. Secondary Service Voltage
This service class provides power at voltage levels below 12 kilo-Volts (kV), or at a level not otherwise defined as "Primary" or "Sub-transmission".

2. Primary Service Voltage
This service class provides power at a voltage level of 12 kV or 21 kV. To be eligible for Primary Service Voltage, the customer's monthly demand must exceed 299 kW, the voltage must be available in the area being served, and SMUD must approve the arrangement for power provision.

3. Sub-transmission Service Voltage
This sub-transmission service class provides power at a voltage level of 69 kV or as otherwise defined by SMUD. To be eligible for voltage service at this level, the customer's monthly demand must exceed 499 kW, the voltage must be available in the area being served, and SMUD must approve the arrangement for power provision.

(C) Power Factor Adjustment

Accounts with demands of 20 kW or greater may be subject to a power factor adjustment. SMUD, at its option, may place VAR metering equipment to record reactive power conditions. Effective January 1, 1998, when a customer's monthly power factor falls below 95% leading or lagging, the following billing adjustment will apply:

$$\textit{Electricity Usage} \times \$0.0098 \times \left(\frac{95\%}{\textit{Power Factor}} - 1\right)$$

Electricity Usage = the total monthly kWh for the account • *Power Factor* = the lesser of the customer's monthly power factor or 95%

Customers that contract with SMUD for power factor corrections will have the power factor adjustment waived for the portion that is covered under the contract.
The fee for correction per KVAR ……$0.2588
KVAR = maximum 12 month KVAR in excess of 33% of kW.

(D) Time of Use Billing Periods

Super-peak hours include the following:
SUMMER SEASON (ONLY) – JUNE 1 through SEPTEMBER 30
Weekdays: Between 2:00 p m. and 8:00 p m.

On-peak hours include the following:
WINTER SEASON - OCTOBER 1 through MAY 31
Weekdays: Between 12:00 noon and 10:00 P.M.

SUMMER SEASON - JUNE 1 through SEPTEMBER 30
Weekdays: Between 12:00 noon and 2:00 p m. and between 8:00 p m. and 10:00 p.m.

Off-peak hours include all other hours not defined as super-peak or on-peak, including all day on weekends and the holidays in the following table:

Holiday	**Month**	**Date**
New Year's Day	January	1st
Martin Luther King Jr.'s Birthday	January	Third Monday
Lincoln's Birthday	February	12th
Presidents Day	February	Third Monday
Memorial Day	May	Last Monday
Independence Day	July	4th
Labor Day	September	First Monday
Columbus Day	October	Second Monday
Veteran's Day	November	11th
Thanksgiving Day	November	Fourth Thursday
Christmas Day	December	25th

(E) Billing

Meter reading for service rendered in accordance with this rate will not be combined for billing purposes unless SMUD determines it is necessary or convenient to do so.

PRORATION OF CHARGES

The Electricity Usage allowances, System Infrastructure Fixed Charge, and Site Infrastructure Charge will be prorated during non-standard billing periods and when the billing period spans more than one season. The following table shows the basis for the proration during these circumstances.

Billing Circumstance	Basis for Proration
Bill period is shorter than 27 days	Relationship between the length of the billing period and 30 days
Bill period is longer than 34 days	
Seasons overlap within bill period	Relationship between the length of the billing period and the number of days that fall within the respective season.

(End)

Medium General Service
Time of Use
Rate Schedule GS-TOU2

I. Applicability

Applicable to single or three phase service, delivered at such nominal voltage as the customer selects from among those which SMUD designates are available at the customer's premises. This schedule is mandatory for all commercial and industrial (C&I) customers whose monthly demand is 500 to 999 kW for three consecutive months. Customers will remain on this rate schedule until their demand falls below 500 kW for 12 consecutive months. The demand for any month will be the maximum 15-minute kW delivery during the month. Service under this schedule is subject to meter availability.

II. Firm Service Rate

	Medium	**Medium**	**Medium**
Rate Category	GUS_M	GUP_M	GUT_M
Voltage Level	**Secondary**	**Primary**	**Sub-transmission**
Winter Season - October 1 Through May 31			
System Infrastructure Fixed Charge - per month per meter	$96.70	$96.70	$256.10
Site Infrastructure Charge *(per 12 months max kW or installed capacity)*	$2.55	$2.25	$1.85
Electricity Usage Charge			
On-Peak ¢/kWh	9.19¢	8.69¢	8.37¢
Off-Peak ¢/kWh	7.28¢	6.89¢	6.75¢
Summer Season - June 1 Through September 30			
System Infrastructure Fixed Charge - Per month per meter	$96.70	$96.70	$256.10
Site Infrastructure Charge *(per 12 months max kW or installed capacity)*	$2.55	$2.25	$1.85
Maximum Demand Charge *($/monthly super peak max kW)*	$6.25	$5.75	$0.00
Electricity Usage Charge			
Super-Peak ¢/kWh	17.44¢	16.60¢	16.12¢
On-Peak ¢/kWh	12.01¢	11.58¢	10.85¢
Off-Peak ¢/kWh	9.24¢	8.80¢	8.66¢

III. Electricity Usage Surcharges

The following surcharges will apply to all kWh used per month subject to the conditions detailed in the following Tariff sheets:

Solar Surcharge, established to comply with state regulation, creates a fund for encouraging customer-owned solar power generation. See Tariff Sheet No. 1-SB-1 for further details, including current surcharge amount.

Hydro Generation Adjustment (HGA) will only apply when low levels of precipitation adversely affect SMUD's hydroelectric production. See Tariff Sheets No. 1-HGA-1-2 for further information on how the HGA is calculated and when it applies.

IV. Rate Option Menu

(A) Energy Assistance Program Rate (EAPR) for Non-Profit Agencies
Please see Sheet No. 1-EAPR-1 for details on the Energy Assistance Program.

(B) Campus Rates

Campus billing is a condition whereby the customer is served from a common address or industrial campus and has several accounts or services entrances on the same contiguous campus. Campus billing provides for either hardwire or post metering combination of these accounts to a single load shape for billing purposes. This option would have the characteristics of avoiding multiple System Infrastructure Fixed Charges. The following criteria define the conditions under which campus rates would be granted:

1. Contiguous site.
2. Same legal entity buying and consuming the power at the site.
3. No sub-metering on campus to third parties.
4. Special facilities charges applied to recover additional meter/metering expense.
5. Single point of contact at the place of business both for billing and service questions.
6. All accounts served from a common rate and service voltage.
7. Use of parallel systems for shifting load between different rate offerings will be considered a violation of terms of this agreement. SMUD shall have the right to corrective billing on a single rate and full reimbursement of waived System Infrastructure Fixed Charges.
8. This type of service requires interval metering on each service entrance. Customers at the secondary service level will be required to pay the System Infrastructure Fixed Charge associated with primary service to account for additional costs to SMUD. A monthly service fee will be charged for the additional costs of multiple site metering.

(C) Standby Service Option

This option is for general service customers who operate, in whole or in part, customer-owned generator(s) on their premises and where 1) the output connects to SMUD's electrical system, and 2) SMUD must stand ready to provide backup or maintenance service to replace the generator(s).

Standby Service Charge by Voltage Level	**Secondary**	**Primary**	**Sub-transmission**
($/kW of Contract Capacity per month)	$6.25	$4.95	$2.50

"Contract Capacity" is a fixed kilowatt value determined by the rating of the generator unit. In addition to the standby service charge, SMUD will continue to bill for all applicable charges under this rate schedule. These charges include customer and facility charges, as well as Maximum Demand and Electricity Usage Charges for SMUD-provided power.

(D) Economic Development Rate Option

This option is applicable to full service customers with load in excess of 299 kW who create a minimum of 50 new jobs and add load at a new or expanded site. For existing customers, only the additional load will qualify for the discount. Eligibility for this discount is limited to customers with Standard Industrial Classifications (SIC) 2000-3999 Manufacturing, 4800-4899 Communications, 7300-7499 Business Services and 8700-8799 Professional Services or the equivalent new NAICS codes. Qualified customers must agree to be a full service customer for five years. Qualified customers will receive a reduction of the System Infrastructure Fixed Charge, Maximum Demand Charge, Site Infrastructure Charge and Electricity Usage components of their bill, based on the table below.

Economic Development Discount				
Year 1	Year 2	Year 3	Year 4	Year 5
5%	3%	1%	0%	0%

(E) Green Pricing Options

1. **SMUD Community Solar Option**
   Under this premium service option, customers elect to contribute monthly payments towards the installation of a photoelectric system at a selected community locale. See the SMUD website for further information on monthly contribution options and currently identified projects.

2. **SMUD Renewable Energy Option**
   Customers electing this premium power service will receive an additional charge for monthly energy of no less than 1/2¢ and no greater than 2¢ per kWh. SMUD may offer up to three premium rate options representing various blends of renewable resources within the 1/2¢ to 2¢ range. The actual prices will be published each November and will be based on the expected above market cost of renewable resources for the upcoming year. Participation will be limited to the amount of resources that SMUD is able to secure below the 2¢ premium limit.

(F) Implementation of Energy Efficiency Program or Installation of New Solar Photovoltaic Systems

Customers who implement a SMUD-sponsored Energy Efficiency program or who install a SMUD-approved solar/photovoltaic system to offset their on-site energy consumption may request a reset of their 12-month historical demand upon completion of the project.

(G) Net Metering for Solar Electric, Wind Turbine, and Biomass Generation Facilities

Please see Sheet No. 1-NM-1 for details on the Net Metering option.

V. Special Metering Charge

For customers who purchase and install communications hardware and software to transfer energy load data from their meter/recorders to a personal computer, SMUD will charge a monthly service fee to recover maintenance, software support costs and the annual licensing fee.

VI. Conditions

(A) Type of Electric Service

SMUD will provide customers on this Rate Schedule standard, firm service consisting of a continuous and sufficient supply of electricity.

(B) Service Voltage Definition

The following defines the three voltage classes available. The rate shall be determined by the voltage level at which service is taken according to the following:

1. Secondary Service Voltage
This service class provides power at voltage levels below 12 kilo-Volts (kV), or at a level not otherwise defined as "Primary" or "Sub-transmission".

2. Primary Service Voltage
This service class provides power at a voltage level of 12 kV or 21 kV. To be eligible for Primary Service Voltage, the customer's monthly demand must exceed 299 kW, the voltage must be available in the area being served, and SMUD must approve the arrangement for power provision.

3. Sub-transmission Service Voltage
This sub-transmission service class provides power at a voltage level of 69 kV or as otherwise defined by SMUD. To be eligible for voltage service at this level, the customer's monthly demand must exceed 499 kW, the voltage must be available in the area being served, and SMUD must approve the arrangement for power provision.

(C) Power Factor Adjustment

Accounts with demands of 20 kW or greater may be subject to a power factor adjustment. SMUD, at its option, may place VAR metering equipment to record reactive power conditions. Effective January 1, 1998, when a customer's monthly power factor falls below 95% leading or lagging, the following billing adjustment will apply:

$$\textit{Electricity Usage} \times \$0.0098 \times \left(\frac{95\%}{\textit{Power Factor}} - 1\right)$$

Electricity Usage = the total monthly kWh for the account
Power Factor = the lesser of the customer's monthly power factor or 95%

Customers that contract with SMUD for power factor corrections will have the power factor adjustment waived for the portion that is covered under the contract.
The fee for correction per KVAR ……$0.2588
KVAR = maximum 12 month KVAR in excess of 33% of kW.

