

# **Board Policy Committee Meeting and Special SMUD Board of Directors Meeting**

**Date:** Tuesday, April 7, 2026

**Time:** Immediately following the Strategic Development Committee Meeting and Special Board of Directors Meeting  
Scheduled to begin at 6:00 p.m.

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

# **AGENDA**

## **BOARD POLICY COMMITTEE MEETING AND SPECIAL SMUD BOARD OF DIRECTORS MEETING**

**Tuesday, April 7, 2026**  
**SMUD Headquarters Building, Auditorium**  
**6201 S Street, Sacramento, California**  
**Immediately following the Strategic Development Committee and**  
**Special SMUD Board of Directors meeting scheduled to begin at 6:00 p.m.**

This Committee meeting is noticed as a joint meeting with the Board of Directors for the purpose of compliance with the Brown Act. The Policy Committee will review, discuss and provide the Policy Committee's recommendation (if applicable) on the following discussion and informational items, and the Board of Directors will take action on the Discussion Calendar.

*Virtual Viewing or Attendance:*

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

**Zoom Webinar Link:** [Join Board Policy Committee Meeting Here](#)

**Webinar/Meeting ID:** 161 953 6556

**Passcode:** 002959

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

*Verbal Public Comment:*

Members of the public may provide verbal public comment by:

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

*Written Public Comment:*

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

## **DISCUSSION CALENDAR**

1. Jennifer Restivo                      Approve the SMUD disclosure in the **Transmission Agency of Northern California (TANC) Preliminary Official Statement** for the **TANC 2026 Refunding Bonds** and authorize the Chief Executive Officer and General Manager to determine that the information in the **Preliminary Official Statement** is final.  
Presentation: 5 minutes  
Discussion: 1 minute

## **DISCUSSION ITEMS**

2. Emily Bacchini                      Discuss the monitoring report for **Strategic Direction SD-6, Safety Leadership**.  
Presentation: 10 minutes  
Discussion: 5 minutes
3. Emily Bacchini                      Discuss proposed revisions to **Strategic Direction SD-6, Safety Leadership**.  
Presentation: 5 minutes  
Discussion: 5 minutes
4. Matthew Powell                      Discuss, with possible amendment, **Governance Process GP-12, Board Compensation and Benefits**.  
Presentation: 2 minutes  
Discussion: 5 minutes
5. Rosanna Herber                      Board Monitoring: **Governance Process GP-2, Governance Focus; Governance Process GP-4, Board/Committee Work Plan and Agenda Planning**; and **Governance Process GP-13, Core and Key Values**.  
Presentation: 5 minutes  
Discussion: 3 minutes

## **INFORMATIONAL ITEMS**

6. Dave Tamayo                      Board Work Plan.  
Discussion: 3 minutes
7. Public Comment
8. Rosanna Herber                      Summary of Committee Direction.  
Discussion: 1 minute

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

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

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



SSS No. TR 26-001

# BOARD AGENDA ITEM

## STAFFING SUMMARY SHEET

Committee Meeting & Date Policy – 04/07/26
Board Meeting Date April 7, 2026

TO	TO
1. Scott Martin	6.
2. Brandy Bolden	7.
3. Farres Everly	8.
4. Suresh Kotha	9. <b>Legal</b>
5.	10. <b>CEO &amp; General Manager</b>

<b>Consent Calendar</b>		<b>Yes</b>	<input checked="" type="checkbox"/>	<b>No</b> <i>If no, schedule a dry run presentation.</i>	<b>Budgeted</b>	<input checked="" type="checkbox"/>	<b>Yes</b>	<b>No</b> <i>(If no, explain in Cost/Budgeted section.)</i>
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FROM (IPR) Jennifer Restivo	DEPARTMENT Treasury	MAIL STOP B356	EXT. 5193	DATE SENT 03/16/26
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**NARRATIVE:**

**Requested Action:** Approve the SMUD disclosure in the Transmission Agency of Northern California's (TANC) Preliminary Official Statement for the TANC 2026 Refunding Bonds and authorize the Chief Executive Officer and General Manager to determine that the information in the Preliminary Official Statement is final.

**Summary:** TANC is in the process of executing a refunding transaction which requires its Official Statement to disclose information from the largest members. The purposes of the transaction are to (i) refund certain outstanding bonds issued by TANC to finance or refinance a portion of the costs of the California-Oregon Transmission Project, (ii) fund a debt service reserve account for the new bonds, and (iii) pay costs of issuance of the new bonds. As with any other bond offering where the SMUD disclosure information is included in an Official Statement, the SMUD Board of Directors should review and approve.

**Board Policy:** Strategic Direction SD-3, Access to Credit Markets  
*(Number & Title)*

**Benefits:** Refunding the bonds is expected to result in cash flow savings.

**Cost/Budgeted:** Cost savings are expected.

**Alternatives:** Continue paying current TANC debt service and miss the opportunity for cash flow savings.

**Affected Parties:** Treasury, Accounting, Legal

**Coordination:** Treasury

**Presenter:** Jennifer Restivo, Director, Treasury and Revenue Strategy

**Additional Links:**

SUBJECT <b>Authorize SMUD's Disclosure for TANC 2026 Refunding Bonds</b>	ITEM NO. (FOR LEGAL USE ONLY)
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ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

**DRAFT**

**INFORMATION REGARDING  
SACRAMENTO MUNICIPAL UTILITY DISTRICT**

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**SACRAMENTO MUNICIPAL UTILITY DISTRICT**  
*Sacramento, California*

**BOARD OF DIRECTORS**

Dave Tamayo, President  
Rob Kerth, Vice President  
Brandon Rose  
Nancy Bui-Thompson  
Gregg Fishman  
Rosanna Herber  
Heidi Sanborn

**OFFICERS AND EXECUTIVES<sup>1</sup>**

Paul Lau, Chief Executive Officer and General Manager  
Frankie McDermott, Chief Operating Officer  
Scott Martin, Chief Financial Officer  
Brandy Bolden, Chief Customer Officer  
Suresh Kotha, Chief Information Officer  
Jose Bodipo-Memba, Chief Diversity Officer  
Laura Lewis, Chief Legal and Government Affairs Officer and General Counsel  
Lora Anguay, Chief Zero Carbon Officer  
Farres Everly, Chief Marketing and Communications Officer  
Jennifer Restivo, Treasurer  
George Vaughn, [Interim] Controller

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<sup>1</sup> Paul Lau has announced his intent to retire in the summer of 2026. See “INTRODUCTION – Independent Governance” in this Appendix A for more information.

## INTRODUCTION

### General

The Sacramento Municipal Utility District (“SMUD”) owns and operates an electric system that has provided retail electric service since 1946. SMUD’s current service area is approximately 900 square miles and includes the principal parts of Sacramento County and small portions of Placer and Yolo counties. See “THE SERVICE AREA AND ELECTRIC SYSTEM – The Service Area.”

### Independent Governance

SMUD is an independently run community-owned organization. SMUD is not required by law to transfer any portion of its collections from customers to any local government.

SMUD is governed by a Board of Directors (the “Board”), which consists of seven directors elected by ward for staggered four-year terms. The Board determines policy and appoints the Chief Executive Officer and General Manager, who is responsible for SMUD’s overall management and day-to-day operations. The Chief Executive Officer and General Manager is responsible for the hiring and removal of all employees, other than the Chief Legal and Government Affairs Officer and General Counsel, the Internal Auditor and the Special Assistant to the Board, who are hired and may be removed only by the Board. The employment status of nearly all SMUD employees is governed by a civil service system administered by the Chief Executive Officer and General Manager.

The Board elects its President and Vice President annually to take office in January. The current members of the Board are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Ward</u>	<u>Term Expires</u>
Brandon Rose.....	Air Pollution Specialist, California Environmental Protection Agency	Ward 1	December 31, 2028
Nancy Bui-Thompson.....	Chief Information Officer, WellSpace Health	Ward 2	December 31, 2028
Gregg Fishman .....	Sr. Community Relations Officer, Sacramento Regional Transit District	Ward 3	December 31, 2026
Rosanna Herber .....	Retired Community Engagement Manager	Ward 4	December 31, 2026
Rob Kerth, Vice President .....	Business Owner	Ward 5	December 31, 2028
Dave Tamayo, President.....	Retired Environmental Specialist	Ward 6	December 31, 2026
Heidi Sanborn .....	Executive Director, National Stewardship Action Council	Ward 7	December 31, 2026

SMUD’s senior management consists of the following executives:

***Chief Executive Officer and General Manager (“CEO & GM”).*** Paul Lau reports to the SMUD Board of Directors. As CEO & GM, he leads the sixth largest community-owned electric utility in the nation, serving approximately 1.6 million residents and managing a \$2.3 billion budget. Paul serves on several national and local boards, including as Board Chair of the Smart Electric Power Alliance, Commissioner of the Balancing Authority of Northern California (“BANC”), and a Board member of the Large Public Power Council, American Public Power Association, California Municipal Utilities Association, Business Council for Sustainable Energy, Electric Power Research Institute, Cal EPIC, the

Greater Sacramento Economic Council and Valley Vision. Paul has announced his intention to retire in the summer of 2026 and a nationwide search for his replacement is underway.

**Chief Financial Officer (“CFO”).** Scott Martin is responsible for setting financial and organization-wide strategies at SMUD and ensuring strong financial health and credit ratings. He has leadership oversight of corporate accounting, treasury operations, risk management, budgeting and planning, organizational strategy, pricing, load forecasting, and prioritization. In addition, Scott is responsible for looking holistically at all strategies across the company and driving alignment between spending, pricing, zero carbon investments, and business unit’s needs.

**Chief Customer Officer.** Brandy Bolden provides leadership and direction for delivering exceptional customer experiences, frictionless zero carbon adoption and complete customer support. She is responsible for customer care and revenue management, business intelligence, strategic account management, customer experience and segmentation strategy, channel management, special assistance initiatives, commercial development, business attraction and retention and oversees Community Energy Services, which supports community choice aggregators.

**Chief Diversity Officer.** Jose Bodipo-Memba is responsible for company-wide programs and services such as people services and strategies, workforce development, diversity, equity, inclusion and belonging, regional workforce development, regional economic development, enterprise change, organizational effectiveness, facilities, security and emergency preparedness and SMUD’s Sustainable Communities programs. A key focus of the Chief Diversity Officer is advocating for an inclusive culture based on trust and respect, creating a sense of belonging and connection among employees and ensuring equity in both internal and external programs and services.

**Chief Information Officer.** Suresh Kotha is responsible for delivering state-of-the-art technology solutions to our community and employees that are secure, reliable and right-sized, enabling SMUD’s 2030 Clean Energy Vision. He oversees information technology functions including artificial intelligence, automation and customer self-service technologies, the customer and grid technology center, cybersecurity, enterprise systems, strategy & governance, and infrastructure platform services.

**Chief Legal and Government Affairs Officer and General Counsel.** Laura Lewis reports to the Board and to the CEO & GM and oversees SMUD’s legal office, government affairs, reliability compliance, procurement, fleet, warehouse and energy trading functions. Laura is responsible for management and coordination of all legislative and regulatory matters affecting SMUD at the federal, state, and local level, including compliance with the Federal Energy Regulatory Commission (“FERC”) and North American Electric Reliability Corporation electric reliability standards. She also serves as the secretary to SMUD’s elected board of directors.

**Chief Marketing and Communications Officer.** Farres Everly is responsible for all aspects of SMUD’s marketing, market research, corporate communications, website, graphic design and printing, video services, social media, community engagement and outreach, crisis communications and public affairs activities.

**Chief Operating Officer.** Frankie McDermott provides strategic leadership and tactical oversight of the safe and reliable transmission and delivery of energy to customers, ensuring efficient planning, construction, operation and maintenance of transmission and distribution facilities. He also leads the teams responsible for environmental, safety and real estate, specialized enterprise initiatives, operational excellence, operations project management and the Sacramento Power Academy.

**Chief Zero Carbon Officer.** Lora Anguay is responsible for leadership oversight of SMUD’s energy supply which includes SMUD’s Integrated Resource Strategy, the planning, design, construction and maintenance of power generation assets, and energy transaction settlements. This role is also responsible for the delivery of SMUD’s plan to provide 100% carbon free energy resources by 2030. This includes obtaining new grants and partnerships, overseeing research and development, designing distributed energy resource programs, enabling processes to settle distributed energy transactions with SMUD’s customers and transitioning SMUD’s power portfolio to zero carbon resources.

**Director of Treasury & Revenue Strategy and Treasurer.** Jennifer Restivo reports to the CFO and is responsible for all treasury operations, including debt and investment portfolio management, banking, financial planning and forecasting, property and casualty insurance, as well as developing and implementing capital borrowing strategies. She also serves as treasurer for the Northern California Energy Authority (“NCEA”), the Northern California Gas Authority No. 1 (“NCGA”), the Transmission Agency of Northern California (“TANC”), and BANC.

**Interim Director of Accounting and Controller.** George Vaughn reports to the CFO and is responsible for all accounting operations including accounts payable, cash management, and payroll, in addition to general accounting functions and financial reporting. He also serves as controller for TANC, NCEA, NCGA, and BANC.

## **THE SERVICE AREA AND ELECTRIC SYSTEM**

### **The Service Area**

SMUD is the primary distributor of electric power within an area of approximately 900 square miles in central California. The service area includes the State Capital, Sacramento, the populous areas principally to the northeast and south of the City of Sacramento (the “City” or “Sacramento”) and the agricultural areas to the north and south. The City is located 85 miles northeast of San Francisco.

SMUD’s electric system supplies power to a population of approximately 1.6 million with a total annual retail load of approximately 10,510 million kilowatt-hours (“kWh”) for the year ended December 31, 2025. As the capital of the nation’s most populous state, Sacramento benefits from the historically stabilizing influence of a large government sector. Sacramento is home to the State government headquarters, the Sacramento County seat, the City government and various special districts that combine to make government the largest single employment sector in the Sacramento area. Information technology, transportation, education and health services, leisure and hospitality, and construction round out the other major sectors of employment and industry in the area.

SMUD’s annual peak load has averaged 3,001 Megawatts (“MW”) over the last three years, with SMUD’s record peak load of 3,299 MW occurring on July 24, 2006. In 2022, SMUD recorded its second highest peak load of 3,263 MW. SMUD reviews its load forecast, at a minimum, on an annual basis.

### **The Electric System**

SMUD owns and operates an integrated electric system that includes generation, transmission and distribution facilities.

SMUD supplies power to its bulk power substations through a 230 kilovolt (“kV”) and 115 kV transmission system. This system transmits power from SMUD’s generation plants and interconnects with Pacific Gas & Electric (“PG&E”) and the Western Area Power Administration (“WAPA”). Power is distributed throughout Sacramento County via a 69 kV sub-transmission system with the exception of the

City's downtown area, which is served from the 115 kV transmission system. The downtown area is served from 115/12 kV and 115/21 kV substations. The distribution system serving the remainder of SMUD's service territory is comprised of 69/12 kV substations with overhead and underground 12 kV distribution circuits.

## **BUSINESS STRATEGY**

### **General**

SMUD's Board of Directors has established the following purpose and vision statements: "SMUD's purpose is to enhance the quality of life for our customers and community by providing reliable and affordable electricity, and leading the transition to a clean energy future." "SMUD's vision is to be a trusted and powerful partner in achieving an inclusive, zero carbon economy. SMUD will leverage its relationships to accelerate innovation, ensure energy affordability and reliability, protect the environment, eliminate greenhouse gas emissions, catalyze economic and workforce development, promote environmental justice, and enhance community vitality for all." The Board has adopted a set of Strategic Directions with related metrics, which it considers essential for the success of SMUD and for serving SMUD's customers. These include competitive rates, access to credit markets, reliability, customer relations, safety leadership, environmental leadership, employee relations, resource planning, innovation, public power business model, ethics, information management and security and enterprise risk management. Some of the general elements in SMUD's business strategy are:

- Developing and maintaining a sustainable and reliable power supply to meet demand growth consistent with State mandates and the Board's directions for renewable energy and the reduction of carbon emissions to zero by 2030. See "BUSINESS STRATEGY – Sustainable Power Supply and Transmission – 2030 Zero Carbon Plan";
- Working closely with customers to provide the information, tools and incentives to assist them to more efficiently manage energy use, which will contribute to meeting greenhouse gas ("GHG") emission targets and managing needle peak demand requirements (those 40 or so hours of the year with extreme temperatures when customer demand surges by up to 400 additional MW);
- Managing price, volumetric and credit risks associated with energy and natural gas procurement;
- Attracting, developing and retaining a diverse, skilled and engaged workforce that reflects SMUD's values and is committed to achieving SMUD's mission;
- Retaining local decision making authority and operational independence; and
- Collaborating regionally to attract new businesses and grow existing business to diversify and strengthen the Sacramento economy.

SMUD's long-range business strategy focuses in part on ensuring financial stability by establishing rates that provide an acceptable fixed charge coverage ratio on a consolidated basis, taking into consideration the impact of capital expenditures and other factors on cash flow. SMUD's Board policy sets a minimum fixed charge coverage ratio of 1.50 times for annual budgets, though SMUD generally plans to meet a minimum fixed charge coverage ratio of 1.70 times. Over the past ten years, the actual fixed charge coverage ratio has averaged 2.38 times on a consolidated basis. SMUD also manages its liquidity position by planning for a minimum of 150 days cash on hand and planning to maintain at least \$150 million of available capacity under its commercial paper and line of credit program. SMUD's commercial paper and line of credit program is currently authorized for \$550 million aggregate principal amount outstanding at any one time. As of March 31, 2026, no commercial paper notes were outstanding, no principal amount was outstanding under SMUD's lines of credit, and SMUD had \$550 million of the authorized aggregate

principal amount of its commercial paper and line of credit program available for use. SMUD uses cash on hand and commercial paper and its lines of credit to fund capital expenditures, then issues debt to reimburse itself for cash expended for qualified capital expenditures and/or to pay down the outstanding principal amount of its commercial paper program and lines of credit. Over the past ten years, the days cash on hand at year end has averaged 213. The resolutions securing SMUD’s Senior Bonds and Subordinated Bonds (each as defined under the caption “CAPITAL REQUIREMENTS AND OUTSTANDING INDEBTEDNESS” below) do not require SMUD to maintain a minimum fixed charge coverage ratio, minimum days cash on hand or minimum available capacity under its commercial paper program and lines of credit.

In addition, SMUD’s business strategy focuses on serving its customers in a progressive, forward-looking manner, addressing current regulatory and legislative issues and potential competitive forces.

### **Serving SMUD’s Customers**

SMUD continually looks for ways to better serve and partner with its customers to further strengthen customer loyalty, while providing competitive and fair pricing for SMUD’s electric services. SMUD also has a focused effort to assist and incentivize customers to manage energy use more efficiently, which will contribute to meeting GHG emission targets and managing peak demand requirements as noted below.

***Digital Enhancements.*** Customers are increasingly turning to digital channels including SMUD’s mobile application, SMUD.org, e-mail and social media to interact and do business with SMUD. SMUD has delivered many digital enhancements, including bill pay functionality; online payment arrangements; start/stop/transfer move service; view of energy usage, chat, an enhanced outage map including meter test functionality; and the SMUD Energy Store, which is an online marketplace for energy-related products. SMUD plans to continue efforts to provide more personalized digital customer experiences.

***Advanced Metering, Infrastructure and Rate Design.*** As a community-owned organization, SMUD is committed to providing tools and transparency in customer energy usage to empower customers to positively impact their energy consumption, costs, and climate change. In 2012, SMUD installed advanced technology, including digital communicating smart meters, distribution automation systems, and related equipment to facilitate load management. This investment has enabled SMUD to offer innovative tools such as text and e-mail bill alerts, as well as online energy usage comparison charts, helping customers manage their energy consumption more effectively.

Leveraging these smart grid investments, SMUD has enhanced the reliability of its service, reduced line losses, addressed power quality issues, and improved customer service through better, more timely information. Currently, SMUD’s service territory is equipped with approximately 750,000 smart meters. About 200,000 of these meters are undergoing replacement to next generation meters as part of SMUD’s ongoing Grid-Edge Intelligence project, which is scheduled for completion by the end of August 2026. Approximately 600 customers have opted out of smart metering.

The Grid-Edge Intelligence project involves deploying distributed intelligence applications at the grid edge, establishing a data hub, and migrating all customers to five minute interval data collection. The key benefits of the project include increased grid capacity, flexibility, and resilience—especially in historically under-resourced communities—as well as faster outage detection and response time, along with real-time management of distributed energy resources and electric vehicles. Additionally, the project promotes equitable, technology-driven customer engagement, creates high-skilled jobs, and helps control long-term grid costs.

**Renewable Options.** SMUD’s customers have been increasingly interested in distributed energy resources, mainly through the installation of solar systems. As of January 2026, approximately 10% of retail customers had installed solar systems, representing approximately 480 MW of solar installations.

As the cost of energy storage continues to decline, SMUD anticipates an increase in behind-the-meter energy storage, mainly through the installation of battery storage systems. As of January 2026, approximately 0.5% of retail customers had installed storage systems, representing approximately 20 MW of storage.

As another option for solar, SMUD’s SolarShares® pilot program (the “SolarShares Pilot”) was established as a cost-effective and convenient way for commercial customers to meet their energy needs from solar power. The SolarShares Pilot offered SMUD commercial customers the opportunity to receive solar power without upfront costs or equipment installation through 5-, 10- or 20-year purchase contracts. Customers that entered into purchase contracts under the SolarShares Pilot receive up to half of their power from a utility-scale solar system. SMUD supplies up to 151 MW of solar power to participants in the SolarShares Pilot either by building and maintaining utility-scale solar systems or by procuring solar power from third parties through power purchase agreements. The SolarShares Pilot generation was approximately 3.0% of retail sales in 2025. SMUD completed the SolarShares Pilot on April 30, 2021, and is not entering into new purchase contracts under the SolarShares Pilot.

The California Building Code requires certain newly constructed residential and commercial buildings to be powered by photovoltaic solar systems. A new building satisfies this requirement if it installs on-site solar or participates in an approved community solar or energy storage program. In response to this requirement, SMUD obtained approval from the California Energy Commission (“CEC”) to administer its own community solar program, called Neighborhood SolarShares® (“Neighborhood SolarShares”), which was designed to be used by developers to satisfy the mandatory solar requirement. The Neighborhood SolarShares program was fully subscribed in November 2024 and not accepting new reservations. The Neighborhood SolarShares program generation was approximately 0.02% of retail sales in 2025.

SMUD also launched a Residential SolarShares program in 2024. This program is designed to appeal to low- and moderate-income customers that are currently participating in Greenergy (described below). The Residential SolarShares program allows Greenergy participants to save money each month by switching to Residential SolarShares. The program can accommodate up to 10 MW in subscriptions.

In addition to the SolarShares Pilot, Neighborhood SolarShares, and Residential SolarShares, SMUD has operated a voluntary green energy pricing program called Greenergy® (“Greenergy”) since 1997. The Greenergy program allows customers the opportunity to pay an additional amount per month to ensure that either all or part of their electricity comes from green or carbon-free energy sources. In 2025, the program allocated Renewable Energy Credits (“RECs”) equivalent to approximately 5.1% of retail sales to its participating customers.

**Energy Efficiency.** To further assist customers in managing energy usage and reducing regional carbon emissions and air pollution, SMUD offers an extensive array of energy efficiency and building electrification programs and services including financial incentives, energy audits and education. In addition, SMUD has partnered with local developers to incorporate energy efficiency and all-electric construction measures into new residential and commercial construction, which helps developers plan and design efficient, cost-effective and low- or zero-emission buildings. As part of SMUD’s 2019 Integrated Resource Plan (“IRP”), SMUD set a goal for regional carbon emissions through transport and building electrification that aimed to reduce carbon emissions in buildings and transport by 64% over 20 years. SMUD’s focus on electrification continued in the Zero Carbon Plan (defined and discussed below).

SMUD was the first electric utility in the country to set its efficiency goals based on carbon reductions, allowing both building electrification and energy efficiency to count toward meeting SMUD’s efficiency goals. This is a significant opportunity, as converting a typical home today to all-electric saves more than three times the carbon emissions compared to doing a major energy efficiency upgrade alone to the same building. See “POWER SUPPLY AND TRANSMISSION – Projected Resources.”

### **Sustainable Power Supply and Transmission**

Maintaining a sustainable power supply entails focusing efforts on researching, promoting and implementing new renewable energy technologies and sources to meet SMUD’s long-term commitment to reducing carbon emissions and providing a reliable energy supply. SMUD’s goal is to reach zero carbon emissions in SMUD’s power supply by 2030. See “– 2030 Zero Carbon Plan” below. SMUD is planning to achieve this goal through investments in energy efficiency, clean distributed energy resources, Renewables Portfolio Standard (“RPS”) eligible renewables, energy storage, large hydroelectric generation, clean renewable fuels, carbon capture and sequestration, and new technologies and business models. Additionally, SMUD plans to continue pursuing GHG emissions reductions through vehicle, building and equipment electrification. At the same time, SMUD’s plans for maintaining a sustainable power supply include assuring the reliability of SMUD’s electric system, minimizing environmental impacts on land, Tribal and other cultural resources, habitat, water and air quality, and maintaining competitive rates relative to other electricity providers in the State.

A number of bills affecting the electric utility industry have been enacted by the State Legislature. In general, these bills regulate GHG emissions and encourage greater investment in energy efficiency and sustainable generation alternatives, principally through more stringent RPS requirements. See “DEVELOPMENTS IN THE ENERGY MARKETS – State Legislation and Regulatory Proceedings” herein.

**2030 Zero Carbon Plan.** In July 2020, the Board declared a climate emergency and adopted a resolution calling for SMUD to take significant and consequential actions to reduce its carbon footprint by 2030. On April 28, 2021, the Board approved SMUD’s 2030 Zero Carbon Plan (the “Zero Carbon Plan”). The Zero Carbon Plan is a flexible roadmap for SMUD to eliminate carbon emissions from its electricity production by 2030 while maintaining reliable and affordable service. To achieve these goals the Zero Carbon Plan is focused on four main areas: natural gas generation repurposing, proven clean technologies, new technologies and business models and financial impacts and options. SMUD plans to develop a new IRP in 2027 and in the meantime revisits the Zero Carbon Plan annually.

The natural gas generation repurposing focus of the Zero Carbon Plan calls for exploring the replacement of two of SMUD’s five Local Gas-Fired Plants (as defined herein) and the retooling of the other three Local Gas-Fired Plants. See “POWER SUPPLY AND TRANSMISSION – Power Generation Facilities – *Local Gas-Fired Plants.*” Based on SMUD’s studies to date, SMUD estimates that the McClellan Power Plant (as defined herein) and the Campbell Power Plant (as defined herein) can be replaced in the next several years depending on SMUD’s success with replacement resources. However, final decisions about the replacement of these two Local Gas-Fired Plants will be guided by reliability studies, the financial impacts of the various options, and the potential need of these assets to support load growth in the region or mitigate low production events from variable energy resources (solar, wind, and hydro). As part of the Zero Carbon Plan, SMUD is also exploring retooling options for the Carson Power Plant (as defined herein) and the Procter & Gamble Power Plant (as defined herein) to reduce utilization of these two projects. SMUD is also investigating opportunities to source cost effective fuels like Renewable Natural Gas-biomethane (RNG-biomethane), while monitoring hydrogen and other biofuels as clean fuels of the future, for use in all of the Local Gas-Fired Plants. In addition, SMUD is investigating new technologies such as long duration energy storage and carbon capture and sequestration as other methods

to green SMUD’s energy supply. All final generator configurations are subject to reliability and financial assessments.

The proven clean technologies focus of the Zero Carbon Plan calls for SMUD to procure approximately 1,100 to 1,500 MW of utility-scale solar photovoltaic (“PV”) generating capacity, 700 to 1,100 MW of local utility-scale battery storage, 300 to 500 MW of wind generating capacity, and 100 to 220 MW of geothermal generating capacity. The Zero Carbon Plan also estimates that customer installation of approximately 500 to 750 MW of behind-the-meter solar PV generating capacity and approximately 50 to 250 MW of behind-the-meter battery storage will assist SMUD with achieving the Zero Carbon Plan goals.

With respect to new technologies and business models, the Zero Carbon Plan focuses on evaluating, prioritizing and scaling the emerging technologies that SMUD expects will have the largest impact on reducing carbon in SMUD’s 2030 resource mix. SMUD is currently focused on various areas of technology and customer-focused programs, including electrification, education, demand flexibility, virtual power plants, vehicle-to-grid technology, and new grid-scale technologies. The Zero Carbon Plan forecasts that customer-owned devices and SMUD customer-focused programs will contribute between 360 and 1,300 MW of capacity to SMUD’s grid by 2030.

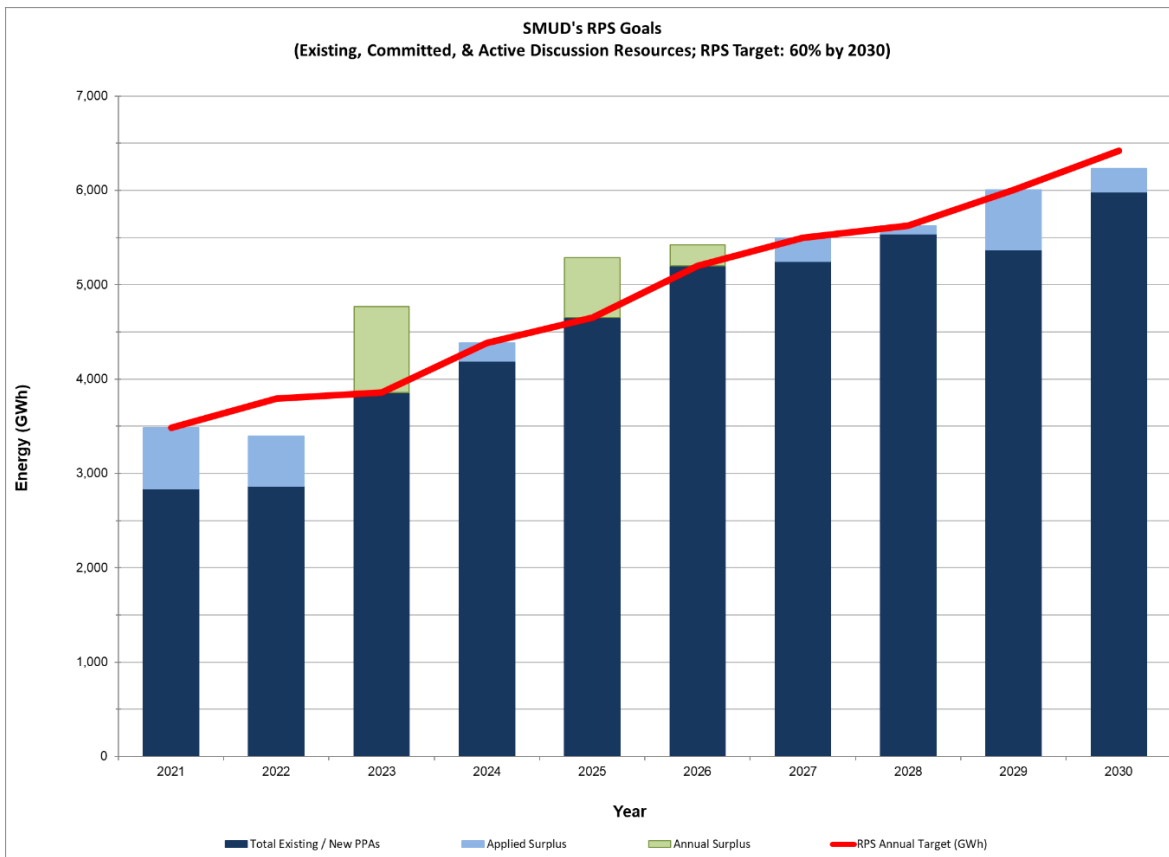
The financial impacts and options focus of the Zero Carbon Plan aims to keep SMUD rate increases at or below the rate of inflation while achieving SMUD’s goal of eliminating carbon emissions from its power supply by 2030. To pay for the expected costs of the Zero Carbon Plan and keep rate increases at or below the rate of inflation, the Zero Carbon Plan estimates the need for SMUD to realize sustained annual savings. SMUD currently plans to achieve these sustained annual savings by exploring the implementation of operational savings strategies and pursuing partnership and grant opportunities. The availability, timing, and amount of federal or state grant funding is inherently uncertain and may be influenced by changes in federal policy or priorities. There can be no assurance that anticipated grant funding will materialize at levels assumed in the Zero Carbon Plan.

While the ultimate impacts of the Zero Carbon Plan on SMUD’s financial results and operations are difficult to predict and are dependent on a variety of factors, such as the relative cost of procuring energy from clean technologies, the availability and relative cost of new technologies, and the adoption and implementation of energy efficiency and other measures by SMUD’s customers, such impacts could be material.

***Renewable Energy and Climate Change.*** The California Renewable Energy Resources Act, established by Senate Bill X1-2 (“SBX1-2”) and the Clean Energy and Pollution Reduction Act of 2015, enacted by Senate Bill 350 (“SB 350”) require that SMUD meet 33% of its retail sales from RPS-eligible renewable resources by 2020 and 50% of its retail sales from RPS-eligible renewable resources by 2030. Senate Bill 100 (“SB 100”), passed by the legislature and approved by then-Governor Brown on September 10, 2018, accelerated the RPS targets and established a new 60% target by 2030. The bill also created a planning goal to meet all of the State’s retail electricity supply with a mix of RPS-eligible and zero-carbon resources by December 31, 2045. See “DEVELOPMENTS IN THE ENERGY MARKETS – State Legislation and Regulatory Proceedings – *Renewables Portfolio Standards*” for a discussion of the State RPS requirements.

SMUD’s compliance with State RPS requirements is evaluated over 3- or 4-year compliance periods. SMUD met the State RPS requirements for the first compliance period (2011-2013), second compliance period (2014-2016), and third compliance period (2017-2020). SMUD filed its 2024 and fourth compliance period RPS compliance reports with the CEC in the second quarter of 2025. The CEC compliance determination letter is expected in 2026. SMUD had sufficient RECs to meet requirements, and

as of the end of the fourth compliance period (2024), SMUD had three hundred sixty thousand surplus RECs available to help meet future RPS targets. SMUD’s 2024 RPS compliance report shows SMUD provided 42% of its retail sales from RPS-eligible renewable resources in 2024. In addition to meeting RPS standards, SMUD serves an additional 7.2% of its customer load with renewable energy through its voluntary SolarShares and Greenergy pricing programs described above. SMUD estimates that it has sufficient renewable energy deliveries, new power supply contract commitments, new power supply commitments under active discussion, and RPS-eligible surplus carryover to meet its RPS requirements through 2029. SMUD has a small gap in its RPS requirement for 2030 for which SMUD is currently assessing additional RPS-eligible resources to sufficiently comply in 2030. The following chart illustrates SMUD’s current RPS requirements through 2030 and its existing and committed resources utilized to meet those requirements.



In addition to procuring new sources, meeting the RPS requirements will require replacement of certain existing renewable contracts which expire in future years. While SMUD anticipates it will meet much of its renewable resource requirements through purchase contracts with third parties, it continues to explore additional options, including wind, solar, biomass, and geothermal developments, partnering with other utilities on future projects, and local development options. SMUD’s resource forecast (see “POWER SUPPLY AND TRANSMISSION – Projected Resources”) accounts for future renewable resources as a component of “Uncommitted Purchases.” To meet SMUD’s Zero Carbon Plan goals, SMUD anticipates meeting loads in 2030 with approximately 70-80% renewable resources, in addition to hydro and other new zero carbon technologies. See “– 2030 Zero Carbon Plan” above.

Given the intermittent nature of power from renewable resources such as wind and solar, SMUD is exploring and investing in options that provide the flexibility to manage the intermittency of such renewable resources. Potential options include energy storage resources, which SMUD has committed to

as part of the Zero Carbon Plan, and expanding load management resources. Additionally, on April 3, 2019, SMUD, through its membership in BANC, a joint exercise of powers agency formed in 2009, and currently comprised of SMUD, the Modesto Irrigation District (“MID”), the City of Roseville (“Roseville”), the City of Redding (“Redding”), the City of Shasta Lake and the Trinity Public Utilities District, commenced participation in the California Independent System Operator Corporation (“CAISO”) western energy imbalance market (“WEIM”). Participation in the WEIM benefits SMUD by providing it with broader access to balancing resources within the region to help manage its expanding renewable portfolio. In addition, other entities within the BANC Balancing Authority Area began participation in the WEIM on March 25, 2021. See “BUSINESS STRATEGY – Sustainable Power Supply and Transmission – *Operational Independence and Local Control*” and “POWER SUPPLY AND TRANSMISSION – Balancing Authority Area Agreements.”

