Chief Executive Officer and General Manager's Report and Recommendation on

Open Access Transmission Tariff

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Chief Executive Officer
& General Manager's Report
and Recommendation on

Open Access Transmission Tariff

March 20, 2025

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Chief Executive Officer & General Manager's Report and Recommendation on Open Access Transmission Tariff

March 20, 2025

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Planning and Revenue Strategy

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Introduction

SMUD's Commitment to Our Customers

The electric utility industry is constantly meeting new challenges due to the combined impacts of wildfire, climate change and cybersecurity risks, advances in technology, customer service expectations and public policy goals and mandates. SMUD continues to provide the Sacramento region with safe, reliable, clean, and competitively priced power for our customers and community.

Overview

SMUD owns and operates high-voltage transmission facilities in the Sacramento region, and as a member of the Transmission Agency of Northern California (TANC), has the largest share of the California-Oregon Transmission Project (COTP). SMUD adopted an Open Access Transmission Tariff (OATT) consistent with the regulations established by the Federal Energy Regulatory Commission (FERC). SMUD offers any excess transmission on its COTP transmission rights to other entities that desire to occasionally transport energy to make use of SMUD's surplus COTP capacity.

SMUD's OATT establishes the rates, terms, and conditions under which we will provide such transmission service. Although SMUD is not a jurisdictional public utility subject to FERC's jurisdiction under Section 205 or Section 206 of the Federal Power Act, SMUD voluntarily adopted an OATT. Under the OATT, SMUD provides generator interconnection procedures, network transmission through the SMUD service territory, ancillary services, and point-to-point transmission service over SMUD's high-voltage transmission facilities and its COTP transmission rights.

This document presents proposed changes to ancillary services and point-to-point transmission services rates under SMUD's OATT Schedules 1, 2, 3, 5, 6, 7, 8, and 10 to the SMUD Board of Directors, as well as to our customers, community, and the interested public. It recommends approval of a revised OATT with an effective implementation date of July 1, 2025.

Proposed Tariff Revisions

Open Access Transmission Tariff

Ancillary Services

Scheduling, System Control and Dispatch Service (Schedule 1) is required to schedule the movement of power through, out of, within, or into a Balancing Authority Area (BAA). This service can be provided only by the operator of the BAA in which the transmission facilities used for transmission service are located. Scheduling involves the accounting of power transaction in advance (day-ahead), hourly, sub-hourly and in real-time. It also requires the accounting of actual flows between entities so that the amount of scheduled interchange is compared to actual interchange and the actual interchange is controlled and monitored by each entities energy management system to remain within acceptable limits of deviation from schedules over time periods. A significant portion of the cost of operating a balancing authority is associated with supporting the scheduling and dispatch function.

In order to maintain transmission voltages on the transmission provider's transmission facilities within acceptable limits, generation facilities and non-generation resources capable of providing this service that are under the control of or subject to the direction of the BAA or transmission operator are operated to produce (or absorb) reactive power and support reliable transmission system operation in the event of system contingencies including those outside the SMUD system which rely on system-wide reactive power support to maintain transfer limits. Thus, Reactive Supply and Voltage Control from Generation or Other Sources Service (Schedule 2) must be provided for each transaction on the transmission provider's transmission facilities and transmission providers whose transmission transfer capabilities benefit from SMUD's voltage support from generation resource or other reactive power resources. The amount of Reactive Supply and Voltage Control from Generation or Other Sources Service that is charged to each transmission service reservation has been based on an amount of service considered to be associated with the transmission customer's transaction. The rate determined was based on the share of generation costs to supply the reactive power support available to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by the respective transmission provider.

Regulation and Frequency Response Service (Schedule 3) is necessary to provide for the continuous balancing of resources (generation and interchange) with load and for maintaining scheduled Interconnection frequency at sixty cycles per second (60 Hz). Regulation and Frequency Response Service is accomplished by committing on-line generation whose output is raised or lowered (predominantly through the use of automatic generating control equipment) and by other non-generation resources capable of providing this service as necessary to follow the moment-by-moment changes in load. The obligation to maintain this balance between resources and load lies with the transmission provider (or the BAA operator that performs this function for the transmission provider).

Spinning Reserve Service (Schedule 5) is needed to serve load immediately in the event of a system contingency. Spinning Reserve Service may be provided by generating units that are on-line and loaded at less than maximum output and by non-generation resources capable of providing this service to the extent that such non-generation resources meet applicable NERC standards or criteria for such services.

Supplemental Reserve Service (Schedule 6) is needed to serve load in the event of a system contingency; however, it is not available immediately to serve load but rather within a short period of time. Supplemental

Reserve Service may be provided by generating units that are on-line but unloaded, by quick-start generation or by interruptible load or other non-generation resources capable of providing this service.

Generator Regulation and Frequency Response Service (Schedule 10) is necessary to provide for the continuous balancing of resources (generation and interchange) with load and for maintaining scheduled Interconnection frequency at sixty cycles per second (60 Hz). Generator Regulation and Frequency Response Service is accomplished by committing on-line generation whose output is raised or lowered (predominantly through the use of automatic generating control equipment) and/or by other non-generation resources capable of providing this service as necessary to follow the moment-by-moment changes in generation output. The obligation to maintain this balance between resources and load lies with the transmission provider (or the Balancing Authority (BA) that performs this function for the transmission provider).

Application of the ancillary services described above will be determined on a case-specific basis as further provided in SMUD's OATT Business Practices document posted on its publicly accessible Open Access Same-Time Information System (OASIS) website.

Point-to-Point Transmission Services

Firm Point-to-Point Transmission Service (Schedule 7) guarantees a reserved/and or scheduled capacity for transmitting electricity between a specified point of receipt to a specified point of delivery.

Non-Firm Point-to-Point Transmission Service (Schedule 8) is reserved and scheduled on an as-available basis between a specified point of receipt to a specified point of delivery.