(**D) Time of Use Billing Periods**

Super-peak hours include the following:
SUMMER SEASON (ONLY) - JUNE 1 through SEPTEMBER 30
Weekdays: Between 2:00 pm. and 8:00 p.m.

On-peak hours include the following:
SUMMER SEASON - JUNE 1 through SEPTEMBER 30
Weekdays: Between 12:00 noon and 2:00 p m. and between 8:00 p m. and 10:00 p.m.
WINTER SEASON - OCTOBER 1 through MAY 31
Weekdays: Between 12:00 noon and 10:00 p.m.

Off-peak hours include all other hours not defined as super-peak or on-peak, including all day on weekends and the holidays in the following table:

Holiday	**Month**	**Date**
New Year's Day	January	1st
Martin Luther King Jr.'s Birthday	January	Third Monday
Lincoln's Birthday	February	12th
Presidents Day	February	Third Monday
Memorial Day	May	Last Monday
Independence Day	July	4th
Labor Day	September	First Monday
Columbus Day	October	Second Monday
Veteran's Day	November	11th
Thanksgiving Day	November	Fourth Thursday
Christmas Day	December	25th

(E) Billing

Meter reading for service rendered in accordance with this rate will not be combined for billing purposes unless SMUD determines it is necessary or convenient to do so.

PRORATION OF CHARGES

The Electricity Usage allowances, System Infrastructure Fixed Charge, and Site Infrastructure Charge will be prorated during non-standard billing periods and when the billing period spans more than one season. The following table shows the basis for the proration during these circumstances.

Billing Circumstance	Basis for Proration
Bill period is shorter than 27 days	Relationship between the length of the billing period and 30 days
Bill period is longer than 34 days	
Seasons overlap within bill period	Relationship between the length of the billing period and the number of days that fall within the respective season.

(End)

Small General Service
Time of Use Commercial
Rate Schedule GS-TOU3

I. Applicability

Applicable to single or three phase service, delivered at such nominal voltage as the customer selects from among those which SMUD designates are available at the customer's premises. This schedule is mandatory for all commercial and industrial (C&I) customers whose monthly demand is 300-499 kW for three consecutive months and for all customers previously served at the primary level on Rate Schedule GS. Customers taking service at the secondary level will remain on this rate schedule until their demand falls below 300 kW for 12 consecutive months. This schedule is optional for customers currently billed on Rate Schedule GS and taking service at the secondary level with historical billing demand less than 300 kW.

II. Firm Service Rate

Rate Category	**Small** GUS_S **Secondary**	**Small** GUP_S **Primary**
Winter Season - October 1 through May 31		
System Infrastructure Fixed Charge - per month per meter	$96.70	$96.70
Site Infrastructure Charge *(per 12 months max kW or installed capacity)*	$3.40	$3.05
Electricity Usage Charge		
On-peak ¢/kWh	9.33¢	8.81¢
Off-peak ¢/kWh	7.40¢	7.00¢
Summer Season - June 1 through September 30		
System Infrastructure Fixed Charge - per month per meter	$96.70	$96.70
Site Infrastructure Charge *(per 12 months max kW or installed capacity)*	$3.40	$3.05
Maximum Demand Charge *($/monthly super peak max kW)*	$6.85	$6.25
Electricity Usage Charge		
Super-peak ¢/kWh	17.96¢	17.09¢
On-peak ¢/kWh	12.27¢	11.82¢
Off-peak ¢/kWh	9.75¢	9.28¢

III. Electricity Usage Surcharges

The following surcharges will apply to all kWh used per month subject to the conditions detailed in the following Tariff sheets:

Solar Surcharge, established to comply with state regulation, creates a fund for encouraging customer-owned solar power generation. See Tariff Sheet No. 1-SB-1 for further details, including current surcharge amount.

Hydro Generation Adjustment (HGA) will only apply when low levels of precipitation adversely affect SMUD's hydroelectric production. See Tariff Sheets No. 1-HGA-1-2 for further information on how the HGA is calculated and when it applies.

IV. Rate Option Menu

(A) Energy Assistance Program Rate (EAPR) for Non-Profit Agencies

Please see Sheet No. 1-EAPR-1 for details on the Energy Assistance Program.

(B) Campus Rates

Campus billing is a condition whereby the customer is served from a common address or industrial campus and has several accounts or services entrances on the same contiguous campus. Campus billing provides for either hardwire or post metering combination of these accounts to a single load shape for billing purposes. This option would have the characteristics of avoiding multiple System Infrastructure Fixed Charges. The following criteria define the conditions under which campus rates would be granted:

1. Contiguous site.
2. Same legal entity buying and consuming the power at the site.
3. No sub-metering on campus to third parties.
4. Special facilities charges applied to recover additional meter/metering expense.
5. Single point of contact at the place of business both for billing and service questions.
6. All accounts served from a common rate and service voltage.
7. Use of parallel systems for shifting load between different rate offerings will be considered a violation of terms of this agreement. SMUD shall have the right to corrective billing on a single rate and full reimbursement of waived System Infrastructure Fixed Charges.
8. This type of service requires interval metering on each service entrance. Customers at the secondary service level will be required to pay the System Infrastructure Fixed Charge associated with primary service to account for additional costs to SMUD. A monthly service fee will be charged for the additional costs of multiple site metering.

(C) Standby Service Option

This option is for general service customers who operate, in whole or in part, customer-owned generator(s) on their premises and where 1) the output connects to SMUD's electrical system, and 2) SMUD must stand ready to provide backup or maintenance service to replace the generator(s).

Standby Service Charge by Voltage Level	**Secondary**	**Primary**	**Sub-transmission**
($/kW of Contract Capacity per month)	$6.25	$4.95	$2.50

"Contract Capacity" is a fixed kilowatt value determined by the rating of the generator unit. In addition to the standby service charge, SMUD will continue to bill for all applicable charges under this rate schedule. These charges include System Infrastructure Fixed Charges and Site Infrastructure Charges, as well as Electricity Usage and Maximum Demand Charges for SMUD-provided power.

(D) Economic Development Rate Option

This option is applicable to full service customers with load in excess of 299 kW who create a minimum of 50 new jobs and add load at a new or expanded site. For existing customers, only the additional load will qualify for the discount. Eligibility for this discount is limited to customers with Standard Industrial Classifications (SIC) 2000-3999 Manufacturing, 4800-4899 Communications, 7300-7499 Business Services and 8700-8799 Professional Services or the equivalent new NAICS codes. Qualified customers must agree to be a full service customer for five years. Qualified customers will receive a reduction of the System Infrastructure Fixed Charge, Maximum Demand Charge, Site Infrastructure Charge and Electricity Usage components of their bill, based on the table below.

Economic Development Discount				
Year 1	Year 2	Year 3	Year 4	Year 5
5%	3%	1%	0%	0%

(E) Green Pricing Options

1. **SMUD Community Solar Option**
   Under this premium service option, customers elect to contribute monthly payments towards the installation of a photoelectric system at a selected community locale. See the SMUD website for further information on monthly contribution options and currently identified projects.

2. **SMUD Renewable Energy Option**
   Customers electing this premium power service will receive an additional charge for monthly energy of no less than 1/2¢ and no greater than 2¢ per kWh. SMUD may offer up to three premium rate options representing various blends of renewable resources within the 1/2¢ to 2¢ range. The actual prices will be published each November and will be based on the expected above market cost of renewable resources for the upcoming year. Participation will be limited to the amount of resources that SMUD is able to secure below the 2¢ premium limit.

(F) Implementation of Energy Efficiency Program or Installation of New Solar Photovoltaic Systems

Customers who implement a SMUD-sponsored Energy Efficiency program or who install a SMUD-approved solar/photovoltaic system to offset their on-site energy consumption may request a reset of their 12-month historical demand upon completion of the project.

(G) Net Metering for Solar Electric, Wind Turbine, and Biomass Generation Facilities

Please see Sheet No. 1-NM-1 for details on the Net Metering option.

V. Special Metering Charge

For customers who purchase and install communications hardware and software to transfer energy load data from their meter/recorder to a personal computer, SMUD will charge a monthly service fee to recover maintenance, software support costs and the annual licensing fee.

VI. Conditions

(A) Type of Electric Service

SMUD will provide customers on this Rate Schedule standard, firm service consisting of a continuous and sufficient supply of electricity.

(B) Service Voltage Definition

The following defines the three voltage classes available. The rate shall be determined by the voltage level at which service is taken according to the following:

1. Secondary Service Voltage
This service class provides power at voltage levels below 12 kilo-Volts (kV), or at a level not otherwise defined as "Primary" or "Sub-transmission".

2. Primary Service Voltage
This service class provides power at a voltage level of 12 kV or 21 kV. To be eligible for Primary Service Voltage, the customer's monthly demand must exceed 299 kW, the voltage must be available in the area being served, and SMUD must approve the arrangement for power provision.

3. Sub-transmission Service Voltage
This sub-transmission service class provides power at a voltage level of 69 kV or as otherwise defined by SMUD. To be eligible for voltage service at this level, the customer's monthly demand must exceed 499 kW, the voltage must be available in the area being served, and SMUD must approve the arrangement for power provision.

(C) Power Factor Adjustment

Accounts with demands of 20 kW or greater may be subject to a power factor adjustment. SMUD, at its option, may place VAR metering equipment to record reactive power conditions. Effective January 1, 1998, when a customer's monthly power factor falls below 95% leading or lagging, the following billing adjustment will apply:

$$\textit{Electricity Usage} \times \$0.0098 \times \left(\frac{95\%}{\textit{Power Factor}} - 1\right)$$

Electricity Usage = the total monthly kWh for the account
Power Factor = the lesser of the customer's monthly power factor or 95%

Customers that contract with SMUD for power factor corrections will have the power factor adjustment waived for the portion that is covered under the contract.
The fee for correction per KVAR $0.2588
KVAR = maximum 12 month KVAR in excess of 33% of kW.

(D) Time of Use Billing Periods

Super-peak hours include the following:
SUMMER SEASON (ONLY) – JUNE 1 through SEPTEMBER 30
Weekdays: Between 2:00 p m. and 8:00 p m.

On-peak hours include the following:
WINTER SEASON - OCTOBER 1 through MAY 31
Weekdays: Between 12:00 noon and 10:00 P.M.
SUMMER SEASON - JUNE 1 through SEPTEMBER 30
Weekdays: Between 12:00 noon and 2:00 p m. and between 8:00 p m. and 10:00 p.m.