In 2022, SMUD’s Board formally adopted the 2030 Zero Carbon Plan as SMUD’s updated IRP. SMUD filed the approved IRP update with the CEC on September 14, 2022, pursuant to the CEC’s IRP guidelines, which called for updating SMUD’s IRP filing within five years of SMUD’s previous filing of April 29, 2019. SMUD’s Zero Carbon Plan built upon the April 2019 IRP and set a goal of zero carbon emissions by 2030. On August 14, 2024, the CEC formally found that SMUD’s IRP was complete and ordered that SMUD’s IRP filing complies with requirements set forth in California Public Utilities Code section 9621. SMUD’s next formal IRP process is expected to be completed and filed with the CEC no later than September 2027. See “BUSINESS STRATEGY – Sustainable Power Supply and Transmission – *2030 Zero Carbon Plan*.”

The State’s carbon cap-and-trade market established pursuant to Assembly Bill 32 (“AB 32”) began in 2013. See “DEVELOPMENTS IN THE ENERGY MARKETS – State Legislation and Regulatory Proceedings – *Greenhouse Gas Emissions*” for a discussion of AB 32 and the State’s cap-and-trade program, now called the cap-and-invest program. SMUD anticipates that allowances allocated to SMUD will nearly equal SMUD’s compliance obligations under normal water year conditions. Under low water year conditions, SMUD may need to purchase additional allowances to cover its compliance obligations, including carbon obligations related to wholesale energy sales from SMUD’s natural gas power plants. As SMUD implements its clean power goals, SMUD expects fewer allowances will be required to satisfy its compliance obligations. SMUD will nonetheless continue to seek free, long-term allocations of allowances from the California Air Resources Board to protect ratepayers from compliance costs and further support SMUD’s decarbonization efforts.

There is scientific consensus that increasing concentrations of GHG have caused and will continue to cause a rise in temperatures in the State and around the world. The change in the earth’s average atmospheric temperature, generally referred to as “climate change,” is, among other things, expected to result in a wide range of changes in climate patterns, including increases in the frequency and severity of extreme weather events, including droughts and heat waves, more frequent incidences of wildfires, changes in wind patterns, sea level rise and flooding, any of which alone or in combination could materially adversely affect SMUD’s financial results or operations. See also “FACTORS AFFECTING THE REGION” and “OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – Other Factors.” As described above, SMUD is actively working to meet its sustainable power supply goals, reduce its own GHG emissions, and assist the local governments in the territory it serves with their desired GHG reductions. SMUD is a founding member and active participant in the Capital Region Climate Readiness Collaborative, a public private partnership formed to better understand and plan for climate impacts expected in the region. In order to better serve SMUD’s community and improve SMUD’s ability to mitigate and adapt to a changing climate, SMUD offers a wide range of residential and commercial decarbonization rebates and provides no-cost energy retrofit installations to income-eligible residential customers for both gas-to-electric conversions and electric-to-electric upgrades. Available project measures include electric heat pump water heaters, electric heat pump HVAC units, seal-and-insulate projects, and

panel upgrades. SMUD has an Enterprise Risk Management (“ERM”) program which leverages a formal risk governance structure and framework to identify, assess and prudently manage SMUD’s risk environment. The enterprise risk portfolio includes climate change. SMUD regularly reviews scientific findings related to climate change and in 2016 published its Climate Readiness Assessment and Action Plan. In 2024, SMUD began a significant update to its Climate Readiness Assessment and Action Plan which will include a framework for prioritizing climate adaptation and resilience investments across the organization. This update is expected to conclude in 2026.

***Energy Storage Systems.*** Assembly Bill 2514 (“AB 2514”) requires the Board to re-evaluate energy storage goals every three years. In compliance with AB 2514, the Board established a target of 9 MW of energy storage procurement by December 31, 2020, which SMUD has procured. See “DEVELOPMENTS IN THE ENERGY MARKETS – State Legislation and Regulatory Proceedings – *Energy Storage Systems*” for further discussion of AB 2514. In September 2020, the Board directed that energy storage forecasts be implemented through SMUD’s IRP process going forward. See “BUSINESS STRATEGY – Sustainable Power Supply and Transmission – *Renewable Energy and Climate Change*” above for a discussion of SMUD’s IRP. SMUD is also investing in utility-scale solar with utility-scale storage to support future system reliability needs and renewable energy goals.

***Meeting Peak Load.*** A significant consideration for SMUD will be how it addresses its system peak load. SMUD has implemented programs and tools, such as advanced metering, energy efficiency options, load flexibility programs, and time-of-day (“TOD”) rates for residential customers, to help customers manage their costs while helping SMUD reduce its peak load. Load impact analysis after TOD rates were implemented showed a reduction in peak demand of about 8% or approximately 130 MW, weather adjusted, for residential customers during the TOD peak period (5-8 p.m. local time). This impact has become a permanent load reduction in the residential class and is now embedded in the system load.

On September 16, 2021, the Board approved an optional residential Critical Peak Pricing rate (the “Peak Pricing Rate”), which went into effect June 1, 2022. The Peak Pricing Rate is designed to reduce load by increasing the price of energy when the grid is most impacted, up to 50 hours per summer. In exchange, customers on the rate will receive a per kWh discount on summer Off-Peak and Mid-Peak rates.

SMUD also uses distributed energy resources, virtual power plants, and demand response programs to further reduce SMUD’s system peak. These programs pay customers a financial incentive to automatically scale back their energy use when SMUD sends a signal. For example, the SMUD My Energy Optimizer Partner program has over 38,000 smart thermostats enrolled that automatically adjust a customer’s home thermostat settings in advance of a forecasted peak period, so they consume less energy during the peak event while their homes remain at a reasonably comfortable temperature. SMUD’s latest offering for residential customers provides generous upfront incentives for battery purchases if customers enroll their battery storage systems in SMUD’s VPP program, enabling SMUD’s operators to utilize them to provide myriad grid services in lieu of traditional supply-side investments. Participating customers also receive ongoing quarterly incentive payments for participating in the program. Currently, there are over 2,300 batteries enrolled, providing approximately 12 MW of capacity to SMUD’s system, with plans to scale to over 5,000 batteries in the next decade. Other programs focus on optimizing electric vehicle charging, and managing commercial/industrial process loads to more cost-effectively meet grid needs. These programs provide local energy resources that directly benefit customers while affordably alleviating grid constraints.

***Operational Independence and Local Control.*** A key component of SMUD’s business strategy is focused on maintaining its independence in operating and maintaining its resources. As such, SMUD has taken a number of actions to mitigate the potential impacts of various federal and state regulatory actions. For example, in 2002 SMUD established itself as an independent control area (now termed “Balancing

Authority”) within the Western Electricity Coordinating Council (“WECC”) region. By removing itself from CAISO’s Balancing Authority area, SMUD became responsible for balancing electric supply and demand within its own service territory. This move substantially reduced fees paid to CAISO, preserved operational flexibility and helped to insulate SMUD from the uncertain regulatory environment and tariff structure of CAISO. In addition to decreased financial risks, this independence also reduced SMUD’s exposure to the impacts of capacity and energy shortages in the CAISO Balancing Authority area. Further, as an independent Balancing Authority, SMUD continued to support the statewide electric grid in events of electrical emergencies requiring rotating outages, such as loss of major transmission lines or equipment, as provided in the statewide emergency plan. By 2006, the SMUD Balancing Authority footprint expanded north to the California-Oregon border and south to Modesto, to include the service areas of the WAPA, MID, Redding and Roseville, and TANC-owned 340-mile 500-kV California-Oregon Transmission Project (“COTP”). In October 2009, SMUD, with the coordination and cooperation of WAPA, joined the Western Power Pool Reserve Sharing Group, which supports reliability and reduces operating costs. In May 2011, BANC assumed the role of the Balancing Authority, though SMUD continues to oversee operation of the grid on behalf of BANC. BANC members share cost responsibility for balancing authority-related compliance obligations, liabilities, and operations. BANC also serves as an important venue for SMUD and other BANC members to collaborate with respect to operational and market improvements inside the BANC footprint and to preserve their operational independence. See “POWER SUPPLY AND TRANSMISSION – Balancing Authority Area Agreements.” As described above, SMUD, through its participation in BANC, operates in the WEIM, which helps SMUD better manage the integration of renewable energy resources. The WEIM is a voluntary market, which allows SMUD to maintain its operational independence from the CAISO, while providing SMUD greater access to balancing resources throughout the western region. See “POWER SUPPLY AND TRANSMISSION – Balancing Authority Area Agreements.”

### **Electricity, Natural Gas, and Related Hedging**

SMUD continues to utilize a comprehensive and integrated power and fuel supply strategy to acquire a reliable and diversified portfolio of resources to meet existing and future needs. This strategy includes a combination of both physical supply and financial hedging transactions to reduce price risk exposure over a three-year horizon. SMUD’s physical supply arrangements include ownership of power generating resources, as well as a diversified portfolio of power and fuel supply purchase contracts that range in duration, with a mixture of fixed and variable pricing terms.

With regard to the power purchase contracts, SMUD has entered into a series of contracts for the purchase of electricity to supply the portion of its resource needs not already provided by owned resources. SMUD also actively manages its exposure on variable rate electricity purchases, and at times may enter into financial contracts to fix prices to reduce price risk, in each case when warranted by economic conditions. See “POWER SUPPLY AND TRANSMISSION – Power Purchase Agreements.”

With regard to fuel supply contracts, SMUD utilizes a similar strategy of employing financial contracts of various durations to hedge its variable rate fuel supply contracts. As of February 1, 2026, these contracts are forecasted to have hedged the price exposure on approximately 100%, 100% and 51% of SMUD’s anticipated natural gas requirements for 2026, 2027 and 2028, respectively. While the financial effects resulting from the unhedged portions of SMUD’s natural gas requirements are difficult to predict, SMUD’s financial results could be materially impacted. See “POWER SUPPLY AND TRANSMISSION – Fuel Supply – *Supply*.”

As a result of SMUD’s trading activities, significant and volatile fluctuations in power and gas prices may necessitate the posting of collateral. [As of February 24, 2026, SMUD had \$31 million of

collateral posting with various counterparties.] While the posting of collateral is not an expense for SMUD, it does temporarily encumber unrestricted cash balances.

To hedge against hydroelectric production volatility of SMUD-owned hydroelectric facilities, SMUD implemented a pass-through rate component called the Hydro Generation Adjustment (the “HGA”), and established a Hydro Rate Stabilization Fund (the “HRSF”). Similarly, to hedge against hydroelectric production volatility of non-SMUD-owned hydroelectric facilities, SMUD implemented a HGA and established a WAPA Rate Stabilization Fund (“WRSF”). These rate stabilization funds and rate pass through mechanisms help to offset increased power supply or fuel supply costs in years where precipitation levels at SMUD-owned and non-SMUD-owned hydroelectric facilities are low. See “RATES AND CUSTOMER BASE – Rate Stabilization Funds.”

## **Managing Risks**

SMUD maintains an Enterprise Risk Management (“ERM”) program, a strategic approach to managing enterprise-wide risks as a portfolio, to help reduce the chance of loss, create greater financial stability and protect SMUD resources. It is designed to maintain an early warning system to monitor changes in, and the emergence of, risks that affect the organization’s business objectives. Under the purview of the Enterprise Risk Oversight Committee, composed of executive members and chaired by the Chief Financial Officer, ERM conducts ongoing risk identification, assessments, monitoring, mitigation and reporting. To ensure accountability and oversight, each identified risk is assigned to an executive or director-level risk manager. Risk status changes and mitigation efforts are reported annually to the Board.

## **Competitive Challenges**

Utilities like SMUD may face competition from companies in other industries looking to diversify into the energy sector. Examples of developing competitive areas include retail sale of electricity, distributed electric storage resources, renewable distributed generation (mostly solar in Sacramento), customer installation of fuel cells, third-party electric vehicle charging, home or business automation that enables greater customer participation in energy markets, and third-party provision of energy management software and solutions.

SMUD has a wide range of initiatives to monitor and adapt to changing market conditions and new industry participants. Key areas of focus include:

- Enhancing customer experience. Recognizing the importance of meeting customer expectations, SMUD introduced the Customer Experience Strategy in 2016 to provide customers “value for what they pay” and further strengthen customer loyalty. The initiative is focused on ensuring SMUD has the people, systems, technology, programs and services to consistently meet or exceed customers’ changing expectations. The customer experience is measured via surveys with the goal of achieving 80% of customers agreeing that SMUD provides them with value for what they pay by 2030.
- Maintaining competitive rates. SMUD’s rates are currently among the lowest in California relative to other electricity providers in the State. SMUD has a number of risk mitigation and financial management strategies that it expects to use to keep rates competitive. See “BUSINESS STRATEGY – Sustainable Power Supply and Transmission” and “RATES AND CUSTOMER BASE.”
- Ongoing integrated resource planning. SMUD monitors and updates its integrated resource planning to ensure future sources of energy balance cost, reliability and environmental

requirements with the flexibility to meet challenges of changing market and regulatory conditions, customer energy resources, and emerging technologies.

### **Leveraging Core Competencies**

In addition to these initiatives, SMUD is leveraging core competencies to improve industry safety and help communities serve their customers' energy needs.

***Sacramento Power Academy.*** The Sacramento Power Academy is SMUD's operational training center providing training support for all of SMUD's skilled trades professionals. Operating on a 10-acre training facility the academy oversees SMUD's 14 skilled trades apprenticeships. The academy's experienced training professionals serve as liaisons and mentors to apprentices progressing through on-the-job training, program testing, night schooling, and extensive training components. The academy also ensures SMUD's skilled trades professionals are safe and compliant by coordinating and delivering annual regulatory and safety training. The academy is also a workforce development hub utilized by SMUD to increase awareness of and interest in skilled trades careers at SMUD, in SMUD's community, and in the utility industry.

***Community Energy Services.*** State law authorizes Community Choice Aggregators ("CCAs") to aggregate customer electric load and purchase electricity for customers. SMUD's Community Energy Services department was established in 2017 to help CCAs to support public power while also generating additional revenue for SMUD. About half of the State is now served by a CCA. CCAs are responsible for procuring wholesale power, setting the generation rate, delivering billing data to the local investor-owned utility ("IOU") to include on customer bills, providing customer care, offering customer programs, engaging the community and more. The local IOU is responsible for delivery of electricity on the electric grid, maintaining its electric infrastructure, printing customer bills and collecting customer payments.

SMUD has entered into contracts with a number of CCAs pursuant to which SMUD provides a variety of consulting and administrative services to such CCAs. While CCAs have had success in the State, they are susceptible to business, regulatory and other risks that could lead to a financial loss and/or result in a cessation of operations for the CCA. These risks could extend to a CCA's counterparties, including SMUD. SMUD has made an effort to identify and mitigate potential counterparty risks to the extent possible in its contracts with CCAs. SMUD may pursue opportunities to provide similar services to additional organizations in the future. SMUD management does not expect its current arrangements with CCAs to have a material adverse impact on SMUD's financial position, liquidity or results of operations.

## **FACTORS AFFECTING THE REGION**

### **Precipitation Variability**

SMUD uses a precipitation measuring station located at Fresh Pond, California to approximate available water supply to SMUD's Upper American River Project (the "UARP") hydropower reservoirs. As of February 28, 2026, precipitation at Fresh Pond, California totaled 38.95 inches for the water year which runs from October to September. This is 105% of the 50-year rolling median (October – February) of 36.92 inches. Total reservoir storage in the UARP hydropower reservoirs was 263 thousand acre-feet as of February 28, 2026, which was about 80% of capacity and approximately 6% above the historical storage average. SMUD manages its reservoirs to maximize water storage going into the summer season, which preserves generating capacity during SMUD's high load months and ensures that SMUD meets its UARP FERC license requirements, including requirements for recreational and environmental flows.

There can be wide swings in precipitation from year to year. In years with below average rainfall, SMUD may have to generate or purchase replacement energy at additional cost. To hedge against variations in the volume of energy received from SMUD-owned UARP hydroelectric resources, SMUD uses the HRSF to help offset increased power supply or fuel supply costs. See “RATES AND CUSTOMER BASE – Rate Stabilization Funds.”

SMUD is also exposed to precipitation variability through its contract with WAPA. In an average water year this contract provides roughly 661 gigawatt hours (“GWh”) of power. WAPA’s actual deliveries are based on hydroelectric generation (minus energy use for the project and first preference customers) at Central Valley Project reservoirs in Northern California, which varies based on annual precipitation patterns, water deliveries for agriculture, and flow requirements in the Sacramento-San Joaquin River Delta. Unlike the UARP, SMUD does not monitor precipitation stations to approximate power deliveries under the WAPA contract, and instead relies on a forecast of power deliveries from WAPA. As of January 31, 2026, WAPA has forecasted power deliveries of 756 GWh for 2026, approximately 14% more than an average water year. Similarly, to hedge against hydroelectric production volatility of non-SMUD-owned hydroelectric facilities, SMUD implemented the WRSF. The WRSF and rate pass through mechanism help to offset increased power supply or fuel supply costs in years where precipitation levels at non-SMUD-owned hydroelectric facilities are low. See “RATES AND CUSTOMER BASE – Rate Stabilization Funds” and “POWER SUPPLY AND TRANSMISSION – Power Purchase Agreements – *Western Area Power Administration.*”

## **Wildfires**

**General.** Wildfires in the State have become increasingly common and destructive. Drought conditions and warming temperatures have increased the possibility of wildfires occurring in areas where SMUD maintains generation, transmission and distribution facilities. The number of diseased and dead trees has increased, and could further increase, this possibility. In response, SMUD has proactively removed damaged, diseased, or otherwise hazardous trees within and adjacent to its rights-of-way as part of its vegetation management and wildfire mitigation programs. While these efforts reduce potential wildfire risk, SMUD cannot eliminate all future risk or liabilities associated with falling trees or vegetation, particularly those located outside of SMUD’s easements or control. As a result, SMUD faces an increased risk that it may be required to pay for wildfire related property damage or personal injuries, fines and penalties, some of which may not be covered by insurance (including costs in excess of applicable policy limits), or may be disputed by insurers, and could be material. In addition, a significant fire or fires in SMUD’s generation, transmission or service area could result in damage or destruction to SMUD’s facilities, result in a temporary or permanent loss of customers or otherwise materially increase SMUD’s costs or materially adversely affect SMUD’s ability to operate its Electric System or generate revenues.

SMUD’s service territory is located within Sacramento County, which is located outside the California Public Utilities Commission (the “CPUC”) high fire threat areas established in 2018. However, as described below, SMUD’s UARP facilities and certain of SMUD’s and TANC’s transmission facilities are within CPUC high fire threat areas. In addition, as described below, certain portions of SMUD’s service territory are located within the California Department of Forestry and Fire Protection (“Cal Fire”) Fire Protection and Resource Assessment Program (“FRAP”) Moderate, High and Very High Fire Hazard Severity Zones (“FHSZ”). SMUD’s exposure to liability for damages related to its UARP facilities, which are located within high fire threat areas in El Dorado County, is reduced due to risk mitigation measures adopted by SMUD and the low number of inhabitants and structures near the UARP facilities (See “Wildfire Mitigation” below).

SMUD continues to take responsible action to minimize its exposure to liability from wildfires; however, under current State law, utilities can be held liable for damages caused by wildfires sparked by

their equipment or other facilities regardless of whether the utility was negligent or otherwise at fault. PG&E and other major IOUs and publicly owned utilities (“POUs”) in the State have experienced credit rating downgrades and other negative rating actions as a result of potential wildfire liability exposure, which may have implications for the electric market generally.

***Distribution (SMUD Service Territory).*** State law requires Cal Fire to classify areas in the State based on the severity of the fire hazard that is expected to prevail there. Cal Fire published a new State Responsibility Area (“SRA”) FHSZ map in March 2025. Cal Fire has not yet published a corresponding new FHSZ map depicting updated FHSZ for Local Responsibility Areas (“LRA”) and Federal Responsibility Areas (“FRA”). The LRA and FRA FHSZ maps depict fire hazard within, respectively, Sacramento County areas, and portions of the UARP where SMUD has transmission lines. Future updates to these maps may result in changes to the designation of areas as Moderate, High, and Very High Fire Hazard Severity Zones. FHSZ are based on factors such as fuel (material that can burn), slope and the expected chance of burning. There are three FHSZ (Moderate, High and Very High) based on increasing fire hazard. Portions of SMUD’s service territory are located within identified FHSZ.

FHSZ maps are used for land use planning and building code enforcement and reflect data regarding vegetation, topography, climate, and wildfire behavior. While the Cal Fire maps are not regulatory tools for utility operations, reclassifications of land near or adjacent to SMUD’s or TANC’s electric facilities could influence local land use decisions, community mitigation efforts, and potentially the wildfire risk exposure of nearby infrastructure. SMUD is monitoring Cal Fire’s FHSZ map update process and remains committed to proactive wildfire mitigation planning and compliance with all applicable local, State, and federal regulations. At this time, SMUD is unable to predict the specific impacts, if any, that updated Cal Fire maps may have on its facilities or operations.

SMUD has assessed its service territory based on Cal Fire’s FRAP map, adopted in 2007 and recently updated in March of 2025. The following table illustrates SMUD’s assessment of the approximate extent of its service territory and retail customer base located within the three FHSZ designations, based on the revisions to Cal Fire’s FRAP map as of March 2025.

<b>Fire Hazard Severity Zone</b>	<b>Moderate</b>	<b>High</b>	<b>Very High</b>
Acres of SMUD Service Area	165,851	28,871	2,727
% of Total SMUD Service Area	29.0%	5.1%	0.5%
Number of Retail Customers	29,091	1,479	211
% of Total Retail Customers	3.9%	0.2%	<0.1%

***Transmission (Outside of SMUD Service Territory).*** In 2018, the CPUC approved a new statewide fire map that identifies areas of elevated and extreme wildfire risk from utility-associated assets located throughout the State. SMUD directly participated in the development of the CPUC’s statewide fire map. In connection with the development of the CPUC’s statewide fire map, a peer review and a team of independent nationwide experts led by Cal Fire affirmed that SMUD’s electric service area is properly located outside of these elevated (“Tier 2”) and extreme (“Tier 3”) high fire threat areas; however, SMUD’s UARP facilities are located within both Tier 2 and Tier 3 areas. According to the CPUC, Tier 2 fire-threat areas are areas where there is an elevated wildfire risk from utility assets and Tier 3 fire-threat areas are areas where there is an extreme risk from utility assets. [As of June 8, 2023, approximately 39.3 right-of-way miles of SMUD’s transmission lines are in Tier 2 fire-threat areas and approximately 20.8 right-of-way miles of SMUD’s transmission lines are in Tier 3 fire-threat areas. SMUD is also a member of TANC. As of May 2024, approximately 116.3 right-of-way miles of TANC’s transmission lines are in Tier 2 fire-

threat areas and approximately 4.5 right-of-way miles of TANC's transmission lines are in Tier 3 fire-threat areas.] In accordance with its FERC license, SMUD adheres to a FERC-approved Fire Prevention and Response Plan for its UARP facilities. On May 17, 2018, in accordance with State law, SMUD's Board of Directors determined that the UARP area may have a "significant risk of catastrophic wildfire" resulting from overhead electric facilities and that SMUD's FERC-approved UARP Fire Prevention and Response Plan meets requirements for presenting wildfire mitigation measures to the Board for its approval.

**Wildfire Mitigation.** In response to potential wildfire risk, SMUD has implemented and is continuing to implement a series of measures intended to prevent wildfires from occurring, minimize the spread of any fire that does occur and improve the resiliency of its system. These measures include an increase in the degree of sophistication of fuel reduction inside and adjacent to rights-of-ways; installation of Cal Fire-approved exempt material to reduce the risk of sparking; enhanced inspection and maintenance programs; increased use of ignition-resistant construction, including covered conductors and undergrounding of conductors; increased monitoring of and identified responses to fire conditions, including operational procedures for the de-energization of lines during high fire conditions; and elimination of automatic reclosers on SMUD's transmission lines and on SMUD's distribution lines in certain areas during fire season.

SMUD's proactive approach to vegetation management has been expanded to include the use of advanced technologies such as Light Detection and Ranging ("LiDAR"), ortho and oblique imagery that is used to pinpoint tree health and/or condition that may not yet be visible to the naked eye. In addition, SMUD has installed additional weather stations in transmission corridors and substations for increased situational awareness and has continued coordination and collaboration with local agencies and first responders as well as vulnerable populations.

State law requires POUs to prepare wildfire mitigation plans ("WMP"), have a qualified independent evaluator review and assess the comprehensiveness of the plans, and present the plans to their governing boards. POUs are also required to accept comments on the WMP from the public, other local and State agencies, and interested parties, and to verify that the plans comply with all applicable rules, regulations, and standards, as appropriate. In addition, State law requires POUs to submit their WMP to the State's Wildfire Safety Advisory Board (the "WSAB") for review and advisory opinions relating to the content and sufficiency of the plans. In 2025, State law was amended to require plans to be submitted to the WSAB at least once every four years. The WSAB has adopted a schedule requiring SMUD to submit its next WMP by October 1, 2027. SMUD plans to continue to review its WMP annually, conducting a comprehensive review at least every four years. SMUD is currently in the process of preparing its 2026-2029 WMP.

SMUD presents its plans to the Board for adoption at duly noticed public meetings. Plans and evaluator reports are submitted to the WSAB for advisory opinion and recommendations. SMUD responds to the WSAB's comments regarding SMUD's WMP as part of its WMP process. Most recently, the Board adopted SMUD's 2023-2025 WMP in 2023, as well as updates to the plan in 2024 and 2025, duly submitting these plan documents to the WSAB. The WSAB advisory opinions commended SMUD's WMP, recommending in its 2025 opinion only that SMUD "incorporate CAL FIRE's recent update to its FHSZ map to help identify and prioritize future risk mitigation activities in its high fire threat area" which SMUD will address in its 2026-2029 WMP.

**Wildfire Insurance.** Wildfires both in California and nationally have not only increased potential liability for utilities, but have also adversely impacted the insurance markets, leading to higher costs for coverage; coverages becoming prohibitively expensive; limited or restricted coverage to certain types of risks; or coverage at insufficient levels. SMUD most recently renewed its general and wildfire liability insurance coverage on June 15, 2025, increasing the coverage limit by \$25 million to \$315 million. SMUD

increased the commercially insured portion of its wildfire coverage program from \$241.5 million to \$280 million and reduced the self-insured layers and quota share portions of the coverage to \$35 million.

In addition, it is expected that SMUD will have a portion of the \$550 million aggregate principal amount of its commercial paper program and lines of credit to provide operational flexibility in the event of the occurrence of a wildfire or other operational event. However, SMUD has not covenanted to maintain the availability of the commercial paper program and lines of credit for these purposes and no assurances can be given that the commercial paper program and lines of credit will be available at the time of, or during, such an event.

### **Recent Heatwaves**

California has experienced several prolonged and extreme heat events in recent years that have placed significant stress on the State's electric grid. During the August 2020 heatwave (August 14–18), CAISO implemented rotating outages across the State. As a member of BANC and operating outside of CAISO, SMUD did not implement any planned power disruptions and was able to provide emergency assistance and wholesale market sales to CAISO during certain hours. SMUD's peak load during this event ranged between 2,874 MW and 3,057 MW, well below its all-time system peak of 3,299 MW. More recently, during the September 2022 heatwave (September 5–8), SMUD recorded a peak demand of 3,263 MW, the second highest in its history. Again, SMUD was able to meet customer demand without implementing any planned outages. While SMUD has maintained system reliability during past extreme weather events, it cannot predict the occurrence, duration, or intensity of future heatwaves or their potential impacts on electric load or generation, transmission, or distribution system performance and such events could materially adversely affect SMUD's operations or financial results.

### **Storm Damage**

In January 2023, SMUD experienced a series of winter storms that brought heavy rains and high winds causing damage to SMUD's grid and widespread outages for SMUD's customers. By the time the storm response was complete, SMUD had experienced the largest mobilization of personnel and restoration crews in its history. SMUD incurred costs related to removing downed trees, restoring power from downed poles and broken lines, replenishing inventory, communicating with and providing assistance to customers, maintaining IT systems, and coordinating with local emergency agencies. The material financial impacts have been reflected in SMUD's audited financial statements for the years ended December 31, 2024 and December 31, 2023.

### **Cosumnes Power Plant Outage**

On June 5, 2022, the Cosumnes Power Plant (as defined herein) was shut down due to a ground fault in the Steam Turbine Generator ("STG") stator. The ground fault was caused by delamination of the insulation on one of the through bolts. Damage from the ground fault resulted in a full rewind and restack of the stator core, replacement of all stator through bolts, and a full rewind of turbine rotor. The Cosumnes Power Plant repairs were completed in February 2023 and the plant returned to service on March 5, 2023. During the extended outage, SMUD shifted generation to the other local gas-fired plants and the Sutter Energy Center and procured additional energy and resource adequacy capacity. SMUD also requested and received approval from the California Air Quality Board and California Energy Commission to operate one or both of the gas turbines without the STG. During a heatwave in September 2022, both of the gas turbines at the Cosumnes Power Plant were operated without the STG, providing 270 MW at peak.

To mitigate the financial impact of unplanned outages from its thermal assets, SMUD carries commercial property insurance with a business interruption endorsement. At the time of the loss, the

coverage provided up to \$30.8 million of business interruption recovery per month at the Cosumnes Power Plant, with a sub-limit of \$310 million over any 18-month period. During the policy period, claims were subject to a \$5 million equipment damage deductible and a 60-day business interruption claims waiting period.

In February 2024, SMUD reached a settlement for the equipment damage portion of the loss, of \$18.6 million, which resulted in a net recovery of \$13.6 million. The business interruption aspect of the claim had a 60-day waiting period and was settled in three phases: an early advance payment shortly after the loss in December 2022, a partial settlement in January 2024, and a final negotiated settlement in mid-2024. The total recovery for business interruption across these three payments was \$138.9 million.

### **Potential Impacts from Future Uncertainties**

SMUD remains vigilant in assessing risks associated with future large-scale disruptions. SMUD's operations, financial position, and customer demand may be affected by future public health emergencies (including pandemics or epidemics), economic volatility, inflationary pressures, supply chain disruptions, labor shortages, changes in regulatory or legislative environments, imposition of tariffs, or other macroeconomic conditions beyond SMUD's control.

These risks could result in increased costs, delays to capital projects, changes in customer energy usage patterns, or an increase in delinquent customer accounts. In response, SMUD continues to enhance its enterprise risk management practices, develop contingency strategies, and maintain financial flexibility to help mitigate the effects of such events on operations and service reliability.

## **RATES AND CUSTOMER BASE**

### **Rates and Charges**

SMUD's Board of Directors has autonomous authority to establish the rates charged for all SMUD services. Unlike IOUs and some other municipal utility systems, retail rate and revenue levels are not subject to review or regulation by any other federal, State or local governmental agencies. Changes to SMUD rates only require formal action by the Board of Directors after two public workshops and a public hearing. SMUD is not required by law to transfer any portion of its collections from customers to any local government. SMUD typically reviews and sets rates on a two-year cycle.

**2025 Rate Action.** On June 19, 2025, the Board approved a 3.0% rate increase effective on January 1, 2026, and a 3.0% rate increase effective on January 1, 2027. The rate action also included an optional rate for residential customers designed for low users that have a panel size of 125 amps or less. The approved optional rate has a lower monthly fixed charge and higher energy rates to make it revenue neutral. In addition, the Board approved updates to SMUD's open access transmission tariff (OATT).

### **Rate Stabilization Funds**

The Rate Stabilization Fund ("RSF"), which includes the HRSF (defined below) and the WRSF (defined below), is maintained by SMUD to reduce the need for future rate increases when costs exceed existing rates. At the direction of the Board, amounts may be either transferred into the RSF (which reduces revenues) or transferred out of the RSF (which increases revenues). The Board authorizes RSF transfers on an event driven basis. The RSF includes funds to:

- hedge variations in the volume of energy generation from SMUD owned UARP facilities;

- hedge variations in the volume of energy received from WAPA hydroelectric generation;
- hedge variations in commodity expenses;
- hedge variations in AB 32 revenue;
- hedge variations in Low Carbon Fuel Credit (“LCFS”) revenue; and
- support SMUD’s Community Impact Plan.

As of December 31, 2025, the combined balance in the RSF, including the HRSF and the WRSF, was \$350 million.

Effective July 2008, SMUD implemented the HGA, which is a pass-through rate component to deal with variations in hydroelectric generation from the UARP (see “POWER SUPPLY AND TRANSMISSION – Power Generation Facilities – *Hydroelectric*”). The HGA is designed to increase revenues in dry years when SMUD must buy power to replace hydroelectric generation and return money to the HRSF in wet years when SMUD has more hydroelectric generation than expected. Each year SMUD determines the impact of precipitation variances on projected hydroelectric generation from the UARP. When the precipitation variance results in a deficiency of hydroelectric generation from the UARP, transfers from the HRSF, which was created as a component of the RSF, to SMUD’s available cash, will be made in an amount approximating the cost to SMUD of replacement power (up to 4% of revenues) until the balance in the HRSF is zero. When the precipitation variance results in a projected surplus of hydroelectric generation from the UARP, deposits will be made into the HRSF in an amount approximating the positive impact to SMUD from the surplus hydroelectric generation (up to 4% of revenues) until the balance in the HRSF is equal to 6% of budgeted retail revenue. If the balance in the HRSF is not sufficient to cover transfers that would otherwise be made in the event of a projected deficiency in UARP hydroelectric generation, a 12-month HGA surcharge will automatically be included on customers’ electric bills at a level that generates up to 4% of retail revenue. If the balance in the HRSF is equal to 6% of budgeted retail revenue on any precipitation variance calculation date and the precipitation variance results in a projected UARP hydroelectric generation surplus, the positive impact of the surplus may be used for other purposes at staff’s recommendation, with the approval of the Board, including returned to customers through an electric bill discount up to 4% of retail revenue. SMUD calculates HRSF transfers based on an April-March (water year) precipitation period at Fresh Pond, California. This precipitation station is used to approximate available water supply to SMUD’s UARP hydropower reservoirs.

As of February 28, 2026, the balance in the HRSF, was \$80.9 million. Due to below average precipitation, as of February 28, 2026, SMUD is currently forecasting a transfer of approximately \$0.7 million out of the HRSF in April 2026, which would decrease the balance in the HRSF to \$80.2 million. Although the HRSF currently has a positive balance, prolonged below average precipitation could deplete the HRSF to zero.

In September 2023, SMUD added a pass-through rate component to deal with variations in hydroelectric generation from WAPA. Each year SMUD determines the WAPA Energy Delivery Variance (“EDV”) based on forecasted energy delivery minus the actual energy delivery. When the EDV variance is positive, transfers from the WRSF, which was created as a component of the RSF, to SMUD’s available cash, will be made in an amount approximating the cost to SMUD of replacement power (up to 2% of revenues) until the balance in the WRSF is zero. If the balance in the WRSF is not sufficient to cover transfers that would otherwise be made in the event of a projected deficiency in WAPA hydroelectric generation, a 12-month HGA surcharge will automatically be included on customers’ electric bills at a level that generates up to 2% of retail revenue. When the EDV variance is negative, deposits will be made into

the WRSF in an amount approximating the positive impact to SMUD from the surplus hydroelectric generation (up to 2% of revenues) until the balance in the WRSF reaches a maximum of 4% of budgeted retail revenue. Any deposit amount that exceeds the WRSF maximum of 4% of budgeted retail revenue, may be used for other purposes with the approval of the Board, including returned to customers through an electric bill discount up to 2% of retail revenue.

As of February 28, 2026, the balance in the WRSF was \$17.6 million. Based on the WRSF precipitation water year, as of February 28, 2026, SMUD forecasts a transfer of \$4.8 million into the WRSF in April 2026, which would increase the balance of the WRSF to \$22.4 million. Although the WRSF currently has a positive balance, prolonged below average precipitation could deplete the WRSF to zero.

### **Income-Eligible Discount**

As of December 2025, approximately 75,232 customers received the income-eligible discount offered by SMUD, which represents approximately 12% of all residential customers. In 2025, the total discount was approximately \$29.2 million. While the discount has provided substantial benefits to income-eligible customer bills for years, multiple economic variables, such as inflation and rate increases, have had disproportionately negative impacts on income-eligible customers, particularly those in the 0-50% Federal Poverty Level (“FPL”). In 2023, SMUD established an EAPR Rate Stabilization Fund (“ERSF”) to provide an additional discount to the electricity usage charge up to an established maximum discount (“ERSF Additional Discount”) for customers in the 0-50% FPL. The ERSF is funded by discretionary non-retail rate revenue, reviewed on an annual basis, and the specific monthly ERSF Additional Discount is set before the year the value is in effect.

