

Board of Directors

Meeting

Agenda

Date: February 19, 2026

Time: 6:00 p.m.

Location: SMUD Headquarters Building, Auditorium

6201 S Street, Sacramento, California



Powering forward. Together.



AGENDA

SACRAMENTO MUNICIPAL UTILITY DISTRICT BOARD OF DIRECTORS MEETING SMUD HEADQUARTERS BUILDING AUDITORIUM – 6201 S STREET SACRAMENTO, CALIFORNIA

February 19, 2026 – 6:00 p.m.

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 SMUD Board of Directors Meeting Here](#)

Webinar/Meeting ID: 161 551 1651

Passcode: 496714

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.

Call to Order.

a. Roll Call.

1. Approval of the Agenda.

2. Committee Chair Reports.
 - a. Committee Chair report of February 10, 2026, Strategic Development Committee
 - b. Committee Chair report of February 17, 2026, Finance & Audit Committee
 - c. Committee Chair report of February 17, 2026, Policy Committee
 - d. Committee Chair report of February 18, 2026, Energy Resources & Customer Services Committee

Item 5 was reviewed by the February 17, 2026, Finance and Audit Committee. Items 6 and 7 were reviewed by the February 17, 2026, Policy Committee. Item 8 was reviewed by the February 18, 2026, Energy Resources & Customer Services Committee.

Comments from the public are welcome when these agenda items are called.

Consent Calendar:

3. Approve Board member compensation for service rendered at the request of the Board (pursuant to Resolution No. 25-04-02) for the period of January 16, 2026, through February 15, 2026.
4. Approval of the minutes of the meeting of January 15, 2026.
5. Approve a **Memorandum of Understanding (MOU)** between the **Sacramento Municipal Utility District** and the **Organization of SMUD Employees (OSE)** for the period of January 1, 2026, through December 31, 2029. **Finance and Audit Committee 2/17. (Jose Bodipo-Memba)**
6. Accept the monitoring report for **Strategic Direction SD-2, Competitive Rates. Policy Committee 2/17. (Scott Martin)**
7. Accept the monitoring report for **Strategic Direction SD-3, Access to Credit Markets. Policy Committee 2/17. (Scott Martin)**
8. Adopt a resolution declaring the following properties identified by Assessor's Parcel Numbers (APNs) as surplus and exempt from the notice and disposal requirements of the **Surplus Land Act:**
 - a. RP 085 (Sacramento APN 265-0173-009-0000, 4,356 SQFT/0.10 Acres), **Alamos**, a former substation site;
 - b. RP 158 (Sacramento APN 061-0051-036-000, 11,761 SQFT/0.27 Acres), **Amador-Power Inn West TAP**, former unused parcel; and
 - c. AR/RP 038 (El Dorado APN 012-070-023, 0.74 Acres), **Ice House Highland Day Use Area**.

Energy Resources & Customer Services Committee 2/18. (Frankie McDermott)

* * * * *

Public Comment:

9. Items not on the agenda.

Board and CEO Reports:

10. Directors' Reports.

11. President's Report.

12. CEO's Report.
a. Board Video

Summary of Board Direction

* * * * *

Board Committee Meetings and Special Meetings of the Board of Directors are held at the SMUD Headquarters Building, 6201 S Street, Sacramento

February 17, 2026	Finance and Audit Committee and Special SMUD Board of Directors Meeting	Auditorium*	6:00 p.m.
February 17, 2026	Policy Committee and Special SMUD Board of Directors Meeting	Auditorium	Immediately following the Finance and Audit Committee and Special SMUD Board of Directors Meeting scheduled to begin at 6:00 p.m.
February 18, 2026	Energy Resources & Customer Services Committee and Special SMUD Board of Directors Meeting	Auditorium	6:00 p.m.
March 10, 2026	Strategic Development Committee and Special SMUD Board of Directors Meeting	Auditorium	6:00 p.m.
March 11, 2026	Policy Committee and Special SMUD Board of Directors Meeting	Auditorium	6:00 p.m.
March 17, 2026	Finance and Audit Committee and Special SMUD Board of Directors Meeting	Auditorium	6:00 p.m.
March 18, 2026	Energy Resources & Customer Services Committee and Special SMUD Board of Directors Meeting	Auditorium	6:00 p.m.

* * * * *

**The Auditorium is located in the lobby of the SMUD Headquarters Building, 6201 S Street, Sacramento, California.*

**Regular Meetings of the Board of Directors are held at the SMUD Headquarters Building,
6201 S Street, Sacramento**

March 19, 2026

Auditorium*

6:00 p.m.

**The Auditorium is located in the lobby of the SMUD Headquarters Building, 6201 S Street, Sacramento, California.*

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 1-916-732-7143 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 Toni.Stelling@smud.org, or contact by phone at 1-916-732-7143, no later than 48 hours before this meeting.

DRAFT

RESOLUTION NO. _____

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

That this Board hereby approves Board member compensation for service rendered at the request of the Board (pursuant to Resolution No. 25-04-02) for the period of January 16, 2026, through February 15, 2026.

DRAFT

Sacramento, California

January 15, 2026

The Board of Directors of the Sacramento Municipal Utility District met in regular session simultaneously in the Auditorium of the SMUD Headquarters Building at 6201 S Street, Sacramento, and via virtual meeting (online) at 6:02 p.m.

Roll Call:

Presiding: President Tamayo

Present: Directors Rose (6:08 p.m.), Bui-Thompson, Fishman, Herber, Kerth, and Sanborn

Present also were Paul Lau, Chief Executive Officer and General Manager; Laura Lewis, Chief Legal & Government Affairs Officer and General Counsel and Secretary, other members of SMUD's executive management; and SMUD employees and visitors.

Director Fishman shared the 2030 Climate Action Tip.

President Tamayo called for approval of the agenda. Director Herber moved for approval of the agenda, Director Fishman seconded, and the agenda was approved by a vote of 6-0, with Director Rose absent.

President Tamayo then turned to Item 2, a commendation for Director Fishman in recognition of his service as Board President in 2025. He read portions of the resolution highlighting the many accomplishments.

No public comment was forthcoming for agenda item 2.

Director Herber moved for approval of the commendation resolution, Vice President Kerth seconded, and Resolution No. 26-01-01 was approved by a vote of 6-0, with Director Rose absent.

RESOLUTION NO. 26-01-01

WHEREAS, Gregg Fishman, as the elected representative from Ward 3, served this Board well and faithfully as President for the year 2025; and

WHEREAS, President Fishman helped SMUD strengthen its reputation in 2025 as a leader in environmental stewardship, and a customer- and community-focused utility; and

WHEREAS, through President Fishman's leadership, SMUD continued progress in delivering on its 2030 Zero Carbon Plan, securing new clean energy resources, and pursuing new partnerships and pilot programs to ensure continued world-class reliability to support the most aggressive carbon reduction goal of any large utility in the U.S.; and

WHEREAS, SMUD kept rates among the lowest in California – and more than 50 percent lower than its neighboring investor-owned utility; and

WHEREAS, with President Fishman's leadership, SMUD was the first municipal electric utility in the nation to issue Green Commercial Paper, bolstering its ability to support the infrastructure investments that keep a reliable grid and rates among the lowest in California; and

WHEREAS, SMUD secured a \$91 million direct Investment Tax Credit payment for Solano 4, a project building on our tradition of wind energy development; and

WHEREAS, with President Fishman's leadership, SMUD continued to prioritize its workforce development efforts by partnering with more than 50 community groups this year to train over 4,000 people; and

WHEREAS, under President Fishman's leadership, SMUD deepened its Community Impact Plan work to ensure low-income customers and small/medium businesses are brought along on the journey to zero carbon; and

WHEREAS, SMUD added more than 350 megawatts (MW) of new renewables and storage capacity; and

WHEREAS, under President Fishman's tenure, SMUD broke ground on the Country Acres Solar (344 MW) and Battery Storage (172 MW) project, and completed retooling its most efficient combined cycle resource,

Cosumnes Power Plant, to provide greater operational flexibility while cutting greenhouse gas emissions by over 25% each year, saving SMUD approximately \$7 million per year; and

WHEREAS, President Fishman helped cut the ribbon on Sloughhouse Solar Agrivoltaic Ranch, demonstrating how clean energy can integrate with land stewardship best practices; and

WHEREAS, President Fishman continued to be critical to community and outreach efforts, attending dozens of events and delivering more than 60 speeches and presentations during the year; and

WHEREAS, President Fishman continued to faithfully serve his constituents in Ward 3, which includes East Sacramento, much of the Arden-Arcade area, and the Campus Commons, College Glen, and Rosemont neighborhoods, as well as parts of Carmichael, Florin, Fruitridge and Vintage Park; and

WHEREAS, the Board has benefited from President Fishman's fair management of the Board meetings, as well as his dedicated representation of SMUD's ambitious goal to our partners, the public and media; **NOW**,
THEREFORE,

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

This Board commends Gregg Fishman for his outstanding service to the Board, to SMUD, and to the Sacramento community during his tenure as President, and the Board looks forward to serving with him as he continues as the Director for Ward 3.

Approved: January 15, 2026

INTRODUCED: DIRECTOR HERBER				
SECONDED: DIRECTOR KERTH				
DIRECTOR	AYE	NO	ABSTAIN	ABSENT
TAMAYO	X			
ROSE				X
BUI-THOMPSON	X			
FISHMAN	X			
HERBER	X			
KERTH	X			
SANBORN	X			

Director Rose arrived at 6:08 p.m.

Directors Sanborn, Herber, Kerth, Bui-Thompson, Rose and President Tamayo thanked Director Fishman for his service.

Director Fishman thanked staff for their assistance in making the year generally fun and positive, and he thanked the Board Office for keeping him on track. He noted it was an honor to serve.

Director Herber, Chair, presented the report for the Policy Committee meeting held on January 14, 2026.

Director Rose, Chair, presented the report for the Finance & Audit Committee meeting held on January 14, 2026.

President Tamayo then called for public comment for items on the agenda, but none was forthcoming.

President Tamayo then addressed the Consent Calendar consisting of Items 4 through 7. Director Sanborn moved for approval of the Consent Calendar, Director Fishman seconded, and Resolution Nos. 26-01-02 through 26-01-04 were unanimously approved.

RESOLUTION NO. 26-01-02

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

That this Board hereby approves revised Board member compensation for service rendered at the request of the Board (pursuant to Resolution No. 23-06-02) for the period of November 16, 2025, through December 11, 2025.

Approved: January 15, 2026

INTRODUCED: DIRECTOR SANBORN				
SECONDED: DIRECTOR FISHMAN				
DIRECTOR	AYE	NO	ABSTAIN	ABSENT
TAMAYO	X			
ROSE	X			
BUI-THOMPSON	X			
FISHMAN	X			
HERBER	X			
KERTH	X			
SANBORN	X			

RESOLUTION NO. 26-01-03

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

Section 1. That this Board hereby approves Board member compensation for service rendered at the request of the Board (pursuant to Resolution No. 23-06-02) for the period of December 12, 2025, through January 15, 2026.

Section 2. That this Board hereby approves Board member reimbursement requests for technology-related expenses (pursuant to Resolution No. 19-12-05).

Approved: January 15, 2026

INTRODUCED: DIRECTOR SANBORN				
SECONDED: DIRECTOR FISHMAN				
DIRECTOR	AYE	NO	ABSTAIN	ABSENT
TAMAYO	X			
ROSE	X			
BUI-THOMPSON	X			
FISHMAN	X			
HERBER	X			
KERTH	X			
SANBORN	X			

**Board Member Request for Approval of Technology Reimbursement
(pursuant to Governance Process GP-12, Board Compensation and Benefits)**

Cell Phone Allowance (check only one box)

- Low usage - \$8.75/per pay period
5 hours or less of calls/texts per month
- Medium usage - \$16.25/per pay period
5 hours to 24 hours of calls/texts per month
- High usage - \$26.25/per pay period
More than 24 hours of calls/texts per month

Data (check box if requested)

- Email/Data Plan - \$20.00/per pay period

Internet Access (check box if requested)

- Internet access for laptops/tablets working remotely - \$16.00 per pay period

Cell Phone Device Reimbursement (check box if requested)

- Reimbursement up to \$400 every 24 months for the purchase of a phone

*Note: *Senior Leadership cannot combine both reimbursements toward a cell phone. If you receive \$400 for a cell phone reimbursement, you can only use the \$1000 to purchase a laptop or iPad/tablet. If you receive \$1000 for the purchase of a cell phone, you are not eligible to receive the \$400 cell phone reimbursement.*

Laptop/Tablet/Computer/Cell Phone Device Reimbursement (check box if requested)

- Reimbursement up to \$1000 every 24 months for the purchase of a laptop/tablet or cell phone (see restrictions above with regard to cell phone purchases)

Date: 12-9-25

Name: Brandon Rose

Signature: Brandon Rose

**Board Member Request for Approval of Technology Reimbursement
(pursuant to Governance Process GP-12, Board Compensation and Benefits)**

Cell Phone Allowance (check only one box)

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Internet Access (check box if requested)

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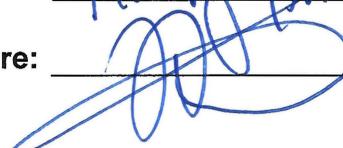
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Laptop/Tablet/Computer/Cell Phone Device Reimbursement (check box if requested)

- Reimbursement up to \$1000 every 24 months for the purchase of a laptop/tablet or cell phone (see restrictions above with regard to cell phone purchases)

Date: 12/1/2025

Name: Naomi Thompson

Signature: 

**Board Member Request for Approval of Technology Reimbursement
(pursuant to Governance Process GP-12, Board Compensation and Benefits)**

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- Reimbursement up to \$1000 every 24 months for the purchase of a laptop/tablet or cell phone (see restrictions above with regard to cell phone purchases)

Date: 12-9-2025

Name: GPB66 PJSMnAV

Signature: John BZ

**Board Member Request for Approval of Technology Reimbursement
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Laptop/Tablet/Computer/Cell Phone Device Reimbursement (check box if requested)

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Date: 12/9/25

Name: Rosanna Herber

Signature: Rosanna J Herber

**Board Member Request for Approval of Technology Reimbursement
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Date: 12/9/25

Name: Bob Kertz

Signature: 

**Board Member Request for Approval of Technology Reimbursement
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Date:

Dec 11, 2025

Name:

David Tomay

Signature:



**Board Member Request for Approval of Technology Reimbursement
(pursuant to Governance Process GP-12, Board Compensation and Benefits)**

Cell Phone Allowance (check only one box)

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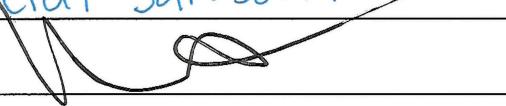
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Laptop/Tablet/Computer/Cell Phone Device Reimbursement (check box if requested)

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Date: 12/9/2025

Name: Heidi Sanborn

Signature: 

RESOLUTION NO. 26-01-04

WHEREAS, in September 2025, SMUD issued Request for Proposal No. 116928.DM (RFP) to solicit qualified firms to provide residential assistance services; and

WHEREAS, three proposals submitted in response to the RFP were evaluated; **NOW, THEREFORE**,

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

Section 1. As a result of such examination, **Eagle Systems International, Inc. dba Synergy, Sierra Valley Mechanical, and Clarke & Rush** are hereby determined and declared to be the highest evaluated responsive proposers to provide residential assistance services.

Section 2. The Chief Executive Officer and General Manager, or his designee, is authorized, on behalf of SMUD, to negotiate and award contracts to **Eagle Systems International, Inc. dba Synergy, Sierra Valley Mechanical, and Clarke & Rush** (collectively, the **Contracts**) for a three-year term from approximately March 1, 2026, to February 28, 2029, for a total aggregate not-to-exceed amount of \$40,000,000 across the **Contracts**.

Section 3. The Chief Executive Officer and General Manager, or his designee, is authorized to make future changes to the terms and conditions of the **Contracts** that, in his prudent judgment: (a) further the primary purpose of the **Contracts**; (b) are intended to provide a net benefit to SMUD; and (c) do not exceed the authorized contract amounts and applicable contingencies.

Approved: January 15, 2026

INTRODUCED: DIRECTOR SANBORN				
SECONDED: DIRECTOR FISHMAN				
DIRECTOR	AYE	NO	ABSTAIN	ABSENT
TAMAYO	X			
ROSE	X			
BUI-THOMPSON	X			
FISHMAN	X			
HERBER	X			
KERTH	X			
SANBORN	X			

President Tamayo then turned to Discussion Calendar Item 8.a. and 8.b., to authorize the Chief Executive Officer and General Manager to negotiate and execute: a) a three-year contract renewal with Wells Fargo Bank, N.A. (Wells Fargo) to modify and extend a \$50 million Line of Credit (Wells Fargo Line) and all other documents or actions necessary to facilitate the Wells Fargo Line; and b) a three-year contract with PNC Bank, N.A. (PNC) for a new \$100 million Line of Credit (PNC Line) and all other documents or actions necessary to facilitate the PNC Line.

Jennifer Restivo, Director, Treasury & Revenue Strategy, gave a presentation regarding Items 8.a. and 8.b. A copy of the slides used in her presentation is attached hereto.

No public comment was forthcoming for Discussion Calendar Items 8.a. or 8.b.

After some discussion, Director Fishman moved for approval of Discussion Calendar Item 8.a., Vice President Kerth seconded, and Resolution No. 26-01-05 was unanimously approved.

RESOLUTION NO. 26-01-05

**FIRST SUPPLEMENTAL RESOLUTION
(SUPPLEMENTAL TO RESOLUTION NO. 22-02-07,
ADOPTED FEBRUARY 17, 2022)**

**PROVIDING FOR THE DECREASE OF THE AGGREGATE PRINCIPAL AMOUNT
OF THE SACRAMENTO MUNICIPAL UTILITY DISTRICT TAXABLE REVOLVING
NOTE (WELLS FARGO REVOLVING CREDIT AGREEMENT) AND TAX-EXEMPT
REVOLVING NOTE (WELLS FARGO REVOLVING CREDIT AGREEMENT) THAT
MAY BE OUTSTANDING AT ANY ONE TIME AND AUTHORIZING THE
EXECUTION OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH**

WHEREAS, the Board of Directors of SMUD adopted Resolution No. 22-02-07 (the “Original Resolution”) authorizing a Revolving Credit Agreement with Wells Fargo Bank, National Association (as further defined in the Original Resolution, the “Credit Agreement”) and the issuance of SMUD’s Taxable Revolving Note (Wells Fargo Revolving Credit Agreement) and Tax-Exempt Revolving Note (Wells Fargo Revolving Credit Agreement) (collectively, the “Notes”) in an aggregate principal amount not to exceed \$100,000,000 outstanding at any one time under (a) Articles 6a and 6b of Chapter 6 of the Municipal Utility District Act (California Public Utilities Code Section 12850 et seq.), (b) Chapter 7.5 of the Municipal Utility District Act (California Public Utilities Code Section 13371 et seq.) and (c) Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (California Government Code Section 53580 et seq.);

WHEREAS, SMUD has determined that it is in its best interests to extend the expiration date of the Credit Agreement and decrease the aggregate principal amount of the Notes that may be outstanding at any one time under the Original Resolution to \$50,000,000;

WHEREAS, Section 7.01 of the Original Resolution permits the modification or amendment of the Original Resolution with the prior written consent of the Bank (as defined in the Original Resolution);

WHEREAS, SMUD has determined to modify and amend the Original Resolution as set forth in this First Supplemental Resolution, to extend the expiration date of the Credit Agreement and to amend the Credit Agreement as set forth in a First Amendment to Revolving Credit Agreement (the “First Amendment to Credit Agreement”) between SMUD and the Bank;

WHEREAS, the amendments set forth in this First Supplemental Resolution will go into effect upon receipt by SMUD of the written consent of the Bank to this First Supplemental Resolution;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Sacramento Municipal Utility District, as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, all capitalized terms used in this First Supplemental Resolution and not otherwise defined shall have the meanings given thereto in the Original Resolution.

ARTICLE II

AMENDMENTS TO ORIGINAL RESOLUTION

Section 2.01. Authorization. Section 2.01 of the Original Resolution is hereby amended to read in full as follows:

“Section 2.01. Authorization. Each Note is hereby authorized to be issued in the stated principal amount of not to exceed \$50,000,000 outstanding at any one time. On or after the effective date of the Credit Agreement, SMUD may request Loans and Term Loans under either Note as provided in, and subject to the terms of, the Credit Agreement and this Resolution; provided, that the aggregate principal amount of Loans and Term Loans outstanding under the Notes at any one time shall not exceed \$50,000,000. Subject to the terms of the Credit Agreement and this Resolution, the principal amount of the Loans under the Notes that is paid or prepaid by SMUD may again be reborrowed under either Note.”

Section 2.02. Registration of Notes. The last sentence of Section 2.05 of the Original Resolution is hereby amended to read in full as follows: “Registered ownership of the Notes may only be transferred in accordance with the terms of the Credit Agreement.”

Section 2.03. Events of Default. Section 6.01 of the Original Resolution is hereby amended to read in full as follows:

“Section 6.01. Events of Default. The following events shall be events of default (the “Events of Default”) hereunder:

(a) if default shall be made in the due and punctual payment of the principal of any Note when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made in the due and punctual payment of any installment of interest on any Note when and as such interest installment shall become due and payable;

(c) if the holder of any Bond or the trustee for any holders of Bonds at the time outstanding exercises a right under the Bond or the constituent instruments under which such Bond was issued to declare the principal thereof (and interest accrued thereon) to be payable prior to the maturity thereof; or

(d) an Event of Default under and as defined in the Credit Agreement.”

ARTICLE III

MISCELLANEOUS

Section 3.01. Approval and Execution of First Amendment to Credit Agreement and Amended and Restated Fee Agreement. The First Amendment to Credit Agreement and the Amended and Restated Fee Agreement relating to the Credit Agreement, each between SMUD and the Bank, in substantially the forms submitted to this meeting, are hereby approved. The Authorized Officers, each acting alone, are hereby authorized and directed, for and on behalf of SMUD, to execute and deliver the First Amendment to Credit Agreement and the Amended and Restated Fee Agreement relating to the Credit Agreement in substantially said forms, with such changes therein as the Authorized Officer executing the same, with the advice of SMUD’s counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3.02. Letters of Credit. The Authorized Officers are hereby authorized and directed to request the issuance from time to time of Letters of Credit (as defined in the Credit Agreement) by the Bank pursuant to the Credit Agreement in such amounts as are required by SMUD and to do any and all things and to execute, deliver and perform any and all agreements and documents which they deem necessary or advisable in order to request or cause the issuance of any such Letter of Credit by the Bank.

Section 3.03. Additional Actions. The Authorized Officers are hereby authorized and directed to do any and all things and to execute, deliver and perform any and all agreements, certificates and documents (including, but not limited to, replacement Notes) which they deem necessary or advisable in order to consummate the execution and delivery of the First Amendment to Credit Agreement and the Amended and Restated Fee Agreement relating to the Credit Agreement in accordance with this Resolution and the Credit Agreement and to effect the purposes of this Resolution and the transactions contemplated hereby. The Authorized Officers are hereby further authorized and directed to do any and all things and to execute, deliver and perform any and all agreements, certificates and documents which they deem necessary or desirable to further extend the Facility Maturity Date (as defined in the Credit Agreement) from time to time; provided that, (a) the Commitment (as defined in the Credit Agreement) shall not exceed \$50,000,000 and (b) the fees payable under the Fee Letter during the term of any such extension shall continue to be commercially reasonable, as determined by any Authorized Officer, such determination to be conclusively evidenced by the execution and delivery of the applicable agreements, certificates and documents extending the Facility Maturity Date.

Section 3.04. Effect of First Supplemental Resolution. The amendments to the Original Resolution set forth in this First Supplemental Resolution will go into effect upon receipt by SMUD of the written consent of the Bank to this First Supplemental Resolution. The Original Resolution is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as modified and amended by this First Supplemental Resolution.

Approved: January 15, 2026

INTRODUCED: DIRECTOR FISHMAN				
SECONDED: DIRECTOR KERTH				
DIRECTOR	AYE	NO	ABSTAIN	ABSENT
TAMAYO	X			
ROSE	X			
BUI-THOMPSON	X			
FISHMAN	X			
HERBER	X			
KERTH	X			
SANBORN	X			

Attachment B
to Resolution No. 26-01-05

FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT

This FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT (this “*Amendment*”) dated [REDACTED], 2026 (the “*Amendment Date*”), is between SACRAMENTO MUNICIPAL UTILITY DISTRICT, a municipal utility district of the State of California (“*SMUD*”) and WELLS FARGO BANK, NATIONAL ASSOCIATION (the “*Bank*”). All capitalized terms used herein and not defined herein shall have the meanings set forth in the hereinafter defined Agreement.

WITNESSETH

WHEREAS, SMUD and the Bank have previously entered into that certain Revolving Credit Agreement dated as of February 1, 2022 (as amended on the Amendment Date and as further amended, restated, supplemented or otherwise modified from time to time, the “*Agreement*”). This Amendment is a Program Document;

WHEREAS, pursuant to Section 7.1 of the Agreement, the Agreement may be amended by a written amendment thereto, executed by SMUD and the Bank; and

WHEREAS, SMUD has requested that certain amendments be made to the Agreement, and the Bank has agreed to make such amendments to the Agreement subject to the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the premises, the parties hereto hereby agree as follows:

SECTION 1. AMENDMENTS.

Subject to the satisfaction or waiver of the conditions precedent set forth in Section 2 below, the Agreement shall be and hereby is amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the underlined text (indicated textually in the same manner as the following example: underlined text) as set forth in the pages of the Agreement attached hereto as Annex A.

SECTION 2. CONDITIONS PRECEDENT.

This Amendment shall become effective on the Amendment Date subject to the satisfaction of or waiver by the Bank of all of the following conditions precedent (such satisfaction to be evidenced by the Bank’s execution and delivery of this Amendment):

2.01. Delivery by SMUD to the Bank of (a) an executed counterpart of this Amendment, (b) an executed counterpart of the Amended and Restated Fee Agreement, dated as of the Amendment Date (the “*Fee Agreement*”), between SMUD and the Bank, and (c) executed counterparts of a replacement Sacramento Municipal Utility District Taxable Revolving Note (Wells Fargo Revolving Credit Agreement) (the “*Taxable Note*”) and a replacement Sacramento Municipal Utility District Tax-Exempt Revolving Note (Wells Fargo Revolving Credit

Agreement) (the “*Tax-Exempt Revolving Note*” and together with the Tax-Exempt Revolving Note, the “*Revolving Notes*”), in the forms set forth in Exhibit A and Exhibit B to the Agreement as amended hereby, respectively, each executed and delivered to the Bank on the Amendment Date. The Bank shall surrender the original existing Revolving Notes to SMUD for cancelation on the Amendment Date in exchange for SMUD’s delivery to the Bank of such replacement Revolving Notes.

2.02. Receipt by the Bank of a copy of the authorizing resolution of SMUD (which may be an existing authorizing resolution) approving the execution and delivery and performance of its obligations under the Agreement and the Revolving Notes.

2.03. Receipt by the Bank of a customary certificate executed by appropriate officers of SMUD including the incumbency and signature of the officer of SMUD executing this Amendment and the Revolving Notes.

2.04. Delivery to the Bank of an opinion of the general counsel for SMUD, addressing (i) SMUD’s existence, (ii) SMUD’s power and authority to enter into this Amendment, the Fee Agreement and the Revolving Notes and to perform its obligations under the Agreement, as amended by this Amendment, the Fee Agreement and the Revolving Notes, (iii) SMUD’s execution and delivery of this Amendment, the Fee Agreement and the Revolving Notes, (iv) the enforceability of SMUD’s obligations under the Agreement, as amended by this Amendment, the Fee Agreement and the Revolving Notes, (v) that SMUD has obtained all consents necessary to execute and deliver this Amendment, the Fee Agreement and the Revolving Notes and perform the Agreement, as amended by this Amendment, the Fee Agreement and the Revolving Notes, (vi) the execution and delivery of this Amendment, the Fee Agreement and the Revolving Notes by SMUD will not violate any law, order or agreement to which SMUD is subject or to which SMUD is a party, and (vii) there is no litigation pending or threatened against SMUD that would prevent SMUD from executing and delivering this Amendment, the Fee Agreement and the Revolving Notes or performing its obligations under the Agreement, as amended by this Amendment, the Fee Agreement and the Revolving Notes.

2.05. Payment directly to Chapman and Cutler LLP, legal counsel to the Bank (“*Bank Counsel*”), on or before the Amendment Date, of the reasonable legal fees and expenses of Bank Counsel.

2.06. All other legal matters pertaining to the execution and delivery of this Amendment shall be satisfactory to the Bank and Bank Counsel.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF SMUD.

3.01. SMUD hereby represents and warrants that the following statements shall be true and correct as of the date hereof:

(a) the representations and warranties of SMUD contained in Article Four of the Agreement and in each of the SMUD Program Documents are true and correct on and as of the date hereof as though made on and as of such date (except to the extent the same

expressly relate to an earlier date and except that all references to the Closing Date in Article Four of the Agreement shall be deemed to refer to the Amendment Date, all references to the 2020 Financial Statements in Article Four of the Agreement shall be deemed to refer to the audited financial statements of SMUD for the Fiscal Year ended December 31, 2024, and all references to December 31, 2020 in Article Four of the Agreement shall be deemed to refer to December 31, 2024); and

(b) no Default or Event of Default has occurred and is continuing or would result from the execution of this Amendment.

3.02. SMUD hereby ratifies and affirms that, both before and after giving effect to this Amendment:

The Agreement constitutes the Credit Agreement (as defined in the Note Resolution) under the Note Resolution and has all rights and benefits thereof. In order to secure the timely payment of all Obligations and to secure the performance and observance of all of the covenants, agreements and conditions contained in the Agreement and the Fee Agreement, SMUD has pledged the Available Revenues to the Bank (for the benefit of the Bank and any Affiliate of the Bank to whom any Obligation is at any time owed), pursuant to and on the terms and subject to the conditions set forth in the Note Resolution. The pledge of Available Revenues under the Note Resolution constitutes a valid pledge of and charge and lien upon the Available Revenues, has attached and is effective, binding, and enforceable against SMUD, its successors, purchasers of any of the Available Revenues, creditors, and all others asserting rights therein to the extent set forth in, and in accordance with, the Note Resolution, irrespective of whether those parties have notice of the lien on, security interest in and pledge of the Available Revenues and without the need for any physical delivery, recordation, filing or further act.

SECTION 4. CONSENT TO SUPPLEMENT TO NOTE RESOLUTION.

Pursuant to Section 7.01 of the Note Resolution, the Bank hereby consents to Resolution No. 26-01-[_], First Supplemental Resolution (Supplemental to Resolution No. 22-02-07, adopted February 17, 2022), adopted by the Board of Directors of SMUD on January 15, 2026.

SECTION 5. MISCELLANEOUS.

Except as specifically amended hereby, the Agreement shall continue in full force and effect in accordance with its original terms. Reference to this specific Amendment need not be made in any note, document, agreement, letter, certificate, the Agreement or any communication issued or made subsequent to or with respect to the Agreement, it being hereby agreed that any reference to the Agreement shall be sufficient to refer to the Agreement, as hereby amended. In case any one or more of the provisions contained herein should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired hereby. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK AND APPLICABLE FEDERAL LAW; *PROVIDED, HOWEVER, THAT THE CAPACITY, POWER AND*

AUTHORITY OF SMUD TO ENTER INTO THIS AMENDMENT AND THE OBLIGATIONS OF SMUD HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA AND APPLICABLE FEDERAL LAW WITHOUT REGARD TO CHOICE OF LAW RULES.

This Amendment may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. This Amendment may be delivered by the exchange of signed signature pages by facsimile transmission or by e-mail with a pdf copy or other replicating image attached, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective officers hereunto duly authorized as of the Amendment Date.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

By: _____

Name:

Title:

[Signature Page to First Amendment to Revolving Credit Agreement]

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____

Name:

Title:

ANNEX A

Attached.

REVOLVING CREDIT AGREEMENT

dated as of February 1, 2022,

between

SACRAMENTO MUNICIPAL UTILITY DISTRICT

and

WELLS FARGO BANK, NATIONAL ASSOCIATION

relating to:

\$50,000,000

SACRAMENTO MUNICIPAL UTILITY DISTRICT,
TAXABLE AND TAX-EXEMPT REVOLVING NOTES
(WELLS FARGO REVOLVING CREDIT AGREEMENT)

REVOLVING CREDIT AGREEMENT

(This Table of Contents is not a part of this
Revolving Credit Agreement and is only
for convenience of reference)

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REVOLVING CREDIT AGREEMENT

This REVOLVING CREDIT AGREEMENT dated as of February 1, 2022 (together with all amendments, supplements and other modifications hereto, this “*Agreement*”), between SACRAMENTO MUNICIPAL UTILITY DISTRICT, a municipal utility district of the State of California (together with its successors and assigns, “*SMUD*”) and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association (together with its successors and assigns, the “*Bank*”).

WITNESSETH:

WHEREAS, pursuant to the authority granted by the laws of the State of California, particularly Articles 6a and 6b of Chapter 6 of the Municipal Utility Act (California Public Utilities Code Section 12850 *et seq.*), Chapter 7.5 of the Municipal Utility District Act (California Public Utilities Code Section 13371 *et seq.*) and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (California Government Code Section 53.80 *et seq.*), and Resolution No. 22-02-07, adopted by the Board of Directors of SMUD on February 17, 2022, as amended by Resolution No. 26-01-[__], adopted by the Board of Directors of SMUD on January [__], 2026 (collectively, the “*Note Resolution*”), SMUD authorized the issuance of its Taxable Revolving Note (Wells Fargo Revolving Credit Agreement) and Tax-Exempt Revolving Note (Wells Fargo Revolving Credit Agreement) in an aggregate principal amount not to exceed \$50,000,000 outstanding at any one time; and

WHEREAS, SMUD has requested the Bank to establish the Commitment and execute and deliver this Agreement and the Bank is prepared to establish the Commitment upon the terms and conditions stated in this Agreement;

Now, THEREFORE, in consideration of the agreements set forth herein and in order to induce the Bank to establish the Commitment and execute and deliver this Agreement, the Bank and SMUD agree as follows:

ARTICLE ONE

DEFINITIONS

Section 1.1. Definitions. As used in this Agreement:

“*Act*” means the Municipal Utility District Act, constituting Division 6 of the Public Utilities Code of the State of California, and all laws of the State of California amendatory thereof or supplemental thereto.

“*Affiliate*” means, as to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. A Person shall be deemed to be “controlled by” any other Person if such other Person possesses, directly or indirectly, power (a) to vote 10% or more of the securities (on a fully diluted basis) having ordinary

voting power for the election of directors or managing general partners; or (b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

“*Agreement*” has the meaning set forth in the introductory paragraph hereof.

“*Alternate Rate*” means, for any day, in the case of Taxable Loans, the Prime Rate and in the case of Tax-Exempt Loans, the product of (i) the Prime Rate and (ii) eighty percent (80%).

“*Alternate Rate Loan*” means any Loan bearing interest at a rate based upon the Alternate Rate as provided in Section 2.4(e) and/or 2.12 hereof.

“*Amortization End Date*” means, with respect to any Term Loan, the earliest to occur of: (i) the fifth (5th) anniversary of the Facility Maturity Date, and (ii) the date on which the Commitment could have been permanently reduced to zero or this Agreement is otherwise terminated, including as a result of the occurrence of an Event of Default (*provided, however*, that the occurrence of a Rating Event at any time shall not result in an Amortization End Date).

“*Amortization Payment Date*” means, with respect to each Term Loan, (a) the first Business Day to occur on or after the one hundred eightieth (180th) calendar day following the Facility Maturity Date and the first Business Day of each sixth (6th) calendar month occurring thereafter prior to the Amortization End Date and (b) the related Amortization End Date.

“*Anti-Corruption Laws*” means all laws, rules, and regulations of any jurisdiction from time to time concerning or relating to bribery or corruption, including the United States Foreign Corrupt Practices Act of 1977 and the rules and regulations thereunder and the U.K. Bribery Act 2010 and the rules and regulations thereunder.

“*Anti-Money Laundering Laws*” means any and all laws, statutes, regulations or obligatory government orders, decrees, ordinances or rules related to terrorism financing, money laundering, any predicate crime to money laundering or any financial record keeping, including any applicable provision of the PATRIOT Act and The Currency and Foreign Transactions Reporting Act (also known as the “Bank Secrecy Act,” 31 U.S.C. §§ 5311-5330 and 12 U.S.C. §§ 1818(s), 1820(b) and 1951-1959).

“*Authorized SMUD Representative*” means the Chief Executive Officer and General Manager of SMUD, any Member of the Executive Committee of SMUD, the Chief Financial Officer of SMUD, the Treasurer of SMUD and/or the Secretary of SMUD.

“*Available Revenues*” has the meaning set forth in the Note Resolution.

“*Bank*” has the meaning set forth in the introductory paragraph hereof.

“*Bank Affiliate*” means the Bank and includes, without limitation, Wells Fargo Municipal Capital Strategies, LLC, Wells Fargo Securities (a trade name) and such other Affiliates of the Bank as agreed to by the Bank and SMUD.

“*Bank Transferee*” has the meaning set forth in Section 7.3 hereof.

“*Bank Agreement*” means any credit agreement, direct purchase agreement, bond purchase agreement, liquidity agreement, standby bond purchase agreement, reimbursement agreement or other agreement or instrument (or any amendment, supplement or modification thereto) entered into by SMUD with any Person, directly or indirectly, or otherwise consented to by SMUD, under which any Person or Persons undertakes to directly purchase, make loans, extend credit or liquidity to SMUD in connection with any of SMUD’s Debt payable from or secured by a lien on Net Revenues senior to or on a parity with the Obligations.

“*Bank Rate*” means the rate of interest per annum with respect to any Term Loan (i) for any day commencing on the date such Term Loan is made to and including the ninetieth (90th) day next succeeding the date such Term Loan is made, equal to the Base Rate from time to time in effect, and (ii) for any day commencing on the ninety-first (91st) day next succeeding the date such Term Loan is made and at all times thereafter, equal to the sum of the Base Rate from time to time in effect *plus* one percent (1.0%); *provided, however*, that immediately and automatically upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuance of such Event of Default, “*Bank Rate*” shall mean the Default Rate.

“*Bank-Related Persons*” means the Bank, its Affiliates and the officers, directors, employees, agents and attorneys-in-fact of the Bank and Affiliates.

“*Base Rate*” means, for any day, a fluctuating rate of interest per annum equal to the greatest of (i) the Prime Rate in effect at such time *plus* one percent (1.00%), (ii) the Federal Funds Rate in effect at such time *plus* two percent (2.00%) and (iii) seven percent (7.00%)

“*Benchmark*” means, initially, Daily Simple SOFR; *provided, however*, that if a Benchmark Transition Event has occurred with respect to Daily Simple SOFR or the then-current Benchmark, then “*Benchmark*” means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior Benchmark pursuant to Section 2.12 hereof.

“*Benchmark Administrator*” means, initially, the SOFR Administrator, or any successor administrator of the then-current Benchmark or any insolvency or resolution official with authority over such administrator.

“*Benchmark Replacement*” means with respect to any Benchmark Transition Event, the sum of: (a) the alternate benchmark rate that has been selected by the Bank giving due consideration to (i) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement to the then-current Benchmark for U.S. dollar-denominated syndicated or bilateral credit facilities and (b) the related Benchmark Replacement Adjustment. Notwithstanding anything herein to the contrary, during any period of time while the Benchmark Replacement, determined as provided above, would be less than zero percent (0.0%), the Benchmark Replacement shall be deemed to be zero percent (0.0%).

“Benchmark Replacement Adjustment” means, with respect to any replacement of the then-current Benchmark with an Unadjusted Benchmark Replacement, the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Bank giving due consideration to (i) any selection or recommendation by the Relevant Governmental Body at such time of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated syndicated or bilateral credit facilities at such time.

“Benchmark Replacement Date” means the earlier to occur of the following events with respect to the then-current Benchmark:

- (a) in the case of clause (a) or (b) of the definition of “Benchmark Transition Event,” the later of (i) the SOFR Determination Day occurring on or after the date of the public statement or publication of information referenced therein and (ii) the SOFR Determination Day following the date on which the administrator of such Benchmark (or the published component used in the calculation thereof) permanently or indefinitely ceases to provide such Benchmark;
- (b) in the case of clause (c) of the definition of “Benchmark Transition Event,” the SOFR Determination Day occurring on or after the first date on which such Benchmark (or the published component used in the calculation thereof) has been determined and announced by or on behalf of the administrator of such Benchmark (or such component thereof) or the regulatory supervisor for the administrator of such Benchmark (or such component thereof) to be non-representative or non-compliant with or non-aligned with the International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks; provided that such non-representativeness, non-compliance or non-alignment will be determined by reference to the most recent statement or publication referenced in such clause (c) and even if such Benchmark (or such component thereof) continues to be provided on such date; or
- (c) in the case of clause (d) of the definition of “Benchmark Transition Event,” the SOFR Determination Day occurring on or after the first date that both (i) an alternate benchmark rate for purposes of the definition of “Benchmark Replacement” and (ii) a Benchmark Replacement Adjustment, have been selected by the Bank.

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to the then-current Benchmark:

- (a) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that such administrator has ceased or will cease to provide such Benchmark (or such component thereof), permanently or indefinitely, provided that, at

the time of such statement or publication, there is no successor administrator that will continue to provide such Benchmark (or such component thereof);

(b) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof), the Board of Governors of the Federal Reserve System, the Federal Reserve Bank of New York, an insolvency official with jurisdiction over the administrator for such Benchmark (or such component), a resolution authority with jurisdiction over the administrator for such Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark (or such component), which states that the administrator of such Benchmark (or such component) has ceased or will cease to provide such Benchmark (or such component thereof), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide such Benchmark (or such component thereof);

(c) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) or the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof), announcing that such Benchmark is not, or as of a specified future date will not be, representative or in compliance with or aligned with the International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks; or

(d) the failure of the Benchmark Administrator to publish the Benchmark (or the published component used in the calculation thereof) for the applicable tenor for a continuous period of thirty (30) U.S. Government Securities Business Days (notwithstanding any temporary “last print” concept in the definition of “SOFR” or any analogous replacement definition), provided that, there is then no successor administrator that will continue to provide such Benchmark (or such component thereof).

“Benchmark Transition Start Date” means, in the case of a related Benchmark Transition Event, the earlier of (a) the applicable Benchmark Replacement Date and (b) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication).

“Benchmark Unavailability Period” means the period (if any) (x) beginning at the time that a Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under each of the other Program Documents in accordance with Section 2.12 hereof and (y) ending at the time that a Benchmark Replacement has replaced the then-current Benchmark for all purposes of establishing SOFR.

“Beneficial Ownership Certification” means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

“Beneficial Ownership Regulation” means 31 CFR § 1010.230.

“Bonds” has the meaning set forth in the Master Bond Resolution.

“Borrowing” means the borrowing of a Loan, as requested in each Notice of Borrowing.

“Business Day” means a day which is not (a) a Saturday, Sunday or legal holiday on which banking institutions in Los Angeles, California or New York, New York are authorized by law to close, (b) a day on which the New York Stock Exchange or the Federal Reserve Bank is closed or (c) a day on which the principal offices of the Bank are closed.

“Cash Collateral” means, to pledge and deposit with, or deliver to the Bank, as collateral for L/C Obligations, cash or deposit account balances or, if the Bank shall agree, in its sole discretion, other credit support, in each case pursuant to documentation in form and substance reasonably satisfactory to the Bank. *“Cash Collateral”* shall have a meaning correlative to the foregoing and shall include the proceeds of such cash collateral and other credit support.

“Change in Law” means the occurrence, after the Closing Date, of any of the following: (a) the adoption or taking effect of any Law, rule, regulation or treaty, including, without limitation Risk-Based Capital Guidelines, (b) any change in any Law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, ruling, guideline, regulation or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, rulings, guidelines, regulations or directives thereunder or issued in connection therewith and (ii) all requests, rules, rulings, guidelines, regulations or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States of America or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a *“Change in Law,”* regardless of the date enacted, adopted or issued.

“Closing Date” means February 23, 2022, subject to the satisfaction (or waiver by the Bank) of all of the conditions precedent set forth in Section 3.1 hereof.

“Code” means the Internal Revenue Code of 1986, as amended, and any successor statute thereto, and the regulations promulgated thereunder.

“Commitment” means the amount of \$50,000,000, as such amount may be reduced from time to time or terminated pursuant to Sections 2.7, 2.8 and 6.2 hereof.

“Commitment Fee” has the meaning set forth in the Fee Agreement.

“Confidential Information” means any permitted redactable information regarding SMUD, the Bank or any Affiliate of the Bank including, without limitation, address and account information, e-mail addresses, telephone numbers, facsimile numbers, names and signatures of officers, employees and signatories.

“Conforming Changes” means, with respect to either the use or administration of SOFR (other than a Loan for which the Benchmark is Daily Simple SOFR) or the use, administration, adoption or implementation of any Benchmark Replacement, any technical, administrative or operational changes (including, without limitation, changes to the definition of “U.S. Government Securities Business Day,” the definition of “Business Day,” the timing and frequency of determining rates and making payments of interest, the timing of borrowing requests or prepayment, conversion or continuation notices, the applicability and length of lookback periods and other technical, administrative or operational matters) that the Bank decides may be appropriate to reflect the adoption and implementation of a Benchmark Replacement or to permit the use and administration of SOFR (other than a Loan for which the Benchmark is Daily Simple SOFR) or a Benchmark Replacement by the Bank in a manner substantially consistent with market practice (or, if the Bank decides that adoption of any portion of such market practice is not administratively feasible or if the Bank determines that no market practice for the administration of any such rate exists, in such other manner of administration as the Bank decides is reasonably necessary in connection with the administration of this Agreement and the other Program Documents).

“Credit Default” means any condition or event which with the giving of notice or lapse of time or both would, unless cured or waived, become a Credit Event of Default.

“Credit Event of Default” means any of those Events of Default set forth in Sections 6.1(a), 6.1(d), 6.1(e), 6.1(f), 6.1(g), 6.1(h), 6.1(i), 6.1(j), 6.1(k), 6.1(l), 6.1(m), 6.1(n), 6.1(o) and 6.1(p) hereof.

“Daily Simple SOFR” means, for any day (a “*SOFR Rate Day*”), a rate per annum equal to the greater of (a) SOFR for the day (such day, a “*SOFR Determination Day*”) that is five (5) U.S. Government Securities Business Days prior to (i) if such SOFR Rate Day is a U.S. Government Securities Business Day, such SOFR Rate Day or (ii) if such SOFR Rate Day is not a U.S. Government Securities Business Day, the U.S. Government Securities Business Day immediately preceding such SOFR Rate Day, in each case, as such SOFR is published by the SOFR Administrator on the SOFR Administrator’s Website; *provided* that if by 5:00 p.m. on the second (2nd) U.S. Government Securities Business Day immediately following any SOFR Determination Day, SOFR in respect of such SOFR Determination Day has not been published on the SOFR Administrator’s Website and a Benchmark Replacement Date with respect to Daily Simple SOFR has not occurred, then SOFR for such SOFR Determination Day will be SOFR as published in respect of the first preceding U.S. Government Securities Business Day for which such SOFR was published on the SOFR Administrator’s Website; *provided further* that SOFR as determined pursuant to this proviso shall be utilized for purposes of calculation of Daily Simple SOFR for no more than three (3) consecutive SOFR Rate Days and (b) zero percent (0.0%). Any change in Daily Simple SOFR due to a change in SOFR shall be effective from and including the effective date of such change in SOFR without notice to SMUD.

“Debt” means for any Person (without duplication) (i) all indebtedness created, assumed or incurred in any manner by such Person representing money borrowed (including by the issuance of debt securities), (ii) all obligations of such Person for the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business), (iii) all obligations secured by any Lien upon property of such Person, whether or not such Person has assumed or become liable for the payment of such obligations (other than collateralized commodity swaps the obligations under which are either (a) not secured by a Lien on Net Revenues or (b) secured by a Lien on Net Revenues subordinate to the Obligations), (iv) all obligations of such Person as lessee under leases (as determined under Governmental Accounting Standards Board Statement No. 87 *Leases*, or any successor guidance) shown on the liabilities side of the balance sheet of such Person, excluding any leases that (a) arise in connection with purchase agreements for power, gas, resource adequacy, capacity, renewable energy credits, energy storage, renewable energy, or other similar products or (b) are for operational or administrative purposes only and do not represent a financing transaction, (v) all obligations of such Person on or with respect to letters of credit, banker’s acceptances and other evidences of indebtedness representing extensions of credit whether or not representing obligations for borrowed money, (vi) certificates of participation evidencing an undivided ownership interest in payments made by such Person (A) as lessee under any lease of property which in accordance with generally accepted accounting principles would be required to be capitalized on the balance sheet of such Person, (B) as purchaser under an installment sale agreement or (C) otherwise as an obligor in connection therewith, and (vii) all Debt of any other Person of the kind referred to in clauses (i) through (vi) above which is guaranteed (regardless of form) directly or indirectly in any manner by such Person.

“Default” means any condition or event which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

“Default Rate” means a per annum rate of interest equal to the sum of the Base Rate from time to time in effect plus three percent (3.00%).

“Designated Jurisdiction” means any country or territory to the extent that such country or territory itself is the subject of any Sanction.

“Determination of Taxability” means and shall be deemed to have occurred on the first to occur of the following:

(i) on the date on which SMUD files any statement, supplemental statement or other tax schedule, return or document which discloses that an Event of Taxability shall have in fact occurred;

(ii) the date on which the Bank or any Noteholder or former Noteholder notifies SMUD that it has received a written opinion by a nationally recognized firm of attorneys of substantial expertise on the subject of tax-exempt municipal finance to the effect that an Event of Taxability shall have occurred unless, within one hundred eighty (180) days after receipt by SMUD of such notification from the Bank or such Noteholder or any former Noteholder, SMUD shall deliver to the Bank, the Noteholder and any former Noteholder a ruling or determination letter issued to or on behalf of SMUD by the Commissioner of the

Internal Revenue Service or the Director of Tax-Exempt Bonds of the Tax-Exempt and Government Entities Division of the Internal Revenue Service (or any other government official exercising the same or a substantially similar function from time to time, including an employee subordinate to one of these officers who has been authorized to provide such ruling or determination letter) or a written opinion of its Note Counsel to the effect that, after taking into consideration such facts as form the basis for the opinion that an Event of Taxability has occurred, an Event of Taxability shall not have occurred;

(iii) the date on which SMUD shall be advised in writing by the Commissioner of the Internal Revenue Service or the Director of Tax-Exempt Bonds of the Tax-Exempt and Government Entities Division of the Internal Revenue Service (or any other government official exercising the same or a substantially similar function from time to time, including an employee subordinate to one of these officers who has been authorized to provide such advice) that, based upon filings of SMUD, or upon any review or audit of SMUD or upon any other ground whatsoever, an Event of Taxability shall have occurred; or

(iv) the date on which SMUD shall receive notice from the Noteholder or any former Noteholder that the Internal Revenue Service (or any other government official or agency exercising the same or a substantially similar function from time to time) has assessed as includable in the gross income of the Bank, such Noteholder or such former Noteholder the interest on the Tax-Exempt Note or Tax-Exempt Loan due to the occurrence of an Event of Taxability;

provided, however, no Determination of Taxability shall occur under subparagraph (iii) or (iv) hereunder unless SMUD has been afforded the opportunity, at its expense, to contest any such assessment or opinion, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined; *provided further, however,* that upon demand from the Bank, such Noteholder or former Noteholder, SMUD shall promptly reimburse, the Bank, such Noteholder or former Noteholder for any payments, including any taxes, interest, penalties or other charges, the Bank, such Noteholder or former Noteholder shall be obligated to make as a result of the Determination of Taxability.

“*Dollars*” and the sign “\$” means lawful money of the United States of America.

“*Electric System*” has the meaning set forth in the Note Resolution.

“*ERISA*” means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute thereto.

“*Event of Default*” has the meaning set forth in Section 6.1 hereof.

“*Event of Taxability*” means a (i) change in Law or fact or the interpretation thereof, or the occurrence or existence of any fact, event or circumstance (including, without limitation, the taking of any action by SMUD, or the failure to take any action by SMUD, or the making by SMUD of any misrepresentation herein or in any certificate given in connection with the Tax-Exempt Note

or Tax-Exempt Loans) which has the effect of causing interest paid or payable on any Tax-Exempt Note or any Tax-Exempt Loan to become includable in the gross income of the Bank, the Noteholder or any former Noteholder for federal income tax purposes or (ii) the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service or SMUD of the Treasury, which decree, judgment or action shall be final under applicable procedural law, in either case, which has the effect of causing interest paid or payable on any Tax-Exempt Note or any Tax-Exempt Loan to become includable in the gross income of the Bank, the Noteholder or any former Noteholder for federal income tax purposes with respect to any Tax-Exempt Note or any Tax-Exempt Loan.

“*Excess Interest*” has the meaning set forth in Section 2.19 hereof.

“*Excluded Taxes*” means, with respect to the Bank, any Participant or any Noteholder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which the Bank, such Participant or such Noteholder is organized or in which its principal office is located, and (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which SMUD is located.

“*Extended Letter of Credit*” has the meaning set forth in Section 8.1(b) hereof.

“*Extensions of Credit*” means at any time, (a) an amount equal to the sum of (i) the aggregate principal amount of all Loans then outstanding, and (ii) the L/C Obligations then outstanding, or (b) the making of any Loan or the issuance of any Letter of Credit by the Bank, as the context requires.

“*Facility Maturity Date*” means **[March 30, 2029]**, or, if such day is not a Business Day, the next preceding Business Day.

“*Favorable Opinion of Note Counsel*” means a written opinion of Note Counsel, addressed to SMUD and the Bank to the effect that the new Benchmark Replacement will not, in and of itself, cause interest on the outstanding Tax-Exempt Loans to be included in gross income for purposes of federal income taxation.

“*Federal Funds Rate*” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; *provided* that: (a) if such day is not a Business Day, then the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day; and (b) if no such rate is so published on such next succeeding Business Day, then the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of one-hundredth of one percent) charged to the Bank on such day on such transactions as determined by the Bank. Notwithstanding anything herein to the contrary, if the Federal Funds Rate as determined as provided above would be less than zero percent (0.0%), then the Federal Funds Rate shall be deemed to be zero percent (0.0%).

“Fee Agreement” means that certain Amended and Restated Fee Agreement, dated the First Amendment Effective Date, between SMUD and the Bank, as the same may be amended, modified or supplemented from time to time by written instrument executed by the Bank and SMUD, the terms of which are incorporated herein by reference.

“First Amendment Effective Date” means [_____], 2026.

“Fiscal Year” means the twelve-month period commencing on January 1 of each year and ending on December 31 of the same calendar year or such other twelve-month period as SMUD may from time to time determine as its Fiscal Year.

“Fitch” means Fitch Ratings, Inc. and its successors, and if such Person shall for any reason no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any nationally recognized securities rating agency designated by SMUD that is acceptable to the Bank in its sole discretion.

“Government Acts” means any act or omission to act, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority.

“Governmental Authority” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including, without limitation, the Financial Conduct Authority, the Prudential Regulation Authority and any supra-national bodies such as the European Union or the European Central Bank); *provided, however,* that, for the purposes of Sections 2.16 and 2.17 hereof only, “*Governmental Authority*” means the government of the United States of America or any other nation or any political subdivision thereof or any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or European Central Bank), or any arbitrator, mediator or other Person with authority to bind a party at law.

“Indemnified Taxes” means Taxes other than Excluded Taxes.

“Interest Payment Date” means with respect to each Loan and each Term Loan, the tenth (10th) calendar day of each calendar month (with the first Interest Payment Date being March 10, 2022), the Facility Maturity Date and such earlier date on which all Loans and Term Loans are required to be paid in full in accordance with the terms hereof or, if applicable, on the Amortization End Date.

“ISP” means the International Standby Practices, International Chamber of Commerce Publication No. 590 (or such later version thereof as may be in effect at the applicable time).

“*Laws*” means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“*L/C Fee Rate*” has the meaning set forth in the Fee Agreement.

“*L/C Obligations*” means at any time, an amount equal to the sum of (a) the aggregate undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit which have not then been reimbursed pursuant to Section 8.5 hereof.

“*L/C Sublimit*” means the Commitment.

“*Letters of Credit*” means the collective reference to letters of credit issued pursuant to Section 8.1 hereof.

“*Letter of Credit Application*” means an application requesting the Bank to issue a Letter of Credit in the form specified by the Bank from time to time.

“*Letter of Credit Documents*” means with respect to any Letter of Credit, such Letter of Credit, the Letter of Credit Application, a letter of credit agreement or reimbursement agreement and any other document, agreement and instrument required by the Bank and relating to such Letter of Credit, in each case in the form specified by the Bank from time to time.

“*Lien*” means, with respect to any property, tangible or intangible, real or personal, any mortgage, lien, pledge, charge, security interest or other encumbrance of any kind in respect of such property.

“*Loan*” means a Loan to be made by the Bank in accordance with the applicable Notice of Borrowing. The term “*Loan*” means, individually, a Taxable Loan or a Tax-Exempt Loan and “*Loans*” means Taxable Loans or Tax-Exempt Loans, or a combination thereof, as applicable.

“*Majority Noteholder*” means the Noteholders with a majority of the aggregate ownership interest in Loans and Term Loans evidenced by the Taxable Note and Tax-Exempt Note from time to time. As of the Closing Date, Wells Fargo Bank, National Association, is the Majority Noteholder.

“*Master Bond Resolution*” means Resolution No. 6649 of SMUD, adopted on January 7, 1971, and amended and supplemented from time to time in accordance with the terms thereof.

“*Material Adverse Effect*” or “*Material Adverse Change*” means (a) with respect to SMUD, a material adverse effect upon SMUD’s business, assets, liabilities, financial condition,

results of operations or business prospects, and (b) with respect to SMUD's obligations under this Agreement, the Fee Agreement or any other SMUD Program Document, a material adverse effect upon (i) the binding nature, validity or enforceability of SMUD's obligations hereunder or thereunder, (ii) SMUD's ability to perform its obligations hereunder or thereunder or (iii) the rights, security or interests of the Bank.

“Maximum Federal Corporate Tax Rate” means, on any given day, the maximum rate of income taxation imposed on corporations pursuant to Section 11(b) of the Code, as in effect as of such day (or, if as a result of a change in the Code, the rate of income taxation imposed on corporations generally shall not be applicable to the Bank, the maximum statutory rate of federal income taxation which could apply to the Bank).

“Maximum Interest Rate” means the maximum interest rate on the Revolving Notes as provided in the Note Resolution, which initially shall be 12% per annum.

“Maximum Rate” means the maximum non-usurious lawful rate of interest permitted by applicable law.

“Minimum Collateral Amount” means, at any time, (a) with respect to Cash Collateral consisting of cash or deposit account balances provided in accordance with the provisions of Section 6.2(c) hereof, an amount equal to 105% of the aggregate outstanding amount of all L/C Obligations and (b) otherwise, an amount determined by the Bank in its sole discretion.

“Moody’s” means Moody’s Investors Service and its successors, and if such Person shall for any reason no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any nationally recognized securities rating agency designated by SMUD that is acceptable to the Bank in its sole discretion.

“Net Revenues” has the meaning set forth in the Master Bond Resolution.

“Net Subordinated Revenues” has the meaning set forth in the Subordinated Bond Resolution.

“Non-Bank Transferee” has the meaning set forth in Section 7.2(c) hereof.

“Non-Credit Event of Default” means those Events of Default set forth in Sections 6.1(b) and 6.1(c) hereof

“Noteholder” means the Bank and each Bank Transferee or Non-Bank Transferee pursuant to the terms hereof so long as such Bank Transferee or Non-Bank Transferee owns an interest in the Taxable Note or the Tax-Exempt Note, as applicable, and shall include any holder of Term Loans.

“Note Counsel” means Orrick Herrington & Sutcliffe LLP, or any other firm of attorneys nationally recognized on the subject of tax-exempt municipal finance selected by SMUD.

“*Note Resolution*” has the meaning set forth in the recitals hereof.

“*Notice of Borrowing*” has the meaning set forth in Section 2.2(a)(i) hereof.

“*Notice of Conversion*” has the meaning set forth in Section 2.2(a)(ii) hereof

“*Obligations*” means the Loans and Term Loans (which includes amounts owing to the Bank evidenced by and payable under the Revolving Notes), the Commitment Fees and all other obligations of SMUD to the Bank arising under or in relation to this Agreement, the Fee Agreement, the Letters of Credit or any of the other Program Documents (including any amounts to reimburse the Bank for any advances or expenditures by it under any of such documents).

“*Optional Termination Event*” means (i) a consolidation or merger of SMUD or the Electric System into another entity whereby either (a) as a result of such consolidation or merger, SMUD or the Electric System is not the surviving entity or (b) such consolidation or merger could reasonably be expected to result in a Material Adverse Effect, or (ii) the failure of SMUD to comply with generally accepted accounting principles applicable to governmental entities and such failure shall continue for a period of forty-five (45) consecutive days after SMUD has actual knowledge of such failure.

“*Parity Bonds*” has the meaning set forth in the Note Resolution.

“*Parity Notes*” has the meaning set forth in the Note Resolution.

“*Parity Notes Reimbursement Agreement*” has the meaning set forth in the Note Resolution.

“*Parity Subordinated Debt*” has the meaning set forth in the Note Resolution.

“*Participant*” has the meaning set forth in Section 7.3(b) hereof.

“*Participation*” has the meaning set forth in Section 7.3(b) hereof.

“*Payment Account*” means ABA: 121000248, Bank: Wells Fargo Bank, Account Number: 00698314050720, Account Name: Wires in Process, Address: Roanoke, Virginia, Reference/Originator to beneficiary info: Customer Name: Sacramento Municipal Utility District, Obligor: 8799472701, or such other account as the Bank may designate from time to time.

“*Person*” means an individual, a corporation, a partnership, an association, a limited liability company, an association, a joint venture, a trust, an unincorporated organization or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof.

“*Plan*” means a pension plan providing benefits for employees of any Person.

“Prime Rate” means on any day, the rate of interest per annum then most recently established by the Bank as its “prime rate.” Any such rate is a general reference rate of interest, may not be related to any other rate, and may not be the lowest or best rate actually charged by the Bank to any customer or a favored rate and may not correspond with future increases or decreases in interest rates charged by other lenders or market rates in general, and that the Bank may make various business or other loans at rates of interest having no relationship to such rate. If the Bank ceases to establish or publish a prime rate from which the Prime Rate is then determined, the applicable variable rate from which the Prime Rate is determined thereafter shall be instead the prime rate reported in The Wall Street Journal (or the average prime rate if a high and a low prime rate are therein reported), and the Prime Rate shall change without notice with each change in such prime rate as of the date such change is reported. Notwithstanding anything herein to the contrary, if the Prime Rate determined as provided above would be less than zero percent (0.0%), then the Prime Rate shall be deemed to be zero percent (0.0%).

“Program Documents” means this Agreement, the Revolving Notes, the Fee Agreement, the Note Resolution, the Letter of Credit Documents and any documents related thereto.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

“Rating” means, with respect to any Rating Agency, the lowest rating assigned by such Rating Agency to any senior lien, long-term Bonds (without regard to bond insurance or any other form of credit enhancement) of SMUD.

“Rating Agency” and *“Rating Agencies”* means, individually or collectively, as applicable, Moody’s, S&P and Fitch.

“Rating Event” means the occurrence of a downgrade by any Rating Agency of its long-term rating with respect to any senior lien, long-term Bonds (without regard to bond insurance or any other form of credit enhancement) of SMUD to a level below “Baa1” (or its equivalent) in the case of Moody’s, “BBB+” (or its equivalent) in the case of S&P or “BBB+” (or its equivalent) in the case of Fitch and such downgrade shall continue for a period of one hundred sixty (160) days.

“Recipient” means the Bank, each Participant, each Noteholder and any other recipient of any payment to be made by or on account of any obligation of SMUD hereunder.

“Reimbursement Obligations” means the obligation of SMUD to reimburse the Bank pursuant to Section 8.5 hereof for amounts drawn under Letters of Credit issued by the Bank.

“Reinstated Letter of Credit” has the meaning assigned thereto in Section 8.11(e) hereof.

“Relevant Governmental Body” means the Board of Governors of the Federal Reserve System and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Board of Governors of the Federal Reserve System and/or the Federal Reserve Bank of New York or any successor thereto.

“*Revenues*” has the meaning set forth in the Note Resolution.

“*Revolving Credit Period*” means the period from and including the Closing Date to and including the Termination Date.

“*Revolving Notes*” means the Taxable Note and the Tax-Exempt Note.

“*Risk-Based Capital Guidelines*” means (a) the risk-based capital guidelines in effect in the United States of America, including transition rules, and (b) the corresponding capital regulations promulgated by regulatory authorities outside the United States of America including transition rules, and any amendment to such regulations.

“*Sanctioned Country*” means at any time, a country, region or territory which is itself (or whose government is) the subject or target of any Sanctions (including, as of the Closing Date, Cuba, Iran, North Korea, Syria, Venezuela and Crimea).

“*Sanctioned Person*” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC (including OFAC’s Specially Designated Nationals and Blocked Persons List and OFAC’s Consolidated Non-SDN List), the U.S. Department of State, the United Nations Security Council, the European Union, any European member state, His Majesty’s Treasury, or other relevant sanctions authority, (b) any Person operating, organized or resident in a Sanctioned Country, (c) any Person owned or controlled by, or acting or purporting to act for or on behalf of, directly or indirectly, any such Person or Persons described in clauses (a) and (b), including a Person that is deemed by OFAC to be a Sanctions target based on the ownership of such legal entity by Sanctioned Person(s) or (d) any Person otherwise a target of Sanctions, including vessels and aircraft, that are designated under any Sanctions program.

“*Sanctions*” means any and all economic or financial sanctions, sectoral sanctions, secondary sanctions, trade embargoes and restrictions and anti-terrorism laws, including but not limited to those imposed, administered or enforced from time to time by the U.S. government (including those administered by OFAC or the U.S. Department of State), the United Nations Security Council, the European Union, any European member state, His Majesty’s Treasury, or other relevant sanctions authority in any jurisdiction in which (a) SMUD or any of its Subsidiaries or Affiliates is located or conducts business, (b) in which any of the proceeds of the Extensions of Credit will be used, or (c) from which repayment of the Extensions of Credit will be derived.

“*S&P*” means S&P Global Ratings, and its successors, and if such division shall for any reason no longer perform the functions of a securities rating agency, “*S&P*” shall be deemed to refer to any other nationally recognized securities rating agency designated by SMUD that is acceptable to the Bank in its sole discretion.