Off-peak hours include all other hours not defined as super-peak or on-peak, including all day on weekends and the holidays in the following table:

Holiday	Month	Date
New Year's Day	January	1st
Martin Luther King Jr.'s Birthday	January	Third Monday
Lincoln's Birthday	February	12th
Presidents Day	February	Third Monday
Memorial Day	May	Last Monday
Independence Day	July	4th
Labor Day	September	First Monday
Columbus Day	October	Second Monday
Veteran's Day	November	11th
Thanksgiving Day	November	Fourth Thursday
Christmas Day	December	25th

(E) Billing

Meter reading for service rendered in accordance with this rate will not be combined for billing purposes unless SMUD determines it is necessary or convenient to do so.

PRORATION OF CHARGES

The Electricity Usage allowances, System Infrastructure Fixed Charge, and Site Infrastructure Charge will be prorated during non-standard billing periods and when the billing period spans more than one season. The following table shows the basis for the proration during these circumstances.

Billing Circumstance	Basis for Proration
Bill period is shorter than 27 days	Relationship between the length of the billing period and 30 days
Bill period is longer than 34 days	
Seasons overlap within bill period	Relationship between the length of the billing period and the number of days that fall within the respective season.

(End)

Residential Service
Medical Equipment Discount Program

I. Applicability

To customers receiving service under residential rates who meet the eligibility requirements listed below.

II. Qualification

An application must be completed along with certification from a qualified health professional stating that a medical need exists. A current definition of "qualified health professional" is posted on www.smud.org.

III. Discount

A maximum discount of $15 per month will be applied to the electricity usage portion of the bill.

IV. Medical Equipment Device

A medical equipment device, for purposes of these rates, is defined as a qualifying medical device requiring utility-supplied electricity for its operation that is regularly required for mobility or to sustain the life of a person residing in a residential dwelling. Qualified devices change frequently as technology changes. A current list of qualified devices and medical conditions is posted on www.smud.org.

V. Medical Equipment Discount and Energy Assistance Program Rate

Qualified residential customers on both the Medical Equipment Discount and the Energy Assistance Program Rate receive both discounts: a $15 MED discount and the EAPR discount as detailed in tariff sheet 1-EAPR-1-3. The system infrastructure fixed charge is $3.50.

VI. Eligibility

To qualify for the medical equipment discount the customer must certify in writing that the customer or a full-time resident in the customer's home:

- Is dependent on a qualifying medical equipment device used in the home or
- Has a medical condition with special electric space heating needs or air conditioning needs.

VII. Application

The Medical Equipment Discount Program option will be effective commencing with the beginning of the billing period in which the request is received and approved. Return to another rate option will be effective commencing with the beginning of the billing period in which the request is received or the cancellation date, if enrollment in the Medical Equipment Discount Program is terminated.

VIII. Request for Additional Discount

If this discount does not meet a household's medical-electricity needs, customers may contact SMUD to discuss additional assistance.

(End)

Outdoor Night Lighting Service
Rate Schedule NLGT

I. Applicability

To District-owned and maintained outdoor overhead lighting service where Street Lighting Service Rate Schedule SLS does not apply.

Service furnished under this schedule may be discontinued at any location where the District's overhead distribution facilities are relocated or converted to underground distribution facilities.

II. Character of Service

A current schedule of District-approved fixtures and lamps eligible for service under this rate will be maintained by the District. Lamps shall be supported on District-owned poles that are used to carry distribution system circuits used for other District purposes, and shall be at locations approved by the District.

III. Rate

The monthly charge for electricity and switching will be based on the connected load served in watts multiplied by..... 2.37¢
The manufacturer's rating in watts (including all auxiliary equipment) will be used as connected load.

There will be a separate monthly charge for installation and maintenance of each fixture (including lamps, refractors, ballasts, photocells and other typical support equipment). These charges are based upon the installation of street lighting fixtures of a design specified by the District and mounted by means of varying length brackets affixed to existing wood poles that are used to carry distribution system circuits. The District will keep a listing of approved fixtures and lamps with nominal ratings and the corresponding monthly maintenance charge. The District retains the right to modify the listing of approved fixtures and lamps to accommodate changing technology or other business needs criteria. The list of acceptable lamp and fixture types, and their accompanying monthly charge, will be available on the District's Web site or will be furnished upon request. This list will be reviewed annually and updated as appropriate.

IV. Electricity Usage Surcharges

The following surcharges will apply to all kWh used per month subject to the conditions detailed in the following Tariff sheets:

Solar Surcharge, established to comply with state regulation, creates a fund for encouraging customer-owned solar power generation. See Tariff Sheet No. 1-SB-1 for further details, including current surcharge amount.

Hydro Generation Adjustment (HGA) will only apply when low levels of precipitation adversely affect SMUD's hydroelectric production. See Tariff Sheets No. 1-HGA-1-2 for further information on how the HGA is calculated and when it applies.

V. Billing

Where new facilities are required to service an applicant under this rate, the District may require a contract for service for a period of not to exceed three years.

PRORATION OF CHARGES

The monthly charge will be prorated during non-standard billing periods. The following table shows the basis for the proration during these circumstances.

Billing Circumstance	Basis for Proration
Bill period is shorter than 27 days	Relationship between the length of the billing period and 30 days
Bill period is longer than 34 days	

VI. Lamp Servicing and Relocations

Upon receipt of notice from customer of failure of light to operate as scheduled, the District will, within a reasonable period of time, make the necessary repairs.

The District will, at customer's request, relocate existing outdoor lighting service equipment, provided the customer reimburses the District for the relocation cost.

(End)

Net Metering for Qualifying Facilities (NM)
Solar Electric, Wind Turbine and Biomass

I. Applicability

The net metering option applies to residential, commercial/industrial, and agricultural customers who have a solar or wind electrical generation facility, a hybrid system of both, or a biomass facility with a capacity of not more than 3,000 kilowatts. The facility must be located on the customer's premises, operate in parallel with SMUD's transmission and distribution facilities, and must be intended primarily to offset part or all of the customer's own electrical requirements. The customer must meet all requirements of Rule 21.

Application for this rate schedule is on a first-come, first-served basis, until the total rated generating capacity of customers taking service under this tariff exceeds five (5) percent of SMUD's aggregate customer peak demand. Once the total rated generation capacity reaches five (5) percent of SMUD's aggregate customer peak demand, this rate schedule is closed to new customers.

II. Metering

(A) Residential and Small Commercial ≤ 20 kW; Agricultural Customers ≤ 30 kW
SMUD will pay for and install, at no cost to the customer, a single meter capable of registering the flow of electricity in both directions, or an equivalent means of metering.

(B) Large Commercial > 20 kW; Agricultural Customers > 30 kW
SMUD will pay for and install a single meter, or an equivalent means of metering, capable of registering the flow of electricity in both directions. The customer may be required to pay the cost differential between standard metering and bi-directional metering.

III. Standby Charges

Customers who qualify for Net Metering are exempt from standby charges on that portion of their load.

IV. Payments

Residential, Small Commercial and Agricultural Customers as defined in Section II (A) of this sheet may pay monthly or annually for the net electricity consumed, but must pay monthly any billed non-electricity charges. For all other customers, the net balance of all moneys owed must be paid on each monthly billing cycle. If, in any regular billing month, the electricity supplied by SMUD is less than the electricity supplied to SMUD by the customer's system, the customer will receive retail-valued electricity credits for the excess electricity supplied to SMUD. The retail-valued electricity credits will carry over to the following billing period until the end of the settlement period. Retail-valued electricity credits will only be credited against electricity usage charges. Non-electricity usage charges, which must be paid monthly, include the system infrastructure fixed charge, maximum demand charge, site infrastructure charge, program fees, surcharges and taxes.

V. Settlement Method

All customers who qualify for the net metering option shall have a twelve (12) month settlement period that begins on the effective date of the customer's net metering agreement or upon SMUD's receipt of the customer's net surplus generation election form. At the end of the customer's twelve (12) month settlement period, any unused accumulated monthly retail electricity credits will be zeroed out.

(A) Annual Net Surplus Generation
At the end of a customer's twelve (12) month settlement period, SMUD shall calculate the amount of net surplus generation over the twelve (12) month period. If the customer has net surplus generation, SMUD will, at the customer's election, either a) provide a monetary credit for the net surplus generation to be paid out to the customer or b) roll over the net annual surplus kWh into the next twelve (12) month period. Monetary value for each net surplus generated kWh shall be calculated based on the following calculation:

> The dollar per kWh surplus compensation value will be calculated using the most recently published SMUD budget to determine the expected avoided generation and production-related costs divided by the forecasted annual energy sales.

For each kWh purchased under this annual net surplus generation method, the ownership of the associated renewable electricity credit will transfer from the customer to SMUD. The net surplus monetary value shall be calculated annually. This net surplus monetary value will remain in effect for the duration of the fiscal year used for the calculation of the customer's net surplus generation. The value shall be published on SMUD's website by December 20 prior to the year the value is in effect.

(B) Opt-Out of Annual Net Surplus Generation
Customers may elect to opt out of receiving compensation or monetary credit for their net surplus generation over their twelve (12) month settlement period. Customers who elect to opt out will not receive any form of compensation nor credit for net surplus generation delivered to SMUD. Such customers will be allowed to retain any associated renewable electricity credits produced by their net surplus generation.

(End)

Residential Service
Rate Schedule R

I. Applicability

This schedule applies to single and three-phase service for the following types of residential premises: 1. Individually-metered residences including single-family homes, flats, apartments and condominiums, 2. General farm service where the meter also serves the residence, or additional meters on a farm where the electricity consumed is solely for domestic purposes and 3. Master-metered service to a multi-family accommodation or a mobile home park which are sub-metered to all individual mobile homes or single-family units.

II. Basic Rates

WINTER SEASON – DECEMBER 1 through MARCH 31

Standard Rate (Rate Categories RSEH, RWEH, RSGH, RWGH)

System Infrastructure Fixed Charge per month.....$10.00
Electricity Usage Charge:
Base Usage per month.....9.38¢
Base-Plus Usage per month .....17.65¢

Electric Space Heat Rate * (CLOSED) (Rate Categories RSCH, RWCH)

System Infrastructure Fixed Charge per month.....$10.00
Electricity Usage Charge:
Base Usage per month.....7.57¢
Base-Plus Usage per month .....14.43¢

SPRING AND FALL SEASONS – APRIL 1 – MAY 31, And OCTOBER 1 – NOVEMBER 30

Standard Rate (Rate Categories RSEH, RWEH, RSGH, RWGH)

System Infrastructure Fixed Charge per month.....$10.00
Electricity Usage Charge:
Base Usage per month.....9.38¢
Base-Plus Usage per month .....17.65¢

Electric Space Heat Rate * (CLOSED) (Rate Categories RSCH, RWCH)

System Infrastructure Fixed Charge per month.....$10.00
Electricity Usage Charge:
Base Usage per month.....8.49¢
Base-Plus Usage per month .....15.35¢

SUMMER SEASON – JUNE 1 through SEPTEMBER 30

Standard Rate (Rate Categories RSEH, RWEH, RSCH, RWCH, RSGH, RWGH)

System Infrastructure Fixed Charge per month.....$10.00
Electricity Usage Charge:
Base Usage per month.....10.16¢
Base-Plus Usage per month .....18.30¢

*The Winter Season (CLOSED) Electric Space Heat Rate is no longer available to new installations of electric space heat equipment, effective May 1, 1996. Any new occupant to a current premise with (CLOSED) Rate Categories RSCH, RTC, or RWCH will be placed on the Standard Rate (Rate Categories RSEH, RWEH) or on the Time of Use Rate (Rate Category RTE) if applicable, upon application for service. New occupants and new customers installing electric space heat equipment (Rate Categories RSEH, RWEH) shall be entitled to the Base Usage and Base-Plus Usage Quantities for Electric Space Heat and billed the Standard Rate.

