Exhibit to Agenda Item #2

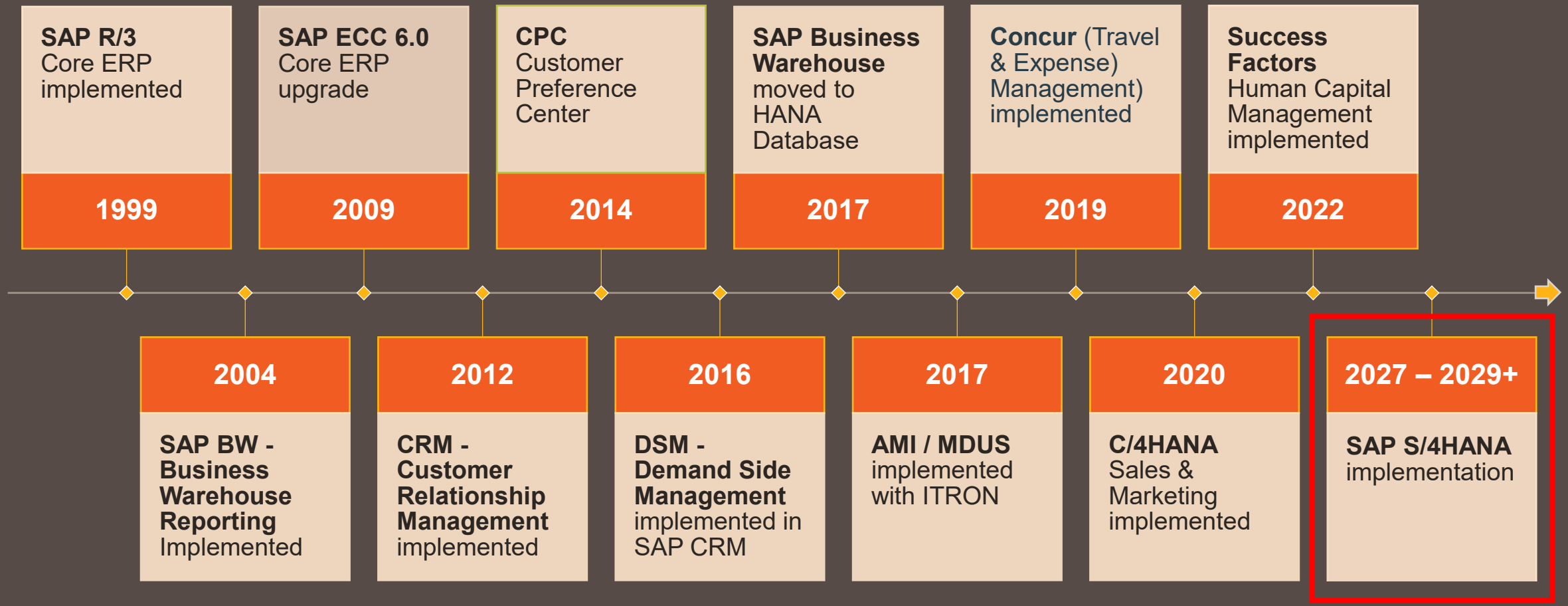
Discuss authorizing the Chief Executive Officer and General Manager to negotiate and award a contract to **International Business Machines Corporation (IBM)** for SAP S/4HANA Implementation Services for the period November 1, 2026, through December 31, 2029, for a not-to-exceed amount of $32,189,635.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting

Tuesday, October 13, 2026, scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium

SMUD's SAP Journey



Our S/4HANA Journey

- SMUD's current Enterprise Resource Planning (ERP) systems are nearing end of mainstream support.
- Current systems limit our ability to adopt modern technologies critical for operational excellence and growth.
- With Board approval, SMUD has a five-year contract with SAP America, Inc., for a cloud-based SAP S/4HANA, enabling continuous innovation and agility.
- IBM has been selected as the System Integrator to lead this critical transition, ensuring a successful upgrade leveraging IBM's expertise.

What is the scope of work?

Current State	Transformation	Future State	
SAP Enterprise Core Component (ECC) Core ERP (On-Prem)	**Migrate** **(Phase -1)**	**SAP S/4HANA** RISE with SAP (Cloud)	**Finance, supply chain, asset management migration to a single cloud ERP core**
SAP Customer Relationship Management (CRM) Customer Engagement	**Move** **(Phase -1)**	**SAP Service Cloud V2** Cloud-native CRM	**Service and customer interaction processes move to a modern Cloud platform**
SAP Business Warehouse (BW) Enterprise Data Warehouse	**Modernize** **(Phase -2)**	**Business Data Cloud** incl. SAP Datasphere	**Reporting and analytics consolidation into a unified cloud data platform**

ERP (S/4HANA) Transformation Project - Contracts

Completed:

ERP (S/4HANA) Software Licenses – Sole Source contract with SAP America Inc – Approved by Board in September 2025.

Active:

System Integrator – ERP (S/4HANA) implementation services contract – Requesting approval in October 2026

In-progress (Planned):

Project QA/PA - External QA/PA services for ERP (S/4HANA) implementation to ensure compliance and risk oversight

Project Support – SAP Max/Active attention services during ERP (S/4HANA) implementation project - Requesting approval in December 2026.

S/4HANA System Integrator Selection Process

60+
Employees
Multiple Business & IT Teams

1. Launch RFP
Issued Oct 14, 2025; executive-approved

40+
Employees
Multiple Business & IT Teams

2. Evaluate & Score
7 qualified proposals scored

90+
Employees
Multiple Business & IT Teams

3. Vendor Demos
HCL · Deloitte · IBM

40+
Business & IT workstreams

4. Define SOW
Scope drafted & reviewed

Multiple
Iterations

5. Negotiate & Award
Balanced agreement with IBM

Procurement Process

- In October 2025, SMUD solicited proposals from qualified firms for SAP S/4HANA Implementation Services.

- SMUD received eight (8) proposals in response to the RFP.
  - One proposer did not satisfy SMUD's mandatory pass/fail requirements
  - Of the seven remaining, three vendors qualified for the demonstration phase of evaluations.
  - IBM, Deloitte, and HCL were invited to Demo for SMUD. Demos were scored and accounted for 30% of overall technical score.

- IBM was the highest rated proposer.

Evaluation Data

Shortlisted Proposers	P/F	SEED	Environmental	Technical (48 Points Required)	Price	Total	Proposal Amount	SEED Credit	Evaluated Proposal Amount	Proposed Award Amount
		10	5	60	25	100				
International Business Machines Corp.	P	8.77	4.85	48.65	25	88.5	$29,263,304	$250,000	$29,013,304	$32,189,635
Did not qualify for commercial evaluation:										
Deloitte Consulting LLP	P	7.84	5	47.55						
HCL Technologies Limited	P	9.02	5	45.83						

Non-Shortlisted Proposals	Comments
Elite Tech Fusion Inc.	Did not satisfy mandatory pass/fail requirements.
Delaware North America, LLC	Did not satisfy minimum point threshold.
Bramasol	Did not satisfy minimum point threshold.
Cognizant Technology Solutions	Did not satisfy minimum point threshold.
(CBS) Corporate Business Solutions America, Inc	Did not satisfy minimum point threshold.

Award Recommendation

- Award a contract to IBM, for a total not-to-exceed amount of $32,189,635, for a three-year period.

- IBM is using 17.5% SEED subcontracting in the scope of their services.
  - 17.5% of the work will go to TechNet and Stanfield Systems, SMUD SEED firms who will assist with SAP Functional and Process expertise, SAP Technical expertise, Project Administration, Project Management, Change Management and Support expertise.