SMUD expanded its programs and services starting in 2016 to help income-eligible customers with energy assistance, home improvement packages and education. SMUD is creating tailored solutions to best meet the needs of income-eligible customers. These solutions include free solar panels and inspecting homes to identify energy saving and fuel switching opportunities. In 2025, SMUD assisted over 1,566 customers with energy retrofits and education. In partnership with Grid Alternatives (a non-profit organization that focuses on implementing solar power and energy efficiency for income-eligible families), and Habitat for Humanity of Greater Sacramento, SMUD provided free solar installations with battery storage to 42 income-eligible customers in 2025. In 2025, SMUD delivered electrification measures to 484 income-qualified households, installing 266 electric vehicle chargers and 344 electric vehicle circuits in homes and areas serving income-eligible customers. Through these initiatives, SMUD is dedicated to enhancing energy accessibility and sustainability for its community.

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## Rate Comparisons

SMUD's rates remain significantly below those of PG&E and other large utilities throughout the State. The following table sets forth the average charges per kWh by customer class for both SMUD and PG&E. PG&E's rates reflect their recently approved rate increase effective March 1, 2026.

### AVERAGE CLASS RATES

	SMUD Rates (cents/kWh) <sup>(1)</sup>	PG&E Rates (cents/kWh) <sup>(2)</sup>	Percent SMUD is Below PG&E <sup>(3)</sup>
Residential – Standard	20.45¢	39.25¢	47.9%
Residential – Low Income	14.44¢	21.80¢	33.8%
<b>All Residential</b>	19.74¢	32.34¢	39.0%
Small Commercial (Less than 20 kW)	20.14¢	40.74¢	50.6%
Small Commercial (21 to 299 kW)	18.73¢	40.01¢	53.2%
Medium Commercial (300 to 499 kW)	17.45¢	35.46¢	50.8%
Medium Commercial (500 to 999 kW)	16.06¢	31.17¢	48.5%
Large Commercial (Greater than 1,000 kW)	14.00¢	21.62¢	35.2%
Lighting – Traffic Signals	15.67¢	40.14¢	61.0%
Lighting – Street Lighting	17.87¢	43.02¢	58.5%
Agriculture	17.58¢	38.34¢	54.1%
<b>System Average</b>	18.16¢	32.60¢	44.3%

<sup>(1)</sup> Projected 2026 average prices for SMUD with rates effective March 1, 2026.

<sup>(2)</sup> PG&E average prices in 2026 reflect rates effective March 1, 2026, per Advice Letter 7846-E dated February 27, 2026.

<sup>(3)</sup> The rates in the Average Class Rates table are calculated by dividing the total revenue of each class by the total usage of that class in kWh. The actual savings per customer will vary based on their electricity consumption.

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The following table shows a comparison of SMUD’s charges for the average residential usage of 750 kWh per month (based on an average of summer and non-summer months) and charges of seven similar neighboring or largest utilities in the State.

**STATEWIDE COMPARISON–RESIDENTIAL SERVICE**

	<b>Monthly Billing Charge 750 kWh<sup>(1)(2)</sup></b>	<b>Percent SMUD is (Below)/Above Utility</b>
Turlock Irrigation District	\$137.12	8.9%
Sacramento Municipal Utility District	\$149.26	
Roseville Electric Utility	\$156.20	(4.4%)
Modesto Irrigation District	\$181.81	(17.9%)
Los Angeles Dept. of Water & Power	\$216.68	(31.1%)
Southern California Edison Company	\$283.09	(47.3%)
Pacific Gas & Electric Company	\$290.43	(48.6%)
San Diego Gas and Electric Company	\$324.41	(54.0%)

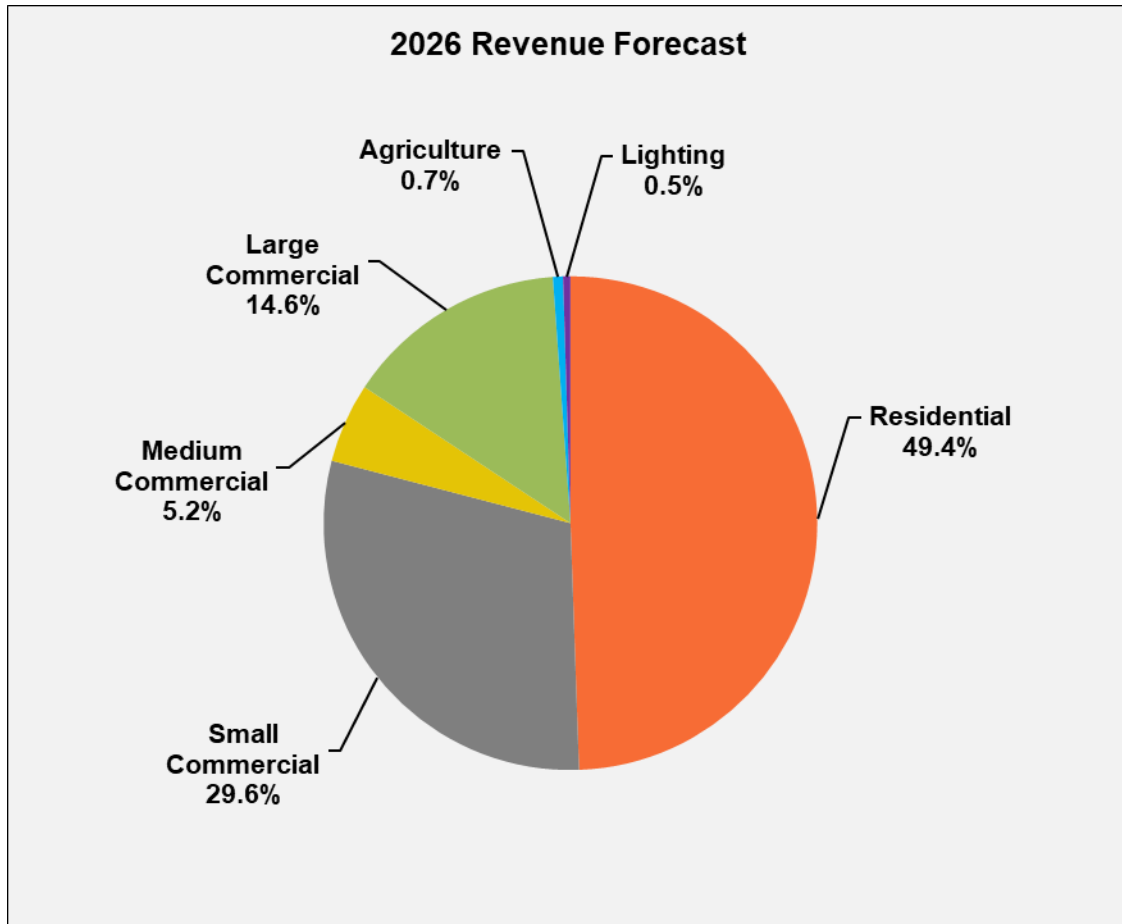
<sup>(1)</sup> Per individual utility’s published schedules as of March 1, 2026.

<sup>(2)</sup> Average usage of theoretical customer using 750kWh per month.

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### Allocation of Revenue by Customer Class

The following chart sets forth the forecast percentage of SMUD revenues from billed sales associated with each customer class.



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## Customer Base; Largest Customers

A stabilizing influence on SMUD's revenues is that a substantial proportion is derived from residential customers (49% in 2025). Historically, revenue from commercial and industrial consumption has been more sensitive to economic fluctuation. Furthermore, SMUD has no dominant customers that account for a significant percentage of annual revenues. In 2025, no single customer contributed more than 3% of revenues. The top ten customers generated approximately 10% of revenues and the top 30 generated approximately 16% of revenues. The following table presents information on SMUD's top ten customers as of December 31, 2025.

### SMUD'S LARGEST CUSTOMERS (As of December 31, 2025)

Customer Type	Annual Revenue (\$ millions)	% of Total Revenue
Government	38.32	2.09%
Government	35.86	1.95%
Technology	30.87	1.68%
Government	17.30	0.94%
Technology	11.14	0.61%
Communications	10.59	0.58%
Government	9.01	0.49%
Retail	8.71	0.47%
Industrial Gases	8.53	0.46%
Communications	8.23	0.45%
<b>Top 10 Total</b>	<b>178.56</b>	<b>9.72%</b>

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**POWER SUPPLY AND TRANSMISSION**

**Power Supply Resources**

The following table sets forth information concerning SMUD’s power supply resources as of January 1, 2026. Capacity availability reflects expected capacities at SMUD’s load center, as well as entitlement, firm allocations and contract amounts in the month of July, which is generally SMUD’s peak month.

**POWER SUPPLY RESOURCES  
(As of January 1, 2026)**

<b>Source:</b>	<b>Capacity Available (MW)<sup>(1)</sup></b>
<b>Generating Facilities:</b>	
Upper American River Project – Hydroelectric.....	701
Solano Wind Project – Wind <sup>(2)</sup> .....	115
Hedge Battery <sup>(2)</sup> .....	4
<b>Sub-total:</b> .....	<b>819</b>
<b>Local Gas-Fired Plants:</b>	
Cosumnes Power Plant.....	576
Carson Power Plant.....	103
Procter & Gamble Power Plant.....	166
McClellan Power Plant.....	72
Campbell Power Plant.....	170
<b>Sub-total:</b> .....	<b>1,087</b>
<b>Purchased Power:</b>	
Western Area Power Administration (WAPA) <sup>(3)</sup> <sup>(4)</sup> .....	337
Grady – Wind <sup>(2)</sup> .....	81
Hatchet Ridge – Wind <sup>(2)</sup> .....	25
Feed-in-Tariff Photovoltaic – Solar <sup>(2)</sup> .....	29
Rancho Seco Solar <sup>(2)</sup> .....	60
NTUA Navajo Drew Solar <sup>(2)</sup> .....	42
Great Valley – Solar <sup>(2)</sup> .....	30
Wildflower Solar <sup>(2)</sup> .....	3
Sloughouse Solar <sup>(2)</sup> .....	34
Calpine Geysers – Geothermal.....	100
CalEnergy – Geothermal.....	26
Patua (Gradient/Vulcan) – Geothermal.....	12
Other Long-Term Contracts.....	14
ELCC Portfolio Adjustment <sup>(2)</sup> .....	55
Sutter Calpine Thermal.....	258
Firm Contract Reserves <sup>(4)</sup> .....	17
Committed Short-Term Purchases <sup>(5)</sup> .....	460
Uncommitted Short-Term Purchases/(Sales).....	118
<b>Sub-total:</b> .....	<b>1,699</b>
<b>Total</b> .....	<b>3,605</b>

- (1) Available capacity is the net capacity available to serve SMUD’s system peak load during the month of July.
- (2) Capacity values for wind, solar, and storage projects shown are based on resource effective load carrying capability (“ELCC”) modeling.
- (3) Total includes SMUD’s Base Resource share and WAPA Customer allocations.
- (4) Assumes firm reserves of 5% are included.
- (5) Committed Short-Term Purchases are primarily purchased on a year-ahead to season-ahead basis from various sources.

Note: Totals may not add due to rounding.

## Power Generation Facilities

**Hydroelectric.** The UARP consists of three relatively large storage reservoirs (Union Valley, Loon Lake, and Ice House) with an aggregate water storage capacity of approximately 400,000 acre-feet and eight small reservoirs. Project facilities also include eight tunnels with a combined length of over 26 miles and nine powerhouses containing 11 turbines. In addition to providing clean hydroelectric power and operating flexibility for SMUD, the UARP area provides habitat for fish and wildlife and a variety of recreational opportunities, including camping, fishing, boating, hiking, horseback riding, mountain biking and cross-country skiing.

The combined capacity of the UARP is approximately 697 MW at SMUD's load center in Sacramento. Under current licensing and mean water conditions, these facilities are expected to generate approximately 1,600 GWh of electric energy annually, which represents approximately 15% of SMUD's current average annual retail energy requirements. In 1957, the Federal Power Commission (predecessor agency to FERC) issued a license to SMUD for the UARP. This 50-year license was subsequently amended to add and upgrade facilities and now includes all segments of SMUD's hydroelectric facilities located on the South Fork of the American River and its tributaries upstream from the Chili Bar Project (described below). On July 23, 2014, FERC issued to SMUD a new 50-year license for the UARP.

On November 9, 2016, FERC issued an Order authorizing SMUD to construct the South Fork Powerhouse downstream of the UARP's Slab Creek Dam. Construction was substantially completed in the fall of 2020, and the new powerhouse was placed into operation on October 25, 2022, adding 1.8 MW of generation to the UARP's overall capacity.

On June 16, 2021, pursuant to Board authorization, SMUD acquired the Chili Bar Hydroelectric Project which consists of a 7 MW powerhouse, reservoir, dam and spillway, north of Placerville on the South Fork of the American River for approximately \$10.4 million (the "Chili Bar Project"). The Chili Bar Project is immediately downstream from the UARP and operates as the regulating reservoir for the UARP's largest powerhouse. Owning the UARP and the Chili Bar Project enables SMUD to operate the two projects with a holistic approach to license compliance and generation efficiency.

**Solano 2 Wind Project.** SMUD owns and operates an 87 MW wind project, located in Solano County, known as Solano 2. Solano 2 consists of 29 wind turbine generators ("WTGs") rated at 3 MW each. Energy from the project is collected at 21 kV and transmitted over a dedicated 3-mile overhead system to the SMUD-owned Russell substation. At the Russell facility, the energy is transformed to 230 kV and interconnected to PG&E's Birds Landing Switching Station. Energy deliveries are scheduled through the CAISO.

**Solano 3 Wind Project.** In 2011 and 2012, SMUD constructed a 128 MW wind project adjacent to Solano Phase 2, known as Solano 3. The Solano 3 project consists of 31 WTGs rated at 1.8 MW and 24 WTGs rated at 3.0 MW. The project interconnects through a 34.5 kV underground collection system to the Russell substation. Like the Solano Phase 2 project, this energy is transformed to 230 kV and delivered through the CAISO.

**Solano 4 Wind Project.** In 2023 and 2024, SMUD constructed the Solano 4 Project, which was fully operational as of May 10, 2024. As part of the Solano 4 Project, the 15 MW Solano 1 project was demolished. The Solano 4 Project adds an additional 85.5 MW of capacity to SMUD's Solano Wind portfolio. In 2023, SMUD merged Solano 2, 3, and 4 into one combined interconnection agreement with CAISO and PG&E. Now the CAISO calls the combined project "Solano Renewables 1."

The combined Solano Renewables 1 project is currently limited to 230 MW max output by PG&E because of two outstanding transmission upgrades to be completed by PG&E. The two PG&E projects include the Contra Costa thermal overload upgrade and the Vaca Dixon Breaker upgrade, both expected to be completed by May 30, 2027. An increase in deliverability to 320.8 MW from the Solano Renewables 1 project will occur when both upgrades are completed in May 2027. In total, SMUD will have an installed wind capacity of 303 MW in connection with the overall Solano Wind Project, leaving 18 MW at the point of interconnection for future development.

***Distributed Solar Photovoltaic.*** SMUD owns and operates approximately 2 MW of solar photovoltaic generating facilities. These facilities include installations at the Hedge Substation property, SMUD Headquarters, the East Campus Operations Center, and other smaller photovoltaic systems throughout the service area on parking lots.

***Hedge Battery.*** SMUD owns and operates a 4 MW, 8 MWh, battery energy storage system located near the Hedge Substation in South Sacramento. The facility reached commercial operation in January 2023.

***Local Gas-Fired Plants.*** SMUD constructed five local natural gas-fired plants in its service area: the Carson Power Plant, the Procter & Gamble Power Plant, the Campbell Power Plant, the McClellan Power Plant, and the Cosumnes Power Plant (each defined below). These five plants are referred to collectively as the “Local Gas-Fired Plants.” These plants are a strategic component of SMUD’s resource mix. In addition to providing SMUD with a total capacity of approximately 1,139 MW, the Local Gas-Fired Plants provide SMUD with needed voltage support, operational and load following capability, and the reliability inherent in having power resources located close to loads. With the exception of the McClellan Power Plant, these plants were financed through the issuance of project revenue bonds by separate joint powers authorities. In late 2025, ownership of all of the Local Gas-Fired Plants was transferred to SMUD, with SMUD assuming all rights, interests, and obligations of the related contracts. This consolidation created operational and administrative efficiencies without changing any of the functionality of the power plants. SMUD has exclusive control of the Local Gas-Fired Plants and manages their operations as part of its overall power supply strategy.

The following is a brief description of the five Local Gas-Fired Plants:

***The Cosumnes Power Plant (the “Cosumnes Power Plant”).*** The Cosumnes Power Plant is a 612 MW natural gas-fired, combined cycle plant located in the southern portion of Sacramento County adjacent to SMUD’s decommissioned Rancho Seco Nuclear Power Plant. Commercial operation of the Cosumnes Power Plant commenced on February 24, 2006. The net generating capacity of the facility was increased by 81 MWs via an Advanced Gas Path (“AGP”) upgrade. The additional AGP generation was realized after hardware and software upgrades were completed on both units in March of 2019. On June 5, 2022, the Cosumnes Power Plant was shut down due to a ground fault in the STG stator. The repair was completed in February 2023 and the plant returned to service on March 5, 2023. See “FACTORS AFFECTING THE REGION – Cosumnes Power Plant Outage”.

***The Carson Power Plant (the “Carson Power Plant”).*** The Carson Power Plant, a 103 MW natural-gas-fired cogeneration project consisting of separate combined cycle and peaking plants, provides steam to the Sacramento Regional County Sanitation District (“SRCSD”) wastewater treatment plant adjacent to the site. Construction of the Carson Power Plant was completed and the plant began commercial operation on October 11, 1995.

***The Procter & Gamble Power Plant (the “Procter & Gamble Power Plant”).*** The Procter & Gamble Power Plant, a 182 MW natural gas-fired cogeneration facility, is located in an established

industrial area of Sacramento. The initial combined cycle portion of the plant began commercial operation on March 1, 1997. Construction of the peaking plant portion of the Procter & Gamble Power Plant commenced during 2000 and the unit achieved commercial status on April 24, 2001. The Procter & Gamble Power Plant produces steam for use in Procter & Gamble Manufacturing Company's oleochemical manufacturing processes and electricity for sale to SMUD.

*The Campbell Power Plant (the "Campbell Power Plant").* The Campbell Power Plant, a 170 MW natural gas-fired cogeneration project, was completed and began commercial operations on December 4, 1997. Upgrades were implemented during 2000, which increased the plant's peaking capacity to 180 MW, well above its net demonstrated capacity of 159.8 MW. The plant is located in south Sacramento adjacent to the Capital Commerce Center (formerly the Campbell Soup Company food processing facility). In support of the Zero Carbon Plan, SMUD is exploring replacing the Campbell Power Plant, contingent upon SMUD having sufficient other resources available and grid reliability can be maintained. See "BUSINESS STRATEGY – Sustainable Power Supply and Transmission – 2030 Zero Carbon Plan."

*The McClellan Power Plant (the "McClellan Power Plant").* The McClellan Power Plant is a 72 MW natural gas-fired simple cycle combustion turbine generating plant at McClellan Business Park in Sacramento. This turbine is connected to SMUD's electric system and is operated to meet SMUD's peak-load requirements. The McClellan Power Plant is aligned for remote starting and operation with both black start and fast start capabilities. SMUD constructed the McClellan Power Plant in 1986 as a 50 MW emergency power source for the McClellan Air Force Base. In 2001, following the Air Force Base closure, the McClellan Power Plant was upgraded to 72 MW and converted for SMUD's use. In support of the Zero Carbon Plan, SMUD is exploring replacing the McClellan Power Plant, contingent upon SMUD having sufficient other resources available and grid reliability can be maintained. See "BUSINESS STRATEGY – Sustainable Power Supply and Transmission – 2030 Zero Carbon Plan."

## Fuel Supply

**General.** SMUD arranges for the purchase and delivery of natural gas to the Local Gas-Fired Plants. Management of the natural gas procurement and delivery process is a key focus of SMUD's reliability and risk policies. Although the natural gas consumption of the power plants for SMUD's load can vary significantly depending on the season, precipitation, and the market price of power and natural gas, the plants are forecasted to need, on average in 2026, a total of approximately 107,500 Decatherms per day ("Dth/day") with a daily peak slightly more than 171,000 Dth/day of natural gas. SMUD has implemented a comprehensive strategy to secure a reliable and diversified fuel supply through a variety of agreements for the supply, transportation, and storage of natural gas.

**Supply.** SMUD hedges a significant portion of its expected gas needs to meet customer power requirements. This includes gas for the Local Gas-Fired Plants and for the Sutter Energy Center. See "Power Purchase Agreements – Sutter Energy Center". This is accomplished through a combination of long-term supply arrangements and an exposure reduction program. The program consists of a primary rolling three-year exposure reduction component, a fuel hedging component on a rolling three-year basis, as well as supplemental fixed calendar year components reaching out up to four calendar years. Long-term arrangements may consist of a combination of physical commodity supply contracts, financial hedges, or options. Natural gas is purchased from a wide variety of producers and marketers at the northern and southern California borders, and from the Rocky Mountain supply basins. SMUD has a number of both fixed-price supply agreements and financial hedging contracts to fix gas costs ranging from one month to several years in duration. As of February 1, 2026, these contracts are forecasted to have hedged the price exposure on approximately 100%, 100% and 51% of SMUD's anticipated natural gas requirements for 2026, 2027 and 2028, respectively. While the financial effects resulting from the unhedged portions of

SMUD's natural gas requirements are difficult to predict, SMUD's financial results could be materially impacted in the event of significant increases in market prices for natural gas.

SMUD has contracted with NCGA to purchase an approximate average of 8,700 Dth/day over the remaining life of a contract expiring May 31, 2027 (the "NCGA Contract"). Under the NCGA contract, SMUD pays a discounted variable price for the fuel and anticipates periodically fixing the effective price under separate hedging contracts. Until November 1, 2023 the delivery point for the NCGA Contract was the AECO hub in Alberta. Starting November 1, 2023, to increase delivery efficiencies, SMUD has exchanged the gas delivered at the AECO hub under the NCGA Contract with gas delivered at the Malin substation at the California-Oregon border. From there SMUD is using its long-term transport capacity to deliver the fuel to the Local Gas-Fired Plants.

SMUD has also contracted with NCEA to purchase an approximately 24,600 Dth/day on average, or to be converted to the approximate cash flow value in Megawatt-hours ("MWh") of electricity over the remaining life of a contract expiring on October 31, 2054. The gas will be delivered to the SMUD system via the Malin receipt point on the PG&E backbone system. SMUD is using its long-term transport capacity to deliver the fuel to the Local Gas-Fired Plants. SMUD will pay a discounted variable price for the fuel and anticipates periodically fixing the effective price under separate hedging contracts.

***Renewable Natural Gas Supply.*** As a component of meeting SMUD's RPS goals, SMUD procures renewable natural gas and digester gas as fuels to generate renewable electricity from the Cosumnes Power Plant. Descriptions of the renewable natural gas supply agreements are provided below.

In March 2009, SMUD entered into a 15-year contract (that qualifies as renewable energy) with Shell Energy North America (US), L.P. ("Shell Energy") to purchase up to 6,000 Dth/day of renewable natural gas produced from a landfill project in Texas. SMUD began taking deliveries of this supply in April 2009. In March 2012, SMUD amended the contract with Shell Energy to increase the maximum volumes to 7,300 Dth/day and extended the term by 10 years to March 31, 2034. Currently, the delivery point is PG&E Topock.

In 2016, SMUD entered into a 3-year contract with Shell Energy to sell back the entire volume of renewable natural gas purchased, less 500 Dth/day, to be sold into the vehicle transportation markets. Upon expiration of the initial 3-year contract for the sale of biogas to Shell Energy, SMUD extended the sell back of the entire volume of biogas twice for an additional three years with Element Markets (now Anew RNG, LLC), starting in 2020 and 2023. Currently the sale of the entire volume of biogas is with Nextera Energy Marketing LLC starting in 2026. While SMUD sells the renewable natural gas, it does not count the renewable natural gas towards its RPS obligations.

The Carson Power Plant cleans nearly all of the digester gas received from SRCSD and uses it for delivery to the Cosumnes Power Plant. The Carson Power Plant is currently receiving, processing and delivering up to 1,500 Dth/day with capability for volume increases over time to 2,500 Dth/day. Digester gas, when designated for use in SMUD's power plants, is counted as renewable generation towards SMUD's RPS obligations.

In December 2011, SMUD entered into a 20-year agreement with EIF KC Landfill Gas LLC ("EIF") to purchase up to 7,050 Dth/day of renewable natural gas produced from multiple landfill projects. SMUD began taking deliveries of this supply in January 2014. Currently the delivery point is Kern River – Opal and SMUD uses its long-term transport capacity to deliver it to the Cosumnes Power Plant. Renewable natural gas, when designated for use in SMUD's power plants, is counted as renewable generation towards SMUD's RPS obligations.

In March 2025 SMUD entered into a transaction with Anew RNG, LLC to sell the renewable natural gas into the vehicle transportation markets. The transaction began in April 2025 and expires in December 2027. While SMUD sells the renewable natural gas, it does not count the renewable gas towards its RPS obligations.

AB 2196 is a law that defines the criteria by which existing and future renewable natural gas contracts will qualify for the State RPS program. The CEC adopted a RPS Eligibility Guidebook on April 30, 2013, which includes detailed rules for implementation of AB 2196. SMUD received an updated certificate of eligibility from the CEC in July 2014 for the Cosumnes Power Plant that included the quantities of renewable natural gas from the sources described above. The CEC adopted a revised RPS Eligibility Guidebook (Ninth Edition) on April 27, 2017. This latest guidebook did not change the RPS eligibility of any of the renewable natural gas and digester gas sources described above, but did simplify reporting requirements for these sources.

## **Gas Transmission**

SMUD has satisfied its obligation to deliver natural gas to its power plants by constructing a natural gas pipeline, purchasing an equity interest in two PG&E backbone gas transmission lines, and contracting for capacity on a number of existing interstate natural gas transmission lines.

***The Local Pipeline.*** SMUD constructed and owns a 20-inch, 50-mile natural gas pipeline in the greater Sacramento area (the “Local Pipeline”) that transports gas to all of the Local Gas-Fired Plants except the McClellan Power Plant. The Local Pipeline is interconnected with PG&E’s major State gas transmission lines 300 and 401. Additionally, it may be interconnected with one or more private gas gathering pipelines located in the area, a gas storage project and/or other FERC approved pipelines that may be built in the local area. In conjunction with the construction of the Cosumnes Power Plant, SMUD extended the Local Pipeline to the plant site. The 26-mile extension was completed in 2004. The extension is 24 inches in diameter and was designed to serve both the Cosumnes Power Plant and an additional second phase, if constructed.

***PG&E Backbone Gas Transmission Lines 300 and 401.*** In 1996, SMUD purchased an equity interest in PG&E’s backbone gas transmission lines 300 and 401 (referred to as the PG&E backbone). The total capacity acquired at that time was approximately 85,000 Dth/day and consisted of approximately 43,600 Dth/day of firm gas transport from the California–Oregon border at Malin, Oregon and 44,700 Dth/day from the California–Arizona border at Topock, Arizona, to SMUD’s interconnection with the PG&E backbone near Winters, California. SMUD was also entitled to a share of non-firm capacity, which was approximately 4,360 Dth/day; making the total capacity potentially available to SMUD almost 90,000 Dth/day. This purchase made SMUD a co-owner of the PG&E backbone gas transmission lines 300 and 401 and obligated SMUD to pay PG&E to operate the pipelines on its behalf subject to the terms of the purchase agreement and operating protocols. PG&E reduced operating pressures on Line 300 after PG&E suffered a natural gas explosion in San Bruno, CA in September of 2010. Operating pressures and capacity may also fluctuate due to regulatory and other changes. As of June 1, 2025, and going forward, SMUD will hold a total capacity of approximately 85,500 Dth/day, consisting of approximately 47,723 Dth/day of firm gas transport from the California–Oregon border at Malin, and 37,798 Dth/day of firm gas transport from the California–Arizona border at Topock, Arizona, to SMUD’s interconnection with the PG&E backbone near Winters, California.

***Kern River Gas Transmission Company Long Term Agreement.*** SMUD has an agreement with Kern River Gas Transmission Company for 20,000 Dth/day of firm capacity through April 30, 2028. This capacity gives SMUD access to the Rocky Mountain supply basin at Opal, Wyoming, and connects to PG&E Line 300 (owned in part by SMUD) at Daggett, California.

SMUD's diversified portfolio of gas transmission arrangements allow for the purchase of gas from a variety of suppliers and locations, and the opportunity to capitalize on regional price differentials where possible. In addition, its ownership interest in the SMUD/PG&E backbone and Local Pipeline enhances the reliability of SMUD's gas supply.

## **Gas Storage**

SMUD also employs gas storage as part of its overall fuel supply strategy. Gas storage is useful to help balance gas supply, mitigate market price volatility, mitigate variations in retail load, and provide a reliable supply to meet peak day delivery requirements.

SMUD has a contract with Lodi Gas Storage, LLC, which began in April 2023 and expired in March 2026, for capacity in the Lodi Gas Storage project located near Acampo in northern California. The contract provided SMUD with capacity levels of 1.0 million Dth of storage inventory, 10,000 Dth/day of injection rights and 20,000 Dth/day of withdrawal capacity.

In anticipation of Lodi Gas Storage, LLC contract expiring, SMUD issued a Request for Offers ("RFO") and selected Central Valley Storage for a contract which began in April 2026 and expires in March 2031, for capacity in the project located near Princeton in northern California. The contract provides SMUD with capacity levels of 1.0 million Dth of storage inventory, 10,000 Dth/day of injection rights and 20,000 Dth/day of withdrawal capacity.

SMUD has a contract with Wild Goose Storage LLC, that began in April 2024 for capacity in the Wild Goose Storage project located near Gridley in northern California. The contract provides SMUD with capacity levels of 2.0 million Dth of storage inventory, ratcheted (12,500-14,000 Dth/day) volumes of injection rights and ratcheted (10,000 – 24,000 Dth/day) volumes of withdrawal capacity.

## **Power Purchase Agreements**

SMUD has power purchase agreements to help meet its power requirements. Some of these agreements are described below.

***Western Area Power Administration.*** Effective January 1, 2005, SMUD entered into a 20-year contract with WAPA. SMUD has entered into a replacement agreement extending the term by 30 years for the period of January 1, 2025 through December 31, 2054. Power sold under this contract is generated by the Central Valley Project ("CVP"), a series of federal hydroelectric facilities in northern California operated by the United States Bureau of Reclamation. The contract provides WAPA's CVP Base Resource customers (including SMUD) delivery of a percentage share of project generation in return for reimbursement of an equivalent share of project costs. SMUD's CVP Base Resource share is roughly 25% of project generation and costs. This is expected to be approximately 318 MW of capacity and 661 GWh of energy in an average water year but will vary depending on precipitation. Energy available under the contract is determined by water releases required for water supply and flood control and is then shaped into higher value periods within other CVP operating constraints. More capacity and energy are typically available in spring and summer months and less in fall and winter.

SMUD also had a contract with WAPA that expired on December 31, 2024, by which WAPA delivered additional power from projects located in the Pacific Northwest based on certain contractual parameters. SMUD has entered into a replacement agreement with WAPA for the period January 1, 2025, through December 31, 2030. In 2025, SMUD received 483 GWh of energy under this new contract.

**Patua Project LLC.** In April 2010, SMUD entered into a power purchase agreement with Patua Project LLC, a subsidiary of Gradient Resources, for the delivery of up to 132 MW (expected to be 120 MW nominal power output) of renewable energy from geothermal generation being developed in north central Nevada, from a Gradient Resources project known as the Patua Project. The Patua Project was to have been developed in three phases. In November 2015, the Patua Project was acquired by TL Power, LLC, a wholly owned subsidiary of Cymq Energy, Inc. (“Cymq”). Since 2010, the agreed upon capacity of the Patua Project has been reduced several times. SMUD’s reduced obligation to take power from the Patua Project is 19 MW.

**Renewable Energy Feed-In Tariff.** In September 2009, SMUD’s Board authorized a feed-in tariff program for the purchase of renewable energy from local renewable energy projects connected to SMUD’s distribution system. SMUD’s Board authorized connection of up to 100 MW under the feed-in tariff which included standard payment rates and standard purchase terms for power. The feed-in tariff program became effective on January 1, 2010. Under the feed-in tariff, SMUD has executed 20-year term power purchase agreements for solar projects totaling 98.5 MW. Construction and start-up were completed on all projects between 2010 and 2012.

**CalEnergy LLC.** In August 2014, SMUD entered into a 22-year power purchase agreement with CalEnergy LLC for the purchase of 30 MW per year of renewable energy from its Salton Sea geothermal facilities. As of July 1, 2017, SMUD began receiving up to 10 MW from the CalEnergy portfolio, which escalated to the full 30 MWs on May 1, 2020.

**Rancho Seco Solar.** In October 2015, SMUD entered into a 20-year power purchase agreement with Rancho Seco Solar LLC for the purchase of energy from a 10.88 MW solar PV project sited on SMUD’s property at the closed Rancho Seco Nuclear Generating Station. Commercial operation was achieved in August of 2016. Rancho Seco Solar LLC leases the property from SMUD under a land lease agreement. The output of this project directly serves two large commercial customers that executed agreements with SMUD for retail supply of solar power.

In May 2019, SMUD entered into a 30-year power purchase agreement for an additional 160 MW solar PV project with Rancho Seco Solar II, LLC. The project is located on SMUD-owned property at the closed Rancho Seco Nuclear Generating Station, adjacent to the existing 10.88 MW solar PV project. Construction began in 2019, and the project became commercially operable in February 2021.

**Grady Wind Energy.** In October 2015, SMUD entered into a 25-year power purchase agreement with Grady Wind Energy LLC (“Grady”) for the purchase of energy from a 200 MW wind project located in New Mexico (the “Grady Project”). The Grady Project began commercial operations on August 5, 2019. Energy from the Grady Project is delivered to CAISO. SMUD purchases 100% of the Grady Project output which includes energy, renewable energy credits, and capacity attributes.

**Great Valley Solar 2, LLC.** In January 2017, SMUD entered into a 20-year power purchase agreement with Great Valley Solar 2, LLC for the purchase of energy from a 60 MW solar PV project located in Fresno County, California. The project’s commercial operation date was December 28, 2017.

**ARP-Loyalton Cogen LLC.** On September 14, 2016, Senate Bill 859 (“SB 859”) was signed into law. Under SB 859, a POU must procure its proportionate share of 125 MW of renewable energy from biomass plants burning high hazard forest fuels, subject to terms of at least five years. Seven POUs (SMUD, MID, Turlock Irrigation District (“TID”), Anaheim Public Utilities, Imperial Irrigation District, Los Angeles Department of Water & Power and Riverside Public Utilities, collectively described herein as the “ARP-Loyalton POUs”) jointly solicited proposals for up to 29 MW of contract capacity for renewable energy to meet the requirements of SB 859. In January 2018, SMUD entered into a five-year power

purchase agreement with ARP-Loyalton Cogen LLC to fulfill 18 MW of the required 29 MW with SMUD's share being just over 23 percent (the "ARP-Loyalton PPA"). See "*Roseburg Forest Product Co.*" below for a discussion of the remaining SB 859 capacity. The contract became effective on April 1, 2018. On February 18, 2020, ARP-Loyalton Cogen LLC filed for Chapter 11 bankruptcy and stopped producing and selling energy from the biomass plant. On May 7, 2020, the bankruptcy court approved the sale of the Loyalton facility to Sierra Valley Enterprises, LLC ("SVE"). SVE initially expressed interest in bringing the facility back into service; however, the bankruptcy trustee requested repeated extension of the deadline for SVE to accept or reject the ARP-Loyalton PPA. The latest deadline was April 19, 2023, the date of expiration of the ARP-Loyalton PPA term. As SVE did not resume operations before the end of the ARP-Loyalton PPA term, the ARP-Loyalton POUs have negotiated a settlement agreement with the bankruptcy trustee (the "ARP-Loyalton Settlement Agreement"). The ARP-Loyalton Settlement Agreement, which SMUD executed and is filed with the court, defines funds from the performance security that the ARP-Loyalton POUs will keep to cover legal and administrative fees, along with a contingency amount to cover potential risk of future damages. Since the ARP-Loyalton POUs entered into a five-year agreement to procure compliant biomass and provided SVE the opportunity to accept the ARP-Loyalton PPA and restart operations, the ARP-Loyalton POUs consider their statutory obligations to have been fulfilled.

***Roseburg Forest Products Co.*** For the remaining SB 859 biomass obligation of 11 MW, SMUD and the other ARP-Loyalton POUs have entered into a five-year power purchase agreement with Roseburg Forest Products Co. SMUD's share of the contract capacity is 2.5795 MW, and the plant began operating under the contract on February 26, 2021.