“*SMUD*” has the meaning set forth in the introductory paragraph hereof.

“*SMUD Board*” means the board of directors of SMUD.

“*SMUD Program Documents*” means the Program Documents to which SMUD is a party (including, without limitation, the Note Resolution).

“*SOFR*” means a rate equal to the secured overnight financing rate as administered by the SOFR Administrator.

“*SOFR Administrator*” means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

“*SOFR Administrator’s Website*” means the website of the Federal Reserve Bank of New York, currently at <http://www.newyorkfed.org>, or any successor source for the secured overnight financing rate identified as such by the SOFR Administrator from time to time.

“*SOFR Determination Day*” has the meaning specified in the definition of “Daily Simple SOFR”.

“*SOFR Rate Day*” has the meaning specified in the definition of “Daily Simple SOFR”.

“*State*” means the State of California.

“*Subordinated Bond Resolution*” means Resolution No. 85-11-1 of SMUD, duly adopted at a meeting of SMUD on November 7, 1985, as amended and restated by Resolution No. 01 06 10 of SMUD, duly adopted at a meeting of SMUD on June 21, 2001, and amended and supplemented from time to time in accordance with the terms thereof.

“*Subordinated Bonds*” has the meaning set forth in the Note Resolution.

“*Subsidiary*” means as to any Person, any corporation, partnership, limited liability company or other entity of which more than fifty percent (50%) of the outstanding equity interests having ordinary voting power to elect a majority of the board of directors (or equivalent governing body) or other managers of such corporation, partnership, limited liability company or other entity is at the time owned by (directly or indirectly) or the management is otherwise controlled by (directly or indirectly) such Person (irrespective of whether, at the time, equity interests of any other class or classes of such corporation, partnership, limited liability company or other entity shall have or might have voting power by reason of the happening of any contingency). Unless otherwise qualified, references to “*Subsidiary*” or “*Subsidiaries*” herein shall refer to those of SMUD.

“*Swap Contract*” means any and all interest rate swap transactions or any other similar interest rate hedging transactions that hedge the interest rate on securities or other obligations issued by or on behalf of SMUD (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement.

“*Taxable Applicable Spread*” has the meaning set forth in the Fee Agreement.

“Taxable Daily SOFR Rate” means a per annum rate of interest equal to the sum of the Taxable Applicable Spread *plus* Daily Simple SOFR. The Taxable Daily SOFR Rate shall be rounded upwards to the fifth decimal place. Upon the occurrence and during the continuance of an Event of Default the Taxable Daily SOFR Rate shall equal the Default Rate.

“Taxable Date” means the date on which interest on any Tax-Exempt Loan or Tax-Exempt Note is first includable in the gross income of any holder thereof (including, without limitation, the Bank) as a result of an Event of Taxability as such date is established pursuant to a Determination of Taxability.

“Taxable Loan” means a Loan that is identified as a Taxable Loan in the Notice of Borrowing or Notice of Conversion, or a Term Loan that refunded one or more Loans which were Taxable Loans.

“Taxable Note” means the replacement Sacramento Municipal Utility District Taxable Revolving Note (Wells Fargo Revolving Credit Agreement), such note to be executed and delivered to the Bank on the First Amendment Effective Date in the form of Exhibit A attached hereto with appropriate insertions, executed and delivered by SMUD, as the same may be amended, modified, restated or supplemented from time to time by written instrument executed by the Bank and SMUD.

“Taxable Period” has the meaning set forth in Section 2.13 hereof.

“Taxable Rate” means, with respect to a Taxable Period, the product of (i) the interest rate on the applicable Tax-Exempt Loan or Tax-Exempt Note during such period and (ii) the quotient of (A) one divided by (B) one minus the then current Maximum Federal Corporate Tax Rate.

“Tax-Exempt Applicable Spread” has the meaning set forth in the Fee Agreement.

“Tax-Exempt Daily SOFR Rate” means a per annum rate of interest equal to sum of (a) the Tax-Exempt Applicable Spread plus (b) the product of (i) Daily Simple SOFR multiplied by (ii) 0.80. The Tax-Exempt Daily SOFR Rate shall be rounded upwards to the fifth decimal place. Upon the occurrence and during the occurrence of an Event of Default the Tax-Exempt Daily SOFR Rate shall equal the Default Rate.

“Tax-Exempt Loan” means a Loan that is identified as a Tax-Exempt Loan in the Notice of Borrowing, or a Term Loan that refunded one or more Loans which were Tax-Exempt Loans.

“Tax-Exempt Note” means the replacement Sacramento Municipal Utility District Tax-Exempt Revolving Note (Wells Fargo Revolving Credit Agreement), such note to be executed and delivered to the Bank on the First Amendment Effective Date in the form of Exhibit B attached hereto with appropriate insertions, executed and delivered by SMUD, as the same may be amended, modified, restated or supplemented from time to time by written instrument executed by the Bank and SMUD.

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, fines, additions to tax or penalties applicable thereto.

“Term Loans” has the meaning set forth in Section 2.22(a) hereof.

“Termination Date” means the Facility Maturity Date or, if earlier, the date on which the Commitment is terminated or permanently reduced to zero in accordance with the terms hereof.

“U.S. Government Securities Business Day” means any day except for (i) a Saturday, (ii) a Sunday or (iii) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities; *provided*, that for purposes of notice requirements in Section 2.2, in each case, such day is also a Business Day.

“Unadjusted Benchmark Replacement” means the applicable Benchmark Replacement excluding the related Benchmark Replacement Adjustment.

“2020 Financial Statements” means the audited financial statements of SMUD for the Fiscal Year ended December 31, 2020.

Section 1.2. Incorporation of Certain Definitions by Reference. Each capitalized term used herein and not otherwise defined herein shall have the meaning provided therefor in the Note Resolution and, if not defined therein, in the Master Bond Resolution or the Subordinated Bond Resolution, as applicable.

Section 1.3. Accounting Terms and Determinations. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles.

Section 1.4. Interpretation. The following rules shall apply to the construction of this Agreement and the Fee Agreement unless the context requires otherwise: (a) the singular includes the plural, and the plural the singular; (b) words importing any gender include the other gender and the neuter gender; (c) references to statutes are to be construed as including all statutory provisions consolidating, and all regulations promulgated pursuant to, such statutes; (d) references to “writing” include printing, photocopy, typing, lithography and other means of reproducing words in a tangible visible form; (e) the words “including,” “includes” and “include” shall be deemed to be followed by the words “without limitation”; (f) references to the introductory paragraph, recitals, articles, sections (or clauses or subdivisions of sections), exhibits, appendices, annexes or schedules are to those of this Agreement unless otherwise indicated; (g) references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications to such instruments, but only to the extent that such amendments and other modifications are permitted or not prohibited by the terms of this Agreement; (h) article and section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose; and (i) unless otherwise indicated, references to Persons include their respective permitted successors and assigns.

Section 1.5. Rates. The Bank does not warrant or accept any responsibility for, and shall not have any liability with respect to (a) the continuation of, administration of, submission of, calculation of or any other matter related to the Benchmark, any component definition thereof or rates referred to in the definitions thereof or with respect to any alternative, successor or replacement rate thereto (including any Benchmark Replacement), including whether the composition or characteristics of any such alternative, successor or replacement rate (including any Benchmark Replacement) will be similar to, or produce the same value or economic equivalence of, or have the same volume or liquidity as, the Benchmark, the Tax-Exempt Daily SOFR Rate or the Taxable Daily SOFR Rate or any other Benchmark, the Tax-Exempt Daily SOFR Rate or the Taxable Daily SOFR Rate prior to its discontinuance or unavailability, or (b) the effect, implementation or composition of any Conforming Changes. To the extent permitted by law, the Bank and its affiliates or other related entities may engage in transactions that affect the calculation of the Benchmark, the Tax-Exempt Daily SOFR Rate or the Taxable Daily SOFR Rate any alternative, successor or replacement rate (including any Benchmark Replacement) or any relevant adjustments thereto, in each case, in a manner adverse to SMUD. The Bank may select information sources or services in its reasonable discretion to ascertain the Benchmark, any component definition thereof or rates referred to in the definitions thereof, in each case pursuant to the terms of this Agreement, and shall have no liability to SMUD or any other person or entity for damages of any kind, including direct or indirect, special, punitive, incidental or consequential damages, costs, losses or expenses (whether in tort, contract or otherwise and whether at law or in equity), for any error or calculation of any such rate (or component thereof) provided by any such information source or service.

ARTICLE TWO

THE CREDIT

Section 2.1. Commitment to Lend.

(a) *Loans.* During the Revolving Credit Period, the Bank agrees, on the terms and conditions set forth in this Agreement, to make revolving loans to SMUD pursuant to this Section from time to time in amounts such that the aggregate principal amount of Loans by the Bank at any one time outstanding shall not exceed the amount of the Commitment; *provided, however,* that after giving effect to any Borrowing, the outstanding Extensions of Credit shall not exceed the Commitment. Within the foregoing limit and subject to the terms and conditions of Section 2.2 hereof, SMUD may borrow under this subsection (a), repay or, to the extent permitted by Section 2.9 hereof, prepay, the Loans and re-borrow at any time during the Revolving Credit Period under this subsection (a).

(b) *Extension of Revolving Credit Period.* (i) No later than 90 days prior to the Facility Maturity Date, SMUD may request the Bank to extend the then current Facility Maturity Date for a period as agreed to by SMUD and the Bank. If the Bank, in its sole discretion, elects to extend the Facility Maturity Date then in effect, they shall deliver to SMUD within 30 days of receiving a request, a written notice of extension (herein referred to as a “*Notice of Extension*”) designating the date to which the Facility Maturity Date is being extended. Such extension of the Facility Maturity Date shall be effective, after receipt of such Notice of Extension, on the Business Day

following the date of delivery of such Notice of Extension, and thereafter all references in this Agreement to the Facility Maturity Date shall be deemed to be references to the date designated as such in the most recent Notice of Extension delivered to SMUD. Any date to which the Facility Maturity Date has been extended in accordance with this Section 2.1(b) may be extended in like manner. If the Bank fails to provide SMUD with a Notice of Extension as provided hereinabove, the Bank shall be deemed not to have consented to SMUD's request. The Bank shall use commercially reasonable efforts to promptly notify SMUD if it will not extend the Facility Maturity Date, but the Bank's failure to do so shall be deemed a denial of the extension request.

(ii) Notwithstanding the foregoing, it is understood and agreed that the foregoing provisions are intended for the convenience of the parties only and shall in no respect prohibit the parties from agreeing to extend the Revolving Credit Period under other circumstances or at other times. In the event the Revolving Credit Period is extended under any other circumstances, the Bank shall give prompt written notice thereof to SMUD.

(iii) If the Revolving Credit Period is extended, whether pursuant to subsection (i) above or otherwise, such extension shall be conditioned upon the prompt preparation, execution and delivery of documentation, satisfactory to SMUD and the Bank and their respective counsel.

Section 2.2. Method of Borrowing, Continuing or Converting Loans; Account to Which Proceeds of Loans to Be Credited. (a)(i) In the case of any Borrowing, SMUD shall give the Bank notice in the form of Exhibit C hereto, executed by an Authorized SMUD Representative (a "Notice of Borrowing"), and SMUD shall telephonically confirm the Bank's receipt of such Notice of Borrowing, by not later than 11:00 a.m. (Pacific time) on any Business Day, specifying:

(A) the date of such Borrowing, which shall be a Business Day during the Revolving Credit Period that is at least two (2) U.S. Government Securities Business Days following the Bank's receipt of such Notice of Borrowing,

(B) the aggregate amount of such Borrowing (which shall not exceed the difference between (i) the amount of the Commitment and (ii) the aggregate principal amount of Loans then outstanding),

(C) whether such Borrowing will be a Taxable Loan or a Tax-Exempt Loan, and

(D) that the following items are attached and delivered to Note Counsel, if the Borrowing is a Tax-Exempt Loan, a tax certificate or supplement to an existing tax certificate, including a completed Form 8038-G, relating to such Borrowing, in each case in a form acceptable to Note Counsel.

(ii) SMUD may convert any Tax-Exempt Loan to a Taxable Loan, only upon two (2) U.S. Government Securities Business Days prior written notice by giving appropriate notice to the Bank prior to 11:00 a.m., (Pacific time), on such required prior U.S. Government Securities Business Day in the form of Exhibit D hereto with blanks appropriately completed (each, a "Notice of Conversion").

(b) Subject to the provisions of subsection (a) of this Section 2.2, by not later than 3:00 p.m. (Pacific time) on the date of each Borrowing, the Bank shall, subject to satisfaction of the requirements of Section 2.2 and Article Three hereof, wire transfer, in federal or other immediately available funds, the proceeds of such Borrowing to SMUD on the Borrowing date specified in the Notice of Borrowing, so long as such Borrowing date occurs during the Revolving Credit Period and is at least two (2) U.S. Government Securities Business Days following the Bank's receipt of such Notice of Borrowing, as specified in such Notice of Borrowing, in immediately available funds, an amount equal to the Loan thereby requested. The Bank shall wire transfer, in federal or other immediately available funds, the proceeds of such Borrowing to the following account: Account Name: SMUD General Account, Bank Name: Bank of America, ABA Number: 026 009 593, Account Number: 01488-80182; *provided, however,* that SMUD may, from time to time, change such account by written notice to the Bank, executed by an Authorized SMUD Representative, given to the Bank at its address referred to in Section 7.2 hereof.

(c) The Bank shall not be obligated to honor more than one Borrowing with respect to a Taxable Loan or more than one Borrowing with respect to a Tax-Exempt Loan on any Business Day.

(d) Each Loan shall be in the principal amount requested by SMUD pursuant to each notice in the form of Exhibit C hereto but in any event in a minimum principal amount of \$100,000 or such greater amount which is an integral multiple of \$100,000 in excess thereof.

Section 2.3. Maturity of Loans and Term Loans. (a) Each Loan included in any Borrowing shall mature, and the principal amount thereof (together with all accrued and unpaid interest therein) shall be due and payable by SMUD, on the Facility Maturity Date or such earlier date on which all Loans or the related Loans become due and payable in accordance with the terms hereof.

(b) The Term Loans shall mature, and the principal amount thereof (together with all accrued and unpaid interest thereon) shall be due and payable by SMUD, on the Amortization End Date or such earlier date on which all Term Loans become due and payable in accordance with the terms hereof.

Section 2.4. Interest Rates. (a) Subject to subsections (d) and (e) below, and Section 2.15 hereof, each Loan (other than a Term Loan) which is a Taxable Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is advanced until it is paid in full, at a rate per annum equal to the Taxable Daily SOFR Rate, and such interest shall be payable by SMUD on each Interest Payment Date and on the Termination Date.

(b) Subject to subsections (d), (e) and (f) below, and Section 2.15 hereof, each Loan (other than a Term Loan) which is a Tax-Exempt Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is advanced until it is paid in full, at a rate per annum equal to the Tax-Exempt Daily SOFR Rate, and such interest shall be payable by SMUD on each Interest Payment Date and on the Termination Date.

(c) Interest on the Tax-Exempt Loans is to be excluded from gross income for federal income tax purposes. Interest on Taxable Loans, Alternate Rate Loans and other amounts owing hereunder (other than Tax-Exempt Loans) is to be includable in the Bank's gross income for federal income tax purposes.

(d) The Bank shall determine the applicable interest rate for the Loans on each SOFR Determination Day while such Loan is outstanding. Interest on each Loan shall accrue each day such Loan is outstanding commencing on and including the date such Loan is advanced by the Bank hereunder until such Loan is paid in full. The Bank will send SMUD a hyperlink to the SOFR Administrator's Website, as such hyperlink may be updated from time to time. Notwithstanding the foregoing, (i) with respect to a Loan designated to bear interest with respect to the Taxable Daily SOFR Rate that is advanced pursuant to new Borrowing, the rate for such Loan shall be the same rate as for all outstanding Loans bearing interest with respect to the Taxable Daily SOFR Rate and (ii) with respect to a Loan designated to bear interest with respect to the Tax-Exempt Daily SOFR Rate that is advanced pursuant to new Borrowing, the rate for such Loan shall be the same rate as for all outstanding Loans bearing interest with respect to the Tax-Exempt Daily SOFR Rate.

(e) *Circumstances Affecting Benchmark Availability.* (i) Subject to Section 2.12 hereof, if for any reason (A) the Bank shall determine (which determination shall be conclusive and binding absent manifest error) that reasonable and adequate means do not exist for ascertaining Daily Simple SOFR pursuant to the definition thereof or (B) the Bank shall determine (which determination shall be conclusive and binding absent manifest error) that Daily Simple SOFR does not adequately and fairly reflect the cost to the Bank of making or maintaining such Loans, then, in each case, the Bank shall promptly give notice thereof to SMUD; *provided, however,* that the Bank will advise SMUD of (B) immediately above only in the event that a similar determination would be made with respect to similarly situated issuers under similar circumstances, as such circumstances are determined by the Bank in the Bank's commercially reasonable discretion. Upon notice thereof by the Bank to SMUD, any obligation of the Bank to make Loans shall be suspended (to the extent of the affected Loans) until the Bank revokes such notice. Upon receipt of such notice, (x) SMUD may revoke any pending request for a borrowing of Loans (to the extent of the affected Loans) or, failing that, SMUD will be deemed to have converted any such request into a request for a borrowing of or conversion to Alternate Rate Loans in the amount specified therein and (y) any outstanding affected Loans will be deemed to have been converted into Alternate Rate Loans immediately. Upon any such prepayment or conversion, SMUD shall also pay accrued interest on the amount so prepaid or converted.

(ii) *Laws Affecting SOFR Availability.* If, after the date hereof, the introduction of, or any change in, any applicable law or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any request or directive (whether or not having the force of law) of any such Governmental Authority, central bank or comparable agency, shall make it unlawful or impossible for the Bank to honor its obligations hereunder to make or maintain any Loan, or to determine or charge interest based upon SOFR or Daily Simple SOFR, the Bank shall promptly give notice to SMUD (an "*Illegality Notice*"). Thereafter, until the Bank notifies SMUD that

the circumstances giving rise to such determination no longer exist, any obligation of the Bank to make Loans shall be suspended. Upon receipt of an Illegality Notice, if necessary to avoid such illegality and upon demand from the Bank, (A) SMUD may, at its option, prepay all Loans or (B) if not prepaid at SMUD's option, SMUD shall convert all Loans to Alternate Rate Loans, on the Interest Payment Date therefor, if the Bank may lawfully continue to maintain such Loans to such day, or immediately, if the Bank may not lawfully continue to maintain such Loans to such day. Upon any such prepayment or conversion, SMUD shall also pay accrued interest on the amount so prepaid or converted.

(iii) The Bank shall use commercially reasonable efforts to provide ninety (90) days' advance notice of the events and/or conditions set forth in this Section 2.4(e); *provided, however*, that (A) since the timing of such events are not within the Bank's sole control, SMUD acknowledges and agrees that it may be impossible for the Bank to determine if such events are occurring ninety (90) days before they occur and, in such case, the Bank shall use commercially reasonable efforts to provide such notice as soon as reasonably possible and (B) the failure of the Bank to provide any such notice shall not affect the effectiveness of the terms and conditions of this Section 2.4(e).

(f) Upon a Determination of Taxability, all Tax-Exempt Loans shall bear interest at the Taxable Rate.

(g) Subject to Section 2.15 hereof, the Term Loans shall bear interest on the outstanding principal amount thereof, for each date from the date of extension of such Term Loan until it becomes due, at a rate per annum equal to the Bank Rate. Such interest shall be payable by SMUD on each Interest Payment Date and on the Amortization End Date (or such earlier date on which all Term Loans become due and payable in accordance with the terms hereof).

Section 2.5. Fees. (a) SMUD hereby agrees to pay and perform its obligations provided for in the Fee Agreement, including the payment by SMUD to the Bank of the nonrefundable Commitment Fees and the other fees, expenses and payments described in the Fee Agreement at the times, on the dates and in the amounts specified in the Fee Agreement, the terms of such Fee Agreement being incorporated herein by reference as if fully set forth herein. Any references herein or in any other document to the Commitment Fee and such other fees, expenses and payments owed to the Bank hereunder without specific reference to the Fee Agreement shall be read so as to include the Fee Agreement, and any reference to this Agreement shall be deemed to include a reference to the Fee Agreement. The Fee Agreement and this Agreement shall be construed as one agreement between SMUD and the Bank and all obligations under the Fee Agreement shall be construed as obligations hereunder.

(b) If SMUD shall fail to pay any amount payable hereunder and/or under the Fee Agreement as and when due, each such unpaid amount shall bear interest for each day from and including the date it was due until paid in full at the applicable Default Rate and shall be payable by SMUD on demand.

(c) SMUD shall pay within thirty (30) days after demand any amounts advanced by or on behalf of the Bank to the extent required to cure any Default, Event of Default or event of nonperformance hereunder or any Program Document, together with interest at the Default Rate.

Section 2.6. The Revolving Notes. (a) All Taxable Loans and other Obligations (other than Tax-Exempt Loans) shall be made against and evidenced by the Taxable Note. All Taxable Loans and other Obligations (other than Tax-Exempt Loans) and all payments and prepayments on account of the principal of and interest on each Taxable Loan and other Obligation (other than Tax-Exempt Loans) shall be recorded by the Bank on its books and records, which books and records shall, absent manifest error, be conclusive as to amounts payable by SMUD hereunder and under the Taxable Note.

(b) All Tax-Exempt Loans shall be made against and evidenced by the Tax-Exempt Note. All Tax-Exempt Loans and all payments and prepayments on account of the principal of and interest on each Tax-Exempt Loan shall be recorded by the Bank on its books and records, which books and records shall, absent manifest error, be conclusive as to amounts payable by SMUD hereunder and under the Tax-Exempt Note.

(c) SMUD's obligations to repay each Loan and Term Loan and to pay interest thereon as provided herein shall be evidenced and secured by the related Revolving Note, and SMUD shall pay amounts under the related Revolving Note on each date on which SMUD is required to make a principal payment on the related Loan or Term Loan, as applicable, in an amount equal to the Loan or Term Loan, as applicable, payment due on such date. The payment of the principal of and interest on a Revolving Note shall constitute payment of the principal of and interest on the related Loans or Term Loan, as applicable, and the payment of the principal of and interest on the Loans or Term Loan, as applicable, shall constitute the payment of principal and interest on the related Revolving Note and the failure to make any payment on any Loan or Term Loan, as applicable, when due shall be a failure to make a payment on the related Revolving Note and the failure to make any payment on the related Revolving Note when due shall be a failure to make a payment on the related Loan or Term Loan, as applicable.

Section 2.7. Optional Termination or Reduction of Commitment. During the Revolving Credit Period, SMUD may, upon at least three Business Days' notice to the Bank, (i) terminate the Commitment at any time, if no Loans are outstanding at such time, or (ii) reduce the Commitment from time to time by an aggregate amount of \$1,000,000 or any larger integral multiple of \$100,000, *provided*, that, after giving effect to such reduction of the Commitment, the Commitment shall be not less than the amount of the aggregate outstanding principal amount of the Loans.

Section 2.8. Mandatory Termination or Reduction of Commitment. (a) The Commitment shall terminate on the Termination Date, and any Loans then outstanding (together with accrued interest thereon and all other amounts payable hereunder) shall be due and payable on such date, unless such Loans are converted to Term Loans as provided in Section 2.22 hereof.

(b) If at any time an Event of Default shall have occurred and be continuing, the Bank may deliver a written notice to that effect to SMUD, and the Commitment shall immediately terminate.

(c) In the event and on such occasion that the principal amount of outstanding Extensions of Credit exceeds the Commitment, SMUD shall prepay the Loans or otherwise reduce the outstanding Extensions of Credit in an aggregate amount equal to such excess.

Section 2.9. Optional Prepayments. SMUD may, upon at least one Business Days' notice to the Bank, prepay any Borrowing in whole at any time, or from time to time in part in amounts aggregating \$1,000,000 or any larger integral multiple of \$100,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment.

Section 2.10. General Provisions as to Payments. SMUD shall make each payment of the principal of, and interest on, the Loans and Term Loans and of fees hereunder and under the Fee Agreement, not later than 1:00 p.m. (Pacific time) on the date when due, in federal or other funds immediately available in Los Angeles, to the Bank at the Payment Account.

Section 2.11. Computation of Interest and Fees. Interest with respect to Loans bearing interest at the Tax-Exempt Daily SOFR Rate or the Taxable Daily SOFR Rate and fees shall be calculated on the basis of a 360-day year based upon the actual number of days elapsed and interest with respect to Alternate Rate Loans and Term Loans shall be calculated on the basis of a 365 or 366 day year, as applicable, and the actual number of days elapsed.

Section 2.12. Benchmark Replacement. Notwithstanding anything to the contrary contained in this Agreement or in any other Program Document, SMUD and Bank agree as follows:

(a) *Benchmark Replacement.* Notwithstanding anything to the contrary herein or in any other Program Document (for the purposes of this Section 2.12(a), a swap agreement is not a Program Document), upon the occurrence of a Benchmark Transition Event with respect to any Benchmark, the Bank shall determine the Benchmark Replacement to calculate SOFR for all purposes of this Agreement and the other Program Documents. The Benchmark Replacement shall be used to compute SOFR on and after the SOFR Determination Day which first occurs on or after the fifth (5th) Business Day after SMUD is provided with notice as described in Section 2.12(c) hereof. No replacement of a Benchmark with a Benchmark Replacement pursuant to this Section 2.12(a) will occur prior to the applicable Benchmark Transition Start Date. Any Benchmark Replacement will become effective on the applicable Benchmark Replacement Date without any further action or consent of SMUD.

(b) *Benchmark Replacement Conforming Changes.* In connection with the adoption, implementation, use and administration of any Benchmark Replacement, the Bank will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Program Document, any amendments implementing such Conforming Changes will become effective without any further action or consent of SMUD or any other party hereto or to any other Program Document.

(c) *Notices; Standards for Decisions and Determinations.* The Bank will promptly notify SMUD of (i) the occurrence of any Benchmark Transition Event and the related Benchmark Transition Start Date, (ii) the applicable Benchmark Replacement determined by the Bank with respect to such Benchmark Transition Event and (iii) the effectiveness of any Conforming Changes in connection with the use, administration, adoption or implementation of a Benchmark Replacement. The Bank shall use commercially reasonable efforts to provide the notices set forth in the immediately preceding sentence ninety (90) days prior to the Benchmark Transition Start Date; *provided, however,* that (i) since the timing of such events are not within the Bank's sole control, SMUD acknowledges and agrees that it may be impossible for the Bank to determine if such events are occurring ninety (90) days prior to the Benchmark Transition Start Date and, in such case, the Bank shall use commercially reasonable efforts to provide such notice as soon as reasonably possible and (ii) the failure of the Bank to provide any such notice shall not affect the effectiveness of the terms and conditions of this Section 2.12. Any determination, decision or election that may be made by the Bank pursuant to this Section 2.12(c), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and may be made in the Bank's sole discretion and without consent SMUD or any other party hereto or to any other Program Document.

(d) *Benchmark Unavailability Period.* During a Benchmark Unavailability Period, the Benchmark shall be the Alternate Rate. Upon the commencement of a Benchmark Unavailability Period, SMUD may revoke any pending request for a Borrowing hereunder.

(e) *Favorable Opinion of Note Counsel.* If any Tax-Exempt Loan or Tax-Exempt Loans are then outstanding, SMUD shall cause a Favorable Opinion of Note Counsel to be delivered each time a new Benchmark Replacement is determined for calculation of the Tax-Exempt Daily SOFR Rate.

Section 2.13. Determination of Taxability. (i) In the event a Determination of Taxability occurs, SMUD hereby agrees to pay to the Bank and each Noteholder within thirty (30) days of demand therefor (1) an amount equal to the difference between (A) the amount of interest that would have been paid to the Bank and such Noteholder on the Tax-Exempt Note or Tax-Exempt Loan, without duplication, during the period for which interest on the such Tax-Exempt Note or Tax-Exempt Loan is included in the gross income of the Bank and such Noteholder if the Tax-Exempt Note or Tax-Exempt Loan had borne interest at the Taxable Rate, beginning on the Taxable Date (the "Taxable Period"), and (B) the amount of interest actually paid to the Bank and such Noteholder during the Taxable Period, and (2) an amount equal to any interest, penalties or charges owed by the Bank and such Noteholder as a result of interest on the Tax-Exempt Note or Tax-Exempt Loan becoming included in the gross income of the Bank and such Noteholder, together with any and all reasonable attorneys' fees, court costs, or other reasonable out-of-pocket costs incurred by the Bank and such Noteholder in connection therewith;

(ii) Subject to the provisions of clause (iii) below, the Bank and such Noteholder shall afford SMUD the opportunity, at SMUD's sole cost and expense, to contest (1) the validity of any amendment to the Internal Revenue Code which causes the interest on the Tax-Exempt Note or

Tax-Exempt Loan to be included in the gross income of Bank and such Noteholder or (2) any challenge to the validity of the tax exemption with respect to the interest on the Tax-Exempt Note or Tax-Exempt Loan, including the right to direct the necessary litigation contesting such challenge (including administrative audit appeals); *provided* that, in no event shall the Bank or a Noteholder be required to make available its tax returns (or any other information relating to its taxes that it deems confidential) to SMUD or any other Person; and

(iii) As a condition precedent to the exercise by SMUD of its right to contest set forth in clause (ii) above, SMUD shall, upon reasonable demand, within thirty (30) days, reimburse the Bank and such Noteholder for any and all reasonable expenses (including reasonable attorneys' fees for services that may be required or desirable, as determined by the Bank and such Noteholder in its reasonable discretion) that may be incurred by the Bank and such Noteholder in connection with any such contest, and shall, within thirty (30) days from demand, reimburse Bank and such Noteholder for any and all penalties or other charges payable by the Bank or such Noteholder for failure to include such interest in its gross income.

(iv) Without prejudice to the survival of any other agreement of SMUD hereunder, the agreements and obligations of SMUD contained in this Section 2.13 shall survive the termination of this Agreement and the payment in full of the Obligations of SMUD thereunder and hereunder.

Section 2.14. Payment Due on Non-Business Day to Be Made on Next Business Day. If any sum becomes payable pursuant to this Agreement or the Fee Agreement on a day which is not a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, and such extended time shall be included in the computation of interest and fees.

Section 2.15. Default Rate. Upon the occurrence and during the continuance of an Event of Default, all Obligations payable hereunder (for avoidance of doubt, excluding any fees which are not yet due and payable) shall bear interest until paid in full at a rate per annum equal to the Default Rate.

Section 2.16. Net of Taxes, Etc. (a) Any and all payments to the Bank or any Noteholder by SMUD hereunder or with respect to the Loans and Term Loans shall be made free and clear of and without deduction or withholding for any and all Indemnified Taxes. If SMUD shall be required by law to deduct or withhold any Indemnified Taxes imposed by the United States of America or any political subdivision thereof from or in respect of any sum payable hereunder or with respect to the Loans and/or Term Loans, then (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Bank or such Noteholder receives an amount equal to the sum it would have received had no such deductions been made, (ii) SMUD shall make such deductions and (iii) SMUD shall timely pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If SMUD shall make any payment under this Section to or for the benefit of the Bank or such Noteholder with respect to Indemnified Taxes and if the Bank or such Noteholder shall claim any credit or deduction for such Indemnified Taxes against any other taxes payable by the Bank or such Noteholder to any taxing jurisdiction in the United States of America then the Bank or such Noteholder shall pay to SMUD an amount

equal to the amount by which such other taxes are actually reduced; *provided*, that the aggregate amount payable by the Bank or such Noteholder pursuant to this sentence shall not exceed the aggregate amount previously paid by SMUD with respect to such Indemnified Taxes. In addition, SMUD agrees to pay any present or future stamp, recording or documentary taxes and any other excise or property taxes, charges or similar levies that arise under the laws of the United States of America or any state of the United States from any payment made hereunder or under the Loans, the Term Loans or from the execution or delivery of this Agreement or the Revolving Notes, or otherwise with respect to this Agreement, the Loans or the Term Loans (hereinafter referred to as "*Other Taxes*"). The Bank or such Noteholder shall provide to SMUD within a reasonable time a copy of any written notification it receives with respect to Indemnified Taxes or Other Taxes owing by SMUD to the Bank or such Noteholder hereunder; *provided*, that the Bank or such Noteholder's failure to send such notice shall not relieve SMUD of its obligation to pay such amounts hereunder. SMUD may conduct a reasonable contest of any such Indemnified Taxes with the prior written consent of the Bank, which consent shall not be unreasonably withheld or delayed; *provided*, that SMUD shall, on demand, immediately reimburse the Bank for any and all expenses (including attorneys' fees for services that may be required or desirable, as determined by the Bank in its sole discretion) that may be incurred by the Bank in connection with any such contest.

(b) SMUD shall, to the fullest extent permitted by law and subject to the provisions hereof, pay the Bank or such Noteholder for the full amount of Indemnified Taxes and Other Taxes including any Indemnified Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section paid by the Bank or such Noteholder or any liability (including penalties, interest and expenses) arising therefrom or with respect thereto whether or not such Indemnified Taxes or Other Taxes were correctly or legally asserted; *provided*, that SMUD shall not be obligated to pay the Bank or such Noteholder for any penalties, interest or expenses relating to Indemnified Taxes or Other Taxes arising from the Bank or such Noteholder's gross negligence or willful misconduct. The Bank or such Noteholder agrees to give notice to SMUD of the assertion of any claim against the Bank or such Noteholder relating to such Indemnified Taxes or Other Taxes as promptly as is practicable after being notified of such assertion; *provided*, that the Bank or such Noteholder's failure to notify SMUD promptly of such assertion shall not relieve SMUD of its obligation under this Section. Payments by SMUD pursuant to this Section shall be made within thirty (30) days from the date the Bank or such Noteholder makes written demand therefor, which demand shall be accompanied by a certificate describing in reasonable detail the basis thereof. The Bank or such Noteholder agrees to repay to SMUD any refund (including that portion of any interest that was included as part of such refund) with respect to Indemnified Taxes or Other Taxes paid by SMUD pursuant to this Section received by the Bank or such Noteholder for Indemnified Taxes or Other Taxes that were paid by SMUD pursuant to this Section and to contest, with the cooperation and at the expense of SMUD, any such Indemnified Taxes or Other Taxes which the Bank or such Noteholder or SMUD reasonably believes not to have been properly assessed.

(c) Within thirty (30) days after the date of any payment of Indemnified Taxes by SMUD, SMUD shall furnish to the Bank the original or a certified copy of a receipt evidencing payment thereof.

(d) Notwithstanding anything contained in paragraphs (a) or (b) of this Section, SMUD shall have no liability to the Bank or any Noteholder with respect to any Indemnified Taxes to the

extent incurred or imposed on the Bank or any Noteholder more than one hundred eighty (180) days prior the date written notification thereof is given to SMUD by the Bank (the “*Cut-Off Date*”), except where (A) the Bank had no actual knowledge of the action resulting in such Indemnified Taxes as of the Cut-Off Date or (B) such Indemnified Taxes apply to the Bank retroactively to a date prior to the Cut-Off Date.

(d) The obligations of SMUD under this Section 2.16 shall survive the termination of this Agreement and the repayment of all Obligations hereunder for a period of one hundred eighty (180) days after such termination and final repayment; *provided, however*, that in the event any taxing jurisdiction imposes Indemnified Taxes on the Bank or any Noteholder after the end of such 180 day period but retroactively to a date prior to the end of such 180 day period, as described in this Section 2.16, the Bank may impose such Indemnified Taxes on SMUD in accordance with the terms of this Section 2.16; *provided, further, however*, that the foregoing proviso shall only apply to any Indemnified Taxes imposed not later than two (2) years after the date this Agreement terminates and all Obligations have been paid in full.

Section 2.17. Increased Costs. (a) *Increased Costs Generally.* If any Change in Law shall:

- (i) impose, modify or deem applicable any reserve, liquidity ratio, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or advances, loans or other credit extended or participated in by, the Bank or any Recipient;
- (ii) subject any Recipient to any Taxes of any kind whatsoever with respect to this Agreement, or change the basis of taxation of payments to the Bank or such Recipient in respect thereof (except for Indemnified Taxes covered by Section 2.16 hereof and the imposition of, or any change in the rate of any Excluded Tax payable by the Bank or any Recipient); or
- (iii) impose on the Bank or any Recipient any other condition, cost or expense affecting this Agreement or the Fee Agreement or any Letter of Credit or any participation therein;

and the result of any of the foregoing shall be to increase the cost to the Bank or such Recipient related to issuing or maintaining this Agreement, the Commitment or any Loan or Term Loan or Letter of Credit, or to reduce the amount of any sum received or receivable by the Bank or such Recipient hereunder (whether of principal, interest or any other amount) then, upon written request of the Bank, SMUD shall promptly pay to the Bank (for the Bank or such Recipient, as the case may be) such additional amount or amounts as will compensate the Bank or such Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(b) *Capital Requirements.* If the Bank or any Recipient determines that any Change in Law affecting the Bank or such Recipient or the Bank’s or such Recipient’s parent or holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on the Bank’s or such Recipient’s capital or liquidity or the capital or

liquidity of such Bank's or such Recipient's parent or holding company holding, if any, as a consequence of this Agreement, or for maintaining this Agreement, the Commitment or any Loan or Term Loan, to a level below that which the Bank or such Recipient or the Bank's or such Recipient's parent or holding company could have achieved but for such Change in Law (taking into consideration the Bank's or such Recipient's policies and the policies of the Bank's or such Recipient's parent or holding company with respect to capital or liquidity adequacy), then from time to time upon written request of the Bank SMUD shall promptly pay to the Bank (for the Bank or such Recipient, as the case may be) such additional amount or amounts as will compensate the Bank or such Recipient or the Bank's or such Recipient's parent or holding company for any such reduction suffered.

(c) *Certificates for Reimbursement.* A certificate of the Bank or a Recipient setting forth the amount or amounts necessary to compensate the Bank or any such Recipient or the Bank's or any such Recipient's parent or holding company, as the case may be, as specified in paragraph (a) or (b) of this Section and delivered to SMUD, shall be conclusive absent manifest error. SMUD shall pay the Bank or any such Recipient, as the case may be, the amount shown as due on any such certificate within thirty (30) days after receipt thereof. Each Recipient shall have the benefits of this Section 2.17, but shall not be entitled to receive any greater payment under such Section than the Bank would have been entitled to receive in connection with the rights transferred.

(d) *Delay in Requests.* Failure or delay on the part of the Bank or any such Recipient to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of the Bank's right to demand such compensation; *provided* that SMUD shall not be required to compensate the Bank pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than six (6) months prior to the date that the Bank notifies SMUD of the Change in Law giving rise to such increased costs or reductions and of the Bank's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six (6) month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) *Survival.* The obligations of SMUD under this Section 2.17 shall survive the termination of this Agreement and the repayment of all Obligations hereunder for a period of one hundred eighty (180) days after such termination and final repayment; *provided, however,* that in the event any Change in Law provides for retroactive increased costs or retroactive imposition of capital adequacy or liquidity requirements, as described in this Section 2.17, the Bank may impose such costs on SMUD in accordance with the terms of this Section 2.17; *provided, further, however,* that the foregoing proviso shall only apply to any Change in Law occurring not later than two (2) years after the date this Agreement terminates and all Obligations have been paid in full.

Section 2.18. Margin Regulations. No portion of the proceeds of any Loans or Term Loans shall be used by SMUD (or any other Person on behalf of SMUD) for the purpose of "purchasing" or "carrying" any margin stock or used in any manner which might cause the borrowing or the application of such proceeds to violate Regulation U, Regulation T, or Regulation X of the Board of Governors of the Federal Reserve System or any other regulation of said Board of Governors or to violate the Securities Exchange Act of 1934, as amended, in each case as in effect on the date or dates of such Loans or Term Loans and such use of proceeds.

Section 2.19. Maximum Rate; Payment of Fee. Anything in this Agreement to the contrary notwithstanding, if the rate of interest due hereunder shall exceed the Maximum Rate for any period for which interest is payable, then (i) interest at the Maximum Rate shall be due and payable with respect to such interest period and (ii) interest at the rate equal to the difference between (A) the rate of interest calculated in accordance with the terms hereof without regard to the Maximum Rate and (B) the Maximum Rate (the “*Excess Interest*”), shall be deferred until such date as the rate of interest calculated in accordance with the terms hereof ceases to exceed the Maximum Rate, at which time SMUD shall pay to the Bank, with respect to amounts then payable to the Bank that are required to accrue interest hereunder, such portion of the deferred Excess Interest as will cause the rate of interest then paid to the Bank to equal the Maximum Rate, which payments of deferred Excess Interest shall continue to apply to such unpaid amounts hereunder until all deferred Excess Interest is fully paid to the Bank. To the extent permitted by law, upon the termination of the Commitment and/or this Agreement, in consideration for the limitation of the rate of interest otherwise payable hereunder, SMUD shall pay to the Bank a fee equal to the amount of all unpaid deferred Excess Interest.

Section 2.20. Security for Obligations. This Agreement constitutes the Credit Agreement (as defined in the Note Resolution) under the Note Resolution and has all rights and benefits thereof. In order to secure the timely payment of all Obligations and to secure the performance and observance of all of the covenants, agreements and conditions contained in this Agreement and the Fee Agreement, SMUD has pledged the Available Revenues to the Bank (for the benefit of the Bank and any Affiliate of the Bank to whom any Obligation is at any time owed), pursuant to and on the terms and subject to the conditions set forth in the Note Resolution. The pledge of Available Revenues under the Note Resolution constitutes a valid pledge of and charge and lien upon the Available Revenues, has attached and is effective, binding, and enforceable against SMUD, its successors, purchasers of any of the Available Revenues, creditors, and all others asserting rights therein to the extent set forth in, and in accordance with, the Note Resolution, irrespective of whether those parties have notice of the lien on, security interest in and pledge of the Available Revenues and without the need for any physical delivery, recordation, filing or further act.

Section 2.21. Method of Payment; Etc. All payments to be made by SMUD under this Agreement and the Fee Agreement shall be made at the Payment Account not later than 4:00 P.M. (New York time) on the date when due and shall be made in lawful money of the United States of America in freely transferable and immediately available funds. All payments received by the Bank after 4:00 P.M. (New York time) shall be deemed to have been made on the next succeeding Business Day and any applicable interest or fees shall continue to accrue.

Section 2.22. The Term Loans. (a) *Generally.* (i) On the Facility Maturity Date, so long as (A) SMUD shall have delivered to the Bank a written request in the form of Exhibit E hereto no later than thirty (30) days prior to the Facility Maturity Date, (B) immediately before and as a result of giving effect to such conversion, no Credit Default or Credit Event of Default shall have occurred and be continuing on the Facility Maturity Date, (C) immediately before and as a result of giving effect to such conversion, (1) there has been no material adverse change in SMUD’s business, assets, liabilities, financial condition, results of operations or business prospects which could reasonably be expected to result in a material adverse effect on SMUD’s ability to perform

its obligations under this Agreement and the Program Documents or the rights, security or interests of the Bank hereunder and under the Program Documents and (2) no event described in clause (b) of the definition of Material Adverse Change shall have occurred on the Facility Maturity Date and (D) the Bank shall not have terminated its obligation to make Term Loans as a result of a Non-Credit Event of Default pursuant to Section 6.2(b) hereof, the Loans, if any, maturing on such date shall be automatically converted to term loans (each a “*Term Loan*” and collectively the “*Term Loans*”), the proceeds of which shall be deemed to have refunded the Loans.

(ii) The Term Loans shall be evidenced by the Taxable Note and the Tax-Exempt Note, as applicable. The Term Loans may be repaid in whole or in part on any Business Day upon prior written notice from SMUD to the Bank.

(b) *Repayment.* SMUD shall pay to the Bank the outstanding principal amount of the Term Loans in equal (as nearly as possible) installments on each Amortization Payment Date and on the Amortization End Date; *provided, however,* that, notwithstanding anything contained herein to the contrary, the entire principal amount of the Term Loans, plus accrued and unpaid interest thereon, shall be due and payable in full on the Amortization End Date (or such earlier date on which all Term Loans become due and payable in accordance with the terms hereof).

ARTICLE THREE

CONDITIONS PRECEDENT

Section 3.1. Conditions Precedent to the effectiveness of this Agreement. As conditions precedent to the obligation of the Bank to establish the Commitment and execute and deliver this Agreement, SMUD shall provide to the Bank on the Closing Date, each in form and substance satisfactory to the Bank and its counsel, Chapman and Cutler LLP (hereinafter, “*Bank’s Counsel*”):

(i) *Approvals.* The Bank shall have received an executed counterpart of this Agreement duly executed by SMUD and the Bank and an executed original of each Revolving Note and copies of all action taken by SMUD (including, without limitation, any resolution adopted or passed by SMUD in connection therewith) approving the execution and delivery by SMUD of this Agreement, the Fee Agreement, the Revolving Notes and the other Program Documents, in each case, certified by an authorized official of SMUD as complete and correct as of the date hereof.

(ii) *Incumbency of Officials.* The Bank shall have received an incumbency certificate of SMUD in respect of each of the officials who is authorized to (a) sign this Agreement, the Revolving Notes and the other Program Documents on behalf of SMUD and (b) take actions for SMUD under this Agreement, the Revolving Notes and the other Program Documents.

(iii) *Opinion of Note Counsel.* The Bank shall have received an opinion of Note Counsel or a reliance letter thereon.

(iv) *Opinion of Counsel to SMUD.* The Bank shall have received an opinion addressed to the Bank and dated the Closing Date of the general counsel for SMUD, in form and substance satisfactory to the Bank, and addressing (i) SMUD's existence, (ii) SMUD's power and authority to enter into this Agreement and the Fee Agreement and to perform its obligations hereunder and thereunder, (iii) SMUD's execution and delivery of this Agreement and the Fee Agreement, (iv) the enforceability of SMUD's obligations under this Agreement and the Fee Agreement, (v) that SMUD has obtained all consents necessary to execute, deliver and perform this Agreement and the Fee Agreement, (vi) the execution and delivery of this Agreement and the Fee Agreement by SMUD will not violate any law, order or agreement to which SMUD is subject or to which SMUD is a party, and (vii) there is no litigation pending or threatened against SMUD that would prevent SMUD from executing and delivering this Agreement and the Fee Agreement or performing its obligations hereunder and thereunder.

(v) *Note Resolution and Other Program Documents.* The Bank shall have received (a) a certified copy of the Note Resolution, the Master Bond Resolution (or a certified copy of the annotated version thereof) and the Subordinated Bond Resolution (or a certified copy of the annotated version thereof) which have been adopted prior to the Closing Date, all certified by an authorized officer of SMUD as being in full force and effect and (b) fully executed or certified copies, as applicable, of all other Program Documents.

(vi) *Financial Information.* The Bank shall have received copies of any financial information of SMUD that the Bank may reasonably request.

(vii) *Legality; Material Adverse Change.* The Bank shall have determined (in its sole discretion) that (a) neither the making of any Loans nor the consummation of any of the transactions contemplated by the Note Resolution, the Revolving Notes, this Agreement or any other Program Document will violate any law, rule, guideline or regulation applicable to SMUD, the Bank, the Commitment, the Revolving Notes or this Agreement, and (b) no Material Adverse Change shall have occurred since December 31, 2020.

(viii) *Fees, Etc.* The Bank shall have received payment of the fees, costs and expenses payable on the Closing Date.

(ix) *Revolving Notes.* The Bank shall have received (a) executed Revolving Notes and (b) written evidence satisfactory to the Bank that a CUSIP number has been obtained and reserved from Standard & Poor's CUSIP Service for each Revolving Note.

(x) *Closing Certificate.* The Bank shall have received a certificate from SMUD executed by the Authorized SMUD Representative, dated the Closing Date, stating that:

(a) the representations and warranties of SMUD contained in this Agreement and each certificate furnished or delivered by SMUD to the Bank

pursuant hereto are true and correct on and as of the Closing Date as though made on and as of such date;

(b) no “default” or “event of default” under any Program Document to which SMUD is a party and no Default or Event of Default has occurred and is continuing or would result from the entering into or performance under this Agreement and the other Program Documents; and

(c) except as has been disclosed to the Bank in writing prior to the Closing Date, there has been no Material Adverse Change since December 31, 2020.

(xi) *Other Documents.* The Bank shall have received such other documents, certificates, and opinions as the Bank or the Bank’s counsel shall have reasonably requested.

(xii) *Bank Counsel Opinion.* SMUD shall have received an opinion of Bank’s Counsel as to the Bank’s execution and delivery of this Agreement and the enforceability of the Bank’s obligations under this Agreement.

Section 3.2. Borrowings During the Revolving Credit Period and Letters of Credit. The obligation of the Bank to make a Loan on the occasion of any Borrowing or to convert any Tax-Exempt Loan to a Taxable Loan or to issue any Letter of Credit on or prior to the Termination Date is subject to the satisfaction of the following conditions:

(a) receipt by the Bank of a Notice of Borrowing (or appropriate notice regarding continuation or conversion) as required by Section 2.2 hereof or application for Letter of Credit, as applicable;

(b) immediately after such Borrowing, continuation or conversion or the issuance of such Letter of Credit, the aggregate outstanding principal amount of all Extensions of Credit will not exceed the amount of the Commitment;

(c) immediately before and as a result of giving effect to such Borrowing, continuation or conversion or issuance of such Letter of Credit, no Credit Default, Credit Event of Default, Optional Termination Event or Rating Event shall have occurred and be continuing;

(d) immediately before and as a result of giving effect to such Borrowing, continuation or conversion or issuance of such Letter of Credit, (1) there has been no material adverse change in SMUD’s business, assets, liabilities, financial condition, results of operations or business prospects which could reasonably be expected to result in a material adverse effect on SMUD’s ability to perform its obligations under this Agreement and the Program Documents or the rights, security or interests of the Bank hereunder and under the Program Documents and (2) no event described in clause (b) of the definition of Material Adverse Change shall have occurred; and

(e) immediately before such Borrowing, continuation or conversion or issuance of such Letter of Credit, the Bank shall not have terminated its obligation to make Loans as a result of a Non-Credit Event of Default pursuant to Section 6.2(b) hereof.

Each Borrowing, continuation or conversion hereunder shall be deemed to be a representation and warranty by SMUD on the date of such Borrowing as to the facts specified in clauses (b), (c) and (d) of this Section and that no Default or Event of Default has occurred and is continuing.

Section 3.3. Each Tax-Exempt Loan Borrowing. The obligation of the Bank to make each Tax-Exempt Loan hereunder is subject to the satisfaction of the following conditions:

(a) all conditions set forth in Section 3.2 hereof shall be satisfied prior to the making of such Loan;

(b) the Bank shall have received an executed opinion of Note Counsel addressed to SMUD and with a reliance letter to the Bank, in a form acceptable to the Bank, to the effect that the interest on such Loan is excluded from gross income for federal income tax purposes; and

(c) SMUD shall have executed, and the Bank shall have received an executed copy of a tax certificate or supplement to an existing tax certificate, including a completed Form 8038-G, relating to such Borrowing, in each case in a form acceptable to Note Counsel.

Section 3.4. No Rating; DTC; Offering Document. Neither Revolving Note shall be (i) assigned a specific rating by any Rating Agency, (ii) registered with The Depository Trust Company or any other securities depository, (iii) issued pursuant to any type of official statement, private placement memorandum or other offering document or (iv) placed or offered by a broker-dealer in the capacity of an underwriter or a placement agent.

ARTICLE FOUR

REPRESENTATIONS AND WARRANTIES

Section 4.1. Representations of SMUD. In order to induce the Bank to establish the Commitment and execute and deliver this Agreement, SMUD represents and warrants to the Bank as follows:

(a) *Existence and Power.* SMUD is a municipal utility district organized and existing under and by virtue of the Act, and is possessed of full powers to own and lease (as lessor and lessee) real and personal property, to own and operate the Electric System, to conduct its other business as presently conducted and to enter into contracts such as this Agreement and the SMUD Program Documents, which powers have been validly exercised in connection with the transactions effected by this Agreement and the SMUD Program Documents.

(b) *Authorization; Contravention; Approvals.* The execution, delivery and performance by SMUD of this Agreement, the Fee Agreement and the SMUD Program Documents and the other documents contemplated hereby and thereby are within the powers of SMUD, have been duly authorized by all necessary actions and (i) do not contravene the Act or any other law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any indenture, agreement, lease, instrument or other contractual restriction binding on or affecting SMUD and (ii) except as provided in or contemplated by this Agreement and the Program Documents, do not result in or require the creation of any Lien, security interest or other charge or encumbrance upon or with respect to any asset of SMUD. SMUD is not in violation of or in default in any material respect under any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award that would prevent or is reasonably likely to prevent SMUD from performing its obligations under this Agreement or the SMUD Program Documents. SMUD is not in violation of or in default in any material respect under any indenture, agreement, lease, instrument or other contractual restriction and is not in violation of or in default in any respect under any of the SMUD Program Documents that would prevent or is reasonably likely to prevent SMUD from performing its obligations under this Agreement or the SMUD Program Documents. No Default or Event of Default has occurred and is continuing. All orders, consents and other authorizations or approvals of all Governmental Authorities and all other Persons have been obtained (and no additional authorization, approval or other action by, and no notice to or filing or registration with, any Governmental Authority is required to be made or obtained by SMUD) for the due execution, delivery and performance by SMUD of this Agreement and the SMUD Program Documents.

(c) *Enforceability.* This Agreement and the SMUD Program Documents, and other documents contemplated hereby and thereby to which SMUD is a party or by which it is bound, are legally valid and binding obligations of SMUD enforceable against SMUD in accordance with their respective terms, except as such enforceability may be limited by (i) bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally; (ii) general principles of equity; (iii) the exercise of judicial discretion in appropriate cases; and (iv) to the limitations on legal remedies against municipal utility districts in the State of California.

(d) *Litigation.* Except as disclosed in writing to the Bank prior to the Closing Date, there are no actions, suits, proceedings, inquiries or investigations, at law or in equity, before any court, Governmental Authority or arbitrator pending or, to the best knowledge of SMUD, threatened, against or directly involving SMUD (including, without limitation, the ability of SMUD to establish and collect rates for the generation, transmission and distribution of electric power), affecting the existence of SMUD, the title of any officials to their respective offices or affecting or seeking to prohibit, restrain or enjoin the execution or delivery of this Agreement or any Program Document, or in any way contesting or affecting the validity or enforceability of the Revolving Notes, this Agreement, any Program Document or contesting the tax-exempt status of the Tax-Exempt Note, or contesting the powers of SMUD or any authority for the issuance of the Revolving Notes, the execution and delivery of this Agreement or the SMUD Program Documents, nor, to the best knowledge of SMUD, is there any basis therefor, which, if determined adversely to SMUD (i) would adversely affect the validity or enforceability of, or the authority or ability of SMUD to perform its obligations under, this Agreement, the Fee Agreement or any SMUD Program Documents, (ii) would, in the reasonable opinion of SMUD, have a material adverse effect on the business, financial position or results of operations of SMUD or (iii) would adversely

affect the exclusion of interest on the Tax-Exempt Note from gross income for Federal income tax purposes or the exemption of such interest from State of California personal income taxes.

(e) *Financial Information.* (i) The audited financial statements of SMUD included in the 2020 Financial Statements, true and correct copies of which have heretofore been delivered or made available to the Bank, fairly present, in conformity with generally accepted accounting principles the financial position of SMUD and its results of operations and changes in financial position at the dates and for the periods indicated.

(ii) Except as has been disclosed in writing to the Bank prior to the Closing Date, since December 31, 2020, there has been no material adverse change in the business, financial position or results of operations of SMUD which could reasonably be expected to result in a material adverse effect on SMUD's ability to perform its obligations hereunder or thereunder or the rights, security or interests of the Bank.

(iii) Except as reflected in the financial statements included in the 2020 Financial Statements or as has been disclosed in writing to the Bank prior to the Closing Date and except for SMUD's obligations set forth in this Agreement and the SMUD Program Documents, there are as of the date hereof no liabilities or obligations with respect to SMUD of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) which, in the aggregate, would be material to SMUD. SMUD does not know of any basis for the assertion against SMUD of any liability or obligation of any nature whatsoever that is not reflected in the financial statements included in the 2020 Financial Statements or other written disclosure to the Bank delivered prior to the Closing Date which, in the aggregate, could be material to SMUD.

(f) *Disclosure.* No written information furnished by SMUD to the Bank in connection with this Agreement (except information which has been superseded by subsequent information provided by SMUD) includes any untrue statement of a material fact.

(g) *Environmental Matters.* Except as disclosed in writing to the Bank prior to the Closing Date, SMUD has not received notice to the effect that the operations of the Electric System are not in compliance with any of the requirements of applicable Federal, state or local environmental, health and safety statutes and regulations or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, in each case which non-compliance or remedial action could have a Material Adverse Effect.

(h) *Plans.* SMUD currently has a Plan which is in compliance in all respects with the requirements of the applicable laws of the State of California, including without limitation the obligation to pay contributions on behalf of its employees in accordance therewith, and SMUD has no Plan which is subject to the requirements of ERISA. No condition exists or event or transaction has occurred with respect to any Plan which could reasonably be expected to result in the incurrence by SMUD of any material liability, fine or penalty.

(i) *Regulations U and X.* SMUD is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U or X

issued by the Board of Governors of the Federal Reserve System); and no proceeds of any Loans or Term Loans will be used to extend credit to others for the purpose of purchasing or carrying any margin stock.

(j) *Tax-Exempt Status.* SMUD has not taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other Person, which action, if taken or omitted, would adversely affect the exclusion of interest on the Tax-Exempt Note from gross income for Federal income tax purposes or the exemption of such interest from State of California personal income taxes.

(k) *Security.* The Note Resolution creates a pledge of the Available Revenues as security for the punctual payment of the interest and principal due with respect to the Revolving Notes, the Parity Notes, the Obligations owed to the Bank hereunder and all Parity Notes Reimbursement Agreements. All actions necessary to create a pledge of the Available Revenues have been duly and validly taken. SMUD's obligation to pay the Obligations is *pari passu* with its obligation to pay the Revolving Notes, Parity Notes and all Parity Notes Reimbursement Agreements.

(l) *Constitutional Matters.* There is no amendment, or, to the best knowledge of SMUD, proposed amendment certified for placement on a statewide ballot, to the Constitution of the State of California or any published administrative interpretation of the Constitution of the State of California or any State of California law, or any legislation which has passed either house of the State legislature, or any published judicial decision interpreting any of the foregoing, the effect of which could reasonably be expected to have Material Adverse Effect.

(m) *No Sovereign Immunity.* SMUD represents that it is not entitled to claim immunity on the grounds of sovereignty or other similar grounds with respect to itself from (i) suit or (ii) jurisdiction of any court because of its status as a political subdivision of the State of California.

(n) *Incorporation of Representations and Warranties by Reference.* SMUD hereby makes to the Bank every representation and warranty made by it in SMUD Program Documents, which representations and warranties, as well as the defined terms contained therein that are necessary for a correct interpretation thereof, are incorporated herein by this reference with the same effect as if each and every such provision and defined term were set forth herein in its entirety. No amendment, modification, termination or replacement of any such representations, warranties and definitions contained in the SMUD Program Documents shall be effective to amend, modify, terminate or replace the representations, warranties and definitions incorporated herein by this reference, without the prior written consent of the Bank. The representations and warranties of SMUD in all of the SMUD Program Documents are true and correct in all material respects.

(o) *No Violation of Usury Laws.* The terms of the Note Resolution regarding the calculation and payment of interest on the Revolving Notes do not violate any applicable usury laws of the State of California and, assuming that the Bank is an exempted class of persons within the meaning of Article 15 of the California Constitution, the terms of this Agreement, the Fee Agreement, and the Revolving Notes regarding the calculation and payment of interest and fees

and other amounts due under this Agreement, the Fee Agreement, and the Revolving Note do not violate any applicable usury laws of the State of California.

(p) *Compliance.* SMUD is in substantial compliance with all laws, ordinances, orders, rules and regulations applicable to it, except to the extent noncompliance could not reasonably be expected to result in a Material Adverse Effect.

(q) *Default.* SMUD is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any SMUD Program Document, the Master Bond Resolution, the Subordinated Bond Resolution or any other resolution, agreement or instrument to which it is a party which could have a Material Adverse Effect.

(r) *Reserved.*

(s) *Insurance.* The properties of SMUD are insured in accordance with the terms of the Master Bond Resolution.

(t) *Taxes.* SMUD has filed any Federal, state and other material tax returns and reports required to be filed, and has paid all Federal, state and other material taxes, assessments, fees and other governmental charges levied or imposed upon it or its properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with generally accepted accounting principles. There is no proposed tax assessment against SMUD that would, if made, have a Material Adverse Effect.

(u) *Casualty.* Neither the business nor the Property of SMUD is currently affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance), which could have a Material Adverse Effect.

(v) *Anti-Corruption Laws; Anti-Money Laundering Laws and Sanctions.* (i) None of (i) SMUD, any Subsidiary or, to the knowledge of SMUD or such Subsidiary, any of their respective directors, officers, employees or Affiliates, or (ii) to the knowledge of SMUD, any agent or representative of SMUD that will act in any capacity in connection with or benefit from the credit facility established under this Agreement, (A) is a Sanctioned Person or currently the subject or target of any Sanctions, (B) has its assets located in a Sanctioned Country, (C) is under administrative, civil or criminal investigation for an alleged violation of, or received notice from or made a voluntary disclosure to any governmental entity regarding a possible violation of, Anti-Corruption Laws, Anti-Money Laundering Laws or Sanctions by a governmental authority that enforces Sanctions or any Anti-Corruption Laws or Anti-Money Laundering Laws, or (D) directly or indirectly derives revenues from investments in, or transactions with, Sanctioned Person.

(ii) Each of SMUD and its Subsidiaries has implemented and maintains in effect policies and procedures designed to ensure compliance by SMUD and its Subsidiaries and their respective directors, officers, employees, agents and Affiliates with all Anti-Corruption Laws, Anti-Money Laundering Laws and applicable Sanctions.

(iii) Each of SMUD and its Subsidiaries, and to the knowledge of the Borrower, director, officer, employee, agent and Affiliate of Borrower and each such Subsidiary, is in compliance with all Anti-Corruption Laws, Anti-Money Laundering Laws in all material respects and applicable Sanctions.

(iv) No proceeds of any Extension of Credit have been used, directly or indirectly, by SMUD, any of its Subsidiaries or any of its or their respective directors, officers, employees and agents in violation of Section 5.1(m)(ii).

(w) *Anti-Terrorism Laws.* (i) SMUD is not in violation of any laws relating to terrorism or money laundering (“*Anti-Terrorism Laws*”), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the “*Executive Order*”), and the Patriot Act;

(ii) SMUD is not any of the following:

(A) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(B) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(C) a Person with which the Bank is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;

(D) a Person that commits, threatens or conspires to commit or supports “terrorism” as defined in the Executive Order; or

(E) a Person that is named as a “specially designated national and blocked person” on the most current list published by the Office of Foreign Asset Control (“*OFAC*”) or any list of Persons issued by OFAC pursuant to the Executive Order at its official website or any replacement website or other replacement official publication of such list;

(iii) SMUD is an electrical utility. To its knowledge, SMUD does not (A) conduct any business or engage in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in subsection (ii)(B) above, (B) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or (C) engage in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

ARTICLE FIVE

COVENANTS

Section 5.1. Covenants of SMUD. SMUD will do the following so long as any amounts may be drawn hereunder or any Obligations remain outstanding under this Agreement, unless the Bank shall otherwise consent in writing:

(a) *Reports and Other Information.* SMUD will furnish, or cause to be furnished, at SMUD's expense to the Bank:

(i) As soon as possible and in any event within five (5) Business Days after the knowledge (actual or constructive) or notice of occurrence of any Event of Default, a statement of the Authorized SMUD Representative setting forth details of such Event of Default and the action that SMUD proposes to take with respect thereto;

(ii) As soon as available and in any event within two hundred seventy (270) days after the end of each Fiscal Year of SMUD, a copy of the audited financial statements of SMUD for such year, including a balance sheet of SMUD as at the end of such Fiscal Year and the related statements of revenues, expenses and changes in fund balances and statement of cash flows, all in reasonable detail and reported on by a firm of nationally recognized independent certified public accountants, and the report of such firm of independent certified public accountants shall state, without qualification, that such financial statements present fairly the financial position of SMUD as of the end of such Fiscal Year, the results of operations, the changes in fund balances and cash flows of SMUD for such Fiscal Year then ended in conformity with generally accepted accounting principles;

(iii) Simultaneously with the delivery of each set of financial statements referred to in clause (ii) above, a certificate of an Authorized SMUD Representative stating whether there exists on the date of such certificate any Event of Default or Default and, if any Event of Default or Default then exists, setting forth the details thereof and the action that SMUD is taking or proposes to take with respect thereto;

(iv) *Unaudited Semiannual Financials.* As soon as available and in any event within 60 days after June 30 and December 31 of each calendar year, a copy of the unaudited internally prepared balance sheet and statement of changes in net asset of SMUD for the six month or one year period ended on such date, setting forth in each case in comparative form the corresponding figures for the corresponding fiscal period for the preceding fiscal year, all in reasonable detail, prepared in accordance with generally accepted accounting principles, consistently applied, together with a compliance certificate signed by an Authorized SMUD Representative stating that no Event of Default or Default has occurred, or if such Event of Default or Default has occurred, specifying the nature of such Event of Default or Default, the period of its existence, the nature and status thereof and any remedial steps taken or proposed to correct such Event of Default or Default.

(v) As soon as practicable and in any event within ten (10) Business Days after SMUD obtains actual knowledge of: (A) any litigation, arbitration or governmental proceeding pending against SMUD that challenges SMUD's ability to perform its obligations under this Agreement and/or the SMUD Program Documents; or (B) any other

event or condition that would prevent or is reasonably likely to prevent SMUD from performing its obligations under this Agreement and/or the SMUD Program Documents, in each case a statement of the Authorized SMUD Representative setting forth details describing the same and the steps being taken with respect thereto;

(vi) As soon as practicable, notice of any disclosure documents publicly distributed in connection with any issue of Parity Bonds, Parity Subordinated Debt or Parity Notes;

(vii) As soon as practicable, notice of any change in, or the withdrawal of, any rating of Bonds or Subordinated Bonds (without regard to bond insurance or any other form of credit enhancement) by any Rating Agency; and

(viii) From time to time, such additional information regarding the financial position, results of operations, business or prospects of SMUD as the Bank may reasonably request.

