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

Date: Tuesday, August 18, 2026

Time: Scheduled to begin at 6:00 p.m.

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

Powering forward. Together.

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AGENDA
BOARD FINANCE & AUDIT COMMITTEE MEETING AND SPECIAL SMUD BOARD OF DIRECTORS MEETING

Tuesday, August 18, 2026
SMUD Headquarters Building, Auditorium
6201 S Street, Sacramento, California
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 Finance & Audit Committee will review, discuss and provide the Finance & Audit 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 Finance & Audit Committee Meeting Here**
Webinar/Meeting ID: 165 215 7690
Passcode: 224619
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 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.	Laura Lewis	Appoint the following persons who filed the only declaration of candidacy for SMUD Wards 4, 6 and 7 to serve on the SMUD Board of Directors for the four-year term commencing January 1, 2027, through December 31, 2030, pursuant to Section 11852.5 of the Public Utilities Code. **Ward 4** Rosanna J. Herber **Ward 6** Dave Tamayo **Ward 7** Heidi Sanborn Presentation: 3 minutes Discussion: 2 minutes

DISCUSSION ITEMS

2.	Joe Schofield	Discuss ratifying the Chief Executive Officer and General Manager's execution of an emergency direct procurement contract between SMUD and **W. A. Chester America, LLC**, in the amount of up to \$2.5 million for fault line and transition joint repair work for the 115kV Station E to Station G Line 1 Underground high-pressure oil filled (HPOF) cable fault. Presentation: 3 minutes Discussion: 2 minutes
3.	Eric Poff	Discuss authorizing the Chief Executive Officer and General Manager to negotiate and award contracts to **Sierra National Construction Inc.** and **Doug Veerkamp General Engineering Inc.** (collectively, the **Contracts**) for Civil Annual Construction Services for the three-year period from September 1, 2026, to September 1, 2029, with two optional one-year extensions, for an aggregate not-to-exceed amount of \$250 million across the **Contracts**. Presentation: 5 minutes Discussion: 10 minutes
4.	Rachel Huang	Discuss authorizing the Chief Executive Officer and General Manager to negotiate and execute a 20-year solar photovoltaic (PV) **Power Purchase Agreement (PPA)** between SMUD and **Forefront Power, LLC**, for a nominal 728.75 kW_{DC} solar parking canopy located at **Grant Union High School** in connection with the **Grant Union High School Solar+Battery Microgrid Project**, with a scheduled commercial operation date of

November 4, 2027, a pre-payment of $1 million and a price of $0.1547/kWh, substantially in the form attached.
Presentation: 10 minutes
Discussion: 5 minutes

INFORMATIONAL ITEMS

5.	Joe Schofield	Quarterly Procurement Report for Second Quarter 2026. Presentation: 5 minutes Discussion: 5 minutes
6.	George Vaughn	Provide the Board with SMUD's financial results from the six-month period ending June 30, 2026, and a summary of SMUD's current Power Supply Costs. Presentation: 3 minutes Discussion: 2 minutes
7.	Claire Rogers	Internal Audit Services Reports: Status of Recommendations Report for Q2 2026, Green-e® Energy Annual Verification, and Low Carbon Fuel Standard Program. Discussion: 1 minute
8.	Public Comment.	
9.	Nancy Bui-Thompson	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 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, or contact by phone at 1-916-732-6055, no later than 48 hours before this meeting.

SSS No. LEG 2026-0084

BOARD AGENDA ITEM
STAFFING SUMMARY SHEET

Committee Meeting & Date
Finance & Audit – 08/18/26
Board Meeting Date
August 18, 2026

TO		TO	
1.	Scott Martin	6.	
2.	Cara Chatfield	7.	
3.	Jose Bodipo-Memba	8.	
4.		9.	**Legal**
5.		10.	**CEO & General Manager**

Consent Calendar		**Yes**	X	**No** *If no, schedule a dry run presentation.*	**Budgeted**	X	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Laura Lewis	Executive Office	B308	6123	08/11/26

NARRATIVE:

Requested Action: Appoint the following persons who filed the only declaration of candidacy for SMUD Wards 4, 6 and 7 to serve on the SMUD Board of Directors for the four-year term commencing January 1, 2027, through December 31, 2030, pursuant to Section 11852.5 of the Public Utilities Code.

Ward 4 Rosanna J. Herber
Ward 6 Dave Tamayo
Ward 7 Heidi Sanborn

Summary: Pursuant to Public Utilities Code section 11852.5, the Sacramento County Registrar of Voters submitted a Certificate of Facts certifying that for the offices of Director, Sacramento Municipal Utility District Wards 4, 6 and 7, the number of nominees does not exceed the number of positions to be filled at the November 3, 2026, General Election and that no petition signed by 10% of the voters or 50 voters had been presented.

In accordance with Public Utilities Code section 11852.5, the Registrar has requested the SMUD Board to appoint the above-identified persons who filed the sole declaration of candidacy to take office and serve exactly as if elected at the General Election.

Board Policy: *(Number & Title)* Governance Process GP-3, Board Job Description i) Take such other actions as may be required by law.

Benefits: Comply with state law and reduce expense.

Cost/Budgeted: Sacramento County will bill SMUD for the actual cost of conducting the election. Based upon previous elections, the cost per Ward has been budgeted at $300,000.

Alternatives: Do not make the appointment and incur great expense to proceed to general election.

Affected Parties: Board of Directors

Coordination: Executive Office, Board Office, and Legal

Presenter: Laura Lewis, Chief Legal & Government Affairs Officer

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
Appoint Unopposed SMUD Directors for Wards 4, 6 and 7	

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

COUNTY OF SACRAMENTO
VOTER REGISTRATION AND ELECTIONS
CERTIFICATE OF FACTS

STATE OF CALIFORNIA }
County of Sacramento } ss.

I, HANG NGUYEN, Registrar of Voters, do hereby certify that the number of nominees for the office of Sacramento Municipal Utility District, Ward 4 did not exceed the number of offices to be filled at the General Election held in the County of Sacramento, State of California on the 3rd day of November, 2026.

A petition signed by 10% of the voters or 50 voters, whichever is the smaller number, in the district or ward, if elected by ward, requesting that the district election be held has not been presented to me.

In accordance with California Public Utilities Code §11852.5, I hereby request that the Sacramento Municipal Utility District board appoint to such office the following person(s) who filed a declaration of candidacy, and who shall take office and serve exactly as if elected at the General Election.

Director	Number of Positions:	1
	Number of Candidates:	1
	Name(s) of Candidate(s):	Rosanna J. Herber

I further certify that the conduct of the election and canvass of the ballots was, in every respect, in accordance with the election laws of the State of California.

IN WITNESS WHEREOF, I hereunto set my hand and affix the official seal of the County of Sacramento on this **14th day of August, 2026**.

Hang Nguyen
Registrar of Voters
County of Sacramento
State of California

COUNTY OF SACRAMENTO
VOTER REGISTRATION AND ELECTIONS
CERTIFICATE OF FACTS

STATE OF CALIFORNIA
County of Sacramento } ss.

I, HANG NGUYEN, Registrar of Voters, do hereby certify that the number of nominees for the office of Sacramento Municipal Utility District, Ward 6 did not exceed the number of offices to be filled at the General Election held in the County of Sacramento, State of California on the 3rd day of November, 2026.

A petition signed by 10% of the voters or 50 voters, whichever is the smaller number, in the district or ward, if elected by ward, requesting that the district election be held has not been presented to me.

In accordance with California Public Utilities Code §11852.5, I hereby request that the Sacramento Municipal Utility District board appoint to such office the following person(s) who filed a declaration of candidacy, and who shall take office and serve exactly as if elected at the General Election.

Director	Number of Positions:	1
	Number of Candidates:	1
	Name(s) of Candidate(s):	Dave Tamayo

I further certify that the conduct of the election and canvass of the ballots was, in every respect, in accordance with the election laws of the State of California.

IN WITNESS WHEREOF, I hereunto set my hand and affix the official seal of the County of Sacramento on this **14th day of August, 2026**.

Hang Nguyen
Registrar of Voters
County of Sacramento
State of California

COUNTY OF SACRAMENTO
VOTER REGISTRATION AND ELECTIONS
CERTIFICATE OF FACTS

STATE OF CALIFORNIA
County of Sacramento } ss.

I, HANG NGUYEN, Registrar of Voters, do hereby certify that the number of nominees for the office of Sacramento Municipal Utility District, Ward 7 did not exceed the number of offices to be filled at the General Election held in the County of Sacramento, State of California on the 3rd day of November, 2026.

A petition signed by 10% of the voters or 50 voters, whichever is the smaller number, in the district or ward, if elected by ward, requesting that the district election be held has not been presented to me.

In accordance with California Public Utilities Code §11852.5, I hereby request that the Sacramento Municipal Utility District board appoint to such office the following person(s) who filed a declaration of candidacy, and who shall take office and serve exactly as if elected at the General Election.

Director	Number of Positions:	1
	Number of Candidates:	1
	Name(s) of Candidate(s):	Heidi Sanborn

I further certify that the conduct of the election and canvass of the ballots was, in every respect, in accordance with the election laws of the State of California.

IN WITNESS WHEREOF, I hereunto set my hand and affix the official seal of the County of Sacramento on this **14th day of August, 2026**.

Hang Nguyen
Registrar of Voters
County of Sacramento
State of California

DRAFT

RESOLUTION NO. ____________

WHEREAS, Section 11852.5 of the Public Utilities Code, provides that the county elections official shall submit a Certificate of Facts to the SMUD Board when no one or only one person has filed for candidacy in a particular ward by 5:00 p.m. on the 83rd day prior to the fixed day for the general election; and

WHEREAS, Section 11852.5 further states that, at the time that it submits the Certificate of Facts, the county elections official shall inform the Board that it may make an appointment if only one person has filed a declaration of candidacy for a ward; and

WHEREAS, the 83rd day prior to the day for the general election fell on August 12, 2026; and

WHEREAS, the county elections official has delivered a Certificate of Facts to SMUD stating that, as of August 12, 2026, only one person filed a declaration of candidacy for **Wards 4, 6 and 7** and requesting that the Board make an appointment; and

WHEREAS, the Board must make the appointment at a special or regular meeting on or before the 76th day prior to the general election; and

WHEREAS, making the appointment will save SMUD ratepayers the expense of an election in a circumstance in which the candidate was unopposed; and

WHEREAS, the Board convened on August 18, 2026, for the purpose, among other things, of making the appointment; **NOW, THEREFORE,**

DRAFT

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO MUNICIPAL UTILITY DISTRICT:

That this Board hereby acknowledges receipt of the Certificate of Facts set forth in **Attachment _____** from the county elections official, and pursuant to Section 11852.5 of the California Public Utilities Code hereby appoints the following person to serve as a member of the SMUD Board of Directors for the Ward indicated, and who shall take office and serve exactly as if elected at the general district election:

Ward 4	Rosanna J. Herber	January 1, 2027 – December 31, 2030
Ward 6	Dave Tamayo	January 1, 2027 – December 31, 2030
Ward 7	Heidi Sanborn	January 1, 2027 – December 31, 2030

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SSS No. LEG 2026-0085	**BOARD AGENDA ITEM** **STAFFING SUMMARY SHEET**	Committee Meeting & Date: Finance & Audit – 08/18/26 Board Meeting Date: August 20, 2026

TO		TO	
1.	Eric Poff	6.	
2.	Frankie McDermott	7.	
3.	Scott Martin	8.	
4.	Cara Chatfield	9.	**Legal**
5.	Jose Bodipo-Memba	10.	**CEO & General Manager**

Consent Calendar	X	**Yes**		**No** *If no, schedule a dry run presentation.*	**Budgeted**		**Yes**	X	**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Joe Schofield	Legal Department	B406	5446	08/11/26

NARRATIVE:

Requested Action: Ratify the Chief Executive Officer and General Manager’s execution of an emergency direct procurement contract between SMUD and W. A. Chester America, LLC, in the amount of up to $2.5 million for fault line and transition joint repair work for the 115kV Station E to Station G Line 1 Underground high-pressure oil filled (HPOF) cable fault. This work is vital to ensure reliable service and to onboard critical new load with a pressing need for service.

Summary: On August 1, 2026, a fault occurred in the 115kV Station E to Station G Line 1 Underground high-pressure oil filled (HPOF) cable fault and transition joint. W.A. Chester America, LLC (WA Chester) is one of the handful of contractors with the skillset to repair and install HPOF cable and the associated components. Upon discovery of the fault, staff took immediate action to mitigate. WA Chester will be able to mobilize crews to the site and begin repair work on August 20, 2026.

Through prudent planning and stewardship, SMUD’s Warehouse Operations had the materials on-hand for the repair; however, staff is negotiating with the materials supplier to add two additional years to the material warranty (currently one-year from installation or two years from delivery).

The CEO executed the contract to ensure continuity of service and reliability.

Board Policy: *(Number & Title)* Strategic Direction SD-4, Reliability; Board-Staff Linkage BL-8, Delegation to the CEO with Respect to Procurement; Governance Process GP-3, Board Job Description

Benefits: SMUD’s 115 kV Station E to Station G Line 1 Underground HPOF cable is expediently repaired and the line is energized to reestablish redundancy and to fulfill state obligations for increased power.

Cost/Budgeted: $2,500,000

Alternatives: Not approving this emergency direct procurement request contract will delay the needed repairs to the line and delay reestablishing redundancy back into the downtown network.

Affected Parties: Substations, Warehouse Operations, Supply Chain Services, SMUD Customers

Coordination: Executive Office, Substations, Supply Chain Services, Warehouse Operations, and Legal

Presenter: Joe Schofield, Deputy General Counsel

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
Ratify Emergency Contract for Fault Line and Transition Joint Repair Work	

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SSS No. SCS 26-145	**BOARD AGENDA ITEM** STAFFING SUMMARY SHEET	Committee Meeting & Date: Finance & Audit – 08/18/26
		Board Meeting Date: August 20, 2026

TO		TO	
1.	Joe Schofield	6.	Jose Bodipo-Memba
2.	Eric Poff	7.	
3.	Frankie McDermott	8.	
4.	Cara Chatfield	9.	**Legal**
5.	Scott Martin	10.	**CEO & General Manager**

Consent Calendar	X	**Yes**		**No** *If no, schedule a dry run presentation.*	**Budgeted**	x	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Katherine Manne	Procurement	EA404	6175	07/23/26

NARRATIVE:

Requested Action: Authorize the Chief Executive Officer and General Manager, or her designee, to negotiate and award contracts to Sierra National Construction, Inc. (SNC) and Doug Veerkamp General Engineering, Inc. (Veerkamp) (collectively, the "Contracts") for Civil Annual Construction Services for the three-year period from September 1, 2026, to September 1, 2029, with two optional one-year extensions, for an aggregate not-to-exceed amount of $250 million across the Contracts.

Summary: Request for Proposals No. 15735.KM (RFP) was issued in December 2025 to solicit qualified contractors to provide civil construction services. A pre-proposal conference was held on December 18, 2025. On March 6, 2026, 11 proposals were received and evaluated in accordance with the advertised criteria. Of the 11 proposals received, 10 were responsive. SMUD shortlisted the five highest rated Proposers for negotiations, which resulted in a price reduction of $20.9 million with SNC, and $2.1 million with Veerkamp. The final pricing from SNC and Veerkamp is highly competitive, and coupled with their technical score, supports the recommendation to award contracts to the two highest rated Proposers. Awarding two zero-dollar contracts with an aggregate amount of all tasks not-to-exceed $250 million for three years gives the business unit flexibility and mitigates the risk of work disruption. The result of the evaluation and award recommendations are shown below.

Board Policy: *(Number & Title)* Board-Staff Linkage BL-8, Delegation to the CEO with Respect to Procurement; Strategic Direction SD-4, Reliability; Strategic Direction SD-6, Safety Leadership; Strategic Direction SD-13, Economic Development.

Recommendation: Award to the two Highest Evaluated Responsive Proposers: Sierra National Construction, Inc. and Doug Veerkamp General Engineering, Inc.

Proposers Notified by Procurement: 73

Proposers Downloaded: 71

Pre-Proposal Conference Attendance: 20

Proposals Received: 11

[continued on next page]

Responsive Proposals Received	P/F	SEED Points 10	Technical Points 50	Price Points 40	Total Score 100	Rank	Proposal Amount	Evaluated Proposal Amount	Proposed Award Amount
Sierra National Construction, Inc.	P	10.00	44.25	37.54	91.79	1	$262,987,910.00	$262,737,910.00	Not-To-Exceed $250,000,000 Aggregate Amount of all Task Authorizations
Doug Veerkamp General Engineering, Inc.	P	10.00	41.88	38.00	89.88	2	$244,543,744.49	$244,293,744.49	
Arrow Construction	P	10.00	45.00	34.24	89.24	3	$287,706,855.00	$287,456,855.00	
Mountain G Enterprises, Inc.	P	10.00	41.88	35.16	87.03	4	$279,152,820.00	$278,902,820.00	
Syblon Reid Contractors	P	10.00	40.38	35.50	85.88	5	$271,666,010.00	$271,416,010.00	
Shimmick Construction Company, Inc.	P	10.00	37.00	32.15	79.15	6	$288,626,583.71	$288,376,583.71	
Outback Contractors, Inc.	P	0.59	40.88	35.99	77.45	7	$255,423,638.54	$255,274,215.71	
Lund Construction Co.	P	2.90	38.75	33.49	75.13	8	$271,794,143.25	$271,544,143.25	
SR Diversified, LLC	P	-	30.00	38.68	68.68	9	$253,849,652.20	$253,849,652.20	
Underground Electric Construction Company, LLC	P	-	28.88	33.14	62.02	10	$257,996,241.08	$257,996,241.08	

Non-Responsive Proposals Received	Proposal Amount
Wampler Solutions, LLC	NA - Incomplete Proposal

Comments: Wampler Solutions, LLC submitted an incomplete proposal and was therefore deemed non-responsive.

Supplier Diversity Program: SNC was evaluated as a Supplier Education & Economic Development (SEED) prime and proposed to self-perform ~74% of the work, to subcontract ~19% to SEED verified subcontractors, and ~7% to non-SEED subcontractors. Veerkamp proposed to self-perform ~76% of the work, and will subcontract ~23% to SEED verified subcontractors, and ~1% to non-SEED subcontractors.

Benefits: The Contracts will provide SMUD with two qualified contractors to execute civil construction.

Cost/Budgeted: $250,000,000; Budgeted for 2026 through 2030 by Energy Delivery & Operations

Alternatives: Negotiate current contracts with incumbent vendors for an extended term and risk less competitive pricing.

Affected Parties: Energy Delivery & Operations, Supply Chain Services, and Contractor

Coordination: Energy Delivery & Operations, Supply Chain Services, and Legal

Presenter: Eric Poff, Director, Substation Telecommunications & Metering Assets

Additional Links:

SUBJECT

Contract Award for Civil Annual Construction Services

ITEM NO. ***(FOR LEGAL USE ONLY)***

SSS No. DES 26-004	**BOARD AGENDA ITEM** STAFFING SUMMARY SHEET	Committee Meeting & Date: Finance & Audit – 08/18/26 Board Meeting Date: August 20, 2026

TO		TO	
1.	Rachel Huang	6.	Jose Bodipo-Memba
2.	Brandy Bolden	7.	Scott Martin
3.	Frankie McDermott	8.	
4.	Joel Ledesma	9.	**Legal**
5.	Cara Chatfield	10.	**CEO & General Manager**

Consent Calendar	X	Yes		No *If no, schedule a dry run presentation.*	Budgeted	X	Yes		No *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Sophie Tongsopit	Distributed Energy Solutions	B305	N/A	07/09/26

NARRATIVE:

Requested Action: Authorize the Chief Executive Officer and General Manager, or her delegate, to negotiate and execute a 20-year solar photovoltaic (PV) Power Purchase Agreement (PPA) between SMUD and Forefront Power, LLC (Forefront), for a nominal 728.75 kW_{DC} solar parking canopy located at Grant Union High School in connection with the Grant Union High School Solar+Battery Microgrid Project, with a scheduled commercial operation date of November 4, 2027, a pre-payment of $1 million and a price of $0.1547/kWh, substantially in the form attached.

Summary: The PPA is part of the Grant Union High School Solar+Battery Microgrid Project that supports Grant Union High School and the neighboring community. SMUD and Forefront negotiated a mutually beneficial PPA under which SMUD will purchase the energy, capacity, and environmental attributes, including Portfolio Content Category 1 Renewable Energy Credits (PCC1 RECs). The solar system size is 728.75 kW_{DC} and will be paired with a 800 kW/2000 kWh battery energy storage system (BESS) installed by another third party under a separate contract with SMUD. The solar PPA has a fixed price structure without escalation for the 20-year delivery term.

In partnership with the Twin Rivers Unified School District (TRUSD), the project will provide clean energy for community members, dispatchable BESS to support SMUD's grid during constrained, peak hours, and a microgrid-powered system to support the use of the school's gym as a shelter during extended power outages. The system includes a solar canopy that provides shade to the school's parking lot. The school district and the local community benefit from this project through a clean energy curriculum, local job creation, clean energy available from the SMUD Residential SolarShares Program, shaded parking to reduce urban heat island, and a vehicle-to-grid (V2G)-ready communication system.

The project will deliver approximately 1,100 MWh onto SMUD's distribution system annually and provide clean energy for approximately 200 income-qualified residents around the high school through SMUD's Residential SolarShares program.

Board Policy: *(Number & Title)* Strategic Direction SD-7, Environmental Leadership; Strategic Direction SD-9, Resource Planning; Strategic Direction SD-10, Innovation

Benefits: Local clean energy, improved community awareness and benefits, grid support, local electric resilience, learning from front-of-the-meter planning, operation, and control in support of the 2030 Zero Carbon Plan.

Cost/Budgeted: $1 Million upfront cost payment from Distribued Energy Solutions budget and PPA cost payment from SMUD's Commodity Budget. The expected annual energy cost will be $170,000 (based on the not-to-exceed price), with no escalation.