Issue

SMUD continues to face cost pressures for compliance and risk mitigation requirements, as well as technology and grid investments to support the safe and reliable operation of the grid. Our largest cost drivers were increases in transmission substation and line capital investments, liability & wildfire insurance, and inflationary impacts. The current prices for ancillary services and point-to-point transmission services were approved several years ago and do not reflect SMUD's latest costs associated with providing the services. The tariffs for schedules 1 and 2 were last updated in 2021 using 2019 actual costing data. The tariffs for schedules 3, 5, 6, 7, 8, and 10 were last updated in 2017 using 2015 actual costing data. Approval of these tariff revisions will serve to:

- Ensure the following SMUD's ancillary service and point-to-point transmission service rates reflect current costs.
    - Schedule 1 – Scheduling, System Control and Dispatch Service
    - Schedule 2 – Reactive Supply and Voltage Control from Generation or Other Sources Services
    - Schedule 3 – Regulation and Frequency Response Service
    - Schedule 5 – Operating Reserve – Spinning Reserve Service
    - Schedule 6 – Operating Reserve – Supplemental Reserve Service
    - Schedule 7 – Firm Point-to-Point Transmission Service
    - Schedule 8 – Non-Firm Point-to-Point Transmission Service
    - Schedule 10 – Generator Regulation and Frequency Response Service

Customer and Revenue Impact

Charges imposed under the new 2025 rates are charged only to those customers taking service under the tariff and reflect the reasonable cost to SMUD of providing tariff service. SMUD's costs for providing service under the tariff were determined using 2023 actual costing data. Revenues collected from these services from third-party purchases of surplus COTP transmission are treated as credits against the costs other SMUD customers are charged. SMUD collects costs from ancillary services and point-to-point transmission services customers to recover a just and reasonable revenue contribution amount from them and offsets the charges to other customers as well. Revenues from providing OATT services reduce the rates for ancillary services and point-to-point transmission services customers.

Recommendation

Approve the proposed revisions to the OATT Schedules 1, 2, 3, 5, 6, 7, 8, and 10 effective July 1, 2025.

Summary of Tariff

This section summarizes the proposed ancillary service and point-to-point transmission service revisions to Schedules 1, 2, 3, 5, 6, 7, 8, and 10.

Ancillary Services

Ancillary services provide necessary support of transmission capacity and energy between the generating resources and the utility customers' loads. These services are critical to the reliable operation of the transmission system, in accordance with Good Utility Practice.

The OATT includes revisions for the following six ancillary service schedules:

Schedule 1: Scheduling, System Control and Dispatch Service

$364.64/MW of Reserved Capacity per month.

Schedule 2: Reactive Supply and Voltage Control from Generation or Other Sources Service

$87.15/MW of Reserved Capacity per month.

Schedule 3: Regulation and Frequency Response Service

$359.33/MW of Reserved Capacity per month.

Schedule 5: Spinning Reserve Service

$8,647.36/MW of Reserved Capacity per month.

Schedule 6: Supplemental Reserve Service

$8,914.52/MW of Reserved Capacity per month.

Schedule 10: Generator Regulation and Frequency Response Service

$359.33/MW of Reserved Capacity per month.

Point-to-Point Transmission Services

Firm point-to-point transmission service is the reservation and transmission of capacity and energy on a non-interruptible basis from the point(s) of receipt to the point(s) of delivery. Non-firm point-to-point

transmission service is the reservation and transmission of capacity and energy on an interruptible basis from the point(s) of receipt to the Point(s) of delivery.

The OATT includes revisions for the following two point-to-point transmission service schedules:

Schedule 7: Firm Point-to-Point Transmission Service

System Rate: $3,219.95/MW of Reserved Capacity per month.

COTP Rate: $2,759.78/MW of Reserved Capacity per month.

Schedule 8: Non-Firm Point-to-Point Transmission Service

System Rate: $1,725.10/MW of Reserved Capacity per month.

COTP Rate: $3,604.19/MW of Reserved Capacity per month.

Environmental Assessment

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

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

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

(3) Meeting financial reserve needs and requirements;

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

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

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

3.0 The proposed action to revise the ancillary services and point-to-point transmission service rates in the Open Access Transmission Tariff (OATT) with an effective implementation date of July 1, 2025, is for the purposes set forth in (1) through (4) of Section 1.0 of the Environmental Assessment. Therefore, this rate action is exempt from the requirements of CEQA.

Compliance

Introduction

California voters approved Proposition 26 in November 2010, and that measure provides that every "levy, charge, or exaction of any kind imposed by a local government" is treated as a tax subject to voter approval, with exceptions discussed below. (Cal. Const., art. XIII C, § 1, subd. (e).) Proposition 26 therefore applies only to charges that are "imposed" by local government. SMUD rates arguably are not "imposed" on customers for purposes of Proposition 26, as SMUD provides services to customers in a competitive market. SMUD customers pay only for the voluntary use of service, and they have meaningful alternatives to that service, such as self-generation and storage with solar, hydro, fuel cell, wind, and geothermal power and batteries.

Although Proposition 26 arguably does not govern SMUD OATT rates, the rate structure developed for this Chief Executive Officer and General Manager's Report and Recommendation on Rates and Services ("Report") complies with Proposition 26, which includes seven exceptions that treat certain charges imposed by local government agencies as fees rather than taxes, four of which are relevant to SMUD OATT charges.

Cost-Justified Fees for Benefits and Services

First, charges for benefits conferred upon the payor, or for specific government services provided directly to the payor, are excepted under Cal. Const., art. XIII C, subs. (e)(1) & (e)(2), respectively, provided that the charge does not exceed the reasonable cost of providing that benefit or service. The proposed increases to SMUD's OATT rates are based upon cost-of-service principles, because the cost-drivers of the increases are due to additions to SMUD's facilities, changes with regard to SMUD's major points of transmission interconnection including joint operation and cost sharing with the Balancing Authority of Northern California, TANC, and the Western Area Power Administration, and escalation of administrative and general expenses. SMUD used actual 2023 costs (the most recent available) and depreciation data to determine the new rates. These cost-drivers affect SMUD's costs to provide transmission service uniformly to all transmission customers.

Fees for Use of SMUD Property; Fines and Penalties

Although SMUD's OATT rates are cost-justified, Proposition 26 also provides categorical exceptions that are not restricted by cost-of-service principles and, in the alternative, apply to SMUD's OATT rates because they are charges for the use or purchase of government property. Proposition 26 provides exceptions for the following categories of charges, which are not treated as taxes subject to voter approval: (1) charges for the use of government property and (2) fines and penalties. (Cal. Const., art XIII C, § 1, subd. (e)(4) & (e)(5).) Unlike charges for benefits and services, which cannot exceed the reasonable cost of providing those benefits and services, Proposition 26 does not limit charges for property to the cost of service. SMUD's OATT rates are for the use or purchase of SMUD property (e.g., transmission assets), and therefore, those charges comply with Proposition 26 if it applied even without a showing that such charges are limited to SMUD's costs.

Glossary

Ancillary Services

Those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the Transmission Provider's transmission system in accordance with Good Utility Practice.