(b) *Books and Records; Inspections.* SMUD will keep proper books of record and account with respect to the Electric System in which full and correct entries shall be made of assets and liabilities, financial transactions and business of SMUD in conformity with generally accepted accounting principles. SMUD will upon reasonable notice permit any Person designated by the Bank in writing to visit any of the properties of SMUD, and to examine the books and financial records of SMUD relating to the Electric System and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of SMUD relating to SMUD with the principal officers of SMUD all at such reasonable times during normal business hours and as often as the Bank may reasonably request.

(c) *Maintain Existence.* SMUD shall take no action that would terminate its existence, rights and franchises as a municipal utility district duly organized and existing under the Constitution and laws of the State of California.

(d) *Compliance with Laws.* SMUD will comply with the requirements of all laws, rules, regulations and orders of any Governmental Authority having jurisdiction over SMUD and/or the Electric System, noncompliance with which would materially adversely affect the ability of SMUD to perform its obligations under this Agreement and the SMUD Program Documents.

(e) *Compliance with Agreements.* SMUD will observe and perform all of its obligations under this Agreement and the SMUD Program Documents.

(f) *Incorporation of Covenants by Reference.* SMUD, by this reference, hereby incorporates into this Agreement those covenants and agreements made by it in Sections 3.02, 3.05, 3.06 and 6.08 of the Master Bond Resolution (as in effect on the effective date of this Agreement) and in the SMUD Program Documents, as such covenants and agreements exist on the date hereof, as if such covenants and agreements were set forth herein in their entirety together with all defined terms and interpretative provisions necessary for a complete understanding thereof. The incorporated provisions shall be in addition to the express covenants contained herein

and shall not be limited by the express covenants contained herein nor shall the incorporated provisions be a limitation on the express covenants contained herein. In the event of a conflict between the covenants and agreements set forth in this Article V (other than the incorporated provisions) and the incorporated provisions, the covenants and agreements set forth in the other provisions of Article V shall prevail.

(g) *SMUD Program Documents.* SMUD will not amend, supplement or otherwise modify, or agree to the amendment, modification or termination of, any of the SMUD Program Documents (including, without limitation, an amendment to the Note Resolution reducing the Maximum Interest Rate to a rate below 12%) if such action could reasonably be expected to (i) adversely affect SMUD's ability to perform its obligations under this Agreement or the SMUD Program Documents, (ii) adversely affect the business, financial position or results of operations of SMUD or (iii) adversely affect the rights, interests, security or remedies of the Bank, in each case, without the prior written consent of the Bank (the Bank shall provide SMUD its determination as to whether or not it consents to any amendment, supplement or modification to any SMUD Program Documents within ten (10) Business Days of written notice from SMUD of such amendment, supplement or modification). SMUD shall provide written notice to the Bank of any proposed amendment to the Master Bond Resolution or Subordinated Bond Resolution (and a copy of such proposed amendment) at least ten (10) calendar days prior to its effective date.

(h) *Reserved.*

(i) *Alternate Provider.* SMUD agrees that any termination of the Commitment and this Agreement as a result of the provision of any alternate credit facility will require, as a condition thereto, that SMUD or the issuer of the alternate credit facility will provide funds on the date of such termination or provision, which funds will be sufficient to pay in full at the time of termination of the Commitment all Obligations due to the Bank hereunder.

(j) *Reserved.*

(k) *Reserved.*

(l) *Offering Documents.* SMUD shall not make reference to the Bank in any offering document without the Bank's prior written consent thereto (other than references to the name of the Bank solely in the Bank's capacity as the credit provider with respect to the Revolving Notes). Except as may be required by law (including, but not limited to, federal and state securities laws), SMUD shall not use the Bank's name (other than references to the name of the Bank solely in the Bank's capacity as the credit provider with respect to the Revolving Notes) in any published materials (other than SMUD's staff reports, annual statements, audited financial statements, rating agency presentations) without the prior written consent of the Bank.

(m) *Use of Proceeds.* (i). The proceeds of the Loans and Term Loans will be expended in the manner set forth in the Note Resolution and in not in violation of any applicable law.

(ii) SMUD shall not request any Extension of Credit, and SMUD shall not use, and shall ensure that its Subsidiaries and its or their respective directors, officers,

employees and agents shall not use, the proceeds of any Extension of Credit, directly or indirectly, (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws or Anti-Money Laundering Laws, (ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, or (iii) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

(n) *Ranking of Obligations.* SMUD shall not take any action that would result in the Obligations not ranking at least pari passu in right of payment from Available Revenues with the Revolving Notes, Parity Notes and Parity Notes Reimbursement Agreements.

(o) *Investments.* SMUD will not, directly or indirectly, invest in instruments and securities other than those permitted by, and in accordance with, California Government Code Sections 53600 to 53609, the Master Bond Resolution, the Subordinated Bond Resolution or the Program Documents. SMUD will not permit SMUD to encumber its cash position nor schedule the interest payment dates and maturities of its investments in a manner which impedes, hinders or interferes with the availability of funds to meet SMUD's expected cash needs.

(p) *Compliance with Anti-Corruption Laws; Beneficial Ownership Regulation, Anti-Money Laundering Laws and Sanctions.* SMUD shall (i) maintain in effect and enforce policies and procedures designed to promote and achieve compliance by SMUD, its Subsidiaries and their respective directors, officers, employees and agents with all Anti-Corruption Laws, Anti-Money Laundering Laws and applicable Sanctions, (ii) notify the Bank of any change in the information provided in the Beneficial Ownership Certification that would result in a change to the list of beneficial owners identified therein (or, if applicable, SMUD ceasing to fall within an express exclusion to the definition of "legal entity customer" under the Beneficial Ownership Regulation) and (iii) promptly upon the reasonable request of the Bank, provide the Bank any information or documentation requested by it for purposes of complying with the Beneficial Ownership Regulation.

(q) *Plans.* SMUD will (i) remain at all times in compliance with any applicable law (including any legally available grace periods) with respect to any Plan, and (ii) maintain each Plan as to which it may have any liability in compliance in all material respects with the provisions of applicable law, the failure to comply with which could subject SMUD to any tax or penalty which tax or penalty, taken together, with all other taxes and penalties which could be assessed against SMUD by reason of all other non-compliances, would have a material adverse effect on the business, financial position or results of operations of SMUD.

(r) *Payment of Taxes, Etc.* SMUD will pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon SMUD on account of the Electric System or any portion thereof and which, if unpaid, might impair the security of the Revolving Notes, when the same shall become due, but nothing herein contained shall require SMUD to pay any such tax, assessment or charge so long as it shall in good faith contest the validity thereof. SMUD will duly observe and conform to all

valid material requirements of any Governmental Authority relative to the Electric System or any part thereof.

(s) *Operation and Maintenance of Electric System.* SMUD will operate, maintain and preserve the Electric System in good repair and working order in conformity with standards customarily followed for municipal power supply, transmission and distribution systems of like size and character. SMUD will from time to time make necessary and proper repairs, renewals, replacements and substitutions to the properties of the Electric System, so that business carried on in connection with the Electric System shall and can be conducted in an efficient and economical manner, and will operate the Electric System in an efficient and economical manner. SMUD shall not use the Electric System to conduct any business other than that which is lawfully permitted.

(t) *Amounts of Rates and Charges.* To the extent permitted by law, SMUD hereby covenants to establish, maintain and collect rates and charges with respect to the Electric System sufficient to pay the Parity Bonds, Parity Subordinated Debt, Parity Notes, Parity Notes Reimbursement Agreements, the Revolving Notes and all Obligations due and owing hereunder.

(u) *Maintenance of Insurance.* SMUD maintains self-insurance for general liabilities, property damage and workers' compensation claims. SMUD shall, at all times, continue to maintain such self-insurance or shall use its best efforts to maintain or cause to be maintained insurance or reserves against loss from such hazards and risks to the person or property of others as are usually insured or reserved against by those with rights and interests in property similar to the Electric System. SMUD shall also procure, and maintain at all times adequate fidelity insurance or bonds on all officers and employees handling or responsible for any Electric System revenues, such insurance or bonds to be in an aggregate amount at least equal to the maximum amount of such Electric System revenues at any one time in the custody of all such officers and employees or in the amount of one million dollars (\$1,000,000), whichever is less. The insurance described above may be provided as a part of any comprehensive fidelity and other insurance and not separately for the Electric System.

(v) *Sale or Other Disposition of Property.* SMUD will not sell or otherwise dispose of any property essential to the proper operation of the Electric System or to the maintenance of the Revenues. SMUD will not enter into any lease or agreement which impairs or impedes the operation of the Electric System or which otherwise impairs or impedes the rights of the Bondholders (as defined in the Master Bond Resolution) or the Bank with respect to Revenues. Subject to the preceding sentence, nothing contained herein shall prevent SMUD from entering into sale and leaseback agreements pursuant to which SMUD may acquire the use of property subject to the terms of such sale and leaseback agreements.

Notwithstanding the foregoing or any other provision of the Master Bond Resolution, SMUD may sell or otherwise dispose of its accounts receivable and customer loan balances due to

SMUD provided that:

(1) SMUD delivers to the Trustee (as defined in the Master Bond Resolution):

(a) a certificate of SMUD to the effect that the amount derived by SMUD from the sale or other disposition of such accounts receivable or loan balances is a result of the sale or other disposition of such accounts receivable or loan balances upon fair and reasonable terms no less favorable to SMUD than the terms of a comparable arm's-length transaction treated as a sale and not a loan under generally accepted accounting principles; and

(b) a written statement or report of an independent certified public accountant to the effect that, based on the audited financial statements of SMUD for the most recent fiscal year for which audited financial statements are available and after giving effect to such transaction by reducing Revenues for such fiscal year by the difference between the face amount of such accounts receivable or loan balances and the amount derived by SMUD from the sale or other disposition of such accounts receivable or loan balances, the debt service ratio computed pursuant to Section 5.04 of the Master Bond Resolution would not have been reduced to less than 1.40:1.0.

(w) *Liens.* Except as permitted by the Master Bond Resolution, the Subordinated Bond Resolution or the Note Resolution or as otherwise acceptable to the Bank, SMUD will not (a) issue any bonds, notes or other evidences of indebtedness of similar nature payable out of or secured by a security interest in or a pledge or assignment of the Electric System revenues pledged under the Master Bond Resolution, the Subordinated Bond Resolution or the Note Resolution and held or set aside by SMUD thereunder, or (b) create or cause to be created any Lien on the Electric System revenues. SMUD shall not, directly or indirectly, incur, create or permit to exist any Lien on all or any portion of the Electric System revenue that would affect the priority of Liens in existence on the Closing Date.

(x) *Reserved.*

(y) *Further Assurances.* SMUD agrees to do such further acts and things and to execute and deliver to the Bank such additional assignments, agreements, powers and instruments as the Bank may reasonably require or reasonably deem advisable to carry into effect the purposes of this Agreement and the Fee Agreement or to better assure and confirm to the Bank its rights, powers and remedies hereunder and under the SMUD Program Documents.

(z) *Immunity.* SMUD covenants that it will not claim immunity on the grounds of sovereignty or other similar grounds with respect to itself from (i) suit or (ii) jurisdiction of any court because of its status as a political subdivision of the State of California.

(aa) *Ratings.* SMUD shall maintain long-term unenhanced ratings from at least two Rating Agencies on Bonds and Parity Bonds.

(bb) *Swap Contracts.* Without the prior written consent of the Bank, SMUD shall not enter into any Swap Contracts relating to Debt wherein any termination payments thereunder are senior to or on parity with the payment of any Obligation.

(cc) *Shorter Amortization.* In the event that SMUD shall, directly or indirectly, enter into or otherwise consent to any Bank Agreement relating to Parity Notes or other Debt of SMUD secured by a lien on Net Revenues on parity with the Revolving Notes which such Bank Agreement provides such Person with a shorter amortization period than what is set forth in Section 2.22(b) hereof (not taking into account any shorter amortization period that might occur under such Bank Agreement because of a default, termination event, or other similar event under such Bank Agreement) (each a “*Shorter Amortization Period*”), SMUD shall provide the Bank with a copy of each such Bank Agreement and such Shorter Amortization Period shall automatically be deemed to be incorporated into this Agreement and the Bank shall have the benefit of such Shorter Amortization Period as if specifically set forth herein. SMUD shall promptly enter into an amendment to this Agreement to include such Shorter Amortization Period; *provided* that the Bank shall have and maintain the benefit of such Shorter Amortization Period even if SMUD fails to provide such amendment.

(dd) *Incorporation of Covenants by Reference.* SMUD agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in Sections 3.02, 3.05, 3.06 and 6.08 of the Master Bond Resolution and in each of the Program Documents, which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety all of which shall be deemed to be made for the benefit of the Bank and shall be enforceable against SMUD. To the extent that any such incorporated provision permits SMUD or any other party to waive compliance with such provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to SMUD or any other party, for purposes of this Agreement, such provision shall be complied with unless it is specifically waived by the Bank in writing and such document, opinion or other instrument and such event or condition shall be acceptable or satisfactory only if it is acceptable or satisfactory to the Bank which shall only be evidenced by the written approval by the Bank of the same. No termination or amendment to such covenants and agreements or defined terms or release of SMUD with respect thereto made pursuant to the Master Bond Resolution or the Program Documents, shall be effective to terminate or amend such covenants and agreements and defined terms or release SMUD with respect thereto in each case as incorporated by reference herein without the prior written consent of the Bank. Notwithstanding any termination or expiration of the Master Bond Resolution or the Program Documents, SMUD shall continue to observe such incorporated covenants therein contained for the benefit of the Bank until the termination of this Agreement and the payment in full of all Obligations. All such incorporated covenants shall be in addition to the express covenants contained herein and shall not be limited by the express covenants contained herein nor shall such incorporated covenants be a limitation on the express covenants contained herein.

ARTICLE SIX

DEFAULTS

Section 6.1. Events of Default and Remedies. If any of the following events shall occur, each such event shall be an “Event of Default”:

(a) SMUD shall fail to pay when due (i) the principal of any Loan or Term Loan; (ii) the interest on any Loan or Term Loan; or (iii) any other amount payable hereunder or under the Fee Agreement and, solely with respect to clause (iii) hereof, such default shall continue unremedied for five (5) Business Days;

(b) SMUD shall (i) default in the due performance or observance by it of any term, covenant or agreement contained in Sections 5.1(a)(i), 5.1(c), 5.1(f), 5.1(g), 5.1(i), 5.1(l), 5.1(m), 5.1(n), 5.1(t), 5.1(v), 5.1(w), 5.1(x) or 5.1(z); (ii) default in the due performance or observance by it of any other term, covenant or agreement contained in Sections 5.1(a)(v), 5.1(a)(vi) or 5.1(a)(vii) and such default shall continue unremedied for a period of 5 Business Days; (iii) default in the due performance or observance by it of any other terms, covenant or agreement contained in Section 5.1(a)(ii), 5.1(a)(iii), 5.1(a)(iv) or 5.1(a)(viii) and such default shall continue unremedied for a period of 5 Business Days after the Bank has provided written notice to SMUD; or (iv) default in the due performance or observance by it of any other term, covenant or agreement hereunder or under the Fee Agreement (other than those referred to in Section 6.1(a), 6.1(b)(i), 6.1(b)(ii) or 6.1(b)(iii) hereof) and such default shall continue unremedied for a period of thirty (30) days;

(c) Any representation, warranty, certification or statement made or deemed made by SMUD in this Agreement, any Program Document or in any certificate, financial statement or other document delivered to the Bank pursuant to this Agreement shall prove when made or deemed made, in the reasonable judgment of the Bank, to have been inaccurate and misleading in any material respect; or

(d) SMUD shall (i) default in any payment of (A) any Debt payable from or secured by Net Revenues beyond the period of grace (not to exceed 30 days), if any, provided in the instrument or agreement under which such Debt was created or (B) any obligation under any Swap Contract the obligations under which are secured by a lien on Net Revenues senior to or on a parity with the Obligations, or (ii) default in the observance or performance of any agreement or condition relating to any Debt payable from or secured by Net Revenues on parity with or senior to the Obligations or Swap Contract or Bank Agreement the obligations under which are payable from or secured by Net Revenues on parity with or senior to the Obligations contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit (A) the holder or holders (or a trustee or agent on behalf of such holder or holders) of any Debt or (B) the counterparty under any Swap Contract or Bank Agreement, in each case, payable from or secured by Net Revenues on parity with or senior to the Obligations to cause, with the giving of notice if required, such Debt or obligations under such Swap Contract or Bank

Agreement to become due prior to its stated maturity; or (iii) any Debt secured by a lien on Net Revenues senior to or on a parity with the Obligations or Swap Contract or Bank Agreement the obligations under which are payable from or secured by Net Revenues on parity with or senior to the Obligations shall be declared to be due and payable, or required to be prepaid other than by a regularly scheduled required prepayment, prior to the stated maturity thereof. For purposes of clarity, solely for purposes of this Section 6.1(d), Debt payable from or secured by Net Revenues means all Debt of SMUD regardless of lien level or priority payable from or secured by all or any portion of Net Revenues; or

(e) SMUD shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of itself or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally, or in the reasonable judgment of the Bank be unable, to pay its debts as they become due, or shall take any action to authorize any of the foregoing; or

(f) An involuntary case or other proceeding shall be commenced against SMUD seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such case or proceeding is not controverted within thirty (30) days and dismissed within sixty (60) days; or an order for relief shall be entered against SMUD under the Federal bankruptcy laws as now or hereafter in effect; or

(g) (i) A court of competent jurisdiction or other governmental authority with appropriate jurisdiction over SMUD shall enter a final and non-appealable judgment, order or decree declaring any (x) obligation of SMUD contained in this Agreement, any Program Document, the Master Bond Resolution or the Subordinated Bond Resolution or (y) Program Document, the Master Bond Resolution or the Subordinated Bond Resolution, in either case, to be invalid, not binding or unenforceable against SMUD or (ii) any action is taken by the SMUD Board or any officer of SMUD authorized by the SMUD Board to contest the validity or enforceability of this Agreement, any other Program Document, the Master Bond Resolution or the Subordinated Bond Resolution or the SMUD Board or any officer of SMUD authorized by the SMUD Board repudiates its obligations under any Program Document, the Master Bond Resolution or the Subordinated Bond Resolution or any provision thereof or with respect to any Debt of SMUD secured by or payable from Net Revenues senior to or on a parity with the Obligations, or SMUD shall seek an adjudication that this Agreement, any other Program Document, the Master Bond Resolution or the Subordinated Bond Resolution is not valid and binding; or

(h) A moratorium shall have been declared or announced by a Governmental Authority (whether or not in writing) with respect to any Debt of SMUD secured by Net Revenues, Net Subordinated Revenues or Available Revenues; or

- (i) Dissolution or termination of the existence of SMUD; or
- (j) A court of competent jurisdiction shall enter a final and non-appealable judgment, order or decree for the payment of money in excess of \$10,000,000 shall be rendered against SMUD and such judgment or order shall continue, unbonded or unsatisfied for a period of 60 days; or
- (k) Any of the funds or accounts established pursuant to the Master Bond Resolution, the Subordinated Bond Resolution or the Note Resolution or any funds or accounts on deposit, or otherwise to the credit of, such funds or accounts shall become subject to any stay, writ, judgment, warrant of attachment, execution or similar process by any of the creditors of SMUD relating to an obligation or obligations of SMUD in excess of \$10,000,000 and such stay, writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or stayed within fifteen (15) days after its issue or levy; or
- (l) Any pledge or security interest created by this Agreement, any Program Document, the Master Bond Resolution or the Subordinated Bond Resolution to secure any amount due by SMUD under this Agreement, the Fee Agreement or either Revolving Note shall fail to be fully enforceable with the priority required hereunder or thereunder; or
- (m) (i) Any event which materially and adversely affects the ability of SMUD to observe and perform its obligations under this Agreement or the Fee Agreement shall have occurred and be continuing, (ii) any event which materially and adversely affects the ability of SMUD to observe and perform its obligations under any SMUD Program Document, the Master Bond Resolution or the Subordinated Bond Resolution shall have occurred and be continuing or (iii) either the Master Bond Resolution or the Subordinated Bond Resolution shall be amended and such amendment materially and adversely affects the ability of SMUD to observe and perform its obligations under this Agreement or the Fee Agreement; or
- (n) An “event of default” (or similar event) shall have occurred under any of the Program Documents, the Master Bond Resolution or the Subordinated Bond Resolution; or
- (o) There shall be appointed or designated with respect to SMUD, an entity such as an organization, board, commission, authority, agency or body to declare a financial emergency or similar state of financial distress with respect to it or there shall be declared by it or by any legislative or regulatory body with competent jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it; or
- (p) The (i) downgrade by any Rating Agency of its long-term unenhanced rating with respect to any Bonds to a level below “Baa3” (or its equivalent) in the case of Moody’s, “BBB-” (or its equivalent) in the case of S&P or “BBB-” (or its equivalent) in

the case of Fitch or (ii) suspension or withdrawal by any Rating Agency of its respective long-term unenhanced rating on any Bonds for credit-related reasons.

Section 6.2. Remedies. Upon the occurrence of any Event of Default or an Optional Termination Event the Bank may exercise any one or more of the following rights and remedies in addition to any other remedies herein or by law provided:

- (a) declare all Obligations (including all Reimbursement Obligations and all L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented or shall be entitled to present the documents required thereunder) to be immediately due and payable, whereupon the same shall be immediately due and payable without any further notice of any kind, which notice is hereby waived by SMUD; *provided, however,* that in the case of an Event of Default described in Section 6.1(e), 6.1(f) or 6.1(h) hereof, such acceleration shall automatically occur (unless such automatic acceleration is waived by the Bank in writing); or
- (b) with respect to Non-Credit Events of Default only, give notice to SMUD that its obligation to make Loans and Term Loans hereunder is terminated (SMUD hereby acknowledges that upon the occurrence of a Credit Event of Default, the Bank's obligation to make Loans and Term Loans shall automatically terminate without the giving of any notice) with respect thereto; or
- (c) with respect to all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to Section 6.2(a), demand that SMUD shall at such time deposit in a Cash Collateral account opened by the Bank an amount equal to the Minimum Collateral Amount of the aggregate then undrawn and unexpired amount of such Letter of Credit. Amounts held in such Cash Collateral account shall be applied by the Bank to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay the other Obligations. After all such Letters of Credit shall have expired or been fully drawn upon, the Reimbursement Obligations shall have been satisfied and all other Obligations shall have been paid in full, the balance, if any, in such Cash Collateral account shall be returned to SMUD; or
- (d) pursue any rights and remedies it may have under the Program Documents; or
- (e) pursue any other action available at law or in equity.

ARTICLE SEVEN

MISCELLANEOUS

Section 7.1. Amendments, Waivers, Etc. No amendment or waiver of any provision of this Agreement, or consent to any departure therefrom, shall in any event be effective unless the

same shall be in writing and signed by the parties hereto, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 7.2. Notices. All notices and other communications provided for hereunder (except as provided in Section 2.2(b) hereof) shall be in writing (including required copies) and sent by received hand delivery (including Federal Express or other received courier service), facsimile or electronic transmission, or regular mail, as follows:

(a) if to SMUD:

Sacramento Municipal Utility District
6201 S Street
Sacramento, California 95817-1899
Attention: Treasurer
Telephone: (916) 732-5193
Telecopy: (916) 732-5835
Email: Jennifer.Restivo@SMUD.org

With copies to:

Jon.Anderson@smud.org
Alex.Fastovich@smud.org
smud.cash@smud.org

(b) if to the Bank, with
respect to the Loans:

Wells Fargo Bank, National Association
333 South Grand Ave, 6th Floor
Los Angeles CA 90071
MAC E2064-062
Attention: Tasha Wong Hasan
Telephone: (213) 271-2455
Email: jason.pollack@wellsfargo.com
tasha.wong@wellsfargo.com
Brian.L.Goins@wellsfargo.com
erik.bresnahan@wellsfargo.com
wfpublicpowerteam@wellsfargo.com

(c) if to the Bank, with respect to all matters:

Wells Fargo Commercial Banking
333 Market St., 17th Floor
San Francisco, CA 94105
MAC: A0101-093
Attention: Jason Pollack
Telephone: (628) 260-3395
Email: jason.pollack@wellsfargo.com

With a copy to:

Attention: Andrea Boquet
Telephone: (213) 253-7212
Email: andrea.boquet@wellsfargo.com

or, as to each Person named above, at such other address as shall be designated by such Person in a written notice to the parties hereto. All such notices and other communications shall, when delivered, sent by facsimile transmission or mailed, be effective when deposited with the courier, sent by facsimile transmission or mailed respectively, addressed as aforesaid, except that Notices of Borrowings submitted to the Bank shall not be effective until received by the Bank.

Section 7.3. Survival of Covenants; Successors and Assigns. (a) All covenants, agreements, representations, and warranties made herein and in the certificates delivered pursuant hereto shall survive the making of any Loan and Term Loan hereunder and shall continue in full force and effect until the Commitment and this Agreement shall have terminated and all of the Obligations hereunder shall have been paid in full. Whenever in this Agreement any of the parties hereto is referred to, such reference shall, subject to the last sentence of this Section, be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of SMUD which are contained in this Agreement shall inure to the benefit of the successors and assigns of the Bank and the Noteholders, and their respective permitted successors, transferees and assigns as set forth herein. SMUD may not transfer its rights or obligations under this Agreement without the prior written consent of the Bank. Except as otherwise expressly permitted by this Section 7.3 and Section 7.18 hereof, neither the Bank nor any Noteholder may transfer its rights or obligations under this Agreement, the Taxable Note or the Tax-Exempt Note without the prior written consent of SMUD. This Agreement is made solely for the benefit of SMUD and the Bank, and no other Person shall have any right, benefit or interest under or because of the existence of this Agreement.

(b) Notwithstanding the foregoing, the Bank and each Noteholder shall be permitted to grant to one or more financial institutions (each a “*Participant*”) a participation or participations in all or any part of the Bank’s or such Noteholder’s rights and benefits and obligations under this Agreement, the Revolving Notes and the Commitment on a participating basis but not as a party to this Agreement (a “*Participation*”) without the consent of SMUD. In the event of any such grant by the Bank or a Noteholder of a Participation to a Participant, the Bank and such Noteholder shall remain responsible for the performance of its obligations hereunder, and SMUD shall continue to deal solely and directly with the Bank in connection with the Bank’s rights and

obligations under this Agreement. SMUD agrees that each Participant shall, to the extent of its Participation, be entitled to the benefits of this Agreement as if such Participant were the Bank or such Noteholder, *provided* that no Participant shall have the right to declare, or to take actions in response to, an Event of Default under Section 6.1 hereof; *provided further* that SMUD's liability to any Participant shall not in any event exceed that liability which SMUD would owe to the Bank but for such participation.

(c) *Noteholders Generally.* (i) Each Noteholder may, in its sole discretion and in accordance with applicable law, from time to time assign, sell or transfer in whole or in part, this Agreement, its interest in the Revolving Notes and the Program Documents in accordance with the provisions of paragraph (ii) or (iii) of this subsection (c). Each Noteholder may at any time and from time to time enter into participation agreements in accordance with the provisions of paragraph (b) of this Section. Each Noteholder may at any time pledge or assign a security interest subject to the restrictions of Section 7.18 hereof. Wells Fargo Bank, National Association shall be the Bank hereunder until such time as the Majority Noteholder designates an alternate Person to serve as the Bank hereunder by delivery of written notice to SMUD and such Person accepts and agrees to act as the Bank hereunder and under the Program Documents. The Majority Noteholder may so designate an alternate Person that is an owner of the Revolving Notes to act as the Bank from time to time. Upon acceptance and notification thereof to SMUD, the successor to the Bank for such purposes shall thereupon succeed to and become vested with all of the rights, powers, privileges and responsibilities of the Bank, and Wells Fargo Bank, National Association or any other Person being replaced as the Bank shall be discharged from its duties and obligations as the Bank hereunder. Notwithstanding anything to the contrary set forth herein, neither Wells Fargo Bank, National Association nor any other Bank may assign its obligations to advance or make Loans or Term Loans pursuant to the terms of this Agreement without the prior written consent of SMUD (such consent not to be unreasonably withheld) and SMUD's liability to any successor Bank or to any Noteholder shall not in any event exceed that liability which SMUD would have owed to Wells Fargo Bank, National Association but for any such assignment, sale or transfer, in whole or in part, of this Agreement, its interest in the Revolving Notes or the Program Documents. In addition, if the Bank makes any Loan or Term Loan hereunder, the Bank has no present intent to assign or sell any such Loan or Term Loan and all or any portion of the Revolving Notes relating thereto.

(ii) *Sales and Transfers by Noteholder to a Bank Transferee.* Without limitation of the foregoing generality, a Noteholder may at any time sell or otherwise transfer to one or more transferees all or a portion of the Revolving Notes to a Person that is (A) a Bank Affiliate or (B) a trust or other custodial arrangement established by the Bank or a Bank Affiliate, the owners of any beneficial interest in which are limited to "qualified institutional buyers" as defined in Rule 144A promulgated under the 1933 Act (each, a "Bank Transferee"). From and after the date of such sale or transfer, Wells Fargo Bank, National Association (and its successors) shall continue to have all of the rights of the Bank hereunder and under the other Program Documents as if no such transfer or sale had occurred; *provided, however*, that (x) no such sale or transfer referred to in clause (ii)(A) or (ii)(B) hereof shall in any way affect the obligations of the Bank hereunder, (y) SMUD shall be required to deal only with the Bank with respect to any matters under this Agreement and (z) in the case of a sale or transfer referred to in clause (b)(i) or (b)(ii)

hereof, only the Bank shall be entitled to enforce the provisions of this Agreement against SMUD.

(iii) *Sales and Transfers by Noteholder to a Non-Bank Transferee.* Without limitation of the foregoing generality, a Noteholder may at any time sell or otherwise transfer to one or more transferees which are not Bank Transferees but each of which constitutes (A) a “qualified institutional buyer” as defined in Rule 144A promulgated under the 1933 Act and (B) a commercial bank organized under the laws of the United States, or any state thereof, or any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and, in any such case, having a combined capital and surplus, determined as of the date of any transfer pursuant to this clause (iii), of not less than \$5,000,000,000 (each a “Non-Bank Transferee”) all or a portion of the Revolving Notes if (1) written notice of such sale or transfer, including that such sale or transfer is to a Non-Bank Transferee, together with addresses and related information with respect to the Non-Bank Transferee, shall have been given to SMUD and the Bank (if different than the Noteholder) by such selling Noteholder and Non-Bank Transferee and (2) the Non-Bank Transferee shall have delivered to SMUD and the selling Noteholder, an investment letter in substantially the form delivered by the Bank on the Closing Date (the “Investor Letter”).

From and after the date SMUD and the selling Noteholder have received written notice and an executed Investor Letter for such Non-Bank Transferee, (A) the Non-Bank Transferee thereunder shall be a party hereto and shall have the rights and obligations of a Noteholder hereunder and under the other Program Documents, and this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to effect the addition of the Non-Bank Transferee, and any reference to the assigning Noteholder hereunder and under the other Program Documents shall thereafter refer to such transferring Noteholder and to the Non-Bank Transferee to the extent of their respective interests, and (B) if the transferring Noteholder no longer owns any Revolving Notes, then it shall relinquish its rights and be released from its obligations hereunder and under the Program Documents.

Section 7.4. Unconditional Obligations. The obligations of SMUD under this Agreement and the Fee Agreement shall be primary, absolute, independent, unconditional and irrevocable and shall be performed strictly in accordance with the terms of this Agreement and the Fee Agreement, including without limitation the following circumstances:

(a) Any lack of validity or enforceability of the Program Documents or any other agreement or instrument relating to any of the above;

(b) Any amendment or waiver of, or any consent to or departure from, any provision of any of the Program Documents, except for any waiver or consent granted by the Bank;

(c) The existence of any claim, setoff, defense or other rights that SMUD may have at any time against the Bank or any other Person, whether in connection with this Agreement, the Program Documents or any unrelated transaction;

(d) Any breach of contract or other dispute between SMUD and any Noteholder, the Bank or any other Person;

(e) Any demand, statement or any other document presented hereunder proving to have been forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(f) Payment by the Bank hereunder against presentation of a draft or certificate which does not comply strictly with the terms of this Agreement; or

(h) The failure by the Bank to honor any Notice of Borrowing hereunder or to make any payment demanded hereunder on the grounds that the demand for such payment does not conform strictly to the terms and conditions of this Agreement.

Section 7.5. Liability of Bank; Indemnification. (a)(i) Except as provided in this Agreement, the Bank shall not be obligated to issue any further credits, to cure any defaults under any Program Document or otherwise, or in any other manner to extend any financial consideration or accommodation to SMUD.

(ii) The Bank shall not be deemed to have waived or released any of its rights or remedies (whether specified in or arising under this Agreement, the Fee Agreement or otherwise available to it by law or agreement) unless the Bank shall have signed a written waiver or release. Delay or failure to act on the Bank's part shall not constitute a waiver of or otherwise preclude enforcement of any of their rights and remedies. All of the Bank's rights and remedies shall be cumulative and may be exercised separately or concurrently. The Bank need not resort to any particular right or remedy before exercising or enforcing any other, and the Bank's resort to any right or remedy shall not preclude the exercise or enforcement of any other right or remedy.

(iii) Neither the Bank nor any of its officers, directors, employees or agents shall be liable or responsible for:

(A) The use that may be made of the Commitment or the Loans or Term Loans;

(B) The form, validity, sufficiency, accuracy or genuineness of documents, or of any endorsements thereon, even if such documents should prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged, so long as the Bank was not grossly negligent or guilty of willful misconduct as determined by a court of competent jurisdiction;

(C) Payment by the Bank against presentation of documents that do not comply strictly with the terms of this Agreement, including failure of any documents to bear any reference or adequate reference to this Agreement;

(D) The validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign this Agreement or the rights or benefits thereunder or

proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason;

(E) Errors, omissions, interruptions or delays in transmission or delivery of any messages by telex, mail, cable, telegraph, facsimile or otherwise, whether or not they have been in cipher, including any Notices of Borrowing under this Agreement;

(F) Errors in interpretation of technical terms; or

(G) Any consequences arising from causes beyond the control of the Bank, including, without limitation, any Government Acts;

provided that, notwithstanding anything in the preceding clauses (A) through (G) to the contrary, SMUD shall have a claim against the Bank, and the Bank shall be liable to SMUD, to the extent, but only to the extent, of any direct, as opposed to consequential, damages suffered by SMUD that SMUD proves were caused by (A) the Bank's failure to pay under this Agreement after the presentation to it by SMUD of a certificate strictly complying with the terms and conditions of this Agreement or (B) the Bank's willful or grossly negligent payment under this Agreement as determined by a court of competent jurisdiction in a final non-appealable judgment.

In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

(b) (i) To the maximum extent permitted by applicable law, SMUD agrees to indemnify, save and hold harmless each Bank-Related Person from and against: (A) any and all claims, demands, actions or causes of action that may at any time (including at any time following repayment of the Obligations) be asserted or imposed against any Bank-Related Person arising out of or relating to this Agreement, the Loans and Term Loans, the Letters of Credit, the Fee Agreement or any Program Document, the use or contemplated use of the proceeds of any Loan or Term Loan or Letter of Credit (including any refusal by the Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), or the relationship of SMUD and the Bank under this Agreement or any Program Document; (B) any investigative, administrative or judicial proceeding by any Governmental Authority arising out of or related to a claim, demand, action or cause of action described in subsection (A) above; and (C) any and all liabilities (including liabilities under indemnities), losses, costs or expenses (including attorney costs) that any Bank-Related Person suffers or incurs as a result of the assertion of any foregoing claim, demand, action, cause of action or proceeding, or as a result of the preparation of any defense in connection with any foregoing claim, demand, action, cause of action or proceeding, in all cases, and whether or not a Bank-Related Person is a party to such claim, demand, action, cause of action or proceeding; *provided* that no Bank-Related Person shall be entitled to indemnification for any claim caused by its own gross negligence or willful misconduct. The agreements in this subsection shall survive the termination of this Agreement and repayment of all of the Obligations.

(ii) To the maximum extent permitted by applicable law, SMUD shall also indemnify and hold harmless the Bank from any transfer taxes, documentary taxes, assessments or charges made by any Governmental Authority by reason of the execution and delivery of this Agreement and the Program Documents or the making available of the Commitment. The agreements in this subsection shall survive the termination of this Agreement and repayment of all of the Obligations.

Section 7.6. Expenses. SMUD will promptly pay (i) the reasonable fees and expenses of counsel to the Bank incurred in connection with the preparation, execution and delivery of this Agreement and the other Program Documents, (ii) the reasonable out-of-pocket expenses of the Bank incurred in connection with the preparation, execution and delivery of this Agreement and the other Program Documents, (iii) the reasonable fees and disbursements of counsel to the Bank with respect to advising the Bank as to the rights and responsibilities under this Agreement after the occurrence of an Event of Default and (iv) all reasonable costs and expenses, if any, in connection with the administration and enforcement of this Agreement and the Program Documents and any other documents which may be delivered in connection herewith or therewith, including in each case the fees and disbursements of counsel to the Bank. In addition, SMUD agrees to pay, after the occurrence of an Event of Default, all reasonable costs and expenses (including attorneys' and consultants' fees and costs of settlement) incurred by the Bank in enforcing any obligations or in collecting any payments due from SMUD hereunder by reason of such Event of Default or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "workout" or of any insolvency or bankruptcy proceedings. The obligations of SMUD under this Section 7.6 shall survive the termination of this Agreement.

Section 7.7. No Waiver; Conflict. No failure by the Bank to exercise, and no delay by the Bank in exercising any right, power or privilege hereunder, nor any course of dealing with respect to any of the same, shall operate as a waiver thereof, preclude any other or further exercise thereof nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The rights, remedies, powers and privileges herein provided and provided under each other Program Document are cumulative, and not exclusive of any rights, remedies, powers and privileges provided by law.

Section 7.8. Modification, Amendment, Waiver, Etc. No modification, amendment or waiver of any provision of this Agreement shall be effective unless the same shall be in writing and signed in accordance with Section 7.1 hereof.

Section 7.9. Dealing with SMUD. The Bank and its affiliates may accept deposits from, extend credit to and generally engage in any kind of banking, trust or other business with SMUD regardless of the capacity of the Bank hereunder.

Section 7.10. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction, and all other remaining provisions hereof will be construed to render them enforceable to the fullest extent permitted by law.

Section 7.11. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but when taken together shall constitute but one agreement and any of the parties hereto may execute this Agreement by signing any such counterpart. The parties agree that the electronic signature of a party to this Agreement shall be as valid as an original signature of such party and shall be effective to bind such party to this Agreement. The parties agree that any electronically signed document (including this Agreement) shall be deemed (i) to be “written” or “in writing,” (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Such paper copies or “printouts,” if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule. For purposes hereof, “electronic signature” means a manually-signed original signature that is then transmitted by electronic means; “transmitted by electronic means” means sent in the form of a facsimile or sent via the internet as a “pdf” (portable document format) or other replicating image attached to an e-mail message; and, “electronically signed document” means a document transmitted by electronic means and containing, or to which there is affixed, an electronic signature.

Section 7.12. Table of Contents; Headings. The table of contents and the section and subsection headings used herein have been inserted for convenience of reference only and do not constitute matters to be considered in interpreting this Agreement.

SECTION 7.13. ENTIRE AGREEMENT. THIS AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES HERETO AS TO SUCH SUBJECT MATTER.

Section 7.14. Governing Law. PURSUANT TO SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW (OR ANY SUCCESSOR STATUTE THERETO), THIS AGREEMENT AND THE FEE AGREEMENT SHALL BE DEEMED TO BE A CONTRACT UNDER, AND SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK AND APPLICABLE FEDERAL LAW; PROVIDED, HOWEVER, THAT THE CAPACITY, POWER AND AUTHORITY OF SMUD TO ENTER INTO THIS AGREEMENT AND THE OBLIGATIONS OF SMUD HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA AND APPLICABLE FEDERAL LAW WITHOUT REGARD TO CHOICE OF LAW RULES.

Section 7.15. Waiver of Jury Trial. (a) TO THE FULL EXTENT PERMITTED BY LAW, SMUD AND THE BANK EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY FOR ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE FEE AGREEMENT, ANY OF THE OTHER PROGRAM DOCUMENTS, THE MASTER BOND RESOLUTION, THE SUBORDINATED BOND RESOLUTION OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH OF SMUD AND THE BANK FURTHER AGREES THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT JURY. WITHOUT LIMITING THE FOREGOING, TO THE EXTENT PERMITTED BY LAW, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A

TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT, THE FEE AGREEMENT, AND/OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND/OR THE FEE AGREEMENT.

(b) In the event the waiver of jury trial as set forth in subsection (a) of this Section shall be declared void or unenforceable, each of SMUD and the Bank agrees to refer the dispute to a judicial referee in accordance with the provisions of Section 638 *et seq.* of the California Code of Civil Procedure.

Section 7.16. Right of Setoff; Other Collateral. (a) Upon the occurrence and during the continuance of an Event of Default, the Bank is hereby authorized at any time and from time to time without notice to SMUD (any such notice being expressly waived by SMUD), and to the fullest extent permitted by law, to setoff, to exercise any banker's lien or any right of attachment and apply any and all balances, credits, deposits (general or special, time or demand, provisional or final), accounts or monies at any time held and other indebtedness at any time owing by the Bank to or for the account of SMUD (irrespective of the currency in which such accounts, monies or indebtedness may be denominated and the Bank is authorized to convert such accounts, monies and indebtedness into United States dollars) against any and all of the Obligations of SMUD, whether or not the Bank shall have made any demand for any amount owing to the Bank by SMUD; *provided, however,* that any such setoff, exercise of banker's lien or any right of attachment shall be limited to (i) balances, credits, deposits (general or special, time or demand, provisional or final), accounts or monies or (ii) indebtedness owed by the Bank to or for the account of SMUD, the proceeds of which would otherwise be available to pay or satisfy or otherwise secure the Revolving Notes, the Obligations or any other indebtedness or obligations of SMUD secured or payable on a parity with or subordinate to the Lien on Net Revenues securing the Revolving Notes and the Obligations; and *provided further, however,* that the exercise of any such setoff, banker's lien or right of attachment and the application of any such balances, credits, deposits, accounts, monies or proceeds of indebtedness that would constitute Revenues or other funds pledged pursuant to the Master Bond Resolution, Subordinated Bond Resolution or Note Resolution shall be subject to the terms, conditions and lien and payment priorities set forth in the Master Bond Resolution, the Subordinated Bond Resolution and the Note Resolution.

(b) The rights of the Bank under this Section 7.16 are in addition to, in augmentation of, and, except as specifically provided in this Section 7.16, do not derogate from or impair, other rights and remedies (including, without limitation, other rights of setoff) which the Bank may have hereunder or under the other Program Documents.

Section 7.17. USA Patriot Act. The Bank hereby notifies SMUD that, pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 signed into law October 26, 2001) (the "Patriot Act"), it is required to obtain, verify and record information that identifies SMUD, which information includes the name and address of SMUD and other information that will allow the Bank to identify SMUD in accordance with applicable "know your customer" and anti-money-laundering rules and regulations, including, without limitation, the Patriot Act. SMUD hereby agrees that it shall promptly provide such information upon request by the Bank.

Section 7.18. Assignment to Federal Reserve Bank. The Bank and each other Noteholder may assign and pledge all or any portion of the Obligations owing to it to any Federal Reserve Bank or the United States Treasury, including, without limitation, as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank or to any state or local governmental entity or with respect to public deposits; *provided* that any payment in respect of such assigned Obligations made by SMUD or on its behalf to the Bank in accordance with the terms of this Agreement shall satisfy SMUD's Obligations hereunder in respect of such assigned Obligation to the extent of such payment. No such assignment shall release the Bank from its obligations hereunder.

Section 7.19. No Advisory or Fiduciary Relationship. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Program Document), SMUD acknowledges and agrees that: (a) (i) the services regarding this Agreement provided by the Bank and any Affiliate thereof are arm's-length commercial transactions between SMUD, on the one hand, and the Bank and its Affiliates, on the other hand, (ii) SMUD has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (iii) SMUD is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Program Documents; (b) (i) the Bank and its Affiliates each is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary pursuant to Section 15B of the Securities Exchange Act of 1934 or otherwise, for SMUD or any other Person and (ii) neither the Bank nor any of its Affiliates has any obligation to SMUD with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Program Documents; and (c) the Bank and its Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of SMUD, and neither the Bank nor any of its Affiliates has any obligation to disclose any of such interests to SMUD. To the fullest extent permitted by Law, SMUD hereby waives and releases any claims that it may have against the Bank or any of its Affiliates with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transactions contemplated hereby.

Section 7.20. EMMA Postings. In the event SMUD files with EMMA, this Agreement, any Program Documents or any description of the material terms thereof or notice of any agreement to covenants, events of default, remedies, priority rights or other similar terms with respect thereto, either voluntarily or as required pursuant a continuing disclosure agreement or Rule 15c2-12 promulgated pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule") (each such posting, an "EMMA Posting"), SMUD shall (i) provide the Bank with a copy of each EMMA Posting prior to submitting or posting on EMMA and (ii) shall not file or permit the filing of any EMMA Posting that includes Confidential Information. SMUD acknowledges and agrees that although the Bank may request or review edits or redactions of such materials prior to filing, the Bank is not responsible for SMUD's or any other entity's (including, but not limited to, any broker-dealer's) compliance or noncompliance (or any claims, losses or liabilities arising therefrom) with

any continuing disclosure agreement or any applicable securities or other laws, including, but not limited to, those relating to the Rule.

ARTICLE EIGHT

LETTER OF CREDIT FACILITY

Section 8.1. L/C Facility.

(a) *Availability.* Subject to the terms and conditions hereof, the Bank agrees to issue performance Letters of Credit in an aggregate amount not to exceed the L/C Sublimit for the account of SMUD. Letters of Credit may be issued on any Business Day from the First Amendment Effective Date to, but not including the fifteenth (15th) Business Day prior to the Facility Maturity Date in such form as may be approved from time to time by the Bank; *provided*, that the Bank shall not issue any Letter of Credit if, after giving effect to such issuance, (i) the L/C Obligations would exceed the L/C Sublimit or (ii) the outstanding Extensions of Credit would exceed the Commitment. Letters of Credit issued hereunder shall constitute utilization of the Commitment.

(b) *Terms of Letters of Credit.* Each Letter of Credit shall (i) be denominated in Dollars in a minimum amount of \$1,000,000 (or such lesser amount as agreed to by the Bank), (ii) expire on a date no more than twelve (12) months after the date of issuance or last renewal or extension of such Letter of Credit (subject to automatic renewal or extension for additional one (1) year periods (but not to a date later than the date set forth below) pursuant to the terms of the Letter of Credit Documents or other documentation acceptable to the Bank), which date shall be no later than the fifth (5th) Business Day prior to the Facility Maturity Date; *provided* that any Letter of Credit may expire after such date (each such Letter of Credit, an “*Extended Letter of Credit*”) with the consent of the Bank and subject to the requirements of Section 8.11, and (iii) unless otherwise expressly agreed by the Bank and SMUD when a Letter of Credit is issued by it, be subject to the ISP as set forth in the Letter of Credit Documents or as determined by the Bank and, to the extent not inconsistent therewith, the laws of the State of New York. The Bank shall not at any time be obligated to issue any Letter of Credit hereunder if (A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the Bank from issuing such Letter of Credit, or any Law applicable to the Bank or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the Bank shall prohibit, or request that the Bank refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the Bank with respect to letters of credit generally or such Letter of Credit in particular any restriction or reserve or capital requirement (for which the Bank is not otherwise compensated) not in effect on the First Amendment Effective Date, or any unreimbursed loss, cost or expense that was not applicable, in effect or known to the Bank as of the First Amendment Effective Date and that the Bank in good faith deems material to it, (B) the conditions set forth in Section 3.2 are not satisfied, (C) the issuance of such Letter of Credit would violate one or more policies of the Bank applicable to letters of credit generally, or (D) the proceeds of which would be made available to any Person (x) to fund any activity or business of or with any Sanctioned Person, or in any Sanctioned Country or (y) in any manner that would result in a violation of any Sanctions by any party to this

Agreement. References herein to “issue” and derivations thereof with respect to Letters of Credit shall also include extensions or modifications of any outstanding Letters of Credit, unless the context otherwise requires.

Section 8.2. Procedure for Issuance of Letters of Credit. SMUD may from time to time request that the Bank issue, amend, renew or extend a Letter of Credit by delivering to the Bank at its applicable office a Letter of Credit Application therefor, completed to the satisfaction of the Bank, and such other certificates, documents and other Letter of Credit Documents and information as the Bank may request, not later than 11:00 a.m. (Pacific time) at least seven (7) Business Days (or such later date and time as the Bank may agree in its sole discretion) prior to the proposed date of issuance, amendment, renewal or extension, as the case may be. Such notice shall specify (a) the requested date of issuance, amendment, renewal or extension (which shall be a Business Day), (b) the date on which such Letter of Credit is to expire (which shall comply with Section 8.1(b)), (c) the amount of such Letter of Credit, (d) the name and address of the beneficiary thereof, (e) the purpose and nature of such Letter of Credit and (f) such other information as shall be necessary to issue, amend, renew or extend such Letter of Credit. Upon receipt of any Letter of Credit Application, the Bank shall, process such Letter of Credit Application and the certificates, documents and other Letter of Credit Documents and information delivered to it in connection therewith in accordance with its customary procedures and shall, subject to Section 8.1 and Article Three, promptly issue, amend, renew or extend the Letter of Credit requested thereby (subject to the timing requirements set forth in this Section 8.2) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed by the Bank and SMUD. Additionally, SMUD shall furnish to the Bank such other documents and information pertaining to such requested Letter of Credit issuance or amendment, renewal or extension, including any Letter of Credit Documents, as the Bank may require. The Bank shall promptly furnish to SMUD a copy of such Letter of Credit and the related Letter of Credit Documents.

Section 8.3. Commissions and Other Charges.

(a) *Letter of Credit Commissions.* SMUD shall pay to the Bank a letter of credit commission with respect to each Letter of Credit in the amount equal to the daily amount available to be drawn under such performance Letters of Credit times the L/C Fee Rate (determined, in each case, on a per annum basis). Such commission shall be payable quarterly in arrears on the tenth (10th) calendar day of each July, October, January and April (commencing with the first such date to occur after the issuance of such Letter of Credit), on the Facility Maturity Date and thereafter on demand of the Bank.

(b) *Issuance Fee.* In addition to the foregoing commission, SMUD shall pay directly to the Bank, for its own account, an issuance fee with respect to each Letter of Credit issued by the Bank in an amount equal to \$500 or as otherwise agreed upon between the Bank and SMUD. Such issuance fee shall be payable immediately upon the issuance of such Letter of Credit and thereafter on demand of the Bank.

(c) *Other Fees, Costs, Charges and Expenses.* In addition to the foregoing fees and commissions, SMUD shall pay or reimburse the Bank for such normal and customary fees, costs, charges and expenses (including fronting fees) as are incurred or charged by the Bank in issuing,

effecting payment under, amending or otherwise administering any Letter of Credit issued by it. Such customary fees, costs, charges and expenses are due and payable on demand and are nonrefundable.

Section 8.4. Reserved.

Section 8.5. Reimbursement. In the event of any drawing under any Letter of Credit, SMUD agrees to reimburse (either with the proceeds of a Loan as provided for in this Section or with funds from other sources), in same day funds, the Bank by paying to the Bank the amount of such drawing not later than 12:00 noon (Pacific time) on (i) the Business Day that SMUD receives notice of such drawing, if such notice is received by SMUD prior to 10:00 a.m. (Pacific time), or (ii) the Business Day immediately following the day that SMUD receives such notice, if such notice is not received prior to such time, for the amount of (x) such draft so paid and (y) any amounts referred to in Section 8.3(c) incurred by the Bank in connection with such payment. Unless SMUD shall immediately notify the Bank that SMUD intends to reimburse the Bank for such drawing from other sources or funds, SMUD shall be deemed to have timely given a Notice of Borrowing to the Bank requesting that the Bank make a Loan at the Taxable Daily SOFR Rate on the applicable repayment date in the amount (without regard to the minimum and multiples specified in Section 2.2) of (i) such draft so paid and (ii) any amounts referred to in Section 8.3(c) incurred by the Bank in connection with such payment, and the Bank shall make a Loan as a Loan at the Taxable Daily SOFR Rate in such amount, the proceeds of which shall be applied to reimburse the Bank for the amount of the related drawing and such fees and expenses. The Bank acknowledges and agrees that its obligation to fund a Loan in accordance with this Section to reimburse the Bank for any draft paid under a Letter of Credit issued by it is absolute and unconditional and shall not be affected by any circumstance whatsoever, including non-satisfaction of the conditions set forth in Section 2.2 or Article Three. If SMUD has elected to pay the amount of such drawing with funds from other sources and shall fail to reimburse the Bank as provided above, or if the amount of such drawing is not fully refunded through a Loan at the Taxable Daily SOFR Rate as provided above, the unreimbursed amount of such drawing shall bear interest at the rate which would be payable on any outstanding Loan at the Taxable Daily SOFR Rate which were then overdue from the date such amounts become payable (whether at stated maturity, by acceleration or otherwise) until paid in full.

Section 8.6. Obligations Absolute.

(a) SMUD's obligations under this Article Eight (including the Reimbursement Obligation) shall be absolute, unconditional and irrevocable under any and all circumstances whatsoever, and shall be performed strictly in accordance with the terms of this Agreement, and irrespective of:

(i) any lack of validity or enforceability of any Letter of Credit, any Letter of Credit Document or this Agreement, or any term or provision therein or herein;

(ii) the existence of any claim, counterclaim, setoff, defense or other right that SMUD may have or have had against the Bank or any beneficiary of a Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the Bank

or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent, forged or insufficient in any respect or any statement in such draft or other document being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit; or

(v) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, SMUD's obligations hereunder.

(b) The Bank shall use commercially reasonable efforts to notify SMUD of any drawings under any Letter of Credit. SMUD also agrees that the Bank shall not be responsible for, and SMUD's Reimbursement Obligation under Section 8.5 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among SMUD and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of SMUD against any beneficiary of such Letter of Credit or any such transferee. The Bank and the Bank-Related Persons shall not have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit, or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Bank; *provided* that the foregoing shall not be construed to excuse the Bank from liability to SMUD to the extent of any direct damages (as opposed to special, indirect, consequential or punitive damages, claims in respect of which are hereby waived by SMUD to the extent permitted by Law) suffered by SMUD that are caused by the Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Bank (as finally determined by a court of competent jurisdiction), the Bank shall be deemed to have exercised care in each such determination.

(c) In furtherance of the foregoing and without limiting the generality thereof, the parties agree that (i) with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of

Credit, (ii) the Bank may act upon any instruction or request relative to a Letter of Credit or requested Letter of Credit that the Bank in good faith believes to have been given by a Person authorized to give such instruction or request and (iii) the Bank may replace a purportedly lost, stolen, or destroyed original Letter of Credit or missing amendment thereto with a certified true copy marked as such or waive a requirement for its presentation. The responsibility of the Bank to SMUD in connection with any draft presented for payment under any Letter of Credit issued by it shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment substantially conforms to the requirements under such Letter of Credit.

(d) Notwithstanding anything in this Section 8.6 to the contrary, the provisions set forth in this Section 8.6 shall not by themselves relieve the Bank of liability for damages to SMUD for gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final, non-appealable judgment.

Section 8.7. Effect of Letter of Credit Documents. To the extent that any provision of any Letter of Credit Document related to any Letter of Credit is inconsistent with the provisions of this Article Eight, the provisions of this Article Eight shall apply.

Section 8.8. Reserved.

Section 8.9. Reserved.

Section 8.10. Letter of Credit Amounts. Unless otherwise specified, all references herein to the amount of a Letter of Credit at any time shall be deemed to mean the maximum face amount of such Letter of Credit after giving effect to all increases thereof contemplated by such Letter of Credit or the Letter of Credit Documents therefor (at the time specified therefor in such applicable Letter of Credit or Letter of Credit Documents and as such amount may be reduced by (a) any permanent reduction of such Letter of Credit or (b) any amount which is drawn, reimbursed and no longer available under such Letter of Credit).

Section 8.11. Cash Collateral for Extended Letters of Credit.

(a) *Cash Collateralization.* SMUD shall provide Cash Collateral to the Bank with respect to each Extended Letter of Credit issued by the Bank (in an amount equal to 105% of the maximum face amount of each Extended Letter of Credit) by a date that is no later than 5 days prior to the Facility Maturity Date by depositing such amount in immediately available funds, in Dollars, into a cash collateral account maintained at the Bank and shall enter into a cash collateral agreement in form and substance satisfactory to the Bank and such other documentation as the Bank may reasonably request; *provided* that if SMUD fails to provide Cash Collateral with respect to any such Extended Letter of Credit by such time, such event shall be treated as a drawing under such Extended Letter of Credit in an amount equal to 105% of the maximum face amount of each such Letter of Credit, which shall be reimbursed (or participations therein funded) in accordance with this Article Eight, with the proceeds of Loans being utilized to provide Cash Collateral for such Letter of Credit (provided that for purposes of determining the usage of the Commitment any

such Extended Letter of Credit that has been, or will concurrently be, Cash Collateralized with proceeds of a Loan, the portion of such Extended Letter of Credit that has been (or will concurrently be) so Cash Collateralized will not be deemed to be utilization of the Commitment); *provided further* that no Cash Collateral will be required if the Extended Letter of Credit is cancelled or returned before the date that is 5 days prior to the Facility Maturity Date.

(b) *Grant of Security Interest.* SMUD hereby grants to the Bank, and agrees to maintain, a first priority security interest in, all Cash Collateral required to be provided by this Section 8.11 as security for the Bank's obligation to fund draws under such Extended Letters of Credit, to be applied pursuant to subsection (c) below. If at any time the Bank determines that the Cash Collateral is subject to any right or claim of any Person other than the Bank as herein provided or that the total amount of such Cash Collateral is less than the amount required pursuant to subsection (a) above, SMUD will, promptly upon demand by the Bank, pay or provide to the Bank additional Cash Collateral in an amount sufficient to eliminate such deficiency.

(c) *Application.* Notwithstanding anything to the contrary contained in this Agreement or any other Program Document, Cash Collateral provided under this Section 8.11 in respect of Extended Letters of Credit shall be applied to reimburse the Bank for all drawings made under such Extended Letters of Credit and any and all fees, expenses and charges incurred in connection therewith, prior to any other application of such property as may otherwise be provided for herein.

(d) *Cash Collateralized Letters of Credit.* Subject to clause (e) below, if SMUD has fully Cash Collateralized the Bank with respect to any Extended Letter of Credit issued by the Bank in accordance with subsections (a) through (c) above and SMUD and the Bank have made arrangements between them with respect to the pricing and fees associated therewith (each such Extended Letter of Credit, a "*Cash Collateralized Letter of Credit*"), then for so long as such Cash Collateral remains in place (i) such Cash Collateralized Letter of Credit shall cease to be a "Letter of Credit" hereunder, (ii) such Cash Collateralized Letter of Credit shall not constitute utilization of the Commitment, (iii) the Bank shall have no further obligation to fund Loans to reimburse any drawing under any such Cash Collateralized Letter of Credit, (iv) no Letter of Credit commissions under Section 8.3(a) shall be due or payable to the Bank hereunder with respect to such Cash Collateralized Letter of Credit, and (v) any fronting fee, issuance fee or other fee with respect to such Cash Collateralized Letter of Credit shall be as agreed separately between SMUD and the Bank.

(e) *Reinstatement.* SMUD and the Bank agree that, if any payment or deposit made by SMUD or any other Person applied to the Cash Collateral required under this Section 8.11 is at any time avoided, annulled, set aside, rescinded, invalidated, declared to be fraudulent or preferential or otherwise required to be refunded or repaid, or is repaid in whole or in part pursuant to a good faith settlement of a pending or threatened avoidance claim, or the proceeds of any such Cash Collateral are required to be refunded by the Bank to SMUD or its estate, trustee, receiver or any other Person, under any Law or equitable cause, then, to the extent of such payment or repayment, (i) the applicable Extended Letter of Credit shall automatically be a "Letter of Credit" hereunder in a face amount equal to such payment or repayment (each such Letter of Credit, a "*Reinstated Letter of Credit*"), (ii) such Reinstated Letter of Credit shall no longer be deemed to be Cash Collateralized hereunder and shall constitute a utilization of the Commitment, (iii) the

Bank shall be obligated to fund Loans to reimburse any drawing under such Reinstated Letter of Credit, (iv) Letter of Credit commissions under Section 8.3(a) shall accrue and be due and payable to the Bank with respect to such Reinstated Letter of Credit and (v) SMUD's and the Bank's liability hereunder (and any guaranteee, Lien or collateral guaranteeing or securing such liability) shall be and remain in full force and effect, as fully as if such payment or deposit had never been made, and, if prior thereto, this Agreement shall have been canceled, terminated, paid in full or otherwise extinguished (and if any guaranteee, Lien or collateral guaranteeing or securing SMUD's or the Bank's) liability hereunder shall have been released or terminated by virtue of such cancellation, termination, payment or extinguishment), the provisions of this Article Eight and all other rights and duties of the Bank with respect to such Reinstated Letter of Credit (and any guaranteee, Lien or collateral guaranteeing or securing such liability) shall be reinstated in full force and effect, and such prior cancellation, termination, payment or extinguishment shall not diminish, release, discharge, impair or otherwise affect the obligations of such Persons in respect of such Reinstated Letter of Credit (and any guaranteee, Lien or collateral guaranteeing or securing such obligation).

(f) *Survival.* With respect to any Extended Letter of Credit, each party's obligations under this Article Eight and all other rights and duties of the Bank of such Extended Letter of Credit shall survive any assignment of rights by the Bank, the termination of the Commitment and the repayment, satisfaction or discharge of the Obligations.

[Execution Page Follows]

IN WITNESS WHEREOF, SMUD and the Bank have duly executed this Agreement as of the date first above written.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

By: _____

Name: Russell Mills

Title: Treasurer

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____

Name: _____

Title: _____

EXHIBIT A

FORM TAXABLE REVOLVING NOTE

SACRAMENTO MUNICIPAL UTILITY DISTRICT TAXABLE REVOLVING NOTE (WELLS FARGO REVOLVING CREDIT AGREEMENT)

February 23, 2022 \$50,000,000

The Sacramento Municipal Utility District ("SMUD"), for value received, hereby promises to pay to the order of Wells Fargo Bank, National Association (the "Bank"), pursuant to that certain Revolving Credit Agreement dated as of February 1, 2022 (as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, the "*Revolving Credit Agreement*"), between SMUD and the Bank and that certain Fee Agreement dated February 23, 2022 (as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, the "*Fee Agreement*"), between SMUD and the Bank, at the office of the Bank at 333 South Grand Ave, 6th Floor, Los Angeles CA 90071 (or such other address as designated by the Bank to SMUD in writing), the aggregate unpaid principal amount of all Obligations (as defined in the Revolving Credit Agreement), except for the principal of and interest on Tax-Exempt Loans and related Term Loans, pursuant to the Revolving Credit Agreement and the Fee Agreement on the dates and in the amounts provided for in the Revolving Credit Agreement and the Fee Agreement.

SMUD promises to pay interest on the unpaid principal amount of all Taxable Loans, related Term Loans and all other Obligations (except for the principal of and interest on Tax-Exempt Loans and related Term Loans) owed to the Bank under the Revolving Credit Agreement and the Fee Agreement on the dates and at the rate or rates provided for in the Revolving Credit Agreement and the Fee Agreement. All payments of principal and interest shall be made in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts in immediately available funds. All capitalized terms used herein and not otherwise defined herein shall have the meanings specified in the Revolving Credit Agreement.

This Taxable Revolving Note is the Taxable Note referred to in the Revolving Credit Agreement and is entitled to the benefits thereof and of the Program Documents referred to therein. As provided in the Revolving Credit Agreement, this Taxable Revolving Note is subject to prepayment, in whole or in part, in accordance with the terms of the Revolving Credit Agreement.

The Bank agrees, by acceptance of this Taxable Revolving Note, that it will make a notation on the schedule attached hereto of all Taxable Loans evidenced hereby and all principal payments and prepayments made hereunder and of the date to which interest hereon has been paid, all as provided in the Revolving Credit Agreement; *provided, however,* that the failure to make any such notation shall not limit or otherwise affect the obligation of SMUD hereunder with respect to payments of principal of and interest on this Taxable Revolving Note.

This Taxable Revolving Note is authorized by SMUD to be issued to provide funds for the purposes set forth in the Note Resolution and for other authorized purposes, including to pay the principal amount of Taxable Loans, related Term Loans and all other Obligations theretofore issued. This Taxable Revolving Note is issued under and pursuant to and in full compliance with the Note Resolution and the Revolving Credit Agreement providing for the issuance and sale and fixing the form and details of this Taxable Revolving Note.

This Taxable Revolving Note is an obligation of SMUD secured by a lien on the Available Revenues as more fully described in Section 2.20 of the Revolving Credit Agreement.

It is hereby certified that all conditions, acts and things essential to the validity of this Taxable Revolving Note exist, have happened and have been done and that every requirement of law affecting the issuance hereof has been duly complied with.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, SMUD has caused this Taxable Revolving Note to be executed by an authorized officer of SMUD and this Taxable Revolving Note to be dated as of date set forth above.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

By: _____
Name: Jennifer Restivo
Title: Treasurer

SCHEDULE FOR TAXABLE REVOLVING NOTE
DATED FEBRUARY 23, 2022
BY SACRAMENTO MUNICIPAL UTILITY DISTRICT
PAYABLE TO WELLS FARGO BANK, NATIONAL ASSOCIATION

DATE	AMOUNT OF TAXABLE LOAN MADE	AMOUNT OF PRINCIPAL PAID	DATE TO WHICH INTEREST PAID		NOTATION MADE BY

EXHIBIT B

FORM TAX-EXEMPT REVOLVING NOTE

SACRAMENTO MUNICIPAL UTILITY DISTRICT TAX-EXEMPT REVOLVING NOTE (WELLS FARGO REVOLVING CREDIT AGREEMENT)

February 23, 2022 \$50,000,000

The Sacramento Municipal Utility District (“SMUD”), for value received, hereby promises to pay to the order of Wells Fargo Bank, National Association (the “Bank”), pursuant to that certain Revolving Credit Agreement dated as of February 1, 2022 (as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, the “*Revolving Credit Agreement*”), between SMUD and the Bank and that certain Fee Agreement dated February 23, 2022 (as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, the “*Fee Agreement*”), between SMUD and the Bank, at the office of the Bank at 333 South Grand Ave, 6th Floor, Los Angeles CA 90071 (or such other address as designated by the Bank to SMUD in writing), the aggregate unpaid principal amount of all Tax-Exempt Loans and related Term Loans (as such terms are defined in the Revolving Credit Agreement) pursuant to the Revolving Credit Agreement and the Fee Agreement on the dates and in the amounts provided for in the Revolving Credit Agreement and the Fee Agreement.

