

Valuation Technical Working Group

Welcome and Overview of Process
October 18, 2019

Jennifer Davidson
Chief Financial Officer

Agenda



- Welcome & Thank You
- Why Are We Here?
- SMUD's NEM Guiding Principles
- About SMUD Today
- Organizational Governance
- SMUD's Sustainable Future
- Operational Realities
- SMUD's Commitments to Working Groups, Addressing Climate Change, & Community
- Summary

Why Are We Here?



- You're here to represent the range of viewpoints and deep expertise needed to ensure a 360-degree evaluation of our NEM rate plan.
- To leverage best available science, a wide-range of technical knowledge and expertise and factual information to inform the working group's discussions.
- To gather input that'll help inform a third-party study on the value of solar and solar and storage, which will ultimately lead to the solution our Board will vote on in 2021.
- To identify and discuss all viable solutions. We want to put every smart and sustainable option on the table.

SMUD's NEM Guiding Principles



1. Our customers and the needs of our community are at the core of every decision we make.
2. We're committed to providing the community safe, reliable and environmentally responsible power at among the lowest rates in California.
3. We're committed to remaining an environmental leader and being 100% net-zero carbon by 2040.
4. We meet today's needs while continually balancing plans for tomorrow.
5. We are responsive and accountable.
6. We will make timely, accurate information about NEM available to our customers.
7. We will communicate directly with NEM stakeholders and interested parties.
8. We respect that many customers, employees, elected officials and other NEM stakeholders are interested in NEM and would like to know how SMUD is approaching the situation and what decisions are being made.
9. SMUD's actions must always be consistent with our words.

About SMUD Today



Community-Owned
Not-For-Profit



70+
Years

Est. 1946

900
Square Miles

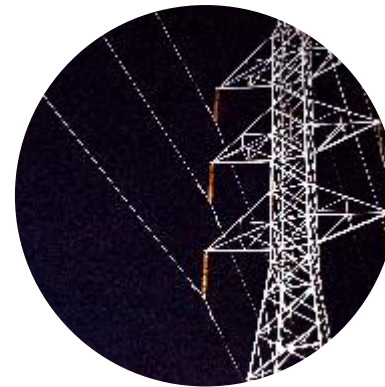
1.5
Million People

628,952
Business & Residential
Accounts

2,293
Employees

25,000
NEM Customers

10,473
Miles
Of Power Lines



50%
Non-Carbon-Emitting
Power Sources

SMUD has invested over \$130 Million in Customer-Owned Self-Generation



Board of Directors

- Seven members elected by our customers.
- Establish values to serve community.
- Set long-term policies to support strategic direction (www.smud.org/Board).