Alternatives: Procure solar energy from utility-scale projects but without the local benefits listed above.

Affected Parties: Distributed Energy Solutions, Energy Trading & Contracts, Commodity Risk Management, Customer Services, Settlements, and Legal

Coordination: Distributed Energy Solutions

Presenter: Rachel Huang, Director, Distributed Energy Solutions

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
Solar PPA for Solar Parking Canopy at Grant Union High School	

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

DRAFT

POWER PURCHASE AGREEMENT

BETWEEN

SACRAMENTO MUNICIPAL UTILITY DISTRICT

AND

FOREFRONT POWER, LLC

DATED: __________________, 2026

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EXHIBITS:

POWER PURCHASE AGREEMENT
BETWEEN
SACRAMENTO MUNICIPAL UTILITY DISTRICT
AND
FOREFRONT POWER, LLC

This POWER PURCHASE AGREEMENT (the "Agreement") is made and entered into this __________ day of __________, 2026 ("Effective Date"), by and between the Sacramento Municipal Utility District ("SMUD"), and FOREFRONT POWER, LLC, a Delaware limited liability company ("Seller"). SMUD and Seller are sometimes referred to in this Agreement individually as a "Party" and collectively as the "Parties".

A. Seller desires to interconnect and operate a solar photovoltaic system as described in Exhibit A ("Facility") with the SMUD Distribution System. Seller intends that, once constructed and commissioned, the Facility will qualify as a renewable energy generation resource.

B. The Parties wish to enter into this Agreement for the sale and purchase of Energy, Capacity, Capacity Attributes, and Environmental Attributes from the Facility directly to SMUD's distribution system.

C. As part of the transaction under this Agreement, SMUD has agreed to provide a $1 million prepayment to buy-down the Contract Price, to be paid upon achieving Commercial Operation.

D. This Agreement requires Seller to be a retail customer and to obtain retail electrical service from SMUD to serve all electrical loads at the premises identified in Exhibit A, except as otherwise permitted under SMUD's tariffs. This Agreement does not constitute an agreement by SMUD to provide retail electrical service to Seller. Such arrangements must be made separately between SMUD and Seller.

NOW THEREFORE, in consideration of the mutual covenants contained in this Agreement, and of other good and valuable considerations, the sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definition of Terms

Actual Annual Solar Insolation: The actual amount of solar insolation at the Site for each Contract Year, as reflected in the Solar Irradiance Data obtained from Solar Anywhere or other mutually agreeable third party, or derived using another mutually agreeable mechanism.

Adjusted Annual Energy Production or "AAEP": The Annual Energy Production adjusted for energy that was not delivered to SMUD. Any impact on production due to Force Majeure or curtailment of the Facility by SMUD shall adjust the AEP according to the following formula:

Adjusted Annual Energy Production =

AEP + Energy that could have been generated by the Facility and delivered to SMUD but for

i. Force Majeure,

ii. any curtailment of the Facility as a result of a System Emergency or as directed by SMUD, or

iii. breach or default under this Agreement by SMUD (without consideration to the giving of notice and/or lapse of time).

Adjusted Expected Annual Energy Production or "AEAEP": The Expected Annual Energy Production adjusted for Actual Annual Solar Insolation according to the formula set forth in the definition of Expected Annual Energy Production (EAEP). Any variance in the annual solar insolation from typical annual solar insolation shall adjust the EAEP according to the following formula:

Adjusted Expected Annual Energy Production (AEAEP) = EAEP * WPR.

Agreement: This Power Purchase Agreement.

Annual Energy Production or "AEP": For any particular Contract Year, the Annual Energy Production is equal to the total amount of Energy (as expressed in MWh) generated by the Facility and delivered to SMUD.

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.

Bankrupt: Shall mean with respect to any entity, such entity (i) files a petition or otherwise commences, authorizes, or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it which is not withdrawn or dismissed within ninety (90) days following such filing, (ii) makes an assignment or any general arrangement for the benefit of creditors, (iii) otherwise becomes bankrupt or insolvent (however evidenced), (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets, or (v) is generally unable to pay its debts as they fall due.

Business Day: Any Monday through Friday, inclusive, but excluding days that are observed as business holidays by either Party or days that are NERC Holidays.

CAISO: The California Independent System Operator Corporation or its successor.

CAISO Balancing Authority Area: The system of transmission lines and associated facilities that is operated by the CAISO and for which the CAISO has operational control and responsibility for grid reliability.

CAISO Tariff: Shall mean the CAISO, Fifth Replacement FERC Electric Tariff (Open Access Transmission Tariff), as it may be amended, supplemented or replaced (in whole or in part) from time to time.

California Energy Commission or "CEC": The agency responsible for certifying eligible renewable resources and tracking the procurement of such resources.

California Renewables Portfolio Standard or "RPS": The standard, codified in Public Utilities Code (PUC) Sections 399.11 through 399.20, and Public Resources Code (PRC) Sections 25740 through 25751, as may be amended from time to time.

Capacity: The instantaneous ability of a generator to produce Energy (real power) at a specified output. Capacity is measured in megawatts ("MW") AC or kilowatts ("kW") AC.

Capacity Attributes: Any current or future defined characteristic, certificate, tag, credit, or Ancillary Service attribute, whether general in nature or specific as to the location or any other attribute of the Facility, intended to value any aspect of the Contract Capacity of the Facility to produce energy or Ancillary Services, including, but not limited to, any accounting construct so that the full output of the Facility may be counted toward a Resource Adequacy requirement or any other measure by an entity invested with the authority under federal or state law, to require SMUD to procure, or to procure at SMUD's expense, Resource Adequacy or other such products. Notwithstanding the foregoing, Capacity Attributes do not include Environmental Attributes or Tax Attributes.

Commercial Operation: The period of operation of the Facility once the Commercial Operation Date has occurred.

Commercial Operation Date: The date specified in the Commercial Operation Date Confirmation Letter on which the Facility shall conform to the requirements for Commercial Operation.

Commercial Operation Date Confirmation Letter: A letter that the Parties execute and exchange in accordance with this Agreement, the form of which is attached as Exhibit E.

Commercially Reasonable Efforts: When capitalized, has the meaning given in Section 3.1.2.

Contract Capacity: The Contract Capacity (as described in MWac) is the maximum amount of Capacity that shall be provided from the Facility to SMUD at the Delivery Point. Contract Capacity is measured at the Delivery Point and is net of any Station Service Loads, any applicable Facility step-up transformer losses, and where applicable, transmission and distribution losses up to the Delivery Point.

Contract Price: The price paid by SMUD to Seller for Energy, Capacity, Capacity Attributes, and Environmental Attributes from the Facility. The Contract Price for the Products is shown in Exhibit B.

Contract Year: Any of the one-year periods during the Delivery Term, with the first Contract Year commencing on the Commercial Operation Date and expiring twelve (12) months after the last day of the first calendar month in which the Commercial Operation Date occurs, and each subsequent Contract Year commencing on the applicable anniversary of the first day of the first calendar month after the Commercial Operation Date occurs.

Cost: Cost has the meaning set forth in Section 8.4.

Cure Plan: Cure Plan has the meaning set forth in Section 8.3.4.

Cure Plan Year: The Contract Year addressed by the Cure Plan following the two (2) consecutive Contract Year period in which Seller has failed to perform under Section 8.3.4.

Delay Damages: The compensation paid by Seller to SMUD due to a failure of Seller to meet the Scheduled Commercial Operation Date pursuant to Section 2.3.7.

Delivery Point: The specified physical point of interconnection of the Facility to the SMUD Distribution System, as identified in Exhibit A, where SMUD accepts title to the Products as described herein.

Delivery Term: The period of the Agreement from the Commercial Operation Date through the full term of the Agreement as defined in Section 2.3.1.

Dispatchability: The ability of a generating unit to be shut down, or have decreased generation, at the request of a utility's system operator. "Dispatch" shall mean to cause the output from a generating unit to be curtailed (in whole or in part) or to terminate the curtailment (in whole or in part) of such generating unit.

Distribution Service: Service provided by SMUD that utilizes SMUD's Distribution System, either to deliver power to retail electric customers, and which may be used to transmit power from the Facility to the SMUD's high voltage transmission system.

Electric System: The integrated electric generation, transmission, and distribution facilities owned or controlled by an electric utility.

Eligible Renewable Energy Resource or "ERR": An Eligible Renewable Energy Resource as defined in California Public Utilities Code Section 399.12 and California Public Resources Code Section 25471, as either code may be amended or supplemented from time to time, as defined in the CEC Renewables Portfolio Standard Eligibility Guidebook, as may be amended or supplemented from time to time.

Energy: Electrical energy delivered with the voltage and quality required by SMUD in accordance with the Interconnection Agreement, and measured in megawatt-hours (MWh) or kilowatt-hours (kWh).

Environmental Attributes: All Environmental Attributes and Green Attributes, as those terms are defined in D.08-08-028 of the California Public Utilities Commission, as may be amended, and all renewable energy credits as that term is defined under Section 399.12 of the California Public Utilities Code, as may be amended, all Renewable and Environmental Attributes as defined by WREGIS, as well as any credits, carbon benefits, carbon emission reductions, carbon offsets or allowances, howsoever entitled, attributed to the electrical energy produced at the Facility recognized under Assembly Bill 32 Global Warming Solutions Act of 2006, as may be amended. Notwithstanding the foregoing, Environmental Attributes do not include Capacity Attributes or Tax Attributes.

Expected Annual Energy Production or "EAEP": The Energy that the Facility can be expected to produce during a typical year of operation, factoring in typical weather patterns, expected fuel availability, etc. The EAEP for each Contract Year is set forth in Exhibit C.

Facility: The anaerobic digester(s), electric generator(s) and associated equipment from which the Products delivered or scheduled hereunder shall be generated.

FERC: The Federal Energy Regulatory Commission or any successor government agency.

Financing Party: as applicable (i) any Person (or its agent) from whom Seller (or an affiliate of Seller) leases the Facility, (ii) any Person (or its agent) who has made or will make a loan to or otherwise provides financing to Seller (or an affiliate of Seller) with respect to the Facility, or (iii) any Person acquiring a direct or indirect interest in Seller or in Seller's interest in this Agreement or the Facility as a tax credit investor or purchasing the tax credits from the Facility.

Forced Outage: An unplanned outage of one or more of the Facility's components that results in a reduction of the ability of the Facility to produce Energy, and that is not the result of a Force Majeure.

Force Majeure: An event or circumstance that prevents or delays the ability of one Party from performing obligations under this Agreement, and which is not in the reasonable control of, or the result of negligence of, the Party claiming Force Majeure, and which the claiming Party is unable to overcome or cause to be avoided by the exercise of due diligence. Force Majeure shall include the following events, to the extent consistent with the prior sentence: (a) an act of nature, riot, insurrection, war, explosion, labor dispute, fire, any effect of unusually severe natural elements (including flood, earthquake, volcanic eruption, storm, tornados, hurricanes, fires, lightning, tsunami, backwater caused by flood, explosion, or other natural disaster or weather-related events), act of the public enemy (whether declared or not), terrorism, or epidemic; or (b) interruption of transmission or generation services as a result of a System Emergency (and not congestion-related or economic curtailment) not caused by the fault or negligence of the Party claiming Force Majeure and reasonably relied upon and without a reasonable source of substitution to make or receive deliveries hereunder, civil disturbances, strike, work stoppage, sabotage, labor disturbances, labor or material shortage, national emergency, court order or other action by a public authority or governmental agency that prevents a Party from fulfilling its obligations under this Agreement (excluding, with respect to any claim by SMUD, any action or inaction of the SMUD Board of Directors, and excluding any court order or action applied for or assisted in the application for, and not opposed to the extent reasonable by, the Party claiming Force Majeure). Under no circumstances shall either Party's financial incapacity, Seller's inability or failure to maintain the Facility's status as a Eligible Renewable Energy Resource, Seller's ability to sell Energy, Capacity, Capacity Attributes, or Green/Environmental Attributes at a more favorable price or under more favorable conditions or SMUD's ability to acquire Energy, Capacity, Capacity Attributes, or Green/Environmental Attributes at a more favorable price or under more favorable conditions or other economic reasons constitute an event of Force Majeure. The term "Force Majeure" does not include Forced Outages to the extent such are not caused or exacerbated by an event of Force Majeure as described above, nor does it include Seller's inability to obtain financing, permits, or other equipment and instruments necessary to plan for, construct, or operate the Facility.

Integral Station Service Load: That subset of Station Service Load that is so integrated with the Facility design that it is not feasible for SMUD to meter and serve such demand during Facility operations on a stand-alone basis.

Interconnection Agreement: The agreement between SMUD and Seller specific to the interconnection of the Facility to the SMUD Distribution System.

Interconnection Facilities: The equipment and facilities as described in more detail in the Interconnection Agreement specific to the interconnection of the Facility to the SMUD Distribution System.

Interest Rate: Shall be the lesser of (a) 4% plus the "prime rate" of interest as published on that date in the *Wall Street Journal*, and generally defined therein as "the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks," or if the *Wall Street Journal* is not published on a date for which such interest rate must be determined, the "prime rate" published in the *Wall Street Journal* on the nearest-preceding date on which the *Wall Street Journal* was published, or if the *Wall Street Journal* is no longer in publication, such other similar interest rate reasonably agreed to by the Parties, and (b) the highest rate permitted under applicable law.

Maximum Hourly Energy Delivery: The maximum Energy (MWH) that SMUD will make payment for in any hour, which is equal to Contract Capacity * 1 hour.

Minimum Annual Energy Production or "MAEP": The amount equal to 90% of the Expected Annual Energy Production (EAEP) for each Contract Year as set forth in Exhibit C.

Monthly Settlement Amount: Shall have the meanings set forth in Sections 1.1.1 and 2.4.1(a).

MWh (Megawatt-hours): A unit of energy measurement corresponding to 1,000 kilowatt-hours.

NERC: The North American Electric Reliability Corporation, or any successor organization.

NERC Holidays: Days that NERC establishes as holidays for electric energy trading.

NP-15: The zone within the CAISO Balancing Authority Area designated as North of Path 15 by the CAISO for congestion settlement purposes.

NP-15 EZ Gen Hub Price: The real-time hourly locational marginal price as published by the CAISO for generator transactions in the NP-15 zone of the CAISO.

Party/Parties: SMUD and Seller are referred to individually as a "Party" and collectively as "Parties."

Person: An individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, firm, or other entity, or a governmental authority.

Planned Outage: An outage that has been scheduled in advance of one or more of the Facility's components that results in a material reduction of the ability of the Facility to produce Energy.

Portfolio Content Category 1 or "PCC-1": Renewable energy comprised of Energy and Environmental Attributes meeting the criteria defined by the CEC Renewables Portfolio Standard Eligibility Guidebook, for Portfolio Content Category 1, as may be amended or supplemented from time to time, and meeting any applicable regulations promulgated by the CEC.

Products: The Energy, Capacity, Capacity Attributes, and Environmental Attributes that are generated by the Facility and delivered to the Delivery Point under this Agreement.

Project: means the development, design, engineering, procurement, construction, installation, ownership, operation and maintenance of the Facility, together with all interconnections, appurtenant systems, improvements and associated equipment necessary or useful for the generation and delivery of the Products under this Agreement.

Prudent Utility Practice: Those practices, methods and acts that would be implemented and followed by prudent operators of electric energy generating facilities in the Western United States, similar to the Facility, during the relevant time period, which practices, methods and acts, in the exercise of prudent and responsible professional judgment in the light of the facts known at the time the decision was made, could reasonably have been expected to accomplish the desired result consistent with prudent business practices, reliability, and safety. Seller acknowledges that the use of Prudent Utility Practice by Seller does not exempt Seller from any obligations set forth in this Agreement.

Prudent Utility Practice includes, at a minimum, those professionally responsible practices, methods and acts described in the preceding paragraph that comply with manufacturers' warranties, restrictions in this Agreement, the interconnection requirements of SMUD, the requirements of governmental authorities, and WECC and NERC standards.

Prudent Utility Practice also includes taking reasonable steps in accordance with the first sentence of this definition to ensure that:

a) Equipment, materials, resources, and supplies, including spare parts inventories, are available to meet the Facility's needs;

b) Sufficient operating personnel are available at all times and are adequately experienced and trained and licensed as necessary to operate the Facility properly and efficiently, and are capable of responding to reasonably foreseeable emergency conditions at the Facility and emergencies whether caused by events on or off the Site;

c) Preventive, routine, and non-routine maintenance and repairs are performed on a basis that ensures reliable, long-term and safe operation of the Facility, and are performed by knowledgeable, trained, and experienced personnel utilizing proper equipment and tools;

d) Appropriate monitoring and testing are performed to ensure equipment is functioning as designed;

e) Equipment is not operated in a reckless manner, in violation of manufacturer's guidelines or in a manner unsafe to workers, the general public, or the connecting utility's Electric System or contrary to environmental laws, permits or regulations or without regard to defined limitations such as, flood conditions, safety inspection requirements, operating voltage, current, volt ampere reactive (VAR) loading, frequency, rotational speed, polarity, synchronization, and control system limits; and equipment and components are designed and manufactured to meet or exceed the standard of durability that is generally used for similar electric energy generating facilities operating in the Western United States and will function properly over the full range of ambient temperature and weather conditions reasonably expected to occur at the Site and under both normal and emergency conditions.

<u>Real-Time Price</u>: Shall mean the Resource-Specific Settlement Interval LMP as defined in the CAISO Tariff. If there is more than one applicable Real-Time Price for the same period of time, Real-Time Price shall mean the price associated with the smallest time interval.

<u>Renewable Energy Credit or "REC"</u>: A certificate of proof issued by WREGIS that an Eligible Renewable Energy Resource has generated one megawatt hour (MWh or 1,000 kWh) of electricity. A REC shall also have the same meaning as in California Public Utilities Code Section 399.12(h). Currently RECs are used to convey Environmental Attributes associated with electricity production by a renewable energy resource. For purposes of this Agreement, the term REC shall be synonymous with bundled or unbundled renewable energy credit, tradable renewable energy certificates, WREGIS certificate, or any other term used to describe the documentation that evidences the renewable and Environmental Attributes associated with electricity production by an Eligible Renewable Energy Resource.

<u>Resource Adequacy</u>: A requirement by a governmental authority or in accordance with its FERC-approved tariff, or a policy approved by a local regulatory authority, that is binding upon either Party and that requires such Party procure a certain amount of electric generating Capacity.

<u>RPS Certification</u>: A certification by the CEC that the Facility is eligible for the purposes of the California Renewables Portfolio Standard, and that all Energy produced by the Facility, net of Station Service Load, qualifies as generation from an Eligible Renewable Energy Resource.

<u>RPS Compliance Cap</u>: When capitalized, has the meaning given in Section 3.1.2.

<u>Scheduled Commercial Operation Date (SCOD)</u>: The planned Commercial Operation Date of the Facility set forth in <u>Exhibit A</u>.

Scheduling: The act of producing, or relating to the production of, a schedule for the delivery, production or use of Energy, Capacity, Ancillary Services and/or distribution or transmission that is in compliance with applicable requirements.

Seller: The Party so identified in the preamble of this Agreement, and its permitted successors and assigns.

Site: means the location of the Facility.

SMUD: The Sacramento Municipal Utility District.

SMUD Distribution System: The wires, transformers, and related equipment used by SMUD to deliver electric power to SMUD's retail customers typically at sub-transmission level voltages or lower.

SMUD Revenue Meter: A revenue meter operated by SMUD that determines the amount of Energy produced by the Facility.

SMUD Service Territory: The geographical area in which SMUD is the provider of Distribution Service, which includes, as of the date hereof, virtually all of Sacramento County and a small part of neighboring Placer County.

Solar Irradiance Data: Data used for measuring solar insolation comprising global horizontal irradiance (GHI, W/m^2), diffuse horizontal irradiance (DHI, W/m^2), and direct normal irradiance (DNI, W/m^2), and as otherwise agreed upon by the Parties.

Station Service Load: The electrical loads associated with the operation and maintenance of the Facility that may at times be supplied from the Facility Energy.

System Emergency: Any abnormal system condition that requires automatic or immediate manual action to prevent or limit the failure of transmission or distribution facilities or generation supply or that could adversely affect the reliability or integrity of the Bulk Electric System, SMUD Electric System, or an Electric System owned or controlled by a non-SMUD entity. As used in this definition of System Emergency, with respect to any action that may or must be taken, or judgment or determination of a Party, such action or judgment shall be exercised, or such determination shall be made, (i) in good faith, (ii) where applicable, in accordance with Prudent Utility Practice, and (iii) in a non-arbitrary and non-capricious. System Emergency includes:

(a) That in SMUD's or Seller's reasonable judgment will likely endanger life or property;

(b) That in the reasonable judgement of SMUD, is imminently likely to cause a material adverse effect on the security of, or damage to, SMUD's Electric System, SMUD's Interconnection Facilities or the Electric Systems of others entities to which the SMUD Electric System is directly connected;

(c) An imminent condition or situation, which jeopardizes SMUD's Electric System reliability or integrity, or the reliability or integrity of other Electric Systems to which the SMUD is connected, or

(d) That in the reasonable judgment of Seller, is imminently likely to cause a material adverse effect on the security of, or damage to, the Facility or Seller's Interconnection Facilities. System restoration or black start shall be considered a System Emergency; provided, however, that the Facility shall not be obligated to possess black start capability.

Tax Attributes: means any state, local, or federal production tax credit, tax deduction, depreciation, accelerated depreciation, investment tax credit, or other tax benefit or attribute (including any grant) associated with the production of renewable energy or investments in renewable energy facilities, including, without limitation, the production tax credits under Section 45 of the Internal Revenue Code, and the investment tax credits established pursuant to Section 48 of the Internal Revenue Code, whether existing now or in the future.

Termination Event: When capitalized, has the meaning given in Section 8.3.

Termination Payment: means either the SMUD Termination Payment or the Seller Termination Payment, as applicable.