SMUD promises to pay interest on the unpaid principal amount of all Tax-Exempt Loans and related Term Loans owed to the Bank under the Revolving Credit Agreement and the Fee Agreement on the dates and at the rate or rates provided for in the Revolving Credit Agreement and the Fee Agreement. All payments of principal and interest shall be made in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts in immediately available funds. All capitalized terms used herein and not otherwise defined herein shall have the meanings specified in the Revolving Credit Agreement.

This Tax-Exempt Revolving Note is the Tax-Exempt Note referred to in the Revolving Credit Agreement and is entitled to the benefits thereof and of the Program Documents referred to therein. As provided in the Revolving Credit Agreement, this Tax-Exempt Revolving Note is subject to prepayment, in whole or in part, in accordance with the terms of the Revolving Credit Agreement.

The Bank agrees, by acceptance of this Tax-Exempt Revolving Note, that it will make a notation on the schedule attached hereto of all Tax-Exempt Loans evidenced hereby and all principal payments and prepayments made hereunder and of the date to which interest hereon has been paid, all as provided in the Revolving Credit Agreement; *provided, however*, that the failure to make any such notation shall not limit or otherwise affect the obligation of SMUD hereunder with respect to payments of principal of and interest on this Tax-Exempt Revolving Note.

This Tax-Exempt Revolving Note is authorized by SMUD to be issued to provide funds for the purposes set forth in the Note Resolution and for other authorized purposes, including to

pay the principal amount of Tax-Exempt Loans and related Term Loans theretofore issued. This Tax-Exempt Revolving Note is issued under and pursuant to and in full compliance with the Note Resolution and the Revolving Credit Agreement providing for the issuance and sale and fixing the form and details of this Tax-Exempt Revolving Note.

This Tax-Exempt Revolving Note is an obligation of SMUD secured by a lien on the Available Revenues as more fully described in Section 2.20 of the Revolving Credit Agreement.

It is hereby certified that all conditions, acts and things essential to the validity of this Tax-Exempt Revolving Note exist, have happened and have been done and that every requirement of law affecting the issuance hereof has been duly complied with.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, SMUD has caused this Tax-Exempt Revolving Note to be executed by an authorized officer of SMUD and this Tax-Exempt Revolving Note to be dated as of date set forth above.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

By: _____
Name: Jennifer Restivo
Title: Treasurer

SCHEDULE FOR TAX-EXEMPT REVOLVING NOTE
DATED FEBRUARY 23, 2022
BY SACRAMENTO MUNICIPAL UTILITY DISTRICT
PAYABLE TO WELLS FARGO BANK, NATIONAL ASSOCIATION

DATE	AMOUNT OF TAX-EXEMPT LOAN MADE	AMOUNT OF PRINCIPAL PAID	DATE TO WHICH INTEREST PAID		NOTATION MADE BY

EXHIBIT C

FORM OF NOTICE OF BORROWING

[Date]

TO:

Wells Fargo Bank, National Association (the “*Bank*”)
333 South Grand Ave, 6th Floor
Los Angeles CA 90071
MAC E2064-062
Attention: Tasha Wong Hasan
Telephone: (213) 271-2455
Email: jason.pollack@wellsfargo.com
tasha.wong@wellsfargo.com
Brian.L.Goins@wellsfargo.com
erik.bresnahan@wellsfargo.com
wfpowerpublicteam@wellsfargo.com

with a copy to:

Wells Fargo Municipal Capital Strategies, LLC
375 Park Avenue
New York, New York 10152
Telephone: (212) 214-5512
Attention: Brian Goins
E-mail: Brian.L.Goins@wellsfargo.com

FROM: Sacramento Municipal Utility District

Re: Revolving Credit Agreement
(the “*Credit Agreement*”) dated as of February 1, 2022, between
Sacramento Municipal Utility District and the Bank

We hereby give notice, pursuant to Section 2.2(a) of the Credit Agreement, of the following proposed Borrowing:

Date of Borrowing [Date]
Loan Principal Amount..... [\$xx,xxx,xxx]
Amount of Loans Outstanding..... [\$xxx,xxx,xxx]

The Proceeds of such Loan are to be wire transferred to the following account:

Pay: Account Name: SMUD General Account
 Bank Name: Bank of America
 ABA Number: 026 009 593
 Account Number: 01488-80182

The Loan constituting such Borrowing is
to be a (check applicable box):

Taxable Loan Tax-Exempt Loan

[Attached hereto is an executed copy of the [Tax Certificate/Supplemental Tax Certificate] relating to such Tax-Exempt Loan which includes the related form 8038-G.]

The rates of interest on the Loan will not exceed the Maximum Interest Rate.

The undersigned hereby acknowledges on and as of the date hereof that submission of this notice shall be deemed to be a representation and warranty by SMUD on the date of such Borrowing as to the facts specified in clauses (b), (c) and (d) of Section 3.2 of the Credit Agreement and that no Default or Event of Default has occurred and is continuing.

Terms used herein have the meanings assigned to them in the Credit Agreement.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

By: _____
Name: _____
Title: _____

EXHIBIT D

[FORM OF NOTICE OF CONVERSION]

NOTICE OF CONVERSION

Wells Fargo Bank, National Association (the “*Bank*”)

333 South Grand Ave, 6th Floor

Los Angeles CA 90071

MAC E2064-062

Attention: Tasha Wong Hasan

Telephone: (213) 271-2455

Email: jason.pollack@wellsfargo.com

tasha.wong@wellsfargo.com

Brian.L.Goins@wellsfargo.com

erik.bresnahan@wellsfargo.com

wfpowerpublicteam@wellsfargo.com

with a copy to:

Wells Fargo Municipal Capital Strategies, LLC

375 Park Avenue

New York, New York 10152

Telephone: (212) 214-5512

Attention: Brian Goins

E-mail: Brian.L.Goins@wellsfargo.com

Re: Sacramento Municipal Utility District

Ladies and Gentlemen:

The undersigned, an Authorized SMUD Representative, refers to the Revolving Credit Agreement, dated as of February 1, 2022 (together with any amendments or supplements thereto, the “*Agreement*”), between Sacramento Municipal Utility District and the Bank (the terms defined therein being used herein as therein defined) and hereby gives Bank notice irrevocably, pursuant to Section 2.2(a)(ii) of the Agreement, of the conversion of the Loan(s) specified herein, that:

1. The Business Day of the proposed conversion is _____, 20____ (the “*Conversion Date*”), which is at least two (2) U.S. Government Securities Business Days following the date hereof.
2. The aggregate amount of the Loan(s) to be converted is \$_____.
3. The Loan(s) is/are Tax-Exempt Loan(s) to be converted into a Taxable Loan(s).

4. The principal amount of the Loans to be outstanding following the conversion will not exceed the Commitment as of the Conversion Date set forth in 1 above.

The undersigned hereby acknowledges on and as of the date hereof that submission of this notice shall be deemed to be a representation and warranty by SMUD on the Conversion Date as to the facts specified in clauses (b), (c) and (d) of Section 3.2 of the Credit Agreement and that no Default or Event of Default has occurred and is continuing.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Notice of Conversion as of the _____ day of _____, _____.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

By: _____
Name: _____
Title: _____

EXHIBIT E

FORM OF
REQUEST FOR EXTENDED FUNDED PERIOD

[DATE]

To:

Wells Fargo Bank, National Association (the “*Bank*”)
333 South Grand Ave, 6th Floor
Los Angeles CA 90071
MAC E2064-062
Attention: Tasha Wong Hasan
Telephone: (213) 271-2455
Email: jason.pollack@wellsfargo.com
tasha.wong@wellsfargo.com
Brian.L.Goins@wellsfargo.com
erik.bresnahan@wellsfargo.com
wfpowerpublicteam@wellsfargo.com

with a copy to:

Wells Fargo Municipal Capital Strategies, LLC
375 Park Avenue
New York, New York 10152
Telephone: (212) 214-5512
Attention: Brian Goins
E-mail: Brian.L.Goins@wellsfargo.com

Ladies and Gentlemen:

The undersigned, Sacramento Municipal Utility District (“*SMUD*”), hereby refers to the Revolving Credit Agreement dated as of February 1, 2022, as amended, modified, supplemented or restated from time to time (the “*Credit Agreement*”), between SMUD and Wells Fargo Bank, National Association (the “*Bank*”). All capitalized terms contained herein which are not specifically defined shall have the meanings assigned to such terms in the Credit Agreement.

SMUD hereby requests, pursuant to Section 2.22 of the Credit Agreement, that the Term Loans be payable as provided in Section 2.22 of the Credit Agreement with interest as provided in Section 2.22 of the Credit Agreement.

In connection with such request, SMUD hereby represents and warrants that:

(a) no Credit Default or Credit Event of Default shall have occurred and be continuing on the date hereof and no Credit Default or Credit Event of Default will have occurred and be continuing on the Facility Maturity Date,

(b) (1) there has been no material adverse change in SMUD's business, assets, liabilities, financial condition, results of operations or business prospects which could reasonably be expected to result in a material adverse effect on SMUD's ability to perform its obligations under this Agreement and the Program Documents or the rights, security or interests of the Bank hereunder and under the Program Documents and (2) no event described in clause (b) of the definition of Material Adverse Change shall have occurred and be continuing on the date hereof and no event described in clause (b) of the definition of Material Adverse Change will have occurred on the Facility Maturity Date.

We have enclosed along with this request the following information:

1. The nature of any and all Defaults and Events of Default; and
2. Any other pertinent information previously requested by the Bank.

Very truly yours,

SACRAMENTO MUNICIPAL UTILITY DISTRICT

By: _____
Name: _____
Title: _____

FEE AGREEMENT
DATED [], 2026

Reference is hereby made to (i) that certain Revolving Credit Agreement dated as of February 1, 2022 (as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, the “*Agreement*”), between the SACRAMENTO MUNICIPAL UTILITY DISTRICT, a municipal utility district of the State of California (“SMUD”), and WELLS FARGO BANK, NATIONAL ASSOCIATION (the “*Bank*”), relating to the Sacramento Municipal Utility District, Taxable Revolving Note (Wells Fargo Revolving Credit Agreement) and Tax-Exempt Revolving Note (Wells Fargo Revolving Credit Agreement), and (ii) the Fee Agreement dated as of February 23, 2022 (the “*Original Fee Agreement*”), between SMUD and the Bank. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement.

SMUD has requested that the Bank make certain modifications to the Original Fee Agreement, and, for the sake of clarity and convenience, the Bank and SMUD wish to amend and restate the Original Fee Agreement in its entirety, and this Amended and Restated Fee Agreement (this “*Fee Agreement*”) shall amend and restate the Original Fee Agreement in its entirety. The purpose of this Fee Agreement is to confirm the agreement between the Bank and SMUD with respect to, among other things, the Commitment Fees (as defined below), the Taxable Applicable Spread and Tax-Exempt Applicable Spread and the L/C Fee Rate and certain other fees payable to the Bank. This Fee Agreement is the Fee Agreement referenced in the Agreement, and the terms hereof are incorporated by reference into the Agreement. SMUD acknowledges and agrees that all fees previously paid to the Bank under the Original Fee Agreement were fully earned and nonrefundable. This Fee Agreement and the Agreement are to be construed as one agreement between SMUD and the Bank, and all obligations hereunder are to be construed as obligations thereunder. All references to amounts due and payable under the Agreement will be deemed to include all amounts, fees and expenses payable under this Fee Agreement.

ARTICLE I. FEES AND OTHER AGREEMENTS.

Section 1.1. Commitment Fees. SMUD hereby agrees to pay to the Bank quarterly in arrears on the tenth (10th) calendar day of each July, October, January and April (each, a “*Quarterly Payment Date*”) occurring prior to the Termination Date, and on the Termination Date, a non-refundable commitment fee (the “*Commitment Fee*”) in an amount equal to the rate per annum based upon the applicable Level corresponding to the then applicable Rating (as defined below) for each day during the related fee period, as specified below (the “*Commitment Fee Rate*”), on the Unutilized Commitment from time to time in effect for each day during each related period:

(i) For the period commencing on February 23, 2022, through but not including [], 2026, the Commitment Fee Rate for such period shall be determined in accordance with the pricing matrix set forth below:

LEVEL	MOODY'S RATING	S&P RATING	FITCH RATING	COMMITMENT FEE RATE
Level 1	Aa3 or above	AA- or above	AA- or above	0.175%
Level 2	A1	A+	A+	0.225%
Level 3	A2	A	A	0.275%
Level 4	A3	A-	A-	0.325%
Level 5	Baa1	BBB+	BBB+	0.475%
Level 6	Baa2	BBB	BBB	0.725%
Level 7	Baa3	BBB-	BBB-	1.075%

(ii) For the period commencing on [____], 2026, and at all times thereafter, the Commitment Fee Rate for such period shall be determined in accordance with the pricing matrix set forth below:

LEVEL	MOODY'S RATING	S&P RATING	FITCH RATING	COMMITMENT FEE RATE
Level 1	Aa3 or above	AA- or above	AA- or above	0.280%
Level 2	A1	A+	A+	0.330%
Level 3	A2	A	A	0.380%
Level 4	A3	A-	A-	0.430%
Level 5	Baa1	BBB+	BBB+	0.580%
Level 6	Baa2	BBB	BBB	0.830%
Level 7	Baa3	BBB-	BBB-	1.180%

The following paragraph shall be applicable to both clause (i) (including the pricing matrix) and clause (ii) (including the pricing matrix) above. The term "*Unutilized Commitment*" as used herein means the Commitment, as of the Closing Date for the period commencing on February 23, 2022, through but not including [____], 2026, and as of the First Amendment Effective Date for the period commencing on [____], 2026 and at all times thereafter, as permanently reduced from time to time in accordance with the Agreement less the outstanding principal amount of any Loans under the Agreement. The term "*Rating*" as used herein shall mean the long-term unenhanced debt rating assigned by Moody's, Fitch and S&P to any Debt of SMUD secured by or payable from Net Revenues on a parity with Bonds and Parity Bonds. In the event of a split rating (*i.e.*, the Rating of one of the Rating Agencies' is different than the Rating of any of the other Rating Agencies), the Commitment Fee Rate shall be based upon the Level in which the lower of the two highest Ratings appears; *provided, however*, if less than three Rating Agencies then assign a long-term unenhanced debt rating to Bonds and Parity Bonds, the Commitment Fee Rate shall be based upon the Level in which the lower Rating appears. Any change in the Commitment Fee Rate resulting from an Event of Default or change, withdrawal or suspension of a Rating shall be

and become effective as of and on the date of the Event of Default or the date of the announcement of the change, withdrawal or suspension of such Rating. References to ratings levels above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system, including, without limitation, any recalibration or realignment of Rating in connection with the adoption of a “global” rating scale, the rating from the Rating Agency in question referred to above shall be deemed to refer to the rating category under the new rating system that most closely approximates the applicable rating category as currently in effect. In the event that a Rating is suspended or withdrawn (for the avoidance of doubt, a decision by SMUD to cause a Rating Agency to no longer maintain its Rating, for non-credit related reasons and not for the purpose of avoiding the occurrence of an event of default, shall not constitute a suspension or withdrawal of such Rating) from any Rating Agency or upon the occurrence of and during the continuance of an Event of Default, the Commitment Fee Rate shall increase to the sum of the Commitment Fee Rate specified above for Level 7 of the pricing matrix set forth in clause (ii) above *plus* 1.00% per annum. The Commitment Fees shall be payable as set forth above, together with interest on the Commitment Fees from the date payment is due until payment in full at the Default Rate. The Commitment Fee shall be payable in immediately available funds and computed on the basis of a year of 360 days and the actual number of days to elapse. SMUD acknowledges that as of the First Amendment Effective Date the Commitment Fee Rate is that specified in the pricing matrix set forth in clause (ii) above for Level 1.

Section 1.2. Amendment, Consent or Waiver Fee. SMUD agrees to pay to the Bank on the date of each amendment, supplement, or modification to the Agreement or this Fee Agreement (or any Program Document, the amendment, supplement or modification of which requires the consent of, or waiver from, the Bank), a non-refundable fee equal to \$2,500, or such other fee as may be agreed to between the Bank and SMUD after the Bank has provided SMUD with an estimate of such fee and SMUD has approved such fee estimate in writing plus the reasonable fees and expenses of any legal counsel retained by the Bank in connection therewith in an amount agreed to by the Bank and SMUD after the Bank has provided SMUD with an estimate of such fees and expenses of legal counsel and SMUD has approved such fee and expense estimate in writing.

Section 1.3. Taxable Applicable Spread, Tax-Exempt Applicable Spread and L/C Fee Rate. For purposes of the Agreement, the “Taxable Applicable Spread,” the “Tax-Exempt Applicable Spread” and the “L/C Fee Rate” means a rate per annum based upon the applicable Level corresponding to the then applicable Rating in the applicable column, as specified below:

(i) For the period commencing on February 23, 2022, through but not including [____], 2026, the Taxable Applicable Spread and the Tax-Exempt Applicable Spread for such period shall be determined in accordance with the pricing matrix set forth below:

LEVEL	MOODY'S RATING	S&P RATING	FITCH RATING	TAXABLE APPLICABLE SPREAD	TAX-EXEMPT APPLICABLE SPREAD
Level 1	Aa3 or above	AA- or above	AA- or above	0.53%	0.44%
Level 2	A1	A+	A+	0.68%	0.59%
Level 3	A2	A	A	0.83%	0.74%
Level 4	A3	A-	A-	0.98%	0.89%
Level 5	Baa1	BBB+	BBB+	1.23%	1.14%
Level 6	Baa2	BBB	BBB	1.58%	1.49%
Level 7	Baa3	BBB-	BBB-	2.08%	1.99%

(ii) For the period commencing on [____], 2026, and at all times thereafter, the Taxable Applicable Spread, the Tax-Exempt Applicable Spread and the L/C Fee Rate for such period shall be determined in accordance with the pricing matrix set forth below:

LEVEL	MOODY'S RATING	S&P RATING	FITCH RATING	TAXABLE APPLICABLE SPREAD	TAX-EXEMPT APPLICABLE SPREAD	L/C FEE RATE
Level 1	Aa3 or above	AA- or above	AA- or above	0.85%	0.75%	1.00%
Level 2	A1	A+	A+	1.00%	0.90%	1.15%
Level 3	A2	A	A	1.15%	1.05%	1.30%
Level 4	A3	A-	A-	1.30%	1.20%	1.45%
Level 5	Baa1	BBB+	BBB+	1.55%	1.45%	1.70%
Level 6	Baa2	BBB	BBB	1.90%	1.80%	2.05%
Level 7	Baa3	BBB-	BBB-	2.40%	2.30%	2.55%

The following paragraph shall be applicable to both clause (i) (including the pricing matrix) and clause (ii) (including the pricing matrix) above. In the event of a split rating (*i.e.*, the Rating of one of the Rating Agencies' is different than the Rating of any of the other Rating Agencies), the Taxable Applicable Spread, Tax-Exempt Applicable Spread and L/C Fee Rate shall be based upon the Level in which the lower of the two highest Ratings appears; *provided, however*, if less than three Rating Agencies then assign a long-term unenhanced debt rating to Bonds and Parity Bonds,

the Taxable Applicable Spread, Tax-Exempt Applicable Spread and L/C Fee Rate shall be based upon the Level in which the lower Rating appears. Any change in the Taxable Applicable Spread, Tax-Exempt Applicable Spread and L/C Fee Rate resulting from a change in a Rating shall be and become effective as of and on the date of the announcement of the change in such Rating. References to ratings levels above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system, including, without limitation, any recalibration or realignment of Rating in connection with the adoption of a “global” rating scale, the rating from the Rating Agency in question referred to above shall be deemed to refer to the rating category under the new rating system that most closely approximates the applicable rating category as currently in effect. In the event that a Rating is suspended or withdrawn (for the avoidance of doubt, a decision by SMUD to cause a Rating Agency to no longer maintain its Rating, for non-credit related reasons and not for the purpose of avoiding the occurrence of an event of default, shall not constitute a suspension or withdrawal of such Rating) from any Rating Agency or upon the occurrence of and during the continuance of an Event of Default, the Loans shall bear interest at the Default Rate. SMUD acknowledges that as of the First Amendment Effective Date the Taxable Applicable Spread, Tax-Exempt Applicable Spread and L/C Fee Rate are the spreads and rate, as applicable, that are specified in the pricing matrix set forth in clause (ii) above for Level 1 in this Section 1.3.

Section 1.4. Termination and Reduction Fees. (a) Notwithstanding anything set forth herein or in the Agreement to the contrary, SMUD agrees not to terminate, or cause the termination or replacement of, the Agreement and/or the Commitment prior to the one (1) year anniversary of the First Amendment Effective Date, except upon the payment by SMUD to the Bank of a termination fee (the “*Termination Fee*”) on the date of such termination or replacement in an amount equal to the product of (1) the Commitment Fee Rate in effect on the date of such termination or replacement, (2) the Commitment (without regard to any outstanding Loans) on the date of termination or replacement of the Agreement and/or the Commitment and (3) a fraction, the numerator of which is equal to the number of days from and including the date of such termination or replacement until and including the one (1) year anniversary of the First Amendment Effective Date, and the denominator of which is 360; *provided, however*, that no such Termination Fee shall be payable if the Agreement and/or the Commitment is terminated or replaced as a result of (i) the Bank imposing on SMUD increased costs pursuant to Section 2.17 of the Agreement (*provided* that this clause (i) shall not be construed to relieve SMUD of any of its obligations under Section 2.17 of the Agreement), (ii) the occurrence of any event set forth in Section 2.4(e) of the Agreement or (iii) the determination of any Benchmark Replacement by the Bank or the making of any Conforming Changes by the Bank pursuant to Section 2.12 of the Agreement

(b) Notwithstanding anything set forth herein or in the Agreement to the contrary, SMUD agrees not to permanently reduce the Commitment prior to the one (1) year anniversary of the First Amendment Effective Date, without the payment by SMUD to the Bank of a reduction fee (the “*Reduction Fee*”) in connection with each and every permanent reduction of the Commitment on the date of such permanent reduction in an amount equal to the product of (A) the Commitment Fee Rate in effect on the date of such permanent reduction, (B) the difference between the Commitment (without regard to any outstanding Loans) prior to such permanent reduction and the Commitment (without regard to any outstanding Loans) after such permanent reduction, and (C)

a fraction, the numerator of which is equal to the number of days from and including the date of such permanent reduction until and including the one (1) year anniversary of the First Amendment Effective Date and the denominator of which is 360; *provided, however*, that no such Reduction Fee shall be payable if the Commitment is permanently reduced as a result of (i) the Bank imposing on SMUD increased costs pursuant to Section 2.17 of the Agreement (*provided* that this clause (i) shall not be construed to relieve SMUD of any of its obligations under Section 2.17 of the Agreement), (ii) the occurrence of any event set forth in Section 2.4(e) of the Agreement or (iii) the determination of any Benchmark Replacement by the Bank or the making of any Conforming Changes by the Bank pursuant to Section 2.12 of the Agreement.

ARTICLE II. MISCELLANEOUS.

Section 2.1. Amendments. No amendment to this Fee Agreement shall become effective without the prior written consent of SMUD and the Bank.

Section 2.2. Governing Law. PURSUANT TO SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW (OR ANY SUCCESSOR STATUTE THERETO), THIS FEE AGREEMENT SHALL BE DEEMED TO BE A CONTRACT UNDER, AND SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK AND APPLICABLE FEDERAL LAW; *PROVIDED, HOWEVER*, THAT THE CAPACITY, POWER AND AUTHORITY OF SMUD TO ENTER INTO THIS FEE AGREEMENT AND THE OBLIGATIONS OF SMUD HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA AND APPLICABLE FEDERAL LAW WITHOUT REGARD TO CHOICE OF LAW RULES.

Section 2.3. Counterparts. This Fee Agreement may be executed in two or more counterparts, each of which shall constitute an original but both or all of which, when taken together, shall constitute but one instrument. Delivery of an executed counterpart of a signature page of this Fee Agreement by facsimile transmission or by e-mail with a pdf copy or other replicating image attached, will be effective as delivery of a manually executed counterpart of this Fee Agreement, and any printed or copied version of any signature page so delivered will have the same force and effect as an originally signed version of such signature page.

Section 2.4. Severability. Any provision of this Fee Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 2.5. Representation by Legal Counsel; Joint Preparation. The parties hereto have participated jointly in the negotiation and drafting of this Fee Agreement, and each of the parties was represented by its respective legal counsel during the negotiation and execution of this Fee Agreement. In the event an ambiguity or question of intent or interpretation arises, this Fee Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Fee Agreement.

Section 2.6. No Disclosure. Unless required by law, SMUD shall not deliver or permit, authorize or consent to the delivery of this Fee Agreement to any Person (other than SMUD's attorneys, accountants or auditors) or for posting on the Electronic Municipal Market Access website as provided by the Municipal Securities Rulemaking Board unless the Bank provides its prior written consent. The Bank acknowledges and agrees, however, that this Fee Agreement was made available to the public for the meetings of the SMUD Board of Directors at which the SMUD Board of Directors considered the approval of the execution and delivery of this Fee Agreement.

Section 2.7. Payment Due on Non-Business Day to Be Made on Next Business Day. If any sum becomes payable pursuant to this Fee Agreement on a day which is not a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, and such extended time shall be included in the computation of interest and fees.

Section 2.8. Amended and Restated Fee Agreement. This Fee Agreement amends and restates in its entirety the Original Fee Agreement but is not intended to be or operate as a novation or an accord and satisfaction of the Original Fee Agreement or the indebtedness, obligations and liabilities of SMUD evidenced or provided for thereunder. The parties hereto agree that this Fee Agreement does not extinguish or discharge the obligations of SMUD under the Original Fee Agreement. Reference to this specific Fee Agreement need not be made in any agreement, document, instrument, letter, certificate, the Agreement, the Original Fee Agreement itself, or any communication issued or made pursuant to or with respect to the Original Fee Agreement, any reference to the Original Fee Agreement being sufficient to refer to the Original Fee Agreement as amended and restated hereby, and more specifically, any and all references to the "Fee Agreement" in the Agreement shall mean this Fee Agreement.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Fee Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first set forth above.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

By: _____
Name: Jennifer Restivo
Title: Treasurer

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____

Name: _____

Title: _____

President Tamayo then turned to Discussion Calendar Item 8.b.

There being no further discussion, Director Herber moved for approval of Discussion Calendar Item 8.b., Director Fishman seconded, and Resolution No. 26-01-06 was unanimously approved.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

RESOLUTION NO. 26-01-06

RESOLUTION AUTHORIZING THE ISSUANCE OF THE SACRAMENTO MUNICIPAL UTILITY DISTRICT TAXABLE REVOLVING NOTE (PNC REVOLVING CREDIT AGREEMENT) AND TAX-EXEMPT REVOLVING NOTE (PNC REVOLVING CREDIT AGREEMENT) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$100,000,000 OUTSTANDING AT ANY ONE TIME AND AUTHORIZING THE EXECUTION OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH

WHEREAS, the Sacramento Municipal Utility District (“SMUD”) has determined that it is in its best interests to enter into a Revolving Credit Agreement with PNC Bank, National Association (as further defined herein, the “Credit Agreement”) and authorize the issuance of its Taxable Revolving Note (PNC Revolving Credit Agreement) and Tax-Exempt Revolving Note (PNC Revolving Credit Agreement) in an aggregate principal amount not to exceed \$100,000,000 outstanding at any one time (collectively, the “Notes”) under (a) Articles 6a and 6b of Chapter 6 of the Municipal Utility District Act (California Public Utilities Code Section 12850 *et seq.*), (b) Chapter 7.5 of the Municipal Utility District Act (California Public Utilities Code Section 13371 *et seq.*) and (c) Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (California Government Code Section 53580 *et seq.*);

WHEREAS, the Notes, when issued in accordance with this Resolution, will be Parity Notes under and as defined in Resolution No. 11-12-05, adopted by the Board of Directors of SMUD on December 1, 2011, as supplemented, modified and amended to the date hereof and as hereafter supplemented, modified and amended in accordance with its terms (the “2011 Resolution”), Resolution No. 19-02-02, adopted by the Board of Directors of SMUD on February 21, 2019, as supplemented, modified and amended to the date hereof and as hereafter supplemented, modified and amended in accordance with its terms (the “2019 Resolution”) and Resolution No. 22-02-07, adopted by the Board of Directors of SMUD on February 17, 2022, as supplemented, modified and amended to the date hereof and as hereafter supplemented, modified and amended in accordance with its terms (the “2022 Resolution”) and the Credit Agreement, when executed and delivered, will be a Parity Notes Reimbursement Agreement under and as defined in the 2011 Resolution, the 2019 Resolution and the 2022 Resolution;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Sacramento Municipal Utility District, as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION

Section 1.01. **Definitions.** Unless the context otherwise requires, the following terms shall, for all purposes of this Resolution and of any resolution supplemental hereto, have the meanings herein specified:

“Act” means the Municipal Utility District Act, constituting Division 6 of the Public Utilities Code of the State of California, and all laws of the State of California amendatory thereof or supplemental thereto.

“Authorized Officer” means the Chief Executive Officer and General Manager of SMUD, any Member of the Executive Committee of SMUD, the Chief Financial Officer of SMUD, the Treasurer of SMUD, the Secretary of SMUD, or the designee of any such officer, and any other officer of SMUD designated by the Board as an Authorized Officer.

“Available Revenues” for any fiscal period means the sum of (a) the Revenues for such fiscal period plus (b) the amounts, if any, withdrawn by SMUD from the Rate Stabilization Fund created in the Master Bond Resolution for treatment as Revenues for such fiscal period, less the sum of (c) all Maintenance and Operation Costs with respect to the Electric System for such fiscal period, (d) all Energy Payments for such fiscal period not included in Maintenance and Operation Costs for the Electric System for such fiscal period, (e) the amounts, if any, withdrawn by SMUD from Revenues for such fiscal period for deposit in the Rate Stabilization Fund and (f) all amounts required to be paid under the Master Bond Resolution and the Subordinated Bond Resolution for principal, interest and reserve fund requirements on the Bonds, the Parity Bonds, the Subordinated Bonds and the Parity Subordinated Debt then outstanding, as the same become due and payable.

“Bank” means PNC Bank, National Association, and its permitted successors and assigns under the Credit Agreement.

“Board” means the Board of Directors of SMUD or any other governing board of SMUD hereafter provided for pursuant to law.

“Bonds” means the Sacramento Municipal Utility District Electric Revenue Bonds authorized to be issued and at any time outstanding pursuant to the Master Bond Resolution and any bonds issued on a parity therewith solely for the purpose of refunding any or all of the Bonds.

“Borrowing” has the meaning given to such term in the Credit Agreement.

“Code” means the Internal Revenue Code of 1986, as amended.

“Credit Agreement” means the Revolving Credit Agreement between SMUD and the Bank relating to the Notes, as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof.

“Electric System” means the entire electric system of SMUD, together with all additions, betterments, extensions and improvements to that system or any part thereof.

“Energy/Fuel Contract Letter of Credit Facility Agreement” means any arrangement entered into between SMUD and a financial institution, in each case as amended or supplemented from time to time in accordance with the terms thereof, under which the financial institution provides letters of credit from time to time for the account of SMUD to secure SMUD’s energy and environmental trading obligations, including the potential posting of

collateral under SMUD's energy, natural gas, carbon, and other environmental product, purchase, sale and swap agreements.

“Energy Payments” means, when used with respect to the Electric System, all actual costs incurred, or charges made therefor, by SMUD in any particular fiscal year or period to which said term is applicable for purchased power (including power purchased from any special district included within the boundaries of SMUD), electric and thermal energy and capacity and under contracts providing for payments by SMUD for electric or thermal energy or capacity whether or not such energy or capacity is delivered or capable of being delivered or otherwise made available to or received by or for the account of SMUD.

“Fee Letter” means the fee letter or fee agreement (or any term of similar meaning) defined in the Credit Agreement or the applicable Parity Notes Reimbursement Agreement or Energy/Fuel Contract Letter of Credit Facility Agreement.

“Loan” has the meaning given to such term in the Credit Agreement.

“Maintenance and Operation Costs” means, when used with respect to the Electric System, all actual maintenance and operation costs incurred, or charges made therefor, by SMUD in any particular fiscal year or period to which said term is applicable, but only if said charges are made in conformity with generally accepted accounting principles, and exclusive in all cases of depreciation or obsolescence charges or reserves therefor, amortization of intangibles or other bookkeeping entries of a similar nature, and also exclusive of all interest charges and charges for the payment of principal, or amortization, of bonded or other indebtedness of SMUD.

Such Maintenance and Operation Costs of the Electric System include, generally, purchased power (including power purchased from any special district included within the boundaries of SMUD), and such part of the cost of fuel of any type or character (including nuclear fuel), taxes, salaries and wages, fees for services, materials and supplies, rents, office supplies and all other costs as are charged directly or apportioned to the operation and maintenance of the generation, transmission and distribution system, customer accounts, sales and administrative functions, or to the general operation of SMUD.

Said term does not include costs, or charges made therefor, for capital additions, replacements, betterments, extensions or improvements to or retirements from the Electric System, which under generally accepted accounting principles are properly chargeable to the capital account or the reserve for depreciation, and does not include losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of SMUD nor such property items, including taxes and fuel, which are capitalized pursuant to the then existing accounting practice of SMUD.

In the event of any dispute arising hereunder, the phrase “generally accepted accounting principles,” and all other accounting methods and terminology contained or referred to in this Resolution, shall be construed, as nearly as practicable, in conformity with the uniform system of accounts, and accounting rules and regulations thereunder, prescribed by the Federal Energy Regulatory Commission for private power companies which are subject to its jurisdiction and which are engaged in business comparable to the Electric System.

“Master Bond Resolution” means Resolution No. 6649 of SMUD, adopted on January 7, 1971, as amended and supplemented from time to time heretofore and hereafter.

“Maximum Interest Rate” means the lesser of (i) 12% per annum or (ii) the maximum rate of interest permitted by applicable law or resolution of SMUD.

“Notes” means, collectively, the Taxable Note and the Tax-Exempt Note.

“Parity Bonds” means all revenue bonds of SMUD having an equal lien and charge upon the Net Revenues (as that term is defined in the Master Bond Resolution) with the Bonds, and therefore payable upon a parity with the Bonds (whether or not any Bonds are outstanding), including all refunding bonds issued under the Master Bond Resolution and all revenue bonds issued on a parity with the Bonds as provided in the Master Bond Resolution.

“Parity Notes” means the Series L Notes (as defined in the 2011 Resolution), the Series M Notes (as defined in the 2019 Resolution), the Notes (as defined in the 2022 Resolution), and any other notes or evidences of indebtedness incurred by SMUD on a parity with the Notes as provided herein.

“Parity Notes Reimbursement Agreement” means the Series L Reimbursement Agreement (as defined in the 2011 Resolution), the Reimbursement Agreement (as defined in the 2019 Resolution), the Credit Agreement (as defined in the 2022 Resolution), and any other credit enhancement agreement or similar agreement or any credit agreement or other arrangement which may be entered into by SMUD with respect to a series of Parity Notes issued by SMUD and designated by SMUD as such in connection with the issuance of such series of Parity Notes.

“Parity Subordinated Debt” means all revenue bonds of SMUD having an equal lien and charge upon the Net Subordinated Revenues (as that term is defined in the Subordinated Bond Resolution) and therefore payable on a parity with the Subordinated Bonds and junior to the Bonds and Parity Bonds.

“Resolution” means this Resolution as originally adopted by the Board and as it may from time to time be supplemented, modified or amended by any Supplemental Resolution adopted pursuant to the provisions hereof.

“Revenues” means all charges received for, and all other income and receipts derived by SMUD from, the operation of the Electric System, or arising from the Electric System, including income derived from the sale or use of electric energy generated, transmitted or distributed by any facilities of the Electric System, together with any receipts derived from the sale of any property pertaining to the Electric System or incidental to the operation of the Electric System or from any services performed by SMUD in connection with or incidental to the Electric System, or from any source whatsoever directly or indirectly derived from the Electric System, but exclusive in every case of any moneys derived from the levy or collection of taxes upon any taxable property in SMUD.

The term “Revenues” also includes any income or revenues derived from the wholesale sale of water developed by the White Rock Project (as defined in Resolution No. 4775 of SMUD), or the Upper American River Project (as defined in Resolution No. 4938 of SMUD),

but does not include revenues or income derived from the retail distribution of water through any distribution facility hereafter acquired by SMUD.

The term “Revenues” also includes all interest, profits or other income derived from the investment of any moneys in any fund or account established under the Master Bond Resolution or the Subordinated Bond Resolution.

“SMUD” means the Sacramento Municipal Utility District, a municipal utility district duly organized and existing under the Act.

“Subordinated Bond Resolution” means Resolution No. 85-11-1 adopted by the Board of Directors of SMUD on November 7, 1985, as amended and supplemented from time to time heretofore and hereafter.

“Subordinated Bonds” means the electric revenue bonds authorized to be issued and at any time outstanding pursuant to the Subordinated Bond Resolution and any bonds issued on a parity therewith solely for the purpose of refunding any or all of the Subordinated Bonds.

“Supplemental Resolution” means any resolution then in full force and effect which has been duly adopted by the Board at a meeting of the Board duly convened and held, at which a quorum was present and acted thereon, amendatory of or supplemental to this Resolution, but only if and to the extent that such supplemental resolution is specifically authorized hereunder.

“Taxable Note” means the Sacramento Municipal Utility District Taxable Revolving Note (PNC Revolving Credit Agreement).

“Tax-Exempt Note” means the Sacramento Municipal Utility District Tax-Exempt Revolving Note (PNC Revolving Credit Agreement).

“Term Loan” has the meaning given to such term in the Credit Agreement.

“2011 Resolution” means Resolution No. 11-12-05, adopted by the Board on December 1, 2011, as supplemented, modified and amended to the date hereof and as hereafter supplemented, modified or amended in accordance with its terms.

“2019 Resolution” means Resolution No. 19-02-02, adopted by the Board on February 21, 2019, as supplemented, modified and amended to the date hereof and as hereafter supplemented, modified or amended in accordance with its terms.

“2022 Resolution” means Resolution No. 22-02-07, adopted by the Board on February 17, 2022, as supplemented, modified and amended to the date hereof and as hereafter supplemented, modified or amended in accordance with its terms.

Section 1.02. Interpretation. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Resolution, and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE NOTES

Section 2.01. Authorization. Each Note is hereby authorized to be issued in the stated principal amount of not to exceed \$100,000,000 outstanding at any one time. On or after the effective date of the Credit Agreement, SMUD may request Loans and Term Loans under either Note as provided in, and subject to the terms of, the Credit Agreement and this Resolution; provided, that the aggregate principal amount of Loans and Term Loans outstanding under the Notes at any one time shall not exceed \$100,000,000. Subject to the terms of the Credit Agreement and this Resolution, the principal amount of the Loans under the Notes that is paid or prepaid by SMUD may again be reborrowed under either Note.

Section 2.02. Terms of Notes. Subject to the limitations stated in Section 2.01 and the terms of the Credit Agreement, the Notes may be issued at such time and Loans and Term Loans thereunder may be requested from time to time in such amounts as shall be determined by an Authorized Officer.

The principal of the Notes shall be payable as provided in the Credit Agreement. The Notes shall bear interest at the rates and in the manner applicable to the related Loans and Term Loans provided in the Credit Agreement, except that no interest rate on the Notes (or related Loans and Term Loans) shall exceed the Maximum Interest Rate, subject to the terms of the Credit Agreement. Interest on the Notes shall be payable as provided in the Credit Agreement.

Section 2.03. Form of Notes. The Taxable Note shall be issued in substantially the form set forth in Exhibit A to the Credit Agreement (with such variations, omissions and insertions as may be required to conform the same to the terms of this Resolution or terms of the Credit Agreement). The Tax-Exempt Note shall be issued in substantially the form set forth in Exhibit B to the Credit Agreement (with such variations, omissions and insertions as may be required to conform the same to the terms of this Resolution or terms of the Credit Agreement).

Section 2.04. Execution of Notes. The Notes shall be executed in the name and on behalf of SMUD, with the manual signature of an Authorized Officer.

Section 2.05. Registration of Notes. The Notes shall be issued in registered form, initially registered in the name of the Bank. SMUD shall maintain in its books and records the name of each registered owner of the Notes from time to time. Registered ownership of the Notes may only be transferred in accordance with the terms of the Credit Agreement.

ARTICLE III

LOANS AND TERM LOANS UNDER THE NOTES

Section 3.01. Loans and Term Loans. Loans and Term Loans under the Notes will be made on the terms and conditions set forth in the Credit Agreement. Each request of SMUD for a Loan or Term Loan under the Notes pursuant to the Credit Agreement shall be deemed to be a representation by SMUD that (a) all action on the part of SMUD (including, if applicable, the adoption of a preliminary resolution pursuant to California Public Utilities Code section 12852)

necessary for the valid incurrence of the indebtedness represented by such Loan or Term Loan under the Notes has been taken, (b) the Notes, taking into account the making of such Loan or Term Loan thereunder, are valid and binding obligations of SMUD according to their terms, the terms of this Resolution and the terms of the Credit Agreement, (c) no Event of Default under Section 6.01 hereof has occurred and is continuing as of the date of such Loan or Term Loan and (b) SMUD is in compliance with the covenants set forth in Article V hereof as of the date of such Loan or Term Loan.

Section 3.02. Proceeds of Loans and Term Loans. The proceeds of Loans under the Notes shall be applied for any or all of the purposes specified in (a) Articles 6a and 6b of Chapter 6 of the Act (California Public Utilities Code Section 12850 *et seq.*), (b) Chapter 7.5 of the Act (California Public Utilities Code Section 13371 *et seq.*) and (c) Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (California Government Code Section 53580 *et seq.*), as determined by an Authorized Officer. The proceeds of Term Loans under the Notes shall be applied to refund the then-outstanding principal amount of the Loans under the Notes as provided in Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (California Government Code Section 53580 *et seq.*) and the Credit Agreement.

Pending expenditure for the foregoing purposes, proceeds of the Loans under the Notes may be invested in bonds, notes, certificates of indebtedness, bills, acceptances or other securities in which funds of SMUD may be legally invested as provided by the law in effect at the time of such investment.

ARTICLE IV

PLEDGE OF AVAILABLE REVENUES

Section 4.01. Pledge; Deposit of Revenues. The Notes and all Parity Notes and the obligations of SMUD under the Credit Agreement, any Parity Notes Reimbursement Agreement, any Fee Letter and any Energy/Fuel Contract Letter of Credit Facility Agreement are revenue obligations, are not secured by the taxing power of SMUD and shall be payable exclusively from, and shall be secured by a pledge (which pledge shall be effected in the manner and to the extent hereinafter provided) of, the Available Revenues. The Available Revenues constitute a trust fund for the security and payment of the interest on and principal of the Notes and all Parity Notes and all obligations of SMUD under the Credit Agreement, any Parity Notes Reimbursement Agreement, any Fee Letter and any Energy/Fuel Contract Letter of Credit Facility Agreement. The Available Revenues have been pledged pursuant to the 2011 Resolution, the 2019 Resolution, and the 2022 Resolution and are hereby further pledged to the payment of the Notes and all Parity Notes and all obligations of SMUD under the Credit Agreement, any Parity Notes Reimbursement Agreement, any Fee Letter and any Energy/Fuel Contract Letter of Credit Facility Agreement without priority or distinction of one over the other, subject to the condition that out of Revenues:

First: There shall be applied all sums required for Maintenance and Operation Costs of the Electric System and all Energy Payments not included in Maintenance and Operation Costs.

Second: There shall be applied all sums required for the payment of the principal of (including any premium thereon) and interest on the Bonds and all Parity Bonds, together with any sinking fund or reserve fund payments on the Bonds and all Parity Bonds.

Third: There shall be applied all sums required for the payment of the principal of (including any premium thereon) and interest on the Subordinated Bonds and all Parity Subordinated Debt, together with any sinking fund or reserve fund payments on the Subordinated Bonds and all Parity Subordinated Debt.

Fourth: There shall be applied, on a parity basis, all sums required (i) for the payment of the principal of and interest on the Notes and all Parity Notes, (ii) for all obligations of SMUD under the Credit Agreement, any Parity Notes Reimbursement Agreement and any Fee Letter, and (iii) for all obligations of SMUD under any Energy/Fuel Contract Letter of Credit Facility Agreement.

All remaining Revenues, after making the foregoing allocation, shall be available to SMUD for all lawful SMUD purposes. The pledge of Available Revenues herein made shall be irrevocable until the Notes and all Parity Notes have been paid and retired and all obligations of SMUD under the Credit Agreement, any Parity Notes Reimbursement Agreement, any Fee Letters and any Energy/Fuel Contract Letter of Credit Facility Agreement have been satisfied.

SMUD may issue additional Parity Notes and enter into additional Parity Notes Reimbursement Agreements and/or Energy/Fuel Letter of Credit Facility Agreements from time to time provided no Event of Default under Section 6.01 has occurred and is continuing as of the date of the issuance of such Parity Notes or the execution and delivery of any such Agreements.

ARTICLE V

COVENANTS OF SMUD

Section 5.01. Authorization. SMUD will not permit the aggregate principal amount of the Notes outstanding at any one time to exceed the limitations specified in Section 2.01 hereof.

Section 5.02. Punctual Payment. SMUD will punctually pay or cause to be paid the principal of and interest, if any, on the Notes (but only from Available Revenues or, at the sole option of SMUD, any other funds legally available for such payment), in conformity with the Notes, this Resolution and the Credit Agreement.

Section 5.03. Tax Covenant. SMUD covenants with the Bank that no use of the proceeds of the Loans or Term Loans under the Tax-Exempt Note or any other funds of SMUD will be made which will cause the Tax-Exempt Note or any Loan or Term Loan thereunder to be "arbitrage bonds" the interest on which is subject to federal income taxation by reason of Section 148 of the Code. To that end, so long as any principal of the Tax-Exempt Note is outstanding, SMUD, with respect to such proceeds and other funds, shall comply with all requirements of said Section 148 (including any rebate requirements pursuant to Section 148(f)) and of all regulations of the United States Department of the Treasury issued thereunder, to the extent that such regulations are, at the time, applicable and in effect.

SMUD further covenants with the Bank that it will make no use of the proceeds of any Loan or Term Loan under the Tax-Exempt Note or any other funds of SMUD or take any other action which would cause interest on the Tax-Exempt Note or any Loan or Term Loan thereunder to be subject to federal income taxation by reason of Section 141 or Section 149 of the Code. To that end, so long as any principal of the Tax-Exempt Note is outstanding SMUD will comply with all requirements of such Section 141 and Section 149 and all regulations to the extent that such requirements are, at the time, applicable and in effect.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

Section 6.01. Events of Default. The following events shall be events of default (the "Events of Default") hereunder:

- (a) if default shall be made in the due and punctual payment of the principal of any Note when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;
- (b) if default shall be made in the due and punctual payment of any installment of interest on any Note when and as such interest installment shall become due and payable;
- (c) if the holder of any Bond or the trustee for any holders of Bonds at the time outstanding exercises a right under the Bond or the constituent instruments under which such Bond was issued to declare the principal thereof (and interest accrued thereon) to be payable prior to the maturity thereof; or
- (d) an Event of Default under and as defined in the Credit Agreement.

Section 6.02. Suits at Law or in Equity and Mandamus. In case one or more Events of Default shall occur, then and in every such case the holder of any Note at the time outstanding shall be entitled to proceed to protect and enforce such holder's rights by such appropriate judicial proceeding as such holder shall deem most effectual to protect and enforce any such right, whether by mandamus or other suit or proceeding at law or in equity, for the specific performance of any covenant or agreement contained in this Resolution, or in aid of the exercise of any power granted in this Resolution, or to enforce any other legal or equitable right vested in the holders of Notes by this Resolution or the Notes or by law. The provisions of this Resolution shall be a contract with each and every holder of Notes, and the duties of SMUD and of the Board shall be enforceable by any holder of the Notes by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction.

Section 6.03. Remedies Not Exclusive. No remedy herein conferred upon the holders of Notes is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised at any time or from time to time, and as often as may be necessary, by the holder of any one or more of the Notes.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Supplemental Resolutions. SMUD may modify or amend this Resolution at any time but only with the prior written consent of the Bank.

Section 7.02. Approval and Execution of Credit Agreement and Fee Letter. The Credit Agreement and the Fee Letter relating to the Credit Agreement, each between SMUD and the Bank, in substantially the forms submitted to this meeting, are hereby approved. The Authorized Officers, each acting alone, are hereby authorized and directed, for and on behalf of SMUD, to execute and deliver the Credit Agreement and the Fee Letter relating to the Credit Agreement in substantially said forms, with such changes therein as the Authorized Officer executing the same, with the advice of SMUD's counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7.03. Letters of Credit. The Authorized Officers are hereby authorized and directed to request the issuance from time to time of Letters of Credit (as defined in the Credit Agreement) by the Bank pursuant to the Credit Agreement in such amounts as are required by SMUD and to do any and all things and to execute, deliver and perform any and all agreements and documents which they deem necessary or advisable in order to request or cause the issuance of any such Letter of Credit by the Bank.

Section 7.04. Additional Actions. The Authorized Officers are hereby authorized and directed to do any and all things and to execute, deliver and perform any and all agreements, certificates and documents (including, but not limited to, tax certificates) which they deem necessary or advisable in order to consummate the issuance and delivery of the Notes in accordance with the this Resolution and the Credit Agreement and to effect the purposes of this Resolution and the transactions contemplated hereby. The Authorized Officers are hereby further authorized and directed to do any and all things and to execute, deliver and perform any and all agreements, certificates and documents which they deem necessary or desirable to extend the Facility Maturity Date (as defined in the Credit Agreement) from time to time; provided that, (a) the Commitment (as defined in the Credit Agreement) shall not exceed \$100,000,000 and (b) the fees payable under the Fee Letter during the term of any such extension shall continue to be commercially reasonable, as determined by any Authorized Officer, such determination to be conclusively evidenced by the execution and delivery of the applicable agreements, certificates and documents extending the Facility Maturity Date.

Section 7.05. Effective Date of Resolution. This Resolution shall take effect immediately upon adoption.

Approved: January 15, 2026

INTRODUCED: DIRECTOR HERBER				
SECONDED: DIRECTOR FISHMAN				
DIRECTOR	AYE	NO	ABSTAIN	ABSENT
TAMAYO	X			
ROSE	X			
BUI-THOMPSON	X			
FISHMAN	X			
HERBER	X			
KERTH	X			
SANBORN	X			

**Attachment D
to Resolution No. 26-01-06**

REVOLVING CREDIT AGREEMENT

dated as of [_____] 1, 2026,

between

SACRAMENTO MUNICIPAL UTILITY DISTRICT

and

PNC BANK, NATIONAL ASSOCIATION

relating to:

\$100,000,000

SACRAMENTO MUNICIPAL UTILITY DISTRICT,
TAXABLE AND TAX-EXEMPT REVOLVING NOTES
(PNC REVOLVING CREDIT AGREEMENT)

REVOLVING CREDIT AGREEMENT

(This Table of Contents is not a part of this
Revolving Credit Agreement and is only
for convenience of reference)

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REVOLVING CREDIT AGREEMENT

This REVOLVING CREDIT AGREEMENT dated as of [_____] 1, 2026 (together with all amendments, supplements and other modifications hereto, this “*Agreement*”), between SACRAMENTO MUNICIPAL UTILITY DISTRICT, a municipal utility district of the State of California (together with its successors and assigns, “*SMUD*”) and PNC BANK, NATIONAL ASSOCIATION, a national banking association (together with its successors and assigns, the “*Bank*”).

WITNESSETH:

WHEREAS, pursuant to the authority granted by the laws of the State of California, particularly Articles 6a and 6b of Chapter 6 of the Municipal Utility Act (California Public Utilities Code Section 12850 *et seq.*), Chapter 7.5 of the Municipal Utility District Act (California Public Utilities Code Section 13371 *et seq.*) and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (California Government Code Section 53.80 *et seq.*), and Resolution No. [_____] (the “*Note Resolution*”) adopted by the Board of Directors of SMUD, on [_____] 2026, SMUD authorized the issuance of its Taxable Revolving Note (PNC Revolving Credit Agreement) and Tax-Exempt Revolving Note (PNC Revolving Credit Agreement) in an aggregate principal amount not to exceed \$100,000,000 outstanding at any one time; and

WHEREAS, SMUD has requested the Bank to establish the Commitment and execute and deliver this Agreement and the Bank is prepared to establish the Commitment upon the terms and conditions stated in this Agreement;

NOW, THEREFORE, in consideration of the agreements set forth herein and in order to induce the Bank to establish the Commitment and execute and deliver this Agreement, the Bank and SMUD agree as follows:

ARTICLE ONE

DEFINITIONS

Section 1.1. Definitions. As used in this Agreement:

“*Act*” means the Municipal Utility District Act, constituting Division 6 of the Public Utilities Code of the State of California, and all laws of the State of California amendatory thereof or supplemental thereto.

“*Affiliate*” means, as to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. A Person shall be deemed to be “controlled by” any other Person if such other Person possesses, directly or indirectly, power (a) to vote 10% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners; or (b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

“*Agreement*” has the meaning set forth in the introductory paragraph hereof.

“*Alternate Base Rate*” means, for any day, the rate per annum equal to the highest of (i) the Prime Rate then in effect, and (ii) the Overnight Bank Funding Rate *plus* 0.50%.

“*Alternate Rate*” means (a) in the case of Taxable Loans, the Alternate Base Rate and (b) in the case of Tax-Exempt Loans, the product of (i) the Alternate Base Rate and (ii) eighty-one percent (81%).

“*Alternate Rate Loan*” means any Loan bearing interest at a rate based upon the Alternate Rate as provided in Section 2.12 hereof.

“*Amortization End Date*” means, with respect to any Term Loan, the earliest to occur of: (i) the fifth (5th) anniversary of the Facility Maturity Date, and (ii) the date on which the Commitment could have been permanently reduced to zero or this Agreement is otherwise terminated, including as a result of the occurrence of an Event of Default (*provided, however,* that the occurrence of a Rating Event at any time shall not result in an Amortization End Date).

“*Amortization Payment Date*” means, with respect to each Term Loan, (a) the first Business Day to occur on or after the one hundred eightieth (180th) calendar day following the Facility Maturity Date and the first Business Day of each sixth (6th) calendar month occurring thereafter prior to the Amortization End Date and (b) the related Amortization End Date.

“*Anti-Corruption Laws*” has the meaning set forth in Section 4.1(u)(ii) hereof.

“*Anti-Terrorism Law*” has the meaning set forth in Section 4.1(v) hereof.

“*Authorized SMUD Representative*” means the Chief Executive Officer and General Manager of SMUD, any Member of the Executive Committee of SMUD, the Chief Financial Officer of SMUD, the Treasurer of SMUD and/or the Secretary of SMUD.

“*Available Revenues*” has the meaning set forth in the Note Resolution.

“*Bank*” has the meaning set forth in the introductory paragraph hereof.

“*Bank Agreement*” means any credit agreement, loan agreement, letter of credit, reimbursement agreement, bond purchase agreement, liquidity agreement, direct purchase agreement (such as a continuing covenant agreement or supplemental bondholder’s agreement) or other agreement or instrument (or any amendment, supplement or modification thereto) entered into by SMUD with any Person, directly or indirectly, or otherwise consented to by SMUD, under which any Person or Persons undertakes to directly purchase, make loans, extend credit or liquidity to SMUD in connection with any of SMUD’s Debt payable from or secured by a lien on Net Revenues senior to or on a parity with the Obligations.

“*Bank Rate*” means the rate of interest per annum with respect to any Term Loan (i) for any day commencing on the date such Term Loan is made to and including the thirtieth (30th) day

next succeeding the date such Term Loan is made, equal to the Base Rate from time to time in effect, (ii) for any day commencing on the thirty-first (31st) day next succeeding the date such Term Loan is made to and including the ninetieth (90th) day next succeeding the date such Term Loan is made, equal to the sum of the Base Rate from time to time in effect *plus* one percent (1.00%) and (iii) for any day commencing on the ninety-first (91st) day next succeeding the date such Term Loan is made and thereafter, equal to the sum of the Base Rate from time to time in effect *plus* two percent (2.00%); *provided, however*, that immediately and automatically upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuance of such Event of Default, “*Bank Rate*” shall mean the Default Rate.

“*Bank-Related Persons*” means the Bank, its Affiliates and the officers, directors, employees, agents and attorneys-in-fact of the Bank and Affiliates.

“*Base Rate*” means, for any day, the rate per annum equal to the highest of (i) the Prime Rate then in effect, (ii) the Overnight Bank Funding Rate *plus* 0.50%, and (iii) 9.00%.

“*Bonds*” has the meaning set forth in the Master Bond Resolution.

“*Borrowing*” means the borrowing of a Loan, as requested in each Notice of Borrowing.

“*Business Day*” means a day which is not (a) a Saturday, Sunday or legal holiday on which banking institutions in Los Angeles, California or New York, New York are authorized by law to close, (b) a day on which the New York Stock Exchange or the Federal Reserve Bank is closed or (c) a day on which the principal offices of the Bank are closed; *provided* that, when used in connection with an amount that bears interest at a rate based on SOFR or any direct or indirect calculation or determination involving SOFR, the term “*Business Day*” means any such day that is also a U.S. Government Securities Business Day.

“*Cash Collateral*” means, to pledge and deposit with, or deliver to the Bank, as collateral for L/C Obligations, cash or deposit account balances or, if the Bank shall agree, in its sole discretion, other credit support, in each case pursuant to documentation in form and substance reasonably satisfactory to the Bank. “*Cash Collateral*” shall have a meaning correlative to the foregoing and shall include the proceeds of such cash collateral and other credit support.

“*Cash Collateralized Letter of Credit*” has the meaning set forth in Section 8.11(d) hereof.

“*Change in Law*” means the occurrence, after the Closing Date, of any of the following: (a) the adoption or taking effect of any Law, rule, regulation or treaty, including, without limitation Risk-Based Capital Guidelines, (b) any change in any Law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, ruling, guideline, regulation or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, rulings, guidelines, regulations or directives thereunder or issued in connection therewith and (ii) all requests, rules, rulings, guidelines, regulations or directives promulgated by the Bank for International Settlements, the Basel

Committee on Banking Supervision (or any successor or similar authority) or the United States of America or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law,” regardless of the date enacted, adopted or issued.

“*Closing Date*” means [_____], 2026, subject to the satisfaction (or waiver by the Bank) of all of the conditions precedent set forth in Section 3.1 hereof.

“*Code*” means the Internal Revenue Code of 1986, as amended, and any successor statute thereto, and the regulations promulgated thereunder.

“*Commitment*” means the amount of \$100,000,000, as such amount may be reduced from time to time or terminated pursuant to Sections 2.7, 2.8 and 6.2 hereof.

“*Commitment Fee*” has the meaning set forth in the Fee Agreement.

“*Confidential Information*” means any permitted redactable information regarding SMUD, the Bank or any Affiliate of the Bank including, without limitation, address and account information, e-mail addresses, telephone numbers, facsimile numbers, names and signatures of officers, employees and signatories.

“*Conforming Changes*” means, with respect to Daily SOFR or any Benchmark Replacement in relation thereto, any technical, administrative or operational changes (including changes to the definition of “Base Rate,” the definition of “Business Day,” the definition of “U.S. Government Securities Business Day,” timing and frequency of determining rates and making payments of interest, timing of borrowing requests or prepayment, conversion or continuation notices, the applicability and length of lookback periods, the applicability of breakage provisions, and other technical, administrative or operational matters) that the Bank decides may be appropriate to reflect the adoption and implementation of Daily SOFR or such Benchmark Replacement and to permit the administration thereof by the Bank in a manner substantially consistent with market practice (or, if the Bank decides that adoption of any portion of such market practice is not administratively feasible or if the Bank determines that no market practice for the administration of Daily SOFR or the Benchmark Replacement exists, in such other manner of administration as the Bank decides is reasonably necessary in connection with the administration of this Agreement and the other Program Documents).

“*Credit Default*” means any condition or event which with the giving of notice or lapse of time or both would, unless cured or waived, become a Credit Event of Default.

“*Credit Event of Default*” means any of those Events of Default set forth in Sections 6.1(a), 6.1(d), 6.1(e), 6.1(f), 6.1(g), 6.1(h), 6.1(i), 6.1(j), 6.1(k), 6.1(m), 6.1(n), 6.1(o) and 6.1(p) hereof.

“*Daily 1M SOFR*” means, for any day, the interest rate per annum determined by the Bank by dividing (the resulting quotient rounded upwards, at the Bank’s discretion, to the nearest 1/100th of 1%) (A) the Term SOFR Reference Rate for such day for a one-month period, as published by the Term SOFR Administrator, by (B) a number equal to 1.00 minus the SOFR Reserve Percentage; provided that if Daily 1M SOFR, determined as provided above, would be

less than the Floor, then Daily 1M SOFR shall be deemed to be the Floor. The rate of interest will be adjusted automatically as of each Business Day based on changes in Daily 1M SOFR without notice to SMUD.

“*Daily SOFR*” means Daily 1M SOFR.

“*Debt*” of any Person means at any date, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes, loan agreements, bank agreements or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business), (d) all obligations of such Person as lessee under leases (as determined under Governmental Accounting Standards Board Statement No. 87 Leases, or any successor guidance) shown on the liabilities side of the balance sheet of such Person, excluding any leases that (i) arise in connection with purchase agreements for power, gas, resource adequacy, capacity, renewable energy credits, energy storage, renewable energy, or other similar products or (ii) are for operational or administrative purposes only and do not represent a financing transaction, (e) all obligations secured by any Lien upon property of such Person, whether or not such Person has assumed or become liable for the payment of such obligations (other than collateralized commodity swaps the obligations under which are either (a) not secured by a Lien on Net Revenues or (b) secured by a Lien on Net Revenues subordinate to the Obligations), (f) all obligations of such Person on or with respect to letters of credit, banker’s acceptances and other evidences of indebtedness representing extensions of credit whether or not representing obligations for borrowed money, and (g) certificates of participation evidencing an undivided ownership interest in payments made by such Person (A) as lessee under any lease of property which in accordance with generally accepted accounting principles would be required to be capitalized on the balance sheet of such Person, (B) as purchaser under an installment sale agreement or (C) otherwise as an obligor in connection therewith, and (h) all Debt of any other Person of the kind referred to in clauses (a) through (g) above which is guaranteed directly or indirectly in any manner by such Person.

“*Default*” means any condition or event which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

“*Default Rate*” means a per annum rate of interest equal to the sum of the Base Rate from time to time in effect plus three percent (3.00%).

“*Designated Jurisdiction*” means any country or territory to the extent that such country or territory itself is the subject of any Sanction.

“*Determination of Taxability*” means and shall be deemed to have occurred on the first to occur of the following:

(i) on the date on which SMUD files any statement, supplemental statement or other tax schedule, return or document which discloses that an Event of Taxability shall have in fact occurred;

(ii) the date on which the Bank or any Noteholder or former Noteholder notifies SMUD that it has received a written opinion by a nationally recognized firm of attorneys of substantial expertise on the subject of tax-exempt municipal finance to the effect that an Event of Taxability shall have occurred unless, within one hundred eighty (180) days after receipt by SMUD of such notification from the Bank or such Noteholder or any former Noteholder, SMUD shall deliver to the Bank, the Noteholder and any former Noteholder a ruling or determination letter issued to or on behalf of SMUD by the Commissioner of the Internal Revenue Service or the Director of Tax-Exempt Bonds of the Tax-Exempt and Government Entities Division of the Internal Revenue Service (or any other government official exercising the same or a substantially similar function from time to time, including an employee subordinate to one of these officers who has been authorized to provide such ruling or determination letter) or a written opinion of its Note Counsel to the effect that, after taking into consideration such facts as form the basis for the opinion that an Event of Taxability has occurred, an Event of Taxability shall not have occurred;

(iii) the date on which SMUD shall be advised in writing by the Commissioner of the Internal Revenue Service or the Director of Tax-Exempt Bonds of the Tax-Exempt and Government Entities Division of the Internal Revenue Service (or any other government official exercising the same or a substantially similar function from time to time, including an employee subordinate to one of these officers who has been authorized to provide such advice) that, based upon filings of SMUD, or upon any review or audit of SMUD or upon any other ground whatsoever, an Event of Taxability shall have occurred; or

(iv) the date on which SMUD shall receive notice from the Noteholder or any former Noteholder that the Internal Revenue Service (or any other government official or agency exercising the same or a substantially similar function from time to time) has assessed as includable in the gross income of the Bank, such Noteholder or such former Noteholder the interest on the Tax-Exempt Note or Tax-Exempt Loan due to the occurrence of an Event of Taxability;

provided, however, no Determination of Taxability shall occur under subparagraph (iii) or (iv) hereunder unless SMUD has been afforded the opportunity, at its expense, to contest any such assessment or opinion, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined; *provided further, however,* that upon demand from the Bank, such Noteholder or former Noteholder, SMUD shall promptly reimburse, the Bank, such Noteholder or former Noteholder for any payments, including any taxes, interest, penalties or other charges, the Bank, such Noteholder or former Noteholder shall be obligated to make as a result of the Determination of Taxability.

“*Dollars*” and the sign “\$” means lawful money of the United States of America.

“*Electric System*” has the meaning set forth in the Note Resolution.

“*EMMA*” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System.

“*ERISA*” means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute thereto.

“*Event of Default*” has the meaning set forth in Section 6.1 hereof.

“*Event of Taxability*” means a (i) change in Law or fact or the interpretation thereof, or the occurrence or existence of any fact, event or circumstance (including, without limitation, the taking of any action by SMUD, or the failure to take any action by SMUD, or the making by SMUD of any misrepresentation herein or in any certificate given in connection with the Tax-Exempt Note or Tax-Exempt Loans) which has the effect of causing interest paid or payable on any Tax-Exempt Note or any Tax-Exempt Loan to become includable in the gross income of the Bank, the Noteholder or any former Noteholder for federal income tax purposes or (ii) the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service or SMUD of the Treasury, which decree, judgment or action shall be final under applicable procedural law, in either case, which has the effect of causing interest paid or payable on any Tax-Exempt Note or any Tax-Exempt Loan to become includable in the gross income of the Bank, the Noteholder or any former Noteholder for federal income tax purposes with respect to any Tax-Exempt Note or any Tax-Exempt Loan.