Executive Management Team

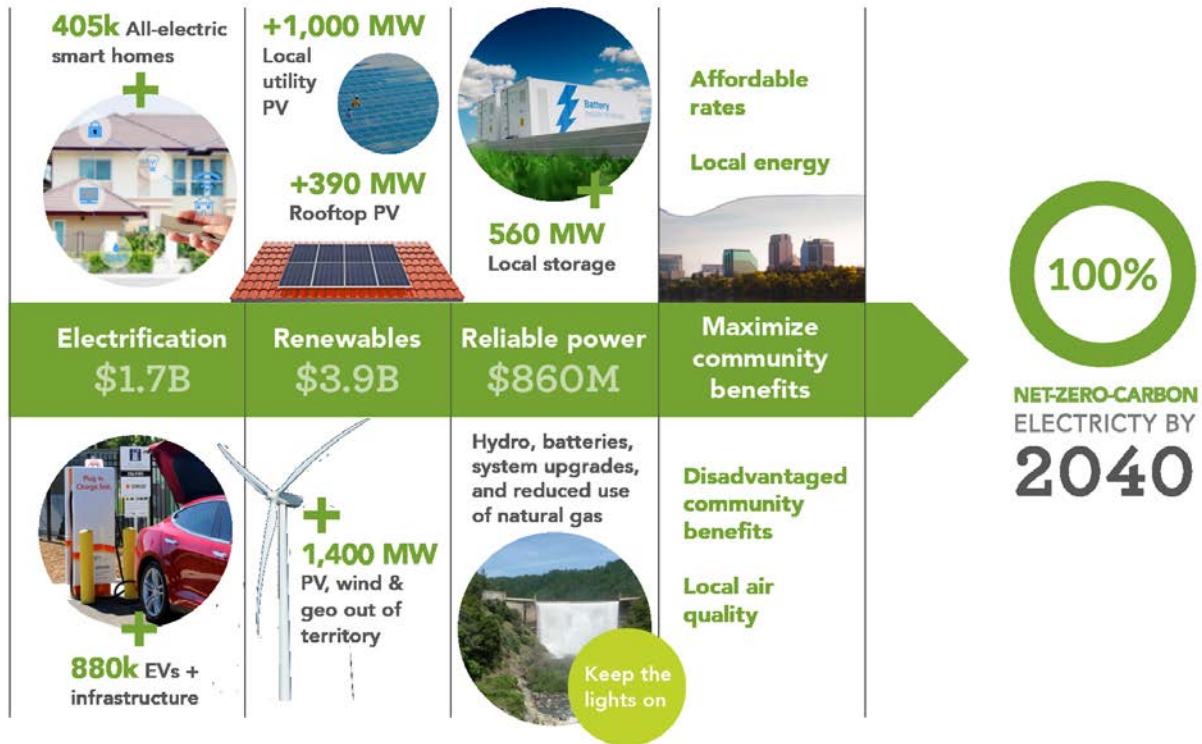
- Manage operations to fulfill strategic direction. Maintain SMUD's role as trusted partner to our customers and community.
- Deliver innovative solutions to ensure:
 - o Reliable service at low rates
 - o Environmental stewardship
 - o Reduced carbon footprint
 - o Enhanced vitality of the community

SMUD's Sustainable Future



Integrated Resource Plan (IRP) = \$6.5 Billion of New Investments

(IRP updated every 3 years as technology evolves to continue to reduce carbon footprint)



2020 to 2040 64% Reduction = 5.4 Million Metric Ton Reduction in GHG emissions

Pathway To A Sustainable Future



“SMUD’s IRP filing lays out an ambitious road map for lowering greenhouse gas emissions in the Sacramento region while maintaining low rates and reliability.”

- *CEC Staff Report*

“The importance of SMUD’s proposed investment shouldn’t be understated, nor should its impact. Between now and 2040, the utility plans to invest nearly \$7 billion towards projects that generate renewable energy and help switch consumers’ energy use away from fossil fuels like natural gas and gasoline. This powerful commitment goes above and beyond greenhouse gas reforms required by the state, and will enable the region to be net zero for climate pollution in a little more than 20 years.”

- *Environmental Defense Fund*



- **Obligation To Serve**
 - Must have available power for all customers, 24/7.
- **Balancing Competing Objectives**
 - Value of future technologies vs costs of today's risks, e.g. Wild Fire Mitigation, Cybersecurity, Critical Infrastructure Protection (CIP).
- **Significant Investments**
 - To meet all required compliance and regulatory requirements.



SMUD's Commitment to Working Group



We Will:

- Look to top experts and the best available science for factual and balanced information.
- Examine current and future sustainable energy opportunities and facilitate a constructive dialogue.
- Gather stakeholder feedback and build consensus to inform a third-party study of solar and the value of solar + storage.
- Remain open to all viable solutions.
- Rely on input from the Technical Working Group, Valuation Study and Community Working Groups, but maintain ultimate decision-making authority.

Considerations:

- The study is specific to SMUD and how to best serve our customers
 - Only local data and information will be evaluated.
 - Ideas must be successful on SMUD's grid and for the benefit of all SMUD customers.