Typical Annual Solar Insolation: The typical annual solar insolation at the Site, derived from Solar Irradiance Data provided from Solar Anywhere, or other mutually agreeable third party, covering the 15 year period from January 2011 through December 2025, or derived from another mutually agreeable mechanism to measure annual solar insolation, such as the Typical Meteorological Year 3 (TMY3) data file from the U.S. Department of Energy's National Laboratory of the Rockies's National Solar Radiation Database, for surface radiation (SURFRAD) at a location near the Site. The Typical Annual Solar Insolation is set forth in Exhibit D.

Weather Performance Ratio (WPR): means, for each Contract Year, the ratio of the Actual Annual Solar Insolation at the Site to the Typical Annual Solar Insolation for the Site, expressed as:

WPR = Actual Annual Solar Insolation / Typical Annual Solar Insolation

The Weather Performance Ratio shall be used to calculate AEAEP to reflect year-to-year variations in solar resource and shall only apply if less than 1.00.

WECC: The Western Electricity Coordinating Council, which is the regional entity responsible for coordinating and promoting bulk electric system reliability in the western United States and western Canada, or any successor organization.

WREGIS: The Western Renewable Energy Generation Information System, sponsored by WECC and utilized by the CEC for tracking the generation and transfer of RECs, or any successor renewable energy tracking system sponsored by WECC and utilized by the CEC for implementing California's RPS, including tracking the generation and transfer of REC's.

2. Facility; Purchase and Sale of Products.

2.1 Facility and Contract Capacity.

2.1.1 This Agreement governs SMUD's purchase of Energy, Capacity, Capacity Attributes, and Environmental Attributes from the

Facility as described in Exhibit A. The Contract Capacity of the Facility is shown in Exhibit A. Seller shall not modify the Facility to increase the Contract Capacity without the agreement of SMUD. The Energy and, to the extent applicable, Capacity, Capacity Attributes, and Environmental Attributes to be purchased under this Agreement are described in Exhibit B.

2.1.2 The Parties acknowledge that the certain permitting constraints at the Site are unknown as of the date hereof, and once determined, may affect the final Contract Capacity and/or Scheduled Commercial Operation Date. Accordingly, notwithstanding any provision of this Agreement to the contrary:

(a) Seller shall have the right to decrease the Contract Capacity to no less than 600kW$_{AC}$ upon written notice to SMUD delivered at least one (1) month prior to the Scheduled Commercial Operation Date without any changes to the Contract Price or the other terms and conditions set forth in this Agreement. Seller shall provide notice of the same to SMUD. Upon any revisions to the Contract Capacity and/or Scheduled Commercial Operation Date in accordance with this Section 2.1, Exhibits B, C, and D attached to this Agreement shall be amended to reflect the new Contract Capacity and/or other Agreement terms, as applicable.

2.2 Products Purchased. During the Delivery Term, Seller shall sell and deliver, or cause to be delivered, to the Delivery Point and SMUD shall purchase and receive, or cause to be received, at the Delivery Point all Products generated by the Facility that are described in Exhibit B, pursuant to the terms and conditions of this Agreement. Energy shall be supplied only from the Facility, and shall be supplied from the Facility whenever available. Pursuant to the terms and conditions of this Agreement, Seller agrees to sell to SMUD the Facility's gross output of Energy in kilowatt-hours, net of Integral Station Service Load and transformation and transmission losses to the Delivery Point (which shall be provided from Facility output). Whenever Facility Energy is insufficient, Seller shall purchase Energy required to serve the Facility's on-site load from SMUD pursuant to SMUD's applicable retail rate schedule. In no event shall Seller have the right to procure Energy, Contract Capacity, Capacity Attributes, or Environmental Attributes from sources other than the Facility for sale or delivery of Products to SMUD under this Agreement or to substitute such Energy, Contract Capacity, Capacity Attributes, or Environmental Attributes. Notwithstanding any provision of this Agreement to the contrary, Seller shall be the owner of all (and shall not convey to SMUD under this Agreement) any Capacity Attributes, Environmental Attributes or Tax Attributes associated with, or arising from, the Facility, and/or this Agreement.

2.3 Delivery Term, Delivery Point, and Commercial Operation.

2.3.1 Delivery Term. The Delivery Term shall commence on the Commercial Operation Date under this Agreement and continue for twenty (20) years following the first day of the first calendar month after the Commercial Operation Date. The Parties may mutually agree to extend this Agreement for a renewal term of fifteen (15) years at a renewal rate of $0.2600/kWh.

2.3.2 No Product Substitution. In no event shall Seller have the right to procure Energy, Contract Capacity, Capacity Attributes, or

Environmental Attributes from sources other than the Facility for sale or delivery of Products to SMUD under this Agreement or to substitute such Energy, Contract Capacity, Capacity Attributes, or Environmental Attributes.

2.3.3 Scheduled Commercial Operation Date. The Scheduled Commercial Operation Date of the Facility is shown in Exhibit A.

2.3.4 Requirements for Commercial Operation. The Commercial Operation Date shall occur on the latest date on which both of the following conditions have been satisfied:

(a) The Facility is operating and is in compliance with applicable interconnection and system protection requirements required under the Interconnection Agreement; and

(b) The first day, retroactively determined at the conclusion of a successful 168 hour continuous operation test that Seller had demonstrated the Facility is capable of delivering Energy and the Contract Capacity at the Delivery Point on a reliable and continuous basis, with the exception of normal daily shut-down (if any). Seller shall provide test results for review and certification by a California registered professional electrical engineer (PE), who will submit a letter to SMUD, including the PE stamp, certifying acceptance of the test data; and stating that all Facility components were operating continuously, with the exception of normal daily shut-down (if any) as designed throughout the 168-hour continuous operation test.

2.3.5 Notice of Commercial Operation. Seller shall provide SMUD with written notice of Commercial Operation for SMUD's review when the Facility has satisfactorily completed the requirements for Commercial Operation.

2.3.6 Commercial Operation Date Confirmation Letter. Upon satisfaction of the requirements for Commercial Operation, SMUD shall execute and then provide to Seller for execution, the Commercial Operation Date Confirmation Letter. Both Parties shall retain a fully executed copy of the Commercial Operation Date Confirmation Letter.

2.3.7 Payment for Delay of Commercial Operation. If the Facility fails to achieve Commercial Operation on or before the Scheduled Commercial Operation Date, then Seller shall pay SMUD Delay Damages of \$250/MW_{AC} for every day the Facility does not achieve Commercial Operation after the Scheduled Commercial Operation Date and until Commercial Operation is achieved; provided that the Delay Damages shall not exceed the amount of project development security provided by Seller per Section 9.1, and Seller shall not owe SMUD Delay Damages, and the Scheduled Commercial Operation Date shall be extended on a day for day basis, for delays was caused by (i) Force Majeure, (ii) a delay in completion of Interconnection Facilities required for the Facility if such delay was caused by an act or omission of SMUD or otherwise despite the commercially-reasonable efforts of Seller, or

(iii) a breach or default under this Agreement by SMUD (without consideration to the giving of notice and/or lapse of time).

2.3.8 Payment for Deficit Damages.

(a) Subject to Section 2.1.2 of this Agreement, if the Facility achieves Commercial Operation on at least ninety percent (90%), but less than one hundred percent (100%), of the Contract Capacity for the Facility set forth in Exhibit A, then Seller will not have any obligation to pay Delay Damages and will have 365 days following the Scheduled Commercial Operation Date to commence Commercial Operation for the remaining Contract Capacity of the Facility, provided that such date shall be extended on a day for day basis, for delays was caused by (i) Force Majeure, (ii) a delay in completion of Interconnection Facilities required for the Facility if such delay was caused by an act or omission of SMUD or otherwise despite the commercially-reasonable efforts of Seller, or (iii) a breach or default under this Agreement by SMUD (without consideration to the giving of notice and/or lapse of time). If, following such 365 day period, less than one hundred percent (100%) of the Contract Capacity for the Facility set forth in Exhibit A has achieved Commercial Operation, then (a) Seller shall forfeit, and SMUD shall have the right to retain, a portion of the project development security provided by Seller per Section 9.1 equal to the product of (i) $20,000, multiplied by (ii) the Contract Capacity (measured in MW_{AC}) set forth on Exhibit A less the Contract Capacity (measured in MW_{AC}) of the Facility for which Commercial Operation has occurred, and (b) Exhibits A, C, and D shall be automatically updated to the installed capacity of the Facility for which Commercial Operation has occurred.

(b) The Parties acknowledge and agree that the damages that SMUD would incur due to Seller's delay in achieving Commercial Operation by the Scheduled Commercial Operation Date based on one hundred percent (100%) of the Contract Capacity would be difficult or impossible to predict with certainty; it is impractical and difficult to assess actual damages in the circumstances stated; and the amounts that may be owed by Seller pursuant to Section 2.3.7 and this Section 2.3.8 represent a fair and reasonable calculation of such damages. Accordingly, notwithstanding any provision herein to the contrary, the termination of this Agreement pursuant to Section 8.3.1 and receipt of the amounts owed pursuant to Section 2.3.7 and this Section 2.3.8 shall be SMUD's sole and exclusive remedy if the Facility fails to achieve Commercial Operation on or before the Scheduled Commercial Operation Date as provided in Section 2.3.7, or if Commercial Operations are achieved for less than one hundred percent (100%) of the Contract Capacity as provided in this Section 2.3.8.

2.4 Payment for Products Purchased.

2.4.1 Contract Price after Commercial Operation Date.

(a) Except as may otherwise be set forth in Exhibit B and subject to Section 2.4.1(b), once the Facility has achieved Commercial Operation, SMUD shall pay Seller for the Products purchased by multiplying the Contract Price (shown in Exhibit B) by the sum of applicable hourly Energy quantity as metered at the Delivery Point (such amount as determined on a monthly basis, also a "Monthly Settlement Amount").

(b) Except as provided in Section 2.4.6 to the contrary, in the event of a time period in which the Renewable Energy Credits corresponding to the Products delivered by the Facility are not received by SMUD as a result of the gross negligence or willful misconduct of Seller, and after being made aware of such failure, Seller is not attempting, in good faith, to reconcile such failure with WREGIS and the CEC, except as otherwise set forth in Exhibit B, SMUD shall discount the price paid for that Product for which corresponding WREGIS Certificates are not received by the difference between the applicable hourly Contract Price and the applicable hourly NP15 EZ Gen Hub Price.

2.4.2 Energy in Excess of Contract Capacity. Seller shall not receive payment for Product delivered in any hour to SMUD in excess of the Maximum Hourly Energy Delivery.

2.4.3 System Losses. All Products specified herein are amounts as provided at the Delivery Point, and Seller is responsible for all losses to the Delivery Point. Energy produced by the Facility, which is interconnected to the SMUD Distribution System, shall be measured using a SMUD Revenue Meter located at the Delivery Point.

2.4.4 Title and Risk of Loss. Title to, control of, and risk of loss related to the Products produced from the Facility shall transfer from Seller to SMUD at the Delivery Point. Seller warrants that it will deliver to SMUD all Products from the Facility free and clear of all liens, security interests, claims and encumbrances, or any interest therein or thereto by any person arising prior to the Delivery Point. Notwithstanding the foregoing, SMUD acknowledges that Seller or Seller's Financing Party shall be the legal and beneficial owner of the Facility at all times.

2.4.5 Invoice Payments.

(a) Following the end of each calendar month, Seller shall deliver to SMUD an invoice (a "Monthly Invoice") showing Seller's calculation of the Monthly Settlement Amount owed by SMUD under this Agreement, SMUD shall pay the amounts in each Monthly Invoice within thirty (30) calendar days following SMUD's receipt of such Monthly Invoice. SMUD shall pay Seller by check or Automated Clearing House transfer, and any amounts that are not paid by SMUD when due hereunder shall bear interest at the Interest Rate from the date due until the date paid. For any other payments required hereunder, the relevant party shall submit an invoice to the other party for payment within thirty (30) calendar days following such receiving party's receipt of such invoice.

(b) If either Party, in good faith, disputes any amount due pursuant to an invoice rendered hereunder, such Party shall notify the other Party of the specific basis for the dispute and, if the invoice shows an amount due, shall pay that portion of the statement that is undisputed, on or before the due date. If any amount disputed by such Party is determined to be due to the other Party, or if the Parties resolve the payment dispute, the amount due shall be paid within five (5) days after such determination or resolution, along with interest at the Interest Rate from the original date due until the date paid.

2.4.6 True-up for Failure to Deliver Environmental Attributes within 6 Months of COD. If, within six (6) months following the Commercial Operation Date, Seller has not obtained RPS Certification and fails to deliver in WREGIS, Renewable

Energy Credits equal to the hourly metered quantity at the Delivery Point for all deliveries during the six (6) month period commencing on the Commercial Operation Date, Seller shall pay SMUD the difference between the applicable hourly Contract Price (set forth on Exhibit B) paid by SMUD pursuant to Section 2.4 and the applicable hourly NP-15 EZ Gen Hub Price for the corresponding difference between metered quantities and Renewable Energy Credits not received; provided that SMUD shall extend such six (6) month period for an additional six (6) months if Seller is, in good faith, attempting to reconcile the shortfall with WREGIS and the CEC, as applicable, and the shortfall is not due to Seller's action(s) or inaction(s). If and to the extent that Seller reconciles such delivery of Renewable Energy Credits in WREGIS with the hourly metered quantity at the Delivery Point within the established time period (i.e., 6 or 12 months), Seller shall then receive the full Contract Price for metered quantities of energy received with the Renewable Energy Credits delivered in WREGIS.

2.4.7 Annual Production Guarantee; Facility Performance Adjustment.

(a) Seller shall follow Prudent Utility Practices as well as all manufacturers' guidelines and warranty requirements in operating and maintaining the Facility and shall make commercially reasonable repairs identified through compliance with the foregoing requirements in a reasonably timely manner.

(b) Within 30 days after the end of each Contract Year, Seller shall submit records of annual Facility curtailment data and any record of Force Majeure, which SMUD shall reconcile with its own records of curtailment and Force Majeure, in order to calculate the AAEP for such Contract Year.

(c) Within 30 days after the end of the Contract Year, Seller shall provide an annual report of the actual annual solar insolation data for SMUD's review and use in calculating the AAEP and the Minimum Annual Energy Production.

(d) If, at the end of any Contract Year, the combined Adjusted Annual Energy Production (AAEP) for such Contract Year is less than ninety percent (90%) of the Adjusted Expected Annual Energy Production (AEAEP) for such Contract Year, other than as a result of the acts or omissions of SMUD (including curtailment), or an Event of Force Majeure (any such period of disruption, a "Disruption Period"), Seller shall credit SMUD an amount equal to SMUD's Lost Savings on the next invoice or invoices during the following Contract Year, up to the Lost Savings Cap. The formula for calculating Lost Savings for the applicable Contract Year is as follows:

Lost Savings = (AEAEP-AAEP) x (Contract Price)

Contract Price = the kWh Rate in effect for the applicable Contract Year(s), measured in $/kWh.

Lost Savings Cap = Facility size (DC) as installed in megawatts, multiplied by $30,000. For the avoidance of doubt, the Lost Savings Cap is applicable to each Contract Year

Any Lost Savings payment shall occur no later than sixty (60) days after the end of the Contract Year during which such Lost Savings occurred.

3. Required Certifications and Qualifications.

3.1 RPS Certification.

3.1.1 SMUD requires that all renewable energy sold under this Agreement (not including an amount of Energy equal to the Facility's Station Service Load) will meet the state of California's RPS requirements. At its own expense, Seller shall obtain RPS Certification of the Facility with the California Energy Commission (CEC). Seller shall file an application with the CEC for RPS Certification as soon as possible but in no event later than ten (10) business days after receipt of the Commercial Operation Date Confirmation Letter from SMUD, and shall provide the CEC all information necessary to verify this RPS claim.

3.1.2 Subject to the terms and conditions of this Section 3.1, Seller shall maintain RPS Certification throughout the Delivery Term, and ensure that throughout the Delivery Term, Products from the Facility (not including Products associated with an amount of Energy equal to the Facility's Station Service Load) meet the criteria defined by the CEC Renewable Portfolio Standard Eligibility Guidebook for Portfolio Content Category 1; meet the criteria of California Public Utilities Code 399.16(b)(1); and ensure that the electricity and RECs from the Facility are bundled according to the applicable CEC RPS Eligibility Guidebook; provided, however, that notwithstanding any provision herein to the contrary, if there is a change in law or CEC rule, regulation, or determination after Seller obtains initial RPS certification that causes the Facility to no longer maintain RPS Certification, the Products from the Facility to no longer comply with the requirements of this Agreement related to the state of California's RPS requirements (including the criteria in California Public Utilities Code 399.16(b)(1)) or Seller to no longer be able to deliver through WREGIS the amount of Environmental Attributes contemplated hereunder, then Seller will not be obligated to comply with the requirements of this Agreement for the Facility to maintain RPS Certification, the Products from the Facility to comply with the requirements of this Agreement related to the state of California's RPS requirements (including the criteria in California Public Utilities Code 399.16(b)(1)) or Seller to deliver through WREGIS the amount of Environmental Attributes contemplated hereunder, so long as Seller takes all commercially-reasonable and necessary action ("Commercially Reasonable Efforts") to oppose any change of law, CEC rule, or regulation to the extent Seller has knowledge of the same, that diminishes the value of Environmental Attributes delivered under this Agreement for the purpose of maintaining PCC-1 status of delivered RECs, which action shall not require Seller to incur any cost or expense in excess of $25,000 in any Contract Year or $50,000 in the aggregate over the Delivery Term (such amount, the "RPS Compliance Cap").

3.1.3 Notwithstanding anything in this Agreement to the contrary, Seller shall not be in breach or default of this Agreement, SMUD shall not have the right to terminate, or exercise any remedies under, this Agreement and SMUD shall continue to purchase Energy and the other Products from the Facility and pay the full Contract

Price, if Seller's failure to maintain RPS Certification or if failure of the Renewable Energy Credits to conform to the requirements of this Agreement is due to a change in California law or CEC rule, or regulation, or determination occurring after the Facility has obtained RPS certification, so long as the Seller has used Commercially Reasonable Efforts, and Seller's action(s) or inaction(s) did not contribute to its inability to maintain RPS Certification.

3.2 Environmental Attribute Delivery Obligation. Subject to the terms and conditions of this Agreement and to the extent that Seller is selling and SMUD is purchasing Environmental Attributes under this Agreement, Seller shall deliver, and SMUD shall receive from Seller, all rights, title, and interest in such Environmental Attributes associated with Energy produced by the Facility and delivered to SMUD at the Delivery Point, whether now existing or that hereafter come into existence during the Delivery Term; provided that, except as provided in Section 3.1 to the contrary, pursuant to Section 2.4.1(b), SMUD may pay Seller a discounted purchase price for any Environmental Attributes associated with any amount of Energy that is not considered RPS-eligible by the CEC, or for Environmental Attributes that are not delivered to SMUD in WREGIS. Seller agrees to sell to SMUD all such Environmental Attributes to the fullest extent allowable by applicable law, and to convey the same to SMUD in accordance with the procedures in Exhibit H. Seller warrants that all Environmental Attributes sold and delivered to SMUD pursuant to this Agreement shall be free and clear of all liens, security interests, claims and encumbrances.

3.3 WREGIS Registration. Documentation of Environmental Attributes sold to SMUD under this Agreement shall be tracked through WREGIS. Seller shall assign rights to register the Facility in WREGIS to SMUD, such that RECs sold to SMUD are deposited directly into SMUD's WREGIS account. Except as provided in Exhibit H to the contrary, Seller shall be responsible for all WREGIS costs and fees associated with the issuance and/or creation of WREGIS RECs for the Facility, and SMUD shall be responsible for any fees associated with the transfer and/or retirement of such WREGIS RECs to SMUD. RECs sold to SMUD under this Agreement shall be provided monthly for all Energy produced from the contracted renewable resource (not including an amount of Energy equal to the Facility's Station Service Load), evidencing that SMUD has exclusive rights to the Renewable Attributes and Environmental Attributes.

3.4 Additional Evidence of Environmental Attribute Conveyance. At SMUD's reasonable request, Seller shall provide additional reasonable evidence to SMUD or to third parties of SMUD's right, title, and interest in Environmental Attributes sold under this Agreement and information with respect to such Environmental Attributes.

3.5 Modification of Environmental Attribute Reporting and Conveyance Procedure. SMUD shall revise Exhibit H as appropriate, shall give notice to Seller regarding the revision, and shall issue a new Exhibit H which shall then become part of the Agreement, in order to reflect changes necessary in the Environmental Attribute conveyance procedure for SMUD to be able to receive and report the Environmental Attributes purchased under the Agreement as belonging to SMUD, in the event that:

3.5.1 WREGIS changes the WREGIS Operating Rules after the Effective Date or applies the WREGIS Operating Rules in a manner inconsistent with Exhibit H after the Effective Date; or

3.5.2 WREGIS is replaced as the primary method that SMUD uses for conveyance of Environmental Attributes, or additional methods to convey all Environmental Attributes are required.

In no event will such revised Exhibit H cause Seller to incur any cost, liability, or obligation, or any increased cost, liability, or obligation, for which it is not already otherwise obligated under this Agreement, without prior notice by SMUD and agreement of the Parties as to the appropriateness of such cost belonging with the Seller.

3.6 Reporting of Ownership of Environmental Attributes. Seller shall not report to any Person or entity that the Environmental Attributes sold and conveyed hereunder to SMUD belong to anyone other than SMUD, and SMUD may report under any such program that such Environmental Attributes purchased hereunder belong to it.

3.7 Greenhouse Gas (GHG) Emissions. Seller shall bear all liability for reporting any and all GHG emissions from the Facility, and for any compliance obligations under federal, state (including AB 32) and local laws for such emissions.