Balancing Authority (BA)

The responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports interconnection frequency in real time.

Balancing Authority Area (BAA)

An electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to: i) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s); ii) maintain scheduled interchange with other Balancing Authority Areas, within the limits of Good Utility Practice; and iii) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

Balancing Authority of Northern California (BANC)

The BANC was established on May 8, 2009 and began operation on May 1, 2011 as a North American Electric Reliability Corporation (NERC) registered and certified Balancing Authority (BA) operating an electric system bounded by sufficient metering to measure interchange with others and capable of controlling its resources to match actual interchange and actual frequency with scheduled interchange and scheduled frequency within its metered boundaries and is responsible for meeting Reliability Standards defined by NERC and the Western Electricity Coordinating Council (WECC) for such entities to maintain reliable operation of the Bulk Electric System (BES). BANC (through SMUD) obtains and maintains the necessary systems, staffing, enabling agreements and authorizations to provide BA services. SMUD is the BANC Operator under the SMUD-BANC Operations contract executed on October 22, 2010. The BANC BAA includes the electric systems of SMUD, the California-Oregon Transmission Project, the Western Area Power Administration-Sierra Nevada Region, the Modesto Irrigation District, the City of Roseville, the City of Redding and the Shasta Lake and Trinity public utility districts.

Backup Control Center (BCC)

The Backup Control Center, which is SMUD's operation center when the EMC is not available. It is located within SMUD Rancho Seco facility campus and has the capabilities and technology to complete all the functions necessary for SMUD's transmission, generation systems and the BANC balancing authority.

California-Oregon Transmission Project (COTP)

The California-Oregon Transmission Project 500 kV transmission line interconnecting the Northwest with California utilities. Of the 1,700 MW transfer capability of this line and as a member of the Transmission Agency of Northern California (TANC), which co-owns the line, SMUD is entitled to 559 MW of transfer

capability southbound (or import) and 402 MW of northbound (or export) transfer capability, though this amount may change over time.

Western Energy Imbalance Market (WEIM)

The California Independent System Operator's (CAISO) WEIM is an automated, real-time energy wholesale market that matches the lowest cost electricity supply with demand every 15 minutes and dispatches every 5 minutes. WEIM participants must submit balanced load and resource schedules (including ramping ability) to the CAISO for each market cycle, using the WEIM only for the last-minute unbalanced portion of load versus resources.

Energy Management Center (EMC)

SMUD's Energy Management Center is the primary operation center located adjacent on SMUD's headquarters campus, which controls all of SMUD's transmission, generation systems and the BANC balancing authority.

Energy Management System (EMS)

The computer systems (both hardware and software) and associated tools used by SMUD's System Operators to monitor, control, and optimize the performance of the generation, transmission, gas operations systems and Energy Imbalance Market participation. The EMS performs management of SMUD's generation to match its load and net interchange with neighboring systems, provides transmission system situational awareness, operational control and manages the associated information needed to enable operators to take actions needed to meet applicable reliability standards and criteria for the BANC Balancing Authority Area and SMUD's generation and transmission system, including the real-time monitoring and analysis of the reliability exposure to contingency conditions (i.e. outage events that cause an exceedance of a system operating limit).

FERC

The Federal Energy Regulatory Commission or its successor.

Good Utility Practice

Any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region, including those practices required by Federal Power Act Section 215(a)(4).

Net Book Value (NBV)

The value of an asset as recorded on the balance sheet, which is calculated as the original cost of the asset minus any accumulated depreciation, amortization, or impairment charges.

North American Electric Reliability Corporation (NERC)

A not-for-profit international regulatory authority whose mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid. NERC develops and enforces Reliability Standards; annually assesses seasonal and long-term reliability; monitors the bulk power system through system awareness; and educates, trains, and certifies industry personnel. NERC is the Electric Reliability Organization (ERO) for North America, subject to oversight by the Federal Energy Regulatory Commission

(FERC) and governmental authorities in Canada. NERC's jurisdiction includes users, owners, and operators of the bulk power system, which serves nearly 400 million people.

Open Access Same-Time Information System (OASIS)

The information system and standard of conduct implemented by the Transmission Provider.

Point-to-Point Transmission Service

The reservation and transmission of capacity and energy from a specified point of receipt to a specified point of delivery.

System Incremental Cost (SIC)

The additional cost incurred by the transmission system operator when a small amount of additional power is transmitted through the grid.

System Rate

Transmission service rate between the SMUD System and any single point of interconnection between the Transmission Provider and an interconnected third-party transmission provider, as specified on SMUD's OASIS.

Transmission Operator Function (TOP)

The functions of the entity responsible for the reliability of its "local" transmission system, and that operates or directs the operations of the transmission facilities.

Appendix I

Utility Financial Solutions Review Letter – Open Access Transmission Tariff

February 2025

Alcides Hernandez
Revenue Strategy Manager
SMUD
P.O. Box 15830
Sacramento, CA 95852-0830

RE: Independent Review of SMUD's 2025 Ancillary and Point-to-Point Transmission Service Rate Tariffs

Dear Mr. Hernandez,

Utility Financial Solutions (UFS) was engaged by the Sacramento Municipal Utility District (SMUD) to provide an independent review of SMUD's 2025 ancillary and point-to-point transmission service rate tariffs. The scope of this review included:

1. **Evaluation of Ancillary Service Rate Tariffs and Point-to-Point Transmission Service Rate Tariffs** – Assessing the calculation methodology for SMUD's eight proposed ancillary service and point-to-point transmission service rate schedules (Schedules 1, 2, 3, 5, 6, 7, 8 and 10).
2. **Review of Cost Allocation Model** – Examining the model used to determine revenue requirements and allocate revenue credits.

UFS provided SMUD with an industry-standard perspective on the development of Open Access Transmission Tariff (OATT) Ancillary and Point-to-Point Transmission Service Charges.

Review Process & Documents Examined

To conduct this assessment, UFS engaged in multiple discussions with SMUD staff regarding the calculation methodologies and reviewed key supporting documents, including:

- Financial and costing information for the calculation of Ancillary Services 1, 2, 3, 5, 6 and 10
- Financial and costing information for the calculation of Point-to-Point Transmission Services 7 and 8
- Historical data and supporting information, such as:
    - Generation project audited financial statements
    - Supplemental OATT schedule details
    - Detailed asset records and general plant statistics
    - SMUD TANC OASIS revenue reports
    - SMUD's 2023 income statement

Key Findings

Following its review, UFS reached the following conclusions:

1. **Rate Adjustments Are Necessary** – The proposed ancillary and point-to-point transmission service rate adjustments are essential for maintaining SMUD's financial integrity and ensuring system reliability.
2. **Methodology is Consistent and Reasonable** – The calculations align with industry standards, remain consistent with previous methodologies, and are reasonable based on the available data.