“*Excess Interest*” has the meaning set forth in Section 2.19 hereof.

“*Excluded Taxes*” means, with respect to the Bank, any Participant or any Noteholder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which the Bank, such Participant or such Noteholder is organized or in which its principal office is located, and (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Bank, such Participant or such Noteholder is located.

“*Extended Letter of Credit*” has the meaning set forth in Section 8.1(b) hereof.

“*Extensions of Credit*” means at any time, (a) an amount equal to the sum of (i) the aggregate principal amount of all Loans then outstanding, and (ii) the L/C Obligations then outstanding, or (b) the making of any Loan or the issuance of any Letter of Credit by the Bank, as the context requires.

“*Facility Maturity Date*” means April 30, 2029, or, if such day is not a Business Day, the next preceding Business Day.

“*Favorable Opinion of Note Counsel*” means a written opinion of Note Counsel, addressed to SMUD and the Bank to the effect that the new Benchmark Replacement will not, in and of itself, cause interest on the outstanding Tax-Exempt Loans to be included in gross income for purposes of federal income taxation.

“*Fee Agreement*” means that certain Fee Agreement, dated the Closing Date, between SMUD and the Bank, as the same may be amended, modified or supplemented from time to time

by written instrument executed by the Bank and SMUD, the terms of which are incorporated herein by reference.

“Fiscal Year” means the twelve-month period commencing on January 1 of each year and ending on December 31 of the same calendar year or such other twelve-month period as SMUD may from time to time determine as its Fiscal Year.

“Fitch” means Fitch Ratings, Inc. and its successors, and if such Person shall for any reason no longer perform the functions of a securities rating agency, *“Fitch”* shall be deemed to refer to any nationally recognized securities rating agency designated by SMUD that is acceptable to the Bank in its sole discretion.

“Floor” means a rate of interest per annum equal to zero percent (0.0%).

“Government Acts” means any act or omission to act, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority.

“Governmental Authority” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including, without limitation, the Financial Conduct Authority, the Prudential Regulation Authority and any supra-national bodies such as the European Union or the European Central Bank); *provided, however*, that, for the purposes of Sections 2.16 and 2.17 hereof only, *“Governmental Authority”* means the government of the United States of America or any other nation or any political subdivision thereof or any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or European Central Bank), or any arbitrator, mediator or other Person with authority to bind a party at law.

“Indemnified Taxes” means Taxes other than Excluded Taxes.

“Interest Payment Date” means with respect to each Loan and each Term Loan, the tenth (10th) calendar day of each calendar month (with the first Interest Payment Date being [_____] 10, 2026), the Facility Maturity Date and such earlier date on which all Loans and Term Loans are required to be paid in full in accordance with the terms hereof or, if applicable, on the Amortization End Date.

“ISP” means the International Standby Practices, International Chamber of Commerce Publication No. 590 (or such later version thereof as may be in effect at the applicable time).

“L/C Fee Rate” has the meaning set forth in the Fee Agreement.

“*L/C Obligations*” means at any time, an amount equal to the sum of (a) the aggregate undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit which have not then been reimbursed pursuant to Section 8.3 hereof.

“*L/C Sublimit*” means \$20,000,000.

“*Laws*” means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“*Letter of Credit*” has the meaning set forth in Section 8.1(a) hereof.

“*Letter of Credit Application*” means an application requesting the Bank to issue a Letter of Credit in the form specified by the Bank from time to time.

“*Letter of Credit Documents*” means with respect to any Letter of Credit, such Letter of Credit, any Letter of Credit Application and any other document, agreement and instrument required by the Bank and relating to such Letter of Credit, in each case in the form specified by the Bank from time to time.

“*Lien*” means, with respect to any property, tangible or intangible, real or personal, any mortgage, lien, pledge, charge, security interest or other encumbrance of any kind in respect of such property.

“*Loan*” means a Loan to be made by the Bank in accordance with the applicable Notice of Borrowing. The term “*Loan*” means, individually, a Taxable Loan or a Tax-Exempt Loan and “*Loans*” means Taxable Loans or Tax-Exempt Loans, or a combination thereof, as applicable.

“*Majority Noteholder*” means the Noteholders with a majority of the aggregate ownership interest in Loans and Term Loans evidenced by the Taxable Note and Tax-Exempt Note from time to time. As of the Closing Date, PNC Bank, National Association, is the Majority Noteholder.

“*Master Bond Resolution*” means Resolution No. 6649 of SMUD, adopted on January 7, 1971, and amended and supplemented from time to time in accordance with the terms thereof.

“*Material Adverse Effect*” or “*Material Adverse Change*” means (a) with respect to SMUD, a material adverse effect upon SMUD’s business, assets, liabilities, financial condition, results of operations or business prospects, and (b) with respect to SMUD’s obligations under this Agreement, the Fee Agreement or any other SMUD Program Document, a material adverse effect upon (i) the binding nature, validity or enforceability of SMUD’s obligations hereunder or

thereunder, (ii) SMUD's ability to perform its obligations hereunder or thereunder or (iii) the rights, security or interests of the Bank.

“Maximum Federal Corporate Tax Rate” means, on any given day, the maximum rate of income taxation imposed on corporations pursuant to Section 11(b) of the Code, as in effect as of such day (or, if as a result of a change in the Code, the rate of income taxation imposed on corporations generally shall not be applicable to the Bank, the maximum statutory rate of federal income taxation which could apply to the Bank).

“Maximum Interest Rate” means the maximum interest rate with respect to the Revolving Notes and the Obligations as provided in the Note Resolution, which initially shall be 12% per annum.

“Maximum Rate” means the maximum non-usurious lawful rate of interest permitted by applicable law.

“Minimum Collateral Amount” means, at any time, (a) with respect to Cash Collateral consisting of cash or deposit account balances provided in accordance with the provisions of Section 6.2(c) hereof, an amount equal to 105% of the aggregate outstanding amount of all L/C Obligations and (b) otherwise, an amount determined by the Bank in its sole discretion.

“Moody’s” means Moody’s Investors Service and its successors, and if such Person shall for any reason no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any nationally recognized securities rating agency designated by SMUD that is acceptable to the Bank in its sole discretion.

“Net Revenues” has the meaning set forth in the Master Bond Resolution.

“Net Subordinated Revenues” has the meaning set forth in the Subordinated Bond Resolution.

“Non-Credit Event of Default” means those Events of Default set forth in Sections 6.1(b), 6.1(c) and 6.1(l) hereof.

“Noteholder” means the Bank and each transferee pursuant to the terms hereof so long as such transferee owns an interest in the Taxable Note or the Tax-Exempt Note, as applicable, and shall include any holder of Term Loans.

“Note Counsel” means Orrick Herrington & Sutcliffe LLP, or any other firm of attorneys nationally recognized on the subject of tax-exempt municipal finance selected by SMUD.

“Note Resolution” has the meaning set forth in the recitals hereof.

“Notice of Borrowing” has the meaning set forth in Section 2.2(a)(i) hereof.

“Notice of Conversion” has the meaning set forth in Section 2.2(a)(ii) hereof.

“*NYFRB*” means the Federal Reserve Bank of New York.

“*Obligations*” means the Loans and Term Loans (which includes amounts owing to the Bank evidenced by and payable under the Revolving Notes), the Commitment Fees and all other obligations of SMUD to the Bank arising under or in relation to this Agreement, the Fee Agreement, the Letters of Credit or any of the other Program Documents (including any amounts to reimburse the Bank for any advances or expenditures by it under any of such documents).

“*OFAC*” means the U.S. Department of the Treasury’s Office of Foreign Assets Control, and any successor thereto.

“*Optional Termination Event*” means (i) a consolidation or merger of SMUD or the Electric System into another entity whereby either (a) as a result of such consolidation or merger, SMUD or the Electric System is not the surviving entity or (b) such consolidation or merger could reasonably be expected to result in a Material Adverse Effect, or (ii) the failure of SMUD to comply with generally accepted accounting principles applicable to governmental entities and such failure shall continue for a period of forty-five (45) consecutive days after SMUD has actual knowledge of such failure.

“*Overnight Bank Funding Rate*” means, for any day, the rate comprised of both overnight federal funds and overnight Eurocurrency borrowings by U.S.-managed banking offices of depository institutions, as such composite rate shall be determined by the NYFRB, as set forth on its public website from time to time, and as published on the next succeeding Business Day as the overnight bank funding rate by the NYFRB (or by such other recognized electronic source (such as Bloomberg) selected by the Bank for the purpose of displaying such rate); *provided*, that if such day is not a Business Day, the Overnight Bank Funding Rate for such day shall be such rate on the immediately preceding Business Day; *provided, further*, that if such rate shall at any time, for any reason, no longer exist, a comparable replacement rate determined by the Bank at such time (which determination shall be conclusive absent manifest error). If the Overnight Bank Funding Rate determined as above would be less than zero, then such rate shall be deemed to be zero. The rate of interest charged shall be adjusted as of each Business Day based on changes in the Overnight Bank Funding Rate without notice to SMUD.

“*Parity Bonds*” has the meaning set forth in the Note Resolution.

“*Parity Notes*” has the meaning set forth in the Note Resolution.

“*Parity Notes Reimbursement Agreement*” has the meaning set forth in the Note Resolution.

“*Parity Subordinated Debt*” has the meaning set forth in the Note Resolution.

“*Participant*” has the meaning set forth in Section 7.3(b) hereof.

“*Participation*” has the meaning set forth in Section 7.3(b) hereof.

“Payment Account” means [ABA: [____], Bank: PNC Bank, Account Number: [____], Account Name: [____], Address: [____], Reference: [____], Customer Name: Sacramento Municipal Utility District, Obligor: [____]], or such other account as the Bank may designate from time to time.

“Person” means an individual, a corporation, a partnership, an association, a limited liability company, an association, a joint venture, a trust, an unincorporated organization or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof.

“Plan” means a pension plan providing benefits for employees of any Person.

“Prime Rate” means the rate publicly announced by the Bank from time to time as its prime rate. The Prime Rate is determined from time to time by the Bank as a means of pricing some loans to its borrowers. The Prime Rate is not tied to any external rate of interest or index and does not necessarily reflect the lowest rate of interest actually charged by the Bank to any particular class or category of customers.

“Program Documents” means this Agreement, the Revolving Notes, the Fee Agreement, the Note Resolution, the Letter of Credit Documents and any documents related thereto.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

“Rating” means, with respect to any Rating Agency, the lowest rating assigned by such Rating Agency to any senior lien, long-term Bonds (without regard to bond insurance or any other form of credit enhancement) of SMUD.

“Rating Agency” and *“Rating Agencies”* means, individually or collectively, as applicable, Moody’s, S&P and Fitch.

“Rating Event” means the occurrence of a downgrade by any Rating Agency of its long-term rating with respect to any senior lien, long-term Bonds (without regard to bond insurance or any other form of credit enhancement) of SMUD to a level below “Baa1” (or its equivalent) in the case of Moody’s, “BBB+” (or its equivalent) in the case of S&P or “BBB+” (or its equivalent) in the case of Fitch and such downgrade shall continue for a period of one hundred sixty (160) days.

“Recipient” means the Bank, each Participant, each Noteholder and any other recipient of any payment to be made by or on account of any obligation of SMUD hereunder.

“Reimbursement Obligations” means the obligation of SMUD to reimburse the Bank pursuant to Section 8.3 hereof for amounts drawn under any and all Letters of Credit issued by the Bank.

“Reinstated Letter of Credit” has the meaning set forth in Section 8.11(d) hereof.

“*Revenues*” has the meaning set forth in the Note Resolution.

“*Revolving Credit Period*” means the period from and including the Closing Date to and including the Termination Date.

“*Revolving Notes*” means the Taxable Note and the Tax-Exempt Note.

“*Risk-Based Capital Guidelines*” means (a) the risk-based capital guidelines in effect in the United States of America, including transition rules, and (b) the corresponding capital regulations promulgated by regulatory authorities outside the United States of America including transition rules, and any amendment to such regulations.

“*S&P*” means S&P Global Ratings, and its successors, and if such division shall for any reason no longer perform the functions of a securities rating agency, “*S&P*” shall be deemed to refer to any other nationally recognized securities rating agency designated by SMUD that is acceptable to the Bank in its sole discretion.

“*Sanction*” or “*Sanctions*” means any economic or financial sanction administered or enforced by the United States Government (including, without limitation, those administered by the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC), the U.S. Department of State, the U.S. Department of Commerce, or through any existing or future United States Government statute or executive order.

“*SMUD*” has the meaning set forth in the introductory paragraph hereof.

“*SMUD Board*” means the board of directors of SMUD.

“*SMUD Program Documents*” means the Program Documents to which SMUD is a party (including, without limitation, the Note Resolution).

“*SOFR*” means a rate equal to the secured overnight financing rate as administered by the NYFRB (or a successor administrator of the secured overnight financing rate).

“*SOFR Reserve Percentage*” means, for any day, the maximum effective percentage in effect on such day, if any, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including, without limitation, supplemental, marginal and emergency reserve requirements) with respect to SOFR funding.

“*State*” means the State of California.

“*Subordinated Bond Resolution*” means Resolution No. 85-11-1 of SMUD, duly adopted at a meeting of SMUD on November 7, 1985, as amended and restated by Resolution No. 01 06 10 of SMUD, duly adopted at a meeting of SMUD on June 21, 2001, and amended and supplemented from time to time in accordance with the terms thereof.

“*Subordinated Bonds*” has the meaning set forth in the Note Resolution.

“Swap Contract” means any and all interest rate swap transactions or any other similar interest rate hedging transactions that hedge the interest rate on securities or other obligations issued by or on behalf of SMUD (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement.

“Taxable Applicable Spread” has the meaning set forth in the Fee Agreement.

“Taxable Daily SOFR Rate” means a per annum rate of interest equal to the sum of the Taxable Applicable Spread *plus* Daily SOFR. Upon the occurrence and during the continuance of an Event of Default, the Taxable Daily SOFR Rate shall equal the Default Rate.

“Taxable Date” means the date on which interest on any Tax-Exempt Loan or Tax-Exempt Note is first includable in the gross income of any holder thereof (including, without limitation, the Bank) as a result of an Event of Taxability as such date is established pursuant to a Determination of Taxability.

“Taxable Loan” means a Loan that is identified as a Taxable Loan in the Notice of Borrowing or Notice of Conversion, or a Term Loan that refunded one or more Loans which were Taxable Loans.

“Taxable Note” means the Sacramento Municipal Utility District Taxable Revolving Note (PNC Revolving Credit Agreement), such note to be executed and delivered to the Bank on the Closing Date in the form of Exhibit A attached hereto with appropriate insertions, executed and delivered by SMUD, as the same may be amended, modified, restated or supplemented from time to time by written instrument executed by the Bank and SMUD.

“Taxable Period” has the meaning set forth in Section 2.13 hereof.

“Taxable Rate” means, with respect to a Taxable Period, the product of (i) the interest rate on the applicable Tax-Exempt Loan or Tax-Exempt Note during such period and (ii) the quotient of (A) one divided by (B) one minus the then current Maximum Federal Corporate Tax Rate.

“Tax-Exempt Applicable Spread” has the meaning set forth in the Fee Agreement.

“Tax-Exempt Daily SOFR Rate” means a per annum rate of interest equal to the sum of (a) the Tax-Exempt Applicable Spread *plus* (b) the product of (i) Daily SOFR multiplied by (ii) 0.81. Upon the occurrence and during the occurrence of an Event of Default, the Tax-Exempt Daily SOFR Rate shall equal the Default Rate.

“Tax-Exempt Loan” means a Loan that is identified as a Tax-Exempt Loan in the Notice of Borrowing, or a Term Loan that refunded one or more Loans which were Tax-Exempt Loans.

“Tax-Exempt Note” means the Sacramento Municipal Utility District Tax-Exempt Revolving Note (PNC Revolving Credit Agreement), such note to be executed and delivered to the Bank on the Closing Date in the form of Exhibit B attached hereto with appropriate insertions,

executed and delivered by SMUD, as the same may be amended, modified, restated or supplemented from time to time by written instrument executed by the Bank and SMUD.

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, fines, additions to tax or penalties applicable thereto.

“Term Loans” has the meaning set forth in Section 2.22(a) hereof.

“Term SOFR Administrator” means CME Group Benchmark Administration Limited (CBA) (or a successor administrator of the Term SOFR Reference Rate selected by the Bank in its reasonable discretion).

“Term SOFR Reference Rate” means the forward-looking term rate based on SOFR.

“Termination Date” means the Facility Maturity Date or, if earlier, the date on which the Commitment is terminated or permanently reduced to zero in accordance with the terms hereof.

“U.S. Government Securities Business Day” means any day except for (i) a Saturday, (ii) a Sunday or (iii) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities; *provided*, that for purposes of notice requirements in Section 2.2, in each case, such day is also a Business Day.

“2024 Financial Statements” means the audited financial statements of SMUD for the Fiscal Year ended December 31, 2024.

Section 1.2. Incorporation of Certain Definitions by Reference. Each capitalized term used herein and not otherwise defined herein shall have the meaning provided therefor in the Note Resolution and, if not defined therein, in the Master Bond Resolution or the Subordinated Bond Resolution, as applicable.

Section 1.3. Accounting Terms and Determinations. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles.

Section 1.4. Interpretation. The following rules shall apply to the construction of this Agreement and the Fee Agreement unless the context requires otherwise: (a) the singular includes the plural, and the plural the singular; (b) words importing any gender include the other gender and the neuter gender; (c) references to statutes are to be construed as including all statutory provisions consolidating, and all regulations promulgated pursuant to, such statutes; (d) references to “writing” include printing, photocopy, typing, lithography and other means of reproducing words in a tangible visible form; (e) the words “including,” “includes” and “include” shall be deemed to be followed by the words “without limitation”; (f) references to the introductory paragraph, recitals, articles, sections (or clauses or subdivisions of sections), exhibits, appendices, annexes or schedules are to those of this Agreement unless otherwise indicated; (g) references to agreements and other contractual instruments shall be deemed to include all subsequent

amendments and other modifications to such instruments, but only to the extent that such amendments and other modifications are permitted or not prohibited by the terms of this Agreement; (h) article and section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose; and (i) unless otherwise indicated, references to Persons include their respective permitted successors and assigns.

Section 1.5. Benchmark Replacement Notification; Rates. Section 2.12 of this Agreement provides a mechanism for determining an alternative rate of interest in the event that any Benchmark is no longer available or in certain other circumstances. The Bank does not warrant or accept any responsibility for and shall not have any liability with respect to, (a) the continuation of, administration of, submission of or calculation of, or any other matter related to, any Benchmark or any component definition thereof or rates referred to in the definition thereof, or any alternative or successor rate thereto, or replacement rate therefor (including any Benchmark Replacement), including whether the composition or characteristics of any such alternative, successor or replacement rate (including any Benchmark Replacement) will be similar to, or produce the same value or economic equivalence of, or have the same volume or liquidity as, such Benchmark prior to its discontinuance or unavailability, or (b) the effect, implementation or composition of any Conforming Changes. The Bank and its affiliates or other related entities may engage in transactions that affect the calculation of any Benchmark, any alternative, successor or replacement rate (including any Benchmark Replacement) or any relevant adjustments thereto, in each case, in a manner adverse to SMUD or any other person or entity. The Bank may select information sources or services in its reasonable discretion to ascertain any Benchmark, any component definition thereof or rates referred to in the definition thereof, in each case pursuant to the terms of this Agreement, and shall have no liability to SMUD, the Bank or any other person or entity for damages of any kind, including direct or indirect, special, punitive, incidental or consequential damages, costs, losses or expenses (whether in tort, contract or otherwise and whether at law or in equity), for any error or calculation of any such rate (or component thereof) provided by any such information source or service.

ARTICLE TWO

THE CREDIT

Section 2.1. Commitment to Lend.

(a) *Loans.* During the Revolving Credit Period, the Bank agrees, on the terms and conditions set forth in this Agreement, to make revolving loans to SMUD pursuant to this Section from time to time in amounts such that the aggregate principal amount of Loans by the Bank at any one time outstanding shall not exceed the amount of the Commitment; *provided, however,* that after giving effect to any Borrowing, the outstanding Extensions of Credit shall not exceed the Commitment. Within the foregoing limit and subject to the terms and conditions of Section 2.2 hereof, SMUD may borrow under this subsection (a), repay or, to the extent permitted by Section 2.9 hereof, prepay, the Loans and re-borrow at any time during the Revolving Credit Period under this subsection (a).

(b) *Extension of Revolving Credit Period.* (i) SMUD may from time to time request the Bank to extend the then current Facility Maturity Date for a period as agreed to by SMUD and the Bank. If the Bank, in its sole discretion, elects to extend the Facility Maturity Date then in effect, they shall deliver to SMUD within 30 days of receiving a request, a written notice of extension (herein referred to as a “*Notice of Extension*”) designating the date to which the Facility Maturity Date is being extended. Such extension of the Facility Maturity Date shall be effective, after receipt of such Notice of Extension, on the Business Day following the date of delivery of such Notice of Extension, and thereafter all references in this Agreement to the Facility Maturity Date shall be deemed to be references to the date designated as such in the most recent Notice of Extension delivered to SMUD. Any date to which the Facility Maturity Date has been extended in accordance with this Section 2.1(b) may be extended in like manner. If the Bank fails to provide SMUD with a Notice of Extension as provided hereinabove, the Bank shall be deemed not to have consented to SMUD’s request. The Bank shall use commercially reasonable efforts to promptly notify SMUD if it will not extend the Facility Maturity Date, but the Bank’s failure to do so shall be deemed a denial of the extension request.

(ii) Notwithstanding the foregoing, it is understood and agreed that the foregoing provisions are intended for the convenience of the parties only and shall in no respect prohibit the parties from agreeing to extend the Revolving Credit Period under other circumstances or at other times. In the event the Revolving Credit Period is extended under any other circumstances, the Bank shall give prompt written notice thereof to SMUD.

(iii) If the Revolving Credit Period is extended, whether pursuant to subsection (i) above or otherwise, such extension shall be conditioned upon the prompt preparation, execution and delivery of documentation, satisfactory to SMUD and the Bank and their respective counsel.

Section 2.2. Method of Borrowing, Continuing or Converting Loans; Account to Which Proceeds of Loans to Be Credited. (a)(i) In the case of any Borrowing, SMUD shall give the Bank notice in the form of Exhibit C hereto, executed by an Authorized SMUD Representative (a “*Notice of Borrowing*”), and SMUD shall telephonically confirm the Bank’s receipt of such Notice of Borrowing, by not later than 11:00 a.m. (Pacific time) on any Business Day, specifying:

(A) the date of such Borrowing, which shall be a Business Day during the Revolving Credit Period that is at least two (2) U.S. Government Securities Business Days following the Bank’s receipt of such Notice of Borrowing,

(B) the aggregate amount of such Borrowing (which shall not exceed the difference between (i) the amount of the Commitment and (ii) the aggregate principal amount of Extensions of Credit then outstanding),

(C) whether such Borrowing will be a Taxable Loan or a Tax-Exempt Loan, and

(D) that the following items are attached and delivered to Note Counsel, if the Borrowing is a Tax-Exempt Loan, a tax certificate or supplement to an existing tax

certificate, including a completed Form 8038-G, relating to such Borrowing, in each case in a form acceptable to Note Counsel.

(ii) SMUD may convert any Tax-Exempt Loan to a Taxable Loan, only upon two (2) U.S. Government Securities Business Days prior written notice by giving appropriate notice to the Bank prior to 11:00 a.m. (Pacific time), on such required prior U.S. Government Securities Business Day in the form of Exhibit D hereto with blanks appropriately completed (each, a “*Notice of Conversion*”).

(b) Subject to the provisions of subsection (a) of this Section 2.2, by not later than 3:00 p.m. (Pacific time) on the date of each Borrowing, the Bank shall, subject to satisfaction of the requirements of Section 2.2 and Article Three hereof, wire transfer, in federal or other immediately available funds, the proceeds of such Borrowing to SMUD on the Borrowing date specified in the Notice of Borrowing, so long as such Borrowing date occurs during the Revolving Credit Period and is at least two (2) U.S. Government Securities Business Days following the Bank’s receipt of such Notice of Borrowing, as specified in such Notice of Borrowing, in immediately available funds, an amount equal to the Loan thereby requested. The Bank shall wire transfer, in federal or other immediately available funds, the proceeds of such Borrowing to the following account: Account Name: [_____], Bank Name: [_____], ABA Number: [_____], Account Number: [_____]; *provided, however,* that SMUD may, from time to time, change such account by written notice to the Bank, executed by an Authorized SMUD Representative, given to the Bank at its address referred to in Section 7.2 hereof.

(c) The Bank shall not be obligated to honor more than one Borrowing with respect to a Taxable Loan or more than one Borrowing with respect to a Tax-Exempt Loan on any Business Day.

(d) Each Loan shall be in the principal amount requested by SMUD pursuant to each notice in the form of Exhibit C hereto but in any event in a minimum principal amount of \$100,000 or such greater amount which is an integral multiple of \$100,000 in excess thereof.

Section 2.3. Maturity of Loans and Term Loans. (a) Each Loan included in any Borrowing shall mature, and the principal amount thereof (together with all accrued and unpaid interest therein) shall be due and payable by SMUD, on the Facility Maturity Date or such earlier date on which all Loans or the related Loans become due and payable in accordance with the terms hereof.

(b) The Term Loans shall mature, and the principal amount thereof (together with all accrued and unpaid interest thereon) shall be due and payable by SMUD, on the Amortization End Date or such earlier date on which all Term Loans become due and payable in accordance with the terms hereof.

Section 2.4. Interest Rates. (a) Subject to subsection (d) below, and Section 2.15 hereof, each Loan (other than a Term Loan) which is a Taxable Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is advanced until it is paid in full,

at a rate per annum equal to the Taxable Daily SOFR Rate, and such interest shall be payable by SMUD on each Interest Payment Date and on the Termination Date.

(b) Subject to subsections (d) and (f) below, and Section 2.15 hereof, each Loan (other than a Term Loan) which is a Tax-Exempt Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is advanced until it is paid in full, at a rate per annum equal to the Tax-Exempt Daily SOFR Rate, and such interest shall be payable by SMUD on each Interest Payment Date and on the Termination Date.

(c) Interest on the Tax-Exempt Loans is to be excluded from gross income for federal income tax purposes. Interest on Taxable Loans, Alternate Rate Loans and other amounts owing hereunder (other than Tax-Exempt Loans) is to be includable in the Bank's gross income for federal income tax purposes.

(d) The Bank shall determine the applicable interest rate for the Loans in accordance with the terms of this Agreement while such Loan is outstanding. Interest on each Loan shall accrue each day such Loan is outstanding commencing on and including the date such Loan is advanced by the Bank hereunder until such Loan is paid in full. Notwithstanding the foregoing, (i) with respect to a Loan designated to bear interest with respect to the Taxable Daily SOFR Rate that is advanced pursuant to new Borrowing, the rate for such Loan shall be the same rate as for all outstanding Loans bearing interest with respect to the Taxable Daily SOFR Rate and (ii) with respect to a Loan designated to bear interest with respect to the Tax-Exempt Daily SOFR Rate that is advanced pursuant to new Borrowing, the rate for such Loan shall be the same rate as for all outstanding Loans bearing interest with respect to the Tax-Exempt Daily SOFR Rate.

(e) *Reserved.*

(f) Upon a Determination of Taxability, all Tax-Exempt Loans shall bear interest at the Taxable Rate.

(g) Subject to Section 2.15 hereof, the Term Loans shall bear interest on the outstanding principal amount thereof, for each date from the date of extension of such Term Loan until it becomes due, at a rate per annum equal to the Bank Rate. Such interest shall be payable by SMUD on each Interest Payment Date and on the Amortization End Date (or such earlier date on which all Term Loans become due and payable in accordance with the terms hereof).

Section 2.5. Fees. (a) SMUD hereby agrees to pay and perform its obligations provided for in the Fee Agreement, including the payment by SMUD to the Bank of the nonrefundable Commitment Fees and the other fees, expenses and payments described in the Fee Agreement at the times, on the dates and in the amounts specified in the Fee Agreement, the terms of such Fee Agreement being incorporated herein by reference as if fully set forth herein. Any references herein or in any other document to the Commitment Fee and such other fees, expenses and payments owed to the Bank hereunder without specific reference to the Fee Agreement shall be read so as to include the Fee Agreement, and any reference to this Agreement shall be deemed to include a reference to the Fee Agreement. The Fee Agreement and this Agreement shall be

construed as one agreement between SMUD and the Bank and all obligations under the Fee Agreement shall be construed as obligations hereunder.

(b) If SMUD shall fail to pay any amount payable hereunder and/or under the Fee Agreement as and when due, each such unpaid amount shall bear interest for each day from and including the date it was due until paid in full at the applicable Default Rate and shall be payable by SMUD on demand.

(c) SMUD shall pay within thirty (30) days after demand any amounts advanced by or on behalf of the Bank to the extent required to cure any Default, Event of Default or event of nonperformance hereunder or any Program Document, together with interest at the Default Rate.

Section 2.6. The Revolving Notes. (a) All Taxable Loans, L/C Obligations and other Obligations (other than Tax-Exempt Loans) shall be made against and evidenced by the Taxable Note. All Taxable Loans, L/C Obligations and other Obligations (other than Tax-Exempt Loans) and all payments and prepayments on account of the principal of and interest on each Taxable Loan, L/C Obligations and other Obligation (other than Tax-Exempt Loans) shall be recorded by the Bank on its books and records, which books and records shall, absent manifest error, be conclusive as to amounts payable by SMUD hereunder and under the Taxable Note.

(b) All Tax-Exempt Loans shall be made against and evidenced by the Tax-Exempt Note. All Tax-Exempt Loans and all payments and prepayments on account of the principal of and interest on each Tax-Exempt Loan shall be recorded by the Bank on its books and records, which books and records shall, absent manifest error, be conclusive as to amounts payable by SMUD hereunder and under the Tax-Exempt Note.

(c) SMUD's obligations to repay each Loan, Term Loan and the other Obligations and to pay interest thereon as provided herein shall be evidenced and secured by the related Revolving Note, and SMUD shall pay amounts under the related Revolving Note on each date on which SMUD is required to make a principal payment on the related Loan, Term Loan and other Obligations, as applicable, in an amount equal to the Loan, Term Loan and the other Obligations, as applicable, payment due on such date. The payment of the principal of and interest on a Revolving Note shall constitute payment of the principal of and interest on the related Loans, Term Loan and the other Obligations, as applicable, and the payment of the principal of and interest on the Loans, Term Loan and the other Obligations, as applicable, shall constitute the payment of principal and interest on the related Revolving Note and the failure to make any payment on any Loan, Term Loan and the other Obligations, as applicable, when due shall be a failure to make a payment on the related Revolving Note and the failure to make any payment on the related Revolving Note when due shall be a failure to make a payment on the related Loan, Term Loan and the other Obligations, as applicable.

Section 2.7. Optional Termination or Reduction of Commitment. During the Revolving Credit Period, SMUD may, upon at least three Business Days' notice to the Bank, (i) terminate the Commitment at any time, if no Loans and L/C Obligations are outstanding at such time, or (ii) reduce the Commitment from time to time by an aggregate amount of \$1,000,000 or any larger integral multiple of \$100,000, *provided*, that, after giving effect to such reduction of the

Commitment, the Commitment shall be not less than the amount of the aggregate outstanding principal amount of the Extensions of Credit.

Section 2.8. Mandatory Termination or Reduction of Commitment. (a) The Commitment shall terminate on the Termination Date, and any Loans then outstanding (together with accrued interest thereon and all other amounts payable hereunder) shall be due and payable on such date, unless such Loans are converted to Term Loans as provided in Section 2.22 hereof.

(b) If at any time an Event of Default shall have occurred and be continuing, the Bank may deliver a written notice to that effect to SMUD, and the Commitment shall immediately terminate.

(c) In the event and on such occasion that the principal amount of outstanding Extensions of Credit exceeds the Commitment, SMUD shall prepay the Loans or otherwise reduce the outstanding Extensions of Credit in an aggregate amount equal to such excess.

Section 2.9. Optional Prepayments. SMUD may, upon at least one Business Days' notice to the Bank, prepay any Borrowing in whole at any time, or from time to time in part in amounts aggregating \$1,000,000 or any larger integral multiple of \$100,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment.

Section 2.10. Reserved.

Section 2.11. Computation of Interest and Fees. Interest with respect to Loans bearing interest at the Tax-Exempt Daily SOFR Rate or the Taxable Daily SOFR Rate, and all fees payable hereunder and under the Fee Agreement, shall be calculated on the basis of a 360-day year based upon the actual number of days elapsed, and interest with respect to Alternate Rate Loans and Term Loans shall be calculated on the basis of a 365 or 366 day year, as applicable, and the actual number of days elapsed.

¹*Section 2.12. Benchmark Replacement.* (a) The Bank shall have the right to make any technical, administrative or operational changes from time to time that the Bank decides may be appropriate to reflect the adoption and implementation of SOFR or any other Benchmark (as defined below) or to permit the use and administration thereof by the Bank in a manner substantially consistent with market practice or in such other manner as the Bank decides is reasonably necessary. Notwithstanding anything to the contrary herein or in any other Program Document, any amendments implementing such technical, administrative or operational changes will become effective without any further action or consent of SMUD. The Bank shall provide notice to SMUD of any such amendment reasonably promptly after such amendment becomes effective.

If the applicable rate under this Agreement is based on a Benchmark and the Bank determines (which determination shall be final and conclusive) that (A) such Benchmark cannot be determined pursuant to its definition other than as a result of a Benchmark Transition Event (as

¹ We are confirming that the Bank's internal counsel is comfortable with this Section

defined below), (B) such Benchmark does not adequately and fairly reflect the cost to the Bank of funding, establishing or maintaining any Loan or (C) any enactment, promulgation or adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by a governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any guideline, request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impracticable for the Bank to make or maintain or fund loans based on that Benchmark, then the Bank shall give notice thereof to SMUD. Thereafter, until the Bank notifies SMUD that the circumstances giving rise to such determination no longer exist, the interest rate on all Loans outstanding under this Agreement shall be the Alternate Rate.

Notwithstanding anything to the contrary herein or in any other Program Document, if the Bank determines (which determination shall be final and conclusive) that a Benchmark Transition Event has occurred with respect to a Benchmark, the Bank may amend this Agreement to replace such Benchmark with a Benchmark Replacement (as defined below); and any such amendment shall be in writing, shall specify the date that the Benchmark Replacement is effective and will not require any further action or consent of SMUD. Until the Benchmark Replacement is effective, amounts bearing interest with reference to a Benchmark will continue to bear interest with reference to such Benchmark as long as such Benchmark is available, and otherwise such amounts automatically will bear interest at the Alternate Rate.

For purposes of this Section 2.12, the following terms have the meanings set forth below:

“Benchmark” means, at any time, any interest rate index then used in the determination of an interest rate under the terms of this Agreement. Once a Benchmark Replacement becomes effective under this Agreement, it is a Benchmark. As of the Closing Date, the Benchmark under this Agreement is Daily SOFR.

“Benchmark Replacement” means, for any Benchmark, the sum of (a) an alternate benchmark rate and (b) an adjustment (which may be a positive or negative value or zero), in each case that has been selected by the Bank as the replacement for such Benchmark giving due consideration to any evolving or then-prevailing market convention, including any applicable recommendations made by the official sector or any official *sector*-sponsored committee or working group, for U.S. dollar-denominated credit facilities at such time; *provided* that, if the Benchmark Replacement as determined pursuant to the foregoing would be less than the Floor, the Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement and the other Program Documents.

“Benchmark Transition Event” means a public statement or publication by or on behalf of the administrator of a Benchmark, the regulatory supervisor of such administrator, the Board of Governors of the Federal Reserve System, NYFRB, an insolvency official or resolution authority with jurisdiction over the administrator for such Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark, announcing or stating that

(a) such administrator has ceased or will cease to provide such Benchmark permanently or indefinitely, provided that at the time of such statement or publication there is no successor administrator that will continue to provide such Benchmark or (b) such Benchmark is or will no longer be representative.

(b) *Favorable Opinion of Note Counsel.* If any Tax-Exempt Loan or Tax-Exempt Loans are then outstanding, SMUD shall cause a Favorable Opinion of Note Counsel to be delivered each time a new Benchmark Replacement is determined for calculation of the Tax-Exempt Daily SOFR Rate.

Section 2.13. Determination of Taxability. (i) In the event a Determination of Taxability occurs, SMUD hereby agrees to pay to the Bank and each Noteholder within thirty (30) days of demand therefor (1) an amount equal to the difference between (A) the amount of interest that would have been paid to the Bank and such Noteholder on the Tax-Exempt Note or Tax-Exempt Loan, without duplication, during the period for which interest on the such Tax-Exempt Note or Tax-Exempt Loan is included in the gross income of the Bank and such Noteholder if the Tax-Exempt Note or Tax-Exempt Loan had borne interest at the Taxable Rate, beginning on the Taxable Date (the “*Taxable Period*”), and (B) the amount of interest actually paid to the Bank and such Noteholder during the Taxable Period, and (2) an amount equal to any interest, penalties or charges owed by the Bank and such Noteholder as a result of interest on the Tax-Exempt Note or Tax-Exempt Loan becoming included in the gross income of the Bank and such Noteholder, together with any and all reasonable attorneys’ fees, court costs, or other reasonable out-of-pocket costs incurred by the Bank and such Noteholder in connection therewith;

(ii) Subject to the provisions of clause (iii) below, the Bank and such Noteholder shall afford SMUD the opportunity, at SMUD’s sole cost and expense, to contest (1) the validity of any amendment to the Internal Revenue Code which causes the interest on the Tax-Exempt Note or Tax-Exempt Loan to be included in the gross income of Bank and such Noteholder or (2) any challenge to the validity of the tax exemption with respect to the interest on the Tax-Exempt Note or Tax-Exempt Loan, including the right to direct the necessary litigation contesting such challenge (including administrative audit appeals); *provided* that, in no event shall the Bank or a Noteholder be required to make available its tax returns (or any other information relating to its taxes that it deems confidential) to SMUD or any other Person; and

(iii) As a condition precedent to the exercise by SMUD of its right to contest set forth in clause (ii) above, SMUD shall, upon reasonable demand, within thirty (30) days, reimburse the Bank and such Noteholder for any and all reasonable expenses (including reasonable attorneys’ fees for services that may be required or desirable, as determined by the Bank and such Noteholder in its reasonable discretion) that may be incurred by the Bank and such Noteholder in connection with any such contest, and shall, within thirty (30) days from demand, reimburse Bank and such Noteholder for any and all penalties or other charges payable by the Bank or such Noteholder for failure to include such interest in its gross income.

(iv) Without prejudice to the survival of any other agreement of SMUD hereunder, the agreements and obligations of SMUD contained in this Section 2.13 shall survive the termination of this Agreement and the payment in full of the Obligations of SMUD thereunder and hereunder.

Section 2.14. Payment Due on Non-Business Day to Be Made on Next Business Day. If any sum becomes payable pursuant to this Agreement or the Fee Agreement on a day which is not a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, and such extended time shall be included in the computation of interest and fees.

Section 2.15. Default Rate. Upon the occurrence and during the continuance of an Event of Default, all Obligations payable hereunder (for avoidance of doubt, excluding any fees which are not yet due and payable) shall bear interest until paid in full at a rate per annum equal to the Default Rate.

Section 2.16. Net of Taxes, Etc. (a) Any and all payments to the Bank or any Noteholder by SMUD hereunder or with respect to the Loans, Term Loans and the other Obligations shall be made free and clear of and without deduction or withholding for any and all Indemnified Taxes. If SMUD shall be required by law to deduct or withhold any Indemnified Taxes imposed by the United States of America or any political subdivision thereof from or in respect of any sum payable hereunder or with respect to the Loans, Term Loans and the other Obligations, then (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Bank or such Noteholder receives an amount equal to the sum it would have received had no such deductions been made, (ii) SMUD shall make such deductions and (iii) SMUD shall timely pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If SMUD shall make any payment under this Section to or for the benefit of the Bank or such Noteholder with respect to Indemnified Taxes and if the Bank or such Noteholder shall claim any credit or deduction for such Indemnified Taxes against any other taxes payable by the Bank or such Noteholder to any taxing jurisdiction in the United States of America then the Bank or such Noteholder shall pay to SMUD an amount equal to the amount by which such other taxes are actually reduced; *provided*, that the aggregate amount payable by the Bank or such Noteholder pursuant to this sentence shall not exceed the aggregate amount previously paid by SMUD with respect to such Indemnified Taxes. In addition, SMUD agrees to pay any present or future stamp, recording or documentary taxes and any other excise or property taxes, charges or similar levies that arise under the laws of the United States of America or any state of the United States from any payment made hereunder or under the Loans, Term Loans and the other Obligations or from the execution or delivery of this Agreement or the Revolving Notes, or otherwise with respect to this Agreement, the Loans, the Term Loans or the other Obligations (hereinafter referred to as “*Other Taxes*”). The Bank or such Noteholder shall provide to SMUD within a reasonable time a copy of any written notification it receives with respect to Indemnified Taxes or Other Taxes owing by SMUD to the Bank or such Noteholder hereunder; *provided*, that the Bank or such Noteholder’s failure to send such notice shall not relieve SMUD of its obligation to pay such amounts hereunder. SMUD may conduct a reasonable contest of any such Indemnified Taxes with the prior written consent of the Bank, which consent shall not be unreasonably withheld or delayed; *provided*, that SMUD shall, on demand, immediately reimburse the Bank for any and all expenses (including attorneys’ fees for services that may be required or desirable, as determined by the Bank in its sole discretion) that may be incurred by the Bank in connection with any such contest.

(b) SMUD shall, to the fullest extent permitted by law and subject to the provisions hereof, pay the Bank or such Noteholder for the full amount of Indemnified Taxes and Other Taxes including any Indemnified Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section paid by the Bank or such Noteholder or any liability (including penalties, interest and expenses) arising therefrom or with respect thereto whether or not such Indemnified Taxes or Other Taxes were correctly or legally asserted; *provided*, that SMUD; shall not be obligated to pay the Bank or such Noteholder for any penalties, interest or expenses relating to Indemnified Taxes or Other Taxes arising from the Bank or such Noteholder's gross negligence or willful misconduct. The Bank or such Noteholder agrees to give notice to SMUD of the assertion of any claim against the Bank or such Noteholder relating to such Indemnified Taxes or Other Taxes as promptly as is practicable after being notified of such assertion; *provided*, that the Bank or such Noteholder's failure to notify SMUD promptly of such assertion shall not relieve SMUD of its obligation under this Section. Payments by SMUD pursuant to this Section shall be made within thirty (30) days from the date the Bank or such Noteholder makes written demand therefor, which demand shall be accompanied by a certificate describing in reasonable detail the basis thereof. The Bank or such Noteholder agrees to repay to SMUD any refund (including that portion of any interest that was included as part of such refund) with respect to Indemnified Taxes or Other Taxes paid by SMUD pursuant to this Section received by the Bank or such Noteholder for Indemnified Taxes or Other Taxes that were paid by SMUD pursuant to this Section and to contest, with the cooperation and at the expense of SMUD, any such Indemnified Taxes or Other Taxes which the Bank or such Noteholder or SMUD reasonably believes not to have been properly assessed.

(c) Within thirty (30) days after the date of any payment of Indemnified Taxes by SMUD, SMUD shall furnish to the Bank the original or a certified copy of a receipt evidencing payment thereof.

(d) Notwithstanding anything contained in paragraphs (a) or (b) of this Section, SMUD shall have no liability to the Bank or any Noteholder with respect to any Indemnified Taxes to the extent incurred or imposed on the Bank or any Noteholder more than one hundred eighty (180) days prior the date written notification thereof is given to SMUD by the Bank (the "Cut-Off Date"), except where (A) the Bank had no actual knowledge of the action resulting in such Indemnified Taxes as of the Cut-Off Date or (B) such Indemnified Taxes apply to the Bank retroactively to a date prior to the Cut-Off Date.

(d) The obligations of SMUD under this Section 2.16 shall survive the termination of this Agreement and the repayment of all Obligations hereunder for a period of one hundred eighty (180) days after such termination and final repayment; *provided, however*, that in the event any taxing jurisdiction imposes Indemnified Taxes on the Bank or any Noteholder after the end of such 180 day period but retroactively to a date prior to the end of such 180 day period, as described in this Section 2.16, the Bank may impose such Indemnified Taxes on SMUD in accordance with the terms of this Section 2.16; *provided, further, however*, that the foregoing proviso shall only apply to any Indemnified Taxes imposed not later than two (2) years after the date this Agreement terminates and all Obligations have been paid in full.

Section 2.17. Increased Costs. (a) *Increased Costs Generally.* If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, liquidity ratio, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or advances, loans or other credit extended or participated in by, the Bank or any Recipient;

(ii) subject any Recipient to any Taxes of any kind whatsoever with respect to this Agreement, or change the basis of taxation of payments to the Bank or such Recipient in respect thereof (except for Indemnified Taxes covered by Section 2.16 hereof and the imposition of, or any change in the rate of any Excluded Tax payable by the Bank or any Recipient); or

(iii) impose on the Bank or any Recipient any other condition, cost or expense affecting this Agreement or the Fee Agreement or any Letter of Credit or any participation therein;

and the result of any of the foregoing shall be to increase the cost to the Bank or such Recipient related to issuing or maintaining this Agreement, the Commitment or any Loan or Term Loan or Letter of Credit, or to reduce the amount of any sum received or receivable by the Bank or such Recipient hereunder (whether of principal, interest or any other amount) then, upon written request of the Bank, SMUD shall promptly pay to the Bank (for the Bank or such Recipient, as the case may be) such additional amount or amounts as will compensate the Bank or such Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(b) *Capital Requirements.* If the Bank or any Recipient determines that any Change in Law affecting the Bank or such Recipient or the Bank's or such Recipient's parent or holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on the Bank's or such Recipient's capital or liquidity or the capital or liquidity of such Bank's or such Recipient's parent or holding company holding, if any, as a consequence of this Agreement, or for maintaining this Agreement, the Commitment or any Loan or Term Loan, to a level below that which the Bank or such Recipient or the Bank's or such Recipient's parent or holding company could have achieved but for such Change in Law (taking into consideration the Bank's or such Recipient's policies and the policies of the Bank's or such Recipient's parent or holding company with respect to capital or liquidity adequacy), then from time to time upon written request of the Bank SMUD shall promptly pay to the Bank (for the Bank or such Recipient, as the case may be) such additional amount or amounts as will compensate the Bank or such Recipient or the Bank's or such Recipient's parent or holding company for any such reduction suffered.

(c) *Certificates for Reimbursement.* A certificate of the Bank or a Recipient setting forth the amount or amounts necessary to compensate the Bank or any such Recipient or the Bank's or any such Recipient's parent or holding company, as the case may be, as specified in paragraph (a) or (b) of this Section and delivered to SMUD, shall be conclusive absent manifest error. SMUD shall pay the Bank or any such Recipient, as the case may be, the amount shown as due on any such certificate within thirty (30) days after receipt thereof. Each Recipient shall have the benefits of this Section 2.17, but shall not be entitled to receive any greater payment under such Section than the Bank would have been entitled to receive in connection with the rights transferred.

(d) *Delay in Requests.* Failure or delay on the part of the Bank or any such Recipient to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of the Bank's or such Recipient's right to demand such compensation; *provided* that SMUD shall not be required to compensate the Bank or such Recipient pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than six (6) months prior to the date that the Bank notifies SMUD of the Change in Law giving rise to such increased costs or reductions and of the Bank's or such Recipient's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six (6) month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) *Survival.* The obligations of SMUD under this Section 2.17 shall survive the termination of this Agreement and the repayment of all Obligations hereunder for a period of one hundred eighty (180) days after such termination and final repayment; *provided, however,* that in the event any Change in Law provides for retroactive increased costs or retroactive imposition of capital adequacy or liquidity requirements, as described in this Section 2.17, the Bank or a Recipient may impose such costs on SMUD in accordance with the terms of this Section 2.17; *provided, further, however,* that the foregoing proviso shall only apply to any Change in Law occurring not later than two (2) years after the date this Agreement terminates and all Obligations have been paid in full.

Section 2.18. Margin Regulations. No portion of the proceeds of any Loans, Term Loans or drawing under a Letter of Credit shall be used by SMUD (or any other Person on behalf of SMUD) for the purpose of "purchasing" or "carrying" any margin stock or used in any manner which might cause the borrowing or the application of such proceeds to violate Regulation U, Regulation T, or Regulation X of the Board of Governors of the Federal Reserve System or any other regulation of said Board of Governors or to violate the Securities Exchange Act of 1934, as amended, in each case as in effect on the date or dates of such Loans, Term Loans or drawing under the Letter of Credit and such use of proceeds.

Section 2.19. Maximum Rate; Payment of Fee. Anything in this Agreement to the contrary notwithstanding, if the rate of interest due hereunder shall exceed the Maximum Rate for any period for which interest is payable, then (i) interest at the Maximum Rate shall be due and payable with respect to such interest period and (ii) interest at the rate equal to the difference between (A) the rate of interest calculated in accordance with the terms hereof without regard to the Maximum Rate and (B) the Maximum Rate (the "*Excess Interest*"), shall be deferred until such date as the rate of interest calculated in accordance with the terms hereof ceases to exceed the Maximum Rate, at which time SMUD shall pay to the Bank, with respect to amounts then payable to the Bank that are required to accrue interest hereunder, such portion of the deferred Excess Interest as will cause the rate of interest then paid to the Bank to equal the Maximum Rate, which payments of deferred Excess Interest shall continue to apply to such unpaid amounts hereunder until all deferred Excess Interest is fully paid to the Bank. To the extent permitted by law, upon the termination of the Commitment and/or this Agreement, in consideration for the limitation of the rate of interest otherwise payable hereunder, SMUD shall pay to the Bank a fee equal to the amount of all unpaid deferred Excess Interest.

Section 2.20. Security for Obligations. This Agreement constitutes the Credit Agreement (as defined in the Note Resolution) under the Note Resolution and has all rights and benefits thereof. In order to secure the timely payment of all Obligations and to secure the performance and observance of all of the covenants, agreements and conditions contained in this Agreement and the Fee Agreement, SMUD has pledged the Available Revenues to the Bank (for the benefit of the Bank and any Affiliate of the Bank to whom any Obligation is at any time owed), pursuant to and on the terms and subject to the conditions set forth in the Note Resolution. The pledge of Available Revenues under the Note Resolution constitutes a valid pledge of and charge and lien upon the Available Revenues, has attached and is effective, binding, and enforceable against SMUD, its successors, purchasers of any of the Available Revenues, creditors, and all others asserting rights therein to the extent set forth in, and in accordance with, the Note Resolution, irrespective of whether those parties have notice of the lien on, security interest in and pledge of the Available Revenues and without the need for any physical delivery, recordation, filing or further act.

Section 2.21. Method of Payment; Etc. All payments to be made by SMUD under this Agreement and the Fee Agreement shall be made at the Payment Account not later than 4:00 P.M. (New York time) on the date when due and shall be made in lawful money of the United States of America in freely transferable and immediately available funds. All payments received by the Bank after 4:00 P.M. (New York time) shall be deemed to have been made on the next succeeding Business Day and any applicable interest or fees shall continue to accrue.

Section 2.22. The Term Loans. (a) *Generally.* (i) On the Facility Maturity Date, so long as (A) SMUD shall have delivered to the Bank a written request in the form of Exhibit E hereto no later than thirty (30) days prior to the Facility Maturity Date, (B) immediately before and as a result of giving effect to such conversion, no Credit Default or Credit Event of Default shall have occurred and be continuing on the Facility Maturity Date, (C) immediately before and as a result of giving effect to such conversion, (1) there has been no material adverse change in SMUD's business, assets, liabilities, financial condition, results of operations or business prospects which could reasonably be expected to result in a material adverse effect on SMUD's ability to perform its obligations under this Agreement and the Program Documents or the rights, security or interests of the Bank hereunder and under the Program Documents and (2) no event described in clause (b) of the definition of Material Adverse Change shall have occurred on the Facility Maturity Date and (D) the Bank shall not have terminated its obligation to make Term Loans as a result of a Non-Credit Event of Default pursuant to Section 6.2(b) hereof, the Loans, if any, maturing on such date shall be automatically converted to term loans (each a "*Term Loan*" and collectively the "*Term Loans*"), the proceeds of which shall be deemed to have refunded the Loans.

(ii) The Term Loans shall be evidenced by the Taxable Note and the Tax-Exempt Note, as applicable. The Term Loans may be repaid in whole or in part on any Business Day upon prior written notice from SMUD to the Bank.

(b) *Repayment.* SMUD shall pay to the Bank the outstanding principal amount of the Term Loans in equal (as nearly as possible) installments on each Amortization Payment Date and on the Amortization End Date; *provided, however,* that, notwithstanding anything contained herein to the contrary, the entire principal amount of the Term Loans, plus accrued and unpaid interest

thereon, shall be due and payable in full on the Amortization End Date (or such earlier date on which all Term Loans become due and payable in accordance with the terms hereof).

ARTICLE THREE

CONDITIONS PRECEDENT

Section 3.1. Conditions Precedent to the Effectiveness of this Agreement. As conditions precedent to the obligation of the Bank to establish the Commitment and execute and deliver this Agreement, SMUD shall provide to the Bank on the Closing Date, each in form and substance satisfactory to the Bank and its counsel, Chapman and Cutler LLP (hereinafter, “*Bank’s Counsel*”):

- (i) *Approvals.* The Bank shall have received an executed counterpart of this Agreement duly executed by SMUD and the Bank and an executed original of each Revolving Note and copies of all action taken by SMUD (including, without limitation, any resolution adopted or passed by SMUD in connection therewith) approving the execution and delivery by SMUD of this Agreement, the Fee Agreement, the Revolving Notes and the other Program Documents, in each case, certified by an authorized official of SMUD as complete and correct as of the date hereof.
- (ii) *Incumbency of Officials.* The Bank shall have received an incumbency certificate of SMUD in respect of each of the officials who is authorized to (a) sign this Agreement, the Revolving Notes and the other Program Documents on behalf of SMUD and (b) take actions for SMUD under this Agreement, the Revolving Notes and the other Program Documents.
- (iii) *Opinion of Note Counsel.* The Bank shall have received an opinion of Note Counsel or a reliance letter thereon.
- (iv) *Opinion of Counsel to SMUD.* The Bank shall have received an opinion addressed to the Bank and dated the Closing Date of the general counsel for SMUD, in form and substance satisfactory to the Bank, and addressing (i) SMUD’s existence, (ii) SMUD’s power and authority to enter into this Agreement, the Revolving Notes and the Fee Agreement and to perform its obligations hereunder and thereunder, (iii) SMUD’s execution and delivery of this Agreement, the Revolving Notes and the Fee Agreement, (iv) the enforceability of SMUD’s obligations under this Agreement, the Revolving Notes and the Fee Agreement, (v) that SMUD has obtained all consents necessary to execute, deliver and perform this Agreement, the Revolving Notes and the Fee Agreement, (vi) the execution and delivery of this Agreement, the Revolving Notes and the Fee Agreement by SMUD will not violate any law, order or agreement to which SMUD is subject or to which SMUD is a party, and (vii) there is no litigation pending or threatened against SMUD that would prevent SMUD from executing and delivering this Agreement, the Revolving Notes and the Fee Agreement or performing its obligations hereunder and thereunder.

(v) *Note Resolution and Other Program Documents.* The Bank shall have received (a) a certified copy of the Note Resolution, the Master Bond Resolution (or a certified copy of the annotated version thereof) and the Subordinated Bond Resolution (or a certified copy of the annotated version thereof) which have been adopted prior to the Closing Date, all certified by an authorized officer of SMUD as being in full force and effect and (b) fully executed or certified copies, as applicable, of all other Program Documents.

(vi) *Financial Information.* The Bank shall have received copies of any financial information of SMUD that the Bank may reasonably request.

(vii) *Legality; Material Adverse Change.* The Bank shall have determined (in its sole discretion) that (a) neither the making of any Loans nor the consummation of any of the transactions contemplated by the Note Resolution, the Revolving Notes, this Agreement or any other Program Document will violate any law, rule, guideline or regulation applicable to SMUD, the Bank, the Commitment, the Revolving Notes or this Agreement, and (b) no Material Adverse Change shall have occurred since December 31, 2024.

(viii) *Fees, Etc.* The Bank shall have received payment of the fees, costs and expenses payable on the Closing Date.

(ix) *Revolving Notes.* The Bank shall have received executed Revolving Notes.

(x) *Closing Certificate.* The Bank shall have received a certificate from SMUD executed by the Authorized SMUD Representative, dated the Closing Date, stating that:

(a) the representations and warranties of SMUD contained in this Agreement and each certificate furnished or delivered by SMUD to the Bank pursuant hereto are true and correct on and as of the Closing Date as though made on and as of such date;

(b) no “default” or “event of default” under any Program Document to which SMUD is a party and no Default or Event of Default has occurred and is continuing or would result from the entering into or performance under this Agreement and the other Program Documents; and

(c) except as has been disclosed to the Bank in writing prior to the Closing Date, there has been no Material Adverse Change since December 31, 2024.

(xi) *Other Documents.* The Bank shall have received such other documents, certificates, and opinions as the Bank or the Bank’s counsel shall have reasonably requested.

In addition to the foregoing conditions, as a condition to its entry into this Agreement, SMUD shall have received an opinion of Bank's Counsel as to the Bank's execution and delivery of this Agreement and the enforceability of the Bank's obligations under this Agreement.

Section 3.2. Borrowings During the Revolving Credit Period and Letters of Credit. The obligation of the Bank to make a Loan on the occasion of any Borrowing or to convert any Tax-Exempt Loan to a Taxable Loan or to issue any Letter of Credit on or prior to the Termination Date is subject to the satisfaction of the following conditions:

- (a) receipt by the Bank of a Notice of Borrowing (or appropriate notice regarding continuation or conversion) as required by Section 2.2 hereof or application for Letter of Credit, as applicable;
- (b) immediately after such Borrowing, continuation or conversion or the issuance of such Letter of Credit, the aggregate outstanding principal amount of all Extensions of Credit will not exceed the amount of the Commitment;
- (c) immediately before and as a result of giving effect to such Borrowing, continuation or conversion or issuance of such Letter of Credit, no Credit Default, Credit Event of Default, Optional Termination Event or Rating Event shall have occurred and be continuing;
- (d) immediately before and as a result of giving effect to such Borrowing, continuation or conversion or issuance of such Letter of Credit, (1) there has been no material adverse change in SMUD's business, assets, liabilities, financial condition, results of operations or business prospects which could reasonably be expected to result in a material adverse effect on SMUD's ability to perform its obligations under this Agreement and the Program Documents or the rights, security or interests of the Bank hereunder and under the Program Documents and (2) no event described in clause (b) of the definition of Material Adverse Change shall have occurred; and
- (e) immediately before such Borrowing, continuation or conversion or issuance of such Letter of Credit, the Bank shall not have terminated its obligation to make Loans as a result of a Non-Credit Event of Default pursuant to Section 6.2(b) hereof.

Each Borrowing, continuation or conversion hereunder shall be deemed to be a representation and warranty by SMUD on the date of such Borrowing, continuing or conversion as to the facts specified in clauses (b), (c) and (d) of this Section and that no Default or Event of Default has occurred and is continuing.

Section 3.3. Each Tax-Exempt Loan Borrowing. The obligation of the Bank to make each Tax-Exempt Loan hereunder is subject to the satisfaction of the following conditions:

- (a) all conditions set forth in Section 3.2 hereof shall be satisfied prior to the making of such Loan;

(b) the Bank shall have received an executed opinion of Note Counsel addressed to SMUD and with a reliance letter to the Bank, in a form acceptable to the Bank, to the effect that the interest on such Loan is excluded from gross income for federal income tax purposes; and

(c) SMUD shall have executed, and the Bank shall have received an executed copy of a tax certificate or supplement to an existing tax certificate, including a completed Form 8038-G, relating to such Borrowing, in each case in a form acceptable to Note Counsel.

Section 3.4. No Rating; DTC; Offering Document. Neither Revolving Note shall be (i) assigned a specific rating by any Rating Agency, (ii) registered with The Depository Trust Company or any other securities depository, (iii) issued pursuant to any type of official statement, private placement memorandum or other offering document, (iv) placed or offered by a broker-dealer in the capacity of an underwriter or a placement agent or (v) assigned a CUSIP number.

ARTICLE FOUR

REPRESENTATIONS AND WARRANTIES

Section 4.1. Representations of SMUD. In order to induce the Bank to establish the Commitment and execute and deliver this Agreement, SMUD represents and warrants to the Bank as follows:

(a) *Existence and Power.* SMUD is a municipal utility district organized and existing under and by virtue of the Act, and is possessed of full powers to own and lease (as lessor and lessee) real and personal property, to own and operate the Electric System, to conduct its other business as presently conducted and to enter into contracts such as this Agreement and the SMUD Program Documents, which powers have been validly exercised in connection with the transactions effected by this Agreement and the SMUD Program Documents.

(b) *Authorization; Contravention; Approvals.* The execution, delivery and performance by SMUD of this Agreement, the Fee Agreement and the SMUD Program Documents and the other documents contemplated hereby and thereby are within the powers of SMUD, have been duly authorized by all necessary actions and (i) do not contravene the Act or any other law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any indenture, agreement, lease, instrument or other contractual restriction binding on or affecting SMUD and (ii) except as provided in or contemplated by this Agreement and the Program Documents, do not result in or require the creation of any Lien, security interest or other charge or encumbrance upon or with respect to any asset of SMUD. SMUD is not in violation of or in default in any material respect under any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award that would prevent or is reasonably likely to prevent SMUD from performing its obligations under this Agreement or the SMUD Program Documents. SMUD is not in violation of or in default in any material respect under any indenture, agreement, lease, instrument or other contractual restriction and is not in violation of or in default in any respect under any of the SMUD Program

Documents that would prevent or is reasonably likely to prevent SMUD from performing its obligations under this Agreement or the SMUD Program Documents. No Default or Event of Default has occurred and is continuing. All orders, consents and other authorizations or approvals of all Governmental Authorities and all other Persons have been obtained (and no additional authorization, approval or other action by, and no notice to or filing or registration with, any Governmental Authority is required to be made or obtained by SMUD) for the due execution, delivery and performance by SMUD of this Agreement and the SMUD Program Documents.

(c) *Enforceability.* This Agreement and the SMUD Program Documents, and other documents contemplated hereby and thereby to which SMUD is a party or by which it is bound, are legally valid and binding obligations of SMUD enforceable against SMUD in accordance with their respective terms, except as such enforceability may be limited by (i) bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally; (ii) general principles of equity; (iii) the exercise of judicial discretion in appropriate cases; and (iv) to the limitations on legal remedies against municipal utility districts in the State of California.

(d) *Litigation.* Except as disclosed in writing to the Bank prior to the Closing Date, there are no actions, suits, proceedings, inquiries or investigations, at law or in equity, before any court, Governmental Authority or arbitrator pending or, to the best knowledge of SMUD, threatened, against or directly involving SMUD (including, without limitation, the ability of SMUD to establish and collect rates for the generation, transmission and distribution of electric power), affecting the existence of SMUD, the title of any officials to their respective offices or affecting or seeking to prohibit, restrain or enjoin the execution or delivery of this Agreement or any Program Document, or in any way contesting or affecting the validity or enforceability of the Revolving Notes, this Agreement, any Program Document or contesting the tax-exempt status of the Tax-Exempt Note, or contesting the powers of SMUD or any authority for the issuance of the Revolving Notes, the execution and delivery of this Agreement or the SMUD Program Documents, nor, to the best, knowledge of SMUD, is there any basis therefor, which, if determined adversely to SMUD (i) would adversely affect the validity or enforceability of, or the authority or ability of SMUD to perform its obligations under, this Agreement, the Fee Agreement or any SMUD Program Documents, (ii) would, in the reasonable opinion of SMUD, have a material adverse effect on the business, financial position or results of operations of SMUD or (iii) would adversely affect the exclusion of interest on the Tax-Exempt Note from gross income for Federal income tax purposes or the exemption of such interest from State of California personal income taxes.

(e) *Financial Information.* (i) The audited financial statements of SMUD included in the 2024 Financial Statements, true and correct copies of which have heretofore been delivered or made available to the Bank, fairly present, in conformity with generally accepted accounting principles the financial position of SMUD and its results of operations and changes in financial position at the dates and for the periods indicated.

(ii) Except as has been disclosed in writing to the Bank prior to the Closing Date, since December 31, 2024, there has been no material adverse change in the business, financial position or results of operations of SMUD which could reasonably be expected to result in a material adverse effect on SMUD's ability to perform its obligations hereunder or thereunder or the rights, security or interests of the Bank.

(iii) Except as reflected in the financial statements included in the 2024 Financial Statements or as has been disclosed in writing to the Bank prior to the Closing Date and except for SMUD's obligations set forth in this Agreement and the SMUD Program Documents, there are as of the date hereof no liabilities or obligations with respect to SMUD of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) which, in the aggregate, would be material to SMUD. SMUD does not know of any basis for the assertion against SMUD of any liability or obligation of any nature whatsoever that is not reflected in the financial statements included in the 2024 Financial Statements or other written disclosure to the Bank delivered prior to the Closing Date which, in the aggregate, could be material to SMUD.

(f) *Disclosure.* No written information furnished by SMUD to the Bank in connection with this Agreement (except information which has been superseded by subsequent information provided by SMUD) includes any untrue statement of a material fact.

(g) *Environmental Matters.* Except as disclosed in writing to the Bank prior to the Closing Date, SMUD has not received notice to the effect that the operations of the Electric System are not in compliance with any of the requirements of applicable Federal, state or local environmental, health and safety statutes and regulations or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, in each case which non-compliance or remedial action could have a Material Adverse Effect.

(h) *Plans.* SMUD currently has a Plan which is in compliance in all respects with the requirements of the applicable laws of the State of California, including without limitation the obligation to pay contributions on behalf of its employees in accordance therewith, and SMUD has no Plan which is subject to the requirements of ERISA. No condition exists or event or transaction has occurred with respect to any Plan which could reasonably be expected to result in the incurrence by SMUD of any material liability, fine or penalty.

(i) *Regulations U and X.* SMUD is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U or X issued by the Board of Governors of the Federal Reserve System); and no proceeds of any Loans or Term Loans will be used to extend credit to others for the purpose of purchasing or carrying any margin stock.

(j) *Tax-Exempt Status.* SMUD has not taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other Person, which action, if taken or omitted, would adversely affect the exclusion of interest on the Tax-Exempt Note from gross income for Federal income tax purposes or the exemption of such interest from State of California personal income taxes.