III. Base Usage and Base-Plus Usage Quantities

WINTER SEASON – DECEMBER 1 through MARCH 31
(Kilowatt-hours per month)

Rate Category	Standard Heat		Electric Heat	
	RSGH	RWGH (with Wells)	RSEH, RSCH	RWEH, RWCH (with Wells)
Base Usage	0 – 620	0 – 920	0 – 1,120	0 – 1,420
Base-Plus Usage	> 620	> 920	> 1,120	> 1,420

SPRING AND FALL SEASONS – APRIL 1– MAY 31 and OCTOBER 1 – NOVEMBER 30
(Kilowatt-hours per month)

Rate Category	Standard Heat		Electric Heat	
	RSGH	RWGH (with Wells)	RSEH, RSCH	RWEH, RWCH (with Wells)
Base Usage	0 – 620	0 – 920	0 – 800	0 – 1,100
Base-Plus Usage	> 620	> 920	> 800	> 1,100

SUMMER SEASON – JUNE 1 through SEPTEMBER 30
(Kilowatt-hours per month)

Rate Category	RSEH, RSCH, RSGH	RWEH, RWCH, RWGH (with Wells)
Base Usage	0 – 700	0 – 1,000
Base-Plus Usage	> 700	> 1,000

IV. Optional Medical Equipment Discount and Energy Assistance Programs

Refer to the following Tariff Sheets for details on eligibility and discounts on these programs:

Medical Equipment Discount Program (Rate Categories with suffix "_L"). See Sheet No. 1–MED–1.

Energy Assistance Program (Rate Categories with suffix "_E"). See Sheet No. 1–EAPR–1.

Joint Participation in Medical Equipment Discount and Energy Assistance Programs (Rate Categories with suffix "_EL"). See Sheet No. 1–MED–1.

V. Time Based Pricing Plans

(A) Option 1 Time of Use Rate (Rate Categories RTE, RTC, RTG)

WINTER SEASON – OCTOBER 1 through MAY 31
System Infrastructure Fixed Charge per month.....$10.00
On-Peak ¢/kWh.....11.20¢
Off-Peak ¢/kWh.....10.37¢

SUMMER SEASON – JUNE 1 through SEPTEMBER 30
System Infrastructure Fixed Charge per month.....$10.00
On-Peak ¢/kWh.....24.41¢
Off-Peak ¢/kWh.....11.51¢

Option 1 Time of Use Billing Periods

Winter Season On-Peak	Weekdays between 7:00 a m. and 10:00 a m., and 5:00 p m. and 8:00 p m.
Summer Season On-Peak	Weekdays between 2:00 p m. and 8:00 p.m.
Off-Peak	All other hours, including holidays shown in Section (D)

Option 1 Time of Use Trial Billing

Residential customers shall be entitled to a 12-month trial period for Option 1 Time of Use in which the customer shall receive a credit (after 12 months of billing on the Option 1 Time of Use) for the accumulated difference, if applicable, between the Standard Rate and the Option 1 Time of Use, after which either the Standard Rate or the Option 1 Time of Use Rate must be selected. If the Option 1 Time of Use Rate is selected, customers subsequently requesting a transfer from the – Option 1 Time of Use Rate to the Standard Rate may not return to the Option 1 Time of Use Rate for a 12-month period.

(B) Option 2 Time of Use (Rate Categories RTE5, RTC5, RTG5)

WINTER SEASON – OCTOBER 1 through MAY 31

System Infrastructure Fixed Charge per month.....$11.40
On-Peak ¢/kWh.....10.97¢
Off-Peak ¢/kWh.....10.07¢

SUMMER SEASON – JUNE 1 through SEPTEMBER 30

System Infrastructure Fixed Charge per month.....$11.40
Super-Peak ¢/kWh.....24.24¢
On-Peak ¢/kWh.....16.14¢
Off-Peak ¢/kWh.....9.97¢

Option 2 Time of Use Billing Periods

Winter Season On-Peak	Weekdays between 12:00 noon and 10:00 p.m.
Summer Season On-Peak	Weekdays between 12:00 noon and 2:00 p.m. and between 8:00 p m. and 10:00 p m.
Summer Super-Peak	Weekdays between 2:00 p m. and 8:00 p.m.
Off-Peak	All other hours, including holidays shown in Section (D).

(C) SmartSacramento® Pricing Pilot Rates[1]
(Rate Categories RSCH_CB, RSEH_CB, RSGH_CB, RWCH_CB, RWEH_CB, RWGH_CB)

Applicability

These rates will be offered only to selected participants for a limited trial period. They apply only during the summer season. Participants will revert to their otherwise applicable rates during the remaining months of the year.

SmartSacramento® Pricing Pilot Time of Use Rate (Summer Season Only)

System Infrastructure Fixed Charge per month.....$10.00
On-Peak ¢/kWh.....27.00¢
Off-Peak ¢/kWh:
Off-Peak Base Usage per month.....8.46¢
Off-Peak Base-Plus Usage per month.....16.60¢

SmartSacramento® Pricing Pilot Critical Peak Rate (Summer Season Only)

System Infrastructure Fixed Charge per month.....$10.00
Critical Peak ¢/kWh.....75.00¢
Off-Peak ¢/kWh:
Off-Peak Base Usage per month.....8.51¢
Off-Peak Base-Plus Usage per month.....16.65¢

SmartSacramento® Pricing Pilot Combined Time of Use and Critical Peak Rate (Summer Season Only)

System Infrastructure Fixed Charge per month.....$10.00
Critical Peak ¢/kWh.....75.00¢
On-Peak ¢/kWh.....27.00¢
Off-Peak ¢/kWh:
Off-Peak Base Usage per month.....7.21¢
Off-Peak Base-Plus Usage per month.....14.11¢

[1] ® A registered service mark of the Sacramento Municipal Utility District

SmartSacramento® Pricing Pilot Billing Periods (June 1 – September 30 Summer Only)

On-Peak Hours	Summer weekdays between 4:00 p.m. and 7:00 p m., exclusive of July 4th and Labor Day holidays.
Critical Peak Hours	Up to twelve summer weekdays between 4:00 p m. and 7:00 p.m., exclusive of July 4th and Labor Day holidays, announced by SMUD a day in advance as a critical peak event day.
Off-Peak Base Usage Hours	Usage in all other non-peak hours up to 700 kWh for standard customers and 1,000 kWh for customers with domestic wells.
Off-Peak Base-Plus Usage Hours	Usage in non-peak hours beyond 700 kWh of Off-Peak Base Usage for standard customers and beyond 1,000 kWh of Off-Peak Base Usage for customers with domestic wells

(D) Time Based Pricing Plans Billing Holidays

Off-peak pricing in the Time Based Pricing Plans shall apply during the following holidays:

Holiday	Month	Date
New Year's Day	January	1st
Martin Luther King Jr.'s Birthday	January	Third Monday
Lincoln's Birthday	February	12th
Presidents Day	February	Third Monday
Memorial Day	May	Last Monday
Independence Day	July	4th
Labor Day	September	First Monday
Columbus Day	October	Second Monday
Veteran's Day	November	11th
Thanksgiving Day	November	Fourth Thursday
Christmas Day	December	25th

VI. Electricity Usage Surcharges

The following surcharges will apply to all kWh used per month, subject to the conditions detailed in the following Tariff sheets:

Solar Surcharge, established to comply with state regulation, creates a fund for encouraging customer-owned solar power generation. See Tariff Sheet No. 1–SB–1 for further details, including current surcharge amount.

Hydro Generation Adjustment (HGA) will only apply when low levels of precipitation adversely affect SMUD's hydroelectric production. See Tariff Sheets No. 1–HGA–1-2 for further information on how the HGA is calculated and when it applies.

VII. Rate Option Menu

(A) Residential Thermal Energy Storage Option (Rate Category RTT) (CLOSED)

Residential customers who are equipped with a Residential Thermal Energy Storage (RTES) system *or* who may qualify by meeting the load criteria established for RTES including the lockout of space-conditioning compressors during the on-peak period, and who are billed on the Option 1 Time of Use Rate shall be entitled to a credit as follows:

Winter off-peak credit ¢/kWh ..... -2.43¢
Summer on-peak credit ¢/kWh ..... -5.85¢
Summer off-peak credit ¢/kWh..... -2.71¢

Rate Category RTT will no longer be available to new occupants as well as new installations of RTES systems, or other qualifying equipment effective June 1, 1997. At the time of application for service, new occupants of a current premise with (CLOSED) Rate Category RTT will be placed on the Option 1 Time of Use rate (Rate Category RTE) and will be informed of other rate options available to them.

(B) Standby Service Option

This option applies to residential customers who operate, in whole or in part, privately-owned generator(s) with a contract capacity (combined nameplate rating) less than 100 kW on their premises, and are connected to SMUD's electrical system requiring SMUD to standby ready to provide backup or maintenance service to replace the generator(s).

Charges for Standby Service are as follows:

Standby Charge (January 1 through December 31)
Based on contract capacity per month $/kW.....$6.25
Electricity Usage:
All energy provided to the customer by SMUD will be billed at the applicable electricity usage charges under the Basic Rate or an optional rate under the Time Based Pricing Plans.

The Standby Service charge will be waived for qualifying net metered generation. See Sheet No. 1–NM–1 for further details.

(C) Plug-in Electric Vehicle (PEV) Option (Rate Category RTEV)

This option is for residential customers who own licensed passenger electric vehicles and/or passenger battery electric and plug-in hybrid electric vehicles, and take service for the vehicle charging under the optional Option 1 Time of Use Rate upon proof of vehicle registration. The term PEV is meant to be inclusive of both battery, plug-in, and plug-in hybrid electric vehicles.

This option requires installation of a time of use meter on the charging location and will be billed under the Option 1 Time of Use Rate with a credit on the off-peak electricity usage charges as follows:

Winter off-peak energy credit ¢/kWh ..... -2.43¢
Summer off-peak energy credit ¢/kWh..... -2.71¢

The System Infrastructure Fixed Charge will be waived. The Time of Use meter will be a sub-meter to the premise's main meter unless the customer, at his own expense, elects to have installed a separate panel and meter. When sub-metered, the Residential Time-of-Use Electric Vehicle (Rate Category RTEV) rate is not available to customers whose premise load is billed on the Option 2 Time of Use Rate.

(D) Residential PV Pioneer Green Fee

This option applies to residential customers who participate in SMUD's "PV Pioneer Project." Participation in the "PV Pioneer Project" shall be at the sole discretion of SMUD.

(E) Net Metering for Solar Electric, Wind Turbine, and Biomass Generation Facilities

This option applies to customers who have a solar or other renewable power generator on their premise. Refer to Sheet No. 1–NM–1 for further details.