Overall, UFS finds SMUD's proposed ancillary and point-to-point transmission service rates to be well-supported and appropriate for implementation.

Sincerely,

Mark Beauchamp

Mark Beauchamp
President
Utility Financial Solutions

Appendix II

High Level Summary of Schedule Calculations

Schedule 1: Scheduling, System Control and Dispatch Service

Table 1 shows a high-level summary of how the price per MW per month was calculated for Schedule 1.

Table 1 – Summary of Calculations for Schedule 1 Scheduling, System Control and Dispatch Service

Line	Category	Value	Comments
1	System Control & Load Dispatch Operations & Maintenance (O&M)	$38,377,869	2023 Annual System Control & Load Dispatch Accounting Data
2	Western Energy Imbalance Market (WEIM) Revenue Credit	$(2,537,153)	WEIM Reimbursements
3	Allocation to Balancing Authority (BA)/Transmission Operator (TOP) Function	75%	25% allocated to SMUD load serving function
4	Allocation to TOP Function	60%	Amount used in BANC budget development. BANC/SMUD judgement. 40% allocated to BA function
5	TOP O&M Subtotal	$16,128,322	(Line 1 + Line 2) × Line 3 × Line 4
6	Total TOP Revenue Credits	$(5,843,673)	BANC, COTP BA, WAPA BA, SMUD OASIS Ancillary Services (A/S) Schedule #1 Revenues
7	Net TOP O&M	$10,284,649	Line 5 + Line 6
8	Energy Management System (EMS) Asset to TOP Return	$696,122	Plant Accounting using TOP Share at 5.01% SMUD Nominal Discount Rate
9	EMS/Backup Control Center (BCC) Asset to TOP Depreciation	$2,404,585	Plant Accounting using TOP Share
10	Total TOP Revenue Requirement	$13,385,356	Line 7 + Line 8 + Line 9
11	SMUD System Peak (MW)	3,059	Occurred August 16, 2023
12	Schedule 1 Rate per Megawatt per Month	**$364.64**	Line 10 ÷ Line 11 ÷ 12 Months

* Total may not add up due to rounding.

Schedule 2: Reactive Supply and Voltage Control from Generation or Other Sources Service

Table 2 shows a high-level summary of how the price per MW per month was calculated for Schedule 2.

Table 2 – Summary of Calculations for Schedule 2 - Reactive Supply and Voltage Control from Generation or Other Sources Service

Line	Category	Value	Comments
1	Total Plant Cost	$678,356,698	Sum of Net Book Value (NBV) for Hydro and Gas Plants
2	Total Plant Nameplate Capacity (kW)	1,864,200	Sum of Rated Capacity for Hydro and Gas Plants
3	Weighted Cost of Capital	5.01%	SMUD Nominal Discount Rate
4	Total Capital Cost	$33,955,280	Line 1 × Line 3
5	Total Plant Operations & Maintenance (O&M) Expenses	$72,867,384	Sum of O&M for Hydro and Gas Plants Less Fuel
6	Total Depreciation Expense	$50,494,207	Sum of Depreciation Expenses for Hydro and Gas Plants
7	Total General & Administrative (G&A)	$37,748,803	Sum of G&A for Hydro and Gas Plants
8	Reactive Power and Voltage Support Revenue Credit	$(111,044)	Sum of the third-party Reactive power revenues from surplus transmission sales under SMUD and TANC OATTs
9	Total Revenue Requirement	$194,954,631	Line 4 + Line 5 + Line 6 + Line 7 + Line 8
10	Schedule 2 Rate per Megawatt per Month	**$87.15**	Line 9 ÷ Line 2 ÷ 12 Months ÷ 100 × 1,000**

* Total may not add up due to rounding.

** The formula divides by 100 to allocate 1% of the generation costs to Reactive Supply and Voltage Control as the share of generation cost attributable to voltage control consistent with SMUD's prior methodology based on industry practice. The formula multiplies by 1,000 to convert from killowatt to megawatt.

Schedule 3: Regulation and Frequency Response Service

Table 3 shows a high-level summary of how the price per MW per month was calculated for Schedule 3.

Table 3 – Summary of Calculations for Schedule 3 – Regulation and Frequency Response

Line	Category	Value	Comments
1	Total Plant Cost	$678,356,698	Sum of Net Book Value (NBV) for Hydro and Gas Plants
2	Total Plant Nameplate Capacity (kW)	1,864,200	Sum of Rated Capacity for Hydro and Gas Plants
3	Weighted Cost of Capital	5.01%	SMUD Nominal Discount Rate
4	Total Capital Cost	$33,955,280	Line 1 × Line 3
5	Total Plant Operations & Maintenance (O&M) Expenses	$72,867,384	Sum of O&M for Hydro and Gas Plants Less Fuel
6	Total Depreciation Expense	$50,494,207	Sum of Depreciation Expenses for Hydro and Gas Plants
7	Total General & Administrative (G&A)	$37,748,803	Sum of G&A for Hydro and Gas Plants
8	Total Revenue Requirement	$195,065,675	Line 4 + Line 5 + Line 6 + Line 7
9	Load Following Requirement at Peak Time in kW	126,057	Occurred August 16, 2023
10	Total Revenue Requirement	$13,190,320	Line 8 ÷ Line 2 × Line 9
11	SMUD System Peak (MW)	3,059	Occurred August 16, 2023
12	Schedule 3 Rate per Megawatt per Month	**$359.33**	Line 10 ÷ Line 11 ÷ 12 Months

* Total may not add up due to rounding.

Schedule 5: Operating Reserve – Spinning Reserve Service

Table 4 shows a high-level summary of how the price per MW per month was calculated for Schedule 5.