***Sutter Energy Center.*** SMUD entered into an initial two-year contract (with a third-year exercisable option) with Calpine Energy Services, L.P. ("Calpine") for the ability to schedule up to 258 MW of energy from Sutter Energy Center. The Sutter Energy Center is a natural gas-fired, combined-cycle facility located in Yuba City, California. The initial contract became effective on April 1, 2018. SMUD exercised its option to extend the contract, which expired November 1, 2020. SMUD entered into a new contract with Calpine for the same 258 MW of energy that became effective January 1, 2021, and had an original expiration date of January 1, 2024. In December 2023, SMUD extended this contract through December 31, 2026.

***Drew Solar, LLC.*** In June 2018, SMUD entered into a 30-year power purchase agreement with Drew Solar, LLC for the purchase of energy from a 100 MW solar PV project located in Imperial County, California. The project's scheduled commercial operation date was set to be December 31, 2021. The commercial operation date was delayed due to Force Majeure claims surrounding the COVID pandemic and supply chain constraints caused by changes in Federal regulatory requirements. The project began commercially operating on November 3, 2022.

***Wildflower Solar.*** In October 2018, SMUD entered into a 25-year power purchase agreement with Wildflower Solar I, LLC, for the purchase of energy, capacity, and RECs from a 13 MW solar PV project located in Rio Linda, California. The project began commercially operating on December 18, 2020.

***Coyote Creek (Formerly Sacramento Valley Energy Center, LLC.)*** In August 2021, SMUD entered into a 30-year power purchase agreement with Sacramento Valley Energy Center, LLC for the purchase of energy from a 200 MW solar PV and 100 MW four-hour Battery Energy Storage System ("BESS") capacity project located in Sacramento County, California. The project's commercial operation date was originally expected to be December 31, 2023, but has been delayed to 2028 due to ongoing development and permitting delays. Effective February 4, 2026, this power purchase agreement was terminated.

**SloughHouse Solar, LLC.** In September 2021, SMUD entered into a 30-year power purchase agreement with SloughHouse Solar, LLC for the purchase of energy from a 50 MW solar PV project located in Sacramento County, California. The project’s commercial operation date was originally expected to be December 31, 2023, but the commercial operation date was delayed due to ongoing development and permitting delays. The Sloughhouse Solar Project began construction in 2024, and the project began commercially operating on July 14, 2025.

**Country Acres Solar.** In November 2023, SMUD entered into a 30-year power purchase agreement with Country Acres Clean Power LLC for the purchase of energy from a 344 MW solar PV project, with a 20-year term for 172 MW four-hour BESS capacity, located in Placer County, California. The project’s commercial operation date is expected to be between December 2026 and April 2027. The Country Acres Project began construction in 2024.

**Geysers Power Company, LLC.** In March 2021, SMUD executed a 10-year power purchase agreement with Geysers Power Company, LLC for 100 MW of energy and capacity from the Geysers geothermal energy plant located in Lake and Sonoma Counties, California. SMUD started to receive deliveries on January 1, 2023. In November 2025, SMUD executed an amendment and extension of the original power purchase agreement. The amendment extends the term from December 31, 2032 to December 31, 2042. In 2028 and 2029, the original 100 MW of energy and capacity will increase to 125 MW of energy and capacity. In 2030 through the end of the agreement, the 125 MW of energy and capacity will increase to 150 MW of energy and capacity.

**Grace Orchard Energy Center, LLC.** In July 2024, SMUD entered into a 20-year power purchase agreement with Grace Orchard Energy Center, LLC for the purchase of 70 MW from the project located in Riverside County, California. The Grace Orchard Energy Center project is expected to begin operations in December 2027. The power purchase agreement includes energy and RECs from the project. The seller will seek CAISO Transmission Project (“TP”) Deliverability for the project. If TP Deliverability is received, the agreement will also include capacity.

**SunZia Wind PowerCo LLC.** In December 2024, SMUD entered into a 15-year power purchase agreement with SunZia Wind PowerCo LLC for the purchase of 150 MW from the SunZia Wind Project, which is located in New Mexico and expected to begin operations in 2026. Energy from the SunZia Wind Project will be delivered to CAISO. The power purchase agreement includes energy, capacity, and RECs from the project. In September 2025, the original power purchase agreement was bifurcated into SunZia North and SunZia South. SunZia North will provide 45 MW while SunZia South will provide 105 MW.

**Hatchet Ridge Wind, LLC.** In December 2024, SMUD entered into a 7-year power purchase agreement with Hatchet Ridge Wind, LLC for energy, capacity, and RECs from the Hatchet Ridge Wind Project. The 101.2 MW project is located near Burney, CA and began commercial operations in 2010. The contract start date was December 14, 2025.

**Sanborn 2 Solar.** SMUD has entered into a contract with Sanborn 2 PV I, LLC (“S2PVI”) with an effective date of October 4, 2024. The agreement provides for the purchase of RECs associated with energy generated by the 46 MW Sanborn 2 solar project located in Mojave, California. The contract term begins on the scheduled commercial operation date of January 1, 2027, and continues through December 31, 2034. Under the terms of the agreement, SMUD will receive RECs associated with bundled energy generated during the delivery period; however, S2PVI retains all revenues from energy sales, and SMUD will be obligated only to pay for the RECs. The RECs procured under this agreement are expected to contribute toward SMUD’s renewable energy goals and support long-term resource planning objectives.

**Dry Creek Energy Storage, LLC.** In May 2025, the Board authorized the execution of an energy storage power purchase agreement with Dry Creek Energy Storage, LLC for an initial 20-year term with one optional five-year extension for the purchase of energy from a 160 MW four-hour BESS capacity, located in Sacramento County, California. The project’s commercial operation date is expected to be September 30, 2027. The Dry Creek Energy Storage Project is scheduled to begin construction in 2026.

**Oveja Ranch Solar Project.** In summer 2025, SMUD issued a RFO seeking qualified power purchase agreement offers for a utility scale PV with BESS project under development which will interconnect to SMUD’s distribution system. The project site is located on over 500 acres of land in Sacramento County near the city of Rancho Cordova. SMUD has completed permitting and purchased interconnection equipment to support an expected commercial operation date of 2029 or later.

## **Transmission Service Agreements**

**TANC California-Oregon Transmission Project.** The 340-mile COTP is one part of a three 500-kV line coordinated system known as the California-Oregon Intertie (“COI”). The COTP was allocated one-third of the 4,800 MW capability of the COI system (see related agreements below). TANC was entitled to use 1,390 MW and is obligated to pay approximately 80% of the operating costs of the COTP. SMUD is a member of TANC and a party to Project Agreement No. 3 (“PA3”), under which it was entitled to 383 MW and obligated to pay on an unconditional take-or-pay basis about 27.6% of TANC’s COTP debt service and operations costs, subject to a “step-up” obligation of up to 25% of its entitlement share upon the un-remedied default of another TANC member-participant. In 2009, SMUD entered into a long-term layoff agreement with certain members that increased SMUD’s entitlement by 35 MW. In 2014, SMUD entered into another long-term layoff agreement with certain other members that increased SMUD’s COTP entitlements by 128 MW and amended the 2009 layoff agreement that returned 13 MW to a member. In January 2024, SMUD entered into an agreement to extend the 2009 long-term layoff agreement with certain members to January 31, 2034. On April 1, 2025, the COI was re-rated to a capacity of 5,100 MW, proportionately increasing the amount of the COTP’s capacity to 1,700 MW. The amount of COTP capacity available to TANC was also proportionately increased. Including layoffs from other TANC members, SMUD’s current entitlement is approximately 569 MW of TANC’s transfer capability for imports, and SMUD is obligated to pay approximately 37.8% of TANC’s COTP debt service and operations costs.

SMUD’s payments under this contract, like SMUD’s payments under its other power purchase and transmission service agreements, are treated as “Maintenance and Operation Costs” or “Energy Payments” under the resolutions securing the Senior Bonds and Subordinated Bonds (each as defined under the caption “CAPITAL REQUIREMENTS AND OUTSTANDING INDEBTEDNESS” below). SMUD relies on its COTP rights to purchase power, access contingency reserves through the Western Power Pool, and obtain renewable resources to supplement its own resources to serve its load. TANC maintains its own property/casualty insurance program. TANC’s budget is about \$48.8 million for 2026. SMUD’s obligation of the TANC budget is about \$18.5 million for 2026.

**TANC Tesla-Midway Transmission Service.** TANC has a long-term contract with PG&E to provide TANC with 300 MW of transmission service between PG&E’s Midway Substation and the electric systems of the TANC Members (the “Tesla-Midway Service”). SMUD’s share of the Tesla-Midway Service is 46 MW.

**Bonneville Power Administration.** In 2009, SMUD entered into a transmission service agreement with the Bonneville Power Administration (“BPA”) for 60 MW of firm point-to-point transmission service from BPA’s Hilltop substation in northeastern California to the Malin substation at the California-Oregon border for the purpose of transmitting power under SMUD’s power purchase agreement relating to the Patua Project over BPA’s 230kV transmission lines. See “POWER SUPPLY AND TRANSMISSION –

Power Purchase Agreements – *Patua Project LLC*.” On January 1, 2020, SMUD’s transmission rights with BPA were reduced to 19 MW. This now aligns with SMUD’s PacifiCorp transmission rights of 19 MW described in the immediately following paragraph.

***PacifiCorp.*** In 2009, SMUD entered into a transmission service agreement with PacifiCorp for 60 MW of firm point-to-point transmission service across PacifiCorp’s high voltage step-up transformer at the Malin substation at the California-Oregon border for the purpose of transmitting power under SMUD’s power purchase agreement relating to the Patua Project. As a result of the reduced obligation to take power from the Patua Project, SMUD has reduced its remaining PacifiCorp transmission service from 30 MW to 19 MW.

***Western Area Power Administration.*** SMUD does not have a direct interconnection of its power system to the COTP. To receive power deliveries that use its COTP rights, SMUD has a long-term transmission service agreement with WAPA for transmission of 342 MW of power from the COTP line (received at WAPA’s Tracy or Olinda substations) to SMUD’s system. In May of 2011, WAPA completed the Sacramento Voltage Support Transmission Project. Completion of this project has given SMUD an additional 165 MW of transmission service rights on WAPA’s system from the COTP at the Olinda Substation to SMUD’s system at the Elverta Substation.

## **Projected Resources**

The following tables titled “Projected Requirements and Resources to Meet Load Requirements Energy Requirements and Resources” (the “Energy Table”) and “Capacity Requirements and Resources Net Capacity – Megawatts” (the “Capacity Table”) describe SMUD’s contracted commitments and owned resources available to meet its forecasted load requirements through the year 2035. Resources are shown on an annualized basis with market purchases netted against surplus sales to arrive at a single net position for each year. Because SMUD’s available resources do not exactly match its actual load requirements on an hourly basis, there are times during a year when resources available will either exceed or be insufficient to meet SMUD’s needs. Expected actual capacity values are included in the tables. These values may differ from measured net demonstrated capacity values of the Local Area Gas-Fired Plants. The table below also includes the impact energy efficiency has on resource requirements as discussed below under “Demand Side Management Programs.” See “BUSINESS STRATEGY” and “POWER SUPPLY AND TRANSMISSION – Power Generation Facilities – *Local Gas-Fired Plants.*”

Resources listed in both the Energy Table and the Capacity Table are listed as either renewable or non-renewable. Generally, SMUD follows the CEC guidelines for eligibility requirements. Some of SMUD’s renewable resources listed include solar, wind, geothermal, small hydroelectric facilities with a capacity of 30 MW or less, and biomass (representing generation from a fuel comprised of agricultural wastes and residues, landscape and tree trimmings, wood and wood waste).

As in any forecast, assumptions are made. In both the Energy Table and the Capacity Table the WAPA and UARP forecasts assume average water conditions throughout the period. On the capacity table, WAPA and Cosumnes Power Plant renewable capacity is estimated based on the ratio of renewable energy to total WAPA or Cosumnes Power Plant energy. See “POWER SUPPLY AND TRANSMISSION – Power Generation Facilities – *Hydroelectric.*”

The Uncommitted Purchases (Sales) on the tables represent either anticipated future needs or surpluses. Future needs are met well in advance of delivery. They also include both renewable and non-renewable resources.

The Transmission Losses represent reductions in the amount of energy or capacity from the location it was purchased to the point of entering SMUD's electrical system. This amount reduces the Total Resources available to meet the Total Projected Energy Requirements of the electrical system.

### **Demand Side Management Programs**

SMUD's demand-side management initiatives represent an integral element of its total resource portfolio, and are organized into four major portfolios: energy efficiency and building electrification, load flexibility, electric transportation, and green pricing programs. Energy efficiency offerings include a variety of programs and services to customers to retrofit or upgrade existing equipment and fixtures and to install new energy efficiency measures in existing and new construction facilities, while building electrification measures like heat pumps also bring more efficient summertime air conditioning. Load flexibility allows SMUD to reduce the load on the electric system by adjusting thermostats, dispatching customer batteries, cycling residential air conditioning, managing electric vehicle charging and calling upon commercial/industrial customers to curtail energy usage when energy is constrained during the summer or system emergencies. Load flexibility programs are projected to allow SMUD to shed approximately 90 MW of peak load in an emergency on a hot day, representing about 3% of SMUD's maximum system peak demand.

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**PROJECTED REQUIREMENTS AND RESOURCES TO MEET  
LOAD REQUIREMENTS  
ENERGY REQUIREMENTS AND RESOURCES (GWh)<sup>(1)</sup>**

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>
<b>Renewable Resources</b>										
<u>SMUD Owned</u>										
UARP – Small Hydro <sup>(2)</sup>	97	90	96	95	93	93	93	93	93	93
Solano Wind	778	797	800	793	936	936	938	936	936	936
<u>Purchases</u>										
Western (WAPA) – Small Hydro <sup>(2)</sup>	20	18	18	18	15	15	15	15	15	15
Patua (Gradient/Vulcan) – Geothermal	146	146	147	146	146	146	147	140	0	0
Cal Energy – Geothermal	223	223	224	223	223	223	224	223	223	223
Geysers – Geothermal	876	876	1,098	1,095	1,314	1,314	1,318	1,314	1,314	1,314
Grady - Wind	897	897	899	897	934	934	936	934	934	934
Hatchet Ridge – Wind	270	270	271	270	288	288	288	264	0	0
Sunzia – Wind	395	488	489	488	473	473	475	473	473	473
Recurrent SolarShares	165	164	163	162	166	165	165	164	163	162
Rancho Seco (1&2) - Solar	350	348	347	345	344	342	341	339	337	335
Feed-in-Tariff Photovoltaic - Solar	207	206	205	204	203	202	60	0	0	0
Wildflower – Solar	31	31	30	30	31	31	31	30	30	30
Navajo - Solar	297	296	295	293	302	300	299	297	296	294
Sloughhouse – Solar	131	130	130	129	124	124	124	123	122	121
Country Acres – Solar Hybrid	0	540	659	655	761	757	755	749	745	742
Oveja Ranch - Solar	0	0	0	164	164	164	164	164	164	164
Grace Solar	0	10	206	205	201	200	199	198	197	196
Other Long-Term Contracts	97	86	87	6	6	6	6	6	6	6
Future Uncommitted Renewables	0	0	0	0	2,163	4,405	4,412	5,433	5,654	6,485
<b>Total Renewable Resources</b>	<b>4,980</b>	<b>5,617</b>	<b>6,163</b>	<b>6,218</b>	<b>8,886</b>	<b>11,118</b>	<b>10,990</b>	<b>11,895</b>	<b>11,702</b>	<b>12,524</b>
<b>Carbon Free Non-Renewable Resources</b>										
<u>SMUD Owned</u>										
Cosumnes–Shell Landfill Gas and Digester Gas	62	58	58	58	687	683	690	645	645	645
UARP – Large Hydro <sup>(2)</sup>	1,610	1,553	1,424	1,420	1,408	1,408	1,412	1,408	1,408	1,408
<u>Purchases</u>										
Western (WAPA) – Large Hydro <sup>(2)</sup>	649	581	579	577	641	641	643	641	641	641
Western (WAPA) Customers (Wheeling) <sup>(2)</sup>	39	35	35	35	20	20	20	20	20	20
Committed Purchases	0	0	0	0	0	0	0	0	0	0
Future Uncommitted Carbon Free	0	0	0	0	2,342	2,337	2,342	2,306	2,306	2,306
<b>Total Carbon Free Non-Renewable Resources</b>	<b>2,360</b>	<b>2,226</b>	<b>2,096</b>	<b>2,090</b>	<b>5,098</b>	<b>5,089</b>	<b>5,107</b>	<b>5,021</b>	<b>5,021</b>	<b>5,021</b>
<b>Non-Renewable Resources</b>										
<u>SMUD Owned</u>										
Cosumnes Power Plant	4,344	4,014	4,069	4,031	0	0	0	0	0	0
Procter & Gamble Power Plant	669	747	585	548	0	0	0	0	0	0
Carson Power Plant	318	375	280	228	0	0	0	0	0	0
Campbell Power Plant	627	682	533	448	0	0	0	0	0	0
McClellan Power Plant	1	12	16	10	0	0	0	0	0	0
<u>Purchases</u>										
Calpine Sutter	1,247	1,395	1,028	798	0	0	0	0	0	0
<b>Total Non-Renewable Resources</b>	<b>7,206</b>	<b>7,225</b>	<b>6,512</b>	<b>6,065</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Resources</b>	<b>14,545</b>	<b>15,068</b>	<b>14,771</b>	<b>14,373</b>	<b>13,984</b>	<b>16,206</b>	<b>16,097</b>	<b>16,916</b>	<b>16,723</b>	<b>17,544</b>
Uncommitted Purchases / (Sales)	(3,369)	(3,712)	(3,177)	(2,609)	(1,970)	(4,002)	(3,634)	(4,220)	(3,726)	(4,097)
Transmission Losses (COTP/CVP)	(17)	(11)	(1)	(1)	(16)	(16)	(16)	(16)	(13)	(13)
Battery Storage (Utility)	0	(42)	(84)	(84)	(110)	(111)	(112)	(122)	(123)	(129)
<b>Total Projected Energy Requirements</b>	<b>11,159</b>	<b>11,303</b>	<b>11,510</b>	<b>11,679</b>	<b>11,889</b>	<b>12,077</b>	<b>12,334</b>	<b>12,557</b>	<b>12,860</b>	<b>13,305</b>
Energy Efficiency (EE)	9	12	17	24	29	33	39	44	50	59
Customer PV	106	155	202	250	297	343	389	434	479	523
Expected Electric Vehicle (EV) Charging	(217)	(348)	(489)	(636)	(796)	(938)	(1,099)	(1,269)	(1,467)	(1,654)
Electric Building (EB)	(33)	(57)	(86)	(125)	(175)	(234)	(301)	(372)	(445)	(520)
Battery Storage (BTM)	(1)	(1)	(2)	(2)	(3)	(3)	(4)	(5)	(6)	(7)
<b>Total Gross Energy Requirements before EE, PV and EV Charging</b>	<b>11,023</b>	<b>11,063</b>	<b>11,152</b>	<b>11,191</b>	<b>11,240</b>	<b>11,277</b>	<b>11,357</b>	<b>11,390</b>	<b>11,471</b>	<b>11,707</b>

(1) Totals may not sum due to rounding. Excludes a potential carbon sequestration power purchase agreement that SMUD is considering.

(2) 2026 based on current precipitation levels as of December 31, 2025. All other years assume average precipitation.

**CAPACITY REQUIREMENTS AND RESOURCES**  
**NET CAPACITY – MEGAWATTS<sup>(1)</sup>**

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>
<b>Load:</b>										
<b>Planned Peak</b>	<b>3,133</b>	<b>3,134</b>	<b>3,136</b>	<b>3,135</b>	<b>3,157</b>	<b>3,169</b>	<b>3,185</b>	<b>3,204</b>	<b>3,225</b>	<b>3,248</b>
Transmission Losses	29	29	29	29	28	28	28	28	28	28
Dispatchable Demand Resource	(94)	(94)	(93)	(92)	(174)	(147)	(167)	(186)	(204)	(244)
<b>Adjusted Peak</b>	<b>3,068</b>	<b>3,068</b>	<b>3,072</b>	<b>3,072</b>	<b>3,011</b>	<b>3,050</b>	<b>3,045</b>	<b>3,045</b>	<b>3,049</b>	<b>3,032</b>
Reserve Margin	537	537	538	538	527	534	533	533	534	531
<b>Adjusted Peak with Reserves</b>	<b>3,605</b>	<b>3,605</b>	<b>3,609</b>	<b>3,609</b>	<b>3,538</b>	<b>3,583</b>	<b>3,578</b>	<b>3,578</b>	<b>3,583</b>	<b>3,563</b>
<b>Renewable Resources</b>										
<u>SMUD Owned</u>										
UARP – Small Hydro	45	45	45	45	45	45	45	45	45	45
Solano Wind	115	132	134	134	149	145	144	143	146	151
<u>Purchases</u>										
Western (WAPA) – Small Hydro	10	9	9	9	9	9	9	9	9	9
Patua (Gradient/Vulcan) – Geothermal	12	12	12	12	12	12	12	12	--	--
Cal Energy – Geothermal	26	26	26	26	30	30	30	30	30	30
Geyers – Geothermal	100	100	125	125	150	150	150	150	150	150
Grady – Wind	81	92	86	79	78	77	82	89	87	93
Hatchet Ridge - Wind	25	30	31	30	35	33	33	--	--	--
Sunzia - Wind	--	--	56	55	58	50	47	45	43	49
Recurrent Solar Shares	30	18	18	18	8	8	7	7	8	6
Rancho Seco (1&2) - Solar	60	28	161	161	160	161	161	160	161	160
Feed-in-Tariff Photovoltaic - Solar	29	11	12	11	4	3	--	--	--	--
Wildflower - Solar	3	2	1	2	1	1	1	1	1	1
Navajo - Solar	42	20	19	20	6	8	7	8	10	5
Sloughhouse - Solar	34	22	22	21	10	10	9	9	9	8
Oveja Ranch – Solar	--	--	--	55	55	55	55	55	55	55
Country Acres - Solar Hybrid	--	282	289	283	212	213	211	210	213	207
Other Long-Term Contracts	14	14	14	2	--	--	--	--	--	--
Future Uncommitted Renewables	--	--	--	--	55	235	243	399	400	407
<b>Total Renewable Resources</b>	<b>623</b>	<b>841</b>	<b>1,059</b>	<b>1,088</b>	<b>1,075</b>	<b>1,244</b>	<b>1,245</b>	<b>1,372</b>	<b>1,365</b>	<b>1,377</b>
<b>Carbon Free Non-Renewable Resources</b>										
<u>SMUD Owned</u>										
Cosumnes – Shell Landfill Gas and Digester Gas	--	--	--	--	576	576	576	576	576	576
Carson Power Plant <sup>(2)</sup>	--	--	--	--	103	103	103	103	103	103
Procter & Gamble Power Plant <sup>(2)</sup>	--	--	--	--	166	166	166	166	166	166
UARP - Large Hydro	656	656	656	656	640	640	640	640	640	640
Hedge - Storage	4	4	4	4	4	4	4	4	4	4
<u>Purchases</u>										
Western (WAPA) – Large Hydro	309	304	304	304	304	304	304	304	304	304
Western (WAPA) Customers (Wheeling)	18	18	18	18	18	18	18	18	18	18
Future Uncommitted Carbon Free	--	--	--	--	445	445	445	483	483	483
<b>Total Carbon Free Non-Renewable Resources</b>	<b>987</b>	<b>981</b>	<b>981</b>	<b>981</b>	<b>2,256</b>	<b>2,256</b>	<b>2,256</b>	<b>2,294</b>	<b>2,294</b>	<b>2,294</b>
<b>Non-Renewable</b>										
<u>SMUD Owned</u>										
Cosumnes Power Plant	576	576	576	576	--	--	--	--	--	--
Carson Power Plant	103	103	103	103	--	--	--	--	--	--
Procter & Gamble Power Plant	166	166	166	166	--	--	--	--	--	--
McClellan Power Plant	72	72	72	72	--	--	--	--	--	--
Campbell Power Plant	170	170	170	170	--	--	--	--	--	--
<u>Purchases</u>										
Calpine Sutter	258	258	258	258	--	--	--	--	--	--
Firm Contract Reserves <sup>(3)</sup>	17	17	17	17	17	17	17	17	17	17
Committed Purchases	460	60	10	10	--	--	--	--	--	--
<b>Total Non-Renewable Resources</b>	<b>1,822</b>	<b>1,422</b>	<b>1,372</b>	<b>1,372</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>
<b>Total Variable Renewable Diversity Benefit/(Risk)</b>	<b>55</b>	<b>183</b>	<b>200</b>	<b>209</b>	<b>375</b>	<b>383</b>	<b>402</b>	<b>400</b>	<b>397</b>	<b>429</b>
Uncommitted Purchases / (Sales)	118	177	--	--	--	--	--	--	--	--
<b>Total Resources</b>	<b>3,605</b>	<b>3,603</b>	<b>3,612</b>	<b>3,650</b>	<b>3,722</b>	<b>3,900</b>	<b>3,920</b>	<b>4,083</b>	<b>4,072</b>	<b>4,116</b>

(1) Values provided for July (SMUD’s peak month). Based on information available as of December 31, 2025. Totals may not sum due to rounding. Capacity values for wind, solar, storage, and future variable renewable projects shown are based on resource ELCC modeling. Excludes a potential carbon sequestration power purchase agreement that SMUD is considering.

(2) Assumes resource is fueled with existing renewable natural gas supply. See “POWER SUPPLY AND TRANSMISSION – Fuel Supply – *Renewable Natural Gas Supply*.”

(3) SMUD assumes that for all firm system purchases, the suppliers will be planning 5% reserves.

## Balancing Authority Area Agreements

**Background.** SMUD began operating as an independent control area, later termed a Balancing Authority, on June 18, 2002 within the WECC reliability organization's region. This reduced SMUD's exposure to the costs and reliability risks of the CAISO's markets. SMUD expanded its operational footprint beyond SMUD's service territory to include WAPA's electric system, including the MID, Roseville, and Redding service areas (on January 1, 2005) and the COTP (on December 1, 2005). As described further below, SMUD ceased to be the Balancing Authority on April 30, 2011, as BANC took SMUD's place as the Balancing Authority. SMUD remains the operator of the Balancing Authority through a contract with BANC. SMUD administers the contracts with WAPA and TANC to provide specified Balancing Authority-related and other services, and is compensated by WAPA and TANC. TANC recovers such Balancing Authority services costs as a part of its annual operating budget from the COTP Participants and WAPA recovers its Balancing Authority services costs through its rates for power and transmission service. The agreement with WAPA, among other terms, establishes operating procedures and reserve obligations between the parties and terminates on December 31, 2026. WAPA in turn has agreements with electric systems connected to it to assure that such systems also operate reliably (i.e., MID, Roseville and Redding). As a result of the transition to BANC as the Balancing Authority, SMUD assigned or terminated its interconnection and operations agreements with other interconnecting Balancing Authority areas (i.e., CAISO, BPA and TID). BANC is now the party to these agreements as they primarily address only Balancing Authority matters required for compliance with the reliability standards issued by the North American Electric Reliability Corporation ("NERC"), such as emergency assistance arrangements. See also "OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – Western Energy Imbalance Market."

**Reliability Standards.** The Energy Policy Act of 2005 gave FERC authority to enforce reliability standards for the bulk electric system. In June 2007, these standards became mandatory for SMUD and BANC.

In 2025, SMUD and BANC underwent a combined NERC/WECC audit to evaluate compliance with applicable reliability standards. These audits occur every three years. At the conclusion of the audit, regulators determined that neither entity had any compliance violations related to the Operations and Planning or Critical Infrastructure Protection Standards.

**Balancing Authority of Northern California.** SMUD, MID, Redding and Roseville executed a Joint Exercise of Powers Agreement (the "BANC JPA Agreement") creating BANC on May 8, 2009. BANC became operational on May 1, 2011 as a Balancing Authority and replaced SMUD as the entity responsible for Balancing Authority-related reliability standards. Since that time, the Trinity Public Utilities District and the City of Shasta Lake have also become members of BANC. As provided in the BANC member agreement, liability for penalties associated with such Balancing Authority-related reliability standards are shared on a *pro rata* basis among the members of BANC. SMUD is the Balancing Authority operator under contract and performs Balancing Authority operational functions on behalf of BANC, much as it did when it was the Balancing Authority. The BANC JPA Agreement assigns cost responsibility based on member load within the BANC Balancing Authority, with SMUD representing approximately 70% of the total load.

## Western Power Pool Agreement

The Western Power Pool ("WPP") is an agreement among over 30 utilities and public agencies in the western United States to coordinate contingency reserve sharing, referred to as the WPP Reserve Sharing Program ("RSP"). The RSP permits participants to rely on one another in the event that any participant experiences a generating resource outage. While SMUD became an RSP participant in 2009,

participation is limited to Balancing Authorities, which SMUD relinquished to BANC in 2011. Under the RSP, BANC and TID (also a WPP member) share their reserve amounts and when necessary and when sufficient unused COTP rights and capacity are available, may call upon WPP reserves from the RSP member systems in the Pacific Northwest. The WPP RSP permits members to operate more efficiently by reducing the contingency reserves that they would otherwise need to have available if they could not rely on each other.

## **Other Interconnection Agreements**

**Background.** SMUD’s electric system was originally purchased from PG&E in 1946. SMUD’s service area is mostly surrounded by PG&E’s and WAPA’s service areas. The SMUD and PG&E electric systems are interconnected at SMUD’s Rancho Seco and Lake 230-kV substations. SMUD and WAPA are interconnected at SMUD’s Hurley, Elverta, Natomas and Folsom 230-kV substations.

**PG&E Interconnection Agreement.** PG&E and SMUD executed a Replacement Interconnection Agreement (“RIA”) which became effective on January 1, 2010. The RIA provides that SMUD and PG&E operate their interconnections reliably, plan their electric systems to meet their load requirements, and avoid or mitigate impacts they cause by certain electric system modifications. The agreement had an original termination date of December 31, 2024, which was extended through December 31, 2025 to allow PG&E to complete a settlement process with TID as described below. SMUD and other northern California utilities have similar interconnection agreements with PG&E, albeit with different expiration dates. PG&E filed a successor interconnection agreement with one of these utilities, TID, on November 1, 2023, to become effective on January 1, 2024. Many interconnection customers, including SMUD, intervened and submitted comments or protests in the FERC docket. TID and PG&E held settlement discussions, in which SMUD participated as a stakeholder, and ultimately agreed on a successor interconnection agreement that was filed at FERC for approval on April 17, 2025. PG&E used this settlement agreement as the template for the successor interconnection agreement with SMUD, which the parties negotiated to preserve the prior agreement’s material terms and conditions, albeit with certain clarifications, and maintains the balance of burdens and benefits consistent with FERC’s standard of requiring rates and terms of service that are just and reasonable. PG&E filed the negotiated revised interconnection agreement with FERC on October 24, 2025, proposing to extend the term of the RIA until 2040. FERC approved the filing on December 19, 2025, effective January 1, 2026.

**PG&E Generator Interconnection Agreements.** SMUD signed a Large Generator Interconnection Agreement (“LGIA”) with CAISO and PG&E for the Solano 3 Wind Project, effective December 16, 2008, with a 50-year term. The Solano 2 Wind Project has interconnection rights granted through a LGIA, also with the CAISO and PG&E. The agreement became effective in January 2010 and has a term of 20 years. On June 3, 2021, SMUD entered into a LGIA with the CAISO and PG&E, for the Solano 4 Wind project with a 10-year term and automatic renewal for successive one-year terms thereafter. On February 27, 2023, SMUD completed a combined LGIA amendment administrative process which combines the Solano 2, 3 & 4 projects into one Solano Wind Project. The original agreement conditions for the individual projects are carried forward with a new combined project maximum production limit of 320.8 MW at the point of interconnection at the Russell Substation.

Other PG&E generator interconnection agreements include a Small Generator Interconnection Agreement with PG&E for Slab Creek with a 22-year term which became effective on January 14, 2010, and a Small Generator Interconnection Agreement with PG&E for the Chili Bar Project with a 10-year term which became effective on June 2, 2021.

**WAPA Interconnection Agreement and other WAPA Agreements.** SMUD and WAPA executed an interconnection agreement on May 8, 2008 for a term of 40 years which establishes the terms and

conditions under which the SMUD and WAPA transmission systems are interconnected and memorializes related understandings. SMUD is working with WAPA on a reconfiguration at the shared Elverta interconnection to increase reliability and accommodate new generation interconnection in the area. SMUD has other agreements with WAPA including for operation of the Sutter Energy Center generating facility, communication systems terms and fiber optic access, training and for use of WAPA labor and heavy equipment to assist SMUD's maintenance activities on an as-available basis.

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## SELECTED OPERATING DATA

Selected operating data of SMUD for the four years ended December 31, 2022 through 2025 are presented in the following table.

### SMUD SELECTED OPERATING DATA CUSTOMERS, SALES, SOURCES OF ENERGY AND REVENUES

	Year Ended December 31,			
	2025	2024	2023	2022
<b>Customers at End of Period:</b>				
Residential .....	604,239	596,785	588,308	576,471
Commercial and industrial .....	70,739	70,468	70,147	69,512
Other .....	7,243	7,257	7,253	7,290
Total .....	682,221	674,510	665,708	653,273
<b>MWh Sales:</b>				
Residential .....	4,779,217	4,992,375	4,676,766	4,763,277
Commercial and industrial .....	5,673,709	5,676,491	5,374,936	5,805,052
Other .....	52,140	52,335	52,660	53,965
Total .....	10,505,066	10,721,201	10,104,362	10,622,294
Surplus power/out of area sales .....	4,286,066	4,131,264	4,143,139	2,493,651
Total .....	14,791,132	14,852,465	14,247,501	13,115,945
<b>Sources of Energy Sold MWh:</b>				
Generated by SMUD .....	7,046,742	7,264,859	7,270,858	4,368,126
Purchased or exchanged .....	8,040,547	7,943,974	7,308,120	9,162,576
Total .....	15,087,289	15,208,833	14,578,978	13,530,702
Less System losses and SMUD usage .....	296,157	356,368	331,477	414,757
Total .....	14,791,132	14,852,465	14,247,501	13,115,945
Gross System peak demand (kW) <sup>(1)</sup> .....	2,797,000	3,147,000	3,059,000	3,263,000
Average kWh sales per residential customer <sup>(2)</sup> .....	7,948	8,425	8,018	8,293
<b>Average Revenue per kWh Sold:</b>				
Residential <sup>(2)</sup> (cents) .....	18.91	17.86	16.87	16.73
Commercial & industrial <sup>(2)</sup> (cents) .....	16.33	15.53	15.00	13.97

- <sup>(1)</sup> Peak system MW values are measured at the four SMUD interconnection points and exclude SMUD's generation losses. Historical values include the impacts of dispatchable, non-dispatchable, and energy efficiency program capacity savings.
- <sup>(2)</sup> The average kWh sales per residential customer and the average revenue per kWh sold are calculated based upon billed and unbilled sales.

Source: SMUD

## SELECTED FINANCIAL DATA

### SMUD Financial Information

The following table presents selected financial data of SMUD. Under generally accepted accounting principles, data with respect to SMUD's component units, such as NCGA and NCEA, is included with that of SMUD. The following presents data for SMUD only and not its component units. [SMUD's audited financial statements for the years ended December 31, 2025 and December 31, 2024 are included in APPENDIX B attached to this Official Statement.] The following unaudited data for SMUD (excluding its component units) is drawn from SMUD's financial records that have been subjected to the auditing procedures applied in the audits of SMUD's and its component units' financial statements for the years ended December 31, 2022 through 2025.