(F) Residential Three-phase Service Option

This option applies to customers located in areas where three-phase service is available. SMUD shall charge a monthly Special Facilities fee of $38.95 to cover the additional costs for providing this service.

(G) Green Pricing Options

1. **SMUD Community Solar Option**
   Under this premium service option, customers elect to contribute monthly payments towards the installation of a photoelectric system at a selected community locale. See the SMUD website for further information on monthly contribution options and currently identified projects.

2. **SMUD Renewable Energy Option**
   Customers electing this premium power service will receive an additional monthly electricity usage charge of no less than 1/2 cent and no greater than 2 cents per kWh. SMUD may offer up to three premium rate options representing various blends of renewable resources within the 1/2 cent to 2 cent range. The actual prices will be published each November and will be based on the expected above market cost of renewable resources for the upcoming year. Participation will be limited to the amount of resources that SMUD is able to secure below the 2 cent premium limit.

3. **Flat Fee Options:**
   Customers may opt to support SMUD renewable energy purchases through one of the following monthly fees:

   Green Fee flat charge per month 100% option.....$6.00
   Green Fee flat charge per month 50% option.....$3.00

VIII. Special Metering Charge

SMUD will charge a monthly service fee for customers who purchase and install communications hardware to transfer energy load data from their meter/recorder to a personal computer. The fee covers maintenance, software support and the annual licensing fee.

IX. Conditions for Eligibility

(A) Electric Space Heat Eligibility (Rate Categories RSEH, RSCH, RWEH, RWCH)

Residential customers with electric space heating may qualify for an additional 500 kWh in Base Usage allowance during the winter season and an added 180 kWh in Base Usage allowance during the spring and fall seasons. To be eligible, the customer's electric space heating system must be the sole source of domestic space heating installed at the metered premise, except in the case of renewable heating sources, noted in criteria 4 listed below. In addition the electric space heating system must meet one of the following eligibility criteria:

1. An electric space heating system that qualified under the Closed Electric Heat rate before May 1, 1996, **or**
2. A heat pump, including any unit with electric resistance backup, **or**
3. An electric resistance heating system that was installed prior to September 1, 1980, **or**
4. An electric resistance heating system used to supplement a geo-thermal, solar or other renewable fuel heating system.

Non-renewable sources of space heat systems that do **not** qualify for the added residential electric space heat Base Usage allowances include:

- Fossil fuels such as natural gas, propane, gasoline and oil;
- Wood and pelletized fuels.

(B) Domestic Well Eligibility (Rate Categories RWGH, RWEH, RWCH)

Residential customers who own and operate a well that is their sole source of domestic water, are eligible for an additional 300 kWh of monthly Base Usage quantity on the residential meter serving the well.

(C) Master-Metered Multifamily Accommodation and Mobile Home Park Billing (Rate Category RSMM)

The master-metered customer's electricity consumption will be billed under the Base Usage and Base-Plus Usage Quantities using the ratio of the number of occupied single-family accommodations with Electric or Standard Space Heat to the total number of occupied single-family accommodations. The billing calculation will include applicable discounts to the Base Usage Charge and System Infrastructure Fixed Charge for qualifying energy assistance and medical equipment discount program participants. The customer must advise SMUD within 15 days following any change in the number of occupied single-family accommodations wired for electric service and/or any change in the number of qualifying medical equipment discount and/or energy assistance program participants, and/or new occupants of the existing premises with Rate Categories RSCH or RWCH.

X. Billing Proration of Charges

The Base Usage and Base-Plus Usage allowances will be prorated during non-standard billing periods and when the billing period spans more than one season. The following table shows the basis for the proration during these circumstances. The monthly System Infrastructure Fixed Charge will not be prorated, regardless of the number of days in the billing period or the spanning of multiple seasons.

Billing Circumstance	Basis for Proration
Bill period is shorter than 27 days	Relationship between the length of the billing period and 30 days
Bill period is longer than 34 days	
Seasons overlap within bill period	Relationship between the length of the billing period and the number of days that fall within the respective season.

(End)

Street Lighting Service
Rate Schedule SLS

Customer-owned and maintained — Rate Category SL_COM
Customer-owned and maintained, metered — Rate Category SL_COM_M
Customer-owned, District-maintained — Rate Category SL_CODM
District-owned and maintained — Rate Category SL_DOM

I. Applicability

To outdoor lighting service facilities for:
1. Streets, highways, and bridges
2. Public parks
3. Elementary schools, secondary schools, and colleges

II. Character of Service

Alternating current; frequency of approximately 60 hertz; single phase; at voltages specified by SMUD. Lamps shall be controlled to burn from dusk to dawn each night so as to give approximately 4,000 hours of lighting service annually.

III. Billing

Billing periods for nonstandard lengths will be billed as follows:
1. Service connected for 15 or more days during a billing period will be billed for a full month's service.
2. Service connected for 1-14 days during a billing period will not be billed for such partial month's service.
3. Service discontinued for 15 or more days during a billing period will not be billed for such partial month's service.
4. Service discontinued for 1-14 days during a billing period will be billed for a full month's service.

IV. Customer-owned and maintained — Rate Category SL_COM

Where the customer owns and maintains the street lighting equipment, SMUD will furnish electricity and switching. The monthly charge will be based on the connected load served in watts multiplied by ..... 2.37¢
The manufacturer's rating in watts (including all auxiliary equipment) will be used as connected load.

When a customer requests that SMUD finance as well as install street lighting equipment, provisions of Rule and Regulation 2 apply.

V. Customer-owned and maintained, metered — Rate Category SL_COM_M

Where the customer owns and maintains the street lighting equipment, to **operate solely during dusk to dawn hours**, and requests metered electricity, SMUD will furnish a meter, electricity and switching and the charges will be as follows:

System Infrastructure Fixed Charge per month or portion thereof $8.25
Electricity Usage (¢ per kWh) - all kWh ..... 7.11¢

VI. Customer-owned, District-maintained — Rate Category SL_CODM

Where the customer owns the street lighting equipment and desires SMUD to supply electricity and switching and, in addition, provide for the lamp servicing and maintenance, such service will be rendered for lamps and fixtures of sizes and types as indicated on a District maintained list of approved equipment.

The monthly charge for electricity usage and switching will be based on the connected load served in watts multiplied by 2.37¢
The manufacturer's rating in watts (including all auxiliary equipment) will be used as connected load.

There will be a separate monthly charge for maintaining each fixture and/or lamp. SMUD will maintain a list of acceptable lamps and fixture types with nominal ratings and the corresponding monthly maintenance charge. SMUD retains the right to modify the list of acceptable lamps and fixtures with nominal ratings and the corresponding monthly maintenance charge. SMUD retains the right to modify the list of acceptable lamps and fixtures to accommodate changing technology or other business needs criteria. The list of acceptable lamp and fixture types, and their accompanying monthly charge, will be available on SMUD's Web site or will be furnished upon request. This list will be reviewed annually and updated as appropriate.

This service is restricted to SMUD-approved locations.

When a customer requests that SMUD finance as well as install street lighting equipment provisions of Rule and Regulation 2 apply.

VI. District-owned and maintained — Rate Category SL_DOM

Where the customer wishes SMUD to install, operate and maintain the entire street lighting system, such service will be provided with fixtures and lamps of sizes and types as approved by SMUD. A current schedule of District-approved fixtures and lamps eligible for service under this rate will be maintained by SMUD.

The monthly charge for electricity usage and switching
will be based on the connected load served in watts multiplied by ..... 2.37¢
The manufacturer's rating in watts (including all auxiliary equipment)
will be used as connected load.

There will be a separate monthly charge for installation and maintenance of each fixture (including lamps, refractors, ballasts, photo cells and other typical support equipment). These charges are based upon the installation of street lighting fixtures of a design specified by SMUD and mounted by means of varying length brackets affixed to existing wood poles that are used to carry distribution system circuits. SMUD will maintain a list of acceptable lamps and fixture types with nominal ratings and the corresponding monthly maintenance charge. SMUD retains the right to modify the list of acceptable lamps and fixtures to accommodate changing technology or other business needs criteria. The list of acceptable lamp and fixture types, and their accompanying monthly charge, will be available on SMUD' Web site or will be furnished upon request. This list will be reviewed annually and updated as appropriate.

When additional or alternative facilities are installed upon a customer's request, additional monthly charges will be made per the list of acceptable facilities, which will be available on SMUD's Web site or will be furnished upon request. This list will be reviewed annually and updated as appropriate.

RELOCATIONS AND CHANGES
District will, at customer's request; relocate existing equipment provided customer reimburses District for net expense to District incurred in connection therewith, including appropriate engineering and general expense.

District will, at customer's request, replace existing equipment with new equipment prior to expiration of the existing equipment's service life, provided customer pays to SMUD an amount equal to the unrecovered cost, less salvage value, of the existing equipment to be retired and executes a five-year contract for service effective with installation of such new equipment.

NEW SERVICE
New service will be for an initial contract term of five years effective with installation of the service. If service is terminated before the contract term, customer will be responsible for an amount equal to the unrecovered cost, less salvage value, of the equipment installed.

VII. Electricity Usage Surcharges

The following surcharges will apply to all kWh used per month subject to the conditions detailed in the following Tariff sheets:

Solar Surcharge, established to comply with state regulation, creates a fund for encouraging customer-owned solar power generation. See Tariff Sheet No. 1-SB-1 for further details, including current surcharge amount.

Hydro Generation Adjustment (HGA) will only apply when low levels of precipitation adversely affect SMUD's hydroelectric production. See Tariff Sheets No. 1-HGA-1-2 for further information on how the HGA is calculated and when it applies.

(End)

Traffic Control
Intersection Lighting Service
Rate Schedule TC ILS

I. Applicability

To electric service for pedestrian and vehicular traffic signal units, together with related control devices and associated intersection lighting where the mounting, standards, control supports, signal equipment, and luminaires are owned and maintained by the customer.

II. Character of Service

Alternating current; frequency of approximately 60 hertz; single phase; at secondary voltages specified by the District; and at service points mutually agreed upon between the customer and the District. Lamps for intersection lighting shall be controlled to burn from dusk to dawn each night so as to give approximately 4,000 hours of lighting service annually.

III. Rate (Rate Category TS_F, TS)

System Infrastructure Fixed Charge:	
For metering point per month or portion thereof	$3.15 per month
Plus	
Electricity Usage Charge:	
All kWh per month	8.90¢ per kWh

IV. Billing

For billing periods of less than 27 days or more than 34 days, System Infrastructure Fixed Charges will be prorated on the basis of the relationship between the length of the billing period and 30 days. No pro-ration will be made on first-time billing when the total period of service is less than 30 days.

V. Electricity Usage Surcharges

The following surcharges will apply to all kWh used per month subject to the conditions detailed in the following Tariff sheets:

Solar Surcharge, established to comply with state regulation, creates a fund for encouraging customer-owned solar power generation. See Tariff Sheet No. 1-SB-1 for further details, including current surcharge amount.