(k) *Security.* The Note Resolution creates a pledge of the Available Revenues as security for the punctual payment of the interest and principal due with respect to the Revolving Notes, the Parity Notes, the Obligations owed to the Bank hereunder and all Parity Notes Reimbursement Agreements. All actions necessary to create a pledge of the Available Revenues have been duly

and validly taken. SMUD's obligation to pay the Obligations is *pari passu* with its obligation to pay the Revolving Notes, Parity Notes and all Parity Notes Reimbursement Agreements.

(l) *Constitutional Matters.* There is no amendment, or, to the best knowledge of SMUD, proposed amendment certified for placement on a statewide ballot, to the Constitution of the State of California or any published administrative interpretation of the Constitution of the State of California or any State of California law, or any legislation which has passed either house of the State legislature, or any published judicial decision interpreting any of the foregoing, the effect of which could reasonably be expected to have Material Adverse Effect.

(m) *No Sovereign Immunity.* SMUD represents that it is not entitled to claim immunity on the grounds of sovereignty or other similar grounds with respect to itself from (i) suit or (ii) jurisdiction of any court because of its status as a political subdivision of the State of California in connection with the enforcement of its obligations under this Agreement, the SMUD Program Documents, and the other documents contemplated by this Agreement.

(n) *Incorporation of Representations and Warranties by Reference.* SMUD hereby makes to the Bank every representation and warranty made by it in SMUD Program Documents, which representations and warranties, as well as the defined terms contained therein that are necessary for a correct interpretation thereof, are incorporated herein by this reference with the same effect as if each and every such provision and defined term were set forth herein in its entirety. No amendment, modification, termination or replacement of any such representations, warranties and definitions contained in the SMUD Program Documents shall be effective to amend, modify, terminate or replace the representations, warranties and definitions incorporated herein by this reference, without the prior written consent of the Bank. The representations and warranties of SMUD in all of the SMUD Program Documents are true and correct in all material respects.

(o) *No Violation of Usury Laws.* The terms of the Note Resolution regarding the calculation and payment of interest on the Revolving Notes do not violate any applicable usury laws of the State of California and, assuming that the Bank is an exempted class of persons within the meaning of Article 15 of the California Constitution, the terms of this Agreement, the Fee Agreement, and the Revolving Notes regarding the calculation and payment of interest and fees and other amounts due under this Agreement, the Fee Agreement, and the Revolving Notes do not violate any applicable usury laws of the State of California.

(p) *Compliance.* SMUD is in substantial compliance with all laws, ordinances, orders, rules and regulations applicable to it, except to the extent noncompliance could not reasonably be expected to result in a Material Adverse Effect.

(q) *Default.* SMUD is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any SMUD Program Document, the Master Bond Resolution, the Subordinated Bond Resolution or any other resolution, agreement or instrument to which it is a party which could have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

(r) *Insurance.* The properties of SMUD are insured in accordance with the terms of the Master Bond Resolution.

(s) *Taxes.* SMUD has filed any Federal, state and other material tax returns and reports required to be filed, and has paid all Federal, state and other material taxes, assessments, fees and other governmental charges levied or imposed upon it or its properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with generally accepted accounting principles. There is no proposed tax assessment against SMUD that would, if made, have a Material Adverse Effect.

(t) *Casualty.* Neither the business nor the Property of SMUD is currently affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance), which could have a Material Adverse Effect.

(u) *Sanctions Concerns; Anti-Corruption Laws.* (i) Neither SMUD, nor, to the knowledge of SMUD, any director, officer, or employee thereof, is (A) currently the subject or target of any Sanctions, (B) included on OFAC's List of Specially Designated Nationals, or (C) located, organized or resident in a Designated Jurisdiction.

(ii) SMUD has conducted its business in compliance with the United States Foreign Corrupt Practices Act of 1977 and other similar anti-corruption legislation applicable in California (collectively, "*Anti-Corruption Laws*").

(iii) SMUD has instituted, maintains, and enforces policies and procedures reasonably designed to prevent activities that could violate applicable Sanctions and Anti-Corruption Laws.

(v) *Anti-Terrorism Laws.* (i) SMUD is not in violation of any laws purporting to prevent money laundering or the financing of terrorism (collectively, "*Anti-Terrorism Laws*"), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "*Executive Order*"), the Bank Secrecy Act and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001.

(ii) To the best of SMUD's knowledge, after due care and inquiry, SMUD is not under investigation for an alleged violation of Anti-Terrorism Laws by a governmental authority that enforces such laws.

(iii) Neither SMUD, nor, to the knowledge of SMUD, any of its directors, officers or employees is a Person that is the subject of Sanctions; knowingly directs municipal funds, engages in procurement, or enters into financial transactions that would result in a violation of applicable Sanctions, Anti-Terrorism Laws or Anti-Corruption Laws; or is engaged in a violation of, or is directly or indirectly taking any action that could cause SMUD to be in violation of, applicable Sanctions, Anti-Terrorism Laws or Anti-Corruption Laws. Without limiting the foregoing, SMUD is not any of the following:

- (A) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;
- (B) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;
- (C) a Person with which the Bank is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;
- (D) a Person that commits, threatens or conspires to commit or supports “terrorism” as defined in the Executive Order; or
- (E) a Person that is named as a “specially designated national and blocked person” on the most current list published by the Office of Foreign Asset Control (“OFAC”) or any list of Persons issued by OFAC pursuant to the Executive Order at its official website or any replacement website or other replacement official publication of such list;

(iii) SMUD is an electrical utility. To its knowledge, SMUD does not

- (A) conduct any business or engage in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in subsection (ii)(B) above,
- (B) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or
- (C) engage in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

ARTICLE FIVE

COVENANTS

Section 5.1. Covenants of SMUD. SMUD will do the following so long as any amounts may be drawn hereunder or any Obligations remain outstanding under this Agreement, unless the Bank shall otherwise consent in writing:

(a) *Reports and Other Information.* SMUD will furnish, or cause to be furnished, at SMUD’s expense to the Bank:

(i) As soon as possible and in any event within five (5) Business Days after the knowledge (actual or constructive) or notice of the occurrence of any Event of Default, a statement of the Authorized SMUD Representative setting forth details of such Event of Default and the action that SMUD proposes to take with respect thereto;

(ii) As soon as available and in any event within two hundred ten (210) days after the end of each Fiscal Year of SMUD, a copy of the audited financial statements of SMUD for such year, including a balance sheet of SMUD as at the end of such Fiscal Year

and the related statements of revenues, expenses and changes in fund balances and statement of cash flows, all in reasonable detail and reported on by a firm of nationally recognized independent certified public accountants, and the report of such firm of independent certified public accountants shall state, without qualification, that such financial statements present fairly the financial position of SMUD as of the end of such Fiscal Year, the results of operations, the changes in fund balances and cash flows of SMUD for such Fiscal Year then ended in conformity with generally accepted accounting principles;

(iii) Simultaneously with the delivery of each set of financial statements referred to in clause (ii) above, a certificate of an Authorized SMUD Representative stating whether there exists on the date of such certificate any Event of Default or Default and, if any Event of Default or Default then exists, setting forth the details thereof and the action that SMUD is taking or proposes to take with respect thereto;

(iv) As soon as available and in any event within 60 days after March 31, June 30 and September 30 of each calendar year, a copy of the unaudited internally prepared balance sheet and statement of changes in net asset of SMUD for the three month period ended on such date, setting forth in each case in comparative form the corresponding figures for the corresponding fiscal period for the preceding fiscal year, all in reasonable detail, prepared in accordance with generally accepted accounting principles, consistently applied, together with a compliance certificate signed by an Authorized SMUD Representative stating that no Event of Default or Default has occurred, or if such Event of Default or Default has occurred, specifying the nature of such Event of Default or Default, the period of its existence, the nature and status thereof and any remedial steps taken or proposed to correct such Event of Default or Default.

(v) As soon as practicable and in any event within ten (10) Business Days after SMUD obtains actual knowledge of: (A) any litigation, arbitration or governmental proceeding pending against SMUD that challenges SMUD's ability to perform its obligations under this Agreement and/or the SMUD Program Documents; or (B) any other event or condition that would prevent or is reasonably likely to prevent SMUD from performing its obligations under this Agreement and/or the SMUD Program Documents, in each case with a statement of the Authorized SMUD Representative setting forth details describing the same and the steps being taken with respect thereto;

(vi) As soon as practicable, notice of any disclosure documents publicly distributed in connection with any issue of Parity Bonds, Parity Subordinated Debt or Parity Notes;

(vii) As soon as practicable, notice of any change in, or the withdrawal of, any rating of Bonds, Parity Bonds or Parity Subordinated Debt (without regard to bond insurance or any other form of credit enhancement) by any Rating Agency; and

(viii) From time to time, such additional information regarding the financial position, results of operations, business or prospects of SMUD as the Bank may reasonably request.

(b) *Books and Records; Inspections.* SMUD will keep proper books of record and account with respect to the Electric System in which full and correct entries shall be made of assets and liabilities, financial transactions and business of SMUD in conformity with generally accepted accounting principles. SMUD will upon reasonable notice permit any Person designated by the Bank in writing to visit any of the properties of SMUD, and to examine the books and financial records of SMUD relating to the Electric System and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of SMUD relating to SMUD with the principal officers of SMUD all at such reasonable times during normal business hours and as often as the Bank may reasonably request.

(c) *Maintain Existence.* SMUD shall take no action that would terminate its existence, rights and franchises as a municipal utility district duly organized and existing under the Constitution and laws of the State of California.

(d) *Compliance with Laws.* SMUD will comply with the requirements of all laws, rules, regulations and orders of any Governmental Authority having jurisdiction over SMUD and/or the Electric System, noncompliance with which would materially adversely affect the ability of SMUD to perform its obligations under this Agreement and the SMUD Program Documents.

(e) *Compliance with Agreements.* SMUD will observe and perform all of its obligations under this Agreement and the SMUD Program Documents.

(f) *Incorporation of Covenants by Reference.* SMUD, by this reference, hereby incorporates into this Agreement those covenants and agreements made by it in Sections 3.02, 3.05, 3.06 and 6.08 of the Master Bond Resolution (as in effect on the effective date of this Agreement) and in the SMUD Program Documents, as such covenants and agreements exist on the date hereof, as if such covenants and agreements were set forth herein in their entirety together with all defined terms and interpretative provisions necessary for a complete understanding thereof. The incorporated provisions shall be in addition to the express covenants contained herein and shall not be limited by the express covenants contained herein nor shall the incorporated provisions be a limitation on the express covenants contained herein. In the event of a conflict between the covenants and agreements set forth in this Article V (other than the incorporated provisions) and the incorporated provisions, the covenants and agreements set forth in the other provisions of Article V shall prevail.

(g) *SMUD Program Documents.* SMUD will not amend, supplement or otherwise modify, or agree to the amendment, modification or termination of, any of the SMUD Program Documents (including, without limitation, an amendment to the Note Resolution reducing the Maximum Interest Rate to a rate below 12%) if such action could reasonably be expected to (i) adversely affect SMUD's ability to perform its obligations under this Agreement or the SMUD Program Documents, (ii) adversely affect the business, financial position or results of operations of SMUD or (iii) adversely affect the rights, interests, security or remedies of the Bank, in each

case, without the prior written consent of the Bank (the Bank shall provide SMUD its determination as to whether or not it consents to any amendment, supplement or modification to any SMUD Program Documents within ten (10) Business Days of written notice from SMUD of such amendment, supplement or modification). SMUD shall provide written notice to the Bank of any proposed amendment to the Master Bond Resolution or Subordinated Bond Resolution (and a copy of such proposed amendment) at least ten (10) calendar days prior to its effective date.

(h) *Reserved.*

(i) *Alternate Provider.* SMUD agrees that any termination of the Commitment and this Agreement as a result of the provision of any alternate credit facility will require, as a condition thereto, that SMUD or the issuer of the alternate credit facility will provide funds on the date of such termination or provision, which funds will be sufficient to pay in full at the time of termination of the Commitment all Obligations due to the Bank hereunder and under the Fee Agreement.

(j) *Reserved.*

(k) *Reserved.*

(l) *Offering Documents.* SMUD shall not make reference to the Bank in any offering document without the Bank's prior written consent thereto (other than references to the name of the Bank solely in the Bank's capacity as the credit provider with respect to the Revolving Notes). Except as may be required by law (including, but not limited to, federal and state securities laws), SMUD shall not use the Bank's name (other than references to the name of the Bank solely in the Bank's capacity as the credit provider with respect to the Revolving Notes) in any published materials (other than SMUD's staff reports, annual statements, audited financial statements, rating agency presentations) without the prior written consent of the Bank.

(m) *Use of Proceeds.* The proceeds of the Loans and Term Loans will be expended in the manner set forth in the Note Resolution and in not in violation of any applicable law.

(n) *Ranking of Obligations.* SMUD shall not take any action that would result in the Obligations not ranking at least pari passu in right of payment from Available Revenues with the Revolving Notes, Parity Notes and Parity Notes Reimbursement Agreements.

(o) *Investments.* SMUD will not, directly or indirectly, invest in instruments and securities other than those permitted by, and in accordance with, California Government Code Sections 53600 to 53609, the Master Bond Resolution, the Subordinated Bond Resolution or the Program Documents. SMUD will not permit SMUD to encumber its cash position nor schedule the interest payment dates and maturities of its investments in a manner which impedes, hinders or interferes with the availability of funds to meet SMUD's expected cash needs.

(p) *Reserved.*

(q) *Plans.* SMUD will (i) remain at all times in compliance with any applicable law (including any legally available grace periods) with respect to any Plan, and (ii) maintain each Plan

as to which it may have any liability in compliance in all material respects with the provisions of applicable law, the failure to comply with which could subject SMUD to any tax or penalty which tax or penalty, taken together, with all other taxes and penalties which could be assessed against SMUD by reason of all other non-compliances, would have a material adverse effect on the business, financial position or results of operations of SMUD.

(r) *Payment of Taxes, Etc.* SMUD will pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon SMUD on account of the Electric System or any portion thereof and which, if unpaid, might impair the security of the Revolving Notes, when the same shall become due, but nothing herein contained shall require SMUD to pay any such tax, assessment or charge so long as it shall in good faith contest the validity thereof. SMUD will duly observe and conform to all valid material requirements of any Governmental Authority relative to the Electric System or any part thereof.

(s) *Operation and Maintenance of Electric System.* SMUD will operate, maintain and preserve the Electric System in good repair and working order in conformity with standards customarily followed for municipal power supply, transmission and distribution systems of like size and character. SMUD will from time to time make necessary and proper repairs, renewals, replacements and substitutions to the properties of the Electric System, so that business carried on in connection with the Electric System shall and can be conducted in an efficient and economical manner, and will operate the Electric System in an efficient and economical manner. SMUD shall not use the Electric System to conduct any business other than that which is lawfully permitted.

(t) *Amounts of Rates and Charges.* To the extent permitted by law, SMUD hereby covenants to establish, maintain and collect rates and charges with respect to the Electric System sufficient to pay the Parity Bonds, Parity Subordinated Debt, Parity Notes, Parity Notes Reimbursement Agreements, the Revolving Notes and all Obligations due and owing hereunder.

(u) *Maintenance of Insurance.* SMUD maintains self-insurance for general liabilities, property damage and workers' compensation claims. SMUD shall, at all times, continue to maintain such self-insurance or shall use its best efforts to maintain or cause to be maintained insurance or reserves against loss from such hazards and risks to the person or property of others as are usually insured or reserved against by those with rights and interests in property similar to the Electric System. SMUD shall also procure, and maintain at all times adequate fidelity insurance or bonds on all officers and employees handling or responsible for any Electric System revenues, such insurance or bonds to be in an aggregate amount at least equal to the maximum amount of such Electric System revenues at any one time in the custody of all such officers and employees or in the amount of one million dollars (\$1,000,000), whichever is less. The insurance described above may be provided as a part of any comprehensive fidelity and other insurance and not separately for the Electric System.

(v) *Sale or Other Disposition of Property.* SMUD will not sell or otherwise dispose of any property essential to the proper operation of the Electric System or to the maintenance of the Revenues. SMUD will not enter into any lease or agreement which impairs or impedes the operation of the Electric System or which otherwise impairs or impedes the rights of the

Bondholders (as defined in the Master Bond Resolution) or the Bank with respect to Revenues. Subject to the preceding sentence, nothing contained herein shall prevent SMUD from entering into sale and leaseback agreements pursuant to which SMUD may acquire the use of property subject to the terms of such sale and leaseback agreements.

Notwithstanding the foregoing or any other provision of the Master Bond Resolution, SMUD may sell or otherwise dispose of its accounts receivable and customer loan balances due to SMUD *provided* that:

(1) SMUD delivers to the Trustee (as defined in the Master Bond Resolution):

(a) a certificate of SMUD to the effect that the amount derived by SMUD from the sale or other disposition of such accounts receivable or loan balances is a result of the sale or other disposition of such accounts receivable or loan balances upon fair and reasonable terms no less favorable to SMUD than the terms of a comparable arm's-length transaction treated as a sale and not a loan under generally accepted accounting principles; and

(b) a written statement or report of an independent certified public accountant to the effect that, based on the audited financial statements of SMUD for the most recent fiscal year for which audited financial statements are available and after giving effect to such transaction by reducing Revenues for such fiscal year by the difference between the face amount of such accounts receivable or loan balances and the amount derived by SMUD from the sale or other disposition of such accounts receivable or loan balances, the debt service ratio computed pursuant to Section 5.04 of the Master Bond Resolution would not have been reduced to less than 1.40:1.0.

(w) *Liens.* Except as permitted by the Master Bond Resolution, the Subordinated Bond Resolution or the Note Resolution or as otherwise acceptable to the Bank, SMUD will not (a) issue any bonds, notes or other evidences of indebtedness of similar nature payable out of or secured by a security interest in or a pledge or assignment of the Electric System revenues pledged under the Master Bond Resolution, the Subordinated Bond Resolution or the Note Resolution and held or set aside by SMUD thereunder, or (b) create or cause to be created any Lien on the Electric System revenues. SMUD shall not, directly or indirectly, incur, create or permit to exist any Lien on all or any portion of the Electric System revenues that would affect the priority of Liens in existence on the Closing Date.

(x) *Anti-Terrorism Laws; Anti-Corruption Laws.* SMUD will not, and will ensure that none of its directors, officers or employees acting on SMUD's behalf, (i) use, transfer, or allocate proceeds of any Loan, Term Loan or Letter of Credit or other SMUD funds in a manner that would result in a violation by SMUD of applicable Sanctions, Anti-Terrorism Laws or Anti-Corruption Laws or (ii) take action with the intent to evade SMUD's compliance with applicable Sanctions or (iii) take any other action that would result in a violation by SMUD of applicable Sanctions, Anti-Terrorism Laws or Anti-Corruption Laws.

(y) *Further Assurances.* SMUD agrees to do such further acts and things and to execute and deliver to the Bank such additional assignments, agreements, powers and instruments as the Bank may reasonably require or reasonably deem advisable to carry into effect the purposes of this Agreement and the Fee Agreement or to better assure and confirm to the Bank its rights, powers and remedies hereunder and under the SMUD Program Documents.

(z) *Immunity.* SMUD covenants that it will not claim immunity on the grounds of sovereignty or other similar grounds with respect to itself from (i) suit or (ii) jurisdiction of any court because of its status as a political subdivision of the State of California in connection with the enforcement of its obligations under this Agreement, the SMUD Program Documents, and the other documents contemplated by this Agreement.

(aa) *Ratings.* SMUD shall maintain a long-term unenhanced rating from at least one Rating Agency on Bonds and Parity Bonds.

(bb) *Swap Contracts.* Without the prior written consent of the Bank, SMUD shall not enter into any Swap Contracts relating to Debt wherein any termination payments thereunder are senior to or on parity with the payment of any Obligation.

(cc) *Shorter Amortization.* In the event that SMUD shall, directly or indirectly, enter into or otherwise consent to any Bank Agreement relating to Parity Notes or other Debt of SMUD secured by a lien on Net Revenues on parity with the Revolving Notes which such Bank Agreement provides such Person with a shorter amortization period than what is set forth in Section 2.22(b) hereof (not taking into account any shorter amortization period that might occur under such Bank Agreement because of a default, termination event, or other similar event under such Bank Agreement) (each a “*Shorter Amortization Period*”), SMUD shall provide the Bank with a copy of each such Bank Agreement and such Shorter Amortization Period shall automatically be deemed to be incorporated into this Agreement and the Bank shall have the benefit of such Shorter Amortization Period as if specifically set forth herein. SMUD shall promptly enter into an amendment to this Agreement to include such Shorter Amortization Period; *provided* that the Bank shall have and maintain the benefit of such Shorter Amortization Period even if SMUD fails to provide such amendment.

(dd) *Incorporation of Covenants by Reference.* SMUD agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in Sections 3.02, 3.05, 3.06 and 6.08 of the Master Bond Resolution and in each of the Program Documents, which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety all of which shall be deemed to be made for the benefit of the Bank and shall be enforceable against SMUD. To the extent that any such incorporated provision permits SMUD or any other party to waive compliance with such provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to SMUD or any other party, for purposes of this Agreement, such provision shall be complied with unless it is specifically waived by the Bank in writing and such document, opinion or other instrument and such event or condition shall be acceptable or satisfactory only if it is acceptable or satisfactory to the Bank which shall only be evidenced by the written approval by the Bank of the same. No

termination or amendment to such covenants and agreements or defined terms or release of SMUD with respect thereto made pursuant to the Master Bond Resolution or the Program Documents, shall be effective to terminate or amend such covenants and agreements and defined terms or release SMUD with respect thereto in each case as incorporated by reference herein without the prior written consent of the Bank. Notwithstanding any termination or expiration of the Master Bond Resolution or the Program Documents, SMUD shall continue to observe such incorporated covenants therein contained for the benefit of the Bank until the termination of this Agreement and the payment in full of all Obligations. All such incorporated covenants shall be in addition to the express covenants contained herein and shall not be limited by the express covenants contained herein nor shall such incorporated covenants be a limitation on the express covenants contained herein.

ARTICLE SIX

DEFAULTS

Section 6.1. Events of Default and Remedies. If any of the following events shall occur, each such event shall be an “Event of Default”:

- (a) SMUD shall fail to pay when due (i) the principal of any Loan or Term Loan; (ii) the interest on any Loan or Term Loan; or (iii) any other amount payable hereunder or under the Fee Agreement and such default shall continue unremedied for five (5) Business Days;
- (b) SMUD shall (i) default in the due performance or observance by it of any term, covenant or agreement contained in Sections 5.1(a)(i), 5.1(c), 5.1(f), 5.1(g), 5.1(i), 5.1(l), 5.1(m), 5.1(n), 5.1(t), 5.1(v), 5.1(w), 5.1(x) or 5.1(z) hereof; (ii) default in the due performance or observance by it of any other term, covenant or agreement contained in Sections 5.1(a)(v), 5.1(a)(vi) or 5.1(a)(vii) hereof and such default shall continue unremedied for a period of five (5) Business Days; (iii) default in the due performance or observance by it of any other terms, covenant or agreement contained in Section 5.1(a)(ii), 5.1(a)(iii), 5.1(a)(iv) or 5.1(a)(viii) hereof and such default shall continue unremedied for a period of five (5) Business Days after the Bank has provided written notice to SMUD; or (iv) default in the due performance or observance by it of any other term, covenant or agreement hereunder or under the Fee Agreement (other than those referred to in Section 6.1(a), 6.1(b)(i), 6.1(b)(ii) or 6.1(b)(iii) hereof) and such default shall continue unremedied for a period of thirty (30) days; or
- (c) Any representation, warranty, certification or statement made or deemed made by SMUD in this Agreement, any Program Document or in any certificate, financial statement or other document delivered to the Bank pursuant to this Agreement shall prove when made or deemed made, in the reasonable judgment of the Bank, to have been inaccurate and misleading in any material respect; or
- (d) SMUD shall (i) default in any payment of (A) any Debt payable from or secured by Net Revenues beyond the period of grace (not to exceed 30 days), if any,

provided in the instrument or agreement under which such Debt was created or (B) any obligation under any Swap Contract the obligations under which are secured by a lien on Net Revenues senior to or on a parity with the Obligations, or (ii) default in the observance or performance of any agreement or condition relating to any Debt payable from or secured by Net Revenues on parity with or senior to the Obligations or Swap Contract or Bank Agreement the obligations under which are payable from or secured by Net Revenues on parity with or senior to the Obligations contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit (A) the holder or holders (or a trustee or agent on behalf of such holder or holders) of any Debt or (B) the counterparty under any Swap Contract or Bank Agreement, in each case, payable from or secured by Net Revenues on parity with or senior to the Obligations to cause, with the giving of notice if required, such Debt or obligations under such Swap Contract or Bank Agreement to become due prior to its stated maturity; or (iii) any Debt secured by a lien on Net Revenues senior to or on a parity with the Obligations or Swap Contract or Bank Agreement the obligations under which are payable from or secured by Net Revenues on parity with or senior to the Obligations shall be declared to be due and payable, or required to be prepaid other than by a regularly scheduled required prepayment, prior to the stated maturity thereof. For purposes of clarity, solely for purposes of this Section 6.1(d), Debt payable from or secured by Net Revenues means all Debt of SMUD regardless of lien level or priority payable from or secured by all or any portion of Net Revenues; or

(e) SMUD shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of itself or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail to pay its debts as they become due, or shall take any action to authorize any of the foregoing; or

(f) An involuntary case or other proceeding shall be commenced against SMUD seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such case or proceeding is not controverted within thirty (30) days and dismissed within sixty (60) days; or an order for relief shall be entered against SMUD under the Federal bankruptcy laws as now or hereafter in effect; or

(g) (i) A court of competent jurisdiction or other governmental authority with appropriate jurisdiction over SMUD shall enter a final and non-appealable judgment, order or decree declaring (x) any obligation of SMUD contained in this Agreement, any Program Document, the Master Bond Resolution or the Subordinated Bond Resolution or (y) any Program Document, the Master Bond Resolution or the Subordinated Bond Resolution (or any material provision thereof), in either case, to be invalid, not binding or unenforceable

against SMUD or (ii) any action is taken by the SMUD Board or any officer of SMUD authorized by the SMUD Board to contest the validity or enforceability of this Agreement, any other Program Document, the Master Bond Resolution or the Subordinated Bond Resolution or, in each case, any material provision thereof, or the SMUD Board or any officer of SMUD authorized by the SMUD Board repudiates its obligations under any Program Document, the Master Bond Resolution or the Subordinated Bond Resolution or any provision thereof or with respect to any Debt of SMUD secured by or payable from Net Revenues or Net Subordinated Revenues senior to or on a parity with the Obligations, or SMUD shall seek an adjudication that this Agreement, any other Program Document, the Master Bond Resolution or the Subordinated Bond Resolution or, in each case, any material provision thereof is not valid and binding; or

(h) A moratorium or comparable extraordinary restriction shall have been imposed, declared or announced by SMUD or imposed, declared or announced in a finding or ruling or other determination by any Governmental Authority having jurisdiction over SMUD (whether or not in writing) with respect to any Debt of SMUD secured by Net Revenues, Net Subordinated Revenues or Available Revenues senior to or on a parity with the Obligations; or

(i) Dissolution or termination of the existence of SMUD; or

(j) Any of the funds or accounts established pursuant to the Master Bond Resolution, the Subordinated Bond Resolution or the Note Resolution or any funds or accounts on deposit, or otherwise to the credit of, such funds or accounts shall become subject to any stay, writ, judgment, warrant of attachment, execution or similar process by any of the creditors of SMUD relating to an obligation or obligations of SMUD in excess of \$10,000,000 and such stay, writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or stayed within fifteen (15) days after its issue or levy; or

(k) Any court of competent jurisdiction or other governmental entity with jurisdiction shall find or rule or otherwise determine that any pledge or security interest created by this Agreement, any Program Document, the Master Bond Resolution or the Subordinated Bond Resolution to secure any amount due by SMUD under this Agreement, the Fee Agreement or either Revolving Note shall fail to be enforceable with the priority required hereunder or thereunder; or

(l) (i) Any event which materially and adversely affects the ability of SMUD to observe and perform its obligations under this Agreement or the Fee Agreement shall have occurred and be continuing, (ii) any event which materially and adversely affects the ability of SMUD to observe and perform its obligations under any SMUD Program Document, the Master Bond Resolution or the Subordinated Bond Resolution shall have occurred and be continuing or (iii) either the Master Bond Resolution or the Subordinated Bond Resolution shall be amended and such amendment materially and adversely affects the ability of SMUD to observe and perform its obligations under this Agreement or the Fee Agreement; or

(m) The (i) downgrade by any Rating Agency of its long-term unenhanced rating with respect to any Bonds to a level below “Baa3” (or its equivalent) in the case of Moody’s, “BBB-” (or its equivalent) in the case of S&P or “BBB-” (or its equivalent) in the case of Fitch or (ii) suspension or withdrawal by any Rating Agency of its respective long-term unenhanced rating on any Bonds for credit-related reasons.

(n) An “event of default” (or similar event) shall have occurred under any of the Program Documents, the Master Bond Resolution or the Subordinated Bond Resolution; or

(o) A court of competent jurisdiction shall enter a final and non-appealable judgment, order or decree for the payment of money in excess of \$10,000,000 against SMUD and such judgment, order or decree shall continue unbonded or unsatisfied for a period of 60 days; or

(p) There shall be appointed or designated with respect to SMUD, an entity such as an organization, board, commission, authority, agency or body to declare a financial emergency or similar state of financial distress with respect to it or there shall be declared by it or by any legislative or regulatory body with competent jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it.

Section 6.2. Remedies. Upon the occurrence of any Event of Default or an Optional Termination Event the Bank may exercise any one or more of the following rights and remedies in addition to any other remedies herein or by law provided:

(a) declare all Obligations (including all Reimbursement Obligations and all L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented or shall be entitled to present the documents required thereunder) to be immediately due and payable, whereupon the same shall be immediately due and payable without any further notice of any kind, which notice is hereby waived by SMUD; *provided, however;* that in the case of an Event of Default described in Section 6.1(e), 6.1(f) or 6.1(h) hereof, such acceleration shall automatically occur (unless such automatic acceleration is waived by the Bank in writing); or

(b) with respect to Non-Credit Events of Default only, give notice to SMUD that its obligation to make Loans and Term Loans or issue Letters of Credit hereunder is terminated (SMUD hereby acknowledges that upon the occurrence of a Credit Event of Default, the Bank’s obligation to make Loans and Term Loans or issue Letters of Credit shall automatically terminate without the giving of any notice) with respect thereto; or

(c) with respect to all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to Section 6.2(a), demand that SMUD shall at such time deposit in a Cash Collateral account opened by the Bank an amount equal to the Minimum Collateral Amount of the aggregate then undrawn and unexpired amount of such Letter of Credit. Amounts held in such Cash Collateral

account shall be applied by the Bank to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay the other Obligations. After all such Letters of Credit shall have expired or been fully drawn upon, the Reimbursement Obligations shall have been satisfied and all other Obligations shall have been paid in full, the balance, if any, in such Cash Collateral account shall be returned to SMUD; or

- (d) pursue any rights and remedies it may have under the Program Documents; or
- (e) pursue any other action available at law or in equity.

ARTICLE SEVEN

MISCELLANEOUS

Section 7.1. Amendments, Waivers, Etc. No amendment or waiver of any provision of this Agreement, or consent to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by the parties hereto, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 7.2. Notices. All notices and other communications provided for hereunder (except as provided in Section 2.2(b) hereof) shall be in writing (including required copies) and sent by receipted hand delivery (including Federal Express or other receipted courier service), facsimile or electronic mail transmission, or regular mail, as follows:

- (a) if to SMUD:
Sacramento Municipal Utility District
6201 S Street
Sacramento, California 95817-1899
Attention: Treasurer
Telephone: (916) 732-5193
Telecopy: (916) 732-5835
Email: Jennifer.Restivo@smud.org

With copies to:

Jon.Anderson@smud.org,
Alex.Fastovich@smud.org,
smud.cash@smud.org

(b) if to the Bank, for all matters:

PNC Bank, National Association
10250 Constellation Boulevard, 15th Floor
Los Angeles, CA 90067
Attention: Christopher D. Roberts
Telephone: (310) 735-9164
E-mail:croberts@pnc.com

With a copy to:

PNC Bank, National Association
805 SW Broadway, Floor 22
Portland, OR 97205
Attention: Kevin Stewart
Telephone: (503) 808-1359
E-mail:kevin.stewart@pnc.com

With a copy to: CorpLA@pnc.com

or, as to each Person named above, at such other address as shall be designated by such Person in a written notice to the parties hereto. All such notices and other communications shall, when delivered, sent by facsimile or electronic mail transmission or mailed, be effective when deposited with the courier, sent by facsimile or electronic mail transmission or mailed respectively, addressed as aforesaid, except that Notices of Borrowings submitted to the Bank shall not be effective until received by the Bank.

Section 7.3. Survival of Covenants; Successors and Assigns. (a) All covenants, agreements, representations, and warranties made herein and in the certificates delivered pursuant hereto shall survive the making of any Loan and Term Loan hereunder and shall continue in full force and effect until the Commitment and this Agreement shall have terminated and all of the Obligations hereunder shall have been paid in full. Whenever in this Agreement any of the parties hereto is referred to, such reference shall, subject to the last sentence of this Section, be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of SMUD which are contained in this Agreement shall inure to the benefit of the successors and assigns of the Bank and the Noteholders, and their respective permitted successors, transferees and assigns as set forth herein. SMUD may not transfer its rights or obligations under this Agreement or the Program Documents without the prior written consent of the Bank (and any attempted assignment or transfer by SMUD without such consent shall be null and void). Except as otherwise expressly permitted by this Section 7.3 and Section 7.18, so long as no Event of Default shall have occurred and be continuing hereunder, neither the Bank nor any Noteholder may transfer its rights or obligations under this Agreement, the Taxable Note or the Tax-Exempt Note without the prior written consent of SMUD (such consent not to be unreasonably withheld) (and any attempted assignment or transfer by the Bank or any Noteholder without such consent shall be null and void); *provided* that the consent of SMUD shall not be required for any such transfer to an Affiliate of the Bank or any Noteholder, as applicable. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto,

their respective successors and assigns permitted hereby, Participants (to the extent provided in paragraph (b) of this Section) and, to the extent expressly contemplated hereby, the Bank-Related Persons) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Notwithstanding the foregoing, the Bank and each Noteholder shall be permitted to grant to one or more financial institutions (each a “*Participant*”) a participation or participations in all or any part of the Bank’s or such Noteholder’s rights and benefits and obligations under this Agreement, the Revolving Notes and the Commitment on a participating basis but not as a party to this Agreement (a “*Participation*”) without the consent of SMUD. In the event of any such grant by the Bank or a Noteholder of a Participation to a Participant, the Bank and such Noteholder shall remain responsible for the performance of its obligations hereunder, and SMUD shall continue to deal solely and directly with the Bank in connection with the Bank’s rights and obligations under this Agreement. SMUD agrees that each Participant shall, to the extent of its Participation, be entitled to the benefits of this Agreement as if such Participant were the Bank or such Noteholder, *provided* that no Participant shall have the right to declare, or to take actions in response to, an Event of Default under Section 6.1 hereof; *provided further* that SMUD’s liability to any Participant shall not in any event exceed that liability which SMUD would owe to the Bank but for such participation.

(c) *Noteholders Generally.* Each Noteholder may, in its sole discretion and in accordance with applicable law, from time to time assign, sell or transfer in whole or in part, this Agreement, its interest in the Revolving Notes and the Program Documents in accordance with this subsection (c). Each Noteholder may at any time and from time to time enter into participation agreements in accordance with the provisions of paragraph (b) of this Section. Each Noteholder may at any time pledge or assign a security interest subject to the restrictions of Section 7.18 hereof. PNC Bank, National Association shall be the Bank hereunder until such time as the Majority Noteholder designates an alternate Person to serve as the Bank hereunder reasonably acceptable to SMUD by delivery of written notice to SMUD and such Person accepts and agrees to act as the Bank hereunder and under the Program Documents. The Majority Noteholder may so designate an alternate Person that is an owner of the Revolving Notes to act as the Bank from time to time. Upon acceptance and notification thereof to SMUD, the successor to the Bank for such purposes shall thereupon succeed to and become vested with all of the rights, powers, privileges and responsibilities of the Bank, and PNC Bank, National Association or any other Person being replaced as the Bank shall be discharged from its duties and obligations as the Bank hereunder. The Bank and each Noteholder may assign to one or more assignees all or a portion of its rights under this Agreement (including all or a portion of its Commitment, the Tax-Exempt Note and the Taxable Note and the Loans and Term Loans at the time owing to it) to one or more assignees whether or not related to the Bank. Notwithstanding anything to the contrary set forth herein, neither PNC Bank, National Association nor any other Bank may assign its obligations to advance or make Loans or Term Loans pursuant to the terms of this Agreement without the prior written consent of SMUD (such consent not to be unreasonably withheld) unless (i) an Event of Default has occurred and is continuing or (ii) such sale, assignment or transfer is to an Affiliate of the Bank, and SMUD’s liability to any successor Bank or to any Noteholder shall not in any event exceed that liability which SMUD would have owed to PNC Bank, National Association but for any such assignment, sale or transfer, in whole or in part, of this Agreement, its interest in the Revolving Notes or the Program Documents.

Section 7.4. Unconditional Obligations. The obligations of SMUD under this Agreement and the Fee Agreement shall be primary, absolute, independent, unconditional and irrevocable and shall be performed strictly in accordance with the terms of this Agreement and the Fee Agreement, including without limitation the following circumstances:

- (a) Any lack of validity or enforceability of the Program Documents or any other agreement or instrument relating to any of the above;
- (b) Any amendment or waiver of, or any consent to or departure from, any provision of any of the Program Documents, except for any waiver or consent granted by the Bank;
- (c) The existence of any claim, setoff, defense or other rights that SMUD may have at any time against the Bank or any other Person, whether in connection with this Agreement, the Program Documents or any unrelated transaction;
- (d) Any breach of contract or other dispute between SMUD and any Noteholder, the Bank or any other Person;
- (e) Any demand, statement or any other document presented hereunder proving to have been forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;
- (f) Payment by the Bank hereunder against presentation of a draft or certificate which does not comply strictly with the terms of this Agreement; or
- (h) The failure by the Bank to honor any Notice of Borrowing hereunder or to make any payment demanded hereunder on the grounds that the demand for such payment does not conform strictly to the terms and conditions of this Agreement.

Section 7.5. Liability of Bank; Indemnification. (a)(i) Except as provided in this Agreement, the Bank shall not be obligated to issue any further credits, to cure any defaults under any Program Document or otherwise, or in any other manner to extend any financial consideration or accommodation to SMUD.

(ii) The Bank shall not be deemed to have waived or released any of its rights or remedies (whether specified in or arising under this Agreement, the Fee Agreement or otherwise available to it by law or agreement) unless the Bank shall have signed a written waiver or release. Delay or failure to act on the Bank's part shall not constitute a waiver of or otherwise preclude enforcement of any of its rights and remedies. All of the Bank's rights and remedies shall be cumulative and may be exercised separately or concurrently. The Bank need not resort to any particular right or remedy before exercising or enforcing any other, and the Bank's resort to any right or remedy shall not preclude the exercise or enforcement of any other right or remedy.

(iii) Neither the Bank nor any of its officers, directors, employees or agents shall be liable or responsible for:

(A) The use that may be made of the Commitment or the Loans or Term Loans;

(B) The form, validity, sufficiency, accuracy or genuineness of documents, or of any endorsements thereon, even if such documents should prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged, so long as the Bank was not grossly negligent or guilty of willful misconduct as determined by a court of competent jurisdiction;

(C) Payment by the Bank against presentation of documents that do not comply strictly with the terms of this Agreement, including failure of any documents to bear any reference or adequate reference to this Agreement;

(D) The validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign this Agreement or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason;

(E) Errors, omissions, interruptions or delays in transmission or delivery of any messages by telex, mail, cable, telegraph, facsimile or otherwise, whether or not they have been in cipher, including any Notices of Borrowing under this Agreement;

(F) Errors in interpretation of technical terms; or

(G) Any consequences arising from causes beyond the control of the Bank, including, without limitation, any Government Acts;

provided that, notwithstanding anything in the preceding clauses (A) through (G) to the contrary, SMUD shall have a claim against the Bank, and the Bank shall be liable to SMUD, to the extent, but only to the extent, of any direct, as opposed to consequential, damages suffered by SMUD that SMUD proves were caused by (A) the Bank's failure to pay under this Agreement after the presentation to it by SMUD of a certificate strictly complying with the terms and conditions of this Agreement or (B) the Bank's willful or grossly negligent payment under this Agreement as determined by a court of competent jurisdiction in a final non-appealable judgment.

In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

(b) (i) To the maximum extent permitted by applicable law, SMUD agrees to indemnify, save and hold harmless each Bank-Related Person from and against: (A) any and all claims, demands, actions or causes of action that may at any time (including at any time following repayment of the Obligations) be asserted or imposed against any Bank-Related Person arising out of or relating to this Agreement, the Loans and Term Loans, the Letters of Credit, the Fee

Agreement or any Program Document, the use or contemplated use of the proceeds of any Loan or Term Loan or Letter of Credit (including any refusal by the Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), or the relationship of SMUD and the Bank under this Agreement or any Program Document; (B) any investigative, administrative or judicial proceeding by any Governmental Authority arising out of or related to a claim, demand, action or cause of action described in subsection (A) above; and (C) any and all liabilities (including liabilities under indemnities), losses, costs or expenses (including attorney costs) that any Bank-Related Person suffers or incurs as a result of the assertion of any foregoing claim, demand, action, cause of action or proceeding, or as a result of the preparation of any defense in connection with any foregoing claim, demand, action, cause of action or proceeding, in all cases, and whether or not a Bank-Related Person is a party to such claim, demand, action, cause of action or proceeding; *provided* that no Bank-Related Person shall be entitled to indemnification for any claim caused by its own gross negligence or willful misconduct. The agreements in this subsection shall survive the termination of this Agreement and repayment of all of the Obligations.

(ii) To the maximum extent permitted by applicable law, SMUD shall also indemnify and hold harmless the Bank from any transfer taxes, documentary taxes, assessments or charges made by any Governmental Authority by reason of the execution and delivery of this Agreement and the Program Documents or the making available of the Commitment. The agreements in this subsection shall survive the termination of this Agreement and repayment of all of the Obligations.

Section 7.6. Expenses. SMUD will promptly pay (i) the reasonable fees and expenses of counsel to the Bank incurred in connection with the preparation, execution and delivery of this Agreement and the other Program Documents, (ii) the reasonable out-of-pocket expenses of the Bank incurred in connection with the preparation, execution and delivery of this Agreement and the other Program Documents, (iii) the reasonable fees and disbursements of counsel to the Bank with respect to advising the Bank as to the rights and responsibilities under this Agreement after the occurrence of an Event of Default and (iv) all reasonable costs and expenses, if any, in connection with the administration and enforcement of this Agreement and the Program Documents and any other documents which may be delivered in connection herewith or therewith, including in each case the fees and disbursements of counsel to the Bank. In addition, SMUD agrees to pay, after the occurrence of an Event of Default, all reasonable costs and expenses (including attorneys' and consultants' fees and costs of settlement) incurred by the Bank in enforcing any obligations or in collecting any payments due from SMUD hereunder by reason of such Event of Default or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "workout" or of any insolvency or bankruptcy proceedings. The obligations of SMUD under this Section 7.6 shall survive the termination of this Agreement.

Section 7.7. No Waiver; Conflict. No failure by the Bank to exercise, and no delay by the Bank in exercising any right, power or privilege hereunder, nor any course of dealing with respect to any of the same, shall operate as a waiver thereof, preclude any other or further exercise thereof nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The rights, remedies, powers and privileges herein

provided and provided under each other Program Document are cumulative, and not exclusive of any rights, remedies, powers and privileges provided by law.

Section 7.8. Modification, Amendment, Waiver, Etc. No modification, amendment or waiver of any provision of this Agreement shall be effective unless the same shall be in writing and signed in accordance with Section 7.1 hereof.

Section 7.9. Dealing with SMUD. The Bank and its affiliates may accept deposits from, extend credit to and generally engage in any kind of banking, trust or other business with SMUD regardless of the capacity of the Bank hereunder.

Section 7.10. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction, and all other remaining provisions hereof will be construed to render them enforceable to the fullest extent permitted by law.

Section 7.11. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but when taken together shall constitute but one agreement and any of the parties hereto may execute this Agreement by signing any such counterpart. The parties agree that the electronic signature of a party to this Agreement shall be as valid as an original signature of such party and shall be effective to bind such party to this Agreement. The parties agree that any electronically signed document (including this Agreement) shall be deemed (i) to be "written" or "in writing," (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Such paper copies or "printouts," if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule. For purposes hereof, "electronic signature" means a manually-signed original signature that is then transmitted by electronic means; "transmitted by electronic means" means sent in the form of a facsimile or sent via the internet as a "pdf" (portable document format) or other replicating image attached to an e-mail message; and, "electronically signed document" means a document transmitted by electronic means and containing, or to which there is affixed, an electronic signature.

Section 7.12. Table of Contents; Headings. The table of contents and the section and subsection headings used herein have been inserted for convenience of reference only and do not constitute matters to be considered in interpreting this Agreement.

SECTION 7.13. ENTIRE AGREEMENT. THIS AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES HERETO AS TO SUCH SUBJECT MATTER.

Section 7.14. Governing Law. PURSUANT TO SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW (OR ANY SUCCESSOR STATUTE THERETO), THIS AGREEMENT AND THE FEE AGREEMENT SHALL BE DEEMED TO BE A CONTRACT UNDER, AND SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK AND APPLICABLE FEDERAL LAW; *PROVIDED, HOWEVER,* THAT THE CAPACITY, POWER AND AUTHORITY OF SMUD TO ENTER INTO THIS AGREEMENT AND THE OBLIGATIONS OF SMUD HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA AND APPLICABLE FEDERAL LAW WITHOUT REGARD TO CHOICE OF LAW RULES.

Section 7.15. Waiver of Jury Trial. (a) TO THE FULL EXTENT PERMITTED BY LAW, SMUD AND THE BANK EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY FOR ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE FEE AGREEMENT, ANY OF THE OTHER PROGRAM DOCUMENTS, THE MASTER BOND RESOLUTION, THE SUBORDINATED BOND RESOLUTION OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH OF SMUD AND THE BANK FURTHER AGREES THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT JURY. WITHOUT LIMITING THE FOREGOING, TO THE EXTENT PERMITTED BY LAW, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT, THE FEE AGREEMENT, AND/OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND/OR THE FEE AGREEMENT.

(b) In the event the waiver of jury trial as set forth in subsection (a) of this Section shall be declared void or unenforceable, each of SMUD and the Bank agrees to refer the dispute to a judicial referee in accordance with the provisions of Section 638 *et seq.* of the California Code of Civil Procedure.

Section 7.16. Right of Setoff; Other Collateral. (a) Upon the occurrence and during the continuance of an Event of Default, the Bank is hereby authorized at any time and from time to time without notice to SMUD (any such notice being expressly waived by SMUD), and to the fullest extent permitted by law, to setoff, to exercise any banker's lien or any right of attachment and apply any and all balances, credits, deposits (general or special, time or demand, provisional or final), accounts or monies at any time held and other indebtedness at any time owing by the Bank to or for the account of SMUD (irrespective of the currency in which such accounts, monies or indebtedness may be denominated and the Bank is authorized to convert such accounts, monies and indebtedness into United States dollars) against any and all of the Obligations of SMUD, whether or not the Bank shall have made any demand for any amount owing to the Bank by SMUD; *provided, however,* that any such setoff, exercise of banker's lien or any right of attachment shall be limited to (i) balances, credits, deposits (general or special, time or demand, provisional or final), accounts or monies or (ii) indebtedness owed by the Bank to or for the account of SMUD, the proceeds of which would otherwise be available to pay or satisfy or otherwise secure the Revolving Notes, the Obligations or any other indebtedness or obligations of SMUD secured or payable on a parity with or subordinate to the Lien on Net Revenues securing the Revolving Notes and the Obligations; and *provided further, however,* that the exercise of any such setoff, banker's lien or right of attachment and the application of any such balances, credits, deposits, accounts,

monies or proceeds of indebtedness that would constitute Revenues or other funds pledged pursuant to the Master Bond Resolution, Subordinated Bond Resolution or Note Resolution shall be subject to the terms, conditions and lien and payment priorities set forth in the Master Bond Resolution, the Subordinated Bond Resolution and the Note Resolution.

(b) The rights of the Bank under this Section 7.16 are in addition to, in augmentation of, and, except as specifically provided in this Section 7.16, do not derogate from or impair, other rights and remedies (including, without limitation, other rights of setoff) which the Bank may have hereunder or under the other Program Documents.

Section 7.17. USA Patriot Act. The Bank hereby notifies SMUD that, pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 signed into law October 26, 2001) (the “*Patriot Act*”), it is required to obtain, verify and record information that identifies SMUD, which information includes the name and address of SMUD and other information that will allow the Bank to identify SMUD in accordance with applicable “know your customer” and anti-money-laundering rules and regulations, including, without limitation, the Patriot Act. SMUD hereby agrees that it shall promptly provide such information upon request by the Bank.

Section 7.18. Assignment to Federal Reserve Bank. The Bank and each other Noteholder may assign and pledge all or any portion of the Obligations owing to it hereunder (including, without limitation, rights to payment under this Agreement) to any Federal Reserve Bank or the United States Treasury, including, without limitation, as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank or to any state or local governmental entity or with respect to public deposits; *provided* that any payment in respect of such assigned Obligations made by SMUD or on its behalf to the Bank in accordance with the terms of this Agreement shall satisfy SMUD’s Obligations hereunder in respect of such assigned Obligation to the extent of such payment. No such assignment shall release the Bank from its obligations hereunder.

Section 7.19. No Advisory or Fiduciary Relationship. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Program Document), SMUD acknowledges and agrees that: (a) (i) the services regarding this Agreement provided by the Bank and any Affiliate thereof are arm’s-length commercial transactions between SMUD, on the one hand, and the Bank and its Affiliates, on the other hand, (ii) SMUD has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (iii) SMUD is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Program Documents; (b) (i) the Bank and its Affiliates each is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary pursuant to Section 15B of the Securities Exchange Act of 1934 or otherwise, for SMUD or any other Person and (ii) neither the Bank nor any of its Affiliates has any obligation to SMUD with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Program Documents; and (c) the Bank and its Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of SMUD, and neither the Bank nor any of its Affiliates has any obligation to disclose any of such interests to SMUD. To the fullest extent permitted by

Law, SMUD hereby waives and releases any claims that it may have against the Bank or any of its Affiliates with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transactions contemplated hereby.

Section 7.20. EMMA Postings. In the event SMUD files with EMMA, this Agreement, any Program Documents or any description of the material terms thereof or notice of any agreement to covenants, events of default, remedies, priority rights or other similar terms with respect thereto, either voluntarily or as required pursuant a continuing disclosure agreement or Rule 15c2-12 promulgated pursuant to the Securities and Exchange Act of 1934, as amended (the “*Rule*”) (each such posting, an “*EMMA Posting*”), SMUD shall (i) provide the Bank with a copy of each EMMA Posting prior to submitting or posting on EMMA and (ii) shall not file or permit the filing of any EMMA Posting that includes Confidential Information. SMUD acknowledges and agrees that although the Bank may request or review edits or redactions of such materials prior to filing, the Bank is not responsible for SMUD’s or any other entity’s (including, but not limited to, any broker-dealer’s) compliance or noncompliance (or any claims, losses or liabilities arising therefrom) with any continuing disclosure agreement or any applicable securities or other laws, including, but not limited to, those relating to the Rule.

Section 7.21. US QFC Stay Rules.

(a) *Recognition of U.S. Resolution Regimes.* In the event that any party that is a Covered Entity becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of this Agreement (and any interest and obligation in or under this Agreement and any property securing this Agreement) from such Covered Entity will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement (and any such interest, obligation and property) were governed by the laws of the United States or a state of the United States. In the event that any party that is a Covered Entity or a BHC Act Affiliate of such party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights against such party with respect to this Agreement are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a state of the United States. The requirements of this paragraph (a) apply notwithstanding the provisions of paragraph (b).

(b) *Limitation on the Exercise of Certain Rights Related to Affiliate Insolvency Proceedings.* Notwithstanding anything to the contrary in this Agreement or any related agreement, but subject to the requirements of paragraph (a), no party to this Agreement shall be permitted to exercise any Default Right against a party that is a Covered Entity with respect to this Agreement that is related, directly or indirectly, to a BHC Act Affiliate of such Covered Entity becoming subject to Insolvency Proceedings, except to the extent the exercise of such Default Right would be permitted under 12 C.F.R. § 252.84, 12 C.F.R. § 47.5, or 12 C.F.R. § 382.4, as applicable. After a BHC Act Affiliate of a party that is a Covered Entity has become subject to Insolvency Proceedings, any party that seeks to exercise a Default Right against such Covered Entity with respect to this Agreement shall

have the burden of proof, by clear and convincing evidence, that the exercise of such Default Right is permitted hereunder.

“*BHC Act Affiliate*” of a party means an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

“*Covered Entity*” means any of the following:

(a) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);

(b) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or

(c) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“*Default Right*” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“*Insolvency Proceeding*” means a receivership, insolvency, liquidation, resolution, or similar proceeding.

“*U.S. Special Resolution Regime*” means each of (i) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (ii) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

ARTICLE EIGHT

LETTER OF CREDIT FACILITY

Section 8.1. *L/C Facility.*

(a) *Availability.* Subject to the terms and conditions hereof, the Bank agrees to issue performance Letters of Credit in an aggregate amount not to exceed the L/C Sublimit for the account of SMUD. Letters of Credit may be issued on any Business Day from the Closing Date to, but not including the fifteenth (15th) Business Day prior to the Facility Maturity Date in such form as may be approved from time to time by the Bank; *provided*, that the Bank shall not issue any Letter of Credit if, after giving effect to such issuance, (i) the L/C Obligations would exceed the L/C Sublimit or (ii) the outstanding Extensions of Credit would exceed the Commitment. Letters of Credit issued hereunder shall constitute utilization of the Commitment.

(b) *Terms of Letters of Credit.* Each Letter of Credit shall (i) be denominated in Dollars, (ii) expire on a date no more than twelve (12) months after the date of issuance or last renewal or extension of such Letter of Credit (subject to automatic renewal or extension for additional one (1) year periods (but not to a date later than the date set forth below) pursuant to the terms of the Letter

of Credit Documents or other documentation acceptable to the Bank), which date shall be no later than the fifth (5th) Business Day prior to the Facility Maturity Date; *provided* that any Letter of Credit may expire after such date (each such Letter of Credit, an “*Extended Letter of Credit*”) with the consent of the Bank and subject to the requirements of Section 8.11 hereof, and (iii) unless otherwise expressly agreed by the Bank and SMUD when a Letter of Credit is issued by it, be subject to the ISP as set forth in the Letter of Credit Documents or as determined by the Bank and, to the extent not inconsistent therewith, the laws of the State of New York. The Bank shall not at any time be obligated to issue any Letter of Credit hereunder if (A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the Bank from issuing such Letter of Credit, or any Law applicable to the Bank or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the Bank shall prohibit, or request that the Bank refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the Bank with respect to letters of credit generally or such Letter of Credit in particular any restriction or reserve or capital requirement (for which the Bank is not otherwise compensated) not in effect on the Closing Date, or any unreimbursed loss, cost or expense that was not applicable, in effect or known to the Bank as of the Closing Date and that the Bank in good faith deems material to it, (B) the conditions set forth in Section 3.2 hereof are not satisfied, (C) the issuance of such Letter of Credit would violate one or more policies of the Bank applicable to letters of credit generally, or (D) the proceeds of which would be made available to any Person (x) to fund any activity or business of or with Person subject to Sanctions or (y) in any manner that would result in a violation of any Sanctions by any party to this Agreement. References herein to “issue” and derivations thereof with respect to Letters of Credit shall also include extensions or modifications of any outstanding Letters of Credit, unless the context otherwise requires.

Section 8.2. Procedure for Issuance of Letters of Credit. SMUD may from time to time request that the Bank issue, amend, renew or extend a Letter of Credit by delivering to the Bank at its applicable office a Letter of Credit Application therefor, completed to the satisfaction of the Bank, and such other certificates, documents and other Letter of Credit Documents and information as the Bank may request, not later than 11:00 a.m. (Pacific time) at least seven (7) Business Days (or such later date and time as the Bank may agree in its sole discretion) prior to the proposed date of issuance, amendment, renewal or extension, as the case may be. Such notice shall specify (a) the requested date of issuance, amendment, renewal or extension (which shall be a Business Day), (b) the date on which such Letter of Credit is to expire (which shall comply with Section 8.1(b) hereof), (c) the amount of such Letter of Credit, (d) the name and address of the beneficiary thereof, (e) the purpose and nature of such Letter of Credit and (f) such other information as shall be necessary to issue, amend, renew or extend such Letter of Credit. Upon receipt of any Letter of Credit Application, the Bank shall, process such Letter of Credit Application and the certificates, documents and other Letter of Credit Documents and information delivered to it in connection therewith in accordance with its customary procedures and shall, subject to Section 8.1 and Article Three hereof, promptly issue, amend, renew or extend the Letter of Credit requested thereby (subject to the timing requirements set forth in this Section 8.2) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed by the Bank and SMUD. Additionally, SMUD shall furnish to the Bank such other documents and information pertaining to such requested Letter of Credit issuance or amendment, renewal or extension, including any Letter of Credit Documents, as the Bank may require. The

Bank shall promptly furnish to SMUD a copy of such Letter of Credit and the related Letter of Credit Documents.

Section 8.3. Commissions and Other Charges.

(a) *Letter of Credit Commissions.* SMUD shall pay to the Bank a letter of credit commission with respect to each Letter of Credit in the amount equal to the daily amount available to be drawn under such performance Letters of Credit times the L/C Fee Rate (determined, in each case, on a per annum basis). Such commission shall be payable quarterly in arrears on the tenth (10th) calendar day of each July, October, January and April (commencing with the first such date to occur after the issuance of such Letter of Credit), on the Facility Maturity Date and thereafter on demand of the Bank.

(b) *Issuance Fee.* In addition to the foregoing commission, SMUD shall pay directly to the Bank, for its own account, an issuance fee with respect to each Letter of Credit issued by the Bank in an amount equal to \$300 or as otherwise agreed upon between the Bank and SMUD. Such issuance fee shall be payable immediately upon the issuance of such Letter of Credit and thereafter on demand of the Bank.

(c) *Other Fees, Costs, Charges and Expenses.* In addition to the foregoing fees and commissions, SMUD shall pay or reimburse the Bank for such normal and customary fees, costs, charges and expenses (including fronting fees) as are incurred or charged by the Bank in issuing, effecting payment under, amending or otherwise administering any Letter of Credit issued by it. Such customary fees, costs, charges and expenses are due and payable on demand and are nonrefundable.

Section 8.4. Reserved.

Section 8.5. Reimbursement. In the event of any drawing under any Letter of Credit, SMUD agrees to reimburse (either with the proceeds of a Loan as provided for in this Section or with funds from other sources), in same day funds, the Bank by paying to the Bank the amount of such drawing not later than 12:00 noon (Pacific time) on (i) the Business Day that SMUD receives notice of such drawing, if such notice is received by SMUD prior to 10:00 a.m. (Pacific time), or (ii) the Business Day immediately following the day that SMUD receives such notice, if such notice is not received prior to such time, for the amount of (x) such draft so paid and (y) any amounts referred to in Section 8.3(c) incurred by the Bank in connection with such payment. Unless SMUD shall immediately notify the Bank that SMUD intends to reimburse the Bank for such drawing from other sources or funds, SMUD shall be deemed to have timely given a Notice of Borrowing to the Bank requesting that the Bank make a Loan at the Taxable Daily SOFR Rate on the applicable repayment date in the amount (without regard to the minimum and multiples specified in Section 2.2 hereof) of (i) such draft so paid and (ii) any amounts referred to in Section 8.3(c) hereof incurred by the Bank in connection with such payment, and the Bank shall make a Loan as a Loan at the Taxable Daily SOFR Rate in such amount, the proceeds of which shall be applied to reimburse the Bank for the amount of the related drawing and such fees and expenses. The Bank acknowledges and agrees that its obligation to fund a Loan in accordance with this Section to reimburse the Bank for any draft paid under a Letter of Credit issued by it is

absolute and unconditional and shall not be affected by any circumstance whatsoever, including non-satisfaction of the conditions set forth in Section 2.2 or Article Three hereof. If SMUD has elected to pay the amount of such drawing with funds from other sources and shall fail to reimburse the Bank as provided above, or if the amount of such drawing is not fully refunded through a Loan at the Taxable Daily SOFR Rate as provided above, the unreimbursed amount of such drawing shall bear interest at the rate which would be payable on any outstanding Loan at the Taxable Daily SOFR Rate which were then overdue from the date such amounts become payable (whether at stated maturity, by acceleration or otherwise) until paid in full.

Section 8.6. Obligations Absolute.

(a) SMUD's obligations under this Article Eight (including the Reimbursement Obligations) shall be absolute, unconditional and irrevocable under any and all circumstances whatsoever, and shall be performed strictly in accordance with the terms of this Agreement, and irrespective of:

(i) any lack of validity or enforceability of any Letter of Credit, any Letter of Credit Document or this Agreement, or any term or provision therein or herein;

(ii) the existence of any claim, counterclaim, setoff, defense or other right that SMUD may have or have had against the Bank or any beneficiary of a Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the Bank or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent, forged or insufficient in any respect or any statement in such draft or other document being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit; or

(v) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, SMUD's obligations hereunder.

(b) The Bank shall use commercially reasonable efforts to notify SMUD of any drawings under any Letter of Credit. SMUD also agrees that the Bank shall not be responsible for, and SMUD's Reimbursement Obligation under Section 8.5 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among SMUD and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of SMUD against any beneficiary of such Letter of

Credit or any such transferee. The Bank and the Bank-Related Persons shall not have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit, or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Bank; *provided* that the foregoing shall not be construed to excuse the Bank from liability to SMUD to the extent of any direct damages (as opposed to special, indirect, consequential or punitive damages, claims in respect of which are hereby waived by SMUD to the extent permitted by Law) suffered by SMUD that are caused by the Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Bank (as finally determined by a court of competent jurisdiction), the Bank shall be deemed to have exercised care in each such determination.

(c) In furtherance of the foregoing and without limiting the generality thereof, the parties agree that (i) with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit, (ii) the Bank may act upon any instruction or request relative to a Letter of Credit or requested Letter of Credit that the Bank in good faith believes to have been given by a Person authorized to give such instruction or request and (iii) the Bank may replace a purportedly lost, stolen, or destroyed original Letter of Credit or missing amendment thereto with a certified true copy marked as such or waive a requirement for its presentation. The responsibility of the Bank to SMUD in connection with any draft presented for payment under any Letter of Credit issued by it shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentation substantially conforms to the requirements under such Letter of Credit.

(d) Notwithstanding anything in this Section 8.6 to the contrary, the provisions set forth in this Section 8.6 shall not by themselves relieve the Bank of liability for damages to SMUD for gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final, non-appealable judgment.

Section 8.7. Effect of Letter of Credit Documents. To the extent that any provision of any Letter of Credit Document related to any Letter of Credit is inconsistent with the provisions of this Article Eight, the provisions of this Article Eight shall apply.

Section 8.8. Reserved.

Section 8.9. Reserved.

Section 8.10. Letter of Credit Amounts. Unless otherwise specified, all references herein to the amount of a Letter of Credit at any time shall be deemed to mean the maximum face amount of such Letter of Credit after giving effect to all increases thereof contemplated by such Letter of Credit or the Letter of Credit Documents therefor (at the time specified therefor in such applicable Letter of Credit or Letter of Credit Documents and as such amount may be reduced by (a) any permanent reduction of such Letter of Credit or (b) any amount which is drawn, reimbursed and no longer available under such Letter of Credit).

Section 8.11. Cash Collateral for Extended Letters of Credit.

(a) *Cash Collateralization.* SMUD shall provide Cash Collateral to the Bank with respect to each Extended Letter of Credit issued by the Bank (in an amount equal to 105% of the maximum face amount of each Extended Letter of Credit) by a date that is no later than 5 days prior to the Facility Maturity Date by depositing such amount in immediately available funds, in Dollars, into a cash collateral account maintained at the Bank and shall enter into a cash collateral agreement in form and substance satisfactory to the Bank and such other documentation as the Bank may reasonably request; *provided* that if SMUD fails to provide Cash Collateral with respect to any such Extended Letter of Credit by such time, such event shall be treated as a drawing under such Extended Letter of Credit in an amount equal to 105% of the maximum face amount of each such Letter of Credit, which shall be reimbursed (or participations therein funded) in accordance with this Article Eight, with the proceeds of Loans being utilized to provide Cash Collateral for such Letter of Credit (provided that for purposes of determining the usage of the Commitment any such Extended Letter of Credit that has been, or will concurrently be, Cash Collateralized with proceeds of a Loan, the portion of such Extended Letter of Credit that has been (or will concurrently be) so Cash Collateralized will not be deemed to be utilization of the Commitment); *provided further* that no Cash Collateral will be required if the Extended Letter of Credit is cancelled or returned before the date that is 5 days prior to the Facility Maturity Date.

(b) *Grant of Security Interest.* SMUD hereby grants to the Bank, and agrees to maintain, a first priority security interest in, all Cash Collateral required to be provided by this Section 8.11 as security for the Bank's obligation to fund draws under such Extended Letters of Credit, to be applied pursuant to subsection (c) below. If at any time the Bank determines that the Cash Collateral is subject to any right or claim of any Person other than such the Bank as herein provided or that the total amount of such Cash Collateral is less than the amount required pursuant to subsection (a) above, SMUD will, promptly upon demand by the Bank, pay or provide to the Bank additional Cash Collateral in an amount sufficient to eliminate such deficiency.

(c) *Application.* Notwithstanding anything to the contrary contained in this Agreement or any other Program Document, Cash Collateral provided under this Section 8.11 in respect of Extended Letters of Credit shall be applied to reimburse the Bank for all drawings made under such Extended Letters of Credit and any and all fees, expenses and charges incurred in connection therewith, prior to any other application of such property as may otherwise be provided for herein.