4. Conveyance of Capacity Attributes.

4.1 Conveyance of Capacity Attributes. Seller shall provide to SMUD any attestation SMUD requires in order for SMUD to show evidence that it has procured the Capacity Attributes associated with the Facility in accordance with the procedure in Exhibit F. At SMUD's reasonable request, Seller shall execute such documents and instruments as may be reasonably required to affect recognition and transfer of the Capacity Attributes.

4.2 Reporting of Ownership of Capacity Attributes. Seller shall not report to any Person or entity that the Capacity Attributes sold and conveyed hereunder to SMUD belong to anyone other than SMUD, and SMUD may report under any such program that such Capacity Attributes purchased hereunder belong to it.

4.3 Modification of Capacity Attribute Conveyance Procedure.

4.3.1 SMUD shall revise Exhibit F as appropriate, give written notice to Seller regarding the revision, and issue a new Exhibit F which shall then become part of the Agreement, in order to reflect changes necessary in the Capacity Attribute conveyance procedure for SMUD to be able to receive and report the Capacity Attributes purchased under the Agreement as belonging to SMUD.

4.3.2 In no event will such revised Exhibit F cause Seller to incur any cost, liability, or obligation, or any increased cost, liability, or obligation, for which it is not already otherwise obligated under this Agreement, without prior notice by SMUD and agreement of the Parties as to the appropriateness of such cost belonging with the Seller.

4.4 Compliance Cost Cap. Notwithstanding any provision herein to the contrary, the Parties acknowledge and agree that the cost and expense to Seller of complying with its obligations in Section 3.1 or Section 4 of this Agreement shall not exceed the amount of the RPS Compliance Cap.

4.5 Energy Imbalance Market. The Parties acknowledge and agree that as of the date hereof, SMUD participates in the Western Energy Imbalance Market ("WEIM") and intends to participate in the Extended Day Ahead Market ("EDAM"), and SMUD's participation in the WEIM or EDAM shall not result in Seller incurring any additional cost, liability, or obligation, or any increased cost, liability, or obligation, for which Seller is not already otherwise obligated under this Agreement. If in the future the CAISO changes its EIM and/or EDAM rules and/or policies (or replacement market), the Parties shall meet and confer to discuss the new market rules and whether updates to the scheduling, settlements, or other procedures are required.

5. Interconnection; Telemetering. SMUD will reimburse Seller for interconnection and telemetering costs up to $300,000, as more particularly described in the Interconnection Agreement. To the extent such costs are expected to exceed $300,000, the Parties will in good faith negotiate an amendment to this Agreement that allocates such excess costs between the Parties (which may be in the form of an increase to the Contract Price).

5.1 Interconnection Agreement and Interconnection Costs

Seller shall execute an Interconnection Agreement with SMUD.

5.1.1 In accordance with, and subject to the terms and conditions of, the Interconnection Agreement: Seller assumes responsibility for any and all costs related to interconnection of the Facility to an agreed-upon Delivery Point; subject to adjustment as provided in the attached Exhibit B, Seller agrees to incur those costs set forth in the Interconnection Agreement which are the customary requirements that SMUD imposes upon similar generators interconnected to the SMUD Distribution System. Notwithstanding the foregoing, Seller shall comply with any modifications, amendments or additions to the applicable tariff and protocols.

5.1.2 During the Delivery Term, Seller shall arrange and pay independently for any and all costs owed by Seller under the Interconnection Agreement with SMUD. To make deliveries to SMUD, Seller must maintain an Interconnection Agreement with SMUD in full force and effect.

5.2 No Additional Loads; Facility Storage. Seller shall not connect any loads not associated with Integral Station Service Loads at the location of the Facility in a manner that would reduce the Energy provided from the Facility to SMUD hereunder. Seller shall obtain separate retail electric service under existing SMUD tariffs for the service of any such additional loads. Notwithstanding the foregoing, Seller may add storage at the Site during the Term of this Agreement, with the size and scope of such storage subject to agreement by the Parties.

5.3 Telemetering and Telemetering Costs

The Facility will require telemetering back to SMUD's energy management system. SMUD will cover the upfront cost of interconnection and telemetering, while Forefront Power will be responsible for the ongoing costs of telemetering.

5.3.1 Real-time (2 Second) data to be transmitted to SMUD from Seller. The following data shall be transmitted by Seller to SMUD on a real time basis:

(a) Energy (MWh);

(b) Facility total output, MW and MVAR;

(c) Status of 12kV breaker; and

(d) Additional data required at SMUD's reasonable discretion, and can be reasonably provided with the equipment then-installed at the Facility.

5.3.2 Data to be transmitted to Seller from SMUD. The following information shall be transmitted by SMUD to Seller as provided herein:

(a) Control signal sent by SMUD Energy Management System for Dispatchability; and

(b) Set point limiting the MW output of the Facility.

5.3.3 Facility Data. Seller shall provide historical energy production by the System (in kWh or MWh) to SMUD upon request or pursuant to any schedule reasonably requested by SMUD. For the purpose of forecasting Facility energy production, SMUD has the right to share such data with SMUD's contractors.

6. Permitting; Standard Of Care; Operations; Curtailment.

6.1 Permitting. Seller shall be responsible for obtaining and maintaining all required permits and other governmental approvals for the construction, ownership and operation of the Facility. SMUD shall reasonably cooperate with Seller to obtain or issue (if applicable) such approvals in the name of Seller.

6.2 Standard of Care.

6.2.1 Seller shall pay and be responsible for designing, installing, operating, and maintaining the Facility in accordance with all applicable laws and regulations, and shall comply with all applicable WECC, FERC, and NERC provisions, and Prudent Utility Practice, including applicable interconnection and telemetering requirements as set forth in the Interconnection Agreement, and the generally applicable requirements of SMUD set forth in SMUD's tariff, rules, and regulations.

6.2.2 Seller shall: (a) operate and maintain the Facility in a safe manner in accordance with the Interconnection Agreement, manufacturer's guidelines, warranty requirements, and Prudent Utility Practice, including applicable standards of the

National Electric Code (NEC), Institute of Electrical and Electronic Engineers, American National Standards, and the Underwriters Laboratories (UL), and in accordance with the requirements of all applicable federal, state and local laws and the National Electric Safety Code, as such laws and codes may be amended from time to time; and (b) maintain any governmental authorizations and permits required for the construction and operation thereof. Seller shall make any necessary and commercially reasonable repairs with the intent of optimizing (to the extent commercially reasonable) the availability of electricity from the Facility to SMUD pursuant to this Agreement.

6.3 Operation of the Facility. Subject to the terms and conditions of this Agreement, Seller shall operate the Facility in accordance with Prudent Utility Practice. Seller has an obligation to use commercially-reasonable efforts to maximize the availability of the Facility in accordance with Prudent Utility Practice. Seller may interrupt or reduce deliveries due to Force Majeure, curtailment by SMUD, curtailment as a result of a System Emergency, Planned Outages, and Forced Outages. Seller may not schedule or take any Planned Outages in the months of June through September, unless otherwise agreed by SMUD in writing or required by Prudent Utility Practice. Seller shall take commercially-reasonable measures in accordance with Prudent Utility Practice to minimize the frequency and actual duration of Planned Outages. All Planned Outages shall be scheduled in advance. Except as permitted in this Agreement to the contrary, Seller shall not modify the Facility to increase the Contract Capacity unless agreed upon by SMUD.

6.4 Notice Following Outage or Curtailment. In the monthly settlements process, following any outage or any curtailment directed by SMUD, SMUD will provide Seller a notice describing such curtailment or outage upon seller's request. SMUD shall provide such additional information concerning any curtailment claimed to be due to a System Emergency as Seller may reasonably request.

6.5 SMUD Performance Excuse. SMUD shall not be obligated to accept or pay for Energy produced by or Capacity provided from the Facility during a Force Majeure event that prevents SMUD's ability to accept Energy from the Facility.

6.6 SMUD Curtailment Due To a System Emergency

SMUD may require Seller to curtail, interrupt, or reduce deliveries of Energy if SMUD reasonably determines that curtailment, interruption, or reduction is necessary because of a System Emergency. For SMUD-directed Dispatch curtailments due to a System Emergency, SMUD will not compensate Seller for Energy curtailedIn the event of a Dispatch curtailment by SMUD due to a System Emergency, SMUD shall, whenever possible, give Seller reasonable notice of the possibility that the interruption or reduction of deliveries may be required, and shall use commercially reasonable efforts to minimize the impact thereon on Facility operations and to minimize the duration of the curtailment period.

6.7 "Off-Grid" Production. In the event that utility grid power becomes unavailable and when a properly configured grid-forming voltage source establishes a microgrid with sufficient power output, the Facility will be capable of power production and inverter curtailment via received Volt-VAR and Volt-Watt adjustment signals as required to operate in conjunction with the grid-forming voltage source.

6.8 Interconnection Agreement.

6.8.1 A Party shall not have any liability, and such Party shall be excused from its performance obligations under this Agreement, to the extent that such Party fails to perform due to the failure of the other Party to perform its obligations under the Interconnection Agreement.

6.8.2 In the event that either the Interconnection Agreement is terminated as a result of a default by SMUD or Seller thereunder, the defaulting party under the Interconnection Agreement shall be considered to be in default of this Agreement. Under these circumstances, the non-defaulting Party shall have all rights and remedies available to it under this Agreement as a result of such default.

7. Scheduling and Forecasting; Outages; Access Rights.

7.1 Scheduling and Forecasting. The Facility is located within the SMUD Service Territory, and SMUD will make its own forecasts of Facility Energy production for use in its Scheduling process. SMUD shall be solely responsible for all Scheduling of the Product and, except as otherwise expressly provided herein, all associated penalties, fees, liabilities, costs, and expenses.

7.2 Planned Outages. For the purposes of this Agreement an anticipated maintenance outage shall constitute a Planned Outage. Planned Outages may only be taken upon thirty (30) days written notice to SMUD. Seller shall provide Planned Outage notifications in accordance with the Outage Notification Procedure detailed in Exhibit G.

7.3 Forced Outages. Seller shall provide Forced Outage notifications in accordance with the Outage Notification Procedure detailed in Exhibit G.

7.4 Modification of the Available Capacity Scheduling Requirements and Outage Notification Procedure. Upon mutual consent of both Parties, SMUD shall modify Exhibit G to reflect changes necessary in the Available Capacity Scheduling Requirements and Outage Notification Procedure, give written notice to Seller regarding the revision, and issue a new Exhibit G which shall then become part of the Agreement to reflect changes in the Outage Notification Procedure.

7.5 Access Rights. SMUD and its authorized agents, employees and inspectors, shall have the right to inspect the Facility on reasonable advance notice during normal business hours and for any purposes reasonably connected with this Agreement or the exercise of any and all rights secured to SMUD by law or its tariff schedules. SMUD and its authorized agents, employees and inspectors must (a) at all times adhere to all reasonable safety and security procedures as may be required by Seller; and (b) not interfere with the operation of the Facility. SMUD shall make reasonable efforts to coordinate its emergency activities with the safety and security departments, if any, of the Facility operator. Seller shall keep SMUD informed of current procedures for communicating with the Facility operator’s safety and security departments.

8. Term, Termination Event and Termination.

8.1 Term. The term of this Agreement (the "Term") shall commence upon the last execution by the duly authorized representatives of each of SMUD and Seller, and shall remain in effect until the conclusion of the Delivery Term, unless terminated sooner pursuant to the terms of this Agreement.

8.2 Events of Default; Remedies.

8.2.1 Either Party (each in such capacity, a "Defaulting Party," and the other Party, the "Non-Defaulting Party") shall be in breach or default of its obligations under this Agreement if: (a) the Defaulting Party fails to make, when due, any payment required under this Agreement if such failure is not remedied within three (3) Business Days after receipt of notice from the Non-Defaulting Party; (b) any representation or warranty made by such Defaulting Party herein is false or misleading in any material respect when made, and such failure is not cured within ten (10) days after receipt of notice from the Non-Defaulting Party (or such longer period not to exceed sixty (60) days if the failure is not capable of being cured within such ten (10) days with the exercise of reasonable diligence, so long as the Defaulting Party has commenced and is diligently pursuing a cure during such initial ten (10)-day period); (c) the Defaulting Party fails to perform any material covenant or obligation set forth in this Agreement (except to the extent constituting a separate default under this Section 8.2.1), if such failure is not remedied within thirty (30) days of receipt of notice from the Non-Defaulting Party (or such longer period not to exceed sixty (60) days if the failure is not capable of being cured within such thirty (30) days with the exercise of reasonable diligence, so long as the Defaulting Party has commenced and is diligently pursuing a cure during such initial thirty (30)-day period); and/or (d) the Defaulting Party becomes Bankrupt.

8.2.2 Except as otherwise expressly provided in this Agreement, including, without limitation, under Sections 2.3.7 and 2.3.8, following a breach or default by a Defaulting Party, the Non-Defaulting Party shall have the right to (a) terminate this Agreement by providing notice of such termination to the Defaulting Party, which termination shall be effective on a day no earlier than five (5) days after such notice is deemed to be received (as provided in Section 15) and no later than twenty (20) days after such notice is deemed to be received (as provided in Section 15) (except as provided in Section 8.3 to the contrary), *provided that* termination of this Agreement because of a default described in Section 3.2 shall be effective upon Seller's receipt (or deemed receipt) of SMUD's notice of termination; and the Defaulting Party shall pay the Non-Defaulting Party a Termination Payment calculated in accordance with Section 8.5 or 8.6, as applicable. If the Non-Defaulting Party fails to terminate this Agreement under clause (a) of this paragraph by notice to the Defaulting Party within six (6) months following the Non-Defaulting Party's declaration of a breach or default (or, with respect to a default described in Section 3.2, within six (6) months following the expiration of the cure period described in Section 3.2), then the Non-Defaulting Party shall be deemed to have waived its rights to terminate this Agreement pursuant to clause (a) of this paragraph with respect to such breach or default, but not with respect to any subsequent breach or default. If the Non-Defaulting Party elects to terminate this Agreement under clause (a) of this paragraph, then the sole and exclusive remedy available to the Non-Defaulting Party shall be the Termination Payment calculated in accordance with Section 8.5 or 8.6, as applicable. Notwithstanding any provision herein to the contrary, if Seller commits a breach or default under this Agreement prior to the Commercial Operation Date, SMUD's sole remedy in respect of such breach or default shall be to terminate this Agreement and retain the amounts paid by Seller, and then-held by SMUD, pursuant to Section 9.1 of this Agreement.

8.3 Termination Rights. SMUD shall have the right but not the obligation to terminate this Agreement if any of the following occur, each of which is a "Termination Event":

8.3.1 Failure to achieve Commercial Operation. Subject to Section 2.3.8, in the event Seller fails to achieve Commercial Operation of the Facility on or prior to the date that is 180 days after the Scheduled Commercial Operation Date, then SMUD shall have the right, but not the obligation, to terminate this Agreement. To exercise this right, SMUD shall provide Seller with a 60-day advance written notice. If Seller achieves the Commercial Operation Date prior to the end of the 60-day notice period, SMUD may not exercise its right to terminate the Agreement. The Scheduled Commercial Operation Date shall be extended on a day for day basis if Seller's failure to achieve Commercial Operation in the designated timeframe was caused by any one of the following: (a) Force Majeure, (b) a delay in completion of the Interconnection Facilities required for the Facility caused by an act or omission of SMUD or otherwise despite the commercially-reasonable efforts of Seller, or (c) a breach or default (without consideration to the giving of notice and/or lapse of time) under this Agreement by SMUD.

8.3.2 Failure to sell or deliver Energy. If, after the Commercial Operation Date, Seller has not sold or delivered Energy from the Facility to SMUD for a period of twelve (12) consecutive months other than as a result of (a) Force Majeure, (b) a breach or default of this Agreement by SMUD, or (c) or a curtailment by SMUD, then SMUD shall have the right to terminate this Agreement.

8.3.3 Failure to obtain RPS Certification. In the event Seller fails to obtain RPS Certification for the Facility by the California Energy Commission within six (6) months of the Commercial Operation Date, then SMUD shall have the right to terminate this Agreement; provided that, such six (6) month period shall be extended for up twelve (12) additional months if Seller is, in good faith, pursuing such certification and presents to SMUD a reasonable proposal laying out those steps that Seller will take in order to obtain such certification as quickly as reasonably possible, for acceptance by SMUD, which acceptance shall not be unreasonably withheld.

8.3.4 Site Easement. Seller loses access to the Project Site due to a default by Seller under the Site easement.

8.3.5 Failure to maintain RPS Certification. Subject to Sections 3.1 and 4.5, in the event the failure to maintain RPS Certification is due to Seller's failure to use commercially reasonable efforts to maintain RPS Certification, then SMUD shall have the right to terminate this Agreement; provided, however, that (a) to exercise this right, SMUD shall provide Seller with a 60 day cure period, and SMUD may not exercise its right to terminate the Agreement if Seller uses commercially reasonable efforts to correct the failure to maintain the RPS Certification during such 60 day period, and (b) in accordance with Section 3.1.3, Seller shall not be in breach of this Agreement, and SMUD shall not have the right to terminate this Agreement, if Seller's failure to maintain RPS Certification is due to a change in California law or CEC rule, regulation, or determination occurring after the Facility has obtained RPS certification, so long as the Seller has used commercially reasonable efforts to maintain RPS Certification, and Seller's action(s) or inaction(s) did not contribute to its inability to maintain RPS Certification.

8.4 Declaration of a Termination Event. If a Termination Event has occurred, SMUD shall have the right to: (a) send notice, designating a day, no earlier than five (5) days after such notice is deemed to be received (as provided in Section 15) and no later than twenty (20) days after such notice is deemed to be received (as provided in Section 15) (unless, in each case, a longer notice period is set forth in Section 8.3), as an early termination date of this Agreement ("Early Termination Date") unless the Parties have agreed to resolve the circumstances giving rise to the Termination Event; (b) except for a termination as elsewhere provided in this Agreement to the contrary, calculate the Termination Payment in accordance with Section 8.5 owed in connection with such Termination Event; and (c) terminate this Agreement and end the Delivery Term effective as of the Early Termination Date.

8.5 Termination Payment Calculation.

8.5.1 If a Termination Event occurs or if this Agreement is terminated following a breach or default as provided in Section 8.2 of this Agreement and Seller is the Defaulting Party, in each case ultimately resulting in termination of the Agreement, a "Seller Termination Payment" shall be determined in accordance with this Section 8.5. The Seller Termination Payment shall be the sole and exclusive monetary remedy of SMUD for such termination. For the avoidance of doubt, the Seller Termination Payment applies to both a pre-COD termination and a termination during the Delivery Term for a Termination Event, but not in the case of a termination pursuant to Section 8.8 hereof.

8.5.2 If Seller terminates the Agreement prior to the Commercial Operation Date for a breach or default by SMUD, the "SMUD Termination Payment" shall be determined in accordance with this Section 8.5. The SMUD Termination Payment shall be the sole and exclusive monetary remedy of Seller for such termination.

8.5.3 The Termination Payment payable by the Defaulting Party to the Non-Defaulting Party shall equal: (i) Non-Defaulting Party's "Loss" if any, as calculated under Section 8.5.3(a) below and limited to actual, direct, and demonstrable damages, and discounted to present value as set forth under Section 8.5.3(b) below; plus (ii) Non-Defaulting Party's "Cost" actually incurred and not avoided as calculated under Section 8.5.1(c) below; which will then be aggregated with any amounts owed to the Non-Defaulting Party as of the Early Termination Date, and any set-offs to which Defaulting Party is entitled as set forth under Section 8.5.3(d) below. If the

Termination Payment as so calculated would be less than zero, it shall be deemed to be zero.

(a) The Parties intend that Non-Defaulting Party's Loss shall be the net economic loss, actually suffered (exclusive of Costs), if any, resulting directly from the termination of the Agreement, determined in a commercially reasonable manner and after giving effect to the duty to mitigate, as calculated in accordance with this Section 8.5. The Loss, if any, suffered by Non-Defaulting Party shall be determined by comparing the value of the remaining term, applying the lesser of (i) the Adjusted Annual Energy Production for the most recently completed Contract Year, or (ii) the Minimum Annual Energy Production, and the Contract Price for each year of the remaining term under the Agreement had it not been terminated to the market value of a commercially reasonable replacement transaction, determined using prevailing market data and, to the extent available, good faith, non-binding price indications obtained from non-affiliated market participants. For clarity, the Non-Defaulting Party's Loss equals the amount, if positive, by which the market price of replacement Energy, Capacity Attributes, and Environmental Attributes exceeds the Contract Price therefor giving effect to mitigation. To ascertain the market value of a replacement contract, the Non-Defaulting Party may consider publicly available market indices, bona fide third-party offers, or comparable transactions, in each case adjusted in a commercially reasonable manner for differences in product, term and delivery. It is expressly agreed that Non-Defaulting Party shall not be required to enter into replacement transactions in order to determine the Termination Payment.

(b) The Loss calculated under paragraph (a) shall be discounted to present value using a discount rate of 6.25% as of the time of termination (to take into account the period between the time notice of termination was effective and when such amount would have otherwise been due pursuant to this Agreement).

(c) Non-Defaulting Party's Costs shall be calculated as the sum of the brokerage fees, commissions and other similar transaction costs and expenses actually and reasonably incurred and directly attributable to terminating and replacing the Agreement, including, reasonable transmission costs associated with any replacement contract, if any, incurred in connection with Non-Defaulting Party enforcing its rights with regard to the Agreement. Non-Defaulting shall use reasonable efforts to mitigate or eliminate Costs. Consistent with Section 19.2, each Party shall pay and be responsible for their own attorney fees.

(d) Non-Defaulting Party shall add any amounts owed by the Defaulting Party to the Non-Defaulting Party as of the Early Termination Date to, and shall set-off any amounts owing by the Non-Defaulting Party to the Defaulting Party as of the Early Termination Date against, the Termination Payment so that all such amounts are aggregated and/or netted to a single amount. The net amount due shall be paid within thirty (30) Business Days following the effective date of termination, or, if the Parties disagree regarding the calculation of the Termination Payment, the date that the Parties agree on the Termination Payment pursuant to Section 8.5.4 below.