**SMUD FINANCIAL DATA<sup>(1)</sup>**  
**(thousands of dollars)**

	Year Ended December 31,			
	2025	2024	2023	2022
<b>Summary of Income</b>				
Operating Revenues <sup>(2)</sup> .....	\$ 2,112,582	\$1,953,510	\$1,918,854	\$2,138,655
Operating Expenses .....	(1,822,734)	(1,804,727)	(1,772,503)	(2,102,451)
Operating Income (Loss) .....	289,848	148,783	146,351	36,204
Interest and Other Income (Expense) .	142,770	165,955	145,035	124,480
Interest Expense .....	(68,618)	(70,251)	(73,275)	(74,702)
Change in Net Position .....	\$ 364,000	\$ 244,487	\$ 218,111	\$ 85,982
<b>Selected Statement of Net Position Information</b>				
Net Plant in Service .....	\$4,036,922	\$4,078,371	\$3,652,422	\$3,682,180
Construction Work in Progress .....	775,338	520,435	587,722	323,499
Electric Utility Plant – Net .....	\$4,812,260	\$4,598,806	\$4,240,144	\$4,005,679
Unrestricted Cash .....	\$ 701,169	\$ 499,098	\$ 534,157	\$ 591,410
Rate Stabilization Fund .....	\$ 350,173	\$ 345,389	\$ 212,131	\$ 156,016
Total Assets .....	\$7,857,807	\$7,279,955	\$6,610,818	\$6,447,908
Net Position .....	\$3,185,251	\$2,840,490	\$2,596,004	\$2,377,893
Long-Term Debt <sup>(3)</sup> .....	\$2,591,844	\$2,488,137	\$2,305,156	\$2,236,824
<b>Debt Service Coverage Ratios</b>				
Parity Debt Service Coverage Ratio...	4.28x	3.32x	2.58x	1.86x
Parity and Subordinate Debt Service Coverage Ratio .....	3.96x	3.09x	2.44x	1.78x

(1) The financial statements of SMUD comprise financial information of SMUD along with its component units, such as NCGA and NCEA. This table includes only financial information of SMUD excluding its component units. Net operating revenues and expenses and Electric Utility Plant and Capitalization of SMUD's component units are not included in this table, although amounts paid to or received from the component units by SMUD are included. Effective October 1, 2025, an agreement between SMUD and the Sacramento Municipal Utility District Financing Authority transferred the operation and ownership of the Local Gas-Fired Plants to SMUD for operational and administrative efficiencies.

(2) Operating Revenues reflect net transfers to (from) the Rate Stabilization Fund for each full year as follows:  
2025 (\$0.2) million  
2024 \$133.3 million  
2023 \$56.1 million  
2022 (\$33.0) million

Transfers to the Rate Stabilization Fund reduce operating revenues in the year transferred; transfers from the Rate Stabilization Fund increase operating revenues. Transfers from the HGA balancing account in the Rate Stabilization Fund are automatic based on the amount of precipitation received. See "RATES AND CUSTOMER BASE – Rates and Charges" above.

(3) Long-Term Debt includes Long-Term Debt due within one year and unamortized premiums.

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## Financial Information of SMUD and its Component Units

The following table presents a summary of selected financial information for SMUD and its component units (referred to in the table as, the “Authorities”).

### SUMMARY OF FINANCIAL INFORMATION OF SMUD AND THE AUTHORITIES FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (thousands of dollars)

	Year Ended December 31, 2025			Year Ended December 31, 2024		
	SMUD	Authorities	Total <sup>(1)</sup>	SMUD	Authorities	Total <sup>(1)</sup>
<b>Summary of Income</b>						
Operating Revenues <sup>(2)</sup> .....	\$ 2,112,582	\$ 270,644	\$ 2,120,746	\$ 1,953,510	\$ 353,608	\$ 1,962,101
Operating Expenses .....	(1,822,734)	(238,648)	(1,798,901)	(1,804,727)	(344,248)	(1,803,958)
Operating Income .....	289,848	31,996	321,845	148,783	9,360	158,143
Interest and Other Income	142,770	1,010	140,449	165,955	3,711	169,094
Interest Expense.....	(68,618)	(31,255)	(99,873)	(70,251)	(31,565)	(101,816)
Change in Net Position.....	<u>\$ 364,000</u>	<u>\$ 1,751</u>	<u>\$ 362,421</u>	<u>\$ 244,487</u>	<u>\$ (18,494)</u>	<u>\$ 225,421</u>
<b>Selected Statement of Net Position Information</b>						
Net Plant in Service .....	\$4,036,922	\$ --	\$4,034,128	\$4,078,371	\$ 257,473	\$4,048,848
Construction Work in Progress.....	<u>775,338</u>	<u>--</u>	<u>775,338</u>	<u>520,435</u>	<u>7,304</u>	<u>527,739</u>
Electric Utility Plant – Net ....	<u>\$4,812,260</u>	<u>\$ --</u>	<u>\$4,809,466</u>	<u>\$4,598,806</u>	<u>\$ 264,777</u>	<u>\$4,576,587</u>
Unrestricted Cash .....	\$ 701,169	\$ --	\$ 701,169	\$ 499,098	\$ 48,033	\$ 547,131
Rate Stabilization Fund ....	\$ 350,173	--	\$ 350,173	\$ 345,389	--	\$ 345,389
Total Assets.....	\$7,857,807	\$ 791,918	\$8,641,167	\$7,279,955	\$1,245,067	\$8,120,833
Net Position.....	\$3,185,251	\$ (7,917)	\$3,174,541	\$2,840,490	\$ 255,126	\$2,812,120
Long-Term Debt <sup>(3)</sup> .....	\$2,591,844	\$ 781,432	\$3,373,276	\$2,488,137	\$ 901,187	\$3,389,324

<sup>(1)</sup> Financial information for SMUD and its component units, such as NCGA and NCEA, include intercompany balances. The financial information reflects balances after the elimination of intercompany accounts, including distributions to SMUD by the Authorities of \$3.3 million in 2025 and \$0.6 million in 2024. Effective October 1, 2025, an agreement between SMUD and the Sacramento Municipal Utility District Financing Authority transferred the operation and ownership of the Local Gas-Fired Plants to SMUD for operational and administrative efficiencies.

<sup>(2)</sup> Operating Revenues reflect net transfers to (from) the Rate Stabilization Fund as follows:  
2025 \$(0.2) million  
2024 \$133.3 million

Transfers to the Rate Stabilization Fund reduce operating revenues in the year transferred; transfers from the Rate Stabilization Fund increase operating revenues. Transfers from the HGA balancing account in the Rate Stabilization Fund are automatic based on the amount of precipitation received. See “RATES AND CUSTOMER BASE – Rates and Charges” above.

<sup>(3)</sup> Long-Term Debt includes Long-Term Debt due within one year and unamortized premiums.

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## Management's Discussion of SMUD's Operating Results

**Year Ended December 31, 2025.** For the year ended December 31, 2025, SMUD reported an increase in net position of \$364.0 million as compared to an increase of \$244.5 million for 2024.

Operating revenues were \$159.1 million higher than 2024. This was primarily due to higher sales to customers (\$57.9 million), and lower transfers to the rate stabilization fund (\$141.0 million), partially offset by lower sales of surplus power (\$17.4 million), lower AB 32 revenue (\$12.8 million) and lower sales of surplus gas (\$5.9 million).

Operating expenses were \$18.0 million higher than 2024. This was primarily due to higher production operating expenses (\$36.8 million), depreciation (\$19.0 million), administrative and general expenses (\$16.8 million), customer service and information (\$12.3 million), transmission and distribution operating expenses (\$6.6 million), production maintenance expenses (\$6.5 million), and amortization of regulatory assets (\$3.2 million), partially offset by lower purchased power expenses (\$85.9 million).

Non-Operating income decreased by \$23.2 million primarily due to lower other income (\$36.0 million), partially offset by higher contributions in aid of construction (CIAC) revenue (\$6.7 million), higher interest and investment income (\$6.2 million).

Interest expense decreased \$1.6 million from 2024.

**Year Ended December 31, 2024.** For the year ended December 31, 2024, SMUD reported an increase in net position of \$244.5 million as compared to an increase of \$218.1 million for 2023.

Operating revenues were \$34.7 million higher than 2023. This was primarily due to higher sales to customers (\$178.3 million), AB 32 revenue (\$8.8 million), LCFS revenue (\$2.0 million), higher transmission and JPA operations revenues (\$1.6 million) and customer fees (\$1.6 million), partially offset by higher transfers to the rate stabilization fund (\$79.0 million), lower sales of surplus power (\$57.7 million), and lower sales of surplus gas (\$23.8 million).

Operating expenses were \$32.2 million higher than 2023. This was primarily due to higher administrative and general expenses (\$51.5 million), public good expenses (\$9.4 million), customer service and information (\$8.9 million), amortization of regulatory assets (\$6.0 million) and transmission and distribution operations expenses (\$3.2 million), partially offset by lower production operating expenses (\$21.6 million), transmission and distribution maintenance expenses (\$15.7 million), and purchased power expenses (\$12.1 million).

Non-Operating income increased by \$20.9 million primarily due to higher other income (\$12.6 million) due to a business interruption insurance recovery payment related to the Cosumnes Power Plant outage claim and certain settlement payments, higher interest and investment income (\$12.2 million), partially offset by lower unrealized losses (\$4.6 million).

Interest expense decreased \$3.0 million from 2023.

**Regulatory Assets.** In accordance with Governmental Accounting Standards Board ("GASB") No. 62, "Regulated Operations," SMUD defers, as regulatory assets, certain types of expenditures. These assets are amortized and collected through future rates.

As of December 31, 2025, SMUD had a total of \$1,095.1 million recorded for regulatory assets. Regulatory assets associated with costs related to implementation of GASB No. 68 which requires SMUD

to record a net pension liability was \$289.5 million and deferred outflows related to GASB No. 68 was \$363.8 million at December 31, 2025. Regulatory assets associated with costs related to implementation of GASB No. 75 which requires SMUD to record a net Other Post Employment Benefit (OPEB) liability was \$242.7 million and deferred outflows related to GASB No. 75 was \$79.0 million at December 31, 2025. Regulatory assets associated with Rancho Seco decommissioning costs totaled \$118.5 million at December 31, 2025. Nuclear fuel storage costs and non-radiological decommissioning costs have been collected in rates since 2009. For a complete description of these regulatory assets, see Note 8 (Regulatory Deferrals) to SMUD's financial statements.

The Board has authorized the deferral of any charges or credits that result from the change in valuation of ineffective hedges that should be reported as Investment Revenue/Expense on the Statements of Revenues, Expenses and changes in net position. The Board's resolution establishes that such charges or credits are not included in rates based on market value changes but are included in rates when the underlying transactions occur. Therefore, under GASB No. 62, "Regulated Operations," any such changes are included in the Statement of Net Position as regulatory assets or liabilities. For a complete description of these derivative financial instruments, see Note 9 (Derivative Financial Instruments) to SMUD's financial statements.

### **RANCHO SECO DECOMMISSIONING**

**Overview.** The 913 MW Rancho Seco Nuclear Power Plant ("Rancho Seco") began Nuclear Regulatory Commission ("NRC") licensed operations in 1974. In June 1989, the electorate of SMUD voted against allowing SMUD to continue to operate Rancho Seco as a nuclear generating facility, and the plant was shut down. In 1991, SMUD submitted a report (the "Financial Assurance Plan") providing required financial assurance to the NRC that SMUD will have sufficient funds available to pay for the cost of decommissioning. On March 17, 1992, the NRC granted SMUD a change from an operating to a possession-only license for Rancho Seco that relieved SMUD from compliance with a number of NRC regulations applicable to operating nuclear power plants. SMUD also filed a proposed decommissioning plan with the NRC (the "Decommissioning Plan"), which was approved in March 1995.

After the decommissioning efforts began, no suitable disposal option was available to SMUD for the Class B and Class C low level radioactive waste generated during the plant decommissioning. With the used nuclear fuel stored onsite requiring oversight staff, SMUD opted to store the Class B and Class C radioactive waste in an existing interim onsite storage building until a suitable disposal option was available. In November 2007, the possession-only license for Rancho Seco was amended to update the Decommissioning Plan to terminate the possession-only license for the Class B and Class C waste in two phases. Phase I of the decommissioning was completed at the end of 2008. Following verification of the site conditions, SMUD submitted a request to the NRC to reduce the licensed facility from 2,480 acres to the interim onsite storage building and about one acre surrounding it. The request was approved by the NRC in September 2009. Phase II of decommissioning included the approximately two-acre interim storage building containing the Class B and Class C radioactive waste and surrounding area. In September 2013, SMUD entered into a contract with the operator of the low-level radioactive waste disposal facility located in Andrews, Texas. Shipment of the Class B and Class C radioactive waste for disposal was completed in November 2014. SMUD conducted additional clean-up activities and radiological surveys, which were followed by NRC confirmatory surveys. The results of these surveys demonstrated unit dose criteria well below NRC release criteria, and the NRC approved the Phase II area for unrestricted use. On September 21, 2017, SMUD formally requested the termination of the possession-only license. On August 31, 2018, the NRC officially terminated SMUD's possession-only license for the remaining Class B and Class C waste at Rancho Seco.

As part of the Decommissioning Plan, the nuclear fuel and Greater Than Class C (“GTCC”) radioactive waste is being stored in a dry storage facility (the Independent Spent Fuel Storage Installation or “ISFSI”) constructed by SMUD, adjacent to the former reactor facility. The NRC has separately licensed this facility. The United States Department of Energy (the “DOE”), under the Nuclear Waste Policy Act of 1982, is responsible for permanent disposal of used nuclear fuel and GTCC radioactive waste. SMUD has a contract with the DOE for the removal and disposal of this waste. The DOE was to have a waste repository operating by 1998, but has experienced significant and ongoing delays. The Nuclear Waste Policy Act designates Yucca Mountain in Nevada as the final and exclusive repository for the nation’s used nuclear fuel. The DOE discontinued the Yucca Mountain license review activities in 2010, but after a court ordered the NRC to resume its review in 2013, the NRC published its final safety evaluation report in 2015. The final safety report, and the final environmental impact statement, concluded that the proposed repository would be safe and environmentally sound for one million years.

Nevertheless, seeking alternatives to Yucca Mountain, the Blue-Ribbon Commission on America’s Nuclear Future delivered its final report in January 2012 with several recommendations. The DOE responded to the recommendations by issuing a report in January 2013 (Strategy for the Management and Disposal of Used Nuclear Fuel and High-Level Radioactive Waste). Key to both documents is a focus on used fuel from decommissioned sites including Rancho Seco. The DOE report accepts most of the Blue-Ribbon Commission recommendations, and contains timelines for fuel management options which proposed removing the fuel from Rancho Seco as early as 2021. However, any progress on the strategies proposed by the DOE is dependent on legislative action by Congress. With no legislative action taken to date, the 2021 projected date for fuel removal slips year-for-year. Therefore, SMUD cannot determine at this time when the DOE will fulfill its contractual obligations to remove the nuclear fuel and GTCC waste from the Rancho Seco facility. In the meantime, SMUD continues to incur costs of approximately \$6 to \$7 million per year for storage of used nuclear fuel at the ISFSI. Historically, SMUD filed a series of successful lawsuits against the federal government for recovery of past spent fuel costs. In the past decade, SMUD has executed and extended a settlement agreement with the federal government, pursuant to which SMUD is reimbursed for most spent fuel costs without having to litigate its claims. SMUD last recovered over \$5 million through the settlement process in 2025 for expenses incurred in 2023. SMUD plans to continue pursuing cost recovery claims through the settlement agreement, or, upon expiration of the agreement, through litigation, to ensure it is reimbursed for its costs in the future. The ISFSI will be decommissioned, and its license terminated after the fuel and GTCC is ultimately removed.

***Financial Assurance Plan.*** In accordance with the Financial Assurance Plan, SMUD established and funded an external decommissioning trust fund currently held by Computershare Corporate Trust (the “Decommissioning Trust Fund”). Pursuant to the Financial Assurance Plan, SMUD made the final deposit into the Decommissioning Trust Fund in 2008. Additional deposits are not expected but will be made if increased cost estimates or reduced fund interest earnings require it. In 2011, the NRC began requiring that SMUD demonstrate financial assurance for decommissioning the ISFSI as well as the former power facility, increasing the overall cost for decommissioning Rancho Seco. The estimated total cost for decommissioning the ISFSI was approximately \$9.1 million on December 31, 2025. The decommissioning cost estimate is required to be updated every three years. As of December 31, 2025, the balance of the Decommissioning Trust Fund was \$10.3 million, excluding unrealized gains and losses. Based on the current decommissioning cost estimate and the value of the fund, SMUD’s existing Decommissioning Trust Fund provides sufficient funds to complete decommissioning and terminate the ISFSI license.

In addition to these costs, SMUD also estimates that it would cost approximately \$13.1 million to restore the site to make it available for other SMUD uses with some major structures remaining intact. Site restoration is not a legal requirement. No site restoration is currently underway.

## EMPLOYEE RELATIONS

SMUD has approximately 2,469 employees, most of whom are covered by a civil service system. SMUD is a contracting member of the California Public Employees' Retirement System ("PERS"). Approximately 50% of SMUD's work-force is represented as to wages, hours and other terms and conditions of employment, by one of three recognized employee organizations, the International Brotherhood of Electrical Workers ("IBEW") Local 1245, the Organization of SMUD Employees ("OSE"), and the SMUD Public Safety Officers' Association ("PSOA"). The remaining approximately 50% of SMUD's work-force, which includes managers, professional, administrative, supervisory, and confidential, is unrepresented.

SMUD negotiated a four-year Memoranda of Understanding ("MOU") with OSE, effective January 1, 2026, through December 31, 2029, and a three-year MOU with IBEW, effective January 1, 2026, through December 31, 2028. Both contracts contain a no-strike/no-lockout clause effective during the life of the agreements. SMUD has a MOU with PSOA effective through December 31, 2026. SMUD has experienced only one labor interruption, which occurred in January 1980 that lasted four days.

## RETIREMENT BENEFITS AND POST-EMPLOYMENT MEDICAL BENEFITS

### Pension Plans

SMUD participates in 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.

As of June 30, 2024, the last actuarial valuation date for SMUD's plan within PERS, the market value of the SMUD plan assets was \$2.6 billion. The plan is 86.7% funded on a market value of assets basis, an increase of 1.3% compared to the June 30, 2023 funded status based on the market value of assets.

As an employer, SMUD is required to contribute a percentage of payroll each year to PERS to fund SMUD's plan based on actuarial valuations performed by PERS. PERS collects the normal cost based on a percentage of payroll and the unfunded liability portion is based on a dollar amount. SMUD also makes partial contributions required of SMUD employees on their behalf and for their account. At the PERS fiscal year ended June 30, 2025, SMUD's required employer contribution rate for normal cost was 9.5% of payroll and the unfunded liability contribution was \$10.7 million. During 2025, SMUD contributed \$33.1 million to PERS (including SMUD's contributions to cover required employee contributions), and SMUD employees paid \$21.1 million for their share of the PERS contribution.

For the fiscal years ending June 30, 2026 and June 30, 2027, SMUD is required to contribute 9.3% and 9.1% of payroll for normal costs and \$24.8 million and \$31.9 million for the unfunded liability contribution, respectively. Assuming no amendments to the plan and no liability gains or losses (which can have a significant impact), PERS has projected that SMUD will be required to contribute 9.0% of payroll to the plan for normal costs and \$35.3 million for the unfunded liability for the fiscal year ending June 30, 2028, not including SMUD contributions to cover required employee contributions. The amount SMUD is required to contribute to PERS is expected to increase in the future. The actual amount of such increases will depend on a variety of factors, including but not limited to investment returns, actuarial methods and assumptions, experience and retirement benefit adjustments.

SMUD has the option to prepay an annual lump sum payment to PERS for the unfunded accrued liability portion only (not including SMUD contributions to cover required employee contributions). SMUD made an annual lump sum prepayment of \$10.3 million, and voluntarily made an additional payment of \$26.1 million toward the unfunded accrued liability for the fiscal year ended June 30, 2025. SMUD made an annual lump sum prepayment of \$24.0 million and, to date, has not voluntarily made additional payments towards the unfunded accrued liability for the fiscal year ending June 30, 2026.

While SMUD has some ability to adjust the retirement benefits provided to its employees, PERS determines the actuarial methods and assumptions used with respect to assets administered by PERS (including the SMUD plan assets) and makes the investment decisions with respect to such assets. For a description of such actuarial methods and assumptions (including the smoothing conventions used by PERS when setting employer contribution rates) and investments, see the comprehensive annual financial report of PERS (SMUD's plan is part of the Public Employees' Retirement Fund of PERS) available on its website at [www.calpers.ca.gov](http://www.calpers.ca.gov). SMUD cannot guarantee the accuracy of such information and neither the comprehensive annual financial report of PERS nor any other information contained on the PERS website is incorporated by reference in or part of this Official Statement. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

GASB issued statement No. 68 "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27" ("GASB No. 68"). The primary objective of GASB No. 68 is to improve accounting and financial reporting by state and local governments for pensions. Under GASB No. 68, SMUD is required to report the net pension asset or net pension liability (i.e., the difference between the total pension liability and the pension plan's net position or market value of assets) in its Statement of Net Position. This standard requires shorter amortization periods for recognition of non-investment gains and losses and actuarial assumption changes, as well as for recognition of investment gains and losses. SMUD has elected to use regulatory accounting, which allows amortization of these gains, losses, and assumption changes over periods longer than those required by GASB No. 68 (see Regulatory Assets). GASB No. 68 separates financial reporting from funding requirements for pension plans. The net pension liability as of December 31, 2025 and December 31, 2024 is \$209.7 million and \$308.4 million, respectively.

SMUD provides its employees with two cash deferred compensation plans: one pursuant to Internal Revenue Code ("IRC") Section 401(k) (the "401(k) Plan") and one pursuant to IRC Section 457 (the "457 Plan" and 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 by employees 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 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 matches non-represented employee contributions to the 401(k) Plan up to a set amount. SMUD also makes limited discretionary contributions to non-represented employees hired after January 1, 2013, which contributions fully vest after five years. Prior to 2022, SMUD did not match employee contributions, nor make contributions on behalf of its employees to the 457 Plan. Beginning in 2022, SMUD makes annual contributions to the 457 Plan on behalf of certain employees and matches employee contributions up to a set amount pursuant to a memorandum of understanding with one of its collective bargaining units. SMUD made contributions to both Plans of \$8.1 million in 2025 and \$7.5 million in 2024. Participating employees made contributions into both Plans totaling \$38.5 million in 2025 and \$36.0 million in 2024.

## Other Post-Employment Benefits

SMUD provides post-employment 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 post-employment 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.

SMUD's post-employment health care benefits are funded through the PERS California Employers' Retiree Benefit Trust ("CERBT"), an agent multiple-employer plan. 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.

SMUD has elected to contribute the normal costs to the CERBT but annually receive reimbursement for cash benefit payments from the CERBT. In 2026, SMUD's contribution for the normal costs to CERBT is \$9.6 million. In 2025 and 2024, SMUD made contributions to the CERBT for normal costs in the amount of \$8.8 million and \$8.5 million, respectively. SMUD can elect to make additional contributions to the trust. During 2025 and 2024, SMUD made healthcare benefit contributions by paying actual medical costs of \$25.1 million and \$25.3 million, respectively. During 2025 and 2024, SMUD received \$25.3 million and \$24.1 million, respectively, in reimbursement for cash benefit payments from the CERBT.

At June 30, 2025 and 2024, SMUD estimated that the actuarially determined accumulated post-employment benefit obligation was approximately \$479.4 million and \$431.7 million, respectively. At June 30, 2025 and 2024, the plan was 87.8% and 90.7% funded, respectively.

SMUD's actuary uses PERS economic and other assumptions as the basis for the calculation of the post-employment benefit obligation. The actual accumulated post-employment benefit obligation will vary substantially if such PERS assumptions, such as interest rate and life expectancy, among others, prove to be inaccurate or different than SMUD's actual experience. Although SMUD believes that such assumptions and estimates are reasonable, no assurance can be given that any such assumptions will prove to be accurate, or that SMUD's actual accumulated post-employment benefit obligation will not materially exceed its estimates. Additional information is available in Note 15 (Other Postemployment Benefits) and "Required Supplementary Information" to SMUD's consolidated financial statements.

GASB previously issued SGAS No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions". The primary objective of GASB No. 75 is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions ("OPEB"). Under GASB No. 75, SMUD is required to report the net OPEB asset or net OPEB liability (i.e., the difference between the total OPEB liability and the OPEB plan's net position or market value of assets) in its Statement of Net Position. This standard requires shorter amortization periods for recognition of non-investment gains and losses and actuarial assumption changes, as well as for recognition of investment gains and losses. SMUD has elected to use regulatory accounting, which allows amortization of these gains, losses, and assumption changes over periods longer than those required by GASB No. 75

(see Regulatory Assets). The net OPEB liability as of December 31, 2025 and December 31, 2024 is \$48.5 million and \$34.1 million, respectively.

## CAPITAL REQUIREMENTS AND OUTSTANDING INDEBTEDNESS

### Estimated Capital Requirements

SMUD has a projected capital requirement of approximately \$3.0 billion for the period 2026 through 2030 as shown in the table below. Approximately 60% of this requirement is anticipated to be funded with internally generated funds and cash on hand.

Special projects include costs relating to construction of large substations and a replacement operations control building.

### ESTIMATED CAPITAL REQUIREMENTS (Dollars in Thousands)

	<b>Service Area and Other System Improvements Including Distribution System</b>	<b>Improvements to Existing Generation Plant</b>	<b>General Plant</b>	<b>Special Projects</b>	<b>Total Capital Requirements</b>
2026	205,706	119,019	153,814	191,883	670,422
2027	267,566	100,703	118,191	113,797	600,257
2028	264,430	113,235	113,774	110,266	601,705
2029	264,430	113,235	116,270	110,266	604,201
2030	264,430	113,235	120,939	110,266	608,870

### Outstanding Indebtedness

**General.** SMUD typically finances its capital requirements through the sale of revenue bonds, the sale of commercial paper, from draws on its Revolving Credit Facilities (as defined below) and from internally generated funds and cash on hand.

SMUD’s Electric Revenue Bonds (the “Senior Bonds”) are issued pursuant to Resolution No. 6649 (the “Senior Resolution”) adopted in 1971, as amended and supplemented (the “Senior Resolution”). As of March 31, 2026, SMUD had Senior Bonds in the aggregate principal amount of \$1,908,940,000 outstanding. The Senior Bonds are payable solely from the Net Revenues of SMUD’s Electric System. The Senior Bonds are subordinate in right of payment to the prior payment of “Maintenance and Operation Costs” and “Energy Payments” as defined in the Senior Resolution, including payments by SMUD to TANC under PA3 and payments by SMUD to NCGA and NCEA under their respective gas supply contracts.

SMUD’s Subordinated Electric Revenue Bonds (the “Subordinated Bonds”) are issued pursuant to Resolution No. 85-11-1 of SMUD, adopted on November 7, 1985, as amended and supplemented (the “Subordinate Resolution”). As of March 31, 2026, SMUD had Subordinated Bonds in the aggregate principal amount of \$432,020,000 outstanding. The Subordinated Bonds are payable solely from the Net Subordinated Revenues of SMUD’s Electric System. The Subordinated Bonds are subordinate in right of payment to the prior payment of principal of and interest on the Senior Bonds.

SMUD issues commercial paper notes (the “Notes”) from time to time. As of March 31, 2026, no Notes were outstanding. Currently, Notes in the aggregate principal amount of \$400,000,000 may be outstanding at any one time, but SMUD reserves the right to increase or decrease the aggregate principal amount of the Notes that may be outstanding at any one time in the future. The Notes are secured by letters of credit issued by commercial banks. The Notes (and SMUD’s obligations to repay drawings under the letters of credit) are payable solely from available revenues of SMUD’s Electric System and are subordinate in right of payment to the prior payment of principal of, premium if any, and interest on the Senior Bonds and the Subordinated Bonds. Drawings under the letters of credit, to the extent not repaid immediately from the proceeds of commercial paper or other available SMUD funds, are repayable with interest over a period of five years. The letters of credit currently expire in March of 2027 and September 2028.

SMUD has also entered into two revolving credit agreements with commercial banks and issued its taxable and tax-exempt revolving notes thereunder (collectively, the “Revolving Credit Facilities”). As of March 31, 2026, no principal amount was outstanding under the Revolving Credit Facilities. Currently, the aggregate principal amount that can be outstanding under the Revolving Credit Facilities at any one time is limited to \$150,000,000. However, SMUD reserves the right to increase or decrease the aggregate principal amount that can be outstanding at any one time under the Revolving Credit Facilities in the future. SMUD’s payment obligations under the Revolving Credit Facilities are payable solely from available revenues of SMUD’s Electric System and are subordinate in right of payment to the prior payment of principal of, premium if any, and interest on the Senior Bonds and the Subordinated Bonds. The current terms of the Revolving Credit Facilities expire in March 2029 and April 2029.

***Joint Powers Authorities.*** SMUD and Sacramento Municipal Utility District Financing Authority formed NCGA as a joint powers authority. NCGA is treated as a component unit of SMUD for accounting purposes. NCGA issued \$757,055,000 in bonds in May 2007 for the purpose of paying Morgan Stanley Capital Group in advance for natural gas to be delivered to NCGA and then sold to SMUD pursuant to a long-term purchase contract. SMUD’s obligation under the purchase contract is limited to payment for gas supplies delivered by NCGA. SMUD’s payments under the purchase contract are payable from revenues of SMUD’s Electric System prior to the payment of principal and interest on the Senior Bonds and the Subordinated Bonds as either “Maintenance and Operation Costs” or “Energy Payments” under the Senior Resolution and the Subordinate Resolution. SMUD is not obligated to make any payments in respect of debt service on the NCGA bonds. As of March 31, 2026, related bonds in the aggregate principal amount of \$66,245,000 remain outstanding.

SMUD and Sacramento Municipal Utility District Financing Authority formed NCEA as a joint powers authority. NCEA is treated as a component unit of SMUD for accounting purposes. NCEA issued \$689,700,000 in bonds on April 5, 2024, for the purpose of (i) refunding prior bonds issued by NCEA, the proceeds of which were used to pay J. Aron & Company LLC in advance for natural gas or electricity to be delivered to NCEA and then sold to SMUD pursuant to a long-term purchase contract and (ii) to pay Aron Energy Prepay 33 LLC for additional natural gas or electricity to be delivered to NCEA and then sold to SMUD pursuant to the same long-term purchase contract. SMUD’s obligation under the purchase contract is limited to payment for gas or electricity supplies delivered by NCEA. SMUD’s payments under the purchase contract are payable from revenues of SMUD’s Electric System prior to the payment of principal and interest on the Senior Bonds and the Subordinated Bonds as either “Maintenance and Operation Costs” or “Energy Payments” under the Senior Resolution and the Subordinate Resolution. SMUD is not obligated to make any payments in respect of debt service on the NCEA bonds. As of March 31, 2026, related bonds in the aggregate principal amount of \$684,245,000 remain outstanding.

***Interest Rate Swap Agreements.*** SMUD has an interest rate swap agreement relating to currently outstanding Subordinated Bonds, as shown in the following table. For more information, see Note 9 (Derivative Financial Instruments) to SMUD’s consolidated financial statements.

<u>Effective Date</u>	<u>Termination Date</u>	<u>SMUD Pays</u>	<u>SMUD Receives</u>	<u>Notional Amount (000's)</u>	<u>Counterparty</u>	
07/12/2023	08/15/2041	Fixed	0.7179%	70% of 1M Fallback SOFR	132,020	Barclays Bank

The obligations of SMUD under the swap agreement are not secured by a pledge of revenues of SMUD's electric system or any other property of SMUD. SMUD does not currently have any collateral posting requirements with respect to the interest rate swap agreement, but SMUD may be required to post collateral under certain circumstances.

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**Debt Service Requirements.** The following table sets forth SMUD’s debt service requirements with respect to SMUD’s Senior Bonds and Subordinated Bonds.

**DEBT SERVICE REQUIREMENTS<sup>(1)</sup>**

<b>Calendar Year</b>	<b>Senior Bonds Debt Service</b>	<b>Subordinated Bonds Debt Service<sup>(2)</sup></b>	<b>Total Debt Service</b>
2026	\$ 188,456,788	\$ 15,947,772	\$ 204,404,559
2027	188,543,538	15,947,772	204,491,309
2028	188,654,538	15,948,211	204,602,749
2029	148,758,900	15,947,332	164,706,232
2030	147,925,150	16,781,105	164,706,255
2031	151,253,650	14,281,105	165,534,755
2032	150,754,650	12,281,545	163,036,195
2033	150,757,150	9,447,332	160,204,482
2034	150,792,400	21,587,534	172,379,934
2035	151,217,550	21,159,537	172,377,087
2036	151,649,050	20,729,456	172,378,506
2037	114,916,300	28,303,354	143,219,654
2038	114,605,050	28,618,890	143,223,940
2039	114,285,050	28,935,859	143,220,909
2040	113,968,800	29,254,804	143,223,604
2041	100,623,550	29,889,177	130,512,727
2042	70,548,850	31,490,000	102,038,850
2043	70,339,650	31,490,300	101,829,950
2044	70,135,250	31,490,350	101,625,600
2045	69,926,700	31,494,550	101,421,250
2046	64,515,250	39,442,150	103,957,400
2047	64,516,000	39,604,200	104,120,200
2048	64,522,500	39,766,450	104,288,950
2049	64,518,750	39,942,850	104,461,600
2050	64,519,250	11,636,900	76,156,150
2051	39,127,500	11,826,950	50,954,450
2052	39,126,500	12,032,600	51,159,100
2053	39,128,250	12,242,950	51,371,200
2054	21,388,500	12,467,400	33,855,900
2055	--	12,705,050	12,705,050
<b>Total</b>	<b>\$3,069,475,063</b>	<b>\$682,693,484</b>	<b>\$3,752,168,547</b>

<sup>(1)</sup> Does not include bonds issued by NCGA, NCEA or SMUD’s portion of bonds issued by TANC. Payments by SMUD which are used by NCGA, NCEA, and TANC to pay debt service on such bonds constitute either “Maintenance and Operation Costs” or “Energy Payments” under the Senior Resolution and the Subordinate Resolution.

<sup>(2)</sup> Based on an assumed interest rate of 3% per annum following (i) the initial scheduled Mandatory Purchase Date of October 15, 2030, for SMUD’s Subordinated Electric Revenue Refunding Bonds, 2023 Series D, (ii) the initial scheduled Mandatory Purchase Date of October 15, 2032, for SMUD’s Subordinated Electric Revenue Refunding Bonds, 2025 Series E, and (iii) the initial scheduled Mandatory Purchase Date of October 15, 2031, for SMUD’s Subordinated Electric Revenue Bonds, 2025 Series F.

Note: Amounts may not add due to rounding.

## **INSURANCE**

SMUD maintains a comprehensive property/casualty insurance program designed to protect against catastrophic losses that would have an adverse effect on its financial position or operational capabilities. Insurance programs are continuously reviewed and modified when construction, operational exposures, or developments in the insurance industry so warrant. Long term relationships with a variety of insurers minimize SMUD's susceptibility to the effects of market cycles.

SMUD safeguards assets with all-risk property and boiler/machinery insurance with limits of \$800 million per occurrence for physical damage and business interruption combined. Various coverage sublimits and deductibles apply to losses arising from certain perils, such as business interruption, earthquake, or flood, respectively. Liability insurance is in effect to defend and indemnify SMUD against third party claims, including general, automobile and sudden and accidental pollution claims with policy limits of \$160 million, and wildfire coverage with policy limits of \$315 million, all of which include a variety of self-insured retentions.

Nuclear property and liability insurance policies are maintained in accordance with the NRC's requirements for decommissioned nuclear plants that maintain dry storage of spent fuel on-site. This includes \$100 million in first party property damage and decontamination, \$100 million for nuclear liability arising from accidents on-site, \$200 million for supplier's and transporter's nuclear liability, and \$300 million for nuclear worker liability. SMUD is exposed to possible retrospective assessments for nuclear property events occurring at other nuclear facilities in the United States capped at ten times SMUD's annual nuclear property premium (currently the maximum retrospective assessment is approximately \$1,000,000).

Other types of insurance include non-owned aircraft liability, workers' compensation, crime, cyber security, fidelity, fiduciary liability, directors' and officers' liability, professional errors and omissions, transportation, and builder's risk for major facilities under construction.

## **LEGAL PROCEEDINGS**

SMUD is a party to numerous actions arising out of the conduct of its business and affairs, some of which are discussed below. SMUD believes that any losses or adverse financial results it may suffer in these current actions, to the extent not covered by insurance, would not, in the aggregate, have an adverse material impact on SMUD, its business and affairs, or results of operations, financial position or liquidity.

### **Environmental Litigation**

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

### **Other Litigation Matters**

Currently, SMUD is party to various claims, legal actions and complaints relating to its operations, including, but not limited to, property damage, personal injury, contract disputes, and employment matters.

SMUD believes that the ultimate resolution of these matters will not have a material adverse effect on SMUD's financial position, liquidity, or results of operations.

### **FERC Administrative Proceedings**

SMUD is involved in a number of FERC administrative proceedings related to the operation of wholesale energy markets, regional transmission planning, gas transportation and NERC reliability standards. These proceedings generally fall into the following categories: (i) filings initiated by the CAISO (or other market participants) to adopt/modify the CAISO Tariff and/or establish market design and behavior rules; (ii) filings initiated by existing transmission owners (i.e., PG&E and the other IOUs) to pass-through costs to their existing wholesale transmission customers; (iii) filings initiated by FERC on market participants to establish market design and behavior rules or investigate market behavior by certain market participants; (iv) filings initiated by transmission owners under their transmission owner tariffs to establish a regional transmission planning process; (v) filings initiated by providers of firm gas transportation services under the Natural Gas Act; and (vi) filings initiated by NERC to develop reliability standards applicable to owners, users, and operators of the bulk electric system. In addition, SMUD is an active participant in other FERC administrative proceedings, including those related to reliability, variable resource integration and the changing resource mix, and transmission planning and cost allocation. SMUD believes that determinations of these FERC proceedings will not have a material adverse effect on SMUD's financial position, liquidity or results of operations.