(d) *Cash Collateralized Letters of Credit.* Subject to clause (e) below, if SMUD has fully Cash Collateralized the Bank with respect to any Extended Letter of Credit issued by the Bank in accordance with subsections (a) through (c) above and SMUD and the Bank have made

arrangements between them with respect to the pricing and fees associated therewith (each such Extended Letter of Credit, a “*Cash Collateralized Letter of Credit*”), then for so long as such Cash Collateral remains in place (i) such Cash Collateralized Letter of Credit shall cease to be a “Letter of Credit” hereunder, (ii) such Cash Collateralized Letter of Credit shall not constitute utilization of the Commitment, (iii) the Bank shall have no further obligation to fund Loans to reimburse any drawing under any such Cash Collateralized Letter of Credit, (iv) no Letter of Credit commissions under Section 8.3(a) shall be due or payable to the Bank hereunder with respect to such Cash Collateralized Letter of Credit, and (v) any fronting fee, issuance fee or other fee with respect to such Cash Collateralized Letter of Credit shall be as agreed separately between SMUD and the Bank.

(e) *Reinstatement.* SMUD and the Bank agree that, if any payment or deposit made by SMUD or any other Person applied to the Cash Collateral required under this Section 8.11 is at any time avoided, annulled, set aside, rescinded, invalidated, declared to be fraudulent or preferential or otherwise required to be refunded or repaid, or is repaid in whole or in part pursuant to a good faith settlement of a pending or threatened avoidance claim, or the proceeds of any such Cash Collateral are required to be refunded by the Bank to SMUD or its estate, trustee, receiver or any other Person, under any Law or equitable cause, then, to the extent of such payment or repayment, (i) the applicable Extended Letter of Credit shall automatically be a “Letter of Credit” hereunder in a face amount equal to such payment or repayment (each such Letter of Credit, a “*Reinstated Letter of Credit*”), (ii) such Reinstated Letter of Credit shall no longer be deemed to be Cash Collateralized hereunder and shall constitute a utilization of the Commitment, (iii) the Bank shall be obligated to fund Loans to reimburse any drawing under such Reinstated Letter of Credit, (iv) Letter of Credit commissions under Section 8.3(a) shall accrue and be due and payable to the Bank with respect to such Reinstated Letter of Credit and (v) SMUD’s and the Bank’s liability hereunder (and any guarantee, Lien or collateral guaranteeing or securing such liability) shall be and remain in full force and effect, as fully as if such payment or deposit had never been made, and, if prior thereto, this Agreement shall have been canceled, terminated, paid in full or otherwise extinguished (and if any guarantee, Lien or collateral guaranteeing or securing SMUD’s or the Bank’s) liability hereunder shall have been released or terminated by virtue of such cancellation, termination, payment or extinguishment), the provisions of this Article Eight and all other rights and duties of the Bank with respect to such Reinstated Letter of Credit (and any guarantee, Lien or collateral guaranteeing or securing such liability) shall be reinstated in full force and effect, and such prior cancellation, termination, payment or extinguishment shall not diminish, release, discharge, impair or otherwise affect the obligations of such Persons in respect of such Reinstated Letter of Credit (and any guarantee, Lien or collateral guaranteeing or securing such obligation).

(f) *Survival.* With respect to any Extended Letter of Credit, each party’s obligations under this Article Eight and all other rights and duties of the Bank of such Extended Letter of Credit shall survive any assignment of rights by the Bank, the termination of the Commitment and the repayment, satisfaction or discharge of the Obligations.

[Execution Page Follows]

IN WITNESS WHEREOF, SMUD and the Bank have duly executed this Agreement as of the date first above written.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

By: _____

Name: Jennifer Restivo

Title: Treasurer

PNC BANK, NATIONAL ASSOCIATION

By: _____

Name: Kevin Stewart

Title: Senior Vice President

EXHIBIT A

FORM TAXABLE REVOLVING NOTE

SACRAMENTO MUNICIPAL UTILITY DISTRICT
TAXABLE REVOLVING NOTE (PNC REVOLVING CREDIT AGREEMENT)

[REDACTED], 2026 \$100,000,000

\$100,000,000

The Sacramento Municipal Utility District (“SMUD”), for value received, hereby promises to pay to the order of PNC Bank, National Association (the “Bank”), pursuant to that certain Revolving Credit Agreement dated as of [] 1, 2026 (as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, the “*Revolving Credit Agreement*”), between SMUD and the Bank and that certain Fee Agreement dated [], 2026 (as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, the “*Fee Agreement*”), between SMUD and the Bank, at the office of the Bank at [] (or such other address as designated by the Bank to SMUD in writing), the aggregate unpaid principal amount of all Obligations (as defined in the Revolving Credit Agreement), except for the principal of and interest on Tax-Exempt Loans and related Term Loans, pursuant to the Revolving Credit Agreement and the Fee Agreement on the dates and in the amounts provided for in the Revolving Credit Agreement and the Fee Agreement.

SMUD promises to pay interest on the unpaid principal amount of all Taxable Loans, related Term Loans and all other Obligations (except for the principal of and interest on Tax-Exempt Loans and related Term Loans) owed to the Bank under the Revolving Credit Agreement and the Fee Agreement on the dates and at the rate or rates provided for in the Revolving Credit Agreement and the Fee Agreement. All payments of principal and interest shall be made in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts in immediately available funds. All capitalized terms used herein and not otherwise defined herein shall have the meanings specified in the Revolving Credit Agreement.

This Taxable Revolving Note is the Taxable Note referred to in the Revolving Credit Agreement and is entitled to the benefits thereof and of the Program Documents referred to therein. As provided in the Revolving Credit Agreement, this Taxable Revolving Note is subject to prepayment, in whole or in part, in accordance with the terms of the Revolving Credit Agreement.

The Bank agrees, by acceptance of this Taxable Revolving Note, that it will make a notation on the schedule attached hereto of all Taxable Loans evidenced hereby and all principal payments and prepayments made hereunder and of the date to which interest hereon has been paid, all as provided in the Revolving Credit Agreement; *provided, however*, that the failure to make any such notation shall not limit or otherwise affect the obligation of SMUD hereunder with respect to payments of principal of and interest on this Taxable Revolving Note.

This Taxable Revolving Note is authorized by SMUD to be issued to provide funds for the purposes set forth in the Note Resolution and for other authorized purposes, including to pay the principal amount of Taxable Loans, related Term Loans and all other Obligations theretofore issued. This Taxable Revolving Note is issued under and pursuant to and in full compliance with the Note Resolution and the Revolving Credit Agreement providing for the issuance and sale and fixing the form and details of this Taxable Revolving Note.

This Taxable Revolving Note is an obligation of SMUD secured by a lien on the Available Revenues as more fully described in Section 2.20 of the Revolving Credit Agreement.

It is hereby certified that all conditions, acts and things essential to the validity of this Taxable Revolving Note exist, have happened and have been done and that every requirement of law affecting the issuance hereof has been duly complied with.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, SMUD has caused this Taxable Revolving Note to be executed by an authorized officer of SMUD and this Taxable Revolving Note to be dated as of date set forth above.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

By: _____
Name: Jennifer Restivo
Title: Treasurer

SCHEDULE FOR TAXABLE REVOLVING NOTE
DATED [], 2026
BY SACRAMENTO MUNICIPAL UTILITY DISTRICT
PAYABLE TO PNC BANK, NATIONAL ASSOCIATION

DATE	AMOUNT OF TAXABLE LOAN MADE	AMOUNT OF PRINCIPAL PAID	DATE TO WHICH INTEREST PAID		NOTATION MADE BY

EXHIBIT B

FORM TAX-EXEMPT REVOLVING NOTE

SACRAMENTO MUNICIPAL UTILITY DISTRICT TAX-EXEMPT REVOLVING NOTE (PNC REVOLVING CREDIT AGREEMENT)

[_____] , 2026 \$100,000,000

The Sacramento Municipal Utility District (“SMUD”), for value received, hereby promises to pay to the order of PNC Bank, National Association (the “Bank”), pursuant to that certain Revolving Credit Agreement dated as of [_____] 1, 2026 (as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, the “*Revolving Credit Agreement*”), between SMUD and the Bank and that certain Fee Agreement dated [_____] , 2026 (as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, the “*Fee Agreement*”), between SMUD and the Bank, at the office of the Bank at [_____] (or such other address as designated by the Bank to SMUD in writing), the aggregate unpaid principal amount of all Tax-Exempt Loans and related Term Loans (as such terms are defined in the Revolving Credit Agreement) pursuant to the Revolving Credit Agreement and the Fee Agreement on the dates and in the amounts provided for in the Revolving Credit Agreement and the Fee Agreement.

SMUD promises to pay interest on the unpaid principal amount of all Tax-Exempt Loans and related Term Loans owed to the Bank under the Revolving Credit Agreement and the Fee Agreement on the dates and at the rate or rates provided for in the Revolving Credit Agreement and the Fee Agreement. All payments of principal and interest shall be made in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts in immediately available funds. All capitalized terms used herein and not otherwise defined herein shall have the meanings specified in the Revolving Credit Agreement.

This Tax-Exempt Revolving Note is the Tax-Exempt Note referred to in the Revolving Credit Agreement and is entitled to the benefits thereof and of the Program Documents referred to therein. As provided in the Revolving Credit Agreement, this Tax-Exempt Revolving Note is subject to prepayment, in whole or in part, in accordance with the terms of the Revolving Credit Agreement.

The Bank agrees, by acceptance of this Tax-Exempt Revolving Note, that it will make a notation on the schedule attached hereto of all Tax-Exempt Loans evidenced hereby and all principal payments and prepayments made hereunder and of the date to which interest hereon has been paid, all as provided in the Revolving Credit Agreement; *provided, however*, that the failure to make any such notation shall not limit or otherwise affect the obligation of SMUD hereunder with respect to payments of principal of and interest on this Tax-Exempt Revolving Note.

This Tax-Exempt Revolving Note is authorized by SMUD to be issued to provide funds for the purposes set forth in the Note Resolution and for other authorized purposes, including to

pay the principal amount of Tax-Exempt Loans and related Term Loans theretofore issued. This Tax-Exempt Revolving Note is issued under and pursuant to and in full compliance with the Note Resolution and the Revolving Credit Agreement providing for the issuance and sale and fixing the form and details of this Tax-Exempt Revolving Note.

This Tax-Exempt Revolving Note is an obligation of SMUD secured by a lien on the Available Revenues as more fully described in Section 2.20 of the Revolving Credit Agreement.

It is hereby certified that all conditions, acts and things essential to the validity of this Tax-Exempt Revolving Note exist, have happened and have been done and that every requirement of law affecting the issuance hereof has been duly complied with.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, SMUD has caused this Tax-Exempt Revolving Note to be executed by an authorized officer of SMUD and this Tax-Exempt Revolving Note to be dated as of date set forth above.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

By: _____
Name: Jennifer Restivo
Title: Treasurer

**SCHEDULE FOR TAX-EXEMPT REVOLVING NOTE
DATED [], 2026
BY SACRAMENTO MUNICIPAL UTILITY DISTRICT
PAYABLE TO PNC BANK, NATIONAL ASSOCIATION**

DATE	AMOUNT OF TAX-EXEMPT LOAN MADE	AMOUNT OF PRINCIPAL PAID	DATE TO WHICH INTEREST PAID		NOTATION MADE BY

EXHIBIT C

FORM OF NOTICE OF BORROWING

[Date]

TO:

PNC Bank, National Association (the “*Bank*”)

[_____]

Attention: [_____]

Telephone: [_____]

Email: [_____]

FROM: Sacramento Municipal Utility District

Re: Revolving Credit Agreement
(the “*Credit Agreement*”) dated as of [_____] 1, 2026, between
Sacramento Municipal Utility District and the Bank

We hereby give notice, pursuant to Section 2.2(a) of the Credit Agreement, of the following proposed Borrowing:

Date of Borrowing [Date]
Loan Principal Amount..... [\$xx,xxx,xxx]
Amount of Loans Outstanding..... [\$xxx,xxx,xxx]

The proceeds of such Loan are to be wire transferred to the following account:

Pay: [Account Name: SMUD General Account
Bank Name: Bank of America
ABA Number: 026 009 593
Account Number: 01488-80182]

The Loan constituting such Borrowing is

to be a (check applicable box):

Taxable Loan [__]

Tax-Exempt Loan

[Attached hereto is an executed copy of the [Tax Certificate/Supplemental Tax Certificate] relating to such Tax-Exempt Loan which includes the related form 8038-G.]

The rates of interest on the Loan will not exceed the Maximum Interest Rate.

The undersigned hereby acknowledges on and as of the date hereof that submission of this notice shall be deemed to be a representation and warranty by SMUD on the date of such Borrowing as to the facts specified in clauses (b), (c) and (d) of Section 3.2 of the Credit Agreement and that no Default or Event of Default has occurred and is continuing.

Terms used herein have the meanings assigned to them in the Credit Agreement.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

By: _____

Name: _____

Title: _____

EXHIBIT D

[FORM OF NOTICE OF CONVERSION]

NOTICE OF CONVERSION

PNC Bank, National Association (the “*Bank*”)

[_____]

Attention: [_____]

Telephone: [_____]

Email: [_____]

Re: Sacramento Municipal Utility District

Ladies and Gentlemen:

The undersigned, an Authorized SMUD Representative, refers to the Revolving Credit Agreement, dated as of [_____] 1, 2026 (together with any amendments or supplements thereto, the “*Agreement*”), between Sacramento Municipal Utility District and the Bank (the terms defined therein being used herein as therein defined) and hereby gives Bank notice irrevocably, pursuant to Section 2.2(a)(ii) of the Agreement, of the conversion of the Loan(s) specified herein, that:

1. The Business Day of the proposed conversion is _____, 20____ (the “*Conversion Date*”), which is at least two (2) U.S. Government Securities Business Days following the date hereof.
2. The aggregate amount of the Loan(s) to be converted is \$_____.
3. The Loan(s) is/are Tax-Exempt Loan(s) to be converted into a Taxable Loan(s).
4. The principal amount of the Loans to be outstanding following the conversion will not exceed the Commitment as of the Conversion Date set forth in 1 above.

The undersigned hereby acknowledges on and as of the date hereof that submission of this notice shall be deemed to be a representation and warranty by SMUD on the Conversion Date as to the facts specified in clauses (b), (c) and (d) of Section 3.2 of the Credit Agreement and that no Default or Event of Default has occurred and is continuing.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Notice of Continuation as of the _____ day of _____, _____.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

By: _____
Name: _____
Title: _____

EXHIBIT E

FORM OF
REQUEST FOR EXTENDED FUNDED PERIOD

[DATE]

To:

PNC Bank, National Association (the “*Bank*”)

[_____]

Attention: [_____]

Telephone: [_____]

Email: [_____]

Ladies and Gentlemen:

The undersigned, Sacramento Municipal Utility District (“SMUD”), hereby refers to the Revolving Credit Agreement dated as of [_____] 1, 2026, as amended, modified, supplemented or restated from time to time (the “*Credit Agreement*”), between SMUD and PNC Bank, National Association (the “*Bank*”). All capitalized terms contained herein which are not specifically defined shall have the meanings assigned to such terms in the Credit Agreement.

SMUD hereby requests, pursuant to Section 2.22 of the Credit Agreement, that the Term Loans be payable as provided in Section 2.22 of the Credit Agreement with interest as provided in Section 2.22 of the Credit Agreement.

In connection with such request, SMUD hereby represents and warrants that:

(a) no Credit Default or Credit Event of Default shall have occurred and be continuing on the date hereof and no Credit Default or Credit Event of Default will have occurred and be continuing on the Facility Maturity Date,

(b) (1) there has been no material adverse change in SMUD’s business, assets, liabilities, financial condition, results of operations or business prospects which could reasonably be expected to result in a material adverse effect on SMUD’s ability to perform its obligations under this Agreement and the Program Documents or the rights, security or interests of the Bank hereunder and under the Program Documents and (2) no event described in clause (b) of the definition of Material Adverse Change shall have occurred and be continuing on the date hereof and no event described in clause (b) of the definition of Material Adverse Change will have occurred on the Facility Maturity Date.

We have enclosed along with this request the following information:

1. The nature of any and all Defaults and Events of Default; and

2. Any other pertinent information previously requested by the Bank.

Very truly yours,

SACRAMENTO MUNICIPAL UTILITY DISTRICT

By: _____
Name: _____
Title: _____

Attachment E
to Resolution No. 26-01-06

FEE AGREEMENT
DATED [_____], 2026

Reference is hereby made to that certain Revolving Credit Agreement dated as of [_____] 1, 2026 (as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, the “*Agreement*”), between the SACRAMENTO MUNICIPAL UTILITY DISTRICT, a municipal utility district of the State of California (“SMUD”), and PNC BANK, NATIONAL ASSOCIATION (the “*Bank*”), relating to the Sacramento Municipal Utility District, Taxable Revolving Note (PNC Revolving Credit Agreement) and Tax-Exempt Revolving Note (PNC Revolving Credit Agreement). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement.

The purpose of this Fee Agreement (this “*Fee Agreement*”) is to confirm the agreement between the Bank and SMUD with respect to, among other things, the Commitment Fees (as defined below), the Taxable Applicable Spread and Tax-Exempt Applicable Spread and certain other fees payable to the Bank. This Fee Agreement is the Fee Agreement referenced in the Agreement, and the terms hereof are incorporated by reference into the Agreement. This Fee Agreement and the Agreement are to be construed as one agreement between SMUD and the Bank, and all obligations hereunder are to be construed as obligations thereunder. All references to amounts due and payable under the Agreement will be deemed to include all amounts, fees and expenses payable under this Fee Agreement.

ARTICLE I. FEES AND OTHER AGREEMENTS.

Section 1.1. Commitment Fees. SMUD hereby agrees to pay to the Bank on April 10, 2026, for the period commencing on the Closing Date and ending on March 31, 2026, and quarterly in arrears on the tenth (10th) calendar day of each July, October, January and April (each, a “*Quarterly Payment Date*”) occurring prior to the Termination Date, and on the Termination Date, a non-refundable commitment fee (the “*Commitment Fee*”) in an amount equal to the rate per annum based upon the applicable Level corresponding to the then applicable Rating (as defined below) for each day during the related fee period, as specified below (the “*Commitment Fee Rate*”), on the Unutilized Commitment from time to time in effect for each day during each related period:

COMMITMENT FEE RATE

LEVEL	MOODY'S RATING	S&P RATING	FITCH RATING	UNUTILIZED COMMITMENT <	UNUTILIZED COMMITMENT ≥
				50% OF COMMITMENT	50% OF COMMITMENT
Level 1	Aa3 or above	AA- or above	AA- or above	0.15%	0.20%
Level 2	A1	A+	A+	0.20%	0.25%
Level 3	A2	A	A	0.30%	0.35%
Level 4	A3	A-	A-	0.40%	0.45%
Level 5	Baa1	BBB+	BBB+	0.50%	0.55%
Level 6	Baa2	BBB	BBB	0.60%	0.65%
Level 7	Baa3	BBB-	BBB-	0.70%	0.75%
Level 8	Below Baa3	BBB-	Below BBB-	2.70%	2.75%

The term “*Unutilized Commitment*” as used herein means the Commitment, as of the Closing Date, as permanently reduced from time to time in accordance with the Agreement less the outstanding principal amount of any Loans under the Agreement. The term “*Rating*” as used herein shall mean the long-term unenhanced debt rating assigned by Moody’s, Fitch and S&P to any Debt of SMUD secured by or payable from Net Revenues on a parity with Bonds and Parity Bonds. In the event of a split rating (*i.e.*, the Rating of one of the Rating Agencies’ is different than the Rating of any of the other Rating Agencies), the Commitment Fee Rate shall be based upon the Level in which the lower of the two highest Ratings appears; *provided, however*, if less than three Rating Agencies then assign a long-term unenhanced debt rating to Bonds and Parity Bonds, the Commitment Fee Rate shall be based upon the Level in which the lower Rating appears. Any change in the Commitment Fee Rate resulting from an Event of Default or change, withdrawal or suspension of a Rating shall be and become effective as of and on the date of the Event of Default or the date of the announcement of the change, withdrawal or suspension of such Rating. References to ratings levels above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system, including, without limitation, any recalibration or realignment of Rating in connection with the adoption of a “global” rating scale, the rating from the Rating Agency in question referred to above shall be deemed to refer to the rating category under the new rating system that most closely approximates the applicable rating category as currently in effect. In the event that a Rating is suspended or withdrawn (for the avoidance of doubt, a decision by SMUD to cause a Rating Agency to no longer maintain its Rating, for non-credit related reasons and not for the purpose of avoiding the occurrence of an event of default, shall not constitute a suspension or withdrawal of such Rating) from any Rating Agency or upon the occurrence of and during the continuance of an Event of Default, the Commitment Fee Rate shall increase to the Commitment Fee Rate specified above for Level 6 above. The Commitment Fees shall be payable as set forth above, together with interest

on the Commitment Fees from the date payment is due until payment in full at the Default Rate. The Commitment Fee shall be payable in immediately available funds and computed on the basis of a year of 360 days and the actual number of days to elapse. SMUD acknowledges that as of the Closing Date the Commitment Fee Rate is that specified above for Level 1.

Section 1.2. Amendment, Consent or Waiver Fee. SMUD agrees to pay to the Bank on the date of each amendment, supplement, or modification to the Agreement or this Fee Agreement (or any Program Document, the amendment, supplement or modification of which requires the consent of, or waiver from, the Bank), a non-refundable fee in an amount, if any, agreed to by the Bank and SMUD after the Bank has provided SMUD with an estimate of such fee and SMUD has approved such fee estimate in writing plus the reasonable fees and expenses of any legal counsel retained by the Bank in connection therewith in an amount agreed to by the Bank and SMUD after the Bank has provided SMUD with an estimate of such fees and expenses of legal counsel and SMUD has approved such fee and expense estimate in writing.

Section 1.3. Taxable Applicable Spread, Tax-Exempt Applicable Spread and L/C Fee Rate. For purposes of the Agreement, the “Taxable Applicable Spread,” the “Tax-Exempt Applicable Spread” and “L/C Fee Rate” means a rate per annum based upon the applicable Level corresponding to the then applicable Rating in the applicable column, as specified below:

LEVEL	MOODY'S RATING	S&P RATING	FITCH RATING	TAXABLE APPLICABLE SPREAD	EXEMPT APPLICABLE SPREAD	TAX- L/C FEE RATE
Level 1	Aa3 or above	AA- or above	AA- or above	0.42%	0.33%	0.45%
Level 2	A1	A+	A+	0.47%	0.38%	0.50%
Level 3	A2	A	A	0.57%	0.48%	0.60%
Level 4	A3	A-	A-	0.67%	0.58%	0.70%
Level 5	Baa1	BBB+	BBB+	0.77%	0.68%	0.80%
Level 6	Baa2	BBB	BBB	0.87%	0.78%	0.90%
Level 7	Baa3	BBB-	BBB-	0.97%	0.88%	1.00%
Level 8	Below Baa3	Below BBB-	Below BBB-	2.97%	2.88%	3.00%

In the event of a split rating (*i.e.*, the Rating of one of the Rating Agencies’ is different than the Rating of any of the other Rating Agencies), the Taxable Applicable Spread, Tax-Exempt Applicable Spread and L/C Fee Rate shall be based upon the Level in which the lower of the two highest Ratings appears; *provided, however*, if less than three Rating Agencies then assign a long-term unenhanced debt rating to Bonds and Parity Bonds, the Taxable Applicable Spread, Tax-Exempt Applicable Spread and L/C Fee Rate shall be based upon the Level in which the lower Rating appears. Any change in the Taxable Applicable Spread, Tax-Exempt Applicable Spread and L/C Fee Rate resulting from a change in a Rating shall be and become effective as of and on the date of the announcement of the change in such Rating. References to ratings levels above are references to rating categories as presently determined by the Rating Agencies and in the event of

adoption of any new or changed rating system, including, without limitation, any recalibration or realignment of Rating in connection with the adoption of a “global” rating scale, the rating from the Rating Agency in question referred to above shall be deemed to refer to the rating category under the new rating system that most closely approximates the applicable rating category as currently in effect. In the event that a Rating is suspended or withdrawn (for the avoidance of doubt, a decision by SMUD to cause a Rating Agency to no longer maintain its Rating, for non-credit related reasons and not for the purpose of avoiding the occurrence of an event of default, shall not constitute a suspension or withdrawal of such Rating) from any Rating Agency or upon the occurrence of and during the continuance of an Event of Default, the Loans shall bear interest at the Default Rate. SMUD acknowledges that as of the Closing Date the Taxable Applicable Spread, Tax-Exempt Applicable Spread and L/C Fee Rate are the spreads and rate, as applicable, that are specified above for Level 1 in this Section 1.3.

ARTICLE II. MISCELLANEOUS.

Section 2.1. Amendments. No amendment to this Fee Agreement shall become effective without the prior written consent of SMUD and the Bank.

Section 2.2. Governing Law. PURSUANT TO SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW (OR ANY SUCCESSOR STATUTE THERETO), THIS FEE AGREEMENT SHALL BE DEEMED TO BE A CONTRACT UNDER, AND SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK AND APPLICABLE FEDERAL LAW; PROVIDED, HOWEVER, THAT THE CAPACITY, POWER AND AUTHORITY OF SMUD TO ENTER INTO THIS FEE AGREEMENT AND THE OBLIGATIONS OF SMUD HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA AND APPLICABLE FEDERAL LAW WITHOUT REGARD TO CHOICE OF LAW RULES.

Section 2.3. Counterparts. This Fee Agreement may be executed in two or more counterparts, each of which shall constitute an original but both or all of which, when taken together, shall constitute but one instrument. Delivery of an executed counterpart of a signature page of this Fee Agreement by facsimile transmission or by e-mail with a pdf copy or other replicating image attached, will be effective as delivery of a manually executed counterpart of this Fee Agreement, and any printed or copied version of any signature page so delivered will have the same force and effect as an originally signed version of such signature page.

Section 2.4. Severability. Any provision of this Fee Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 2.5. Representation by Legal Counsel; Joint Preparation. The parties hereto have participated jointly in the negotiation and drafting of this Fee Agreement, and each of the parties was represented by its respective legal counsel during the negotiation and execution of this Fee Agreement. In the event an ambiguity or question of intent or interpretation arises, this Fee Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of

proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Fee Agreement.

Section 2.6. No Disclosure. Unless required by law, SMUD shall not deliver or permit, authorize or consent to the delivery of this Fee Agreement to any Person (other than SMUD's attorneys, accountants or auditors) or for posting on the Electronic Municipal Market Access website as provided by the Municipal Securities Rulemaking Board unless the Bank provides its prior written consent. The Bank acknowledges and agrees, however, that this Fee Agreement was made available to the public for the meetings of the SMUD Board of Directors at which the SMUD Board of Directors considered the approval of the execution and delivery of this Fee Agreement.

Section 2.7. Payment Due on Non-Business Day to Be Made on Next Business Day. If any sum becomes payable pursuant to this Fee Agreement on a day which is not a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, and such extended time shall be included in the computation of interest and fees.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Fee Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first set forth above.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

By: _____
Name: Jennifer Restivo
Title: Treasurer

PNC BANK, NATIONAL ASSOCIATION

By: _____

Name: Kevin Stewart

Title: Senior Vice President

President Tamayo then called for public comment for items not on the agenda.

Matthew Rush, a SMUD Apprentice Lineman and International Brotherhood of Electrical Workers (IBEW) member, stated the current contract did not reflect the risks, workload or market and requested a fair contract.

Josh Ehrhardt, a SMUD Lineman, stated he was speaking on behalf of IBEW-represented employees at SMUD. He stated discussions had extended past what was typically encountered in contract negotiations. He stated a letter signed by 400 IBEW employees had been submitted to Mr. Lau, a copy of which is attached to these minutes.

Pat Gehlen with Gold River Neighborhood Watch spoke about a streetlight that had not been working for three years and asked for assistance in getting it resolved. A copy of materials provided by Ms. Gehlen is attached to these minutes.

President Tamayo directed staff to meet with Ms. Gehlen.

Thomas Bernardo, a retired State Park Ranger and retired State Park Superintendent, representing the California State Park Rangers Association spoke in opposition to the Coyote Creek Project.

Sophia Markowsky, with Defenders of Wildlife, spoke in opposition to the Coyote Creek Project.

David Wright, with Sac350, read from a comment prepared by Sean Wirth. A copy of materials provided by Mr. Wright is attached to these minutes.

Tim Washburn with Third Act Sacramento spoke in opposition to the Coyote Creek Project. A copy of materials provided by Mr. Washburn is attached to these minutes.

John Weber thanked Director Fishman for excellent management of meetings in the previous year. He additionally suggested adding enhanced geothermal to the Board Parking Lot for the coming year. A copy of materials provided by Mr. Weber is attached to these minutes.

Written public comment, copies of which are attached, was received from the following members of the public:

- Dyane Osorio
- Claire Zuma

President Tamayo then turned to Directors' Reports.

Director Rose reported on his meetings with staff and SMUD's external auditor to improve the format of SMUD's reports to make them clearer and user-friendly. He concluded by reporting on his attendance at the Lineworker Scholarship Graduation.

Director Bui-Thompson reported on her keynote speaking engagement for the Chartwell Electric Vehicle (EV) Leadership Council.

Director Fishman reported on his speaking engagement at the Iranian American Cultural and Educational Center Yalda Gala and his attendance at the Lineworker Scholarship Graduation. He concluded by reporting on his attendance, along with President Tamayo, at the Japanese American Citizens League (JACL) 90th Anniversary Awards and Installation Luncheon.

Director Herber reported on her attendance at the RISE Women in Business Christmas Pajama Party. She then thanked SMUD Chief Diversity Officer Jose Bodipo-Memba and Director of Community Relations Outreach & Support Rhonda Staley-Brooks for their assistance with the Dream It, Be It workshop. She concluded by reporting on the City of Sacramento proclamation received by the Sacramento History Alliance Board, on which she serves as a Board member, and noted SMUD would be working with them in the future about a baseball exhibit.

Vice President Kerth reported on his attendance, along with President Tamayo, at the Hispanics in California Energy Summit.

Director Sanborn reported on her attendance at the Lineworker Scholarship Graduation as well as her meeting with Orville Thomas of Cal EPIC.

President Tamayo reported on his attendance at the Iranian American Cultural and Educational Center Yalda Gala and his subsequent meeting with the Iranian radio station. He then reported on his attendance at the Western Service Workers Association Partner Appreciation event, the Lineworker

Scholarship Graduation, the JACL 90th Anniversary Awards and Installation Luncheon, and the Hispanics in Energy summit. He concluded by reporting he had received a disappointing call from CEO Lau informing him that he would be retiring in approximately six months. He noted his disappointment was due to the fact that he valued working with Mr. Lau and his contributions. He stated he owed Mr. Lau a debt of gratitude for all he had done.

Paul Lau, Chief Executive Officer and General Manager, reported on the following items:

1) CEO Retirement. Thank you to the Board for your kind words about my retirement this summer. I want to thank the Board for your support during my time as CEO. It has been the honor of my lifetime to serve our community as SMUD's CEO, and a true privilege to have been at SMUD for almost 45 years. The Board's leadership and partnership have been instrumental in helping us achieve so much. As you know, I am fully committed to staying on until the Board selects my successor, and I will be here to support a smooth and successful transition. I am proud of the work that we do every single day, and I am confident that SMUD will continue to be a cutting edge utility that will continue to provide value to our customers and community day-in and day-out and continue to be one of the best utilities in the United States, so for that, I want to say thank you.

2) Board Leadership. Now, with tonight's commendation, I would like to thank again our outgoing president, Gregg Fishman. Your work for SMUD over this past year has been incredible! I sincerely appreciate how deeply you have supported our community, championing SMUD's 2030 Clean Energy Vision at dozens of community and industry events. Your commitment and dedication have been tireless – nights and weekends, too. I also appreciate your leadership and the support of our mission and staff every day. We would also like to extend a warm

welcome to this year's President Dave Tamayo and Vice President Rob Kerth. We are thankful for your leadership this coming year.

3) **Board Video.** Finally, tonight's video looks back on SMUD's many accomplishments during 2025. It was a year filled with achievements – from our operations to our community work, our progress toward our zero-carbon goal and so much more.

President Tamayo requested the Summary of Board Direction, but there were no items.

President Tamayo called for public comment on the closed session agenda, but none was forthcoming.

President Tamayo announced the Board would enter into closed session to discuss the following item:

1. **Public Employment.**

Pursuant to section 54957(b)(1) of the Government Code:
Employment of CEO and General Manager.

No further business appearing, President Tamayo stated the Board would not be taking action on the closed session item and adjourned the meeting into closed session at 7:07 p.m.

President Tamayo re-opened the meeting and adjourned the meeting at 8:15 p.m.

Approved:

President

Secretary

Exhibit to Agenda Item #8

Authorize the Chief Executive Officer and General Manager to negotiate and execute:

- a. A three-year contract renewal with **Wells Fargo Bank, N.A. (Wells Fargo)** to modify and extend a \$50 million **Line of Credit (Wells Fargo Line)** and all other documents or actions necessary to facilitate the **Wells Fargo Line**; and
- b. A three-year contract with **PNC Bank, N.A. (PNC)** for a new \$100 million **Line of Credit (PNC Line)** and all other documents or actions necessary to facilitate the **PNC Line**.

Board of Directors Meeting

Thursday, January 15, 2026, scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium

Liquidity Program Background

Commercial Paper

- Used to maintain 150 days cash
- Preserves ability to borrow for capital spending
- Can be issued quickly
- Requires a letter of credit
- Capacity of \$400 million

Line of Credit

- Used to maintain 150 days cash
- Preserves ability to borrow for capital spending
- Instantaneous access to cash
- Reliant on the bank as opposed to investor demand
- Current capacity of \$100 million

Lines of Credit

- Existing line of credit with Wells Fargo Bank expires February 2026
- Expanding lines of credit to \$150 million for a 3-year term through:
 - Extending Wells Fargo Bank existing line of credit
 - Adding PNC Bank for an additional new line of credit
- Additional line of credit capacity:
 - Supports SMUD's capital improvement program
 - Expands and diversifies SMUD's liquidity program
 - Ensures a minimum of 150 days' cash is maintained, with lower costs and immediate access to funds





AN OPEN LETTER TO PAUL LAU, SMUD CEO

We are the dedicated IBEW 1245 men and women at SMUD.

We keep the lights on across our region, providing safe, reliable and affordable electricity for our communities.

We make SMUD a world-class utility every day & deserve fair & equitable wages, benefits & retirement security.

Our wages & benefits should reflect our leadership in the field.

We respectfully demand equity & fairness at the bargaining table.

No more and no less.

WE STAND WITH OUR BARGAINING COMMITTEE.



The Apprentices, Cable Locators, Cable Splicers, Distribution System Operators, Elect Techs, Electrical Test & Repair Specialists, Electricians, Equipment Operators, Stationary Engineers, Field Support Techs, Gardeners, Gas Control Techs, Hazmat Techs, High Voltage Test Techs, Heavy Duty Equipment Operators, Hydro Field Techs, Hydro Mechanics, Hydro Operators, Hydro Stationary Engineers, High Voltage Electricians, Line Equipment Operators, Line Equipment Operator Assistants, Line Inspectors, Linemen, Maintenance Carpenters, Material Specialists, Mechanics,

Meter Techs, Plant Mechanics, Power System Operators, Revenue Protection Reps, Substation Maintenance Workers, Telecom Techs, Tool Repairs, Troubleshooters, Utility Compliance Specialists, Utility Workers, Vegetation Work Planners, Vehicle Attendants, Vehicle Maintenance Aides, Vehicle Mechanics and Vehicle Mechanic Welders who power SMUD

STAND WITH OUR BARGAINING COMMITTEE.

Pat Gehlen 916-337-9566
11347 Gold Country Blvd
Gold River, CA 95670

Street Light stopped working April - 3 yrs ago
this coming April

Light is located on Tailrace Dr.
- off Gold Country Blvd Gold River, CA

Got number on Light Standard

October 13, 2025

Sept. 10, 2025

Talked to gentleman at SMUD - Rick

Very helpful - kind 916-732-5700

He looked at every report

John Seder - GRCA Board Member ^{June - July 2025} Came over
to look at light standard. He made a report
to SMUD employee - still no results with light

SMUD Light

Tailrace Dr #21735

Sawmill Way #14795

Hock Farm #21721

Full comments from Sean With - out of town

Shorter version presented orally by David Wright.

2026-01-15 SMUD board comments — on behalf of ECOS and Habitat 2020

There appears to be a large reputational fallout from the way that SMUD dealt with the Power Purchase Agreement (PPA) for the Coyote Creek Agrivoltaic project — both in how it was initiated and then in how it was terminated.

Signing an agreement for such a project; without site visits, ecological and cultural prescreening, and verification of assertions by the developer regarding environmental and cultural settings; violated basic common sense for a utility that prides itself in environmental and cultural sensitivity.

Cancelling the PPA after growing public pressure after the board of supervisors' approval of the project, and the three ensuing lawsuits, missed multiple opportunities to effectively address SMUD's role in this controversial project. After years of assertions from SMUD that the PPA could not be terminated, we discover that it *could* have been, more than a *year* before the Board of Supervisors' hearing — a hearing at which the claim that SMUD needed this project to meet its 2030 goals was key to approval. Had SMUD terminated the PPA when it could have, and then appeared at the board hearing and explained how and why the PPA got signed in the first place and why it was terminated, it seems unlikely that the project would have been approved and SMUD's mistakes could have been fully rectified.

The way that things actually unfolded leaves many feeling a growing lack of confidence in SMUD and SMUD's processes.

What can SMUD do to address this growing lack of confidence in SMUD's processes? SMUD had already committed to the first crucial change, which is that all third-party projects will now have to be prescreened for potential environmental and cultural resource concerns. But a behind-the-scenes prescreening with no nexus for

public input hardly seems adequate to address the growing lack of confidence. A public workshop or training that elucidates for SMUD board, staff, and customers what goes into an effective prescreening for environmental and cultural concerns would be a good place to start in assuring customers that robust prescreening processes are in place. But, other important changes that improve transparency and allow for public input are needed.

There should be agreed upon protocols in writing that need to be followed by SMUD board and staff that clearly recognize and reinforce the boards' fiduciary responsibility to SMUD's customers when it comes to staff direction. And, for project approvals for large solar projects, there should be a protocol that allows for public input. Such a protocol could be that SMUD staff do the required prescreening and then large and or industrial scale project approvals or signing of PPAs would be voted on by the board publicly with proper Brown Act notifications and relevant background materials provided. Similarly, amendments to PPAs or substantial changes to project descriptions should also be noticed and publicly voted on by the board.

AND, this is an opportunity to proactively map those areas of least conflict for the siting of renewable facilities within the SMUD region for internal use and for use by third party developers. There are readily available examples of this in nearby geographies, like the "Western San Joaquin Valley Least Conflict Solar Energy Assessment," and there are easily accessible sophisticated online mapping tools like Data Basin and the Replan tool that would help facilitate this work for your already sophisticated staff who work on mapping for SMUD.

Please take this opportunity to more fully engage SMUD with its customers in a way that improves confidence through improved transparency and appropriate protocols that ensure that important concerns are identified and addressed.



Outlook

[EXTERNAL] Please add Coyote Creek to Board agenda Jan 15

From David Wright <dwrighteco@protonmail.com>

Date Fri 1/9/2026 11:37 AM

To Dave Tamayo <Dave.Tamayo@smud.org>; Gregg Fishman <gbfishman@gmail.com>; Heidi Sanborn <Heidi.Sanborn@smud.org>; Rosanna J. Herber <Rosanna.Herber@smud.org>; Brandon Rose-Contact <brandonrose@hotmail.com>; Rob Kerth External <rob@kerth.us>; Nancy Bui-Thompson <Nancy.Bui-Thompson@smud.org>; Public Comment <PublicComment@smud.org>

Cc Rick Codina <coyote1@surewest.net>

CAUTION: This email originated from outside of SMUD. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Thank you for canceling the contract. I will be thanking you publicly as well.

Please add CCAR project and cancellation to the Board agenda so that your customers/owners may be more fully informed about what happened, what's happening, and future steps.

David Wright

Sent with [Proton Mail](#) secure email.

Public Comment on the Coyote Creek Project

I ask the Board to clearly explain SMUD's reasons for canceling the Coyote Creek PPA.

The termination letter states that the original project and its economics no longer exist and that the Seller misrepresented support from key stakeholders, including the Wilton Rancheria. This language suggests that, if the economics were more favorable and Tribal support had been secured, the project might still have been acceptable to the Board.

To restore public trust, the Board should make a clear and unequivocal statement that, regardless of project economics or stakeholder positions, development of a utility-scale project at Barton Ranch is inconsistent with SMUD's commitment to Policy SD-7. That policy requires SMUD to operate sustainably by minimizing environmental impacts, respecting Tribal and cultural resources, conserving natural resources, enhancing biodiversity, and promoting equity across SMUD's communities.

If SMUD makes this statement, it will correct a misunderstanding. Because SMUD did not attend the County Board meeting, many people assumed SMUD agreed with the County's decision. In particular, they believed SMUD also viewed the harm to oak trees, the scenic corridor, and cultural resources as an acceptable trade-off for clean energy. SMUD should clearly state that it does not share that view.

Thank you,

Tim Washburn
Third Act Sacramento



Outlook

[EXTERNAL] Written comment for 1-15-26 board meeting

From John W <js_weber@hotmail.com>

Date Thu 1/15/2026 6:28 PM

To Public Comment <PublicComment@smud.org>

CAUTION: This email originated from outside of SMUD. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Thank you for your service as the President, Director Fishman. You did an excellent job running the meetings. You were always calm and never were rattled. I appreciate your service.

John Weber



[EXTERNAL] Request for Clear Explanation of Coyote Creek PPA Cancellation and SMUD Policy SD-7 Commitment

From Dyane Osorio <dyanejosorio@gmail.com>

Date Thu 1/15/2026 6:21 PM

To Public Comment <PublicComment@smud.org>

CAUTION: This email originated from outside of SMUD. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Dear SMUD Board Members,

I am a SMUD customer enrolled in green energy, and I am writing to ask the Board to clearly explain SMUD's reasons for canceling the Coyote Creek Power Purchase Agreement.

The termination letter states that the original project and its economics no longer exist and that the Seller misrepresented support from key stakeholders, including the Wilton Rancheria. This language suggests that, had the economics been more favorable and Tribal support secured, the project might still have been acceptable to the Board.

To restore public trust, I urge the Board to make a clear and unequivocal statement that, regardless of project economics or stakeholder positions, development of a utility-scale project at Barton Ranch is inconsistent with SMUD's commitments under Policy SD-7. That policy requires SMUD to operate sustainably by minimizing environmental impacts, respecting Tribal and cultural resources, conserving natural resources, enhancing biodiversity, and promoting equity across SMUD's communities.

Such a statement is important to correct a widespread misunderstanding in the community. Because SMUD did not attend the County Board meeting, many people assumed SMUD agreed with the County's decision. In particular, they believed SMUD also viewed the harm to oak trees, the scenic corridor, and cultural resources as an acceptable trade-off for clean energy development.

As a green energy customer, I want to be confident that SMUD's clean energy goals are pursued in a manner fully consistent with its sustainability policies and values. SMUD should clearly state that it does not share the view that these harms are acceptable, and that projects conflicting with Policy SD-7 will not move forward, regardless of economics.

Thank you for your attention and for providing clarity on this important issue otherwise I will be withdrawing from the Green Energy program.

Sincerely,

--

Dyane J. Osorio

Pronombres: Ella/She/Her

* Reduce * Reuse * Recycle * Buy Recycled *Always use the stairs

"Competition has been shown to be useful up to a certain point and no further, but cooperation, which is the thing we must strive for today, begins where competition leaves off." - Franklin D. Roosevelt

****Consider the environment before printing any document****
>>Consider the environment before printing any document<<



[EXTERNAL] 2026_01_15 SMUD Board Meeting

From Claire Zuma <claire.warshaw@gmail.com>

Date Thu 1/15/2026 7:17 PM

To Public Comment <PublicComment@smud.org>

CAUTION: This email originated from outside of SMUD. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Thursday, January 15th, 2026

Greetings SMUD Board Members:

I am providing a written public comment tonight, because I noticed the Zoom link and software type [government?] provided does not have a hand icon to raise.

September 2025, I received the SMUD Benefits Department Open Enrollment letter, which suggested my Kaiser retiree plan [non-Medicare, no dependents], would raise approximately 9%.

January 2026, I noticed the Kaiser deduction from my CalPERS electronic statement to be more than 30%. The SMUD Kaiser retiree plan was the only change on my CalPERS statement.

I emailed both the SMUD Benefits Department and Chair Fishman regarding the over 30% change. Despite how bad healthcare increases are said to be lately for others on the Affordable Care Act, this was still unexpected, especially on my current low income, and especially since clearly the Open Enrollment letter stated the approx. 9% change.

Eventually it was explained by the SMUD Benefits team that in 2025 the same Kaiser retiree non-Medicare plan increased 20%, but they did not add that 20% increase to my CalPERS Kaiser deduction. One Benefit department manager suggested the value might not have been input properly, but said she would get back to by the end of the same week, after investigating the reasons why this happened, but did not.

I updated both the Benefits department and Chair Fishman with further ample details in additional emails since she did not call back when she indicated she might. I asked for the SMUD's Benefits department to explain what happened in writing, but so far that has not occurred, nor seemed even slightly possible. When I noticed the over 30% discrepancy, I could only email. There was no SMUD Benefits department phone number to contact. Writing back, and explaining might clear these situations faster. Writing makes it easier on me, since so few believe me sometimes when I attempt to explain situations such as these.

My last name changed July 23rd, 2024 from "Warshaw" to "Zuma" [named after Southern California's Zuma Beach]. I provided formal paperwork to many different places and agencies, including SMUD

when this change occurred. Perhaps SMUD Benefits wants to blame that 2024 last name change. I find that kind of blame a bit unusual though since most agencies were able to absorb the new last name quickly, including the California Department of Motor Vehicles. Also, it would seem like SMUD would be accustomed to changing last names due to marriages.

In the distant past, while working at SMUD, the Benefits department software did not absorb formal paperwork at divorce in 2011, which released my dependent. While still working at SMUD I noticed the SMUD Benefits Department software re-added the dependent, so I had to submit the formal paperwork again, several months later, to remove the benefit again.

I also noticed several years after "early" retiring from SMUD that one formal and professional acting Benefits employee checked the box for male instead of female on retirement paperwork. So perhaps there is something unusual in behavior there occasionally happening.

NOTE: Since SMUD is a public community organization and it seems most communications are at risk for privacy problems: I am fearful of how I might get treated by strangers in the community both: in the outcome that SMUD covers the missing 2025 funds, and in the outcome that I am directed to cover the missing funds and write a big check. I am unaware at this point what will be suggested and unaware if SMUD budgets for errors or hacks such as these. If there are ways to address the potential hate of strangers, because of issues like these, please inform.

Also, I find it unnerving, if I am the only one subject to the 2025 healthcare plan change error, so I hope SMUD is able to figure out how to remove/re-educate the hateful employee and/or algorithm that worked on causing the situation. If the situation was simply an error due to input, or a software issue, which seems a bit unbelievable since nothing changed in the plan details since 2018 besides the last name, I hope the SMUD Benefits department develops a better checking system and software plan as soon as possible.

I also think of suggesting more diversity training to accept Jewish names/people. [Though I was brought up Christian, my old last name was from my paternal grandfather and was of a Polish/Russian Jewish origin], and potentially subjecting SMUD employees to anti-semitic and exposure to other than Christianity religious educations in small amounts at a time. Perhaps put up decorations for the other religions' holidays in a big way, besides the traditional community Christmas, for example. I am not sure what would help if this is the cause. I did have 2 separate run-ins with 2 very different SMUD employees who seem to be expressing anti-semitic behaviors in rather distressing ways, while I was working at SMUD.

I do not doubt there could be a multitude of reasons, that someone or many at SMUD might not like me, even temporarily and want to cause grief. Whatever the case, if anything becomes obvious, please help address in a sane way for this old workplace and its many employees. I know most of them care. I too am sorry all might suffer a few and a complaint like this, just like anyone else.

I have a virtual meeting scheduled for tomorrow with the SMUD 2025 Open Enrollment, Benefit Department, letter signer.

Thanks for your attention and insights.

Sincerely,

Claire Zuma

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date
Finance & Audit – 02/17/2026
Board Meeting Date
February 19, 2026

TO				TO								
1. Matthew Powell	6.											
2. Jose Bodipo-Memba	7.											
3. Farres Everly	8.											
4. Scott Martin	9.	Legal										
5.	10.	CEO & General Manager										
Consent Calendar	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No <i>If no, schedule a dry run presentation.</i>		Budgeted	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No <i>(If no, explain in Cost/Budgeted section.)</i>		
FROM (IPR)				DEPARTMENT				MAIL STOP	EXT.	DATE SENT		
Matthew Powell				People Services & Strategies				B251	5371	02/02/2026		
NARRATIVE:												
<p>Requested Action: Approve a Memorandum of Understanding (MOU) between the Sacramento Municipal Utility District and the Organization of SMUD Employees (OSE) for the period January 1, 2026, through December 31, 2029.</p> <p>Summary: SMUD and the OSE reached Tentative Agreement on December 16, 2025, on provisions of a successor MOU to the one that expired on December 31, 2025. Key aspects of the 48-month agreement, which OSE members ratified on January 22, 2026, are below:</p> <ul style="list-style-type: none"> ▪ Four- year contract (2026 through 2029) ▪ General Wage Increase: 2026 – 3.85%, 2027 – 3.85%, 2028 – 3.85%, 2029 – 3.85% <ul style="list-style-type: none"> ○ Equity Adjustments (inclusive of the entire job series): Engineering Designers – 4.7%, Graphic Designer – 4.0%, Information Technology Technician – 17.1%, Land Agent – 15.9%. ▪ Deferred Compensation Program: <ul style="list-style-type: none"> ○ SMUD will now match up to \$600 per year per eligible OSE employee each year, previous contract was \$400 per year. ○ SMUD will be increasing monthly direct contributions to eligible employees as follows: <ul style="list-style-type: none"> ▪ 2026: no increase over 2025 amounts. ▪ 2027: \$25 more than 2025 amounts. ▪ 2028: \$50 more than 2025 amounts. ▪ 2029: \$75 more than 2025 amounts. <p>Board Policy: Strategic Direction SD-2, Competitive Rates, Strategic Direction SD-8, Employee Relations (Number & Title)</p> <p>Benefits: This agreement represents a total compensation package that has reasonable risk and cost sharing by both parties. The agreement successfully meets SMUD's financial targets while maintaining competitive pay for OSE employees, safety in the workplace, employee engagement, and positive labor-management relationships.</p> <p>Cost/Budgeted: Staff expects the cost of the agreement to be at or below budget projections.</p> <p>Alternatives: Re-open negotiations with OSE.</p> <p>Affected Parties: All work areas with OSE-represented employees and People Services & Strategies, Employee Relations</p> <p>Coordination: People Services & Strategies, Employee Relations, and Legal</p> <p>Presenter: Matthew Powell, Interim Director, People Services & Strategies</p>												

Additional Links:

SUBJECT	ITEM NO. (FOR LEGAL USE ONLY)
Memorandum of Understanding between SMUD and OSE	5

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

DRAFT

Memorandum of Understanding

Between

Sacramento Municipal Utility District

And

Organization of SMUD Employees

2026 – 2029

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PREAMBLE

Pursuant to the requirements of Government Code Section 3500, et seq., representatives of the Sacramento Municipal Utility District, hereinafter referred to as “SMUD”, and the Organization of SMUD Employees, hereinafter referred to as “the OSE”, have met and conferred in good faith with the purpose of promoting harmonious labor relations and establishing and maintaining appropriate wages, hours, and other terms and conditions of employment.

SMUD recognizes the OSE as the exclusive representative of all employees of SMUD who are assigned to representation Unit 2, as defined in Board Resolution Number 6441. (A list of Unit 2 Classifications appears in Appendix B.) The provisions of this Agreement hereinafter set forth shall apply to those employees of SMUD for whom the OSE is the established representative.

ARTICLE 1

DEFINITIONS

1. AGREEMENT

The terms Agreement and MOU are used interchangeably.

2. TYPES OF EMPLOYEES

A. Civil Service Employee

- 1) A full-time employee hired pursuant to SMUD Civil Service Rules.
- 2) A part-time employee hired prior to July 1, 1991.

B. Non-Civil Service

- 1) A part-time employee regularly scheduled to work twenty (20) or more hours and less than forty (40) hours per week (including overtime).
- 2) A casual employee as defined by SMUD Civil Service Rules.
- 3) A person hired under the Student Employment Program.
- 4) A rehired CalPERS annuitant.
- 5) A Limited Term Employee.

C. Full-Time Employee

A Civil Service or Non-Civil Service employee regularly scheduled to work eighty (80) hours in a pay period.

D. Part-Time Employee

A Civil Service or Non-Civil Service employee regularly scheduled to work less than eighty (80) hours in a pay period (including overtime).

E. Limited Term

- 1) The term “limited term employee” shall have the same meaning as set forth in Public Utilities Code §12055 regardless of how such employees are hired, appointed, or assigned to classifications, positions, or assignments and without regard to title or terminology.
- 2) As defined in the Civil Service Rules, a Limited Term employee is a person hired or appointed by SMUD to perform the job duties of a job classification for a defined time period of not more than two (2) years’ duration. Limited Term appointments may be extended for up to two (2) additional years.
- 3) Limited term employees are immediately covered by this Agreement.
- 4) Limited term employees are “at will” and serve at the pleasure of SMUD. They are not covered by SMUD’s Positive Discipline policies, they are not entitled to file grievances over disciplinary actions, and they may be terminated with or without reason or with or without just cause at any time and without notice.

F. Non-Represented

1) Contract Employee

A Contract Employee is a person working at SMUD who does not get paid through SMUD's employee timekeeping system. These workers are placed and paid by a temporary employment agency or contractor. A Contract Employee is "at will" and is bound by the service contract between SMUD and the Contract Employer. A Contract Employee has no entitlements under this Agreement.

2) Service Fee for Leased Employees

A Leased Employee is defined as a worker who is placed and paid by a third-party employment agency or contractor to do work for SMUD and SMUD controls who, when, and how the work is to be done. SMUD agrees to commence paying a service fee equal to a monthly OSE employee's membership dues while a Leased Employee is in an OSE position when the Leased Employee has worked continuously at SMUD more than three (3) months. The fee will be based on the fifth step of the Leased Employee's pay scale. SMUD will provide OSE with a list of Leased Employees who are in OSE positions on a monthly basis.

3. TERM

The term of this Agreement: January 1, 2026, through December 31, 2029.

ARTICLE 2

ORGANIZATION SECURITY

1. DUES DEDUCTIONS

- A. Employees who voluntarily join the OSE may authorize individual payroll deductions for dues, initiation fees, and general assessments, as well as any other membership benefit program sponsored by the OSE (hereinafter collectively “dues deductions”).
The OSE shall be responsible for maintaining records of bargaining unit employees who provide written consent to become OSE members and authorize dues deductions.
The OSE shall certify to SMUD the identity of such members and the amount of the dues deductions to be withheld from their paychecks. The OSE is not required to provide a copy of an individual authorization to SMUD unless a dispute arises about the existence or terms of the authorization.
- B. SMUD shall deduct from the paychecks of each employee who voluntarily authorizes dues deductions as certified by the OSE, or pursuant to an authorization form tendered to SMUD by the OSE or employee, the total amount of dues certified by the OSE per month. SMUD shall promptly remit to the OSE the total amount deducted, together with a list identifying each bargaining unit employee from whom a deduction was made from their paychecks.
- C. SMUD will implement any start or change to the amount of a bargaining unit employee's payroll deductions during the first full pay period following notification of such change by the OSE.
- D. If an employee desires to revoke, cancel or change their dues deduction authorization, SMUD shall direct the employee to the OSE. SMUD will rely on all reasonable representations from the OSE as to employee authorizations.
- E. Hold Harmless. The OSE shall indemnify, defend, and hold SMUD, its officers, agents and employees, harmless against any and all claims, demands, suits, orders, or judgments, or other forms of liability (including wages, fines, reasonable attorneys' fees and costs associated therewith) that arise out of or by reason of action taken or not taken by SMUD for purposes of complying with any of the dues deduction provisions of this MOU.
- F. SMUD shall provide Employee Rosters for Unit 2 employees monthly at the pay cycle when union dues are deducted. The Employee Rosters shall be provided as an Excel spreadsheet that includes the following information: first and last name, personal mailing address, personal telephone number, personal email address, subgroup (full-time, part-time, limited-term, casual), organizational unit, position title, current salary, position start and end date(s), hire and rehire date(s), and SMUD mail stop.
- G. SMUD shall notify the OSE of an employee's return to paid status within ten (10) working days following an unpaid leave of absence in excess of thirty (30) days so the OSE may resume collection of OSE dues.

2. OSE RELEASE TIME

- A. Officers and Directors. Once each calendar year during the month of January, the OSE shall provide SMUD with a list of the OSE Officers and Directors. In meeting both the organizational business needs and the employee representation obligations of the OSE, the OSE may allocate release time and OSE duties among these key individuals.
 - 1) SMUD shall make arrangements to accommodate requests from OSE Officers and Directors for a reasonable amount of time off from their regular assignments to attend scheduled meetings with SMUD management, participate in SMUD projects, and represent bargaining unit employees. Such time off is subject to prior notice and approval of the immediate supervisor of the individual making the request.
 - 2) An OSE representative's time spent conducting OSE business should be charged to the appropriate Work Order Number.
- B. OSE Leave Bank. SMUD and the OSE agree to establish an OSE Leave benefit and create an OSE Leave Bank to support it.
 - 1) OSE Leave is paid leave that may be utilized by OSE members to conduct OSE business and/or to attend seminars, conferences, conventions, or other meetings at the local, state and national level. An OSE member who is designated by the OSE President or, in the President's absence, the Vice President, may take OSE Leave subject to the advance approval of the employee's immediate supervisor.
 - 2) To establish and maintain the OSE Leave Bank, a Unit 2 employee may contribute some or all of the employee's accumulated annual leave or compensatory time off to the OSE subject to the following conditions:
 - a) A Unit 2 employee may contribute to the OSE Leave Bank in one (1) hour increments consisting of one (1) or more hours;
 - b) When donated, leave shall be credited to the OSE Leave Bank at the current hourly rate of the donating employee;
 - c) When used, the OSE Leave Bank shall be debited at the current hourly rate of the employee using the leave;
 - d) The OSE Leave Bank account shall be designated by SMUD and OSE leave taken shall be charged to the appropriate Work Order Number.

3. USE OF SMUD FACILITIES

- A. Bulletin Boards – The OSE shall be provided a reasonable amount of bulletin board space in specifically designated areas for posting organization bulletins. The OSE shall be responsible for removing out-of-date materials, but SMUD reserves the right to remove out-of-date or prohibited material.
 - 1) The OSE shall provide up to twenty-five (25) bulletin boards to be installed by SMUD at mutually agreeable locations.
- B. Inter-Office Mail – The OSE shall be allowed to use SMUD's inter-office mail to communicate with OSE represented employees.
OSE mail shall be pre-sorted by mail stop.

- C. Internal Email – The OSE shall be allowed to use SMUD’s internal email system to communicate with OSE represented employees.
 - 1) The OSE President and Vice President are the only OSE members authorized to use SMUD’s internal email systems (e.g., Outlook) to send no-reply notices to the OSE membership.
 - 2) Email notices shall not contain any confidential information and shall be in the nature of announcements regarding OSE activities (i.e. OSE membership meetings, OSE election results, OSE meeting minutes and reports, OSE social events, and OSE member participation at community events).
 - 3) No-reply email notices of any other nature must have approval of the SMUD Employee Relations Manager prior to distribution.
 - 4) Copies of the no-reply notices shall be sent to the SMUD Employee Relations Manager at the time of distribution to the OSE membership.
 - 5) A maximum of 52 no-reply notices may be sent to the OSE membership per calendar year, with the understanding that this allowance for OSE no-reply email notices is an exception to “acceptable use” under SMUD’s Electronic Information Policy (AP 05.02.04). This agreement does not preclude compliance with all other provisions of this SMUD policy.

D. Use of Meeting Rooms/Access to Work Locations

- 1) SMUD shall make conference rooms available to the OSE, subject only to SMUD’s established procedures for the reservation and use of such facilities by SMUD’s internal organizational units.
- 2) OSE representatives shall be granted reasonable access to work locations to engage in those activities necessary to the representation of employees assigned to Unit 2.

4. UNION BUSINESS LEAVE

SMUD and the OSE agree to establish an OSE Leave Benefit in addition to the OSE Leave Bank.

- A. OSE Leave is leave that may be utilized by OSE members to conduct OSE business and/or to attend training, seminars, conferences, conventions, or other meetings at the local, state and national level.
- B. Requests for OSE Leave shall be made at least two (2) weeks in advance and shall be directed to the Manager, Employee Relations, unless otherwise agreed to between SMUD and the OSE. Such requests shall be made by the OSE President, or in the President’s absence, the Vice President.
- C. In an emergency, the Manager, Employee Relations shall have the authority to cancel scheduled OSE Leave.

- D. The OSE shall be reimbursed for any documented expenses and/or loss of money resulting from SMUD's action, provided the OSE informs SMUD of the pending loss at the time the OSE is requested to cancel the leave.
- E. Employees utilizing OSE Leave shall remain on SMUD's payroll and shall continue to receive CalPERS contributions and service credit. Employees on OSE Leave shall suffer no loss of compensation, benefits, or loss of seniority.
- F. The OSE shall reimburse SMUD for the employee's salary and fringe benefits at the then current activity rate for their position while the employee is on OSE Leave. The OSE shall provide such reimbursement within thirty (30) calendar days following receipt of invoice.
- G. The OSE agrees to indemnify and hold SMUD harmless against any and all liability for loss, damage, cost or expense which SMUD may incur by reason of bodily injury, including death, to any person or persons or by reason of damage to or destruction of property, including the loss of use thereof, arising out of or in any way connected with the program described herein, whether or not due in whole or in part to any act, omission or negligence of SMUD, active or passive, excepting only such injury, loss or liability as may result from the criminal or willful misconduct of SMUD, its agents or employees, other than employees participating in this program.
 - 1) Workers' Compensation. Where payments are made to SMUD employees under a workers' compensation or disability benefits law for bodily injury or death arising out of or in any way connected with the program described herein, the OSE shall make full and complete reimbursement to SMUD to the extent such payment increases SMUD's workers' compensation or disability benefit costs, whether such increase in cost occurs in the form of an increase in premiums or contributions, reduction in dividends or premium refunds, or otherwise.
 - 2) Notice and Defense of Claims. In the event any claim or demand is made or suit or action is filed against SMUD alleging liability for which the OSE shall indemnify and hold harmless SMUD under this Section, SMUD shall promptly notify the OSE thereof, and the OSE shall bear all costs and expenses, including legal fees, to settle, compromise or defend the same in such manner as it, in its sole discretion, deems necessary or prudent.
 - 3) Insurance Representation. The OSE agrees to carry the amount of self-insurance or comprehensive liability insurance, including contractual liability coverage, covering the indemnification and defense obligations set forth herein, subject to such types and amounts of self-insurance, retentions, or deductibles as are consistent with good business practices in the industry.

5. OSE ACCESS TO NEW EMPLOYEE ORIENTATIONS

SMUD shall notify the OSE of the time and location of all new employee orientation (NEO) meetings at least ten (10) working days prior to the meeting, unless an urgent and unforeseeable need for an orientation meeting precludes SMUD from providing such notice.

If ten (10) working days advance notice cannot be provided, SMUD shall provide as much advance notice as possible. The OSE shall be afforded thirty (30) minutes during the NEO to present information about the OSE to new OSE employees.

ARTICLE 3

HOURS OF WORK

1. BASIC WORK WEEK

The normal work week consists of seven (7) consecutive twenty-four (24) hour periods beginning at 12:00 a.m. on Saturday and ending the following Friday at 11:59 p.m. Full-time employees are regularly scheduled to work forty (40) hours per work week. Part-time employees are regularly scheduled to work less than forty (40) hours per work week (including overtime). Employees may be required to work overtime to meet the needs of SMUD.

2. WORK SCHEDULES

- A. Normal Work Schedule – The normal work schedule shall be five (5) consecutive eight (8) hour work days, Monday through Friday, with an unpaid meal period approximately midway through the work day.
- B. Alternate Work Schedules – Alternate work schedules may be made available to employees subject to the operational needs of SMUD. Alternate work schedules are as follows:
 - 1) 9/80 Work Schedule
 - a) The biweekly work schedule shall consist of eight (8) work days of nine (9) hours per day and one (1) work day of eight (8) hours paid at the straight-time rate, with an unpaid meal period approximately midway through the work day. Each biweekly work period shall include five (5) days off.
 - b) Normal days off each biweekly work period are Saturdays, Sundays and one (1) alternate day off. SMUD shall determine which days of the week are acceptable for use as an alternate day off based on operational requirements.
 - (1) Initially, employees within a designated work group shall be allowed to request their preferred alternate day off schedule based upon their SMUD seniority and subject to SMUD approval.
 - (2) When a vacant position is being filled within a designated work group, the open alternate day off shall be offered to eligible employees based on their SMUD seniority pursuant to Section 2.B.1)b)(1) of this Article.
 - c) Work schedules and alternate days off may be changed subject to the following:
 - (1) SMUD may change work schedules and/or alternate days off as deemed necessary, provided that thirty (30) calendar days written notice is given to the affected employee(s).
 - (2) Employees may request to change their alternate day off or may request to change to a 4/10 work schedule subject to SMUD approval.
 - (3) Employees may revert to a 5 day/8 hour per day work schedule at any time during the year, provided they give thirty (30) calendar days written notice (unless this is waived by SMUD) and receive approval from SMUD.

(4) Work schedule and/or alternate day off changes made in accordance with this Section shall be for no less than a pay period and shall be subject to the provisions of Section 4.C.2 of this Article.

2) 4/10 Work Schedule

- a) The biweekly work schedule shall consist of eight (8) work days of ten (10) hours per day, paid at the straight-time rate with an unpaid meal period approximately midway through the work day. Each biweekly work period shall include six (6) days off.
- b) Normal days off each biweekly work period are Saturdays, Sundays and one (1) alternate day off in each of the two (2) weeks. SMUD shall determine which days of the week are acceptable for use as alternate days off based on operational requirements.
 - (1) Initially, employees within a designated work group shall be allowed to request their preferred alternate day off schedule based upon their SMUD seniority.
 - (2) When a vacant position is being filled within a designated work group, the open alternate day off shall be offered to eligible employees based on their SMUD seniority subject to Section 2.B.2)b)(1) of this Article.
- c) Work schedules and alternate days off may be changed subject to the following:
 - (1) SMUD may change work schedules and/or alternate days off as deemed necessary, provided that thirty (30) calendar days written notice is given to the affected employee(s).
 - (2) Employees may request to change their alternate day off or may request to change to a 9/80 work schedule subject to SMUD approval.
 - (3) Employees may revert to a 5 day/8 hour per day work schedule at any time during the year, provided they give thirty (30) calendar days written notice (unless this is waived by SMUD) and receive approval from SMUD.
 - (4) Work schedule and/or alternate day off changes made in accordance with this section shall be for no less than a pay period and shall be subject to the provisions of Section 4.C.2) of this Article.