Table 4 – Summary of Calculations for Schedule 5 – Operating Reserve – Spinning Reserve Service

Line	Category	Value	Comments
1	Total Plant Cost	$484,822,719	Sum of Net Book Value (NBV) for Hydro and Gas Plants
2	Total Plant Nameplate Capacity (kW)	1,358,650	Sum of Rated Capacity for Hydro and Gas Plants
3	Weighted Cost of Capital	5.01%	SMUD Nominal Discount Rate
4	Total Capital Cost	$24,267,898	Line 1 × Line 3
5	Total Plant Operations & Maintenance (O&M) Expenses	$50,826,300	Sum of O&M for Hydro and Gas Plants Less Fuel
6	Total Depreciation Expense	$39,567,886	Sum of Depreciation Expenses for Hydro and Gas Plants
7	Total General & Administrative (G&A)	$26,322,775	Sum of G&A for Hydro and Gas Plants
8	Total Revenue Requirement	$140,984,860	Line 4 + Line 5 + Line 6 + Line 7
9	Schedule 5 Rate per Megawatt per Month	**$8,647.36**	Line 8 ÷ Line 2 ÷ 12 Months × 1,000

* Total may not add up due to rounding.

Schedule 6: Operating Reserve – Supplemental Reserve Service

Table 5 shows a high-level summary of how the price per MW per month was calculated for Schedule 6.

Table 5 – Summary of Calculations for Schedule 6 – Operating Reserve – Supplemental Reserve Service

Line	Category	Value	Comments
1	Total Plant Cost	$193,533,979	Sum of Net Book Value (NBV) for Hydro and Gas Plants
2	Total Plant Nameplate Capacity (kW)	505,550	Sum of Rated Capacity for Hydro and Gas Plants
3	Weighted Cost of Capital	5.01%	SMUD Nominal Discount Rate
4	Total Capital Cost	$9,687,382	Line 1 × Line 3
5	Total Plant Operations & Maintenance (O&M) Expenses	$22,041,084	Sum of O&M for Hydro and Gas Plants Less Fuel
6	Total Depreciation Expense	$10,926,321	Sum of Depreciation Expenses for Hydro and Gas Plants
7	Total General & Administrative (G&A)	$11,426,027	Sum of G&A for Hydro and Gas Plants
8	Total Revenue Requirement	$54,080,815	Line 4 + Line 5 + Line 6 + Line 7
9	Schedule 6 Rate per Megawatt per Month	**$8,914.52**	Line 8 ÷ Line 2 ÷ 12 Months × 1,000

* Total may not add up due to rounding.

Schedule 7: Firm Point-to-Point Transmission Service

Table 6 shows a high-level summary of how the price per MW per month was calculated for Schedule 7.

Table 6 – Summary of Calculations for Schedule 7 – Firm Point-to-Point Transmission Service

Line	Category	Value	Comments
1	Total Plant Cost	$336,503,563	Sum of Net Book Value (NBV) for Transmission and 115kV Assets
2	12 Month Coincident Peak (MW)	24,109	Sum of Coincident Peaks for 12 Months
3	Weighted Cost of Capital	5.01%	SMUD Nominal Discount Rate
4	Total Capital Cost	$16,843,753	Line 1 × Line 3
5	Total Plant Operations & Maintenance (O&M) Expenses	$23,042,117	Sum of O&M for Transmission and 115kV Assets
6	Total Depreciation Expense	$18,985,000	Sum of Depreciation Expenses for Transmission and 115kV Assets
7	Total General & Administrative (G&A)	$19,754,546	Sum of G&A for Transmission and 115kV Assets
8	Total Wheeling Revenue	$(995,727)	Sum of Wheeling Revenue for Transmission and 115kV Assets
9	Total Revenue Requirement	$77,629,689	Line 4 + Line 5 + Line 6 + Line 7 + Line 8
10	Schedule 7 Rate per Megawatt per Month	**$3,219.95**	Line 9 ÷ Line 2

* Total may not add up due to rounding.

Schedule 8: Non-Firm Point-to-Point Transmission Service

Table 7 shows a high-level summary of how the price per MW per month was calculated for Schedule 8.

Table 7 – Summary of Calculations for Schedule 8 – Non-Firm Point-to-Point Transmission Service

Line	Category	Value	Comments
1	Total Plant Cost	$336,503,563	Sum of Net Book Value (NBV) for Transmission and 115kV Assets
2	Load Serving Capability (MW)	3,750	SMUD Load Serving Capability
3	Sales to Customers (MWh)	10,820,246	SMUD Yearly Sales to Customers
4	Weighted Cost of Capital	5.01%	SMUD Nominal Discount Rate
5	Total Capital Cost	$16,843,753	Line 1 × Line 3
6	Total Plant Operations & Maintenance (O&M) Expenses	$23,042,117	Sum of O&M for Transmission and 115kV Assets
7	Total Depreciation Expense	$18,985,000	Sum of Depreciation Expenses for Transmission and 115kV Assets
8	Total General & Administrative (G&A)	$19,754,546	Sum of G&A for Transmission and 115kV Assets
9	Total Wheeling Revenue	$(995,727)	Sum of Wheeling Revenue for Transmission and 115kV Assets
10	Total Revenue Requirement	$77,629,689	Line 5 + Line 6 + Line 7 + Line 8 + Line 9
11	Schedule 8 Rate per Megawatt per Month	**$1,725.10**	Line 10 ÷ Line 2 ÷ 12
12	Schedule 8 Rate per Megawatt per Hour	**$7.1745**	Line 10 ÷ 3

* Total may not add up due to rounding.

Schedule 10: Generator Regulation and Frequency Response Service

Table 8 shows a high-level summary of how the price per MW per month was calculated for Schedule 10.

Table 8 – Summary of Calculations for Schedule 10 – Generator Regulation and Frequency Response

Line	Category	Value	Comments
1	Total Plant Cost	$678,356,698	Sum of Net Book Value (NBV) for Hydro and Gas Plants
2	Total Plant Nameplate Capacity (kW)	1,864,200	Sum of Rated Capacity for Hydro and Gas Plants
3	Weighted Cost of Capital	5.01%	SMUD Nominal Discount Rate
4	Total Capital Cost	$33,955,280	Line 1 × Line 3
5	Total Plant Operations & Maintenance (O&M) Expenses	$72,867,384	Sum of O&M for Hydro and Gas Plants Less Fuel
6	Total Depreciation Expense	$50,494,207	Sum of Depreciation Expenses for Hydro and Gas Plants
7	Total General & Administrative (G&A)	$37,748,803	Sum of G&A for Hydro and Gas Plants
8	Total Revenue Requirement	$195,065,675	Line 4 + Line 5 + Line 6 + Line 7
9	Load Following Requirement at Peak Time in kW	126,057	Occurred August 16, 2023
10	Total Revenue Requirement	$13,190,320	Line 8 ÷ Line 2 × Line 9
11	SMUD System Peak (MW)	3,059	Occurred August 16, 2023
12	Schedule 10 Rate per Megawatt per Month	**$359.33**	Line 10 ÷ Line 11 ÷ 12 Months

* Total may not add up due to rounding.