### **CPUC Administrative Proceedings**

Periodically, PG&E seeks to update its gas transmission and storage ("GT&S") revenue requirements and rate designs. These applications are litigated at the CPUC and affect SMUD through several tariff rates SMUD pays to move natural gas along PG&E's backbone transmission lines. In the 2019 GT&S rate case (the "2019 GT&S Case"), the CPUC affirmed the application in GT&S rates of cost causation principles to prevent excessive and unreasonable costs being shifted to electric generator backbone customers like SMUD, either through proposed changes in PG&E's natural gas storage strategy or through cost shifts within the electric generator customer class. Following the 2019 GT&S Case, PG&E filed its 2023 General Rate Case (the "GRC") in June 2021 (covering years 2023-2026), and its Gas Cost Allocation and Rate Design Proposal ("CARD") in September 2021. The CPUC resolved all issues through approval of a comprehensive, all-party settlement in March 2024.

PG&E filed its most recent General Rate Case ("2027 GRC") in May 2025, which seeks to establish, among other things PG&E's gas transmission and storage revenue requirements in years 2027-2030. PG&E filed its associated 2027 CARD application in November 2025. SMUD is a party to and monitoring both proceedings at the CPUC. SMUD does not believe that determinations of these CPUC proceedings will have a material adverse effect on SMUD's financial position, liquidity or results of operations. SMUD will continue to actively participate in PG&E's future GRC and CARD proceedings to ensure that costs are fairly allocated to non-core customers, including electric generator backbone customers.

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

## **DEVELOPMENTS IN THE ENERGY SECTOR**

### **California Electric Market**

In 1996, the State partially deregulated its electric energy market and the CAISO was established in 1998. Since the CAISO's formation, the State has experienced episodes of higher and more volatile prices for natural gas and wholesale electricity. In reaction to such conditions, SMUD made significant changes to its business strategy to mitigate the impacts of the more volatile and unpredictable energy markets. Volatility in energy prices in the State are always a potential risk due to a variety of factors which affect both the supply and demand for electricity in the western United States. These factors include, but are not limited to, the implementation of the CAISO market design changes, insufficient generation resources, the increase in intermittent renewable energy resources, natural gas price volatility, fuel costs and availability, weather and natural disasters, transmission constraints and levels of hydroelectric generation within the region. While SMUD has taken a number of steps to mitigate its exposure to price volatility associated with these factors, this price volatility under extreme conditions may contribute to greater volatility in SMUD's net revenues from the purchase and sale of electric energy and, therefore, could materially adversely affect the financial condition and liquidity of SMUD. For a discussion of SMUD's current resource planning activities and risk management strategies, see "BUSINESS STRATEGY" above.

### **Cybersecurity**

Cybersecurity continues to be a top priority for SMUD. Attacks or threats directed at critical electric or energy sector operations could damage or cause the shut-down of generation, transmission or distribution assets that are essential to SMUD's ability to serve its customers, cause operational malfunctions and outages affecting SMUD's electric system, and result in costly recovery and remediation efforts. The costs of security measures or of remedying breaches could be material.

SMUD participates in sharing and receiving information about cyber security threats in real-time through the Electricity Information Sharing and Analysis Center ("E-ISAC"), the central hub for such data to actively manage risk related to potential cyber intrusion. SMUD collaborates and receives threat intelligence from Federal entities such as the FBI and CISA. SMUD also participates in NERC's development of mandatory, enforceable cyber security standards to address vulnerabilities in electric utility systems. SMUD also adopts voluntary measures suggested as best practices by the National Institute of Standards and Technology ("NIST") in its national framework.

SMUD's prudent response to this ever-changing threat requires constant monitoring and frequent updates to implement new regulatory requirements as they are developed. SMUD manages risk related to frequently changing regulatory requirements by participating in the development of standards at NERC and NIST and through active engagement in the cyber security policy dialogue in Congress.

### **Physical Security**

Physical security is a critical concern for electric utilities as they seek to protect their infrastructure from a range of threats. The electric utility infrastructure is complex and consists of multiple components, such as power plants, substations, transmission and distribution lines, and other facilities. SMUD employs a dedicated physical security team that is deployed 24/7 and allows SMUD to respond to emergent events in a safe, coordinated, efficient, and cohesive manner, protecting the lives of its employees, customers, community, properties and assets. SMUD has policies, processes and procedures in place that outline the access controls and restrictions for its properties. SMUD restricts access based on need as it determines, while adhering to applicable laws, regulations and standards such as NERC Reliability Standards and NRC

regulations. SMUD also maintains a Utility Security Plan adopted by the Board representing SMUD's compliance with the CPUC's Safety and Enforcement Division six-step security plan process described in CPUC Decision 19-01-018. SMUD is reviewing will present an updated Utility Security Plan to the Board prior to July 2026, in alignment with the CPUC Decision.

During times of elevated, imminent threats, safety and/or security concerns, SMUD's Security Operations team, under the direction of the Chief Diversity Officer or delegate, reserves the right to deploy additional security measures, controls, and further restrict or limit access to its properties to increase its security posture.

SMUD operates a 24/7 security operations center which monitors and coordinates responses to situations reported by internal and external stakeholders, or which are detected by SMUD's security technology. The technology includes access control, video surveillance, and various types of intrusion detection solutions. The security operations center is a central hub for initial contact for physical security calls from employees of suspicious events and initiates incident responses as needed.

### **Federal Legislation and Regulatory Proceedings**

***Energy Policy Act of 2005.*** On August 8, 2005, the Energy Policy Act of 2005 (the "EPAAct of 2005") was signed into law. The law includes a number of energy-related provisions such as limited FERC jurisdiction over interstate transmission assets of municipal utilities, cooperatives and federal utilities to order these entities to provide transmission services on rates and terms comparable to those the entities charge and provide to themselves; the grant of authority to FERC to establish and certify an electric reliability organization to develop and enforce reliability standards for users of the bulk power transmission system; and prohibitions of certain market practices including the provision of false information and related expansion of FERC civil and criminal penalty authority. The most impactful part of the EPAAct of 2005 on SMUD has been the development and enforcement of mandatory federal reliability standards.

***Federal Regulation of Transmission Access.*** The Energy Policy Act of 1992 (the "Energy Policy Act") made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access. The Energy Policy Act provided FERC with the authority to require a transmitting utility to provide transmission services at rates, charges, terms and conditions set by FERC. The purpose of these changes, in part, was to bring about increased competition in the electric utility industry. Under the Energy Policy Act, electric utilities owned by municipalities and other public agencies which own or operate electric power transmission facilities which are used for the sale of electric energy at wholesale are "transmitting utilities" subject to the requirements of the Energy Policy Act.

Since the Energy Policy Act, FERC has adopted a series of rules to implement competitive open access to transmission facilities and regional transmission planning. Order No. 888, issued in 1996, requires the provision of open access transmission services on a nondiscriminatory basis by all "jurisdictional utilities" (which, by definition, does not include municipal entities like SMUD) by requiring all such utilities to file OATTs. Order No. 888 also requires "nonjurisdictional utilities" (which, by definition, does include SMUD) that purchase transmission services from a jurisdictional utility under an open access tariff and that owns or controls transmission facilities to provide open access service to the jurisdictional utility under terms that are comparable to the service that the nonjurisdictional utility provides itself. Section 211A of the EPAAct of 2005 authorizes, but does not require, FERC to order unregulated transmission utilities to provide transmission services, including rates and terms and conditions, that are comparable to those under which the unregulated transmitting utility provides transmission services to itself that are not unduly discriminatory or preferential – often referred to as the reciprocity rule.

In Order 890, issued in 2007, FERC stated that it will implement its authority under Section 211A on a case-by-case basis and retain the current provisions.

In 2011, FERC issued Order 1000, which requires public utility (jurisdictional) transmission providers to participate in a regional transmission planning process that produces a regional transmission plan and that incorporates a regional and inter-regional cost allocation methodology. Similar to Order 890, FERC states that it will implement its authority under Section 211A on a case-by-case basis. However, in Order 1000, FERC expands upon the current reciprocity provisions and states that it has the authority to allocate costs to beneficiaries of services provided by specific transmission facilities even in the absence of a contractual relationship between the owner of the transmission facilities and the identified beneficiary.

SMUD, individually, and through the Large Public Power Council (“LPPC”), appealed Order 1000, but in 2014 the D.C. Circuit Court of Appeals rejected all of the arguments raised on appeal, upholding the entirety of Order 1000.

The jurisdictional members of WestConnect filed their proposed regional planning process and cost allocation methodology through a series of compliance filings at FERC. FERC accepted binding cost allocation for jurisdictional transmission providers of WestConnect and mandated that non-jurisdictional transmission providers (such as SMUD) identified as beneficiaries of a project have the ability to not accept the cost allocation. WestConnect’s Order 1000 planning process began with the 2016-2017 planning cycle.

However, in response to FERC’s WestConnect orders on compliance, El Paso Electric Company (“El Paso”), a jurisdictional transmission provider, petitioned to the Court of Appeals for the 5th Circuit contending that FERC’s WestConnect orders violated Order 1000’s cost causation principle because WestConnect’s binding cost allocation applies only to the jurisdictional transmission providers which forces jurisdictional transmission providers to subsidize projects benefitting non-jurisdictional transmission providers that opt-out of projects. On August 2, 2023, the court reversed FERC’s orders implementing Order No. 1000 for WestConnect concerning cost allocation of regional transmission projects to non-jurisdictional transmission providers, and remanded to FERC to address this issue. The court found that the WestConnect orders are incompatible with Order No. 1000’s application of the cost causation principle to address free ridership. As a result, per a FERC order effective April 24, 2025, the non-jurisdictional transmission providers may no longer participate in WestConnect’s regional planning process unless they enroll in binding cost allocation. The non-jurisdictional transmission providers continue to assess options, but none have currently enrolled in the region. SMUD’s long-standing objective is to comply with open access requirements necessary to achieve reciprocity, including through participation in a regional planning process while not binding itself to mandatory cost allocation. Thus, SMUD has an interest in continuing to explore options for participation in a regional transmission planning process which could include forming a separate region, joining another region (e.g. NorthernGrid), or developing an alternative non-jurisdictional framework within WestConnect that would pass FERC cost-allocation muster while at the same time maintaining its business and jurisdictional interests.

On April 21, 2022, FERC issued a Notice of Proposed Rulemaking on Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection (the “NOPR”). The NOPR sought input on proposals that would impact the regional transmission planning and cost allocation process. SMUD engaged in the proceeding, providing input and helping draft comments with trade organizations, including LPPC. On May 13, 2024, FERC issued Order 1920 which requires that transmission providers through regional planning entities (e.g. WestConnect) plan for transmission needs over a 20-year horizon, considering certain factors and benefits. The new long-term regional transmission planning (“LTRTP”) process is added to the existing Order 1000 planning requirements. Importantly, Order 1920 contains cost containment protocols that require “right sizing” transmission facilities and re-evaluation of projects in the event of delays or cost overruns. Given FERC’s April 24, 2025, order regarding

regional planning participation of non-jurisdictional transmission providers in WestConnect, the non-jurisdictional transmission providers have not participated in the WestConnect efforts to develop its LTRTP process. However, SMUD will continue to monitor and be engaged in any developments at FERC that impact Orders 1000 and 1920 processes and its regional transmission planning participation.

SMUD is unable to predict at this time the full impact that Orders 1000 and 1920 will have on the operations and finances of SMUD's electric system. SMUD will continue to take any action necessary, including withdrawing from a cost allocation determination or planning region, and engaging in FERC proceedings, to ensure that it is not required to pay for transmission costs in the absence of an agreement or service relationship.

***NERC Reliability Standards.*** The EPCRA of 2005 required FERC to certify an electric reliability organization ("ERO") to develop mandatory and enforceable reliability standards, subject to FERC review and approval. On February 3, 2006, FERC issued Order 672, which certified NERC as the ERO. Many reliability standards have since been approved by FERC, including those aimed at protecting the bulk electric system from physical and cyber threats.

The ERO or the regional entities, such as WECC, may enforce the reliability standards, subject to FERC oversight or FERC may independently enforce reliability standards. Potential monetary sanctions include fines of up to \$1,584,648 per violation per day. Order 693 provides ERO and regional entities with the discretion necessary to assess penalties for such violations, while also having discretion to calculate a penalty without collecting the penalty if circumstances warrant.

***Anti-Market Manipulation Rules.*** The EPCRA of 2005 gave FERC the authority to issue rules to prevent market manipulation in jurisdictional wholesale power and gas markets, and in jurisdictional transmission and transportation services. These anti-market manipulation rules apply to non-jurisdictional entities such as SMUD. Further, the EPCRA of 2005 provided FERC civil penalty authority, which FERC exercises carefully by assuring that its market manipulation rules are clear.

***Greenhouse Gas Emissions.*** Since 2009, the U.S. Environmental Protection Agency (the "EPA") has taken steps to regulate GHG emissions from different sources, including the electric sector.

In 2014, EPA issued a proposed rule under section 111(d) of the Clean Air Act ("CAA") called the Clean Power Plan (the "CPP") that projected power sector emissions reductions of 30% below 2005 levels by 2030. The proposed CPP would have established a rate-based emissions goal for each state, providing states the responsibility to develop a State Implementation Plan ("SIP") describing how each will meet the goal assigned by EPA using the "Best System of Emissions Reduction" ("BSER") established by EPA. The rule was finalized in October 2015.

In November 2015, 27 states and numerous corporations challenged the CPP in court, alleging that EPA had exceeded its authority under the CAA; however, before the issue could be decided by the court, the 2016 presidential election resulted in a change of administration. The new administration quickly moved for an abeyance (or stay) of the case for as long as the agency needed to review and withdraw the CPP. The U.S. Supreme Court stayed implementation of the CPP pending disposition in the D.C. Circuit and any subsequent review by the Supreme Court. In August 2018, EPA proceeded to withdraw the CPP and the D.C. Circuit ultimately dismissed the case on September 17, 2019. EPA proposed a different rule under the same provision of the CAA, known as the Affordable Clean Energy ("ACE") rule, which would have established a BSER that only includes measures that can be undertaken at an individual power plant, rather than the broader suite of measures envisioned under the CPP. The ACE rule was challenged in court by environmental groups and states alleging that the revised rule inadequately responds to EPA's responsibility to protect public health and welfare. SMUD joined in this litigation along with other challengers. The D.C.

Circuit vacated the ACE rule on January 19, 2021, and remanded it to EPA for review and revision, just days before a new presidential administration took office. Several states led by West Virginia and coal industry members appealed the decision.

In June 2022, the U.S. Supreme Court issued its opinion in *West Virginia v. EPA*, striking down the CPP and foreclosing any future regulations of “significant political and economic significance” if Congress has not expressly authorized them. While the decision does not restrict EPA to only requiring measures “inside the fence line” at an individual power plant to control GHGs, it appears unlikely that EPA will be able to require material reductions in GHGs to mitigate climate change through section 111(d) of the CAA.

Under the Biden administration, in May 2023, EPA issued a proposed rule under Section 111(d) of the CAA to reduce GHG emissions from existing and new power plants. The four-part proposed rule, *New Source Performance Standards for Greenhouse Gas Emissions From New, Modified, and Reconstructed Fossil Fuel-Fired Electric Generating Units; Emission Guidelines for Greenhouse Gas Emissions From Existing Fossil Fuel-Fired Electric Generating Units; and Repeal of the Affordable Clean Energy Rule*, would have set forth GHG emission standards for certain subcategories of new and existing fossil fuel-fired power plants operating greater than 50% of the time and generating more than 300 MW per turbine. In the proposed rule, EPA determined the BSER is either deploying carbon capture and storage technology to capture 90% of emissions or co-firing 96% hydrogen produced through a low-emission process (“low-GHG hydrogen”). If finalized, compliance would have been required by 2032. SMUD filed comments as part of several trade groups and coalitions in response to the proposed rule, but SMUD’s internal analysis showed the rule as proposed would not require changes at any of its currently-operating fossil-fueled power plants and therefore would not have had a material impact on SMUD’s financial position, operations, or liquidity. The final rule issued by EPA in March 2024 significantly modified the proposal by reducing subcategories for coal-fired units, extending compliance dates for CCS implementation, removing hydrogen co-firing as a BSER option, and introducing reliability-focused provisions. Additionally, EPA did not finalize emission requirements for fossil fuel-fired stationary combustion turbines.

Most recently, under the current Trump administration in March 2025, EPA initiated a substantial reevaluation and potential reversal of the foundational 2009 Endangerment Finding, a cornerstone of GHG emissions regulation under the CAA. The administration argues that advancements in scientific research and significant economic considerations necessitate this reassessment.

In February 2026, the Trump administration announced its formal repeal of the 2009 Endangerment Finding. EPA finalized the repeal following a year-long formal rulemaking process that included public hearings and a public comment period. EPA asserted that the 2009 determination exceeded the agency’s statutory authority and that policy decisions of such economic and national significance rest with Congress, not the agency. The repeal is being challenged in federal court; if the repeal is upheld it would fundamentally undermine EPA’s regulatory authority over carbon emissions. Utilities, including SMUD, could see increased risks from litigation related to emissions, previously shielded by federal regulatory frameworks,

EPA has also proposed eliminating long-standing GHG reporting requirements for industrial facilities, a move that could diminish transparency and limit comprehensive emissions data crucial for informed policy and investment decisions. Moreover, the current administration is revisiting vehicle emission standards, potentially scaling back stringent GHG emissions targets for new vehicle model years. Such actions could significantly alter national emission trajectories and impact related state regulatory efforts, notably in states like California with aggressive vehicle emissions targets.

While SMUD’s immediate operations and financial status may remain largely unaffected directly by these federal regulatory shifts, the broader implications of deregulation pose potential indirect effects through market shifts, evolving state-level policies, and future regulatory scenarios. SMUD remains proactive in monitoring these developments closely, ensuring strategic adaptability and financial resilience amid evolving regulatory landscapes.

***Federal Communications Commission.*** The 1978 Pole Attachment Act added section 224 to the Communications Act of 1934, authorizing the Federal Communications Commission (“FCC”) to regulate attachments by cable television systems or providers of telecommunications service to utility poles, ducts, conduits, and rights-of-way. Under Section 224(a)(1), public power entities are exempt from FCC pole attachment regulations, as municipally-owned poles are already subject to local decision-making processes and governance. The municipal exemption from FCC pole attachment regulations was further codified through the enactment of the Telecommunications Act of 1996. However, over the past decade, this exemption has been continuously eroded.

Various actions by the FCC have limited the exemption in support of a “uniform policy for broadband access to privately-owned physical infrastructure.” Through four orders issued between 2017 and 2018, the FCC set strict time limits for the review of pole attachment applications and preempted state and local agreements on pole attachments. In 2020, in *City of Portland v United States*, the U.S. Court of Appeals for the Ninth Circuit upheld the FCC’s Small Cell Order, which adopted new time limits for municipal utilities’ review of wireless infrastructure siting applications and preempted access fees for small cells. In November 2023, the FCC adopted its Fourth Report and Order, Declaratory Ruling, and Third Further Notice of Proposed Rulemaking that would reform pole replacement rules and facilitate the approval process for pole attachment applications, among other things. In September 2025, the FCC issued a Notice of Inquiry on barriers to wireline deployment, that could potentially lead to a rulemaking that would erode the municipal exemption from FCC pole attachment regulations.

SMUD is unable to predict whether any new FCC rulemakings will impact the operations and finances of SMUD’s electric system. SMUD will monitor these proceeding for any potential impact to SMUD.

***Federal Clean Energy Legislation.*** SMUD actively participates in discussion at the federal level regarding legislation that would meaningfully impact SMUD’s existing GHG reduction strategies or impose new requirements for electric generators, including a proposed federal clean energy standard. In the 117th Congress, a clean electricity performance program was considered but ultimately lacked support to pass. Instead, Congress extended and expanded clean energy tax credits and created new grant and rebate programs to incentivize clean energy investments in the Inflation Reduction Act of 2022. While it is possible that a future Congress may revisit the concept of a clean energy standard or other GHG reduction regime, it is possible that the passage of the Inflation Reduction Act will diminish the likelihood of a new regulatory framework being enacted in the near future.

SMUD is unable to predict whether any new EPA rulemakings will be undertaken, and what the full impact of the reduction of fossil-based generation over time will have on the operations and finances of SMUD’s electric system or the electric utility industry generally.

***Federal Tax Policy Legislation.*** In July 2025, the One Big Beautiful Bill Act (“OB3A”) was enacted into law, extending numerous 2017 Tax Cuts and Jobs Act (“TCJA”) provisions. Among the revenue raisers to pay for the extensions was the repeal and accelerated phaseout of several Inflation Reduction Act energy tax credits.

SMUD is unable to predict the full impact the tax policy legislation will have on the business operations and financial condition of SMUD's electric system. SMUD may receive refundable direct payments of the investment and production energy tax credits, resulting in hundreds of millions of dollars in direct payments for infrastructure projects pursued by SMUD. In addition, SMUD has entered into several power purchase agreements that utilize energy tax credits for project financing, reducing the overall cost of the investment. SMUD has accelerated the construction of various energy infrastructure projects and negotiations for several power purchase agreements to meet the energy tax credit eligibility deadlines under OB3A. Any future legislation that changes the value of energy tax credits may impact the final cost of these contracts or future contracts.

SMUD will continue to monitor and engage in any developments in Congress on the reconciliation package and its impact to SMUD's ability to claim energy tax credits and issue tax exempt bonds.

### **State Legislation and Regulatory Proceedings**

A number of bills affecting the electric utility industry have been enacted by the State Legislature. In general, these bills provide for reduced GHG emission standards and greater investment in energy efficient and environmentally friendly generation alternatives through more stringent RPS. Additionally, ongoing regulatory proceedings address the implementation of these bills as well as water flow and quality issues related to the Sacramento – San Joaquin River Delta. The following is a brief summary of these bills and regulatory proceedings.

***Greenhouse Gas Emissions.*** On September 27, 2006, the Governor of the State signed into law AB 32, the Global Warming Solutions Act of 2006 ("AB 32"). AB 32 requires the California Air Resources Board ("CARB") to adopt enforceable GHG emission limits and emission reduction measures in order to reduce GHG emissions to 1990 levels by 2020. In addition, AB 32 establishes a mandatory reporting program for all IOUs, local, publicly-owned electric utilities and other load-serving entities (electric utilities providing energy to end-use customers) ("LSEs"). The AB 32 reporting program allows CARB to adopt regulations using market-based compliance mechanisms such as a "cap-and-trade" system.

On December 16, 2010, CARB approved a resolution adopting cap-and-trade regulations for the State. The regulations became effective on January 1, 2012. As adopted, the cap-and-trade program covers sources accounting for 85% of the State's GHG emissions, the largest program of its type in the United States. In November of 2012, CARB conducted its first allowance auction and auctions now occur on a quarterly schedule.

The cap-and-trade program introduced a hard emissions cap that declines over time on the combined electric utility and large industrial sectors, covering all sources emitting more than 25,000 metric tons of carbon dioxide-equivalent greenhouse gases ("CO<sub>2</sub>e") per year, and was subsequently expanded to cover distributors of transportation, natural gas, and other fossil fuels. The cap-and-trade program requires covered entities to retire compliance instruments (allowances and carbon offsets) for each metric ton of CO<sub>2</sub>e they emit. CARB has allocated free allowances to LSEs to mitigate the compliance cost burden on ratepayers. The value of allowances must be used to benefit ratepayers and achieve GHG emission reductions. The cap-and-trade program also allows covered entities to use offset credits for compliance purposes (not exceeding 8% of a regulated entity's compliance obligation through 2020, 4% from 2021 through 2025, and 6% from 2026 through 2030). Offsets must be obtained from certified projects in sectors that are not regulated under the cap-and-trade program and are subject to other restrictions.

The State's cap-and-trade program is linked to Quebec and was briefly linked to companion program in the Canadian province of Ontario during 2018 but was de-linked following a political change. In 2021, the Washington state legislature passed a cap-and-trade bill, which is expected to interact with the

State's markets. Future potential near-term links to the CARB cap-and-trade program also include the states of Oregon, which has adopted a cap-and-trade program, and New Mexico, which is considering the adoption of a cap-and-trade program.

On October 7, 2015, SB 350 was enacted, containing aggressive goals for reducing carbon emissions by 2030, including raising the proportion of renewable energy to 50%, reducing the use of petroleum fuel in cars and trucks by up to 50%, and doubling the energy efficiency of existing buildings. See "BUSINESS STRATEGY – Sustainable Power Supply and Transmission – *Renewable Energy and Climate Change*" for additional information. In addition, SB 350 established requirements for larger POU's to adopt and file with the CEC Integrated Resource Plans ("IRPs") by April 2019 that would show planned procurement to achieve the 50% RPS and State GHG goals established by CARB. The CEC developed "guidelines" for these IRPs for POU's in 2017, updated them in 2018, and proposed additional updates in 2022. CARB established specific GHG target ranges for these IRPs in summer 2018, which were revised in 2023 following the adoption of CARB's 2022 Scoping Plan. SMUD developed and adopted an IRP in 2018 through a comprehensive public process and filed the adopted IRP with the CEC in April 2019. SMUD adopted an updated IRP in June 2022 and filed the updated IRP with the CEC in September 2022. In August 2024, the CEC approved SMUD's IRP as consistent with the applicable requirements. SMUD's updated IRP plans for a greater than 92% reduction in GHG emissions by 2030 relative to 1990 levels, which equals approximately 250,000 metric tons of GHG emissions in 2030. SMUD's next IRP update must be approved by SMUD's Board of Directors by June 2027. See "BUSINESS STRATEGY – Sustainable Power Supply and Transmission – *Renewable Energy and Climate Change*."

On April 29, 2015, the Governor of the State signed Executive Order B-30-15, establishing a goal for the State to reduce GHG emissions to 40% below 1990 levels by 2030. In 2016, the State Legislature passed Senate Bill 32 ("SB 32"), which codified then-Governor Brown's goal of reducing the State's GHG emissions to 40% below 1990 levels by 2030. In 2017, the State Legislature passed Assembly Bill 398 ("AB 398"), explicitly authorizing the continuation of the cap-and-trade program, with designated changes, through 2030. Subsequently, CARB adopted an initial set of regulatory changes extending the cap-and-trade program, including establishing utility sector allowance allocations through 2030. In 2018, CARB completed a rulemaking to implement the cap-and-trade program changes designated by AB 398. These changes include development of a hard price ceiling for the cap-and-trade program and two price-containment points below that ceiling, in an attempt to ensure stable prices in the program. CARB adopted final regulations on December 13, 2018.

On September 19, 2025, the Governor of the State signed AB 1207 (Irwin, Statutes of 2025), which extends the Cap-and-Trade regulation through 2045. The bill also required CARB to design the regulations to support the transition of allowances from gas corporations to electrical distribution utilities and renamed the program from Cap-and-Trade to Cap-and-Invest.

CARB proposed new amendments to the Cap-and-Invest program regulation and Mandatory Reporting Regulation (MRR) on January 20, 2026. The purpose of the Cap-and-Invest amendments is to implement the provisions of AB 1207, reflect updates to the state's greenhouse gas emissions inventory, and make program improvements. The MRR amendments are intended to improve clarity about data reporting requirements and support the Cap-and-Invest program. The proposed Cap-and-Invest amendments update program budgets to align with updates to GHG inventory data (which necessitates the removal of approximately 118 million allowances from program budgets through 2030) but do not increase program stringency before 2030. Several of CARB's proposed changes to the electric utility allowance allocations for ratepayer protection could materially impact SMUD. First, CARB has proposed recalculating allocations for the 2027-2030 period. If CARB's January 20 proposal is approved, SMUD would lose approximately 2.3 million allowances over the four-year period, with an estimated value of \$75 million to \$175 million (low end of range assumes floor prices and high end assumes \$60, escalated each

year for inflation). With the program's extension through 2045, CARB's amendments propose a new allocation to electric utilities for the 2031-2035 period; if this proposal is approved, SMUD anticipates receiving a cumulative total of approximately 8.5 million allowances over that period for the benefit of its customers. Finally, CARB has proposed transitioning allocations from natural gas utilities to electric utilities to implement the statutory direction from AB 1207. SMUD anticipates changes to its billing and information technology systems may be needed to effectuate these changes, but the value of transitioned allowances is unlikely to impact SMUD as it must be returned directly to SMUD's residential ratepayers. The CARB Board hearing will consider approving the Cap-and-Invest and MRR amendments on May 28, 2026, with an intended effective date of September 1, 2026.

In addition, any new projects constructed in the State, including power plants, that may cause a significant adverse impact on the environment must be analyzed under CEQA. Some State agencies have begun using CEQA in novel ways to require mitigation of "significant" GHG emissions caused, either directly or indirectly, by a project. Pursuant to Senate Bill 97 passed in 2007, CARB will assist the Governor's Office of Planning and Research in setting thresholds of significance under CEQA of GHG impacts from new projects. This is an area of State law that is evolving and untested in the courts. However, there is a risk that any project proponent of an electric system infrastructure project might have to mitigate such potential impacts to a level of less than significant.

On December 3, 2012, the Superior Court issued a ruling in *Cleveland National Forest Foundation v. San Diego Association of Governments* ("SANDAG"), Case No. 2100-00101593, that sided with the State Attorney General and the other petitioners stating that SANDAG did not follow CEQA when it adopted a \$257 billion regional transportation plan in 2011. The ruling expressly invalidated the certification of the Environmental Impact Report ("EIR") on the grounds that the EIR should have analyzed the plan's consistency with the governor's policy goal to reduce GHG emissions by 80% by 2050 as articulated in the 2005 Executive Order S-03-05. On November 24, 2014, the Fourth Appellate District upheld the trial court in a published decision, and SANDAG appealed to the State Supreme Court. On July 13, 2017, the Supreme Court reversed and held that SANDAG's decision not to adopt the 2050 goal was not an abuse of discretion. Nevertheless, the Court articulated three clear principles for agencies to follow in their CEQA review of planning documents: 1) agencies must take seriously the significance of even small increases in GHG emissions; 2) they must consider science-based State policy guidance in their decision-making; and 3) they are required to use the best scientific information available to determine whether their planning decisions are consistent with the State's goals. These principles will apply to SMUD in CEQA reviews of future projects.

On September 29, 2006, the Governor of the State signed into law Senate Bill 1368 ("SB 1368"), the GHG Emissions Performance Standard ("EPS"). SB 1368 limits long-term investments in baseload generation by the State's utilities to power plants that meet an EPS jointly established by the CEC and the CPUC. The agencies have set the EPS at 1,100 pounds CO<sub>2</sub> per MWh, which is roughly half of the CO<sub>2</sub> emissions rate of a conventional coal-fired power plant. CEC regulations to implement the law for POU's were approved by the Office of Administrative Law on October 16, 2007.

SMUD's primary supply and demand-side resources need to meet customers' electricity usage patterns over the next 10 years. Currently there is a ban in the State that prohibits the development of nuclear power plants until there is a permanent storage solution for spent fuel rods. With the effective ban on new coal power imports under SB 1368, natural gas-fired, combined cycle power plants would appear to be the primary viable option for fossil fuel-based baseload power plant development absent the implementation of new technologies in connection with other resource options. The reliance on a single fuel source will continue to put pressure on the natural gas market in the United States. SMUD has in place a natural gas procurement plan to mitigate natural gas volatility, see "POWER SUPPLY AND TRANSMISSION – Fuel Supply" above.

On September 16, 2022, the Governor of the State signed into law SB 1020, which creates interim climate targets under which eligible renewable energy resources and zero-carbon resources must supply 90% of all retail sales of electricity to California end-use customers by December 31, 2035, and 95% by December 31, 2040. The bill also requires each State agency to ensure that zero carbon resources and eligible renewable energy resources supply 100% of electricity procured on its behalf by December 31, 2035. SMUD provides electricity to a number of State agency buildings and will work with State agencies to comply with this requirement.

On September 16, 2022, the Governor of the State signed into law SB 905. SB 905 requires that CARB establish the “Carbon Capture, Removal, Utilization, and Storage Program” to evaluate the efficacy, safety, and viability of carbon capture, utilization, or storage (“CCUS”) technologies. It also requires CARB to adopt implementing regulations and protocols, create a unified state permitting application, and host a new, public database that will track the development of CCUS technologies. The protocols may, among other things, address how CCUS reduces carbon emissions for facilities employing the technology. SMUD is exploring investments in CCUS technology. In August 2025, CARB issued a request for information regarding implementation of SB 905. CARB has also indicated, through its rulemakings to amend the Cap-and-Invest and MRR rulemakings, that it intends to address CCUS emissions quantification through SB 905 implementation. However, CARB has not yet developed the Carbon Capture, Removal, Utilization and Storage Program or proposed draft regulations or protocols. It is not clear at this time how SB 905 will impact SMUD.

On October 7, 2023, the Governor of the State signed into law AB 1305, which requires an entity that purchases or uses voluntary carbon offsets and makes claims regarding the achievement of net zero, or other similar claims, to disclose on their website specified information. Many stakeholder groups are raising questions on if this includes RECs. AB 2331 in 2024 sought to clarify particular provisions in AB 1305, but it did not pass through the legislature before the close of the legislative session. It is not clear at this time whether RECs are included.

**Reliability.** On June 30, 2022, the Governor signed the 2022-23 budget, along with a number of trailer bills, which provide implementing details on the budget line items. Included in AB 205, the energy trailer bill, are a number of reliability programs aimed at improving reliability throughout the State, including State incentives for distributed electricity backup resources, compensation to customers for demand side energy management, and a strategic energy reserve program operated by the State Department of Water Resources (“DWR”). SMUD’s participation in these initiatives to date has been limited to facilitating customers’ participation in demand side energy management programs established by the CEC and therefore has not had a material impact on SMUD. AB 209 (2022) required the CEC to develop recommendations about an approach to determine an appropriate minimum planning reserve margin (“PRM”) for local POUs within the CAISO balancing area, and AB 1373 (2023) required the CEC to perform an assessment of whether each local POU exceeded, met or failed to meet its minimum PRM and specified resource adequacy requirements. These are discussed further below in “Resource Adequacy.”

**Zero-Emission Fleet Mandates.** In 2023, CARB adopted the Advanced Clean Fleets (“ACF”) regulation, requiring certain medium- and heavy-duty (“MHD”) vehicle fleets to transition to zero-emission vehicles through purchase requirements or fleet composition requirements. It also accelerated a manufacturer zero-emission vehicle (“ZEV”) sales requirement to 100% of all MHD truck sales by the 2036 model year. While the rule was originally intended to apply to all publicly owned MHD vehicle fleets, large commercially-owned MHD fleets, and drayage trucks, CARB withdrew its request to EPA for a waiver and authorization, pursuant to CAA section 209(b) and (e), respectively, for the ACF regulation, leaving only public fleets subject to enforcement of the ACF requirements and suspending enforcement of the manufacturer truck sales requirement.

Under the ACF Rule, public fleets like SMUD have two compliance options. The first is a ZEV purchase requirement, under which 50% of annual MHD vehicle purchases would need to be ZEVs starting January 1, 2024, and 100% of annual MHD vehicle purchases would need to be ZEVs starting January 1, 2027. The second is an optional ZEV milestone option, under which the composition of the MHD fleet would need to meet certain ZEV percentages starting in 2025, with the entire fleet transitioned no later than 2042. The individual milestones depend on the number and category of vehicles in the fleet. Public fleets may opt into the ZEV milestone option until January 1, 2030. SMUD is currently complying with the purchase requirement option. SMUD plans to monitor ZEV market developments and currently anticipates opting into the ZEV milestone option, which may provide greater purchasing flexibility until more ZEV applications become available.

In August 2025, CARB proposed amendments to the ACF Rule to repeal regulatory provisions applicable to commercially-owned MHD fleets and drayage trucks. The 45-day amendments also included modest updates and clarifications to public fleet provisions, but did not materially change compliance requirements or exemption availability. Following CARB Board direction at the September 2025 hearing, SMUD anticipates CARB may propose incremental flexibility for public fleets within this rulemaking. However, the 15-day amendments have not yet been issued. It is unclear at this time what impact the changing electric vehicle market and amendments to the ACF Rule may have on the cost and ability for compliance.

***Transportation and Building Electrification.*** The State has identified transportation and building electrification as key strategies to reduce greenhouse gas emissions and improve air quality. Increases in transportation and building electrification will result in increased customer usage of electricity. However, in recent years, these policies are facing headwinds.