View SMUD's Strategic Directions here: <https://www.smud.org/en/Corporate/About-us/Company-Information/Strategic-Direction>

SMUD's Commitment to Address Climate Change

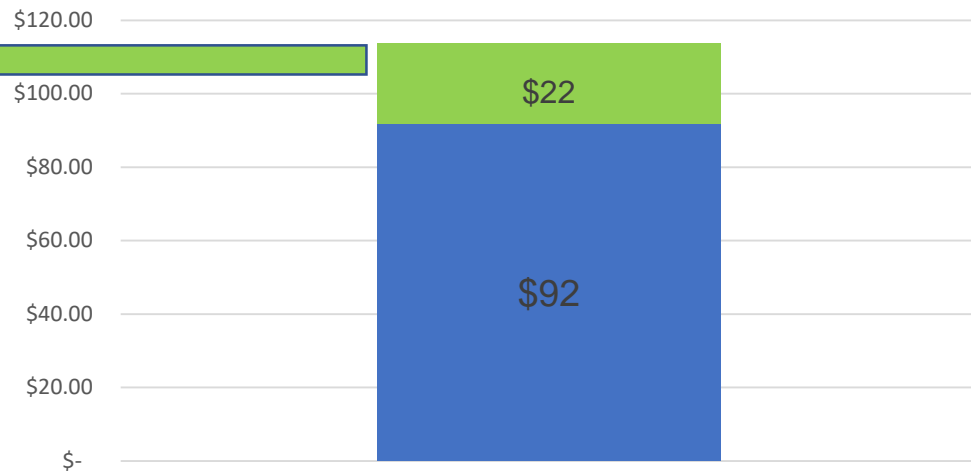


18% of 2020 Budget Will Be Spent On Climate Change & Social Equity



■ SMUD's 2020 Budget ■ Climate Change & Social Equity

Average 750kWH Monthly Customer Bill is \$114



■ Monthly Average Residential Bill ■ Average Bill towards Climate Change

Of the \$1.8 Billion 2020 Budget, \$325 Million or 18% is Allocated to Renewables, Climate Change & Social Equity

\$22 or 19% of the Average Customers Residential Monthly Bill Contributes to Carbon Reduction

Commitment To Our Community



| Program | Community Value |
|---|---|
| Support for Low Income Community | Financial and energy efficiency assistance for customers that meet low income eligibility has been a long and important part of SMUD’s mission. Significant energy affordability for over 75,000 of our customers coupled with a 3-year average annual investment of \$9,700,000 in energy efficiencies and customer education. |
| Sustainable Communities | Our community-focused initiative that aligns with SMUD’s core purpose and vision to enhance the quality of life for all our customers through creative energy solutions. We’re helping bring environmental equity and economic vitality to all communities in our service area, with special attention given to historically under-served neighborhoods—including “Shine” awards totaling over \$800,000 in two years for local nonprofits to improve and revitalize local neighborhoods. Transportation & Building Electrification effort with a focus on reducing GHG emissions in disadvantaged communities; down ~ 30% by 2030, and over 50% by 2040. |
| SMUD Cares | Annually, our employees give time as well as money to help others. In the last year, SMUD employees volunteered 18,473 hours in the community and donated more than \$500,000 of their own money back to nonprofit causes they care about. |

Commitment To Our Community



| Program | Community Value |
|--|---|
| Supplier Education & Economic Development Program | Offers incentives to local small businesses that participate in SMUD's competitive bid process and helps prime contractors find local small business sub-contractors. SMUD awards \$200 to \$300 million in contracts every year, \$40 to \$60 million of which goes to local small business vendors and suppliers. |
| Free Shade Trees | Customers can receive up to 10 free shade trees to help cool their homes to reduce the need for heating and cooling, which helps lower greenhouse gas emissions. 600,000+ trees over the 30-year life of the program. Focusing on addressing the “ tree canopy gap ” found in DAC we have entered partnerships to reduce this issue. |

A Balanced Approach And Decision For Our Customers & The Community



Balance renewable and GHG goals + low rates + reliability for customers.

Maximize value for every dollar spent, as a community-owned, not-for-profit utility.

Find solutions for NEM successor rate that drives customer choice and long-term financial stability.

**Thank you for partnering
with us in this process!**