Appendix III

Tariff Schedules

Schedule 1: Scheduling, System Control and Dispatch Service

This service is required to schedule the movement of power through, out of, within, or into a Balancing Authority Area. This service can be provided only by the operator of the Balancing Authority Area in which the transmission facilities used for transmission service are located. Scheduling, System Control and Dispatch Service is to be provided directly by the Transmission Provider (if the Transmission Provider is the Balancing Authority Area operator) or indirectly by the Transmission Provider making arrangements with the Balancing Authority Area operator that performs this service for the Transmission Provider's Transmission System. The Transmission Customer must purchase this service from the Transmission Provider or the Balancing Authority Area operator. The charges for Scheduling, System Control and Dispatch Service are to be based on the rates set forth below. To the extent the Balancing Authority Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Balancing Authority Area operator.

Application of the Schedule 1 Ancillary Service described above will be determined on a case-specific basis as further provided in SMUD's OATT Business Practices document posted on its publicly accessible OASIS website.

1) Yearly delivery: $4,375.73/MW of Reserved Capacity per year.

2) Monthly delivery: $364.64/MW of Reserved Capacity per month.

3) Weekly delivery: $84.15/MW of Reserved Capacity per week.

4) Daily delivery: $16.83/MW of Reserved Capacity per day.

5) Hourly delivery: $1.0519/MW of Reserved Capacity per hour.

Schedule 2: Reactive Supply and Voltage Control From Generation or Other Sources Service

In order to maintain transmission voltages on the Transmission Provider's transmission facilities within acceptable limits, generation facilities and non-generation resources capable of providing this service that are under the control of the Balancing Authority Area operator are operated to produce (or absorb) reactive power. Thus, Reactive Supply and Voltage Control from Generation or Other Sources Service must be provided for each transaction on the Transmission Provider's transmission facilities. The amount of Reactive Supply and Voltage Control from Generation or Other Sources Service that must be supplied with respect to the Transmission Customer's transaction will be determined based on the reactive power support necessary to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by the Transmission Provider.

Reactive Supply and Voltage Control from Generation or Other Sources Service is to be provided directly by the Transmission Provider (if the Transmission Provider is the Balancing Authority Area operator) or indirectly by the Transmission Provider making arrangements with the Balancing Authority Area operator that performs this service for the Transmission Provider's Transmission System. The Transmission Customer must purchase this service from the Transmission Provider or the Balancing Authority Area operator. The charges for such service will be based on the rates set forth below. To the extent the Balancing Authority Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by the Balancing Authority Area operator.

Application of the Schedule 2 Ancillary Service described above will be determined on a case-specific basis as further provided in SMUD's OATT Business Practices document posted on its publicly accessible OASIS website.

The Transmission Customer shall compensate the Transmission Provider each month up to the sum of the applicable charges set forth below:

Reactive Supply and Voltage Control from Generation Sources Service for Network Integration Service Customers under Part III of the Tariff:

$132.69/MW per month times the Transmission Customer's monthly coincident peak demand.

Reactive Supply and Voltage Control from Generation Sources Service for Point-to-Point Transmission Customers under Part II of the Tariff:

1) Yearly delivery: $1,045.78/MW of Reserved Capacity per year.

2) Monthly delivery: $87.15/MW of Reserved Capacity per month.

3) Weekly delivery: $20.11/MW of Reserved Capacity per week.

4) Daily delivery: $4.02/MW of Reserved Capacity per day.

5) Hourly delivery: $0.2514/MW of Reserved Capacity per hour.

The total charge for Reactive Supply and Voltage Control from Generation Sources Service in any day, pursuant to a reservation for Hourly delivery, shall not exceed the rate specified in section (4) above times the highest amount in Megawatts of Reserved Capacity in any hour during such day. In addition, the total charge for Reactive Supply and Voltage Control from Generation Sources Service in any week, pursuant to a reservation for Hourly or Daily delivery, shall not exceed the rate specified in section (3) above times the highest amount in Megawatts of Reserved Capacity in any hour or day during such week.

However, such rates shall not include any charges associated with the compensation to a generating facility for the supply of reactive power within the power factor range specified in its interconnection agreement.

Schedule 3: Regulation and Frequency Response Service

Regulation and Frequency Response Service is necessary to provide for the continuous balancing of resources (generation and interchange) with load and for maintaining scheduled Interconnection frequency at sixty cycles per second (60 Hz). Regulation and Frequency Response Service is accomplished by committing on-line generation whose output is raised or lowered (predominantly through the use of automatic generating control equipment) and by other non-generation resources capable of providing this service as necessary to follow the moment-by-moment changes in load. The obligation to maintain this balance between resources and load lies with the Transmission Provider (or the Balancing Authority Area operator that performs this function for the Transmission Provider). The Transmission Provider must offer this service when the transmission service is used to serve load within its Balancing Authority Area. The Transmission Customer Balancing Authority Area must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Regulation and Frequency Response Service obligation. The amount of and charges for Regulation and Frequency Response Service are set forth below. To the extent the Balancing Authority Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Balancing Authority Area operator.

Application of the Schedule 3 Ancillary Service described above will be determined on a case-specific basis as further provided in SMUD's OATT Business Practices document posted on its publicly accessible OASIS website.

The Transmission Customer shall compensate the Transmission Provider each month up to the sum of the applicable charges set forth below:

Regulation and Frequency Response Service for Network Integration Service Transmission Customers under Part III of the Tariff:

$547.11/MW per month times the Transmission Customer's monthly coincident peak demand. However, if the Transmission Customer's average of the highest daily difference between the Transmission Customer's instantaneous demand in an hour and its schedule in that hour exceeds 4.5% or is less than 3.5% in any month, the Transmission Customer will be assessed a charge based on the rate above times the ratio of the actual percentage to 4.0%.

Regulation and Frequency Response Service for Point-to-Point Transmission Customers under Part II of the Tariff:

1) Yearly delivery: $4,311.97/MW of Reserved Capacity per year.

2) Monthly delivery: $359.33/MW of Reserved Capacity per month.

3) Weekly delivery: $82.92/MW of Reserved Capacity per week.

4) Daily delivery: $16.58/MW of Reserved Capacity per day.

5) Hourly delivery: $1.0365/MW of Reserved Capacity per hour.