Hydro Generation Adjustment (HGA) will only apply when low levels of precipitation adversely affect SMUD's hydroelectric production. See Tariff Sheets No. 1-HGA-1-2 for further information on how the HGA is calculated and when it applies.

(End)

Traffic Signal Service
Rate Schedule TSS (Closed)

I. Applicability

To electric service for pedestrian and vehicular traffic signal units, together with related control devices where the mounting standards, control supports, and signal equipment are owned and maintained by the customer.

II. Character of Service

Alternating current; frequency of approximately 60 hertz; single phase; at secondary voltages specified by the District.

III. Rate (Rate Category SL_TSF)

	Monthly Charges
For units not larger than 70 watts of connected load and not exceeding three lamps per unit, the monthly charge **per unit** per month:	$3.50
For units larger than 70 watts of connected load and not exceeding three lamps per unit, the monthly charge **per lamp per watt**	1.97¢
the total charge per month being not less than	$3.50

IV. Billing Provisions

1. CONNECTED LOAD

"Connected load" as used in this rate shall be the sum of the capacities of all of the customer's equipment that may be operated from the District's lines at the same time.

2. BILLING PERIODS OF NONSTANDARD LENGTH

Billing periods of nonstandard length will be billed as follows:

a. Service connected for 15 or more days during a billing period will be billed for a full month's service.
b. Service connected for 1-14 days during a billing period will not be billed for such partial month's service.
c. Service discontinued for 15 or more days during a billing period will not be billed for such partial month's service.
d. Service discontinued for 1-14 days during a billing period will be billed for a full month's service.

V. Future Applications

No additional service will be provided by the District under Rate Schedule TSS. Upon notification by the District and installation of metering facilities, individual accounts will be transferred from Rate Schedule TSS to Rate Schedule TC ILS.

VI. Electricity Usage Surcharges

The following surcharges will apply to all kWh used per month subject to the conditions detailed in the following Tariff sheets:

Solar Surcharge, established to comply with state regulation, creates a fund for encouraging customer-owned solar power generation. See Tariff Sheet No. 1-SB-1 for further details, including current surcharge amount.

Hydro Generation Adjustment (HGA) will only apply when low levels of precipitation adversely affect SMUD's hydroelectric production. See Tariff Sheets No. 1-HGA-1-2 for further information on how the HGA is calculated and when it applies.

(End)

Definitions
Rule and Regulation 1

Applicant
A person, corporation, or agency in whose name service is rendered for a particular account as evidenced by the signature on the application, by contract or by verbal request for service. In the absence of a signed instrument, a customer will be identified by the receipt and payment of bills regularly issued in the name of the person, corporation, or agency, regardless of the identity of the actual user(s) of the service.

Connected Load
The sum of the rated capacities of all of the customer's equipment that can be simultaneously served by electricity supplied by the District.

Customer
The person, corporation or agency in whose name service is rendered for a particular account as evidenced by the signature on the application, contract or verbal request for service. In the absence of a signed instrument, a customer shall be identified by the receipt of bills regularly issued in the name of the person, corporation or agency or the actual user(s) of the service.

Customer-owned Generation
An electric generator, owned by the customer, interconnected with, and operated in parallel with, the District's facilities.

Heat Pump
A unit for space conditioning which is capable of heating by refrigeration and which may or may not include the capability for cooling. Heat pumps may utilize auxiliary resistance heating to the extent required by standard design techniques.

Power Factor
Power factor is the percent of total power delivery (KVA) which does useful work. For billing purposes, power factor is defined as the ratio of active power (KW) to apparent power (KVA). The formula to determine power factor is:

$$\text{Power Factor} = \frac{KW}{KVA}$$

where: $KVA^2 = KVAR^2 + KW^2$ KW= maximum monthly billing demand KVAR = maximum monthly billing KVAR demand

Power Theft
Energy Theft – The use or receipt of the direct benefit of all or a portion of electrical service with knowledge of, or reason to believe that, a diversion, tampering, or unauthorized connection existed at the time of the use or that the use or receipt was without the authorization or consent of the District.
Diversion – To change the intended course of electricity without the authorization or consent of the District.
Tampering – To rearrange, injure, alter, interfere with, or otherwise prevent from performing normal or customary function, any property owned by the District for the purpose of providing utility services.
Unauthorized Connection – To make, or cause to be made, any connection or reconnection with property owned or used by the District to provide utility service without the authorization or consent of the District.
Unauthorized Use – Unauthorized use is defined as the use of electricity in noncompliance with the District's normal billing practices or applicable law. It includes, but is not limited to meter tampering, unauthorized connection or reconnection, theft, fraud, and intentional use of electricity whereby the District is denied full compensation for electric service provided.

Rate Charges

Charges in the rates may include the following:

System Infrastructure Fixed Charge – That portion of the charge for service which is a fixed amount without regard to connected load, maximum demand, or electricity usage in accordance with the rate.
Site Infrastructure Charge – That portion of the charge which applies to site-related distribution facilities.
Maximum Demand Charge – That portion of the charge which varies with the billing demand in accordance with the rate.
Electricity Usage Charge – That portion of the charge for service which varies with the quantity of electricity consumed in accordance with the rate.
Standby Charge – That portion of the charge for standby service which is a fixed amount based on the maximum load the District stands ready to supply in accordance with the rate.

Rating of Installations
Such ratings shall be established by the higher of the manufacturer's name-plate rating or actual test, at the option of the District.

Resistance Heating
Any apparatus employing the resistance of conductors to transform electric energy into heat.

(End)

A. Description of Service

1. Subject to conditions listed below, single-phase or three-phase service will be supplied as required by the customer in accordance with appropriate rates.
   a. Voltage supplied will be designated by the District.
   b. Single-phase service will not be supplied to customers whose panel capacity exceeds 100 kVA.
   c. Three-phase service will not be supplied to motor loads of less than 7-1/2 kW, except where three-phase secondary facilities are available at applicant's service location, or where applicant for three-phase service contributes the net estimated installed cost of such facilities (exclusive of meter and service) or such part of the net estimated installed costs as the District may consider equitable.

2. Alternating current service of approximately 60 hertz frequency will be supplied at the following nominal voltages:

Secondary Voltages		Primary Voltages	Sub-Transmission
Single-Phase	Three-Phase	Three-Phase	Three-Phase
120	208Y/120	12,000Δ	69,000Δ
120/240	240Δ/120	20,800Δ	
208Y/120	480Y	20,800Y/12,000	
	480Y/277		
	4160Δ		

3. The District will endeavor to maintain its frequency and its service voltage within reasonable limits, but does not guarantee same.

B. General Conditions

1. INTERFERENCE WITH QUALITY OF SERVICE
   If in the District's opinion there is an interference with the quality of service supplied to neighboring customers, resulting from the customer's noncompliance with any of the provisions of this rule, the District may require the customer to provide at his own expense such special or additional equipment as is required, or District may provide such equipment if customer pays the net estimated installed cost of such equipment. In lieu of payment of such estimated net cost, the customer may, at District's option, execute a contract providing for the rental of such equipment under terms and conditions satisfactory to the District. If customer refuses to rent, or to provide his own corrective equipment, or to reimburse the District for the cost of such additional or special equipment as is required to eliminate interference with the quality of service to neighboring customers resulting from his operations, District may refuse or discontinue his service.

2. PHASE BALANCING
   Where three-wire single-phase, or three-wire three-phase, or four-wire combination single-phase and three-phase service is supplied, the load must be balanced as nearly as practicable between the two sides or several phases, respectively. In no case is the load on one side of a three-wire single-phase service to be greater than twice that on the other, or the load on any one phase of a three-phase star service greater than twice that on the other phase.

3. CLEAR WORKING SPACE AT ELECTRICAL EQUIPMENT
   a) For the safe operation and maintenance of high voltage electrical equipment, an eight (8) foot clear area must be maintained in front of all operable sections of the equipment.
   b) Corrective Action: Customer or owner shall, at the customer's or owner's expense, either correct the access or clearance infractions or pay the District its total estimated cost to correct the access or clearance or to relocate its facilities to a new location which is acceptable to the District. Customer or owner shall also be responsible for the expense to relocate any equipment which customer or owner owns and maintains. Failure to comply with corrective measures within a reasonable time may result in discontinuance of service.

C. Special Conditions

1. VOLTAGE CONTROL WITHIN SPECIAL LIMITS
   Where customer desires voltage control within unusually close limits, the District may require customer to provide at his own expense such special or additional equipment as required, or the District may provide such equipment if customer pays the net estimated installed cost of such equipment.
2. WELDERS
   District will serve, at the applicable rate and without additional compensation, welding equipment of the limited input type which conforms to the standards of the National Electrical Manufacturers Association (NEMA), and which has a maximum input (primary) current rating not exceeding 12 amperes at 120 volts or 50 amperes at 208 or 240 volts.

Welding equipment which does not meet the standards of NEMA, or which exceeds in input rating 12 amperes at 120 volts or 50 amperes at 208 or 240 volts, will also be served at the applicable rate without additional charge, provided that service to such welders has no detrimental effect on service to neighboring customers.

3. MOTOR GENERATOR SETS AND RECTIFIERS
Motor generator sets and rectifiers shall be considered as power apparatus and shall be rated, for the purpose of determining charges, on the manufacturer's input rating of the set or, at District's option, by actual test.

4. MOTOR PROTECTIVE DEVICES
All motor installations shall have protective apparatus or construction within the motor to accomplish equivalent protection as follows:
   a. Motors that cannot be safely subjected to full-rated voltage at starting shall be provided with a device to insure that on failure of voltage, such motors will be disconnected from the line.
   b. Suitable overload and over-current running protection shall be provided for each motor so as to disconnect the motor from the line to protect it from damage caused by overheating.
   c. Phase reversal and open-phase protection is recommended on all three-phase installations and is required for such installations involving elevators, hoists, and similar equipment to disconnect motors from the line in the event of phase reversal or opening of one phase.

5. MOTOR STARTING LIMITATIONS
   a. Single-phase
      (1) Automatically controlled, single-phase motorized equipment (except as provided in paragraphs (2) and (3) below) shall be equipped with motors having locked-rotor currents not in excess of the following:
         (a) 50 amperes at 120 volts
         (b) 80 amperes at 208 volts
         (c) 100 amperes at 240 volts
      (2) Manually controlled, single-phase motorized equipment (except as provided in paragraph (3) below) shall be equipped with motors having locked-rotor currents not in excess of the following:
         (a) 100 amperes at 120 volts
         (b) 160 amperes at 208 volts
         (c) 200 amperes at 240 volts

      Room air conditioners, because of their long operating cycles and infrequent starts, even though automatically controlled, will be governed by the limitations of this paragraph.
      (3) Motors having locked-rotor currents in excess of those allowed by paragraphs (1) and (2) above may be permitted upon written approval of the District.
   b. Three-phase
      (1) Automatically controlled three-phase motors shall comply with all applicable NEMA (National Electrical Manufacturers Association) electrical standards and shall have maximum locked-rotor currents not in excess of the following:
         (a) 777 amperes at 208 volts
         (b) 673 amperes at 240 volts
         (c) 337 amperes at 480 volts

      Maximum permissible current values listed apply to an installation of a single motor. (These values permit, in general, a 50-hp NEMA standard motor.)
      (2) Manually controlled three-phase motors shall comply with all applicable NEMA electrical standards and shall have maximum locked-rotor currents not in excess of the following:
         (a) 1554 amperes at 208 volts*
         (b) 1346 amperes at 240 volts*
         (c) 673 amperes at 480 volts
         (d) 135 amperes at 2400 volts

      *Operation of motors rated 60 hp or larger is not recommended at these voltages.
      Maximum permissible current values listed apply to an installation of a single motor. (These values permit, in general, a 100 hp NEMA standard motor.)
      (3) Three-phase motors, to be used where large loads or special conditions exist, may, upon approval of the District, have locked-rotor currents in excess of those allowed by paragraphs (1) and (2) above.
      (4) Motors having maximum locked-rotor currents exceeding those stated in paragraphs (1) and (2) above may be operated if used in conjunction with current-limiting devices designed to limit the starting currents to the above specified maximum values.
      (5) Current-limiting devices may be omitted on the smaller motors of a group installation when their omission will not result in a starting current in excess of the allowable starting current of the largest motor of the group.