(e) In no event, however, shall the calculation of Loss or Costs include any penalties or similar charges imposed by the Non-Defaulting Party or any consequential, indirect, punitive, or exemplary damages.

8.5.4 If the Defaulting Party reasonably disagrees with the calculation of the Termination Payment and the Parties cannot otherwise resolve their differences, the calculation issue shall be resolved in accordance with Section 19 of this Agreement.

8.6 SMUD Termination Payment Calculation. If this Agreement is terminated following a breach or default as provided in Section 8.2 of this Agreement during the Delivery Term and SMUD is the Defaulting Party, the "SMUD Termination Payment" shall be determined in accordance with the table set forth in this Section 8.6.

The SMUD Termination Payment under this Agreement shall be calculated in accordance with the following:

Early Termination Occurs in Contract Year:	**SMUD Termination Payment ($/Wdc including costs of removal)**	**SMUD Termination Payment ($/Wdc, does not include costs of removal)**
1	$5.23	--
2	$4.67	--
3	$4.19	--
4	$3.78	--
5	$3.39	--
6	$3.36	$2.86
7	$3.33	$2.83
8	$3.30	$2.80
9	$3.27	$2.77
10	$3.24	$2.74
11	$3.21	$2.71
12	$3.18	$2.68
13	$3.16	$2.66
14	$3.13	$2.63
15	$3.10	$2.60
16	$3.07	$2.57
17	$3.04	$2.55
18	$3.02	$2.52
19	$2.99	$2.49
20	$2.96	$2.47

8.7 Termination pre-COD for SMUD Default. Prior to the Commercial Operation Date, if this Agreement is terminated following a breach or default as provided in Section 8.2 of this Agreement and SMUD is the Defaulting Party, the SMUD Termination Payment shall be determined in accordance with Section 8.5.

8.8 Seller Termination Right prior to COD. Seller shall have the right to terminate this Agreement upon ten (10) Business Days prior written notice to SMUD, for any of the following reasons, in which event SMUD shall retain all of the project development security then held by SMUD pursuant to Section 9.1 of this Agreement as SMUD's sole and exclusive remedy for such termination:

8.8.1 There exist Site conditions (including environmental conditions) or construction requirements that were not known as of the Effective Date and that could reasonably be expected to increase the cost of Facility installation by more than $93,500.

8.8.2 There is a material adverse change in the regulatory environment, incentive program or federal or state tax code (including the expiration of any incentive program or tax incentives in effect as of the Effective Date) that could reasonably be expected to adversely affect the economics of the installation for Seller.

8.8.3 Seller is unable to obtain financing for the Facility on terms and conditions reasonably satisfactory to it, including as a result of Buyer's creditworthiness or failure to meet Financing Party requirements.

8.8.4 Seller has not received, in form and substance reasonably satisfactory to Seller: (1) a fully executed easement in substantial form of <u>Exhibit K</u> of this Agreement, (2) written release, subordination, non-disturbance, or acknowledgement from any mortgagee, lienholder, or other party holding an encumbrance or security interest in the Site, to the extent reasonably required by Seller or its Financing Party, confirming the priority of Seller's security interest in the Facility and non-interference with Seller's rights throughout the Term, and (3) evidence that the Site is free from covenants, conditions and restrictions (CCRs), easements, or other land-use conditions, liens, or encumbrances that could materially impair or prevent Seller's rights of access, installation operation, maintenance or removal of the Facility, or Seller's ability to grant or maintain Seller's rights with respect to the Site as contemplated under this Agreement.

8.8.5 Seller has not received evidence reasonably satisfactory to it that interconnection services will be available by SCOD with respect to energy generated by the Facility.

8.8.6 There has been a material adverse change in Buyer's credit-worthiness, including a downgrade by two or more credit-rating levels (or notches) by a nationally recognized rating agency as applicable (including Moody's, Standard & Poor, or Fitch) or if Buyer is not publicly rated, a decline of two or more equivalent rating levels (or notches) in Seller's commercially reasonable internal credit rating assessment of Buyer, unless Buyer has provided Seller with reasonably acceptable credit support within ten (10) Business Days of request.

8.9 <u>Release of Liability for Termination Event After 12 Months</u>. Upon termination of this Agreement, the indemnity provision shall remain in effect for a period of 12 months following such early termination.

9. <u>Creditworthiness</u>.

9.1 Project Development Security. Within 30 days of the date this Agreement is executed, Seller shall provide an installment of project development security of $40/kW_{AC}$ in the form of cash, Letter of Credit, or guaranty acceptable to SMUD, which will be held and maintained until the start of the Delivery Term or the earlier termination of this Agreement, and thereafter released and/or returned to Seller, or at Seller's request, applied to the Delivery Term Security.

9.2 Delivery Term Security. Prior to commencement of the Delivery Term, Seller to provide Delivery Term Security of $75/kW_{AC}$ in the form of cash, Letter of Credit, or guaranty acceptable to SMUD, which will be held and maintained by SMUD for the duration of the Delivery Term or the earlier termination of this Agreement, and thereafter released and/or returned to Seller.

10. Insurance. Seller shall comply with the insurance requirements of the attached Exhibit J, which requirements shall apply to the Seller and its successors and assigns.

11. Force Majeure.

11.1 Effect of Force Majeure. SMUD or Seller, as the case may be, shall be excused from performance under this Agreement, except for the payment of money, to the extent, but only to the extent, that performance hereunder is prevented by an act or event of Force Majeure. The Party invoking Force Majeure shall exercise due diligence to overcome or mitigate the effects of such an act or event of Force Majeure; provided, however, that nothing in this Agreement shall be deemed to obligate the Party invoking Force Majeure (a) to forestall or settle any strike, lock-out or other labor dispute against its will; or (b) for Force Majeure affecting Seller only, to purchase electric power to cure the event of Force Majeure.

11.2 Notice of Force Majeure. In the event of any delay or nonperformance resulting from an event of Force Majeure, the Party invoking Force Majeure shall, as soon as practicable under the circumstances, notify the other Party in writing of the nature, cause, date of commencement thereof and the anticipated extent of any delay or interruption in performance.

11.3 Termination Due to Force Majeure Event. If a Party is prevented from performing its material obligations under this Agreement for a period of twelve (12) consecutive months or longer due to Force Majeure, the unaffected Party may terminate this Agreement, without liability of either Party to the other, upon thirty (30) days written notice at any time during the Force Majeure event.

12. Indemnity.

12.1 Indemnity by Seller. Seller shall defend, release, indemnify and hold harmless SMUD, its directors, officers, employees, agents, and representatives against and from any and all losses, claims, demands, liabilities and expenses, actions or suits, including reasonable costs and attorney's fees, resulting from, or arising out of or in any way connected with claims by third parties associated with or relating to: (i) the Energy delivered up to the Delivery Point; (ii) Seller's operation and/or maintenance of the Facility; or (iii) the negligence or willful misconduct of Seller in performing its obligations under this Agreement; excepting only such loss, claim, demand, liability, expense, action or suit to the extent caused by the willful misconduct or gross negligence of SMUD, its agents, employees, directors or officers.

12.2 Indemnity by SMUD. SMUD shall defend, release, indemnify and hold harmless Seller, its directors, officers, employees, agents, and representatives against and from any and all losses, claims, demands, liabilities and expenses, actions or suits, including reasonable costs and attorney's fees resulting from, or arising out of or in any way connected with claims by third parties associated with or relating to: (i) the Energy delivered by Seller under this Agreement after the Delivery Point, or (ii) the negligence or willful misconduct of SMUD in performing its obligations under this Agreement; excepting only such loss, claim, demand, liability, expense, action or suit to the extent caused by the willful misconduct or gross negligence of Seller, its agents, employees, directors or officers.

13. Limitation of Damages. EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT THERE IS NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED UNLESS EXPRESSLY HEREIN PROVIDED. EXCEPT WITH REGARD TO INDEMNIFICATION OF THIRD PARTY CLAIMS IN ACCORDANCE WITH SECTION 12, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, OR OTHERWISE. THE PARTIES AGREE THAT (A) ANY LIQUIDATED DAMAGES SET FORTH HEREIN, (B) SMUD's AND SELLER's RESPECTIVE COSTS TO COVER DAMAGES, (C) THE VALUE OF ANY TAX BENEFITS, DETERMINED ON AN AFTER-TAX BASIS, LOST DUE TO SMUD's BREACH OR DEFAULT, (D) AMOUNTS DUE IN CONNECTION WITH THE RECAPTURE, IF ANY, AND (E) ANY OTHER SPECIFIED MEASURE OF DAMAGES EXPRESSLY PROVIDED FOR HEREIN SHALL BE DEEMED DIRECT DAMAGES AND DO NOT REPRESENT SPECIAL, PUNITIVE, INDIRECT, EXEMPLARY OR CONSEQUENTIAL DAMAGES. IN NO EVENT WILL A PARTY BE LIABLE TO THE OTHER PARTY FOR DAMAGES IN EXCESS OF THE TERMINATION PAYMENT UNDER SECTION 8, EXCEPT WITH REGARD TO INDEMNIFICATION OR THIRD PARTY CLAIMS IN ACCORDANCE WITH SECTION 12. UNLESS EXPRESSLY HEREIN PROVIDED, AND SUBJECT TO THE PROVISIONS OF SECTION 12, IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. THE TERMINATION PAYMENT UNDER SECTION 8.6 IS NOT SUBJECT TO THE LIMITATION OF DAMAGES PROVISION SET FORTH IN THIS SECTION 13.

14. Representation and Warranties; Covenants.

14.1 Representations and Warranties. On the Effective Date, each Party represents and warrants to the other Party that:

14.1.1 It is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;

14.1.2 The execution, delivery and performance of this Agreement is within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any law, rule, regulation, order or the like applicable to it;

14.1.3 This Agreement and each other document executed and delivered in accordance with this Agreement constitutes its legally valid and binding obligation enforceable against it in accordance with its terms;

14.1.4 It is not Bankrupt and there are no proceedings pending or being contemplated by it or, to its actual knowledge, threatened against it which would result in it being or becoming Bankrupt;

14.1.5 There are not pending or to its actual knowledge threatened legal proceedings against it or any of its affiliates that could materially adversely affect its ability to perform its obligations under this Agreement; and

14.1.6 It is acting for its own account, has made its own independent decision to enter into this Agreement and as to whether this Agreement is appropriate or proper for it based upon its own judgment, is not relying upon the advice or recommendations of the other Party in so doing, and is capable of assessing the merits of, and understands and accepts, the terms, conditions and risks of this Agreement.

14.2 Additional Representations and Warranties by Seller. Seller represents and warrants to SMUD that the Facility is an Eligible Renewable Energy Resource and shall, for the term of this Agreement, continue to meet the requirements to be an Eligible Renewable Energy Resource in effect at the Effective Date.

14.3 General Covenants. Each Party covenants that throughout the Term of this Agreement:

14.3.1 It shall continue to be duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;

14.3.2 It shall maintain (or obtain from time to time as required, including through renewal, as applicable) all regulatory authorizations necessary for it to legally perform its obligations under this Agreement; and

14.3.3 It shall perform its obligations under this Agreement in a manner that does not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any law, rule, regulation, order or the like applicable to it.

15. Notices. Notices shall, unless otherwise specified herein, be in writing and may be delivered by hand delivery, United States mail, overnight courier service or electronic messaging (e-mail). Whenever this Agreement requires or permits delivery of a "notice" (or requires a Party to "notify"), the Party with such right or obligation shall provide a written communication in the manner specified below. A notice sent by email will be recognized and shall be deemed received on the

Business Day on which such notice was transmitted if received before 5 p.m. Pacific prevailing time (and if received after 5 p.m., on the next Business Day) and a notice by overnight mail or courier shall be deemed to have been received two (2) Business Days after it was sent or such earlier time as is confirmed by the receiving Party unless it confirms a prior oral communication, in which case any such notice shall be deemed received on the day sent. A Party may change its addresses by providing notice of same in accordance with this provision. All written notices shall be directed as shown in Exhibit I. Either Party may request a change to Exhibit I as necessary to keep the Exhibit I information current.

16. Release of Data. Seller authorizes SMUD to release to any regulatory authority having jurisdiction, and to its contractors, information regarding the Facility, including but not limited to Seller's name and location, operational characteristics, Term of Agreement, Facility resource type, Scheduled Commercial Operation Date, actual Commercial Operation Date, Contract Capacity, and Energy production. Seller acknowledges that this information may be made publicly available.

17. Set Off. SMUD shall be entitled to offset amounts owed by Seller to SMUD under this Agreement or the Interconnection Agreement from the amounts owed by SMUD to Seller under the Agreement.

18. Assignment. Neither Party shall assign this Agreement or its rights hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld; provided, however, notwithstanding the foregoing, no consent shall be required:

18.1 Seller Financing. In connection with any transfer, sale, pledge, encumbrance, or assignment of this Agreement or the accounts, revenues or proceeds therefrom in connection with any financing or other financial arrangements (including any tax equity or lease financing) by Seller, and in connection therewith, upon written request of Seller, SMUD will negotiate an estoppel, consent, acknowledgment and/or other agreement between Seller and Seller's lender or other financing parties in the form reasonably acceptable to SMUD and SMUD further agrees to comply with the provisions set forth in Exhibit L to this Agreement;

18.2 Seller Affiliates. Any assignment or transfer of this Agreement by Seller to an affiliate of Seller, provided that such affiliate's creditworthiness is equal to or better than that of Seller, or is sufficient to satisfy Seller's obligations under this Agreement, as reasonably determined by SMUD; and

18.3 Transfer of Assets. Any assignment or transfer of this Agreement by Seller or SMUD to a Person or entity succeeding to all or substantially all of the assets of such Party, provided that such Person's or entity's creditworthiness is equal to or greater than that of such Party, or is sufficient to satisfy the assigning or transferring Party's obligations under this Agreement, as reasonably determined by the non-assigning or non-transferring Party.

19. Applicable Law; Dispute Resolution.

19.1 Governing Law. THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

19.2 Dispute Resolution. If the Parties are unable to resolve a dispute with respect to this Agreement, either Party shall send a notice to the other requesting a meeting at which senior officers or officials of the Parties shall attempt to resolve the dispute. If the Parties are unable to resolve the dispute within ten (10) calendar days after the meeting notice is received by the Party to whom it is directed, or such longer period as the Parties may agree, then either Party may elect to resolve such dispute in the courts of the State of California. The venue shall be the Superior Court in Sacramento County. Each Party shall pay and be responsible for their own attorney fees.

20. Severability. If any provision in this Agreement is determined to be invalid, void or unenforceable by any court or arbitration panel having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Agreement and the Parties shall use commercially reasonable efforts to modify this Agreement to give effect to the original intention of the Parties.

21. Counterparts. This Agreement may be executed in one or more counterparts each of which shall be deemed an original and all of which shall be deemed one and the same Agreement. Delivery of an executed counterpart of this Agreement by PDF transmission will be deemed as effective as delivery of an originally executed counterpart. Each Party delivering an executed counterpart of this Agreement by PDF transmission will also deliver an originally executed counterpart, but the failure of any Party to deliver an originally executed counterpart of this Agreement will not affect the validity or effectiveness of this Agreement.

22. General. No amendment to, modification of, or waiver under this Agreement shall be enforceable unless reduced to writing and executed by both Parties. This Agreement shall not impart any rights enforceable by any third party other than a permitted successor or assignee bound to this Agreement. Waiver by a Party of any default by the other Party shall not be construed as a waiver of any other default. The term "including" when used in this Agreement shall be by way of example only and shall not be considered in any way to be in limitation. The headings used herein are for convenience and reference purposes only.

23. Mobile-Sierra. Notwithstanding any provision of this Agreement, neither Party shall seek, nor shall they support any third party in seeking, to prospectively or retroactively revise the rates, terms or conditions of service of this Agreement through application or complaint to FERC pursuant to the provisions of Section 205, 206 or 306 of the Federal Power Act, or any other provisions of the Federal Power Act, absent prior written agreement of the Parties. Further, absent the prior agreement in writing by both Parties, the standard of review for changes to the rates, terms or conditions of service of this Agreement proposed by a Party, a non-Party or the FERC acting *sua sponte* shall be the "public interest" application of the "just and reasonable" standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 US 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 US 348 (1956) and clarified by *Morgan Stanley Capital Group, Inc. v. Pub. Util. Dist. No. 1 of Snohomish*, 554 U.S. 527, 128 S. Ct. 2733 (2008) and *NRG Power Mktg., LLC v. Maine Pub. Util. Comm'n*, 130 S. Ct. 503 (2010).

24. Service Contract; Forward Agreement. The Parties intend that this Agreement will be treated as a service contract pursuant to Section 7701(e)(3) of the Internal Revenue Code for the sale to SMUD of energy produced at an alternative energy facility, and the Parties shall not file any tax returns inconsistent with such treatment. The Parties agree that this Agreement constitutes a 'forward contract' as defined in the United State Bankruptcy Code.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each Party has caused this Agreement to be duly executed by its authorized representative as of the date of last signature provided below.

SACRAMENTO MUNICIPAL UTILITY DISTRICT	FOREFRONT POWER, LLC
By: ___________________________	By: ________________________________
Name:	Name:
Title:	Title:
Date: __________________________	Date: ______________________________

EXHIBIT A
DESCRIPTION AND LOCATION OF FACILITY

A.1 The Facility is described as: Grant Union High School Front-of-the-Meter Solar Project, and all associated auxiliary equipment.

A.2 The Facility is in Sacramento County, California and is located at 1400 Grand Avenue, Sacramento, CA 95838.

A.3 The Facility's technology is: solar photovoltaic

A.4 The Contract Capacity is 0.600 $MW_{AC.}$

A.5 The Expected First-Year Annual Energy Output of the Facility is 1,110,376kWh.

A.6 The Delivery Point is the Transformer TX-0182246 and Transformer TX-001277767 located as shown in Exhibit C to the Interconnection Agreement.

A.7 The Scheduled Commercial Operation Date is 11/04/2027.

A.8 This Exhibit A may be amended, revised, and/or modified pursuant to Section 2.1 of the Agreement and/or upon the mutual consent of both Parties, following which such amended, revised, and/or modified Exhibit A shall then become part of the Agreement to reflect changes to the information contained within Exhibit A.

EXHIBIT B
CONTRACT PRICE

B.1 Seller shall sell and deliver, and SMUD shall purchase and receive (or cause to be received), all Products by the Facility during the Term.

The Contract Price shall be a not-to-exceed amount of $0.2619/kWh, subject to decrease based on a SMUD Prepayment and/or property tax applicability. The Contract Price options are included in the table below, and such Contract Price shall be:

Grant Union High School – Price Scenarios	Pre-Pay PPA ($/kWH) (600 kW)	No-Pre-Pay PPA ($/kWH) (600 kW)
Property Taxes excluded	$0.1307/kWh	$0.2372/kWh
Property Taxes included	$0.1547/kWh	$0.2619/kWh

B. 2 Changes to Exhibit B. The Parties, upon mutual agreement, will revise this Exhibit B as appropriate to update the Contract Price prior to the Commercial Operation Date, subject to the applicable option in the table above. Upon such change, a new Exhibit B will be issued which shall then become part of the Agreement to reflect the change. No formal amendment of the Agreement is required to update this Exhibit B.

B.3 Effective Date
Upon issuance of a new Exhibit B, the Parties will insert a new effective date for this Exhibit B, which will replace the prior Exhibit B.

____
Month, Day, Year

____
Signature of Seller

____
Signature of SMUD

EXHIBIT C
FACILITY PERFORMANCE BENCHMARKS

Contract Year	Expected Annual Energy Production (EAEP) MWh	Minimum Annual Energy Production (MAEP) MWh
1	1,131,545	1,018,390
2	1,125,887	1,013,298
3	1,120,258	1,008,232
4	1,114,656	1,003,191
5	1,109,083	998,175
6	1,103,538	993,184
7	1,098,020	988,218
8	1,092,530	983,277
9	1,087,067	978,360
10	1,081,632	973,469
11	1,076,224	968,601
12	1,070,842	963,758
13	1,065,488	958,939
14	1,060,161	954,145
15	1,054,860	949,374
16	1,049,586	944,627
17	1,044,338	939,904
18	1,039,116	935,204
19	1,033,921	930,528
20	1,028,751	925,876
21	1,023,607	921,246
22	1,018,489	916,640
23	1,013,397	912,057
24	1,008,330	907,497
25	1,003,288	902,959

Both the Expected Annual Energy Production (EAEP) and Minimum Annual Energy Production (MAEP) include an annual degradation rate of approximately 0.5%.

EXHIBIT D

Expected Capacity of Facility By Month

Monthly Average Annual Solar Insolation:

Month	**GlobHor (kWh/m^2)**
January	64.6
February	87.7
March	142.6
April	187.4
May	236.4
June	250.1
July	256.9
August	227.3
September	178.5
October	133.2
November	81.0
December	59.3
Year	1905.0

EXHIBIT E
COMMERCIAL OPERATION DATE CONFIRMATION LETTER

In accordance with the terms of that certain Power Purchase Agreement dated ________________(“Agreement”) by and between the Sacramento Municipal Utility District (“SMUD”) and [●] (“Seller”), this letter serves to document the parties further agreement that (i) the conditions precedent to the occurrence of the Commercial Date have been satisfied, and (ii) SMUD has received the energy, as specified in the Agreement, as of __________, 20__.

This letter shall confirm the Commercial Operation Date, as defined in the Agreement, as the date referenced in the preceding sentence.

IN WITNESS WHEREOF, each Party has caused this Agreement to be duly executed by its authorized representative as of the date of last signature provided below:

Sacramento Municipal Utility District	[●]
By: ________________________	By: _________________________
Name:	Name:
Title:	Title:
Date: _________________________	Date:________________________

EXHIBIT F
CAPACITY ATTRIBUTE REPORTING AND CONVEYANCE PROCEDURE

F.1 Additional Definitions for the Conveyance of Capacity: None.