The total charge for Regulation and Frequency Response Service in any day, pursuant to a reservation for Hourly delivery, shall not exceed the rate specified in section (4) above times the highest amount in Megawatts of Reserved Capacity in any hour during such day. In addition, the total charge for Regulation and Frequency Response Service in any week, pursuant to a reservation for Hourly or Daily delivery, shall not exceed the rate specified in section (3) above times the highest amount in Megawatts of Reserved Capacity in any hour or day during such week.

Schedule 5: Operating Reserve – Spinning Reserve Service

Spinning Reserve Service is needed to serve load immediately in the event of a system contingency. Spinning Reserve Service may be provided by generating units that are on-line and loaded at less than maximum output and by non-generation resources capable of providing this service to the extent that such non-generation resources meet applicable NERC standards or criteria for such services. The Transmission Provider must offer this service when the transmission service is used to serve load within its Balancing Authority Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Spinning Reserve Service obligation. The amount of and charges for Spinning Reserve Service are set forth below. To the extent the Balancing Authority Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Balancing Authority Area operator.

Application of the Schedule 5 Ancillary Service described above will be determined on a case-specific basis as further provided in SMUD's OATT Business Practices document posted on its publicly accessible OASIS website.

The Transmission Customer shall compensate the Transmission Provider each month up to the sum of the applicable charges set forth below:

Operating Reserve - Spinning Reserve Service for Network Integration Transmission Customers under Part III of the Tariff:

Demand Charge: $8,647.36/MW/Month times the Transmission Customer's Load Ratio Share of the Transmission Provider's spinning reserve requirement.

Energy Charge: 110% of the Transmission Provider's system incremental cost (SIC) provided, that to the extent purchased energy forms the basis for the SIC, the rate for the purchased energy portion of the service shall equal the SIC. Energy is only available in emergencies and for up to 30 minutes.

Operating Reserve - Spinning Reserve Service for Point-to-Point Transmission Customers under Part II of the Tariff:

Demand Charge: The charge below times the Transmission Provider's spinning reserve requirement multiplied by the ratio of the Transmission Customer's Reserved Capacity divided by the Transmission Provider's annual peak.

1) Yearly delivery: $103,768.34/MW per year.

2) Monthly delivery: $8,647.36/MW per month.

3) Weekly delivery: $1,995.55/MW per week.

4) Daily delivery: $399.11/MW per day.

5) Hourly delivery: $24.9443/MW per hour.

The total charge for Operating Reserve - Spinning Reserve Service in any day, pursuant to a reservation for Hourly delivery, shall not exceed the rate specified in section (4) above times the highest amount in Megawatts of Reserved Capacity in any hour during such day. In addition, the total charge for Operating Reserve - Spinning Reserve Service in any week, pursuant to a reservation for Hourly or Daily delivery, shall not exceed the rate specified in section (3) above times the highest amount in Megawatts of Reserved Capacity in any hour or day during such week.

Energy Charge: 110% of the Transmission Provider's system incremental cost (SIC) provided, that to the extent purchased energy forms the basis for the SIC, the rate for the purchased energy portion of the service shall equal the SIC. Energy is only available in emergencies and for up to 30 minutes.

Schedule 6: Operating Reserve – Supplemental Reserve Service

Supplemental Reserve Service is needed to serve load in the event of a system contingency; however, it is not available immediately to serve load but rather within a short period of time. Supplemental Reserve Service may be provided by generating units that are on-line but unloaded, by quick-start generation or by interruptible load or other non-generation resources capable of providing this service. The Transmission Provider must offer this service when the transmission service is used to serve load within its Balancing Authority Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Supplemental Reserve Service obligation. The amount of and charges for Supplemental Reserve Service are set forth below. To the extent the Balancing Authority Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Balancing Authority Area operator.

Application of the Schedule 6 Ancillary Service described above will be determined on a case-specific basis as further provided in SMUD's OATT Business Practices document posted on its publicly accessible OASIS website.

The Transmission Customer shall compensate the Transmission Provider each month up to the sum of the applicable charges set forth below:

Operating Reserve - Supplemental Reserve Service for Network Integration Transmission Customers under Part III of the Tariff:

Demand Charge: $8,914.52/MW/Month times the Transmission Customer's Load Ratio Share of the Transmission Provider's supplemental reserve requirement.

Energy Charge: 110% of the Transmission Provider's system incremental cost (SIC) provided, that to the extent purchased energy forms the basis for the SIC, the rate for the purchased energy portion of the service shall equal the SIC. Energy is only available in emergencies and for up to 30 minutes.

Operating Reserve - Supplemental Reserve Service for Point-to-Point Transmission Customers under Part II of the Tariff:

Demand Charge: The charge below times the Transmission Provider's supplemental reserve requirement multiplied by the ratio of the Transmission Customer's Reserved Capacity divided by the Transmission Provider's annual peak.

1) Yearly delivery: $106,974.22/MW per year.

2) Monthly delivery: $8,914.52/MW per month.

3) Weekly delivery: $2,057.20/MW per week.

4) Daily delivery: $411.44/MW per day.

5) Hourly delivery: $25.7150/MW per hour.

The total charge for Operating Reserve - Supplemental Reserve Service in any day, pursuant to a reservation for Hourly delivery, shall not exceed the rate specified in section (4) above times the highest amount in Megawatts of Reserved Capacity in any hour during such day. In addition, the total charge for Operating Reserve - Supplemental Reserve Service in any week, pursuant to a reservation for Hourly or Daily delivery, shall not exceed the rate specified in section (3) above times the highest amount in Megawatts of Reserved Capacity in any hour or day during such week.

Energy Charge: 110% of the Transmission Provider's system incremental cost (SIC) provided, that to the extent purchased energy forms the basis for the SIC, the rate for the purchased energy portion of the service shall equal the SIC. Energy is only available in emergencies and for up to 30 minutes.

Schedule 7: Firm Point-to-Point Transmission Service

The Transmission Customer shall compensate the Transmission Provider each month for Firm Point-to-Point Reserved Capacity at the sum of the applicable charges set forth below. The charge herein shall be that agreed upon by the Parties at the time service is reserved.

1. Yearly delivery:

System Rate: $38,639.36/MW per year.

COTP Rate: $33,117.35/MW per year.

2. Monthly delivery:

System Rate: $3,219.95/MW per month.

COTP Rate: $2,759.78/MW per month.

3. Weekly delivery:

System Rate: $743.06/MW per week.

COTP Rate: $636.87/MW per week.

4. Daily delivery:

System Rate: $148.61/MW per day.