(6) The customer should make certain that his own electrical system is capable of handling the locked-rotor currents permitted without excessive voltage drop.

6. POWER FACTOR CORRECTION
In the case of neon, luminous, gaseous or mercury vapor lamps or tubes, electric welders, and other devices having low power factors, the customer may be required to provide, at his own expense, power factor corrective equipment to increase the power factor of any such devices to not less than 90%.

7. SPECIAL VOLTAGE REQUIREMENTS
   a. Single-phase, two-wire, 120-volt service will not be supplied where more than two 15-ampere branch circuits are connected to such service.
   b. Individual three-phase motors less than 50 hp (or less than 30 hp when used for agricultural or drainage purposes) or groups of such motors less than 150 hp will generally be supplied at 208 or 240 volts.

8. HARMFUL WAVE FORM
Customer shall not operate equipment that superimposes a current of any frequency or wave form upon the District's system, or draws current from the District's system of a harmful wave form, which causes interference with the District's operations, or the quality of service to other customers, or interference to communication facilities. Harmful wave forms shall be defined as those that exceed IEEE Standard 519-1992 (IEEE Recommended Practices and Requirements for Harmonic Control in Electric Power Systems).

9. TRANSFER SWITCH EQUIPMENT
In the case where the customer receives power from multiple sources, the District shall inspect all transfer equipment before SMUD service is allowed. The customer shall design, install, operate and maintain the transfer switch equipment according to the District's Protection Practices No. DPP-601 or No. DPP-602. Transfer switch equipment shall be accessible at all times to District personnel.

D. Special Facilities

1. The District normally installs only those standard facilities which it deems are necessary to provide regular service in accordance with the applicable rate schedules, rules and regulations. Where a customer requests the District to install special facilities and the District agrees to make such an installation, the additional costs thereof shall be borne by the customer, including such continuing service costs as may be applicable.

2. Special facilities are (a) facilities or value added services equipment requested by a customer which are in addition to or in substitution for standard facilities which the District would normally provide for delivery of service at one point, through one meter, at one voltage class under its rate schedules, rules and regulations, or (b) a pro rata portion of the facilities or value added services requested by a customer, allocated for the sole use of such customer, which would not normally be allocated for such sole use. Unless otherwise provided by the District's applicable rates, rules and regulations, special facilities will be installed, owned and maintained or allocated by the District as an accommodation to the customer only if acceptable for operation by the District and the reliability of service to the District's other customers is not impaired.

3. Special facilities will be installed under the terms and conditions of a contract. Such contract will include, but is not limited to, the following terms and conditions:
   a. The customer shall pay a monthly cost-of-service charge for the special facilities.

Special Facilities Rates

	Applied to non-standard portion of electrical equipment, facilities, redundant service, customer-requested redundancy, vaults, or service upgrades.			
Select One:	☐ Option One		☐ Option Two	☐ Option Three
	Monthly Lease with Advance		**10-year renewable lease**	**One-time payment**
Average Life	Minimum Advance per $1,000	Monthly Cost per $1,000	Cost at beginning of each 10^{th} year per $1,000	Cost per $1,000
10-14	$200	$24.15	$2,148	$4,375
15-19	$150	$17.25	$1,534	$3,125
20+	$100	$12.94	$1.151	$2,344
Transmission 20+	$100	$11.64	$1,036	$2,109

b. Where existing facilities are allocated for a customer's use as special facilities, the customer shall pay a monthly cost-of-service charge. This monthly cost-of-service charge shall be assessed on the estimated installed cost of that portion of the existing facilities which is allocated to the customer.

c. All monthly service charges shall be reviewed when changes occur in the District's cost of providing such service.

d. The calculation of the annual special facilities charge will be based on the replacement cost new of the customer specific equipment. This includes direct labor, departmental loadings, benefit loadings, and related design work. The replacement cost new is multiplied by the annual economic carrying charge corresponding to the appropriate expected service life. This resulting value is divided by 12 to create monthly payments. This rate may be changed in response to changes in the cost of capital or fluctuations in the replacement cost new of any piece of equipment.

e. Customers selecting option one "Monthly Lease with advance," will be required to pay a nonrefundable advance of no less than 10% of the installed cost of the new equipment as determined by the District. Depending on the financial viability and credit-worthiness of the firm, the District may require up to a 75% advance payment. This advance in no way affects the full-cost calculation of fees and shall not reduce the monthly cost-of-service charge.

f. Commercial and residential developers will remain subject to all conditions covered in Rules 15 and 16.

g. Previously installed services that exceed standard installation will be reviewed by the District and the customer. The customer will elect the desired service requirements when services exceed standards. Consideration will be given for any previous customer contributions in reaching an agreeable monthly service rate for special facilities.

(End)

Contracts
Rule and Regulation 4

Contracts will not be required as a condition precedent to service except:

1. As may be required by conditions set forth in the regular schedule of rates adopted by the District.

2. In the case of electric service of a temporary or speculative nature, a contract may be required for a period not to exceed three years.

3. In the case of street lighting service, a contract may be required for a period not to exceed five years.

4. In the case of seasonal customers whose monthly use of electricity during the year varies greatly and from whom contracts are not otherwise required, a contract may be required for a period of one year.

5. Where customer's power requirements are unusually large and an economic hardship may be imposed upon the District, a contract may be required for a period which, in District's judgment, is commensurate with the size of the power requirements involved.

6. Where the customer desires the District to connect to a customer-owned generation facility which is rated larger than 100 kW.

(End)

Billing, Payment of Bills and Credit
Rule and Regulation 6

A. Billing Period

Customer bills will normally be rendered for scheduled billing periods of approximately one month. Bills for electric service will be based upon meter readings or upon estimates as provided in section B hereof.

B. Metering for Billing Purposes and Use of Estimated Consumption

Readings of two or more meters will not be combined for billing purposes unless the convenience of the District is served thereby.

Where the monthly consumption of electricity is consistently small or can be predetermined with reasonable accuracy by reference to the capacity of equipment served and the hours of operations, District may, with customer's consent, calculate electricity consumed in lieu of providing metering equipment. The calculated electricity consumption will be billed at the average of the Non-Demand Metered Rate (GSN_T) annual electricity usage charges. (Rate Category GFN).

Where metering equipment fails or an accurate meter reading is not obtained, the District may estimate demand or energy, or both, for the period of service involved and use such estimates in computing a bill, in accordance with Rule and Regulation 17.

C. Payment of Bills

All customer bills are payable upon presentation to the customer. Payment shall be made at the office of the District, at any of the pay stations that the District may designate, or to any of its duly authorized collectors. Customer bills that remain unpaid 19 days from the date of issuance will be regarded as delinquent. The District may thereafter discontinue service for unpaid electric service bills in accordance with Rule and Regulation 11 or take such other appropriate action as may be necessary. Payments are first applied to all electric service bill amounts owing and then to non-electric bill amounts. Special bills or bills rendered to persons discontinuing service or vacating the premises shall be paid on presentation.

D. Payment of Delinquent Bills Required Before Service is Supplied

Service may be refused or discontinued pursuant to Rule and Regulation 11 until all unpaid charges for electric service to applicant at all locations have been paid or have otherwise been discharged, or have been barred by the statute of limitations, except that residential service may not be refused or discontinued because of nonpayment of bills for other classes of service or non-electric bill amounts.

E. Establishment of Credit

Residential customers:
Residential credit will be deemed established without benefit of a cash deposit, pursuant to Rule and Regulation 3, Section A, until such time as the customer fails to maintain credit to the District's satisfaction.

Commercial customers may:
1. Furnish a bond satisfactory to the District, or
2. Pay a cash deposit, or
3. Provide evidence of previous commercial utility service in the exact same name with either the District or another gas or electric utility within the last 12 months where credit was established and maintained within the District's criteria. If such evidence is not supplied within ten days of the service start date or if the District determines that it is not accurate, the District can require a deposit as a condition of further service.

F. Maintenance of Credit

A customer's credit may be deemed to be no longer maintained to the District's satisfaction if such customer has two or more delinquent bill payments during the last 12 months, has been disconnected for non-payment, has two returned checks, a default on an installment, or an unpaid closed account. Identification information, including social security numbers, of customers with delinquent accounts may be reported to credit reporting agencies as part of the customary collection practice.

A customer receiving service may be required to re-establish credit in the event conditions of service or conditions affecting the customer's credit have materially changed.

(Continued)

G. Deposit Required Where Credit Not Established or Maintained

Where a customer or an applicant for service does not satisfactorily establish and maintain credit in accordance with Sections E and F, a deposit may be required as security for the payment of bills. The District may, in accordance with Rule and Regulation 11, discontinue service if customer fails to make such deposit as requested by the District. The amount of such deposit for residential and commercial customers shall be the greater of 1) twice the highest estimated monthly bill or twice the highest actual customer bill, or 2) twice the average residential class monthly bill for the preceding three years, rounded to the nearest $10, as determined and set annually by the District.

H. Deposit Retention and Interest

Deposits will normally be held for a minimum of 12 months for residential and non-residential classes of service. Deposits will be credited to the customer's account at the end of the deposit period, or earlier, at the District's option, if customer has maintained credit to the District's satisfaction as outlined in Section F.

Interest will be credited to the customer's account on an annual basis for an active deposit. The deposit must be active for 180 calendar days before interest is paid. Interest is prorated based on the interest rate(s) in effect from the effective date of the deposit or the last interest paid date, whichever comes later, to the review date. The interest rate will be adjusted each February, May, August, and November to the nearest full percentage interest rate below the average Six month US Treasury Bill yield for the previous three months.

Upon termination of service, the District will return the deposit and any accrued interest less the amount of any unpaid charges. Interest on deposits will be paid on the date of the return of the deposit or on the date of its application to the customer's account.