For example, in 2025, Congress revoked the EPA waivers allowing enforcement of CARB's Advanced Clean Cars II and Advanced Clean Trucks regulations, which required vehicle manufacturers to increase sales of zero-emission cars and trucks, respectively. The CEC's Building Energy Efficiency Standards have increasingly encouraged the use of electric heat pumps in new homes and certain non-residential buildings across the state, including the 2025 Energy Standards that took effect January 1, 2026, that establish prescriptive heat pump requirements for both space and water heating in new homes. However, in 2025, through the budget trailer bill AB 130, the Legislature placed a temporary moratorium on updates to residential building energy standards, and as a result the 2028 Energy Standards will be limited to non-residential buildings only. The temporary moratorium will be lifted June 1, 2031. The State has provided funding for programs to encourage clean transportation and building electrification, but fluctuating budget pressures are likely to impact funding availability.

***Renewables Portfolio Standard.*** Senate Bill 100 was passed by the Legislature and approved by Governor Brown on September 10, 2018. Among other requirements, the bill sets a 50% RPS target for 2026 and sets compliance period targets at 44% by December 31, 2024, 52% by December 31, 2027, and 60% by December 31, 2030. The bill also creates a statewide planning goal to meet all of the state's retail electricity supply with a mix of RPS-eligible and zero-carbon resources by December 31, 2045.

***Resource Adequacy.*** In September 2005, the State Legislature enacted, and the Governor signed into law Assembly Bill 380 ("AB 380"), which requires the CPUC to establish resource adequacy requirements for all LSEs within the CPUC's jurisdiction. SMUD is not an LSE subject to the CPUC's jurisdiction. In 2005, the CPUC issued a decision requiring jurisdictional LSEs to demonstrate that they have acquired capacity sufficient to serve their forecast retail customer load plus a minimum 15% planning reserve margin. The CPUC in recent years has increased the minimum planning reserve margin, which currently is set at 18% for 2026.

AB 380 also required publicly owned utilities, including SMUD, to meet the most recent resource adequacy standard as adopted by the WECC. The WECC has yet to formally adopt a resource adequacy requirement. However, consistent with current WECC practices, SMUD utilizes a minimum 15% planning reserve margin when assessing the need for future resources, and in recent years SMUD has strived to attain a higher summer planning reserve margin.

In 2022, the State Legislature adopted Assembly Bill 209 (2022) (“AB 209”), which requires the CEC to develop recommendations about approaches to determining an appropriate planning reserve margin for local publicly owned utilities within the CAISO balancing authority area. In August 2024, the CEC issued its California Energy Resource and Reliability Outlook, which made several recommendations regarding the methodology for determining planning reserve margins. This report does not directly impact SMUD since SMUD is not in the CAISO; nevertheless, SMUD considers best practices when developing resource planning processes.

The State Legislature also passed Assembly Bill 1373 (2023) (“AB 1373”) that requires the CEC to submit a report to the Legislature that assesses whether each local publicly owned electric utility in California (both inside and outside the CAISO) exceeded, met, or failed to meet its minimum planning reserve margin for 2023. The report must also assess whether local publicly owned utilities met the planning reserve margin for June through September 2023 established by the CPUC’s June 2022 decision (i.e., 16%).

The CEC’s AB 1373 report, published in April 2024, showed that SMUD met its 15% planning reserve margin; it also acknowledged the limitations of the data CEC staff relied upon for this assessment. The report did not directly compare SMUD or other POU to the CPUC’s 16% planning reserve margin for 2023. The report also found that some POU within the CAISO were short compared to reported peak demand plus 15% planning reserve margin. AB 1373 also authorizes the CEC to annually assess a capacity payment on POU within the CAISO balancing authority area during a month in which the POU fails to meet its minimum planning reserve margin. The CEC initiated a docket in 2024 to develop regulations to implement the AB 1373 capacity payment, but only initiated the rulemaking process in February 2026. SMUD will not be impacted by these regulations because SMUD is within the BANC, rather than CAISO, balancing authority area.

To the extent the CEC or Legislature were to impose a higher POU planning reserve margin or required planning reserve methodologies for future years that includes SMUD, the ultimate impacts on SMUD’s financial results and operations are difficult to predict and are dependent on a variety of factors, such as the relative cost of procuring energy/capacity, the availability and relative cost of new technologies, and the adoption and implementation of energy efficiency and other measures by SMUD’s customers; however, such impacts could be material.

***Sacramento-San Joaquin River Bay-Delta Processes.*** The Sacramento-San Joaquin River Delta is an expansive inland estuary, formed at the western edge of the California Central Valley by the confluence of the Sacramento and San Joaquin rivers (“Delta”). There are two substantial Delta planning processes with the potential to affect (1) energy available for SMUD’s purchase from the Central Valley Project (“CVP”) and (2) flows within the Upper American River watershed. These processes are called the Bay-Delta Water Quality Control Plan (“Bay-Delta Plan”) and the Delta Conveyance Project.

The Bay-Delta Water Quality Control Plan is updated periodically by the State Water Resources Control Board (“SWRCB”), the last time being in 2006. The current Bay-Delta Plan update process is being implemented in four phases. The first phase considered southern Delta water quality, with a significant focus on San Joaquin River tributaries. Phase 2, which is initially being addressed by a document under development by SWRCB staff, will address Sacramento River tributaries and various flow

related issues, including the critically important one of those tributaries' contribution to Delta outflow. Phase 3 will concern changes to water rights needed to implement Phase 2. A substantial change in Delta outflow requirements could have a major impact on the timing of hydroelectric energy generation by the CVP. SMUD has a long-term agreement with WAPA to purchase some of this power (see "POWER SUPPLY AND TRANSMISSION – Power Purchase Agreements – *Western Area Power Administration*"). On July 18, 2018, the SWRCB released an updated Framework document signaling its staff's intent to propose Delta outflow requirements of 45–65% unimpaired flows for the Sacramento River tributaries (which includes the American River, the upper portions of which are where the UARP sits), though the report will analyze requirements of 35–75%. If these criteria were implemented, they could cut CVP generation by 50 to 63%. Governor Newsom has urged the SWRCB, other agencies and affected parties to execute voluntary agreements (aka the "Healthy Rivers Agreements") to address species' needs and outflow requirements. Although the negotiations have been slow, it is expected they will eventually result in a reasonable compromise. However, in September 2023 the SWRB released a Staff Report/Substitute Environmental Document in Support of Potential Updates to the Bay-Delta Plan (the "Staff Report/Substitute Environmental Document") to justify the adoption of the unimpaired flow standard as set forth in the 2018 Framework document. Numerous public entities, including SMUD, filed comments stating that, among other things, the potential updates identified in the Staff Report/Substitute Environmental Document, if adopted, would violate the Porter-Cologne Water Quality Control Act and Article X, section 2 of the California Constitution, would not improve fish and wildlife, and would not reasonably protect all beneficial uses, including water supplies for millions of Californians and hydroelectric power generation that is essential to California's resilient energy grid. Moreover, the comments filed also stated that the Staff Report/Substitute Environmental Document does not comply with CEQA because, among other things, the analysis of the proposed inflow and habitat objectives' impacts on electrical peaking generation, and more generally electrical grid reliability, is not supported by substantial evidence and fails to satisfy informational requirements. In addition, the comments maintain that the Healthy Rivers Agreements are a superior approach to achieving the goal of maximizing both environmental and other beneficial uses. If the unimpaired flow standard is adopted and the Healthy Rivers Agreements do not come to fruition, SMUD plans to fully participate in all regulatory and legal proceedings to argue for consideration and minimization of impacts to hydropower generation. SMUD will assess the potential impacts of proposed modifications to the present outflow objectives on SMUD's operations once, or if, the SWRCB makes available information with enough specificity for SMUD to conduct the relevant modeling.

In July 2022, the DWR released a Draft Environmental Impact Report ("EIR") to evaluate the potential impacts of carrying out the Delta Conveyance Project; the U.S. Army Corps of Engineers released a separate Environmental Impact Statement to evaluate the effects of the project pursuant to the National Environmental Policy Act. The Delta Conveyance Project is expected to entail construction of two intakes on the Sacramento River that will carry water to a main tunnel to the California Aqueduct for delivery south of the Delta. The Delta Conveyance Project may pose the potential to exacerbate impacts to already imperiled aquatic species, and in turn could have indirectly prompted regulatory agencies to require third parties, such as SMUD, to compensate by making changes to their operations. The Bureau of Reclamation is not a party to the Delta Conveyance Project, which should eliminate the potential for CVP power to be used to supply Delta Conveyance Project pumps. SMUD will monitor the proceedings and participate as necessary to ensure any impacts to SMUD interests are minimized, including potentially filing a challenge to the water rights DWR would need to modify in order to carry out the project.

**Proposition 26.** Proposition 26 was approved by the electorate on November 2, 2010 and amends Article XIII A and Article XIII C of the State Constitution. Proposition 26 imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State, unless the fees and charges are expressly excluded. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes, unless the fees and charges are expressly excluded. The initiative,

according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters pursuant to Proposition 13, approved in 1978, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope a charge imposed for a specific local government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the local government of providing the service or product. Proposition 26 is not retroactive as applied to local governments. Although SMUD believes its fees and charges meet the criteria of the exclusion described above, it is possible that Proposition 26 could be interpreted to further limit fees and charges for electric utility services and/or require stricter standards for the allocation of costs among customer classes. SMUD is unable to predict at this time how Proposition 26 will be interpreted by the courts or what its ultimate impact will be. As of the date of this Official Statement, SMUD is unaware of any fees or charges relating to SMUD's service that would have to be reduced or eliminated because of Proposition 26.

***Wildfire Legislation.*** In response to catastrophic wildfires in California, legislation was adopted and signed into law requiring POU's (including SMUD), IOUs, and electrical cooperatives to construct, maintain and operate their electrical lines and equipment in a manner that will minimize the risk of catastrophic wildfire posed by electrical lines and equipment.

Senate Bill ("SB") 254 signed by Governor Newsom on September 19, 2025, revised WMP submittal requirements as mentioned above and, among other things, requires the California Earthquake Authority ("CEA") to complete a comprehensive assessment to analyze and develop long-term reforms that protect access to insurance, reduce litigation costs, provide fair and expeditious compensation to claimants, support wildfire mitigation, safety, and community resilience, and ensure large electrical corporations are accountable for safety and also have the financial health to attract low-cost capital on behalf of ratepayers. It is anticipated the CEA will submit recommendations to the legislature addressing utility liability reform and financial stability as well as alternative structures for socializing and distributing losses resulting from wildfire. SMUD will continue to monitor the CEA's recommendations.

Following the recent Southern California fires, several legislative proposals addressing wildfire risk and mitigation are anticipated. SMUD is unable to predict at this time the potential impact any such proposals will have on the operations and finances of SMUD or the electric utility industry generally.

***Nonstock Security.*** SMUD sponsored legislation in 2019, Assembly Bill 689, which was signed into law by Governor Newsom on September 5, 2019. This bill expressly allows SMUD the ability to operate a pilot project (effective January 1, 2020, to January 1, 2025), of up to three acquisitions, to hold nonstock security in a corporation or other private entity if acquired as part of a procurement of goods or services from that entity, provided that no separate funding is expended solely for the nonstock security. This will allow SMUD to realize the financial benefits of its investments, partnerships, and intellectual property.

On September 15, 2022, the Board authorized the CEO & GM to enter into a joint collaboration agreement with ESS Tech, Inc. ("ESS"). Under that agreement SMUD would procure from ESS iron flow batteries for utility scale long-duration energy storage applications. The agreement contemplates a multi-year phased deployment of up to 200MW/2GWh of long duration energy storage by 2028. As part of that procurement, SMUD acquired nonstock security in ESS.

SMUD sponsored legislation in 2024, AB 2457 (McCarty), to extend the authority granted by Assembly Bill 689 to future years. AB 2457 was passed by the legislature and signed into law, taking effect on January 1, 2025. SMUD's pilot nonstock security authority is now extended to 2035, with six allowable acquisitions.

***Air Quality Violation Fees.*** AB 1465 (Wicks, Statutes of 2024) increased existing air district civil penalty limits by a factor of up to three for emissions from a Title V source that contain one or more air contaminants. If a Title V emissions source was found to be in violation, the local air district may impose penalties that are triple the current rate. Typically, penalties are now assessed at \$5,000 per day (\$15,000 by Jan 1, 2025). SMUD has five Title V facilities. SMUD was able to get a letter on record that clarifies that this does not apply during declared emergencies.

## **Future Regulation**

The electric industry is subject to continuing legislative and administrative reform. States and Federal entities routinely consider changes to the way in which they regulate the electric industry. Recently, both further deregulation and forms of additional regulation have been proposed for the industry, which has been highly regulated throughout its history. SMUD is unable to predict at this time the impact any such proposals will have on the operations and finances of SMUD or the electric utility industry generally.

## **OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY**

### **CAISO Market Initiatives**

The CAISO routinely conducts a number of initiatives and stakeholder processes that propose certain operational and market changes that impact SMUD. SMUD does and will continue to monitor the various initiatives proposed by the CAISO and participate in its stakeholder processes to ensure that its interests are protected.

SMUD participates in the CAISO market for only a small percentage of energy needs, however, it continues to benefit from its participation in the WEIM and plans to participate in CAISO's Extended Day Ahead Market ("EDAM") (both the WEIM and EDAM are described further below). Along with monitoring other key market initiatives at the CAISO which impact wholesale energy markets, SMUD will continue to actively participate in all processes related to the WEIM and EDAM, to ensure both participation models are beneficial to SMUD's customers. Given its success in the WEIM and active engagement with the CAISO and CAISO leadership, SMUD has earned a key role in the stakeholder processes related to these important and evolving markets.

### **Western Energy Imbalance Market and Extended Day Ahead Market**

Federal and state policymakers have long-promoted the development of organized markets in the west as a means (among other reasons) to better integrate intermittent renewable resources into the electric system, with the first such market being the WEIM, operated by the CAISO. The CAISO successfully launched the WEIM, a real time only imbalance market, on October 1, 2014, with PacifiCorp as the first participant. Since this time, the WEIM has grown significantly with the addition of 21 other Balancing Authority Areas (including BANC) which together comprise roughly 80% of the load in the Western Interconnection.

To date, participation in the WEIM by SMUD has shown significant financial and operational benefits, in addition to furthering an already favorable working partnership between SMUD and the CAISO to develop solutions to integrate renewable resources in support of carbon reduction goals.

BANC's participation not only signaled the first public power participant in the WEIM, but it was also implemented utilizing a unique phased approach, with SMUD (as the largest member of BANC) implementing so-called WEIM Phase 1 in 2019, while the other BANC members and WAPA (the "Phase 2 Parties") joined after further evaluation and approvals in March of 2021. The CAISO and WEIM

participants, including SMUD and BANC, have supported and participated in developing the extension of the successful WEIM real time framework to the EDAM. Like WEIM, EDAM broadens the access to regional resources for the reliable integration of renewable resources, only over a longer (day ahead) time horizon by allowing for a more economic and efficient optimization of regional resources by providing grid operators greater time (day ahead as opposed to real time) to commit or decommit units based on market price signals. Only participants in the WEIM will be allowed to extend their participation to EDAM. FERC approved the CAISO's EDAM tariff filing in 2024 and EDAM implementation activities have begun with EDAM launch scheduled for May 1, 2026 with PacifiCorp as the first participant. Similar to the process around WEIM participation, SMUD, along with BANC, performed cost-benefit studies that demonstrated EDAM participation will expand on the existing WEIM benefits and in August 2023, SMUD and BANC both approved participation in EDAM. On December 5, 2024, the CAISO filed an EDAM Implementation Agreement with BANC, which FERC approved on January 27, 2025. BANC and SMUD have begun implementation efforts with plans to participate in EDAM beginning Fall of 2027.

The Pathways Initiative ("Pathways") is seen as an important step in the evolution of the WEIM and EDAM. To support EDAM, and further development of a west-wide market, multiple state commissioners in the west, including California, issued a letter to the Western Interstate Energy Board in summer of 2023 calling for the creation of an independent entity that could serve as a means of delivering a market for western states. The Pathways Initiative was created, and a broad stakeholder committee proposed a multi-step process to create an independent governing body that would enable a path forward for a potential west-wide fully organized market (a Regional Transmission Organization, or RTO). An independent governing body is seen by many entities outside of California as critical to participating in EDAM and other future markets. Earlier in 2024, as the first step, the CAISO approved elevating the EIM/EDAM Governing Body joint authority with the CAISO Board to primary authority over EIM/EDAM market matters. The second step is creation of a non-profit entity and transfer of governance authority over EIM/EDAM markets from the CAISO to this new "Regional Organization." With the passage of AB 825 in 2025, which amends existing California law applicable to the CAISO market governance, this second step to form a Regional Organization is underway, with an anticipated January 2028 launch date. As of early 2026, the Regional Organization for Western Energy (ROWE) obtained its certificate of incorporation and continues to advance in other active work streams. Step 3 is potential continued future expansion of regionalized functions and services offered by the Regional Organization. SMUD views EDAM, and the ROWE development, as important steps forward in the evolution of Western energy markets and it aligns well with SMUD's 2030 Zero Carbon Plan goals.

## **Tariff Uncertainty**

Recent fluctuations in federal and international trade policies, including the imposition or adjustment of tariffs on materials such as steel, solar panels, batteries, and other building materials and energy-related equipment, have introduced uncertainty into the pricing and availability of key components used in SMUD's operations and capital projects. In February 2026, the United States Supreme Court issued a ruling that the International Emergency Economic Powers Act does not authorize the President to unilaterally impose tariffs, including reciprocal tariffs. Sector specific and national security tariffs, including Section 232 tariffs on steel aluminum and copper and Section 301 tariffs on Chinese technology and intellectual property, remain in place as they rely on separate legal authorities and were not challenged in this case. In response to the Supreme Court ruling, President Trump announced a 10% temporary global tariff (with authority up to 15% for 150 days) under Section 122 of the 1974 Trade Act to replace some of his tariffs that were invalidated by the Supreme Court. In March 2026, Judge Richard K. Eaton of the U.S. Court of International Trade stated in his ruling that importers were due refunds for certain tariffs imposed under IEEPA, with the refund process being implemented by U.S. Customs and Border Protection. While SMUD monitors these developments, the future impacts of tariff-related volatility on SMUD's costs, procurement schedules, and project economics are uncertain and could be material.

## Other Factors

The electric utility industry in general has been, or in the future may be, affected by a number of other factors which could impact the financial condition and competitiveness of many electric utilities and the level of utilization of generating and transmission facilities. In addition to the factors discussed above, such factors include, among others, (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements other than those described above; (b) changes resulting from conservation and demand side management programs on the timing and use of electric energy; (c) changes resulting from a national energy policy; (d) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and “strategic alliances” of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low cost electricity; (e) the repeal of certain federal statutes that would have the effect of increasing the competitiveness of many IOUs; (f) increased competition from independent power producers and marketers, brokers and federal power marketing agencies; (g) “self-generation” or “distributed generation” (such as solar, microturbines and fuel cells) by industrial and commercial customers and others; (h) issues relating to the ability to issue tax exempt obligations, including severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission service from transmission line projects financed with tax exempt obligations; (i) effects of inflation on the operating and maintenance costs of an electric utility and its facilities; (j) changes from projected future load requirements; (k) increases in costs and uncertain availability of capital; (l) issues relating to supply chains and the uncertain availability or increased costs of necessary materials; (m) shifts in the availability and relative costs of different fuels (including the cost of natural gas); (n) sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, such as has occurred in the State; (o) issues relating to risk management procedures and practices with respect to, among other things, the purchase and sale of natural gas, energy and transmission capacity; (p) other legislative changes, voter initiatives, referenda and statewide propositions; (q) effects of changes in the economy; (r) effects of possible manipulation of the electric markets; (s) natural disasters or other physical calamities, including, but not limited to, earthquakes, droughts, severe weather, wildfires and floods; (t) changes to the climate, including increasing volatility in rainfall in the Western United States and a reduction in the depth and duration of the Sierra snowpack; (u) issues relating to cyber-security; and (v) outbreaks of infectious diseases or the occurrence of pandemics. Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility, including SMUD’s electric utility, and likely will affect individual utilities in different ways.

SMUD is unable to predict what impact such factors will have on the business operations and financial condition of SMUD’s electric system, but the impact could be significant. SMUD has taken major steps to mitigate the impacts of many of the changes. This Official Statement includes a brief discussion of certain of these factors. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is available from the legislative and regulatory bodies and other sources in the public domain, and potential purchasers of any of SMUD’s Senior Bonds or Subordinated Bonds described in the forepart of this Official Statement should obtain and review such information.

**DRAFT**

RESOLUTION NO. \_\_\_\_\_  
OF  
THE BOARD OF DIRECTORS OF  
SACRAMENTO MUNICIPAL UTILITY DISTRICT  
APPROVING VARIOUS DOCUMENTS IN CONNECTION WITH THE  
TRANSMISSION AGENCY OF NORTHERN CALIFORNIA 2026 REFUNDING BONDS

**BE IT RESOLVED** by the Board of Directors of the Sacramento Municipal Utility District (“SMUD”), as follows:

**Section 1. Preliminary Official Statement; Official Statement.** The information relating to SMUD, its finances and operations (“Disclosure”) to be included in the Preliminary Official Statement (the “Preliminary Official Statement”) of the Transmission Agency of Northern California (TANC) relating to the issuance of its 2026 Refunding Bonds (the “Bonds”) in substantially the form submitted to this meeting is hereby approved, ratified and confirmed. Each of the Chief Executive Officer and General Manager, any Member of the Executive Committee, the Treasurer, the Secretary or the Chief Financial Officer or the designee of any such officer (each an “Authorized Representative”), acting alone, is hereby authorized to determine that such information in the Disclosure to be included in the Preliminary Official Statement is deemed final for purposes of Rule 15c2-12 of the Securities and Exchange Commission (Rule “15c2-12”), except for the omission of certain information permitted to be omitted by Rule 15c2-12. Any Authorized Representative, acting alone, is hereby authorized to execute one or more certificates relating to such information as contained in the Disclosure and in the Preliminary Official Statement and the final Official Statement, in substantially the form such information is presented to this meeting, with such changes therein as the Authorized Representative executing the same shall approve after consultation with SMUD’s counsel (such approval to be conclusively evidenced by the Authorized Representative’s execution of such certificate).



SSS No.
S, E, RES 26-03

# BOARD AGENDA ITEM STAFFING SUMMARY SHEET

Committee Meeting & Date Policy – 04/07/26
Board Meeting Date April 16, 2026

TO	TO
1. Claire Rogers	6.
2. Frankie McDermott	7.
3. Farres Everly	8.
4. Brandy Bolden	9. <b>Legal</b>
5. Suresh Kotha	10. <b>CEO &amp; General Manager</b>

<b>Consent Calendar</b>	X	<b>Yes</b>		<b>No</b> <i>If no, schedule a dry run presentation.</i>	<b>Budgeted</b>	X	<b>Yes</b>		<b>No</b> <i>(If no, explain in Cost/Budgeted section.)</i>
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FROM (IPR Emily Bacchini)	DEPARTMENT Safety, Environmental and Real Estate Services	MAIL STOP B209	EXT. 6334	DATE SENT 03/12/2026
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**NARRATIVE:**

**Requested Action:** Accept the monitoring report for Strategic Direction SD-6, Safety Leadership.

**Summary:** Report on the status of Strategic Direction SD-6, Safety Leadership (SD-6), for safety performance from July through December of 2025. Report addresses safety leadership accomplishments during the last six months of the year, current Days Away Restricted Time (DART) numbers, and safety opportunities and challenges.

**Board Policy:** This report supports the SD-6 Core Value of Safety by providing safety performance status.  
*(Number & Title)*

**Benefits:** Provide the scheduled bi-annual monitoring report as requested by the Board of Directors and Executive Office. The report provides an opportunity to make recommendations or policy revisions, as necessary.

**Cost/Budgeted:** Contained in budget for internal labor.

**Alternatives:** Provide via written report through the Chief Executive Officer and General Manager.

**Affected Parties:** Board of Directors, Executive Office

**Coordination:** Organization-wide

**Presenter:** Emily Bacchini, Director of Safety, Environmental and Real Estate Services

<b>Additional Links:</b>
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SUBJECT <b>SD-6, Safety Leadership Board Monitoring Report</b>	ITEM NO. <i>(FOR LEGAL USE ONLY)</i>
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ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

# SACRAMENTO MUNICIPAL UTILITY DISTRICT

## OFFICE MEMORANDUM

**TO:** Board of Directors

**DATE:** March 23, 2026

**FROM:** Claire Rogers *CR 3/23/26*

**SUBJECT: Audit Report No. 28008024  
Board Monitoring Report; SD-6: Safety Leadership**

Internal Audit Services (IAS) received the SD-6 *Safety Leadership* second-half 2025 Annual Board Monitoring Report and performed the following:

- Selected a sample of statements and assertions in the report for review.
- Compared sample to the corresponding supporting documentation to identify potential discrepancies.

All items sampled within the SD Report aligns with the supporting documentation provided at the time of review.

**CC:**

Paul Lau

# Board Monitoring Report 3<sup>rd</sup> and 4<sup>th</sup> Quarters, 2025 Strategic Direction SD-6, Safety Leadership



## 1. Background

Strategic Direction (SD) 6, Safety Leadership states that:

Creating a safe environment for employees and the public is a core value of SMUD.

Through best practice methods and continuous improvement, SMUD will be recognized as a leader in employee safety while also assuring the safety of the public related to SMUD operations and facilities. SMUD commits to a proactive approach, including the active involvement of SMUD leadership, employees, contractors, and the community, as well as comprehensive monitoring of organizational and public safety performance.

Therefore, SMUD will continue to improve safety results to:

### a) Workplace Safety

- i. Reduce SMUD's injury severity incidents to 13 or less than by 2025, as measured by OSHA's Days Away Restricted Time (DART), a rate that demonstrates top quartile safety performance for similar size utilities using the Bureau of Labor Statistics (BLS) work-related safety data.
- ii. Provide timely, quality health care for injured employees that aids their recovery while maintaining positive financial performance of the workers' compensation program.

### b) Contractor Safety

- i. Support contractors to reduce and eliminate potential hazards for Serious Injuries and/or Fatality (SIF) when conducting high risk work.

### c) Public Safety

- i. Track and report injuries to the public related to SMUD operations or facilities.
- ii. Implement measures to protect the public from injuries related to SMUD operations or facilities.

## 2. Executive Summary

**SMUD is in compliance** with SD-6 and is in alignment with SMUD's 5-year strategy of working toward a zero-incident culture.

### **Workplace Safety**

In 2021, SMUD's Board set a goal in SD-6 to reduce the number of DART cases by 50% from 26 in 2021 to 13 in 2025. We exceeded that five-year goal in 2025, in having only 12 DART cases. We recorded 34 OSHA recordable cases, including 12 DART cases and 22 other

recordables in 2025. This represents a 25% reduction in DART cases compared to 2024 (16). . Increased safety awareness in Q3, combined with strong partnerships between leadership and frontline employees, helped slow the Q3 incident increase that had been trending in prior years. This improvement is also attributed to greater supervisor–employee engagement, increased field presence, and more intentional safety conversations. As a result, SMUD’s DART rate of 0.54 is approximately 55% lower than the current industry average of approximately 1.2.

Quality care of injured employees is measured through the Workers’ Compensation program’s performance, which is assessed annually by an independent actuary. SMUD continues to have a reduction in indemnity benefits over the past five years as presented below, even as the number of claims increased.

Fiscal Year	2021	2022	2023	2024	2025
No. of Claims (Medical & Indemnity)	59	54	46	63	68
Incident rate per 100 employees	2.4	2.2	1.8	2	2.2
Rates per \$100 payroll	.85	.67	.58	.50	.40

### Contractor Safety

SMUD continues to use International Suppliers Network (ISN) to evaluate safety records and performance for high-risk contractors and bidders. This evaluation focuses on Contractor Fatality History, OSHA Citation History, DART and Total Recordable Incident Rates (TRIR), Insurance Experience Ratio, Safety Culture Questions, and Safety Program Review. Currently SMUD has **174** contractors in the ISN system.

This year we have increased the number of site safety evaluations for high-risk contractors to validate safety performance on the jobsites. Safety completed 501 **site safety visits** in 2025 which exceeded our 2025 goal of **250 safety visits**. These visits focus on SMUD contractors who work with Power Generation, Line, Substation, Facilities, Vegetation Management and Environmental Services on projects where high-risk work is performed. This work includes high voltage work, working at heights, vegetation management, confined spaces, excavations, etc. SMUD has onboarded two new Vegetation Line Clearance Contractors and focused audits have been completed by SMUD’s Contractor safety Team and Vegetation Management Team. The Safety Management System (SMS) system is utilized for inspections, incident tracking, reporting and investigations of SMUD contractors. This allows SMUD to verify safe working practices by our contractors to reduce the potential for serious injuries or property damage. Contractor reported incidents require an investigation to be completed and typically will warrant additional site safety visits to verify corrective measures have been put into place to reduce further occurrences.

The Contractor Safety Team is expanding the use of the ISN safety training qualifications tool. This tool will allow a more efficient method of verifying Contractor Employee qualifications. This tool allows SMUD to verify individual Contractor Employee qualifications and assures appropriate competence for the high hazard work. An additional example of this is the SMUD Substation Entry Training, UARP Training and Vegetation Management Onboarding that will allow SMUD to communicate safe work practice expectations to our contractors through the ISN platform. The Contractor Safety Team continued its partnership with the Vegetation Management Team for the 2025 Contractor Safety Day, New Contractor Onboarding event, and

the mock storm event. These events are an effective way to reach and set expectations for our Vegetation Contractor employees doing high risk work.

## **Public and Community Safety**

### Public Safety Statistics

SMUD tracks public and community incidents in the Safety Incident Tracking System (SITS) involving car-pole, electrical contacts, dig-in incidents, and injuries to the public that are related to SMUD's operations or facilities. The following statistics are reported for 2025:

- There were 235 incidents where the public struck a SMUD asset with a vehicle, with four fatalities from such events.
- There were 3 electrical contacts reported.
- There were 84 dig-in incidents reported with no injuries. In response to these dig-ins, SMUD's public safety team has sent out 26 notification letters to contractors and customers responsible for the dig-in occurrence as a proactive effort to provide further awareness and education on best practices to avoid future occurrences. No responses or escalations have been provided.

### Public Safety Events

SMUD's Safety team has attended several local events within the SMUD territory in support of delivering public safety messages with a variety of partnerships. The Safety team has coordinated and participated in the following events for the second half of 2025:

- Yolo County Fair
- Folsom Powerhouse Electricity Fair

### New Public Safety Initiatives

The Public Safety team is partnering with other SMUD business units to develop a "Dig Safe" committee in support of preventing underground line strikes and near misses to SMUD infrastructure. Additionally, the public safety team has begun using public safety data to support the decision-making processes of "Vehicle vs. Assets" committee.

## **3. Additional Supporting Information**

The current SD-6 Safety Direction became effective September 2023. Our goal is to achieve the desired performance objectives by year-end 2025. This report summarizes safety performance in the second half of 2025.

### **Safety Leadership**

The Safety Team continues with its integration efforts to support Executive Leadership's 5-year plan that emphasizes zero incidents and injuries and a focus on a zero-accident safety culture. SMUD's Executive Leadership team continue to emphasize our Safety priority with all personnel, contractors and in the public. We continue to grow our Safety for Life culture by reducing the risk of serious injuries and fatalities, targeting messages to staff on topics beyond work-related risks, and looking for new ways to maintain engagement. These goals are outlined in SMUD's Safety Road Map.

### **Safety Management System (SMS)**

During 2025, SMUD made significant progress in optimizing Benchmark Gensuite, our Safety Management System. Ongoing projects and process improvements continue to drive increased utilization and visibility across the organization. These efforts reflect our commitment to

strengthening safety performance, improving operational efficiency, and supporting employee well-being.

In 2025, Safety executed several high-impact initiatives that further strengthened the SMS. The TapRoOT and Benchmark Gensuite integration was completed, improving data transparency and eliminating manual processes. The five-year Benchmark Gensuite contract renewal was also executed months ahead of schedule through close collaboration with IT and Procurement. Additionally, a Supervisor–Employee Interaction Dashboard was developed using ACE form data, supporting the Safety 2025 Enterprise Performance Goal (EPG) Metric and providing leaders with actionable insights.

### **Safety Standards Development**

The Safety Team is continuously reviewing and updating SMUD's Health & Safety Standards to support the organization's World Class Safety initiatives. The Core Standards Team has adopted a streamlined review routing process utilizing SharePoint. This approach has reduced the amount of time required from review to final signature. Additionally, the Standards Team is piloting using AI for standards reference regulatory updates, and procedural alignment.

The Core Standards team continue to meet monthly to ensure progress is made and tracked. In 2025, a total of sixteen standards have been reviewed, signed off, and published to the Health and Safety Standard SharePoint site for all personnel to access.

The published standards included:

- one new standard - Radioactive Frequency Standard
- one standard that required major updates and collaboration with fleet management – Vehicle Safety Standard.
- fourteen standards requiring standard review, including Bloodborne Pathogens, Working Over or Near Water, Fall Protection, Lock-Out/Tag-Out, Contractor Safety, Public Safety, EMF, Silica, Training Required Equipment (TRE), Electrical Arc Flame Reduction, IIPP Appendix B- Workplace Prevention Plan, Heat Illness Prevention, Incident Reporting and Investigation, and Lead and Other Toxic Metal Coatings.

### **Supervisor-Employee Interactions**

The Safety Team has continued to make outstanding progress in strengthening the Supervisor-Employee Interaction process throughout 2025. With an ambitious Enterprise Performance Goal (EPG) of 8,440 interactions, SMUD not only met this target but exceeded it by completing 10,609 interactions—26% above the goal. This achievement reflects our ongoing commitment to keeping safety top of mind and reinforcing that every interaction matters.

To support leaders and their teams, we provided clear guidance through director leadership meetings, staff meetings, demonstrations, and one-on-one training sessions. We also developed user-friendly PowerPoint materials outlining interaction goals and targets and created a PowerBI dashboard to track interactions by work group, ensuring transparency and accountability.

Our focus areas in 2025 were diverse and targeted to the unique needs of each work environment. For office-based employees, we prioritized reducing ergonomic risks and preventing slip, trip, and fall hazards. Hybrid and remote staff received personalized guidance to optimize workstation setups and minimize home-based hazards. In the field, leaders

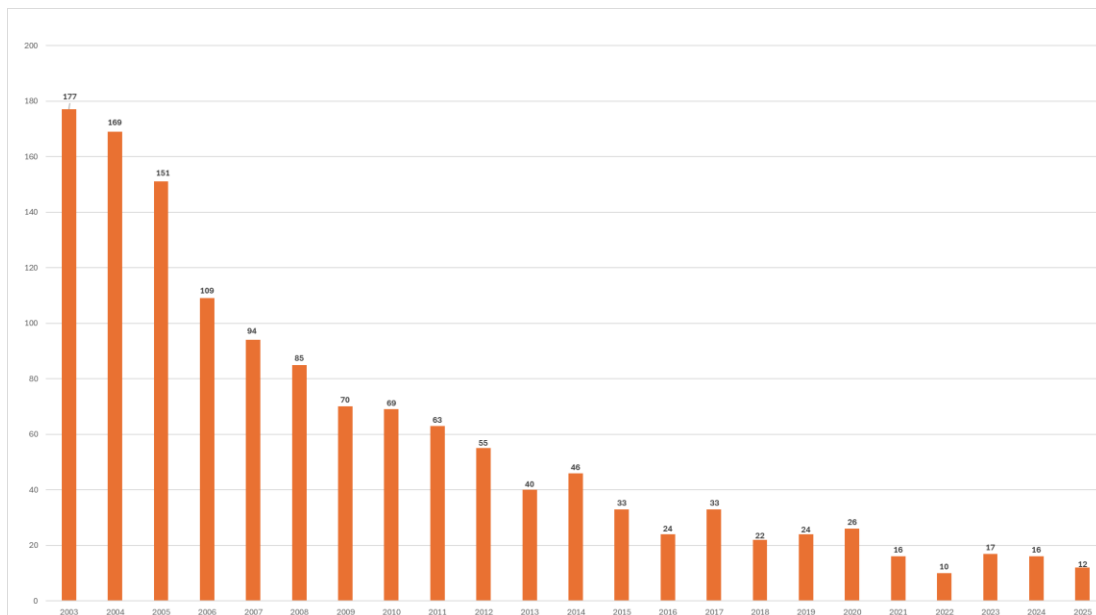
strengthened safety through eyes-on work interactions, emphasizing PPE compliance, safe equipment use, proper lifting techniques, situational awareness, and adherence to job briefings. These real-time observations allowed hazards to be identified early and reinforced safe behaviors where they matter most. Through these proactive measures and meaningful conversations, we continued to build a strong, unified safety culture across all work settings.