F.2 Reporting of Capacity Attributes. SMUD will report the Capacity Attributes acquired herein in any regulatory filing that SMUD is required to make in order to declare the Capacity of the Facility (or any portion thereof) as meeting SMUD's Capacity planning requirement (also known as Resource Adequacy).

F.3 Changes in Capacity Attribute Conveyance Procedure. Subject to Section 4.3 of this Agreement, SMUD shall revise this Exhibit F as appropriate, give written notice to Seller regarding the revision, and issue a new Exhibit F, which shall then become part of the Agreement in the event that the method for reporting and conveying Capacity Attributes changes from the process described herein, provided that in no event will such revised Exhibit F cause Seller to incur any cost, liability, or obligation, or any increased cost, liability, or obligation, for which it is not already otherwise obligated under this Agreement, without prior notice by SMUD and agreement of the Parties as to the appropriateness of such cost belonging with the Seller.

EXHIBIT G

OUTAGE NOTIFICATION PROCEDURE

G.1 Outage Notifications by Seller. Outage notices shall contain information regarding the beginning date and time of the event resulting in the change in Available Capacity, the expected end date and time of such event, the expected Available Capacity in MW (AC), and any other necessary information.

G.1.1 Planned Outage Notifications. In addition to the 30 days advance written notice in regard to a Planned Outage as per Section 7.3 of the Agreement, Seller shall notify SMUD at least 72 hours in advance of Planned Outages that result in a reduction in the effective output of the Facility during period over which the Planned Outage is scheduled. Notification should be by email to the addresses shown in the Outages section of the Notices, Exhibit I.

G.1.2 Notification of PV Array Cleaning. If Seller has scheduled cleaning for PV arrays, Seller shall notify SMUD at least 72 hours in advance of scheduled cleaning, and should include details of the cleaning plan. Seller shall also follow-up with SMUD after cleaning of the Facility in order to verify the actual cleaning dates and times. Notification should be made by email to the addresses shown in the Outages section of the Notices, Exhibit I.

G.1.3 Forced Outage Notifications. Pursuant to Section 7.4 of the Agreement, as soon as reasonably practical, but not later than 30 minutes after a Forced Outage of the Facility that will reduce the Capacity of the Facility by 10 percent or more with a Forced Outage duration of 30 minutes or more, Seller shall notify SMUD of the Forced Outage, including the Capacity of the Facility that is impacted, and the expected duration of the Forced Outage. Prior to the return of the Facility to service following such Forced Outage Seller shall notify SMUD of the return to service details as soon as reasonably practical. Notification may be made by email or phone as shown in the Outages section of the Notices, Exhibit I.

G.1.4 Changes in Outage Notification Procedure. Upon mutual consent of both Parties, SMUD shall revise this Exhibit G as appropriate, give written notice to Seller regarding the revision, and issue a new Exhibit G, which shall then become part of the Agreement to reflect changes in the Outage Notification Procedure.

EXHIBIT H
ENVIRONMENTAL ATTRIBUTE REPORTING AND CONVEYANCE PROCEDURE

H.1 Additional Definitions for the Conveyance of Environmental Attributes:

"Certificate Transfers" means the process, as described in the WREGIS Operating Rules whereby a WREGIS account holder may request that WREGIS Certificates from a specific generating unit be directly deposited into another WREGIS account.

"WREGIS" means the Western Renewable Energy Generation Information System, sponsored by the WECC and utilized by the CEC for tracking the generation and transfer of RECs. The URL for WREGIS is www.WREGIS.org.

"WREGIS Certificates" means a certificate created within the WREGIS system that represents all Renewable and Environmental Attributes from one MWh of electricity generation from an Eligible Renewable Energy Resource that is registered with WREGIS.

"WREGIS Operating Rules" means the document published by WREGIS that govern the operation of the WREGIS system for registering, tracking, conveying, etc. Renewable Energy Credits produced from Eligible Renewable Energy Resources that are registered with WREGIS.

H.2 Renewable Energy Credits. Pursuant to the terms and conditions of the Agreement, Environmental Attributes shall be conveyed by Seller to SMUD through Renewable Energy Credits ("RECs") which shall be registered tracked and conveyed to SMUD using WREGIS.

H.3 WREGIS Registration. Prior to the Commercial Operation Date, SMUD will initiate registration of the Facility in SMUD's WREGIS account on behalf of Seller. Final acceptance by WREGIS requires submittal by SMUD of the Commercial Operation Date Confirmation Letter. SMUD shall charge back to Seller any costs for issuance or creation of WREGIS Certificates for the Facility.

H.4 SMUD's WREGIS Account. SMUD shall, at its sole expense, establish and maintain SMUD's WREGIS account sufficient to accommodate the WREGIS Certificates produced by the output of the Facility. SMUD shall be responsible for all expenses associated with (A) establishing and maintaining SMUD's WREGIS Account, and (B) subsequently transferring or retiring WREGIS Certificates.

H.5 Qualified Reporting Entity. SMUD shall be the Qualified Reporting Entity for the Facility, and shall be responsible for providing metered Facility output data to WREGIS.

H.6 Reporting of Environmental Attributes. In lieu of Seller transferring the WREGIS Certificates using Certificate Transfers from Seller's WREGIS account to the WREGIS account of SMUD, SMUD shall report the Facility as being directly in its WREGIS account, which will preclude Seller from reporting the Facility in its own WREGIS account.

H.6.1 By avoiding the use of Certificate Transfers, there will be no transaction costs to Seller or SMUD for the Certificate Transfers that would otherwise be used.

H.6.2 WREGIS Certificates for the Facility will be created on a calendar month basis in accordance with the certification procedure established by the WREGIS Operating Rules in an amount equal to the Energy generated by the Facility and delivered to SMUD in the same calendar month.

H.6.3 WREGIS Certificates will only be created for whole MWh amounts of energy generated. Any fractional MWh amounts (*i.e.,* kWh) will be carried forward until sufficient generation is accumulated for the creation of a WREGIS Certificate and all such accumulated MWh of Environmental Attributes will then be available to SMUD.

H.6.4 Should a WREGIS Certificate Modification be required to reflect any errors or omissions regarding the Environmental Attributes from the Facility SMUD will manage the submission of the WREGIS Certificate Modification.

H.6.5 Due to the expected delay in the creation of WREGIS Certificates relative to the timing of invoice payments under Section 2.4 of the Agreement, SMUD shall make an invoice payment for a given month in accordance with Section 2.4 of the Agreement before the WREGIS Certificates for such month may be created in SMUD's WREGIS account. Notwithstanding this delay, SMUD shall have all right and title to all such WREGIS Certificates upon payment to Seller in accordance with Section 2.4 of the Agreement.

H.7 Changes in Environmental Attributes Reporting and Conveyance Procedure. Subject to Section 3.6 of the Agreement, SMUD shall amend this Exhibit H as appropriate, give written notice Seller regarding the revision, and issue a new Exhibit H which shall then become part of the Agreement, in order to reflect changes necessary in the Environmental Attribute conveyance procedure for SMUD to be able to receive and report the Environmental Attributes purchased under this Agreement as belonging to SMUD, provided that in no event will such amendment cause Seller to incur any cost, liability, or obligation, or any increased cost, liability, or obligation, for which it is not already otherwise obligated under this Agreement, without prior notice by SMUD and agreement of the Parties as to the appropriateness of such cost belonging with the Seller.

EXHIBIT I
ADDRESSES FOR NOTICES

All notices shall be directed as follows:

I.1 For Contract Administration

To SMUD:
Sacramento Municipal Utility District
Tom Moore
Research and Development

6201 S Street
Sacramento, CA 95817-1899

Or,

P.O. Box 15830
Sacramento, CA 95852-1830

Phone: (916) 732-5064
Email: Tom.Moore@SMUD.Org

To Seller:

Forefront Power, LLC
255 California St. Suite 900
San Francisco, CA 94111
Phone: 855-204-5083
Attn: Legal
Email: FPLegal@forefrontpower.com

I.2 For Billing and Settlements

To SMUD:
Energy Settlements

Phone: (916) 732-6312
Email: EnergySettlements@smud.org

To Seller:
Forefront Power, LLC
255 California St. Suite 900
San Francisco, CA 94111
Phone: 855-204-5083
Attn: Accounts Payable

Email: AP@forefrontpower.com

I.3 For Scheduling

To SMUD:
Day Ahead Trading Desk

Phone: (916) 732-5669
Email: dayaheadtrading@smud.org;

To Seller:
Forefront Power, LLC
255 California St. Suite 900
San Francisco, CA 94111
Attn: Asset Management
Phone: 855-204-5083
Email: AssetManagement@forefrontpower.com

I.4 Outage process

PROCESS
The SMUD Power System Operations (PSO) is responsible for ensuring that each generating facility(ies) data is input into EMS for energy and capacity purposes, and to keep track of each facility status to ensure that after-the-fact accounting may take place. Planned outages that require SMUD switching are to be scheduled in the current outage application used by Distribution System Operations (DSO) and then communicated by DSO to PSO similar to other distributed generating resources.

The SMUD DSO is responsible for the distribution system connected to the Facility and to ensure changes in generation do not create an adverse impact to the safe operation of the SMUD Distribution System.

SMUD shall give the Facility reasonable notice of the possibility that interruption or reduction of deliveries may be required if permitted under the Agreement. Since the Facility is connected to the SMUD Distribution System, this will be the responsibility of the SMUD DSO.

1. Planned Outages
Seller shall notify SMUD DSO outage coordinator at least 72 hours in advance of Planned Outages with an email containing the outage date and time and return date and time. This will be a requirement for Facility maintenance or other work that curtails the energy output to SMUD. DSO Outage Coordination will notify PSO via email of the planned outage. The email address to submit the outage notification is DSOOC@smud.org,
(916) 455-1671.

2. Planned Outages-DSO

DSO planned distribution circuit outages must be communicated to PSO Outage Coordination (PSOOC) in accordance with SP-116, outage coordination procedure. The DSO will process the request in their outage application. The DSO shall then notify the Seller.

3. Planned Outages in Real-Time
DSO will notify the PSO that the Facility is off-line once they are made aware of it. The DSO will also notify the PSO of the Facility return to service once they are made aware of it. If there are questions regarding the maintenance outage time (either the take out or go back), the DSO should call Facility. This call will be logged and the PSO shall be informed by the DSO.

4. Forced Outages
Seller is obligated to report outages to the DSO within 24 hours of the start of the outage or Facility curtailment. The Seller will report the date and time the outage occurred and estimated time of return (ERT). The DSO will notify the PSO with the details. Once the Facility returns, the Seller will contact the DSO who will log the time and date of the Facility return and then notify the PSO. When the distribution circuit connected to the Facility experiences sustained interruption the DSO will take the necessary information to document the outage and then shall notify the PSO.

I.5 Changes to Exhibit I

Either Party may request a change to Exhibit I as necessary to keep the information current.

EXHIBIT J
INSURANCE REQUIREMENTS

[For Example Only. Limits May Vary]

	TYPE OF COVERAGE		MINIMUM COVERAGE LIMITS	
☒	**Commercial General Liability (CGL)**		**Occurrence**	**Aggregate**
	ISO form CG 0001 04 13, or other acceptable to SMUD. ☒ Additional Insured Endorsement- Including on-going and products/completed operations ☒ Coverage Limits shall be endorsed to be dedicated on a per contract or per project basis ☒ Coverage shall include damage to property in your care, custody or control	Bodily Injury, Property Damage, Contractual Liability Policy limits may be met through a combination of a policy and/or umbrella policy. *Such limits may be re-evaluated and escalated from time to time by SMUD; however, unless there are claims, no escalation in minimum limits required will occur during the first 5 years of the Agreement, or more than once during any 5 year period of the Agreement thereafter, with the exception for adjustments should claims arise and/or adverse loss history development occur..	$5M*	$5M*
☒	**Business Automobile Liability (BAL)**		**Individual**	**Accident**
	To the extent Seller owns, leases, hires, or borrows any private passenger and/or commercial vehicles, covering claims arising from ownership, operation, loading, unloading owned, hired, leased, non-owned, and /or borrowed private passenger and commercial vehicles. Seller shall require its general contractor to maintain at least the same minimum coverage limits. ☒ Additional Insured Endorsement	Bodily Injury, Property Damage	$2M	$2M
☒	**Environmental Impairment Liability (EIL) / Contractor's Pollution Liability (CPL)**		**Occurrence**	**Aggregate**
	Covering claims arising from handling, abatement, and transport of pollutants including asbestos and lead paint ☒ Additional Insured Endorsement	Bodily Injury, Property Damage	$1M	$1M
☒	**California Workers Compensation (WC)** Including US Longshore & Harbor Workers Coverage where applicable		**CA Statutory Limits**	
	☒ **Employer's Liability (EL)**		**Per Employee**	**Aggregate**
	Covering Bodily Injury by Accident & Bodily Injury by Disease		$ 1 M	$ 1 M
☒	**Other**		**Each Claim**	**Aggregate**
	☒ Property ☐ Cargo/Transit ☐ Add'l Insured	Replacement cost of plant and damage to premises leased from SMUD.	Replacement Cost	Replacement Cost

<u>Primary Coverage:</u> Insurance required above shall be primary as respects: SMUD, its directors, officers, representatives, agents, employees, lessors and/or any other person or entity for which SMUD has agreed in writing that its contractors shall include as an

additional insured (collectively hereinafter referred to as "The Parties") and any other insurance effected or procured by any or all of The Parties shall be excess of and shall not contribute with the required insurance.

Additional Insureds Severability of Interests, Waivers of Subrogation: These policies, with the exception of WC, EL and E&O coverages, shall name The Parties as additional insureds as respects to liability arising from or in relation to this Agreement and Contractor's use of the property, including but not limited to coverage for The Parties during any construction and operations performed pursuant to or incidental to this Agreement (including coverage for ongoing and products/completed operations hazards). Contractor shall submit additional insured endorsements to SMUD for approval. CGL severability of interests (cross liability), and CGL, BAL, Property, and WC waiver of subrogation clauses shall be included. Pursuant to the terms of this Agreement, insurance effected or procured by Contractor shall not reduce or limit Contractor's obligation to indemnify and defend The Parties for claims made or suits brought which result from, or in connection with, the performance of this Agreement.

Products/Completed Operations: The coverages required herein, when written on an occurrence form, shall be maintained during the entire term of the Agreement. Coverages written on a claims-made form, and E&O, EIL coverage shall be maintained during the entire term of the Agreement and further until at least three years following completion and acceptance of all work under this Agreement. Additional insured endorsements providing products/completed operations coverage shall continue to provide coverage through the expiration of time within which a claim may be filed under all applicable laws.

Insurer Security: Insurers shall be rated A- / IX or better by A.M. Best, or shall be otherwise acceptable to SMUD. Insurers need not be admitted by the State of California.

Insurance Certificates, Endorsements, Notice of Policy Change/Cancellation: Before commencing work under this Agreement, Contractor's broker or agent shall provide copies of additional insured and waiver of subrogation endorsements, as well as deletion of railroad exclusionary language endorsement (if applicable), and certificates of insurance verifying that at least the minimum insurance coverages required above are in effect. In the event of a loss or claim potentially arising out of Contractor's Scope of Services, Contractor shall promptly provide complete copies of its insurance policies upon written request by SMUD. Certificates must disclose any self-insured retention of $250,000 or more. Certificates must specify whether the liability coverages are written on an occurrence form or a claims-made form. There shall be no change(s) to or cancellation(s) of coverage(s) resulting in the Contractor becoming non-compliant with the insurance coverage required herein this Agreement. In the event a change or cancellation will result in Contractor becoming non-compliant with the insurance coverage required herein, Contractor shall provide thirty (30) days advance written notice to SMUD of any such change or cancellation. Contractor's failure to provide such advance written notice shall be construed to be a material breach of this Agreement.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
P. O. BOX 15830, SACRAMENTO, CA 95852-1830
ATTENTION: Tom Moore

EXHIBIT K
FORM OF EASEMENT

[to be attached]

EXHIBIT L
CERTAIN AGREEMENTS FOR THE BENEFIT OF THE FINANCING PARTIES

Subject to the provisions in Section 18.1, SMUD acknowledges that Seller will be receiving financing accommodations from one or more Financing Parties and that Seller may sell or assign the Facility or this Agreement and/or may secure Seller's obligations by, among other collateral, a pledge or collateral assignment of this Agreement and a first security interest in the Facility. In order to facilitate such necessary sale, conveyance, or financing, and with respect to any such Financing Party, SMUD agrees as follows:

(a) Consent to Collateral Assignment. Subject to agreement and reasonable acceptance by SMUD, SMUD consents to either the assignment, sale or conveyance to a Financing Party or the collateral assignment by Seller to a Financing Party, of Seller's right, title and interest in and to this Agreement.

(b) Notices of Default. SMUD will deliver to the Financing Party, concurrently with delivery thereof to Seller, a copy of each notice of default given by SMUD under this Agreement, inclusive of a reasonable description of Seller default. No such notice will be effective absent delivery to the Financing Party. SMUD will not mutually agree with Seller to cancel, modify or terminate this Agreement without the written consent of the Financing Party, however, this provision shall not be interpreted to limit any termination rights of either Party as set forth in this Agreement.

(c) Rights Upon Event of Default. Notwithstanding any contrary term of this Agreement:

i. The Financing Party shall be entitled to exercise, in the place and stead of Seller, any and all rights and remedies of Seller under this Agreement in accordance with the terms of this Agreement and only in the event of Seller's or SMUD's default. The Financing Party shall also be entitled to exercise all rights and remedies of secured parties generally with respect to this Agreement and the Facility.

ii. The Financing Party shall have the right, but not the obligation, to pay all sums due under this Agreement and to perform any other act, duty or obligation required of Seller thereunder or cause to be cured any default of Seller thereunder in the time and manner provided by the terms of this Agreement. Nothing herein requires the Financing Party to cure any default of Seller under this Agreement or (unless the Financing Party has succeeded to Seller's interests under this Agreement) to perform any act, duty or obligation of Seller under this Agreement, but SMUD hereby gives it the option to do so.

iii. Upon the exercise of remedies under its security interest in the Facility, whether by judicial proceeding or under any power of sale contained therein, or any conveyance from Seller to the Financing Party (or any assignee permitted under Section 18 of the Agreement) in lieu thereof, the Financing Party shall give notice to SMUD of the transferee or assignee of this Agreement (or seek consent, if required by Section 18 of the Agreement). Any such exercise of remedies shall not constitute a default under this Agreement.

iv. Upon rejection or other termination of this Agreement pursuant to any process undertaken with respect to Seller under the United States Bankruptcy Code, at the request of the Financing Party made within ninety (90) days, SMUD shall enter into a new agreement with the Financing Party or its designee having the same terms and conditions as this Agreement.

(d) Right to Cure.

i. SMUD will not exercise any right to terminate or suspend this Agreement unless it shall have given the Financing Party prior written notice by sending notice to the Financing Party (at the address provided by Seller) of its intent to terminate or suspend this Agreement, specifying the condition giving rise to such right, and the Financing Party shall not have caused to be cured the condition giving rise to the right of termination or suspension within the periods provided for in this Agreement.

ii. If the Financing Party (including any SMUD or transferee), pursuant to an exercise of remedies by the Financing Party, shall acquire title to or control of Seller's assets and shall, within the time periods described in Sub-section (d)(i) above, cure all defaults under this Agreement existing as of the date of such change in title or control in the manner required by this Agreement and which are capable of cure by a third person or entity, then such person or entity shall no longer be in default under this Agreement, and this Agreement shall continue in full force and effect

SSS No. SCS 26-167	**BOARD AGENDA ITEM** **STAFFING SUMMARY SHEET**	Committee Meeting & Date Finance & Audit – 08/18/26 Board Meeting Date N/A

TO		TO	
1.	Joe Schofield	6.	
2.	Cara Chatfield	7.	
3.	Jose Bodipo-Memba	8.	
4.	Scott Martin	9.	**Legal**
5.		10.	**CEO & General Manager**

Consent Calendar		**Yes**	x	**No** *If no, schedule a dry run presentation.*	**Budgeted**	x	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Trish Davy	Legal Department	B406	6857	07/31/26

NARRATIVE:

Requested Action: Quarterly Procurement Report for Second Quarter 2026.

Summary: In August 2003, the Board of Directors approved the SMUD Procurement Policy which included a commitment for staff to report on the SMUD Procurement Activities on a quarterly basis.

Board Policy: *(Number & Title)* This report is provided to demonstrate compliance with SMUD Policy BL-8 and the following Policy Elements:

a) Competition
b) Direct Procurement
c) Sole Source Procurement
d) Inclusiveness (participation)
e) Economic Development
f) Environmental Procurement
g) Responsible Bidder
h) Contractor Code of Conduct
i) Best Value Procurement
j) Leveraged Procurement Agreement (LPA)
k) Strategic Alliances
l) Supply Chain Risk
m) Protest Policy
n) Delegation of Authority to the CEO

Benefits: Ensures compliance with public contracting and best value procurement principles.

Cost/Budgeted: Included in budget for internal labor.

Alternatives: Provide quarterly procurement report to Board members via written memo from the Chief Executive Officer & General Manager.

Affected Parties: SMUD

Coordination: Procurement Operations and Supply Chain Strategy & Fleet Operations

Presenter: Joe Schofield, Deputy General Counsel

Additional Links:

SUBJECT	ITEM NO. ***(FOR LEGAL USE ONLY)***
2026 Second Quarter Procurement Report	

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

6

SSS No. CFO 25-023	**BOARD AGENDA ITEM** **STAFFING SUMMARY SHEET**	Committee Meeting & Date FINANCE & AUDIT - 2026 Board Meeting Date N/A

TO		TO	
1.	Scott Martin	6.	
2.	Cara Chatfield	7.	
3.	Jose Bodipo-Memba	8.	
4.		9.	**Legal**
5.		10.	**CEO & General Manager**

Consent Calendar		**Yes**	X	**No** *If no, schedule a dry run presentation.*	**Budgeted**	X	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Lisa Limcaco	Accounting	B352	7045	12/30/25

NARRATIVE:

Requested Action: Provide the Board with SMUD's financial results for the year-to-date period and a summary of SMUD's current Power Supply Costs.