I. Dishonored Payments

When checks or electronic funds transfers are received as payment for electric bills, deposits or other charges, and are subsequently dishonored or rejected by the bank, the District may require a fee in addition to redemption of the amount of the original check or electronic funds transfer. Dishonored payments and related charges must be redeemed and paid immediately or the District may thereafter discontinue service in accordance with Rule and Regulation 11 or take other appropriate action as necessary. The District will set the fee for dishonored payments annually based on average costs.

J. Late Payment Charge

A late payment charge of 1.5% may be applied to the total unpaid balance of a customer's bill if the customer's payment is not received by the end of the third working day after the due date indicated on the customer bill. The total unpaid balance must be equal to or greater than $10.00 before a late payment charge is applied.

K. Delinquent Accounts

In the event a District representative must make a field call to effect collection of a delinquent electric service bill, deposit or other charges, the customer may be required to pay a field service charge in addition to the delinquent amount. Service may be discontinued pursuant to Rule and Regulation 11 if this charge is not paid at the time of collection. Upon restoration of a service disconnected for non-payment, the past due amount, in addition to any other related charges, must be paid in cash, money order, cashier's check, or credit card only. The District reserves the right to consider other payment methods as deemed appropriate. The District will annually set the charge for field service on delinquent accounts based on average costs.

L. Subordination Fee

The cost of subordination will be charged to the property owner for each subordination required in a real estate transaction where the District has a recorded UCC.1 filing resulting from a District energy efficiency loan. The subordination fee will be established to recover SMUD's average cost of subordination and may be revised from time to time to reflect changes in subordination costs.

M. On-line Check Writing Fee

When a customer, for payment of any bill owed the District, requests an on-line check a transaction fee will be required for each check for online check writing based on average costs.

(End)

Shortage of Supply and Interruption of Delivery Rule and Regulation 14

The District will exercise reasonable diligence and care to furnish and deliver a continuous and sufficient supply of electric energy to its customers but does not guarantee continuity or sufficiency of supply. The District will not be liable for interruption or shortage or insufficiency of supply, or any loss or damage of any kind of character occasioned thereby, if same is caused by inevitable accident, act of God, fire, strikes, riots, war, or any other cause except that arising from its failure to exercise reasonable diligence.

Whenever the District shall find it necessary to make repairs or improvements to the system, it will have the right to temporarily suspend the delivery of electric energy. In all such cases as much notice will be given as circumstances permit. Repairs or improvements will be made as rapidly as practicable and, if practicable, they will be made at such times as will produce the least inconvenience to the customers.

In case of shortage of supply and during the period of such shortage, the District will apportion its available supply of electricity among all customers in the manner the District deems most reasonable under the circumstances.

The District will endeavor to maintain its frequency and its service voltage within reasonable limits, but does not guarantee same.

(End)

Extension of Facilities to Non-Residential Premises
Rule and Regulation 16

A. Conditions of Service

Applicants for new and upgraded electric service will be required to provide the District sufficient advance notice so that service can be rendered by the time such service is desired. By applying for or accepting service from the District, a customer agrees to abide by all of the rates, rules and regulations of the District concerning such service, to provide any rights of way across the customer's own property that the District may deem necessary to supply such service, and to cooperate with the District in its construction and maintenance of the facilities needed for such service. The District may bill the customer for any costs resulting from the customer's failure to comply with the provisions of this paragraph. This rule and regulation shall also apply to public agencies and developments with both non-residential and residential mixed use electric service.

B. Extensions of District Distribution Facilities

Line extensions of electric distribution facilities to the boundary of a nonresidential development (at standard voltages specified in Rule and Regulation 2) will normally be constructed, owned and maintained by the District at its expense. Line extensions will be subject to the provisions of the District's rules and regulations and the provisions of the applicable rates.

C. Overhead Distribution Facilities Within A Development

Generally, overhead facilities will not be extended into new developments. However, when they are extended the District will construct, own and maintain all necessary overhead facilities required to provide service.

D. Underground Distribution Facilities Within A Development

The developer of a non-residential development will, in accordance with the District's specifications:

1) Perform all necessary excavating and backfilling, including furnishing of any imported backfill material required.
2) Furnish and install the underground duct system (including necessary conduits, ducts, manholes, vaults, switchgear, pads, and concrete encasement of conduit where required).
3) Transfer ownership of such facilities to the District upon acceptance by the District. In the case of approved residential high rise construction, ownership and maintenance of secondary to final service voltage equipment within the customer's building will remain the responsibility of the customer. The customer shall provide open and free access to the District meters in designated panel locations throughout the building.
4) The developer will deposit with the District, 100 percent of the Estimated Cost of District-installed facilities upon completion of the system design and prior to system installation. At the discretion of the District, Estimated Cost may be determined by application of standard unit costing or by job specific estimates. Standard unit costing may be reviewed and updated at the District's discretion. The District may extend at its option, financing terms for no longer than 12 months for no more than 50 percent of the required deposit. Availability of the financing option will depend on the financial viability and credit worthiness of the firm, as determined by the District. These costs are limited to the District's costs of providing distribution facilities within the boundaries of the development and the development-related distribution facilities adjacent to the development. For customers with connected loads of 1 megawatt and above, these costs will include costs related to the last transformation before delivery to the customer, whether that transformation is from an offsite distribution substation or an onsite District dedicated substation. The District will supply, install, own and maintain all conductors, switchgear, transformers and related equipment for the secondary and primary distribution system.
5) If the applicant does not, within twelve months from the date on which the District provided a commitment for service, complete construction so that District facilities can be installed, work authorizations under this rule may be cancelled along with any related jobs. The on-site development cost shall be subject to increase in accordance with any change in this rule.
6) Pay the District a non-refundable design fee at the time of project submittal to the District. The District may require additional fees as needed to accommodate change-orders or unanticipated design costs.

E. Service at Secondary Voltage

1. OVERHEAD SERVICE

   In those areas where it has been determined that the District will continue to serve its customers overhead and where the District's distribution pole line is located on a street, highway, lane, alley, road, or private easement immediately contiguous to the customer's premises, the District will, at its expense, furnish and install a service drop from its pole line to the nearest point of attachment to the customer's building or other permanent support provided by the customer, such point to be approved by the District.
2. UNDERGROUND SERVICE

   In designated underground areas, the District will connect to underground service runs furnished and installed by the customer, at the customer's expense, at a service location specified by the District. Service run facilities shall include conductor to reach the service location, shall be subject to applicable City and County ordinances, and shall be subject to approval by the District as to design and specifications. No customer will be required to install facilities beyond a location in the public utility right of way adjacent to his property. Cost recovery of underground distribution facilities within a development will conform to the provisions of Section D. of this Rule and Regulation.

F. Service at Primary or Sub-Transmission Voltage

Wherever adequate service to a customer requires and where, in the District's judgment, it is desirable and practicable to do so, the District will install on the customer's premises a primary or sub-transmission voltage supply line. This supply line will extend to the metering installations or other terminal point, as designated by the District.

1. OVERHEAD CONDUCTORS
   Where the supply line is to be overhead, the District will, at its expense, furnish and install the entire line and will make the necessary connections.

2. UNDERGROUND CONDUCTORS
   Where the customer requests and the District agrees, or where the District determines that the primary or sub-transmission voltage supply line be underground or otherwise in conduit, in whole or in part, the customer shall furnish and install the entire conduit system including manholes, pull boxes and pull wires as designated by the District. All such facilities shall be subject to approval by the District as to design and specifications. No customer will be required to install facilities beyond a location in the public utility right of way adjacent to the customer's property. The District will furnish and install the electrical conductors and make the necessary connections. Cost recovery of underground distribution facilities within a development will conform to the provisions of Section D. of this Rule and Regulation.

G. Service Connections

The District will not connect to any one building more than one service for each voltage classification, either overhead or underground, except for the District's operating convenience, or where, in the District's judgment, such additional services may be warranted because of the load requirements, or where the customer is required by law to install emergency lighting facilities. Connections of such service to or disconnection of such service from the District's lines shall be made only by authorized employees of the District.

H. Requests for Change in Service Voltage

Where the customer requests and the District consents, a change in service voltage may occur provided that all District costs including un-recovered costs less salvage value, relocation costs, and site restoration costs are at the requesting customer's expense. Such change may involve all voltage level classes as defined under the applicable general service rate schedule.

I. Extensions for Temporary Service

Extension for temporary service will be made under the provisions of Rule and Regulation 13, Temporary Service.

J. District Ownership of Facilities, Right of Access and Right of Way

All facilities installed on a customer's premises, including but not limited to conductors, transformer, poles, meters, etc., which the District furnishes in order to render electric service, shall remain the sole property of the District. The District will maintain such facilities and shall have the right of access to the customer's premises, without payment of any charge or rent therefore, at all reasonable hours for any purpose related to the furnishing of electric service. This shall include but is not limited to meter reading, testing, inspection, construction, maintenance, and repair of facilities. Upon termination of service, and for a reasonable period thereafter, the District shall have the right of access to the customer's premises to remove its facilities installed thereon. The customer shall grant to the District rights of way and rights of access, satisfactory to the District, for the installation and maintenance of the necessary electrical conductors and their connections.

K. Service to Annexation Customers

The District will maintain existing service conductor previously installed by Pacific Gas and Electric Company to commercial/industrial services until such time as the customer modifies, alters or changes the existing electrical service equipment. It will be the customer's responsibility to provide additional duct when necessary.

L. Customer Responsibility for Facilities

1. DISTRICT FACILITIES
   The customer shall exercise reasonable care to prevent facilities of the District installed on the customer's premises from being damaged or destroyed and shall refrain from tampering or interfering with such facilities, and if any defect therein is discovered by the customer, the customer shall promptly notify the District thereof.
2. CUSTOMER FACILITIES
   The customer shall be solely responsible for the transmission and delivery of all electric energy over or through the customer's wires and equipment, and the District shall not be responsible for any loss or damage occasioned thereby. The customer shall be responsible for the installation and maintenance of all facilities not transferred to District ownership, including customer-owned conduits, manholes and vaults.

(End)

Interconnection Requirements
Rule and Regulation 21

A. Requirements

Rule and Regulation 21 sets forth the mandatory conditions and requirements for the interconnection and operation of distributed generation. All distributed generation connecting to the SMUD distribution system must comply with the mandatory conditions and requirements of Rule and Regulation 21, as further specified in SMUD Policy and Procedure 11-01.

Requirements for interconnecting and operating distributed generation shall be available on the SMUD website (www.smud.org) and shall address, at a minimum, the following topics:

- Applicability
- Definitions
- General Rules, Rights and Obligations
- Application and Interconnection Process
- Initial Review Process for Applications to Interconnect a Generating Facility
- Photovoltaic Interconnection Design Standards
- Generating Facility Design and Operating Requirements
- Maintenance and Permits
- Interconnection Facility and Distribution System Modifications and Costs
- Metering, Monitoring and Telemetry
- Testing and Certification Criteria
- Interruptions or Reductions of Deliveries
- Access to Premises
- Indemnity and Liability By Customer
- Dispute Resolution Process

B. Changes to Requirements

SMUD's General Manager is authorized to develop, implement, and revise as necessary interconnection requirements addressing the above topics and such additional provisions to respond to legislation, regulatory requirements, industry practice, operating requirements, or average service costs.

(End)