**Near Miss and Positive Observation/Good Catch Reporting**

Leadership remains committed to fostering a proactive safety culture that encourages the reporting of near misses and positive observations, commonly referred to as “good catches.” This focus allows the organization to identify learning opportunities before incidents occur, strengthening overall safety and operational effectiveness. During 2025, 69 near miss and positive observation reports were successfully captured in the Safety Management System.

**4. Challenges**

SMUD finished the year with 12 DART injuries, coming in under the SD-6 limit of 13 DARTS or less. This continues our decrease in DARTs as we strive to achieve Zero dart injuries. However, similar to the Zero Carbon Plan, getting SMUD to zero DARTs is going to be a challenge. Thankfully, high-risk DART cases remain very low and the amount of time employees are away from their regular work as a result of their incident remains low. The Safety department will continue to identify trends, collaborate with leadership, proactively address hazards, and promote safe work practices.



**DART Count 2003-2025**

**5. Recommendation**

SMUD is committed to becoming a recognized leader in safety. Both SMUD’s leadership team and employees recognize that to achieve success we must integrate safety into all that we do. It is recommended that the Board accept the Monitoring Report for SD-6.

## **6. Appendices - World Class Safety Program Improvements & Supporting Information**

### **Safety for Life**

Safety and Environmental Day was held in October of this year at Safety Center's Safetyville. The event was open to all SMUD employees and their families. There were plenty of vendors, including a few new ones such as Consumnes Fire, American Heart Association, Mike and Son's Automotive, Ryder Events and Bethal Dentistry. SMUD Trades groups participated sharing their crafts, like Line, Substation, and Vegetation and a few more. SCORCH, the Green Team, Community Education, Energy Specialists, and Safety hosted booths. There were plenty of games and prizes as well and Game Day food truck.

Sparky's Crew continues to get families involved in safety by sending 199 safety postcards and quarterly newsletters to SMUD children enrolled. Children enrolled also participate in the Sparky's Crew calendar submitting their safety drawings for a chance to be used in the SMUD's Safety for Life calendar.

Our Safety for Life communications continue. Safety for Life experiences from employees are being shared in our bi-weekly newsletter and resonate the most with employees resulting in the most readership.

### **Driver Safety**

Safety hosted a driving rodeo for the Line Design team and their leadership in early 2025 and is planning additional rodeos, for ED&O groups, in the first half of 2026. These will be custom tailored to work group needs and include improvements designed to build safe backing skills. Additional rodeos will be scheduled upon request from the BU. The preventable vehicle accident (PVA) review team continues their review of SMUD's PVAs to discover trending data. This data is used to fine tune the rodeos, to have meaningful discussions with employees and leaders, and to share at safety meetings. The team also looks to ensure optimal corrective actions are identified to prevent recurrence. Additionally, SMUD continues emphasizing safe driving behaviors by sending vehicle reports to business unit leaders and key contacts. As before, the reports continue to capture speeding data as well as seat belt use, providing leaders with valuable data for reinforcing safe driving behaviors and addressing unsafe driving practices. Safety will continue to modify reports at the request of leadership and their business units.

In 2025, 415 employees received initial or refresher training for SMITH driving. This includes new hires and current employees. The Safety team is working to standardize the safe backing enhancement to this training program.

Last year's highly visible safe driving banners were re-deployed in the ECOC Yard until winter weather came along. They will go back up in late spring, but in a different layout to ensure their appearance stays fresh. Digital messaging with the same safe driving content continues to be shown on the monitors in the ECOC buildings. This messaging offers drivers reminders to help build safe driving habits before getting behind the wheel each day. Lastly, SMUD is working to assemble an organizational-wide subcommittee to evaluate and recommend corrective actions for PVAs, as part of the All-Joint Labor Management Safety Committee process.

## **Wildfire Smoke**

2025 Remained a mild year related to wildfire smoke and wildfire smoke exposure for employees. Safety will continue to ensure employees are properly trained and have the right resources to work safely in the event of a wildfire smoke event.

## **Fire Retardant Clothing**

All employees who work on or around energized equipment are allotted a yearly flame resistant (FR) clothing allowance to ensure they are adequately protected. SMUD works with an FR vendor to ensure employees have access to clothing, which meets the Arc Flash requirements of SMUD equipment and the latest FR material technologies to improve their level of comfort in various types of weather conditions (i.e., storms, cold, rain, or heat). New electrical trades employees will receive FR Clothing training by a Safety Representative and ensure they are added to the FR Clothing portal and are apprised of the proper care and maintenance of their clothing.

## **Field Ergonomics**

In August, SMUD launched a new Field Industrial Ergonomic contract with Briotix Health, marking a major step forward in reducing soft tissue injuries and improving employee well-being. The onboarding process was a success, setting the foundation for strong collaboration and effective service delivery. Briotix has engaged crews and leadership through meet-and-greet safety meetings, one-on-one assessments and evaluations, and site visits for job task reviews, resulting in actionable recommendations for tools, equipment, and improved body mechanics. Additional initiatives include multiple vehicle ergonomic assessments to enhance comfort and reduce strain during driving, as well as ongoing morning stretch sessions with crews at the SMUD Power Academy (SPA) and Fresh Pond.

To maintain alignment and ensure program success, monthly check-ins with client management teams keep SMUD and Briotix coordinated, balancing schedules, deliverables, and priorities. These proactive measures complement our broader field ergonomic strategy, reinforcing SMUD's commitment to a proactive safety culture and aligning with SD-6 objectives to minimize workplace risks, reduce injuries, and foster a sustainable, healthy work environment for all employees.

## **Joint Labor Management Safety Committees**

**Hydro JLMSC** – After completing follow-up with the Cal/OSHA VPP Audit team, Hydro received STAR recertification in September, good until September 2028. As this is the highest achievable recognition in safety directly from Cal/OSHA, a lot of work was put in to prepare for this audit, with crucial support needed from all levels. Work continues through the JLMSC to implement best practices, specifically in determining leading indicators such as near misses, safety culture & engagement and safety audits & inspections.

**Line Assets JLMSC** – A variety of safety improvements are in progress or already completed through the Line Assets JLMSC. Key improvements to highlight are: 1) Addition of stickers on vehicles that state "This vehicles speed is monitored by GPS". These inform the public why our employees are driving the posted speed limit. 2) New trailers were designed to contain electric jacks to limit the ergonomic strain on employees. 3) Better bucket harness were identified that will be phased in as old ones age out and need replacement. 4) The sequencing of the gate arms was fixed during after-hours entries to reduce the likelihood of contacting the gate. 5) Training was developed for Jump Packs for vegetation management staff.

**Substation, Telecom, & Metering (STM) JLMSC** – Current Near misses and Safety Alerts are shared at the beginning of the Quarterly JLMSC meetings to remain current on conditions, incidents, or accidents and possibly discuss solutions. Also, initiatives are established to improve safety.

The following initiatives were established in 2025 as key actions items by all the department member representatives. Some have been corrected or completed, some are currently pending.

- Ergonomic Tool Improvements in the Field (Mobile Workstations)
- Mobile workstations have been procured for the Elec Tech work group. - Completed
- Vehicle Yard Safety, Housekeeping & Maintenance – Corrected (Substation work group)
- Insulated Tools for Battery Installation - Completed
- Continuing Education Program for Journeyman & Foreman – HazMat work group has created new Jobsite Safety Annual Online Training - Pending
- Indoor Heat Illness Prevention (Battery Powered Units) - Evaluated (Elec Tech work group)
- Emergency Procedure Training - Pending
- SMUD-wide Arc Flash Study Review - Pending
- Trauma Training (Emergency and First Aid Support) - Pending
- Assessment of noise hazards in Telecom indoor work locations - Pending
- Updated Travel Safety Protocol and Training - Pending

### **Safely Conducted Observations Reduce Common Hazards (SCORCH)**

#### **Observation Engagement & Behavior Trends**

A total of 1,040 field employees under the CFAS-Field (Customer, Finance, Administrative Services) and Electrical Trades process, were observed over the second half of 2025. Observation feedback speaks to the continued consistency in which the proper type of **Hand Protection** is worn and tested, making it the top observed safe behavior for CFAS-field. Observation feedback reinforces the value employees see in wearing the appropriate hand protection as a proactive step for minimizing exposure or injury severity. The awareness for minimizing exposures by planning for success made **Communication** the top observed safe behavior for the Electrical Trades. Comments highlighted the effectiveness in which employees maintained regular communication while performing work tasks. Two great behaviors that aid our field employees in going home healthy and safely.

The opportunity for improvement was related to the top at-risk behaviors of **Knee Protection/ Ergo Mat** and **Eyes, Face, Skin protection**. Employees displayed a low perception of risk when it came to performing tasks that require kneeling on the ground or a hard surface. With naturally very minimal padding or protection over the kneecap area. Employees were advised to carry both an ergo kneeling mat and a pair of foam, gel or hard-shell knee pads. It was also recommended that they carry a backup pair as well to minimize chronic wear to joint cartilage. Employee failure to maintain a safe distance when working in proximity to an energized facility or equipment, made **Electrical Hazards** the top at-risk behavior the Electrical Trades. Comments showed that employees became somewhat desensitized when working on/in energized enclosures and did not always take the necessary precautions. Risk Reduction Reminders encouraged employees to look in the direction prior to placing a hand or moving the body in that direction. The value was also stressed in doing a through site assessment, making sure insulated tools are in good condition, limit distractions and always respect safeguards and barriers.

Throughout the second half of 2025, a total of 2,483 employees were observed under the Office & Professional process. Employee awareness and ownership to maintain good **Head/Neck Posture** made it the top observed safe behavior. Employees see the value in keeping the head in neutral postures with ears over shoulders when seated. The simple step of committee members and observers partnering with their peers to measure and establish the correct monitor height and distance settings proved to be positively impactful. The routine cadence for sending out Risk Reduction Reminder's and expanded employee ownership for taking frequent "micro stretch breaks" also show a growing desire by employees to log out with less aches and pains at the end of the day.

The behavior of **Hips/Legs/Feet Posture** was logged as the top at-risk behavior. Employee feedback tells us that exposure is frequently tied to a low perception of risk. To combat the employee mindset of "it feels comfortable to me, it's a habit of mine or it's just something I do without thought". Raising awareness of the cumulative trauma and stress placed on the tendons or joints along with its quality-of-life injury potential was step one. Step two is dedicated to educating employees on embracing the ownership tips provided for maintaining the proper seat pan depth when sitting and creating a "frequent movement" schedule to avoid long periods of time seated with legs crossed at the ankles or with a single leg tucked under the body. These steps, combined with some new ones being rolled out, should position us to mitigate this as the top at-risk behavior moving forward.

#### **SCORCH Behavior Influencing Highlights:**

Internal/Safety for Life Engagement – SCORCH recently launched its first at-home "Driver Awareness" observation event. The event was used to highlight how the SCORCH behaviors and Smith System Driving keys used when driving a work vehicle could play a positive role in aiding employees safely reaching their destinations during the busy holiday season. Walk About and Leaving an Out were seen as the most impactful behaviors based on employee feedback. Employees saw value in walking around their personal vehicle prior to driving. It allowed them to identify potential hazards causing objects and/or damage to the vehicle while out of sight. Maintaining a car length distance (12-15ft) space cushion when stopped behind another vehicle was also seen as a high valued behavior takeaway. SCORCH continues to create new formats for engaging in conversations about safety in the at-home and at-play environments. It was a positive and fun way to reenforce behaviors some use daily at work, while introducing others to some risk reduction behaviors they could implement.

Embracing the combination of Safety for Life and behavior-based safety as a lifestyle choice that intentionally engages family and friends is the primary goal of our SCORCH photo contest. This continues to be a highly effective way for SMUD employees to showcase the variety of activities or hobbies they are engaged in. It also creates a format for having conversations about safety in the at-home and at-play areas of their lives. Activity trends observed behaviors and comment feedback are used to create seasonal proactive opportunities of engagement and "Best Practice" shares that further expand our influencing reach ability. SCORCH is proud of its ability to use these types of events to display its direct alignment with SMUD's organizational commitment to Safety for Life and World-Class Safety.

#### **Heat Illness**

SMUD continues to identify heat as one of the main hazards our employees face during the hot summer months. 2025 was a mild summer related to heat. SMUD did not see any serious heat related injuries this year. Solutions are continually being evaluated, for example different electrolyte solutions are being evaluated by field staff through SMUD's tool committee.

### **Medical Monitoring**

A long-term medical monitoring contract was issued by SMUD to Work Health Solutions. Safety has been meeting with the vendor to ensure adequate process in place to ensure employees receive appropriate monitoring. There were 3 onsite hearing events, 2 at ECOC and 1 at Fresh Pond. Approximately 175 employees completed their annual hearing exams during the three onsite events. The Safety team worked with foreman, supervisors, and managers to ensure that all required employees were in the appropriate Medical Monitoring Program(s). The Safety team continues to organize, coordinate and schedule employees for their medical exams. There were 2 onsite “pop-up clinics” for our medical surveillance vendor at the ECOC. Approximately 32 employees had their annual medical exams completed during those two events. Safety will continue to ensure all employees are current on their medical monitoring.

### **Awards**

The American Public Power Association (APPA) recognized the top utilities from across the country for their safe operating practices in 2025. We’re excited to announce that SMUD earned the APPA’s 2025 Safety Award of Excellence, achieving Diamond Status. The Diamond designation is the highest status awarded by APPA to utilities who demonstrate a strong commitment to its employees, customers and the community. The Diamond Status will be awarded to SMUD during Q1 of 2026.



SSS No. SERES 26-04

# BOARD AGENDA ITEM

## STAFFING SUMMARY SHEET

Committee Meeting & Date Policy – 04/07/26
Board Meeting Date N/A

TO				TO								
1.	Emily Bacchini			6.								
2.	Frankie McDermott			7.								
3.	Farres Everly			8.								
4.	Brandy Bolden			9.	<b>Legal</b>							
5.	Suresh Kotha			10.	<b>CEO &amp; General Manager</b>							
<b>Consent Calendar</b>		<b>Yes</b>	<input checked="" type="checkbox"/>	<b>No</b> <i>If no, schedule a dry run presentation.</i>		<b>Budgeted</b>		<b>Yes</b>	<input checked="" type="checkbox"/>	<b>No</b> <i>(If no, explain in Cost/Budgeted section.)</i>		
FROM (IPR) Emily Bacchini				DEPARTMENT Energy Delivery & Operations				MAIL STOP B209	EXT. 6334	DATE SENT 03/26/26		

**NARRATIVE:**

**Requested Action:** Discuss proposed revisions to **Strategic Direction SD-6, Safety Leadership.**

**Summary:** When Strategic Direction SD-6, Safety Leadership, was updated in 2021, it included a Days Away Restricted Time (DART) reduction goal to be achieved by 2025. Staff has proposed a new DART reduction goal to be achieved by 2030 and provided a few editorial revisions for the Board’s consideration.  
A redline and “clean” copy of the proposed revisions are attached.

**Board Policy:** Strategic Direction SD-6, Safety Leadership  
*(Number & Title)*

**Benefits:** Provide the Board of Directors with an opportunity to review and update the Strategic Direction and make any policy revisions, as necessary.

**Cost/Budgeted:** N/A

**Alternatives:** Do not make revisions at this time; make other revisions.

**Affected Parties:** Board of Directors, Executive Office

**Coordination:** Organization-wide

**Presenter:** Emily Bacchini, Director, Safety, Environmental & Real Estate Services

**Additional Links:**

SUBJECT <b>Proposed Revisions to Strategic Direction SD-6, Safety Leadership</b>	ITEM NO. (FOR LEGAL USE ONLY)
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ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

# SMUD BOARD POLICY



**Category:** Strategic Direction  
**Policy No.:** SD-6  
**Title:** Safety Leadership

Creating a safe environment for employees and the public is a core value of SMUD.

Through best practice methods and continuous improvement, SMUD will be recognized as a leader in employee safety while also assuring the safety of the public related to SMUD operations and facilities. SMUD commits to a proactive approach, including the active involvement of SMUD leadership, employees, contractors, and the community, as well as comprehensive monitoring of organizational and public safety performance.

Therefore, SMUD will continue to improve safety results to:

- a) Workplace Safety
  - i) Reduce SMUD's ~~injury severity~~ severe safety incidents to ~~13 or less than 0~~ by ~~2025~~ 2030, as measured by OSHA's Days Away Restricted Time (DART), ~~a rate that demonstrates top quartile safety performance for similar size utilities using the Bureau of Labor Statistics (BLS) work-related safety data.~~
  - ii) Provide timely, quality health care for injured employees that aids their recovery while maintaining positive financial performance of the workers' compensation program.
- b) Contractor Safety
  - i) Support contractors to reduce and eliminate potential hazards for Serious Injuries and/or Fatalities (SIF) when conducting high risk work.
- c) Public Safety
  - i) Track and report ~~injuries to~~ incidents involving the public related to SMUD operations or facilities.
  - ii) Implement measures to protect the public from injuries related to SMUD operations or facilities.

**Monitoring Method:** CEO Report

**Frequency:** Semi-Annual

**Versioning:**

August 21, 2003	Resolution No. 03-08-12	Date of Adoption.
October 16, 2003	Resolution No. 03-10-14	Date of Revision.
February 3, 2005	Resolution No. 05-02-06	Date of Revision.
November 15, 2007	Resolution No. 07-11-12	Date of Revision.
December 20, 2012	Resolution No. 12-12-11	Date of Revision.
August 21, 2014	Resolution No. 14-08-05	Date of Revision.
April 15, 2021	Resolution No. 21-04-02	Date of Revision.
September 21, 2023	Resolution No. 23-09-02	Date of Revision. <del>[Current Policy]</del>
<u>May 21, 2026</u>	<u>Resolution No. 26-05-XX</u>	<u>Date of Revision. [Current Policy]</u>

# SMUD BOARD POLICY



**Category:** Strategic Direction  
**Policy No.:** SD-6  
**Title:** Safety Leadership

Creating a safe environment for employees and the public is a core value of SMUD.

Through best practice methods and continuous improvement, SMUD will be recognized as a leader in employee safety while also assuring the safety of the public related to SMUD operations and facilities. SMUD commits to a proactive approach, including the active involvement of SMUD leadership, employees, contractors, and the community, as well as comprehensive monitoring of organizational and public safety performance.

Therefore, SMUD will continue to improve safety results to:

- a) Workplace Safety
  - i) Reduce SMUD's severe safety incidents to 0 by 2030, as measured by OSHA's Days Away Restricted Time (DART).
  - ii) Provide timely, quality health care for injured employees that aids their recovery while maintaining positive financial performance of the workers' compensation program.
- b) Contractor Safety
  - i) Support contractors to reduce and eliminate potential hazards for Serious Injuries and/or Fatalities (SIF) when conducting high risk work.
- c) Public Safety
  - i) Track and report incidents involving the public related to SMUD operations or facilities.
  - ii) Implement measures to protect the public from injuries related to SMUD operations or facilities.

**Monitoring Method:** CEO Report

**Frequency:** Semi-Annual

**Versioning:**

August 21, 2003	Resolution No. 03-08-12	Date of Adoption.
October 16, 2003	Resolution No. 03-10-14	Date of Revision.
February 3, 2005	Resolution No. 05-02-06	Date of Revision.
November 15, 2007	Resolution No. 07-11-12	Date of Revision.
December 20, 2012	Resolution No. 12-12-11	Date of Revision.
August 21, 2014	Resolution No. 14-08-05	Date of Revision.
April 15, 2021	Resolution No. 21-04-02	Date of Revision.
September 21, 2023	Resolution No. 23-09-02	Date of Revision.
May 21, 2026	Resolution No. 26-05-XX	Date of Revision. [Current Policy]



SSS No. PSS 26-002

# BOARD AGENDA ITEM STAFFING SUMMARY SHEET

Committee Meeting &  
Date Policy – 04/07/26

Board Meeting Date  
N/A

TO				TO			
1.	Matthew Powell	6.		7.		8.	
2.	Farres Everly	9.	<b>Legal</b>	10.	<b>CEO &amp; General Manager</b>		
3.	Brandy Bolden						
4.	Suresh Kotha						
5.	Jose Bodipo-Memba						

Consent Calendar		Yes	X	No <i>If no, schedule a dry run presentation.</i>	Budgeted		Yes	No <i>(If no, explain in Cost/Budgeted section.)</i>		
FROM (IPR)				DEPARTMENT				MAIL STOP	EXT.	DATE SENT
Matthew Powell				People Services & Strategies				B251	5371	03/12/2026

**NARRATIVE:**

**Requested Action:** Discuss, with possible amendment, Governance Process GP-12, Board Compensation and Benefits.

**Summary:** The Municipal Utility District (MUD) Act provides that the Board may set compensation in an amount not to exceed \$100 per day for each day’s attendance at a Board meeting or for each day of service rendered at the request of the Board (not to exceed 10 days in any calendar month), subject to adjustments of not more than five percent for each calendar year following the operative date of the last adjustment, commencing in with the 1988 calendar year. Automatic annual adjustments are prohibited.

Governance Process GP-12, Board Compensation and Benefits (GP-12) provides that each Director may receive compensation of \$325 for each day’s attendance at a Board or Committee meeting and for each day of service by the Director at the request of the Board, not to exceed 10 calendar days in any month. Board member compensation was last adjusted in April 2025, effective July 1, 2025.

**Board Policy:** Governance Process GP-12, Board Compensation and Benefits  
*(Number & Title)*

**Benefits:** Enables Board members to review the policy to make corrections, changes or additions.

**Cost/Budgeted:** N/A

**Alternatives:** Schedule review of the policy for another meeting.

**Affected Parties:** Board of Directors

**Coordination:** Executive Office, Board Office, People Services & Strategies, and Legal

**Presenter:** Matthew Powell, Interim Director, People Services & Strategies

**Additional Links:**

SUBJECT	<b>Review and Possible Amendment of GP-12, Board Compensation and Benefits</b>	ITEM NO. <i>(FOR LEGAL USE ONLY)</i>
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ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

# SMUD BOARD POLICY



**Category:** Governance Process  
**Policy No.:** GP-12  
**Title:** Board Compensation and Benefits

In keeping with the MUD Act, members of the Board of Directors are entitled to compensation for their service. Specifically:

- a) Each Board member may receive for each attendance at the meetings of the full Board, Board committee meetings, ad hoc committee meetings, publicly noticed SMUD workshops or meetings, other publicly noticed meetings where the Board member is representing the Board, state or federal legislative briefings or meetings where the Board member is representing the Board, meetings with SMUD customers or staff relating to SMUD business, community meetings or events where the Board member is representing SMUD, events where SMUD is being recognized, conferences and organized educational activities, the sum of \$325.00 per day of service. No director may receive compensation for more than ten (10) days in any one calendar month. Campaign and political meetings, events, and fundraisers are not compensable under this policy.
- b) Board member compensation shall be reviewed annually.
- c) Each Board member may also be reimbursed for expenses related to travel, meals, lodging and other actual and necessary expenses incurred in the performance of his or her official duties as described in subsection a). Reimbursement shall be in accordance with Internal Revenue Service regulations as established in Publication 463, or any successor publication.
- d) Each Board member may be reimbursed for computer and other technology purchases, rentals, and refurbishments that will aid them in the performance of their duties pursuant to reimbursement policies applicable to executive and senior leaders.
- e) Compensation forms shall be completed by a Director and distributed to the Board office. The Board shall review and approve compensation and any request for technology reimbursement at a regular Board meeting. Board member compensation, along with any requests for technology reimbursement, shall be placed on the consent calendar at each regular Board meeting, unless a Board member requests that it be placed on the discussion calendar.
- f) SMUD shall provide and contribute payment for health care benefits, equivalent to the contribution made to SMUD employees in the PAS employee group, to any Board member who elects such benefit, and additionally make an annual contribution payment of \$500 to a Flexible Spending Account.

- g) Subject to the applicable tax codes and IRS rules and regulations, and to the extent possible, SMUD shall direct payment to a SMUD defined contribution plan (either a 457(b) plan or a 401(k) plan) for each Director who elects to have such a benefit in the amount of 30% of compensation based on days of service. Directors who elect to receive this benefit must (1) have a SMUD defined contribution plan and (2) direct payment to the defined contribution plan of their choice at initial enrollment and then during (and only during) SMUD's open enrollment period for employee benefits.

**Monitoring Method: Board Report**

**Frequency: Annual**

**Versioning:**

December 19, 2002	Resolution No. 02-12-14	Date of Adoption.
October 16, 2003	Resolution No. 03-10-14	Date of Revision.
December 2, 2004	Resolution No. 04-12-03	Date of Revision.
December 1, 2005	Resolution No. 05-12-10	Date of Revision.
May 17, 2007	Resolution No. 07-05-08	Date of Revision.
July 16, 2009	Resolution No. 09-07-02	Date of Revision.
September 18, 2014	Resolution No. 14-09-07	Date of Revision.
December 20, 2018	Resolution No. 18-12-15	Date of Revision.
December 12, 2019	Resolution No. 19-12-05	Date of Revision.
June 15, 2023	Resolution No. 23-06-02	Date of Revision. (Effective Date = July 1, 2023)
September 21, 2023	Resolution No. 23-09-02	Date of Revision.
February 15, 2024	Resolution No. 24-02-03	Date of Revision.
April 17, 2025	Resolution No. 25-04-02	Date of Revision. (Effective Date = July 1, 2025) [Current Policy]



SSS No.  
BOD 2026-008

# BOARD AGENDA ITEM

## STAFFING SUMMARY SHEET

Committee Meeting &  
Date Policy – 04/07/26  
Board Meeting Date  
N/A

TO				TO			
1.	Suresh Kotha	6.					
2.	Brandy Bolden	7.					
3.	Farres Everly	8.					
4.		9.	<b>Legal</b>				
5.		10.	<b>CEO &amp; General Manager</b>				
<b>Consent Calendar</b>	<input type="checkbox"/> <b>Yes</b>	<input checked="" type="checkbox"/> <b>No</b> <i>If no, schedule a dry run presentation.</i>	<b>Budgeted</b>	<input checked="" type="checkbox"/> <b>Yes</b>	<b>No</b> <i>(If no, explain in Cost/Budgeted section.)</i>		
FROM (IPR) Bryanna Schaefer / Crystal Henderson		DEPARTMENT Board Office		MAIL STOP B304	EXT. 5424	DATE SENT 03/11/26	

**NARRATIVE:**

**Requested Action:** Allow the Board of Directors an opportunity to monitor existing policies: **Governance Process GP-2, Governance Focus; Governance Process GP-4, Board/Committee Work Plan and Agenda Planning; and Governance Process GP-13, Core and Key Values** as part of the Board policy monitoring process.

**Summary:** A schedule to monitor Board policies was agreed upon by the Policy Monitoring Ad Hoc Committee. Monitoring established policies creates a better understanding of the policies and gives the Board an opportunity to make corrections, additions, or changes, if necessary.

**Board Policy:** *(Number & Title)* This monitoring supports Governance Process GP-2, Governance Focus, which states in part that, “[t]he Board will direct, evaluate and inspire the organization through the establishment of written policies reflecting the Board’s values.”

**Benefits:** Monitoring policies helps ensure the policies are current and in keeping with the current will of the Board.

**Cost/Budgeted:** Included in budget.

**Alternatives:** Not to review these policies at this time.

**Affected Parties:** Board of Directors

**Coordination:** Board Office

**Presenter:** Rosanna Herber, Policy Committee Chair

**Additional Links:**

SUBJECT <b>Board Policy Monitoring: GP-2, GP-4, and GP-13</b>	ITEM NO. <i>(FOR LEGAL USE ONLY)</i>
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ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

# SMUD BOARD POLICY



**Category:** Governance Process  
**Policy No.:** GP-2  
**Title:** Governance Focus

The Board will govern with an emphasis on: (i) outward vision rather than an internal preoccupation; (ii) encouragement of diversity in viewpoints; (iii) strategic leadership more than administrative detail; (iv) clear distinction of Board and CEO roles; (v) collaborative rather than individual decisions; (vi) the future rather than past or present; and (vii) proactive thinking.

Specifically:

- a) The Board will cultivate a sense of group responsibility. It will be responsible for excellence in governing. The Board will be an initiator of policy and use the expertise of individual members to enhance the ability of the Board as a body.
- b) The Board will direct, evaluate and inspire the organization through the establishment of written policies reflecting the Board's values. The Board's major policy focus will be on SMUD's intended impacts outside the organization, not on the administrative or programmatic means of achieving those effects.
- c) Continual Board development will include orientation of new Board members in the Board's governance policies and processes, periodic re-orientation of existing Board members, and regular Board discussion of process improvement.
- d) The Board will regularly discuss and evaluate its performance. Self-monitoring will include comparison of Board activities and discipline to policies adopted by the Board. It will be up to the Board president or committee chair to determine the appropriate manner of this feedback and evaluation.

**Monitoring Method:** Board Report

**Frequency:** Semi-Annual

**Versioning:**

December 19, 2002	Resolution No. 02-12-14	Date of Adoption.
October 16, 2003	Resolution No. 03-10-14	Date of Revision.
November 3, 2005	Resolution No. 05-11-05	Date of Revision.
December 21, 2006	Resolution No. 06-12-13	Date of Revision.
October 16, 2008	Resolution No. 08-10-08	Date of Revision.
May 17, 2012	Resolution No. 12-05-09	Date of Revision.
July 15, 2021	Resolution No. 21-07-09	Date of Revision.
September 21, 2023	Resolution No. 23-09-02	Date of Revision. [Current Policy]

**Category:** Governance Process  
**Policy No.:** GP-4  
**Title:** Board/Committee Work Plan and Agenda Planning

To accomplish its strategic leadership consistent with Board policies, the Board will develop and follow an annual work plan that ensures the Board: (i) focuses on the results the Board wants the organization to achieve; (ii) defines the conditions of SMUD that it considers acceptable and unacceptable; (iii) meets its other obligations as stated by law or policy; and (iv) continually improves its performance through education, feedback, and deliberation. The Board work plan shall guide SMUD staff in preparing the agendas for regular board meetings and standing committee meetings.

Specifically:

a) **Board Work Plan**

- i) The Board will develop each year a list of topics and issues that it wishes to explore in the coming years and maintain a work plan that will be regularly reviewed by the Board or a standing committee.
- ii) The Board President shall ensure that the Board's agendas meet the goals of the annual work plan.

b) **Board Agendas**

- i) Board agendas shall be posted on the SMUD website at [www.smud.org](http://www.smud.org) least 72 hours prior to a regular Board meeting and at least 24 hours before a special Board meeting.
- ii) Only members of the Board and the Chief Executive Officer and General Manager (CEO) and his or her designees may place items on the Board agenda.
- iii) Items for placement on the agenda fall into the following categories:
  - Items generated by SMUD management;
  - Items placed on the agenda by a Board member;
  - Presentations by outside persons or agencies that have received approval for placement on an agenda from the Board President (see Meeting Procedures of the SMUD Board of Directors for details).
- iv) To the extent possible, when the Board conducts its regular review of the Board Work Plan, a Board member should notify the other Board members if the member intends to place an item on the agenda for discussion at a Board meeting.

**Versioning:**

December 19, 2002	Resolution No. 02-12-14	Date of Adoption.
October 16, 2003	Resolution No. 03-10-14	Date of Revision.
June 3, 2004	Resolution No. 04-06-07	Date of Revision.
March 20, 2008	Resolution No. 08-03-07	Date of Revision.
October 16, 2008	Resolution No. 08-10-09	Date of Revision.
March 5, 2009	Resolution No. 09-03-06	Date of Revision.
February 3, 2011	Resolution No. 11-02-02	Date of Revision.
January 16, 2014	Resolution No. 14-01-05	Date of Revision.
July 17, 2014	Resolution No. 14-07-03	Date of Revision.
September 21, 2017	Resolution No. 17-09-10	Date of Revision.
February 18, 2021	Resolution No. 21-02-05	Date of Revision.
September 21, 2023	Resolution No. 23-09-02	Date of Revision. [Current Policy]

# SMUD BOARD POLICY

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**Category:** Governance Process  
**Policy No.:** GP-13  
**Title:** Core and Key Values

In articulating its values, the Board distinguishes between “core” values and “key” values. Core values are deemed essential for the success of SMUD and for serving SMUD’s customers. Key values provide added value to our customers. Key values are subordinate to the core values.

**Monitoring Method:** Board Report

**Frequency:** Annual

**Versioning:**

May 6, 2004

Resolution No. 04-05-04

Date of Adoption.

September 21, 2023

Resolution No. 23-09-02

Date of Revision. [Current Policy]



SSS No. BOD 2026-004

# BOARD AGENDA ITEM

## STAFFING SUMMARY SHEET

Committee Meeting & Date  
POLICY - 2026

Board Meeting Date  
N/A

TO				TO							
1.	Brandy Bolden	6.									
2.	Farres Everly	7.									
3.	Suresh Kotha	8.									
4.		9.	<b>Legal</b>								
5.		10.	<b>CEO &amp; General Manager</b>								
<b>Consent Calendar</b>		<b>Yes</b>	<input checked="" type="checkbox"/>	<b>No</b> <i>If no, schedule a dry run presentation.</i>		<b>Budgeted</b>	<input checked="" type="checkbox"/>	<b>Yes</b>	<b>No</b> <i>(If no, explain in Cost/Budgeted section.)</i>		
FROM (IPR) Bryanna Schaefer / Crystal Henderson				DEPARTMENT Board Office				MAIL STOP B307	EXT. 5424	DATE SENT 12/18/25	

**NARRATIVE:**

**Requested Action:** Enable the Board of Directors and Executive Staff an opportunity to review the Board Work Plan.

**Summary:** The Board President reviews the Board Work Plan at the Policy Committee meeting to ensure agenda items support the work of the Board.

**Board Policy:** *(Number & Title)* This review of the Work Plan supports Governance Process GP-4, Board/Committee Work Plan and Agenda Planning (GP-4), which states that the Board will develop each year a list of topics and issues that it wishes to explore in the coming years and maintain a work plan that will be regularly reviewed by the Board or a standing committee. GP-4 and Governance Process GP-6, Role of the Board President, states that the [Board] President shall ensure that the Board’s agendas meet the goals of the annual work plan.

**Benefits:** Reviewing the Work Plan allows the Board members and Executive staff to make changes to the Work Plan and Parking Lot items as necessary.

**Cost/Budgeted:** Included in budget.

**Alternatives:** Not review the Work Plan at this time.

**Affected Parties:** Board of Directors and Executive Office

**Coordination:** Board Office

**Presenter:** Dave Tamayo, Board President

**Additional Links:**

SUBJECT <b>Board Work Plan</b>	ITEM NO. <i>(FOR LEGAL USE ONLY)</i>
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ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.





SSS No. BOD 2026-005

# BOARD AGENDA ITEM

## STAFFING SUMMARY SHEET

Committee Meeting & Date  
POLICY - 2026

Board Meeting Date  
N/A

TO				TO								
1.	Brandy Bolden	6.										
2.	Farres Everly	7.										
3.	Suresh Kotha	8.										
4.		9.	<b>Legal</b>									
5.		10.	<b>CEO &amp; General Manager</b>									
<b>Consent Calendar</b>		<input type="checkbox"/>	<b>Yes</b>	<input checked="" type="checkbox"/>	<b>No</b> <i>If no, schedule a dry run presentation.</i>	<input type="checkbox"/>	<b>Budgeted</b>	<input checked="" type="checkbox"/>	<b>Yes</b>	<input type="checkbox"/>	<b>No</b> <i>(If no, explain in Cost/Budgeted section.)</i>	
FROM (IPR) Bryanna Schaefer / Crystal Henderson				DEPARTMENT Board Office				MAIL STOP B304	EXT. 5424	DATE SENT 12/18/25		

**NARRATIVE:**

**Requested Action:** A summary of directives is provided to staff during the committee meeting.

**Summary:** The Board requested an ongoing opportunity to do a wrap up period at the end of each committee meeting to summarize various Board member suggestions and requests that were made at the meeting to make clear the will of the Board. The Policy Committee Chair will summarize Board member requests that come out of the committee presentations for this meeting.

**Board Policy:** *(Number & Title)* Governance Process GP-4, Board/Committee Work Plan and Agenda Planning states the Board will focus on the results the Board wants the organization to achieve.

**Benefits:** Having an agenzied opportunity to summarize the Board’s requests and suggestions that arise during the committee meeting will help clarify what the will of the Board.

**Cost/Budgeted:** Included in budget.

**Alternatives:** Not to summarize the Board’s requests at this meeting.

**Affected Parties:** Board of Directors and Executive Office

**Coordination:** Board Office

**Presenter:** Rosanna Herber, Policy Committee Chair

**Additional Links:**

SUBJECT <b>Summary of Committee Direction – Policy Committee</b>	ITEM NO. <i>(FOR LEGAL USE ONLY)</i>
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ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.