Summary: Staff will present SMUD's financial results for the year-to-date period and a summary of SMUD's current Power Supply Costs to the Board of Directors.

Board Policy: *(Number & Title)* Governance Process GP-3, Board Job Description

Benefits: Provide Board members with information regarding SMUD's financial position and SMUD's current power supply costs.

Cost/Budgeted: Included in budget for internal labor.

Alternatives: Provide information via written memo/report to the Board.

Affected Parties: Accounting

Coordination: Accounting

Presenter: George Vaughn, Interim Director of Accounting and Controller

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
SMUD's Financial Results & Power Supply Costs	

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
OFFICE MEMORANDUM

TO: Distribution

DATE: July 30, 2026
ACC 26-009

FROM: Michael Wilson / George Vaughn

SUBJECT: **JUNE 2026 FINANCIAL RESULTS AND OPERATIONS DATA**

We are attaching the financial and operating reports for the six months of 2026. They include sales and generation statistics and other selected data.

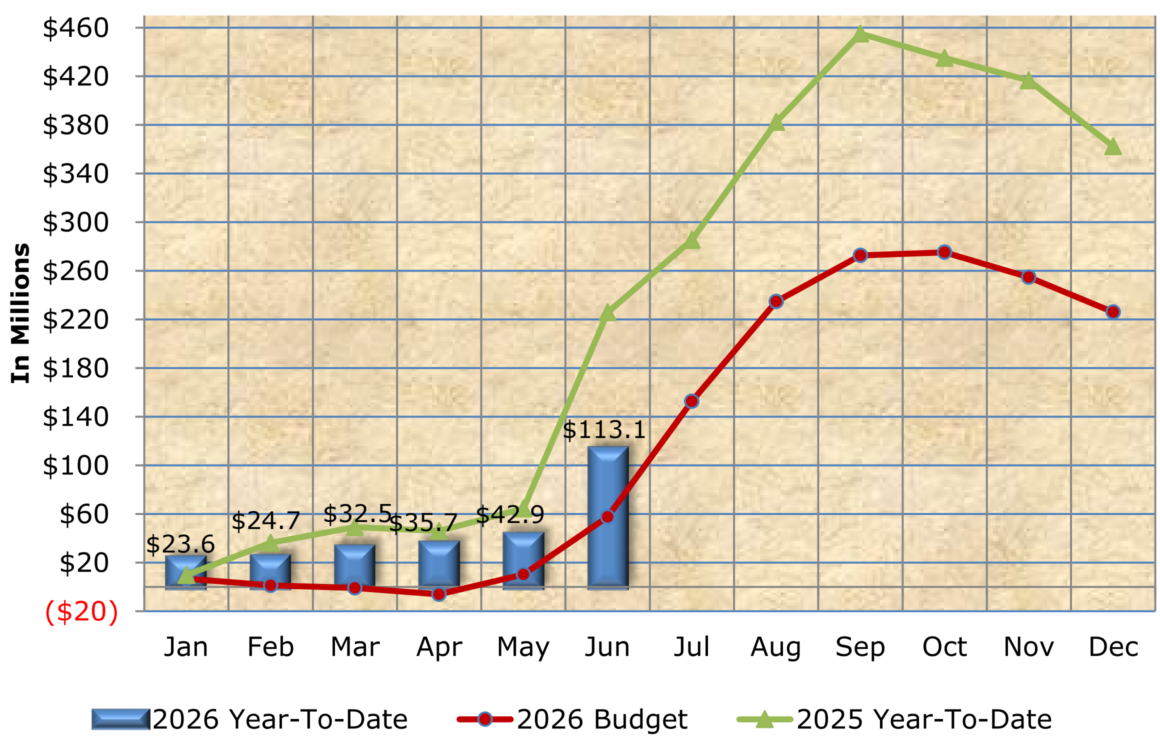
The change in net position is an increase of $113.1 million compared to a budgeted increase of $57.5 million, resulting in a favorable variance of $55.6 million.

We prepared these statements on the accrual basis of accounting, and they conform to generally accepted accounting principles. The bases for the budget amounts are:

1) Budgeted electric revenues are based on the Forecast of Revenues by the Pricing Department, adjusted for unbilled revenues; and

2) Budgeted operating expenses reflect the 2026 Budget approved by the Board of Directors on December 11, 2025.

Change in Net Position Year To Date



SACRAMENTO MUNICIPAL UTILITY DISTRICT
EXECUTIVE SUMMARY
For the Six Months Ended June 30, 2026

<u>Net Position</u>

- The change in net position is an increase of $113.1 million compared to a budgeted increase of $57.5 million, resulting in a favorable variance of $55.6 million.

<u>Revenues</u>

- Revenues from customer sales were $853.3 million, which was $14.5 million higher than planned. The increase is primarily due to:
  - Higher than planned residential sales of $13.4 million.
- Revenues under the California Global Warming Solutions Act (Assembly Bill [AB32] were $11.4 million. This is due to carbon allowances sold through the state sanctioned quarterly actions.
- Low Carbon Fuel Standards (LCFS) revenues were $2.8 million due to LCFS credit sales.
- Other electric revenues increased by $10.4 million, primarily from eFuel project billings, construction fees for customer work, increased transmission revenue, and unbudgeted interconnection fees.
- Non-cash revenues transferred to the stabilization fund were $17.1 million, of which $11.4 million was for AB-32, $2.9 million was for the annual WAPA Hydro Generation Adjustment and $2.8 million was for LCFS revenues. Funds are deferred until SMUD has qualified program expenses (projects that reduce carbon emissions or electric vehicle programs) to recognize revenue.
- Non-cash revenues transferred from the rate stabilization fund were $19.4 million, of which $9.0 million was for revenue recognized for the annual Hydro Generation Adjustment, $5.9 million was for Community Impact Plan and LCFS, and $4.5 million was for revenue recognized for AB-32.

<u>Commodities, Purchased Power, and Production</u>

- SMUD's generation was lower by 927 GWh (24.0 percent); thermal and other generation was lower by 696 GWh (24.6 percent); and Hydro generation was lower by 231 GWh (22.3 percent).
- Purchased power expense of $179.8 million, less surplus power sales of $32.9 million was $146.9 million, which was $25.8 million higher than planned. It is more economical to reduce thermal plant generation and supplement generation with additional power purchases. Market prices remain low due to high supply of power from solar renewables in the CAISO market.
- Production operations cost of $160.6 million less surplus gas sales of $40.0 million, was $120.6 million, which was $31.4 million lower than planned.
  - Fuel costs of $91.3 million less surplus gas sales of $40.0 million, were $51.3 million, which was $21.3 million lower than planned, primarily due to a decrease in thermal generation and lower fuel prices, as purchasing power proved to be more cost-effective.
  - Carbon allowances decreased by $5.1 million, primarily due to reduced thermal generation and reduced Calpine Sutter generation, resulting in a lower obligation for allowance usage.
  - Other power generation expenses decreased by $4.4 million, primarily due to lower operational costs at thermal plants.
- The "power margin", or sales to customers less cost of purchased power, production operations costs and gas hedges included in investment revenue was $587.5 million, which was $21.9 million higher than planned. The power margin as a percentage of sales to customers was 68.9 percent, which was 1.4 percent higher than planned. This is primarily due to higher revenues from customer sales and lower production costs due to lower fuel costs and carbon allowances.

<u>Other Operating Expenses</u>

- All other operating expenses were $507.3 million, which was $28.6 million lower than planned.
  - Transmission and distribution operations expenses were down $3.9 million primarily due to lower cost of transmission fees than planned.
  - Customer service and information expenses were down $8.7 million mainly due to the delays in the REACH 2.0 Grant, which is still pending CEQA approval, and underspending on transportation electrification initiatives.

- Public good expenses were $6.5 million lower than planned, mainly driven by less participation in Advanced Homes and Complete Energy solutions programs, project deferrals, Smart Homes electrification program restructuring, and cost reductions in the building electrification portfolio.
- Transmission and distribution maintenance expenses were $9.7 million lower than planned, primarily due to lower vegetation management costs driven by reduced unit costs, improved efficiency in tree trimming, and lower substation maintenance costs.

Non-operating Revenues and Expenses

- Interest charges were $4.9 million lower than planned mainly because SMUD has benefited from lower interest rates on its existing long-term debt.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Month Ended June 30, 2026
(thousands of dollars)

	Actual	Budget	Over (Under)	Percent of Increase (Decrease)
OPERATING REVENUES				
Sales to customers	$ 207,277	$ 196,819	$ 10,458	5.3 %
Sales of surplus power	7,755	6,921	834	12.1
Sales of surplus gas	5,272	4,489	783	17.4
Other electric revenue	7,037	5,076	1,961	38.6
Revenue from rate stabilization fund	2,071	7,389	(5,318)	(72.0)
Total operating revenues	229,412	220,694	8,718	4.0
OPERATING EXPENSES				
Operations				
Purchased power	47,612	38,069	9,543	25.1
Production	22,500	29,910	(7,410)	(24.8)
Transmission and distribution	8,392	10,154	(1,762)	(17.4)
Customer accounts	5,600	5,588	12	0.2
Customer service and information	8,973	12,689	(3,716)	(29.3)
Administrative and general	14,233	20,225	(5,992)	(29.6)
Public good	4,932	6,534	(1,602)	(24.5)
Total operations	112,242	123,169	(10,927)	(8.9)
Maintenance				
Production	4,488	5,016	(528)	(10.5)
Transmission and distribution	8,941	12,347	(3,406)	(27.6)
Total maintenance	13,429	17,363	(3,934)	(22.7)
Depreciation and amortization				
Depreciation and amortization	22,547	23,361	(814)	(3.5)
Amortization of regulatory asset	4,929	4,570	359	7.9
Total depreciation and amortization	27,476	27,931	(455)	(1.6)
Total operating expenses	153,147	168,463	(15,316)	(9.1)
OPERATING INCOME	76,265	52,231	24,034	46.0
NON-OPERATING REVENUES AND EXPENSES				
Other revenues/(expenses)				
Interest income	3,790	2,445	1,345	55.0
Unrealized holding gains (losses)	(1,025)	-	(1,025)	*
Revenue - CIAC	1,794	1,857	(63)	(3.4)
Other income (expense) - net	(1,537)	380	(1,917)	(504.5)
Total other revenues/(expenses)	3,022	4,682	(1,660)	(35.5)
Interest charges				
Interest on long-term debt	8,484	8,924	(440)	(4.9)
Interest on commercial paper and other	576	797	(221)	(27.7)
Total interest charges	9,060	9,721	(661)	(6.8)
CHANGE IN NET POSITION	$ 70,227	$ 47,192	$ 23,035	48.8 %

* Equals 1000% or greater.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Six Months Ended June 30, 2026
(thousands of dollars)

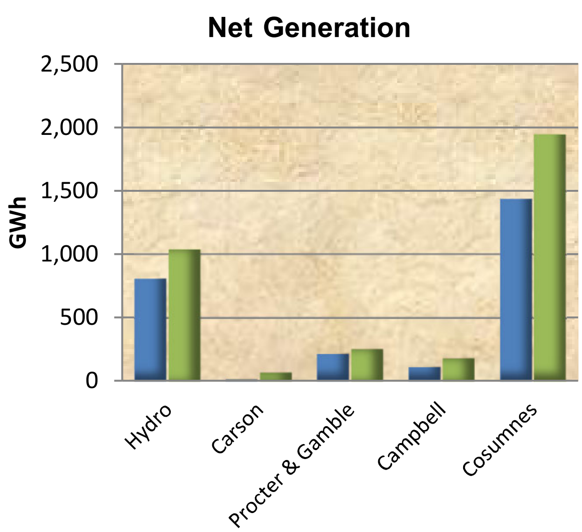
	Actual	Budget	Over (Under)	Percent of Increase (Decrease)
OPERATING REVENUES				
Sales to customers	$ 853,328	$ 838,807	$ 14,521	1.7 %
Sales of surplus power	32,897	66,308	(33,411)	(50.4)
Sales of surplus gas	39,968	33,556	6,412	19.1
SB-1 revenue (deferral)/recognition, net	(4)	-	(4)	*
AB32 revenue	11,350	-	11,350	*
LCFS revenue (expense)	2,832	-	2,832	*
Other electric revenue	40,096	29,643	10,453	35.3
Revenue to rate stabilization fund	(17,077)	-	(17,077)	*
Revenue from rate stabilization fund	19,442	26,321	(6,879)	(26.1)
Total operating revenues	982,832	994,635	(11,803)	(1.2)
OPERATING EXPENSES				
Operations				
Purchased power	179,803	187,448	(7,645)	(4.1)
Production	160,608	185,558	(24,950)	(13.4)
Transmission and distribution	47,323	51,227	(3,904)	(7.6)
Customer accounts	31,554	30,201	1,353	4.5
Customer service and information	56,879	65,532	(8,653)	(13.2)
Administrative and general	100,476	102,698	(2,222)	(2.2)
Public good	26,918	33,419	(6,501)	(19.5)
Total operations	603,561	656,083	(52,522)	(8.0)
Maintenance				
Production	25,837	29,017	(3,180)	(11.0)
Transmission and distribution	52,100	61,818	(9,718)	(15.7)
Total maintenance	77,937	90,835	(12,898)	(14.2)
Depreciation and amortization				
Depreciation and amortization	136,937	134,536	2,401	1.8
Amortization of regulatory asset	29,292	27,420	1,872	6.8
Total depreciation and amortization	166,229	161,956	4,273	2.6
Total operating expenses	847,727	908,874	(61,147)	(6.7)
OPERATING INCOME	135,105	85,761	49,344	57.5
NON-OPERATING REVENUES AND EXPENSES				
Other revenues/(expenses)				
Interest income	23,874	14,572	9,302	63.8
Investment revenue	1,754	-	1,754	*
Unrealized holding gains (losses)	(3,782)	-	(3,782)	*
Revenue - CIAC	11,183	11,062	121	1.1
Other income (expense) - net	(3,113)	2,902	(6,015)	(207.3)
Total other revenues/(expenses)	29,916	28,536	1,380	4.8
Interest charges				
Interest on long-term debt	50,564	53,537	(2,973)	(5.6)
Interest on commercial paper and other	1,355	3,265	(1,910)	(58.5)
Total interest charges	51,919	56,802	(4,883)	(8.6)
CHANGE IN NET POSITION	$ 113,102	$ 57,495	$ 55,607	96.7 %

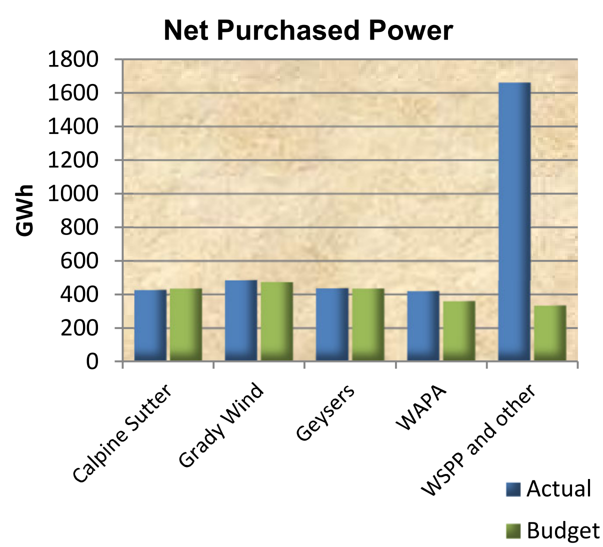
* Equals 1000% or greater.

SACRAMENTO MUNICIPAL UTILITY DISTRICT
SOURCES AND USES OF ENERGY - COMPARED TO BUDGET
For the Period Ended June 30, 2026

Sources of Energy (GWh)	Month Actual	Month Budget	Increase (Decrease) Percentage	Year to Date Actual	Year to Date Budget	Increase (Decrease) Percentage
Net Generated						
Hydro	35	131	(73.3)	806	1,037	(22.3)
Carson Power Plant	-	10	(100.0)	11	69	(84.1)
Procter & Gamble Power Plant	43	33	30.3	216	253	(14.6)
Campbell Power Plant	20	22	(9.1)	113	180	(37.2)
Cosumnes Power Plant	282	370	(23.8)	1,434	1,949	(26.4)
Other	121	115	5.2	354	373	(5.1)
Total net generation	501	681	(26.4)	2,934	3,861	(24.0)
Purchased Power less transmission losses:						
CalEnergy	20	18	11.1	97	111	(12.6)
Calpine Sutter	122	51	139.2	426	434	(1.8)
Drew Solar	32	32	0.0	164	154	6.5
Feed in Tariff	22	25	(12.0)	94	109	(13.8)
Geysers	72	72	0.0	435	434	0.2
Grady Wind	79	74	6.8	484	474	2.1
Hatchet Ridge	19	20	(5.0)	135	143	(5.6)
Rancho Seco PV II	36	38	(5.3)	150	167	(10.2)
WAPA	118	118	0.0	418	359	16.4
WSPP and other	349	96	263.5	1,660	333	398.5
Other long term power	101	63	60.3	323	309	4.5
Total net purchases	970	607	59.8	4,386	3,027	44.9
Total sources of energy	1,471	1,288	14.2	7,320	6,888	6.3
Uses of energy:						
SMUD electric sales and usage	976	978	(0.2)	4,958	4,945	0.3
Surplus power sales	485	269	80.3	2,249	1,736	29.6
System losses	10	41	(75.6)	113	207	(45.4)
Total uses of energy	1,471	1,288	14.2 %	7,320	6,888	6.3 %

* Change equals 1000% or more.





Net generation is lower than planned for the six-month period.

- Hydro generation is lower than planned (22.3 percent).
- JPA generation is lower than planned (27.6 percent).

Purchased power, less surplus power sales, is higher than plan (65.5 percent).

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION

	June 30, 2026	June 30, 2025
	(thousands of dollars)	
ASSETS		
ELECTRIC UTILITY PLANT		
Plant in service	$ 8,215,558	$ 7,902,455
Less accumulated depreciation and amortization	(4,211,415)	(3,958,677)
Plant in service - net	4,004,143	3,943,778
Construction work in progress	912,811	676,025
Total electric utility plant - net	4,916,954	4,619,803
RESTRICTED AND DESIGNATED ASSETS		
Revenue bond and debt service reserves	178,160	168,875
Nuclear decommissioning trust fund	10,512	10,120
Rate stabilization fund	347,808	341,917
Escrow fund	19,866	93,629
Collateral fund	7,998	8,754
Insurance captive fund	26,638	11,414
Other funds	12,448	17,128
Less current portion	(229,930)	(284,581)
Total restricted and designated assets	373,500	367,256
CURRENT ASSETS		
Unrestricted cash and cash equivalents	481,375	438,901
Unrestricted investments	147,513	251,469
Restricted and designated cash, cash equivalents, and investments	229,930	284,581
Receivables - net	326,052	355,356
Regulatory costs to be recovered within one year	112,502	93,752
Hedging derivative instruments maturing within one year	24,538	14,363
Inventories	217,412	195,739
Prepaid gas to be delivered within one year	44,360	43,498
Prepayments and other	58,671	55,507
Total current assets	1,642,353	1,733,166
NONCURRENT ASSETS		
Regulatory costs for future recovery	1,087,573	1,011,885
Prepaid gas	674,263	718,625
Hedging derivative instruments	28,297	39,253
Credit support collateral deposits	5,779	20,750
Due from affiliated entity	40,681	35,490
Investment in TANC	42,920	40,051
Prepayments and other	47,488	52,614
Total noncurrent assets	1,927,001	1,918,668
TOTAL ASSETS	8,859,808	8,638,893
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivative instruments	93,528	24,992
Deferred pension outflows	57,849	143,317
Deferred other postemployment benefits outflows	55,931	50,990
Deferred asset retirement obligations outflows	141	597
Unamortized bond losses	23,907	27,322
TOTAL DEFERRED OUTFLOWS OF RESOURCES	231,356	247,218
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 9,091,164	$ 8,886,111

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF NET POSITION

	June 30, 2026	June 30, 2025
	(thousands of dollars)	
LIABILITIES		
LONG-TERM DEBT - net	$ 3,221,255	$ 3,395,033
CURRENT LIABILITIES		
Commercial paper notes	100,000	75,000
Accounts payable	134,781	162,628
Purchased power payable	52,323	46,718
Long-term debt due within one year	130,825	123,795
Accrued decommissioning	8,661	7,471
Interest payable	47,982	45,004
Accrued salaries and compensated absences	72,699	68,770
Hedging derivative instruments maturing within one year	61,853	22,838
Advanced payments on construction	46,110	46,997
Lease liability	13,683	26,636
Customer deposits and other	32,051	21,651
Total current liabilities	700,968	647,508
NONCURRENT LIABILITIES		
Net pension liability	180,989	282,196
Net other postemployment benefits liability	58,789	45,842
Accrued decommissioning	121,455	108,327
Hedging derivative instruments	31,674	2,480
Advanced payments on construction	49,778	38,735
Self insurance and other	97,881	121,181
Total noncurrent liabilities	540,566	598,761
TOTAL LIABILITIES	4,462,789	4,641,302
DEFERRED INFLOWS OF RESOURCES		
Accumulated increase in fair value of hedging derivative instruments	52,835	53,585
Regulatory credits	1,155,203	1,083,598
Deferred pension inflows	62,114	765
Deferred other postemployment benefits inflows	24,080	15,238
Deferred lease inflows	15,349	16,041
Unamortized bond gains	27,764	34,091
Unearned revenue	3,385	3,632
TOTAL DEFERRED INFLOWS OF RESOURCES	1,340,730	1,206,950
NET POSITION		
Balance at beginning of year	3,174,542	2,812,120
Net increase for the year	113,103	225,739
TOTAL NET POSITION	3,287,645	3,037,859
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 9,091,164	$ 8,886,111

SACRAMENTO MUNICIPAL UTILITY DISTRICT
STATEMENTS OF CASH FLOWS
For the Period Ended June 30, 2026
(thousands of dollars)

	Month	Year to Date
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 142,047	$ 847,255
Receipts from surplus power and gas sales	13,353	74,415
Other receipts	31,429	100,311
Payments to employees - payroll and other	(53,855)	(240,122)
Payments for wholesale power and gas purchases	(46,348)	(262,276)
Payments to vendors/others	(48,155)	(385,307)
Net cash provided by operating activities	38,471	134,276
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from federal and state grants	43	24,980
Interest on debt	-	(18,532)
Net cash provided by noncapital financing activities	43	6,448
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction expenditures	(33,545)	(264,331)
Contributions in aid of construction	4,852	19,214
Issuance of commercial paper	50,000	100,000
Other receipts/payments - net	3,873	31,359
Interest on debt	(177)	(52,990)
Lease receipts/payments - net	(4,304)	(17,917)
Net cash provided (used in) by capital and related financing activitie	20,699	(184,665)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of securities	147,543	486,197
Purchases of securities	(72,930)	(395,270)
Interest and dividends received	2,942	23,886
Investment revenue/expenses - net	5	1,762
Net cash provided by investing activities	77,560	116,575
Net increase in cash and cash equivalents	136,773	72,634
Cash and cash equivalents at the beginning of the month and year	437,240	501,379
Cash and cash equivalents at June 30, 2026	$ 574,013	$ 574,013
Cash and cash equivalents included in:		
Unrestricted cash and cash equivalents	$ 481,375	$ 481,375
Restricted and designated cash and cash equivalents	74,944	74,944
Restricted and designated assets (a component of the total of $373,500 at June 30, 2026)	17,694	17,694
Cash and cash equivalents at June 30, 2026	$ 574,013	$ 574,013

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SSS No. IAS 2026-6	**BOARD AGENDA ITEM** **STAFFING SUMMARY SHEET**	Committee Meeting & Date Finance & Audit – 8/18/26 Board Meeting Date N/A

TO		TO	
1.	Scott Martin	6.	
2.	Cara Chatfield	7.	
3.	Jose Bodipo-Memba	8.	
4.		9.	**Legal**
5.		10.	**CEO & General Manager**

Consent Calendar		**Yes**		**No** *If no, schedule a dry run presentation.*	**Budgeted**	x	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Claire Rogers	Internal Audit Services	B409	7122	7/28/26

NARRATIVE:

Requested Action: Internal Audit Services Reports: Status of Recommendations Report for Q2 2026, Green-e® Energy Annual Verification, and Low Carbon Fuel Standard Program.