COTP Rate: $127.37/MW per day.

5. Hourly delivery:

System Rate: $9.2883/MW per hour.

COTP Rate: $7.9609/MW per hour.

The total demand charge in any day, pursuant to a reservation for Hourly delivery, shall not exceed the rate specified in section (4) above times the highest amount in Megawatts of Reserved Capacity in any hour during such day. In addition, the total demand charge in any week, pursuant to a reservation for Hourly or Daily delivery, shall not exceed the rate specified in section (3) above times the highest amount in Megawatts of Reserved Capacity in any hour or day during such week.

6. Discounts:

Three principal requirements apply to discounts for transmission service as follows (1) any offer of a discount made by the Transmission Provider must be announced to all Eligible Customers solely by posting on the OASIS; (2) any customer-initiated requests for discounts (including requests for use by one's wholesale merchant or an Affiliate's use) must occur solely by posting on the OASIS; and (3) once a discount is negotiated, details must be immediately posted on the OASIS. For any discount agreed upon for service on a path, from point(s) of receipt to point(s) of delivery, the Transmission Provider must offer the same discounted transmission service rate for the same time period to all Eligible

Customers on all unconstrained transmission paths that go to the same point(s) of delivery on the Transmission System.

7. Resales:

The rates and rules governing charges and discounts stated above shall not apply to resales of transmission service, compensation for which shall be governed by Section 23.1 of the Tariff.

Schedule 8: Non-Firm Point-to-Point Transmission Service

The Transmission Customer shall compensate the Transmission Provider each month for Non-Firm Point-to-Point Reserved Capacity at the sum of the applicable charges set forth below. The charge herein shall be that agreed upon by the Parties at the time service is reserved.

1. Yearly delivery:

System Rate: $20,701.25/MW per year.

COTP Rate: $43,250.27/MW per year.

2. Monthly delivery:

System Rate: $1,725.10/MW per month.

COTP Rate: $3,604.19/MW per month.

3. Weekly delivery:

System Rate: $398.10/MW per week.

COTP Rate: $831.74/MW per week.

4. Daily delivery:

System Rate: $79.62/MW per day.

COTP Rate: $166.35/MW per day.

5. Hourly delivery:

System Rate: $7.1745/MW per hour.

COTP Rate: $10.3967/MW per hour.

The total demand charge in any day, pursuant to a reservation for Hourly delivery, shall not exceed the rate specified in section (4) above times the highest amount in Megawatts of Reserved Capacity in any hour during such day. In addition, the total demand charge in any week, pursuant to a reservation for Hourly or Daily delivery, shall not exceed the rate specified in section (3) above times the highest amount in Megawatts of Reserved Capacity in any hour or day during such week.

6. Discounts:

Three principal requirements apply to discounts for transmission service as follows (1) any offer of a discount made by the Transmission Provider must be announced to all Eligible Customers solely by posting on the OASIS, (2) any customer-initiated requests for discounts (including requests for use by one's wholesale merchant or an Affiliate's use) must occur solely by posting on the OASIS, and (3) once a discount is negotiated, details must be immediately posted on the OASIS. For any discount agreed upon for service on a

path, from point(s) of receipt to point(s) of delivery, the Transmission Provider must offer the same discounted transmission service rate for the same time period to all Eligible Customers on all unconstrained transmission paths that go to the same point(s) of delivery on the Transmission System.

7. Resales:

The rates and rules governing charges and discounts stated above shall not apply to resales of transmission service, compensation for which shall be governed by Section 23.1 of the Tariff.

Schedule 10: Generator Regulation and Frequency Response Service

Generator Regulation and Frequency Response Service is necessary to provide for the continuous balancing of resources (generation and interchange) with load and for maintaining scheduled Interconnection frequency at sixty cycles per second (60 Hz). Generator Regulation and Frequency Response Service is accomplished by committing on-line generation whose output is raised or lowered (predominantly through the use of automatic generating control equipment) and/or by other non-generation resources capable of providing this service as necessary to follow the moment-by-moment changes in generation output. The obligation to maintain this balance between resources and load lies with the Transmission Provider (or the Balancing Authority that performs this function for the Transmission Provider). The Transmission Provider (or the Balancing Authority that performs this function for the Transmission Provider) must offer this service when Transmission Service is used to deliver energy from a generator physically or electrically located within its Balancing Authority Area. The Transmission Customer or generator must either purchase this service from the Transmission Provider or make alternative comparable arrangements, which may include use of non-generation resources or processes capable of providing this service, to satisfy its Generator Regulation and Frequency Response Service obligation. The amount of and charges for Generator Regulation and Frequency Response Service are set forth below. To the extent the Balancing Authority performs this service for the Transmission Provider, charges to the Transmission Customer or generator are to reflect only a pass-through of the costs charged to the Transmission Provider by that Balancing Authority.

Application of the Schedule 10 Ancillary Service described above will be determined on a case-specific basis as further provided in SMUD's OATT Business Practices document posted on its publicly accessible OASIS website.

The Transmission Customer shall compensate the Transmission Provider each month up to the sum of the applicable charges set forth below:

Regulation and Frequency Response Service for Network Integration Service Transmission Customers under Part III of the Tariff:

$547.11/MW per month times the Transmission Customer's monthly coincident peak demand. However, if the Transmission Customer's average of the highest daily difference between the Transmission Customer's instantaneous demand in an hour and its schedule in that hour exceeds 4.5% or is less than 3.5% in any month, the Transmission Customer will be assessed a charge based on the rate above times the ratio of the actual percentage to 4.0%.

Regulation and Frequency Response Service for Point-to-Point Transmission Customers under Part II of the Tariff:

1) Yearly delivery: $4,311.97/MW of Reserved Capacity per year.

2) Monthly delivery: $359.33/MW of Reserved Capacity per month.

3) Weekly delivery: $82.92/MW of Reserved Capacity per week.

4) Daily delivery: $16.58/MW of Reserved Capacity per day.

5) Hourly delivery: $1.0365/MW of Reserved Capacity per hour

The total charge for Regulation and Frequency Response Service in any day, pursuant to a reservation for Hourly delivery, shall not exceed the rate specified in section (4) above times the highest amount in Megawatts of Reserved Capacity in any hour during such day. In addition, the total charge for Regulation and Frequency Response Service in any week, pursuant to a reservation for Hourly or Daily delivery, shall not exceed the rate specified in section (3) above times the highest amount in Megawatts of Reserved Capacity in any hour or day during such week.