Summary: Informational agenda item to provide Board Members with the opportunity to ask questions and/or discuss recent reports issued by Internal Audit Services.

Title	**Report Number**
• Status of Recommendations Report for Q2 2026	n/a
• Green-e® Energy Annual Verification	28008080
• Low Carbon Fuel Standard Program	28008021

Board Policy: *(Number & Title)* Board-Staff Linkage BL-3, Board-Internal Auditor Relationship

Benefits: N/A

Cost/Budgeted: N/A

Alternatives: N/A

Affected Parties: SMUD Board and Internal Auditor

Coordination: Internal Audit Services

Presenter: Claire Rogers, Director, Internal Audit Services

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
Internal Audit Services Reports	

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

OFFICE MEMORANDUM

TO: Board of Directors **DATE:** July 8, 2026

FROM: Claire Rogers

SUBJECT: **QUARTERLY REPORT ON THE STATUS OF RECOMMENDATIONS AS OF JUNE 30, 2026**

Attached for your review is the Status of Recommendations report for the Second Quarter of 2026. Prior to this report being finalized, all outstanding recommendations were given to the responsible department Manager/Director for follow up.

Three open items were closed during the reporting period and were reviewed to assure implementation in accordance with the management response. None of the remaining 3 items are currently overdue. The chart below is a breakdown by age and risk of the outstanding items regardless of their risk ranking:

Age and Risk of Outstanding Items

If you need further information or wish to discuss any aspect of the report, please contact me at 732-7122, or Claire.Rogers@smud.org.

STATUS OF RECOMMENDATIONS AT 06/30/2026

RISK	RECOMMENDATION	RESPONSIBLE DEPARTMENT	STATUS / DATE	COMMENTS
GO 165 Transmission Line Maintenance 2025 28007884-01 **Medium** Process Improvement	*Overhead CM Notifications:* Transmission & Distribution Line Construction & Maintenance and TDMP should collaborate to ensure CM work is completed within the time frames allowed by GO95. This may include extending due dates to the maximum time periods allowed by GO95, including “Opportunity Maintenance” as appropriate. Transmission & Distribution Line Construction & Maintenance should review and close existing completed or transferred CM notifications in SAP. Moving forward, they should refine their process to ensure CM notifications are promptly closed after the fieldwork, including those transferred to other notifications. *Underground CM Notifications:* Transmission & Distribution Line Construction & Maintenance should collaborate with TDMP to ensure all open underground CM notifications are included in their status reports that are used for monitoring the completion of CM notifications Proactive inclusion of underground CM notifications in status reports is a best practice that ensures timely completion of corrective actions if any issues do arise, mitigates future risks, and maintains consistent standards for both overhead and underground transmission line maintenance	Line Assets	**Date Issued** 02/18/2026 **Outstanding** 11/13/2026	Transmission & Distribution Line Construction & Maintenance agrees with the IAS recommendations and will collaborate with TDMP to ensure CM work is completed within the time frames allowed by GO95. Additionally, Line Construction & Maintenance will collaborate with TDMP on a quarterly basis to ensure all completed or transferred CM notifications are closed out promptly. TDMP will: 1. Run a monthly CM report and flag any completion due dates. 2. Perform an end of the year audit of all completion due dates per year. Line Assets will: 1. Consult with TDMP should a CM needs to be extended to ensure it is allowed by GO95. The planned completion date is November 13, 2026.

STATUS OF RECOMMENDATIONS AT 06/30/2026

RISK	RECOMMENDATION	RESPONSIBLE DEPARTMENT	STATUS / DATE	COMMENTS
GO 165 Transmission Line Maintenance 2025 28007884-02 **Medium** Policies and Procedures	TDMP should finalize the documented procedures for identifying transmission line equipment requiring inspection or testing, as well as for exporting data from SAP to generate annual inspection requests. Additionally, a regular review schedule should be established to ensure these procedures remain up to date.	Distribution Planning & Operations	**Date Issued** 02/18/2026 **Outstanding** 11/13/2026	TDMP agrees with the IAS recommendation and plans on finalizing the documented procedure that is used to prepare the annual inspections and testing per GO165. The plan completion date is November 13, 2026.
GO 165 Transmission Line Maintenance 2025 28007884-03 **Medium** Policies and Procedures	TDMP should develop and maintain formal, up-to-date procedure documents that clearly define corrective maintenance priority levels and criteria for both overhead and underground transmission lines. Priority assignment procedures should be standardized and made easily accessible to staff to ensure consistency, support effective training, and minimize the risk of knowledge loss if key personnel leave. A review schedule should be established to help ensure the procedures are kept current.	Distribution Planning & Operations	**Date Issued** 02/18/2026 **Outstanding** 11/13/2026	TDMP agrees with the IAS recommendation and plans to create a document defining corrective maintenance priority levels aligning with GO95 for both overhead and underground transmission lines. The plan completion date is November 13, 2026.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

OFFICE MEMORANDUM

TO: Board of Directors

DATE: May 29, 2026
Audit Report #28008080

FROM: Claire Rogers

SUBJECT: Green-e® Energy Annual Verification — Agreed-Upon Procedures

Internal Audit Services (IAS) has performed the procedures enumerated below, which were agreed to by SMUD and the Center for Resource Solutions, to verify SMUD's compliance with annual reporting requirements of the Center for Resource Solutions' Green-e® Energy program for the year ended December 31, 2025. SMUD's management is responsible for compliance with the annual reporting requirements of the Center for Resource Solutions' Green-e® Energy program.

The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures include, but are not limited to:

- Validation and recalculation of Greenergy (excluding Partner Plus) and Solar Shares retail sales;
- Validation and recalculation of Greenergy (excluding Partner Plus) and Solar Shares resource supply, or renewable energy credits (RECs), retired in the Western Electric Coordinating Council (WECC) WREGIS tracking system database;
- Validation and recalculation of Greenergy (excluding Partner Plus) and Solar Shares Product Content Labels.

Based on the Green-e® Energy Audit Protocol and the results of the Agreed-Upon Procedures, IAS asserts that SMUD has no exceptions with regard to its compliance of the Green-e Energy verification reporting requirements put forth in the Annual Verification Protocol.

The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. IAS was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on SMUD's compliance to the annual reporting requirements of the Center for Resource Solutions' Green-e® Energy program. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to SMUD and the Center for Resource Solutions.

IAS Report #28008021
August 10, 2026

Low Carbon Fuel Standard Program

Executive Summary

Internal Audit Services (IAS) has completed a review of the Low Carbon Fuel Standard (LCFS) program. The purpose of this audit was to evaluate the processes in place to manage SMUD's LCFS program. This audit was included in the 2026 IAS audit plan.

SMUD actively participates in California's Low Carbon Fuel Standard (LCFS) program, a regulatory framework overseen by the California Air Resources Board (CARB) to reduce transportation-related greenhouse gas emissions. Through providing low-carbon electricity for electric vehicle charging across residential, commercial, and fleet sectors, SMUD generates LCFS credits, which support transportation electrification efforts and climate goals. Program governance is distributed across multiple SMUD business areas , with the Distributed Energy Solutions (DES) team serving as the LCFS Program Manager. This team manages credit generation, tracking, regulatory reporting, budgeting, and the administration of the LCFS Shared Credit Program, including credit sales, revenue sharing, and customer engagement.

IAS interviewed DES staff to understand their roles and responsibilities related to SMUD's LCFS program and reviewed Title 17 CCR Sections 95480-95503, CARB LCFS guidance, and SMUD's LCFS Handbook. While the Handbook generally aligns with applicable regulations, it does not include a formal process for maintaining and updating non-residential Electric Vehicle Fueling Supply Equipment (EV-FSE) information used for CARB reporting. Additionally, a comparison of the DES-maintained non-residential EV-FSE listing with field observations of 123 chargers revealed that only 50% of serial numbers matched DES records, and site count discrepancies resulted in 17 less chargers observed in the field than what is included within DES' listing. To enhance data accuracy and reporting integrity, DES should establish a formal process for recording charger replacements, additions, and removals, along with periodic reconciliation of serial numbers and counts. Lastly, IAS reviewed two quarterly reports and the 2025 annual report submitted to CARB, confirming that the sampled items from these reports were accurate, timely, and compliant with regulatory standards, and that the reporting procedures outlined in the LCFS Handbook reflect current DES practices.

IAS would like to thank Distributed Energy Solutions for their cooperation and support in conducting this audit.

ERM Dashboard	Community Decarbonization

Internal Audit Services

Low Carbon Fuel Standard Program

Audit Report #28008021

Powering forward. Together.

Low Carbon Fuel Standard Program

Internal Audit Services Report

Background:

SMUD actively participates in California’s Low Carbon Fuel Standard (LCFS) program, a regulatory framework overseen by the California Air Resources Board (CARB) aimed at reducing greenhouse gas emissions in the transportation sector. California’s LCFS program incentivizes the use, production, and reporting of low-carbon fuels and electricity by issuing tradable credits to entities that supply cleaner transportation energy. Revenues generated from the sale of LCFS credits are used to support transportation electrification programs and projects. The primary objective of the program is to decrease the carbon intensity of transportation fuels used throughout California, supporting the state's climate goals.

SMUD generates LCFS credits primarily through providing low-carbon electricity for electric vehicle charging across residential, commercial, and public fleet sectors. SMUD’s LCFS program governance is distributed across multiple business areas including Advanced Energy Solutions, Distributed Energy Solutions, Energy Trading and Contracts, Accounting, Legal, Customer Experience Delivery, and Sustainable Communities Initiatives. Governance bodies such as the LCFS Working Group and the Zero Carbon Plan LCFS Oversight Sub-Committee guide and oversee program execution, budget management, credit sales, revenue forecasting, and compliance reporting.

Distributed Energy Solutions (DES), within Zero Carbon Energy Solutions, serves as SMUD’s LCFS Program Manager and oversees key responsibilities, including LCFS credit generation, tracking, and regulatory reporting. The team handles detailed budgeting and manages program operations related to LCFS expenditure. Additionally, they oversee renewable energy credit (REC) tracking and budgeting associated with incremental LCFS credit generation. Responsibilities also include the negotiation and recruitment of SMUD customers into the LCFS Shared Credit Program. They have joint coordination and oversite of LCFS credit sales, ensuring proper proceeds split between LCFS Credit Share Customers and the California Clean Fuel Reward Program. Furthermore, they track, manage, and facilitate payments related to LCFS Credit sharing with commercial customers.

Scope:

The audit focused on functions performed by the LCFS Program Manager. Specifically, LCFS credit generation, tracking, regulatory reporting, and the LCFS Shared Credit Program. The audit considered the following criteria during the engagement: Title 17 CCR Sections 95480-95503, CARB LCFS guidance, and SMUD’s LCFS Handbook. The scope period covered data reported to CARB from January 2025 to April 30, 2026.

Objectives:

The objectives of the audit were to:

1. Evaluate if the LCFS Handbook was in alignment with Title 17 CCR Sections 95480-95503 and CARB LCFS guidance.
2. Review SMUD's quarterly and annual reporting to CARB for the LCFS program, confirming data submissions were accurate, timely, and met regulatory standards. Additionally, assess whether the LCFS Handbook reflects current work practices for the reporting process.
3. Validate the accuracy and completeness of SMUD reported electric vehicle supply equipment (EVSE) listing to ensure correct asset information is reported to CARB.

Summary:

IAS conducted interviews with staff from DES to understand their roles and responsibilities related to SMUD's LCFS program. We reviewed relevant regulatory guidance, including Title 17 CCR Sections 95480-95503 and CARB LCFS guidance, and compared these with SMUD's LCFS Handbook. Our review determined that the LCFS Handbook is generally aligned with the applicable regulations and guidance. However, we identified that the LCFS Handbook does not include a formal process for maintaining and updating non-residential Electric Vehicle Fueling Supply Equipment (EV-FSE) information, which is used for reporting to CARB.

Further, we examined the non-residential EV-FSE listing maintained by DES staff and compared it with chargers and EV-FSEs observed during field inspections. Out of a sample of 123 chargers, 50% of the serial numbers observed in the field matched those recorded by DES. Additionally, discrepancies were noted in charger counts across different sites, resulting in a net shortfall of 17 chargers observed than what is included within DES' listing. To enhance data accuracy and reporting integrity, DES should implement a formalized process for collecting and recording information on non-residential charger replacements, additions, and removals. This process should also include periodic reconciliation of serial numbers and counts to ensure the EV-FSE data remains reliable.

Lastly, we reviewed a sample of SMUD's quarterly and annual reports submitted to CARB, selecting two quarterly reports and the 2025 annual report, along with supporting documentation. Our review confirmed that the reports were accurate, timely, and compliant with regulatory standards. Furthermore, we found that the current procedures documented in the LCFS Handbook reflect the processes performed by DES personnel for reporting.

Conclusion:

Based on the scope of our review, IAS found that SMUD's LCFS program is in alignment with applicable regulations and supported by well-established procedures. Our review of quarterly and annual reports to CARB confirmed that the items sampled were accurate, timely, and compliant with regulatory standards. However, we identified an opportunity for improvement. Specifically, DES should implement a formalized process for collecting and recording information on non-residential charger replacements, additions, and removals. This process should also include periodic reconciliation of serial numbers and counts of EV-FSEs to ensure accurate reporting. In addition, the LCFS Handbook should be updated to include these processes. Implementing these improvements will strengthen data integrity and help ensure accurate reporting.

IAS would like to thank DES for their cooperation and support in conducting this audit.

Low Carbon Fuel Standard Program

Observations

Observation 1			
Risk Ranking	Category	Responsible Department(s)	Planned Completion Date
Medium	Process Improvement	Distributed Energy Solutions	

Criteria:

Title 17 § 95483.2(b)(8) and § 95491(d)(3)(C)(1) requires fuel reporting entities for electricity to register all applicable fueling supply equipment (FSE) in the LRT-CBTS and to report EV charging quantities by FSE. In addition, CARB Guidance 19-04 states that for non-residential EV charging, each piece of equipment capable of measuring electricity dispensed for EV charging is treated as an FSE and, if multiple FSEs exist at the same location, each must be registered separately. The same guidance further states that the OEM-assigned serial number must be provided for each EV-FSE. The LRT-CBTS User Guide Appendix C also states that if FSEs are modified after registration, the registration should be updated in LRT-CBTS prior to uploading quarterly reporting data and CARB should be notified through the Correspondence tab.

Conditions:

IAS identified discrepancies between Distributed Energy Solutions' (DES) charger listing used for LCFS reporting to CARB and the chargers/EV-FSEs observed during field inspections. Of the 123 sampled chargers, 61 (50%) matched the recorded serial numbers, while 54 (44%) did not match, and 8 (6%) could not be verified due to the absence of a visible serial number in the field. Additionally, auditors observed inconsistencies in charger counts at various sites—some locations had more chargers in the field than indicated in the records, while others had fewer—resulting in a net shortfall of 17 chargers observed in the field compared to DES' listing.

Causes:

Currently, for non-residential EV-FSEs included in the charger listing used for LCFS reporting to CARB, there are no established processes to track charger replacements, additions, and removals or for periodic validation of serial numbers and counts.

Effects:

If charger/EV-FSE records are not kept current, SMUD may rely on inaccurate charger inventories and outdated serial number information to support LCFS reporting.

Recommendations:
DES should implement a formalized process for collecting and recording information on non-residential charger replacements, additions, and removals. This process should also include periodic reconciliation of serial numbers and counts of EV-FSEs to ensure accurate reporting. In addition, the LCFS Handbook should be updated to include these processes.
Management Responses:
DES agrees with IAS's recommendation. We will establish a formal process for maintaining and updating non-residential Electric Vehicle Fueling Supply Equipment (EV-FSE) information, including procedures for annual customer confirmation of charger operational status and serial number accuracy via online administrative portal for network-enabled FSEs, photographic document, or other method deemed sufficient by DES staff for non-networked FSE. Additionally, we will revise the LCFS Handbook to clearly specify the requirements for participants to notify DES of any charger additions, removals, or replacements, and to allow site access for verification when necessary. These measures will include periodic site visits to ensure data integrity. The changes will be logged in the LCFS workbook that contains the LCFS quarterly report. We anticipate completing the handbook update and finalizing the detailed processes and controls by November 1, 2026.

Appendix A - Observation Definitions

Observation Components:
Criteria – The standards, measures, or expectations used in making an evaluation and/or verification (the correct or expected state)
Conditions – The situation that was found, supported by evidence and characterized by facts, measurements, examples, etc. (the current state)
Causes – The reasons for the difference between expected and actual states
Effects – The actual or potential risks or bad effects the organization, department, or business unit faces if the causes and the conditions continue.

Risk Rankings:
Extremely High-risk observations may result in the following:
- Material loss of assets and/or financial impact
- Severe legal, regulatory, or compliance sanctions
- Cessation of business services for the foreseeable future
- Critical impact in achieving SMUD's goals and objectives
- Major deterioration in customer metrics and surveys, and/or irreparable negative media coverage and damage to SMUD's reputation
- Widespread loss of confidence from employees, and/or inability to fill critical positions for a long period of time

High-risk observations may result in the following:
- Significant loss of assets and/or financial impact
- Significant legal, regulatory or compliance sanctions
- Widespread disruption of service levels and interruption of business functions
- Significant delays or modification of operational goals and objectives
- Significant deterioration in customer metrics and surveys, and/or negative media and erosion of trust
- Significant loss of confidence from employees; an increase in unanticipated employee separations; and slight impact to fill critical positions

Medium-risk observations may result in the following:
- Moderate loss of assets or financial impact
- Moderate legal, regulatory or compliance sanctions
- Moderate operational impact to service levels or business disruption
- Moderate delays or modification to goals and objectives
- Moderate decline in customer metrics and surveys. Modest negative media
- Moderate loss of confidence from employees and moderate increase in unanticipated employee separations with minor impact to critical positions

Low-risk observations may result in the following:
- Minor loss of assets or financial impact
- Minor legal, regulatory or compliance sanctions
- Minor operational impact to service levels and business activity
- Minor delays or modifications to goals and objectives
- Slight decline in customer metrics and surveys. Limited public criticism
- Minor loss of confidence from employees and slight increase in unanticipated employee separations, with no impact to critical positions

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SSS No. BOD 2026-002	BOARD AGENDA ITEM STAFFING SUMMARY SHEET	Committee Meeting & Date FINANCE & AUDIT - 2026 Board Meeting Date N/A

TO		TO	
1.	Cara Chatfield	6.	
2.	Jose Bodipo-Memba	7.	
3.	Scott Martin	8.	
4.		9.	**Legal**
5.		10.	**CEO & General Manager**

Consent Calendar		**Yes**	X	**No** *If no, schedule a dry run presentation.*	**Budgeted**	X	**Yes**		**No** *(If no, explain in Cost/Budgeted section.)*

FROM (IPR)	DEPARTMENT	MAIL STOP	EXT.	DATE SENT
Marythony Sohl / Crystal Henderson	Board Office	B304	5424	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 Finance & Audit 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 agendized opportunity to summarize the Board's requests and suggestions that arise during the committee meeting will help clarify 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: Brandon Rose, Finance & Audit Committee Chair

Additional Links:

SUBJECT	ITEM NO. *(FOR LEGAL USE ONLY)*
Summary of Committee Direction – Finance & Audit Committee	

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.