3) Participation in Alternate Work Schedules

- a) An employee's eligibility for participation in an alternate work schedule shall be determined by SMUD based on operational requirements.
- b) An employee's participation in an alternate work schedule is voluntary.

4) Continuation of Alternate Work Schedules

It is the intent of SMUD and the OSE to work together to resolve any unforeseen problems that may arise regarding the administration of alternate work schedules. The 9/80 and/or 4/10 alternate work schedule program shall be continued only with mutual agreement between SMUD and the OSE. Either party may request in writing to discontinue an alternate work schedule. Absent an agreement to do otherwise, the

alternate work schedule shall be terminated thirty (30) calendar days following receipt of the written request.

C. Special Work Schedules – Special work schedules are different from normal or alternate work schedules. They include the following:

- 1) A schedule that requires employees to work Tuesday through Saturday.
- 2) A schedule that requires employees to work one-half day on Saturday with an equivalent number of hours off during the same work week.
- 3) Other special work schedules may be established by mutual agreement between SMUD and the OSE when the work schedules identified in Sections 2.A and 2.B of this Article are insufficient to meet established business needs.

D. Service Dispatchers

- 1) Employees assigned to this classification within DSO receive a wage premium, equal to 10% of the hourly rate assigned to the top step of the Computer Operator Specialist II pay range, applied to all hours worked.
- 2) Employees working the relief week can be assigned for the relief of any shift with or without advance notice.
- 3) These sections do not apply to employees covered in this section: Article 3, Section 4.C.4, Article 6, Section B, and Article 7, Section 1.

3. MEAL PERIODS

Employees shall receive either a one-half ($\frac{1}{2}$) hour or one (1) hour meal period approximately midway through their regular workday. Except as provided in Section 4.B.3) of this Article, meal periods shall be unpaid.

Employees who are scheduled to work six (6) hours or less are not required to take a meal break.

4. SHIFTS AND START TIMES

A. Shifts are as follows:

- 1) First Shift – Regularly scheduled to begin between the hours of 4:00 a.m. and 11:59 a.m.
- 2) Second Shift – Regularly scheduled to begin between the hours of 12:00 noon and 7:59 p.m.
- 3) Third Shift – Regularly scheduled to begin between the hours of 8:00 p.m. and 3:59 a.m.

B. SMUD may establish different shifts when necessary to meet the operational needs of SMUD as follows:

- 1) Rotating Shift - Requires assigned employees to rotate between two (2) or more shifts.

- 2) Emergency Relief Shift - Requires assigned employees to be available for emergency relief duty in rotating shifts on any day of the week without advance notice.
 - a) Employees assigned to an emergency relief shift normally have a minimum of twelve (12) hours off between shifts.
 - b) When employees are required to report for duty without twelve (12) hours off between shifts, they shall be paid at the applicable overtime rate for any time worked within the twelve (12) hour period following the end of their preceding work shift.
- 3) Special Shift - A work period consisting of an eight (8), nine (9), or ten (10) hour work day during which employees are permitted to eat a meal on SMUD time.

C. Change in Shifts and/or Start Times

- 1) Shifts and/or start times shall be established consistent with the normal operation of a division or department and shall not be changed arbitrarily.
- 2) Subject to applicable overtime policies, shifts and/or start times may be changed as deemed necessary by SMUD for reasons including, but not limited to:
 - a) Provide better service to customers or other work units;
 - b) Stagger working hours to alleviate traffic congestion;
 - c) Reflect seasonal changes in daylight hours or temperature conditions;
 - d) Provide extended coverage for maintenance testing and operating activities; or
 - e) Reflect the desires of employees in a work unit, with supervisory approval.
- 3) If an employee's work shift and/or start time is changed by SMUD for five (5) days or more, the employee shall be given at least twenty-four (24) hours advance notification. In addition, the employee shall have a minimum of twelve (12) hours off between the shifts and/or start time and shall not be required to work more than forty (40) hours at the straight-time rate of pay.
 - a) If SMUD does not provide an employee with at least twenty-four (24) hours' notice or twelve (12) hours off between shifts and/or start time changes, the employee shall receive the applicable overtime rate for those hours worked on the first day of the change that encroach upon either the twenty-four (24) hour notice or the twelve (12) hour off requirements, whichever is greater.
 - b) Overtime and rest period provisions shall apply to the employee's new shift and/or start time.
- 4) Shift and/or start time changes of less than five (5) days worked (including Saturday, Sunday, and holidays) are not considered an official change in shift and/or start time. Employees shall be compensated at the applicable overtime rate for all hours worked other than their regular work hours for each work day when the change in shift and/or start time is directed by SMUD.
- 5) When employees who have been reassigned pursuant to Section 4.C.3) and 4.C.4) of this Article are returned to their regularly scheduled work shift and/or start time, they

shall be paid at the straight-time rate of pay for work performed during their normal work hours subject to the following:

- a) When employees return to their regular work shift and/or start time, they are entitled to a minimum of twelve (12) hours off between shifts.
- b) If employees do not get the twelve (12) hours off, they shall be paid the applicable overtime rate for any time worked within the twelve (12) hour period following the end of their preceding work shift.

5. MAKE-UP TIME FOR PERSONAL BUSINESS

The following Make-Up Time for Personal Business Policy shall apply for full-time and part-time Unit 2 employees:

- A. Make-up time is a mechanism for full-time and part-time employees to take four (4) hours or less time off to attend to the occasional personal obligation or medical appointment that the employee is generally not able to complete outside of normal business hours. Make-up time is not intended to substitute for tardiness, to be used in conjunction with vacation time off, or to create a permanent work schedule change. The daily overtime provisions of this MOU do not apply to approved make-up time worked.
- B. Make-up time must be worked and used in fifteen (15) minute increments and is limited to no more than four (4) hours in a work week. Employees working make-up time are not authorized to work more than twelve (12) total hours in a day, including regular and make-up hours. (Example: 8 regular hours + 4 make-up hours; 9 regular hours + 3 make-up hours; and 10 regular hours + 2 make-up hour).
- C. Request Procedure: Employees must provide a signed written request to their supervisor for each occasion they want to work make-up time using the Make-Up Time for Personal Business Request Form (SMUD-3503). The request must be made prior to the performance of the make-up work. The request must also include the date and hours the employee wants to take off. Both the make-up hours and time off must be in the same work week. The supervisor may then choose to grant or deny any request to work make-up time.

ARTICLE 4

WAGES

1. PAY PERIODS/PAYDAYS

A. Pay Periods

- 1) A pay period for 5/8 and 4/10 work schedules is fourteen (14) consecutive days beginning at 12:00 a.m. on Saturday and ending at 11:59 p.m. on Friday.
- 2) The pay period for the 9/80 work schedule set forth in Article 3, Section 2.B.1) is the fourteen (14) consecutive-day period applicable to the specific 9/80 work schedule pattern of an employee. Refer to Appendix A for examples of 9/80 work schedule patterns.

B. Pay Days

Employees shall be paid on the Friday following the close of the pay period. Paychecks normally are distributed on the Thursday preceding payday and dated payday Friday. If Thursday is a holiday, paychecks shall be distributed on the preceding Wednesday and shall be dated for the Friday of that week. If payday is a holiday, paychecks shall be dated and distributed on the preceding Thursday.

2. ENTRY RATES – NEW EMPLOYEES

- A. New employees normally are placed at the first step or entry-level rate of pay for their classification.
- B. Employees who possess exceptional qualifications may be placed at a starting rate that is above the first step for their classification, subject to approval by SMUD. The following items shall be evaluated when considering an employee for a higher entry-level rate of pay:
 - 1) The quality and quantity of the employee's relative work experience.
 - 2) The wage level and qualifications of other SMUD employees in the same classification.
 - 3) The wage demands of the new employee.
 - 4) The availability of other qualified applicants.

3. WAGE SCHEDULE PROGRESSION FOR SLANT LINE/FLEX CLASSIFICATIONS

When pay grades are designated as Slant Line/Flex classifications, movement to the next higher classification within the series is based upon a specified amount of time, as reflected in the classification specification, in the lower classification and satisfactory job performance as reflected in a completed performance evaluation.

OSE Slant Line/Flex classifications that existed prior to the 2010 revision of the Civil Service Rules are as follows:

COMPUTER OPERS SPCLST (E)
COMPUTER OPERS SPCLST (J)

CONSTR MGMT INSPCTR I
CONSTR MGMT INSPCTR II
DRAFTING TECH I
DRAFTING TECH II
DOC RECORDS SPCLST I
DOC RECORDS SPCLST II
ENERGY SPECIALIST (E)
ENERGY SPECIALIST (J)
ENGINEERING DES I
ENGINEERING DES II
ENGINEERING DES III
ENGINEERING TECH (E)
ENGINEERING TECH (J)
GENERATION DES I
GENERATION DES II
GENERATION DES III
LAND AGENT – A
LAND AGENT – B
LAND AGENT – C

OSE Slant Line/Flex classifications created after the 2010 revision of the Civil Service Rules are as follows:

IPPS SPCLST I
IPPS SPCLST II
GIS DATA TECH (E)
GIS DATA TECH (J)

4. MERIT INCREASES

Employees within a classification with established pay steps shall be eligible for merit increases at specified intervals until they reach the top of their pay grade. Merit increases are granted for effective job performance, as reflected in a completed performance evaluation.

A. Eligibility

- 1) Permanent, limited-term full-time and part-time employees assigned to a classification with established pay steps shall be considered for merit increases at every twenty-six (26) weeks.
- 2) Probationary Period – Absences during the probationary period may extend an employee's merit increase eligibility date. If an employee's probationary period is extended, the employee's merit increase eligibility date also shall be extended by the same amount of time.
- 3) Leaves of Absence without Pay – A leave of absence without pay in excess of thirty (30) calendar days (except military leave) may extend an employee's merit increase eligibility date.

B. Temporary Appointments

Employees who are temporarily appointed to a higher classification shall be eligible for merit increases as follows:

- 1) Employees who are temporarily appointed to a higher or different classification shall continue to earn merit increases as though continuously assigned to their permanent classification.
- 2) Employees who are assigned to a higher classification through a temporary timecard upgrade shall not accrue time toward a merit increase in the higher classification.
- 3) Employees who are temporarily appointed to a higher classification by an action in Employee Central or comparable document for more than six (6) consecutive months shall accrue time toward a merit increase in their higher classification.

C. Granting Merit Increases

- 1) A one-step merit increase shall be effective and initiated automatically on the first day of the pay period that includes the merit increase due date unless SMUD withholds the increase in accordance with Section 4.D of this Article.
- 2) SMUD may grant merit increases of two (2) or more steps to an employee based on exceptional job performance. If an employee is granted a merit increase of two (2) or more steps, the additional merit increase shall be effective the first day of the pay period that includes the merit increase due date.

D. Withholding Merit Increases

- 1) An employee's merit increase may be withheld for documented unsatisfactory progress or job performance, as reflected in a completed performance evaluation. The supervisor must discuss the withholding of the merit increase with the employee at least ten (10) calendar days prior to the date the merit increase was due.
- 2) Once SMUD has determined the employee has corrected unsatisfactory progress or job performance, the employee shall be granted the withheld merit increase. Normally, an employee shall not be reconsidered for a merit increase for at least six (6) months.
- 3) When an employee is granted the withheld merit increase, the effective date of the merit increase shall establish the eligibility date for the next merit increase.
- 4) SMUD's denial of a merit increase is subject to the grievance procedure contained in Article 20 of this Agreement.

5. WAGE ADJUSTMENTS

- A. Effective the first pay period for the 2026 payroll year, SMUD shall provide a wage increase of **3.85%** for all Unit 2 classifications.
- B. Effective the first pay period for the 2027 payroll year, SMUD shall provide a wage increase of **3.85%** for all Unit 2 classifications.
- C. Effective the first pay period for the 2028 payroll year, SMUD shall provide a wage increase of **3.85%** for all Unit 2 classifications.
- D. Effective the first pay period for the 2029 payroll year, SMUD shall provide a wage increase of **3.85%** for all Unit 2 classifications.

E. Equity Adjustments

1. Effective the first pay period for the 2026 payroll year, and prior to any general wage adjustments, the wage rates for employees in the following job classifications, and all classifications related or tied to these classifications (e.g. classification series) will be increased to the median as specified below:

Job Classification	2026 Equity Adjustment
Engineering Designer	4.7%
Graphic Designer	4.0%
Information Technology Technician	17.1%
Land Agent	15.9%

2. SMUD and OSE agree to review the following classifications beginning no later than June 30, 2026, to determine whether the duties performed by employees are sufficiently distinct or unique to warrant the splitting and/or creation of new classifications and/or differentiation for purposes of compensation:
 - Customer Services Representative
 - Service Dispatcher
3. Upon request of OSE the parties agree to meet and confer to determine the comparable classifications that will be used in any future salary surveys.

6. FUTURE SALARY SURVEYS

SMUD and the OSE agree that the list of agencies/companies contained in Appendix C shall be used for Classification and Pay Studies of Unit 2 positions conducted during the term of this Agreement, unless the parties mutually agree to modify the list in writing.

ARTICLE 5

OVERTIME

1. DEFINITION

Overtime is time worked in excess of the regularly scheduled eight (8), nine (9), or ten (10) hour work day or beyond the regularly scheduled work week or time worked on a holiday. For purposes of determining overtime compensation, all paid leave hours shall count as hours worked. Overtime work requires prior SMUD approval.

2. DISTRIBUTION OF OVERTIME

Any employee may be required to work overtime to meet the needs of SMUD. A willingness to work overtime when requested is a condition of employment. When permitted by the work situation, overtime is distributed as equally as possible subject to the following:

- A. Overtime is first allocated to qualified volunteers within the appropriate classification assigned to the applicable work group/division as follows:
 1. Each department that assigns overtime will maintain a list of employees within each classification identifying the total number of overtime hours worked and turned down by each employee. The list will be ordered from lowest amount of overtime worked or turned down to the highest amount of overtime worked or turned down. The list will be updated every pay period.
 2. When noticing employees to work overtime, the employee with the lowest amount of overtime worked or turned down will be offered the first opportunity to work the overtime.
 3. Employees who work or turn down an overtime assignment will be credited with the number of overtime hours associated with the assignment.
 4. Subsequent overtime assignments will be offered to the employee with the next lowest amount of overtime worked or turned down.
 5. Employees who are off work on leave will not be asked or required to work overtime while on leave and will not be credited with turned down overtime hours while on leave.
 6. If overtime is needed on a paid holiday, employees who turn down the overtime will not be credited with the turned down hours.
 7. Employees who are already scheduled for pre-arranged overtime will not be called.

In the absence of qualified volunteers, the supervisor may either assign employees within the applicable work group/division or may seek other volunteers pursuant to Sections 2.B and 2.C of this Article.

- B. Overtime is next allocated to qualified volunteers within the classification assigned to other work groups/divisions.
 - C. Overtime is next allocated to other qualified volunteers.

3. ELIGIBILITY

- A. Employees are entitled to overtime compensation as follows:
 - 1) All full-time employees are eligible to work overtime pursuant to Section 1 of this Article.
 - 2) Part-time employees are eligible for overtime compensation when they work in excess of their regularly scheduled work day, provided such work day is eight (8), nine (9), or ten (10) hours, or they work more than forty (40) hours in a work week. Part-time employees who are regularly scheduled to work less than eight (8) hours in a day are not eligible for overtime compensation unless they work in excess of eight (8) hours in a workday.

4. CASH COMPENSATION/COMPENSATORY TIME OFF

- A. Except as otherwise provided herein, all overtime shall be paid in cash at two times (2x) the straight time hourly rate of pay. The double time rate of pay also shall apply to overtime worked on holidays and is payable in addition to normal holiday pay.
- B. Employees may elect to earn compensatory time off (CTO) in lieu of cash solely at the employee's option.
 - 1) CTO shall be earned at the rate of two (2) hours accrued for each hour of overtime worked. Accumulated CTO may not exceed forty (40) hours. CTO credits that have not been used by the end of payroll period 21 shall be paid to the employee on payroll period 22 at the employee's current effective base pay.
For purposes of this provision, the CTO year shall be the beginning of payroll period 22 through the end of payroll period 21 of the following year.
 - 2) CTO may be used in fifteen (15) minute increments and must be exhausted before annual leave may be used. Use of CTO shall be at a time approved by SMUD and shall not be unreasonably denied.

5. MINIMUM OVERTIME GUARANTEES

- A. Emergency Call-Out – When employees are called for an emergency, their work time will begin at the time they are contacted. For the purpose of this provision, concurrent calls or successive calls without a break in work are considered a single call.
 - 1) Employees who are called for an emergency shall be paid at the overtime rate for the actual overtime hours worked, but shall receive a minimum of two (2) hours overtime compensation.
 - 2) If the call-out extends into the employee's regular work hours, the employee shall only be paid at the overtime rate for the actual overtime hours worked.
 - 3) When an employee is called out to work more than once in a 24-hour period from midnight to midnight, the two (2) hour minimum shall be paid only for the first call-out. For subsequent call-outs, the employee shall be paid at the overtime rate for the actual overtime hours worked.
- B. Prearranged Overtime (Overtime Worked on a Non-Scheduled Work Day) – Employees who report for prearranged overtime shall be paid a minimum of two (2) hours overtime

compensation whether or not they are actually needed. Prearranged overtime may be cancelled with one (1) hour advance notice to the employee.

- C. Early Call-In – Employees who are called into work early shall be paid at the overtime rate for the actual hours worked during the early call-in.

6. MAXIMUM OVERTIME ALLOWED

Employees normally are not allowed to work more than sixteen (16) consecutive hours or any combination of sixteen (16) hours within a 24-hour period, except in circumstances involving public safety or welfare. When SMUD authorizes work in excess of the above-described maximums, SMUD shall ensure that an employee is capable of working in a safe manner.

7. REST PERIODS

- A. Employees who work extended overtime following completion of their regularly scheduled work day (i.e., overtime worked back-to-back with regularly scheduled hours) are entitled to an 8.5 consecutive hour rest period prior to the start of their next regularly scheduled work day. Employees who do not receive 8.5 hour rest period prior to the start of their next regularly scheduled work day will delay the start time of their next regularly scheduled work day by the number of hours necessary to equal an 8.5 hour rest period.
- B. Special Rest Periods – SMUD may approve a special four (4) hour rest period for an employee who has worked four (4) or more overtime hours in the eight (8) hours immediately preceding their regular start time due to an emergency call-out and the timing of the call-out has prevented the employee from getting sufficient rest.
- C. The rest period begins when the employee is released from duty. Employees shall be compensated during designated rest periods as follows:
 - 1) If any part of the rest period falls within the employee's regular work hours, they shall be paid for those hours at the straight-time rate of pay.
 - 2) Employees shall not be compensated for lunch periods that fall within designated rest periods.
 - 3) If a rest period cannot be provided when due or an employee is required to report to work prior to the end of their rest period, the employee shall be paid at the overtime rate of pay until the rest period is provided.
- D. When an employee's rest period ends during their regular work hours, they may report for work at any time during their regular work hours or may report to work on their next regular work day, subject to SMUD approval. Any time off taken after the employee's rest period ends shall be charged to either CTO, annual leave, or leave without pay.

8. CHANGES IN MEAL PERIODS

- A. SMUD may alter an employee's normal meal period for the following reasons:
 - 1) When work must be performed during a time convenient to the customer;
 - 2) When work must be performed because of an interruption of utility service or other emergency; or,
 - 3) When work must be performed to eliminate a hazard to life or property.

- B. If an employee's normal meal period is altered, but the employee can be given a meal period within one (1) hour or less of the normal time, the employee shall not receive overtime compensation for the meal period.
- C. If an employee is unable to take a meal period within one (1) hour of their normal meal period, the employee shall be paid at the overtime rate for the time worked during the employee's normal meal period. The employee also shall be allowed reasonable time to eat a meal on SMUD time.

ARTICLE 6

WAGE PREMIUMS

1. SHIFT DIFFERENTIAL

A. Eligibility

Full-time employees who work the second, third or relief/rotating shift shall be entitled to a shift differential wage premium.

B. Shift Differential Wage Premiums

1) Second Shift

Employees who are assigned to work the second shift shall receive a shift differential wage premium equal to 6% of the hourly rate assigned to the top step of the Computer Operator Specialist II pay range.

2) Third Shift

Employees who are assigned to work the third shift shall receive a shift differential wage premium equal to 8% of the hourly rate assigned to the top step of the Computer Operator Specialist II pay range.

3) Relief/Rotating Shift

Employees who are assigned to work relief/rotating shifts shall receive a shift differential wage premium equal to 10% of the hourly rate assigned to the top step of the Computer Operator Specialist II pay range.

C. Shift Differential Wage Premium Payments

1) Any shift differential payable to an employee based upon their regularly scheduled hours of work also shall be paid for any time worked immediately before or following the employee's regular work hours.

Example: If the employee's regularly scheduled work hours are 3:30 p.m. to 11:30 p.m. and they work from 3:30 p.m. to 1:30 a.m., the second-shift differential wage premium shall be paid for the entire work period.

2) When an employee is required to work a full, regularly established shift other than their own regularly established shift, the employee shall be paid the shift differential wage premium that is applicable to the shift in progress at the start of such work.

Example: If the employee's regularly scheduled work hours are 3:30 p.m. to 11:30 p.m. and their hours are changed for one (1) day to the established 1 a.m. to 9 a.m. shift, the employee shall be paid the third-shift differential wage premium for the entire work period.

3) When an employee who is receiving a shift differential wage premium works overtime, the overtime rate of pay also shall be applied to their shift differential wage premium.

2. TEMPORARY UPGRADES

SMUD agrees to timecard upgrade a Unit 2 employee when such an employee is directed to assume duties and responsibilities of a higher classification.

Assignments to higher classifications exceeding fifteen (15) working days from the first day of the assignment require a temporary upgrade action. Except as provided in Article 14, Section 5 (Training Assignments) of this Agreement, employees shall be paid subject to the following:

- A. When an employee receives a temporary timecard upgrade to another Unit 2 classification, such employee shall be paid at the first step within the higher classification that provides a minimum of 2.5% above their current effective base pay.
- B. When an employee receives a temporary timecard upgrade to an exempt classification, such employee shall be paid at the first step within the higher classification that provides a minimum of 5.0% above their current effective base pay.

3. FINANCIAL AND SAFETY INCENTIVES

- A. SMUD may periodically institute a financial and/or safety incentive program. SMUD shall determine incentive payment amounts and the goals that must be achieved in order to qualify for an incentive payment.
- B. An employee shall be eligible to receive financial and safety incentive payments if the employee was in a paid status for at least 50% of the period covered by the program.
- C. An employee shall be eligible for a financial incentive payment if SMUD attains its financial goals for the period covered by the program.
- D. An employee shall be eligible to receive a safety incentive payment when SMUD attains its safety goals and the employee meets the following requirements during the period covered by the program:
 - 1) The employee did not have a lost time accident; and,
 - 2) The employee has not had a preventable vehicle accident.
- E. SMUD may grant periodic safety recognition and/or safety getaway awards. An employee shall be eligible to receive such awards if they meet the following requirements during the period covered by the program:
 - 1) The employee is a permanent employee;
 - 2) The employee has attended all scheduled safety meetings, or has been excused from attending some or all scheduled safety meetings;
 - 3) The employee has had no preventable vehicle accident or any other accident due to a work rule safety violation;
 - 4) The employee is not on a follow-up drug/alcohol testing program as a result of a “for cause” initial screening; and,
 - 5) The employee is in compliance with any Substance Abuse Rehabilitation Program requirements, if applicable.

4. NOTIFICATION OF INCENTIVE PROGRAMS

SMUD shall notify the OSE of all rewards, recognition and incentive programs proposed after ratification of this MOU and shall meet and confer prior to implementation of new programs, revisions to existing programs, and/or any discussion with Unit 2 employees. All rewards recognition and incentive program payments shall comply with the provisions of 29 C.F.R. § 778.331.

ARTICLE 7

ON-CALL PAY

1. REGULAR ON-CALL STATUS

- A. Regular On-Call status is defined as a status whereby an employee is required to remain fit for duty, be reachable, and readily available to report for work in an emergency situation twenty-four (24) hours per day for a specified time period. Regular On-Call status will typically span a period of seven (7) consecutive days.
- B. Employees assigned to Regular On-Call status shall be compensated as follows:
 - 1) An employee who is required to serve in an on-call status shall be compensated at the rate of two (2) hours of straight time pay for each day on call.
 - 2) On-Call compensation shall be paid in addition to any overtime compensation for time worked.

2. SHORT NOTICE ON-CALL STATUS

- A. Short Notice On-Call status is defined as an assignment that is intended to meet short term staffing needs during storms, earthquakes and other emergency situations when SMUD has determined that the Regular On-Call staffing is inadequate to meet the operational (power restoration) needs of SMUD. Short Notice On-Call assignments are not expected to last more than six (6) consecutive days.
- B. Employees may be assigned to Short Notice On-Call status as follows:
 - 1) Employees shall be notified that they are being placed on Short Notice On-Call as early as possible but no later than the end of their regular workday. Such assignments shall be for one (1) day unless otherwise indicated.
 - 2) Employees so assigned must provide telephone and/or pager numbers at which they may be reached. SMUD shall provide telephones/pagers as needed.
 - 3) Employees assigned to Short Notice On-Call status shall be expected to remain fit for duty, be reachable by telephone or pager, and be available to respond to a call-out in a reasonable (i.e., typically within thirty (30) minutes of call-out) amount of time.
- C. Employees assigned to Short Notice On-Call status shall be compensated as follows:
 - 1) An employee who is required to serve in a Short Notice On-Call status shall be compensated for two (2) hours of pay at the regular straight time rate of pay for each day so assigned.
 - 2) Short Notice On-Call compensation shall be paid in addition to any overtime compensation for time worked.

ARTICLE 8

HOLIDAYS

1. AUTHORIZED HOLIDAYS

A. Regular Holidays

SMUD guarantees eligible employees the following nine (9) Regular Holidays: New Year's Day (January 1); Martin Luther King, Jr. Day (the third Monday in January); President's Day (the third Monday in February); Memorial Day (the last Monday in May); Independence Day (July 4); Labor Day (the first Monday in September); Thanksgiving Day (the last Thursday in November); the Friday after Thanksgiving; and Christmas Day (December 25).

B. Floating Holidays

In addition, Full-Time and Part-Time employees with six (6) or more months of continuous service shall receive floating holidays according to the following schedule: May 1, July 1, September 1, and November 1. Each floating holiday is administered as eight (8) additional hours of annual leave for Full-Time employees and four (4) additional hours of annual leave for Part-Time employees and may be carried over from year to year in the same manner and with the same limits as accumulated annual leave.

SMUD shall approve the use of a floating holiday, or a day of annual leave for any Unit 2 employee who has served in the armed forces of the United States, or their allies, and who wishes to observe the (November 11) Veteran's Day Holiday.

C. Special Holidays (Christmas Eve - New Year's Eve)

SMUD may authorize additional time off for eligible employees on either Christmas Eve or New Year's Eve. Such time off shall be designated as a Special Holiday.

D. Holidays Observed

When a SMUD observed holiday falls on a Saturday, SMUD shall observe the holiday on the preceding Friday. When a holiday falls on a Sunday, SMUD shall observe the holiday on the following Monday.

2. HOLIDAY PAY

A. Eligibility

1) Full-Time Employees

Full-time employees must be in a paid status for the entire work day immediately prior to or immediately following a holiday to be eligible for holiday pay.

2) Part-Time Employees

Part-time employees who are regularly scheduled to work twenty (20) or more hours and less than forty (40) hours per week (including overtime) are eligible for holiday pay as follows:

- a) On each holiday, four (4) hours of holiday pay shall be credited to the employee, whether or not they are scheduled to work that day.

B. Regular Holiday Pay

- 1) When a holiday falls on an employee's regularly scheduled workday, the employee will be given the day off and will be compensated for the number of hours the employee is regularly scheduled to work on that day. When a holiday is observed on an employee's regular day off, the employee is credited with 8 hours of annual leave.
- 2) When an employee is assigned to an Alternate Work Schedule and a regular holiday falls on their regularly scheduled work day, the employee shall be given the day off and shall be compensated for the number of hours (8, 9, or 10) they were regularly scheduled to work. If the holiday is observed on an employee's alternate day off, the employee shall be credited with eight (8) hours of annual leave.
- 3) When an employee is assigned to a Special Work Schedule and the holiday is observed on their regular day off, SMUD shall have the option to either grant the employee another work day off with pay or pay the employee one (1) day of additional pay at the straight time rate of pay.
 - a) If an employee is regularly assigned to a schedule in which Monday is a non-work day (not a rotating shift employee), holidays are treated as follows:
 - (1) When the holiday falls on a Monday, the affected employee shall observe the holiday on the following Tuesday.
 - (2) When the holiday falls on a Sunday, the affected employee shall observe the holiday on the preceding Saturday.
- 4) Employees who work on a holiday shall be paid at the overtime rate of pay for the hours worked in addition to holiday pay as specified above.

C. Special Holiday Pay (Christmas Eve - New Year's Eve)

- 1) When granted by the CEO/General Manager, full-time and limited-term employees are eligible for four (4) hours of leave and part-time employees are eligible for two (2) hours of leave. Casual employees are not entitled to special holiday pay.
- 2) When an employee is required to work on Christmas Eve, they shall be given an equivalent amount of time off on New Year's Eve.
- 3) If an employee cannot be granted time off on either Christmas Eve or New Year's Eve, they shall be given an additional amount of straight-time pay equal to the number of hours off granted to other employees.
- 4) In lieu of additional Special Holiday Pay, an employee may choose to be credited with the equivalent amount of annual leave.

- 5) If the day designated as a Special Holiday falls on an employee's alternate day off, the employee shall be credited with an equivalent amount of annual leave.

ARTICLE 9

BENEFITS

A. ELIGIBILITY

A. Full-Time and Part-Time Unit 2 employees are eligible to participate in health and welfare benefit plans provided by SMUD. Specifically excluded are:

- 1) Casual employees scheduled to work less than twenty (20) hours per week.
- 2) Student Employment Program participants.
- 3) Rehired CalPERS Annuitants.
- 4) Contract employees.

B. Benefits for Limited Term employees are listed in Appendix E of this Agreement.

C. Domestic Partner Coverage

Employees in registered, same-sex domestic partnerships or domestic partnerships are eligible to enroll their domestic partner and their eligible dependent children for medical coverage as described below:

- 1) SMUD's contribution for all employees and retirees with registered domestic partners and their dependents shall be the same as all current benefit contribution formulas for employees and retirees that currently cover dependents.
- 2) The employee contribution shall be the same as current employees who add dependents. Employee contributions for registered domestic partners and their dependent children may be deducted on an "after-tax" basis subject to all applicable federal and state statutes and Internal Revenue Code requirements.
- 3) All participants and eligible dependents must meet the same eligibility requirements as other eligible participants and dependents as stipulated in SMUD's policies and in accordance with SMUD's health plan contracts.

D. Eligible employees who retire are entitled to enroll in the medical and dental benefit programs at the time of their retirement.

B. HEALTH INSURANCE

A. SMUD will provide the following medical plan options to all eligible Unit 2 employees:

- High Premium HMO
- Low Premium HMO
- High Deductible Health Plan (HDHP) with Health Savings Account (HSA)
- PPO Medical Plan (closed to new enrollees)

Eligible Fresh Pond Unit 2 employees may use the EC-OC (zip code 95827) as their primary place of work when enrolling in a SMUD HMO medical plan option if needed.

The maximum medical co-payments under the High Premium HMO plans will be as follows:

Services	Co-payment Maximums
Physician's Office	\$45
Vision and Hearing	\$45
Surgery Outpatient	\$45
Emergency Room	\$155
Hospitalization	\$250
Chiropractic Service	\$45
Mandatory Generic	\$25
Brand Name	\$65
Mail Order	100 day supply- 2 co-payments

Employees should refer to the OSE Benefits Guide Book each year for the specific dollar amounts for medical co-pays under the High and Low Premium HMO Plans.

B. Employee Medical Insurance Plan Premium Contributions

- 1) Effective January 1, 2022, Unit 2 Full-Time employees enrolled in SMUD medical plans will contribute a premium cost share as follows:
 - HMO plans: **12.5%**
 - High Deductible Health Plan (HDHP) plans: **6%**
 - PPO plan (closed to new enrollees): **30%**
- 2) SMUD will provide Unit 2 employees enrolled in the HDHP medical plan with an annual contribution to a Health Savings Account (HSA) on January 1 of each year, as follows:

\$1200 (employee only) or \$2,400 (employee with covered dependent{s}).

SMUD will pay any administrative fees attributed to the HSA while employed at SMUD. The annual contribution amount to the HSA will be front loaded and employees will be allowed to contribute pre-tax dollars each year up to the IRS-allowed maximum for the term of this MOU.

Unit 2 employees enrolled in the HDHP Plan will also be enrolled in Accident and Critical Illness Insurance Plans. Premiums for these plans will be paid by SMUD.

- 3) Limited-Term and Part-Time employees enrolled in SMUD HMO medical plans will contribute **17.5%** as the employee premium cost share and for those enrolled in a PPO plan, they will contribute **30%** as the employee premium cost share.
- 4) All Unit 2 employee premium contributions shall be as pre-tax payroll deductions.

- 5) Employees who participate in SMUD's Health Assessment Program (HAP) and fulfill the program requirements will receive a lump-sum payment of \$180 paid in the last period of the payroll year. All employees will be granted time, while on duty, to participate in the health assessment portion of the program. This time must be scheduled in advance, with supervisory approval. Additional HAP requirements must be completed on the employee's own time.
- 6) These contributions shall not change during the life of the contract unless the parties mutually agree to do so in writing.
- 7) SMUD and the OSE shall establish and participate in a Health & Welfare Advisory Committee for the purpose of cooperatively discussing and exploring various insurance providers, insurance plans, and creative designs to maximize optimal use of healthcare resources

The Health & Welfare Advisory Committee memberships all consist of a minimum of two (2) and a maximum of four (4) representatives each from SMUD and the OSE. By mutual agreement, the Health & Welfare Advisory Committee may also include an equal number of representatives from the IBEW.

The Health & Welfare Advisory Committee will meet on at least a quarterly basis (more often by mutual consent). The Committee may participate in the Request for Proposal ("RFP") processes involving healthcare. The Committee may also review current healthcare benefits and submit a recommendation regarding such benefits when a majority of the Committee membership agrees on a recommendation. The recommendation shall be presented directly to either the Director, People Services & Strategies or the Chief Workforce Officer, as appropriate.

Each party shall designate one representative to be its Chair. The respective Chairs are responsible for the conduct and decorum of meetings. The respective Chairs shall jointly determine the date, time, anticipated duration and location of Health & Welfare Advisory Committee meetings. They will exchange and discuss prospective agenda items at least two weeks in advance of a committee meeting and set the order of the agenda topics at that time. Additional topics for discussion may be added to the agenda later by mutual consent of the Chairs. Meetings will follow the agenda developed in advance. The parties may also mutually agree upon additional meetings. In addition, the respective Chairs are responsible for maintaining open lines of communication between Committee meetings to exchange information on new or developing issues, discuss the progress of Committee business, and plan for forthcoming meetings.

The respective Chairs shall determine the method and person responsible for the recording of the minutes of the meeting. The minutes of meetings will summarize the discussion that occurred and any recommendations to which a majority of the committee members agree and be signed by the respective Chairs of the Health & Welfare Advisory Committee meetings. The minutes of the meetings will not be introduced into any grievance hearing.

The parties agree that when an issue is unresolvable or unable to be redirected to another forum, and that, after a minimum of three attempts, there is no purpose to be gained by further discussion, the parties will agree to disagree and cease discussion of the issue.

8) Medical/Dental/Vision Opt-Out

Employees who opt out of SMUD medical insurance will receive a monthly cash payment of \$200 (reportable as taxable income). To be eligible the employee must provide evidence of other medical insurance outside of SMUD. Employees who previously opted out of SMUD medical insurance, and are covered under a SMUD plan, will continue to be eligible for the opt-out payment, so long as there is no break in receiving the opt-out payment. Employees who opt out of dental and/or vision coverage will receive a monthly cash payment of \$15 for dental and \$5 for vision (reportable as taxable income).

C. Agreement to Meet and Confer

Either SMUD or OSE may request to meet and confer regarding health care coverage during the term of this agreement. SMUD may re-open negotiations on the subject of the Affordable Care Act (ACA) or its impacts. If, during the term of the MOU, the legal requirements of the ACA have an impact on SMUD rights and obligations regarding health benefits for OSE employees (e.g. the Cadillac Tax), SMUD and the Union agree to re-open Article 9 Benefits, in order to meet and confer over such impacts.

D. Retiree Medical Plan Contributions

Employees who retire with the equivalent of five (5) years of continuous SMUD service immediately prior to their retirement shall be eligible to participate in SMUD-sponsored medical plans and shall be entitled to SMUD premium contributions as described below. Employees who are terminated for cause are not eligible to participate in SMUD-sponsored medical plans (except to the extent permitted by COBRA or similar state or federal law) and shall not be entitled to SMUD premium contributions.

SMUD's percentage of contribution toward the medical insurance premiums in effect at the time of retirement shall remain constant throughout retirement for all tiers of retiree medical benefits. Every January 1, SMUD will recalculate the dollar amount of their contribution to reflect any changes in the medical premium rates.

TIER 1

For employees hired prior to July 1, 1991, SMUD shall contribute one hundred percent (100%) of the retiree-only portion of the monthly premium for all SMUD-sponsored medical insurance plans.

For all dependent(s) covered under the retiree's plan, SMUD shall contribute 90% of the percentage it contributes for the retiree's medical insurance premium when the retiree selects one of the two (2) lowest cost health insurance plans or 85% of the percentage it

contributes for the retiree's medical insurance premium when the retiree selects any other SMUD-sponsored health plans.

TIER 2

For employees hired on or after July 1, 1991, and before January 1, 2006, with continuous SMUD service and who retire from SMUD, SMUD shall contribute up to one hundred percent (100%) of the retiree-only portion of the monthly premium for all SMUD-sponsored medical insurance plans according to the Tier 2 schedule.

For all dependent(s) covered under the retiree's plan, SMUD shall contribute 90% of the percentage it contributes for the retiree's medical insurance premium (based on the Tier schedule) when the retiree selects one of the two (2) lowest cost health insurance plans or 85% of the percentage it contributes for the retiree's medical insurance premium (based on the Tier schedule) when the retiree selects any other SMUD-sponsored health plans.

Tier 2 retirees shall receive SMUD-provided medical insurance premium contributions according to the following schedule:

Retiree's Years of Continuous SMUD Service	Percent (%) of SMUD Contribution for Retiree	Percent (%) of SMUD Contribution for Dependent(s) for 2 lowest cost plans	Percent (%) of SMUD Contribution for Dependent(s) for all other SMUD-sponsored plans
Less than 10	0	0	0
10	50	45	42.5
11	55	49.5	46.75
12	60	54	51
13	65	58.5	55.25
14	70	63	59.5
15	75	67.5	63.75
16	80	72	68
17	85	76.5	72.25
18	90	81	76.5
19	95	85.5	80.75
20	100	90	85

TIER 3

For employees hired on or after January 1, 2006, and before January 1, 2018, with continuous SMUD service and who retire from SMUD prior to the age at which they are Medicare-eligible or age 65, SMUD shall contribute up to seventy-five percent (75%) of the retiree-only portion of the monthly medical insurance premium for all SMUD-sponsored medical insurance plans according to the Tier 3 schedule.

For employees hired on or after January 1, 2006, and before January 1, 2018, with 25 years or more of continuous SMUD service, who retire after the age at which they reach Medicare eligibility or age 65, SMUD shall contribute 100% of the retiree-only portion of

the monthly medical insurance premium for all SMUD-sponsored Medicare Advantage health plans.

For all dependent(s) covered under the retiree's plan, SMUD shall contribute 90% of the percentage it contributes for the retiree's medical insurance premium (based on the Tier schedule) when the retiree selects one of the two (2) lowest cost health insurance plans or 85% of the percentage it contributes for the retiree's medical insurance premium (based on the Tier schedule) when the retiree selects any other SMUD-sponsored health plans.

Tier 3 retirees shall receive SMUD-provided medical insurance premium contributions according to the following schedule:

Retiree's Years of Continuous SMUD Service	Percent (%) of SMUD Contribution for Retiree	Percent (%) of SMUD Contribution for Dependent(s) for 2 lowest cost plans	Percent (%) of SMUD Contribution for Dependent(s) for all other SMUD-sponsored plans
Less than 10	0	0	0
10	25	22.5	21.25
11	27.5	24.75	23.38
12	30	27	25.5
13	32.5	29.25	27.63
14	35	31.5	29.75
15	37.5	33.75	31.88
16	40	36	34
17	42.5	38.25	36.13
18	45	40.5	38.25
19	47.5	42.75	40.38
20	50	45	42.5
21	55	49.5	46.75
22	60	54	51
23	65	58.5	55.25
24	70	63	59.5
25	75	67.5	63.75

TIER 4

For employees hired on or after January 1, 2018, with continuous SMUD service and who retire from SMUD, SMUD shall contribute up to fifty percent (50%) of the retiree-only portion of the medical insurance premium for all SMUD-sponsored medical insurance plans according to the Tier 4 schedule.

For all dependent(s) covered under the retiree's plan, SMUD shall contribute 90% of the percentage it contributes for the retiree's medical insurance premium (based on the Tier schedule) when the retiree selects one of the two (2) lowest cost health insurance plans or 85% of the percentage it contributes for the retiree's medical insurance premium (based

on the Tier schedule) when the retiree selects any for all other SMUD-sponsored health plans.

Tier 4 retirees shall receive SMUD-provided retiree medical insurance premium contributions according to the following schedule:

Retiree's Years of Continuous SMUD Service	Percent (%) of SMUD Contribution for Retiree	Percent (%) of SMUD Contribution for Dependent(s) for 2 lowest cost plans	Percent (%) of SMUD Contribution for Dependent(s) for all other SMUD-sponsored plans
Less than 15	0	0	0
15	25	22.5	21.25
16	27.5	24.75	23.38
17	30	27	25.5
18	32.5	29.25	27.63
19	35	31.5	29.75
20	37.5	33.75	31.88
21	40	36	34
22	42.5	38.25	36.13
23	45	40.5	38.25
24	47.5	42.75	40.38
25	50	45	42.5

C. DENTAL PLAN

A. SMUD shall provide dental and orthodontic coverage and services to eligible employees and their dependents pursuant to the provisions of the SMUD Employee Dental Plan. The maximum benefit per year remains at \$1,500 per person.

- 1) SMUD shall cover 100% of the premium for the SMUD Traditional Plan for each Full-Time employee.
- 2) Eligible OSE Part-Time (regularly scheduled to work 20 or more hours and less than 40 hours per week {including overtime}) and Limited-Term employees enrolled in the SMUD Traditional Plan shall contribute a premium cost share of 15%.
- 3) Eligible OSE employees have the ability to select a buy-up plan with the additional cost being borne by the OSE employee.

B. SMUD contributions for retirees:

Employees who retire with the equivalent of five (5) years of continuous SMUD service immediately prior to their retirement shall be entitled to participate in the retiree dental program and receive the same dental benefits provided to active employees at SMUD's expense. Employees who are terminated for cause are not eligible to participate in SMUD-sponsored dental plans (except to the extent permitted by COBRA or similar state or federal law) and shall not be entitled to SMUD premium contributions.

D. VISION PLAN

- A. SMUD shall provide vision coverage to eligible employees and their dependents pursuant to SMUD's existing contract with Vision Service Plan.
 - 1) SMUD shall cover 100% of the premium for the SMUD Traditional Plan for each eligible Full-Time employee.
 - 2) Eligible OSE Part-Time (regularly scheduled to work 20 or more hours and less than 40 hours per week {including overtime}) and Limited-Term employees enrolled in the SMUD Traditional Plan shall contribute a premium cost share of 15%.
 - 3) Eligible OSE employees have the ability select a buy-up plan with the additional cost being borne by the OSE employee.

E. LIFE INSURANCE PLAN

- A. SMUD shall continue to provide life insurance coverage to eligible employees as follows:
 - 1) SMUD shall contribute 100% of the premium cost for life insurance coverage equal to the annual base pay rounded up to the nearest \$5,000 for each Full-Time employee.
 - 2) Employee life insurance coverage is based on the amount of an employee's annual base pay (rounded to the nearest \$5,000) effective September 30 of the previous year. SMUD pays the full cost of life insurance premiums for coverage up to one time (1x) annual base pay. Employees can purchase additional coverage with the cost for this additional coverage entirely borne by the employee. This additional coverage is subject to the carrier's qualifications, limitations, and restrictions. Employees can choose additional coverage of either one time (1x), two times (2x), or three times (3x) their annual base pay for a total of four times (4x) their annual base pay up to the maximum coverage limit.
 - 3) For Part-Time employees, the base pay for computing life insurance cost and coverage amounts is 50% of the equivalent salary (rounded up to the nearest \$5,000) for a Full-Time employee.
- B. Subject to the carrier's qualifications, limitations, and restrictions, eligible employees may purchase life insurance coverage for their dependents as follows:
 - 1) Employees can elect coverage for their spouse of \$25,000 or up to 50% of the amount they have chosen through the employee life insurance plan.
 - 2) Employees can elect coverage for their eligible dependent children in the amount of: \$2,500, \$5,000, \$7,500 or \$10,000.

6. LONG-TERM DISABILITY PLAN

- A. SMUD shall provide Long-Term Disability coverage to eligible employees pursuant to the provisions of SMUD's Long-Term Disability Plan.
 - 1) SMUD shall pay 100% of the cost for the basic Long-Term Disability Plan for each eligible Unit 2 employee.
 - 2) Eligible employees may purchase additional long-term disability coverage pursuant to the provisions of SMUD's Long-Term Disability Plan.

- 3) For eligible part-time employees, both costs and benefits are calculated pursuant to the provisions of SMUD's Long-Term Disability Plan, as described in the flexible benefit plan documents.

7. SHORT-TERM DISABILITY INSURANCE

SMUD shall provide short-term disability coverage to eligible employees pursuant to the provisions of SMUD's Short-Term Disability Insurance Plan. The employee shall pay 100% of the cost of short-term disability coverage.

8. FLEXIBLE BENEFITS PLAN

- A. SMUD shall provide eligible employees a flexible benefits plan pursuant to Section 125, of the Internal Revenue Code. The flexible benefits plan shall, at a minimum, include the following pre-tax dollar accounts: medical; dental; vision; long-term disability (high option); short-term disability; employee life insurance; dependent care reimbursement account; and, health care reimbursement account.
 - 1) Employees enrolled in the dependent care reimbursement account and/or health care reimbursement account shall be charged a monthly administration fee as determined by the plan administrator.
- B. All contributions made by SMUD on behalf of eligible employees and their dependents pursuant to Sections 1 through 7 of this Article shall be deposited into the employee's flexible benefits account as flex credits.
 - 1) Each employee may allocate their flex credits subject to the following:
 - a) Except as provided below, employees must purchase medical, dental, vision, and basic long-term disability plan coverage.
 - b) Employees who can provide proof of alternative medical, dental or vision coverage will be given their flex credits in cash. For the purpose of this paragraph, one (1) flex credit is equal to one (1) dollar.
- C. If the monthly total of the pre-tax options selected by an employee exceeds their available flex credits, the difference shall be paid by the employee on a monthly basis in the form of a pre-tax payroll deduction.
- D. If the monthly total of the pre-tax options selected by an employee is less than their available flex credits, the difference shall be paid to the employee on a monthly basis as additional taxable income.

9. EXTENDED COMPENSATION

- A. If an employee is temporarily disabled due to an on-the-job injury or illness, SMUD shall offer extended compensation to supplement their temporary disability payments, in lieu of sick/annual leave supplement pursuant to Article 11, Section 2, Sick Leave Usage, of this Agreement, based upon the employee's request.
 - 1) Such extended compensation shall be sufficient to ensure that the employee shall receive 85% of their basic wage, less the amount of any temporary disability payment.

- 2) Extended compensation is paid as an advance against any future permanent disability award.

10. DEFERRED COMPENSATION PLANS

A. SMUD shall make an IRC Section 401(k) Savings Plan and a Section 457(b) Deferred Compensation Plan available to eligible employees. Participation in the Deferred Compensation Plans shall be voluntary and the participants pay all program costs.

B. Deferred Compensation Direct Contributions

- 1) SMUD shall make direct contributions to the 401(k) accounts of all eligible Unit 2 employees' 401(k) accounts according to the following schedule:

Years of Service	2026 Monthly Contribution	2027 Monthly Contribution	2028 Monthly Contribution	2029 Monthly Contribution
1-5 years	\$150	\$175	\$200	\$225
6-10 years	\$175	\$200	\$225	\$250
11-15 years	\$200	\$225	\$250	\$275
16+ years	\$225	\$250	\$275	\$300

- 2) Employees qualify for their years of service based on the 2080-hour standard as the equivalent of a year. Employees qualify for monthly payments based on their hours worked as measured by the 173.33-hour standard as the equivalent of a month.

C. Deferred Compensation Matching Program

- 1) SMUD shall match each eligible employee's voluntary contributions to their 401(k) account up to \$600 each calendar year.
- 2) Employee participation in the matching contribution program is voluntary. In order to be eligible to receive matching funds, an employee must meet all criteria below:
 - a. Have made contributions into their 401(k) account during the calendar year. SMUD's direct contributions will not be considered an employee's contributions.
 - b. Occupy an OSE-represented classification in a full-time, part-time or limited-term capacity, even if on a temporary upgrade to a different unit.
- 3) In the January following the year the funds are made available, the funds will be distributed to the active accounts of employees who are: 1) still employed by SMUD, or, 2) retired as of December 31 of the year prior to the payout. The employee/retiree must have an active account as of the day of distribution in order to be eligible to receive matching funds. The funds will be distributed on a dollar-for-dollar basis (\$1 SMUD contribution for each \$1 employee contribution during the previous year) until the entire amount has been disbursed or all employees contributions have been matched.
- 4) The monies will be dispersed equally to all employees up to the full amount available for matching or to the full amount of the individual employee contribution if it is less than the maximum available per employee. In the event employee contributions total

less than the amount allocated for matching, the balance will not be carried over into future years.

11. OTHER FRINGE BENEFITS

- A. SMUD currently offers other benefits such as Employee Assistance Program, Employee Development Program, Health and Wellness programs, Wellness Center, Personal Computer Purchase Plan, Ride Share Program, Parking, Child Care Center and Child Care Tuition Assistance. Some of these programs are fully sponsored by SMUD, and others are supported and paid for by employees.
- B. Unit 2 employee membership in SMUD's Wellness Center will be \$4.60 per pay period. SMUD shall reimburse membership fees paid by those employees who use the facility an average of eight (8) times per month annually. Reimbursement shall be made through payroll within ninety (90) calendar days following the end of the year. Only those employees still on SMUD's payroll at the time of reimbursement shall be eligible to receive such payment.

12. CONTINUED ELIGIBILITY IN LIMITED TERM OSE ASSIGNMENTS

OSE-represented Part-Time employees who accept Limited Term assignments in OSE bargaining unit positions retain their eligibility for the following benefits, subject to compliance with State, Federal, and local laws and regulations:

- A. Floating Holidays
- B. FSA Healthcare/Dependent Reimbursement Accounts
- C. Short-term and Long-term Disability Insurance
- D. Deferred Compensation Plans
- E. Extended Compensation
- F. Childcare Financial Assistance
- G. Educational Assistance and Tuition Reimbursement
- H. Professional Organizational Membership Reimbursement
- I. Technology Loan Program
- J. Paid Family Leave

13. RETIREMENT

- A. SMUD has contracted with CalPERS to provide retirement benefits for eligible employees. The following retirement benefits are provided in accordance with SMUD's contract with CalPERS and applicable law:
 - 1) Employees hired by SMUD prior to January 1, 2013, and those otherwise defined as "classic members" by CalPERS shall receive the 2% @ 55 local miscellaneous retirement benefit formula with the 36 consecutive month final compensation period. Employees receiving this pension benefit formula contribute 7% of their pensionable wages to CalPERS as the employee share of the benefit cost.
 - 2) Employees hired by SMUD on or after January 1, 2013, and those otherwise defined as "new members" by CalPERS shall receive the 2% @ 62 local miscellaneous retirement benefit formula with the 36 consecutive month final compensation period. Employees receiving this pension benefit formula contribute 50% of the normal cost of the benefit as determined by CalPERS.

- 3) Supplemental Benefits
 - a) Credit for Unused Sick Leave pursuant to Government Code Section 20965.
 - b) Military Service Credits as Public Service pursuant to Government Code Section 21024.
 - c) Post Retirement Survivor Allowance pursuant to Government Codes Sections 21624, 21626, and 21628, as applicable.
 - d) Annual Cost-of-Living Allowance pursuant to Government Code Section 21335.
 - e) \$500 Retired Death Benefit pursuant to Government Code Section 21620.
 - f) Purchasing Power Protection Account pursuant to Government Code Section 21337.
 - g) Public Service Credit pursuant to Government Code Section 21023.5.
- 4) SMUD shall adopt and apply the IRS Section 414H2 and/or any other administrative or regulatory procedure or standard necessary to ensure that the employees' contributions to their PERS retirement plan are treated as pre-tax payroll deductions.

ARTICLE 10

TRAVEL AND OTHER REIMBURSEMENTS

1. TRAVEL TIME AND EXPENSES

A. Travel Expenses

SMUD shall reimburse employees for all reasonable expenses that have been incurred while traveling on authorized SMUD business pursuant to SMUD's travel policies, Business Travel (AP 03.02.03) and Business Travel Procedures (MP 03.02.03.100).

B. Travel Time

1. All travel time that occurs during an employee's normal work hours, including normal work hours on an employee's regular days off (e.g., Saturday, Sunday, Alternate Day Off), will be compensated as hours worked and will be counted toward applicable overtime.
2. Employees who ask to drive when public transportation (i.e., plane, train, bus, etc.) is available will only be compensated for travel time during normal work hours up to the same amount the employee would have been compensated had the employee used public transportation. Employees who must drive themselves are considered to be working and should be compensated as such.
3. In addition to travel time to and from an airport, train station or port of entry, employees will be compensated for pre-travel waiting time for no more than one (1) hour prior to the employee's scheduled departure time.
4. When an employee travels between two or more time zones, the time zone associated with the point of departure will be used to determine whether the travel falls within normal work hours.
5. Employees who are approved to extend or alter travel arrangements to incorporate personal time/leave will not be paid for any travel time or expenses during the personal time/leave period. Employees are responsible for all additional travel expenses that result from the incorporation of personal time/leave. Paid leave hours used by an employee to extend or alter travel arrangements for personal reasons will not count as hours worked for purposes of overtime during a workweek in which the employee receives compensation for travel time.

2. BACK COUNTRY TRAVEL

- A. When employees are required to travel into SMUD's Upper American River Project (UARP) and elect to furnish their own lodging facilities, a lodging payment of \$50.00 per day will be paid for each day of the assignment (including weekend days).
- B. The reporting headquarters will be the employees' lodging site for the assignment.

3. TEMPORARY CHANGE OF HEADQUARTERS

Employees shall report for work at their designated work headquarters. Travel time between the employee's designated work headquarters and the actual job site normally shall be considered as time worked, unless mutually agreed otherwise in advance or as excepted below:

- A. An employee's designated work headquarters may be temporarily changed for less than twelve (12) months with nineteen (19) hours advance notice. When so assigned, the employee shall be compensated for their additional driving time and shall be paid mileage for any additional miles driven.
- B. When an employee's designated work headquarters is temporarily changed for less than twelve (12) months for formal training purposes, they shall not receive additional compensation or mileage payments unless their commute distance has increased more than ten (10) miles.

4. PROFESSIONAL CERTIFICATION / LICENSE FEES

- A. Except as provided below, employees who are required by SMUD to maintain a professional certification and/or license shall be reimbursed 100% of their costs associated with maintaining such certificate or license.
- B. SMUD shall pay 100% of the employee's initial license fee and all renewal fees for employees who are required to maintain a commercial driver's license, except that portion which is attributable to the Class C driver's license.

5. ORGANIZATIONAL MEMBERSHIP FEES

SMUD shall pay 100% of the membership fee for any employee required to maintain membership in a professional organization.

6. BUSINESS MEETING EXPENSES

Employees who are required to attend any meetings as SMUD's representative shall be reimbursed their out-of-pocket expenses associated with attending such meeting.

7. COMMUNICATION EXPENSES

Employees shall be reimbursed for all costs associated with business-related communications including, but not limited to, telephone calls, faxes, mailing, and shipping.

8. MISCELLANEOUS EXPENSES

Employees shall be reimbursed for other miscellaneous business expenses subject to the approval of SMUD.

9. PERSONAL TOOLS

If an employee is required to provide some or all of the tools needed to perform their job duties, SMUD shall replace such tools when they are worn, lost, or stolen under certain circumstances in accordance with established SMUD procedures.

10. RELOCATION EXPENSES

SMUD may reimburse existing employees for relocation expenses under certain circumstances consistent with established SMUD policy, Relocation Expenses (AP 05.03.03).

11. EDUCATIONAL ASSISTANCE

Effective July 1, 2009, SMUD and the OSE agree that Unit 2 employees shall be covered by SMUD policies, Education Assistance and Tuition Reimbursement (AP 04.03.02 and MP

04.03.02.100), relating to financial assistance for education and training expenses, including the financial assistance and educational expense reimbursement amounts specified therein.

ARTICLE 11

SICK LEAVE

1. ELIGIBILITY

- A. Unit 2 employees who do not accrue annual leave may utilize sick leave in accordance with SMUD's Sick Leave Policy AP 04.05.15.
- B. Employees with sick leave balances accrued prior to September 21, 2002, may use their accrued sick leave in accordance with the provisions of this Article.

2. SICK LEAVE USAGE

- A. Sick leave may be authorized for the following reasons:
 - 1) The illness or injury of the employee;
 - 2) The need to see a health care provider or counselor;
 - 3) To care for an ill or injured family or household member;
 - 4) To supplement Workers' Compensation payments;
 - 5) Under certain circumstances sick leave balances may be exhausted pending approval of a disability retirement.
- B. Sick leave may be taken in fifteen (15) minute increments. Employees requesting to use sick leave must notify their supervisor in advance, if possible, but in all cases prior to the employee's authorized starting time on each day the employee will be absent. An employee who is unable to give advance notice, due to emergency circumstances, shall make notification as early as possible. When unable to speak directly to their supervisor, the employee shall leave a callback telephone number on the supervisor's voicemail where the employee can be located.
- C. When a full day of sick leave is taken, it shall be charged according to the employee's work schedule (8, 9, or 10 hours) and shall be paid at the employee's current effective base pay.
- D. If an employee becomes ill while on annual leave, they may request that the annual leave be changed to sick leave.
- E. If an employee is off sick on a workday and it is a holiday, they shall receive holiday pay. The absence shall not be charged to the employee's sick leave.
- F. Employees shall be permitted to use sick leave during any illness that meets the definition of a disability pursuant to SMUD's Long-Term Disability Plan. If the employee is not precluded by their disability from performing other work and SMUD has made a limited duty assignment available to the employee, they shall not be permitted to use sick leave.

3. MEDICAL VERIFICATION / RELEASE

- A. Employees may be required to provide medical verification of illnesses and or injuries when requested to do so by SMUD, in accordance with SMUD's Sick Leave Policy (AP 04.05.15).
- B. Employees who are off work for more than five (5) consecutive work days due to an illness and/or injury may be required to provide a medical release indicating that they may return to work safely.
 - 1) If the employee received medical treatment for their injury or illness, their health care provider must complete the medical release.
 - 2) If the employee has not received medical treatment for their illness or injury, SMUD's Medical Clinic staff may complete the medical release.
- C. An employee's request to use accumulated sick leave credits may be denied if they do not provide a medical verification of illness and/or a medical release when required to do so by SMUD. In such cases, the employee's absence may be charged as unauthorized leave without pay and the employee may be subject to disciplinary action.

4. REINSTATEMENT OF SICK LEAVE

- A. Employees who are reinstated following a layoff shall have their sick leave balance restored pursuant to Civil Service Rules.
- B. Employees who resign and are rehired to a civil service position within six (6) months of initial separation shall have 50% of their sick leave balance reinstated provided they had five (5) years or more of continuous SMUD employment.

5. SICK LEAVE UPON RETIREMENT

SMUD shall continue to contract with CalPERS to allow unused sick leave to be credited toward years of service for retirement pursuant to Government Code Section 20965.

ARTICLE 12

ANNUAL LEAVE PROGRAM

1. INTRODUCTION

Annual Leave is to be used to meet an employee's need for paid time off for any approved absence. Under this leave program, previously accrued sick leave balances are retained and may be used by the employee in accordance with the provisions of Article 11, Sick Leave, of this Agreement.

- A. SMUD must approve all requests for annual leave in advance of the time the leave is taken. Unapproved absences may be charged as unauthorized leave without pay.
- B. Under the Annual Leave Program employees do not earn sick or personal leave.

2. ELIGIBILITY

All Unit 2 employees except the following are eligible to accrue annual leave:

- A. Part-time employees scheduled to work less than twenty (20) hours per week.
- B. Student Employment Program participants.
- C. Rehired CalPERS Annuitants.
- D. Contract employees.

3. ACCRUAL OF ANNUAL LEAVE CREDITS

- A. Eligible employees earn annual leave credits based on 80 straight time hours paid.
- B. The table below reflects the annual leave accrual rate for eligible employees based on the length of the most recent continuous SMUD service:

<u>Length of Service</u>	<u>Annual Leave Credits</u>
Beginning 1 st year through 4 th year	156 hours per payroll year (6 hours per pay period)
Beginning 5 th through 14 th year	195 hours per payroll year (7.5 hours per pay period)
Beginning 15 th through 22 nd year	234 hours per payroll year (9 hours per pay period)
Beginning 23 rd through 29 th year	273 hours per payroll year (10.5 hours per pay period)
Beginning 30 or more years	312 hours per payroll year (12 hours per pay period)

10th Anniversary bonus – Employee shall be credited with 40 hours of annual leave on the tenth anniversary date of continuous SMUD service.

20th Anniversary bonus – Employee shall be credited with 20 hours of annual leave on the twentieth anniversary date of continuous SMUD service.

4. MAXIMUM ACCUMULATION OF ANNUAL LEAVE

Employees may accumulate annual leave throughout the payroll year and carry over a maximum of 2000 hours into the subsequent payroll year. At the close of the payroll year, annual leave credits accumulated in excess of 2000 hours shall be paid at the employee's current effective base pay.

5. USE OF ANNUAL LEAVE CREDITS

- A. Employees may use their annual leave credits as soon as they are earned and posted to the employee's annual leave account balance.
- B. Employees who are off work for a full work day on annual leave shall be charged the number of hours they are regularly scheduled to work on the day the annual leave is used.
- C. Employees approved for annual leave due to non-FMLA medical reasons shall record the time as follows: LPIA – Employee Annual Leave Medical; LPIF – Family Annual Leave Medical. Annual leave used for FMLA medical reasons shall be recorded as LFPL – Personal Leave-FMLA. Annual leave used for pregnancy shall be recorded as LFP1 – Pregnancy-Personal Leave.
- D. Employees may be required to provide medical verification of illnesses and/or injuries when requested to do so by SMUD.

6. SCHEDULING

- A. Except when operational needs require otherwise, employees shall be entitled to use their accrued annual leave credits at the time of their choice. Annual leave normally will be taken each calendar year. An annual leave request in weekly increments of up to three (3) consecutive calendar weeks shall be given preference over split leave periods. Leave requests equal to an employee's annual accrual rate shall be given special consideration.
- B. Employees shall provide advance notice when requesting leave, and should communicate to their supervisor, as appropriate, to ensure the request is understood. Supervisors shall provide approvals/denials in a timely manner.
- C. Unless compelled by law or SMUD policy, supervisors will approve or disapprove a request for leave after considering the following:
 - 1) The nature of the request;
 - 2) The operational needs of the business unit;
 - 3) Whether the employee has sufficient paid leave to cover the entire absence;
 - 4) The number of previous leave requests from the employee;
 - 5) The preferences and seniority of other employees requesting the same time off.
- D. Short notice leave use is of special concern and should be avoided because of the potential adverse effect on a work unit's ability to meet the business needs of SMUD. Short notice leave is defined as leave not approved in advance of the absence, especially for "same day" absences from work. Usual reasons for requesting short notice leave include:
 - 1) Unanticipated illness or injury of the employee or immediate family member;
 - 2) A situation of such serious nature as to justify the employee's decision to not report to work;
 - 3) A situation arising during duty hours that necessitates the employee's immediate absence from duty.
- E. Reliability is a valued trait, and attendance issues will be resolved on a case-by-case basis using SMUD's Positive Discipline program. All previous leave administrative policies

(i.e., attendance metrics, attendance control policies, etc.) are superseded and replaced with the philosophy on leave administration set forth in this MOU.

7. CANCELLATION OF ANNUAL LEAVE

- A. In an emergency, employees may be asked to forego all or a part of their scheduled annual leave. Employees who are already on annual leave may be requested to report for duty.
- B. Employees shall be reimbursed for any documented expenses and/or loss of money resulting from SMUD's action pursuant to Section 7.A of this Article, provided the employee informs SMUD of the pending loss at the time the employee is requested to either cancel or reschedule their annual leave.

8. ANNUAL LEAVE SELL-BACK

- A. Full-Time employees may elect to sell back up to one hundred-twenty (120) hours (up to 60 hours for Part-Time employees) of accumulated annual leave credits per year, provided the employee schedules and uses at least the equivalent of one (1) work week of annual leave in the same year.
- B. Annual Leave Sell-Back Agreements, which are irrevocable, must be submitted to the HRS Payroll unit no later than December 31 of the year prior to the year in which the annual leave will be accrued and paid out. An employee may elect to apportion the amount of sell back between the paychecks for pay periods 13 and 25, limited to the amount of Annual Leave accrued in that year at the time of the payout.
- C. An employee may request a hardship withdrawal payment of accrued leave at any time when an unforeseen hardship arises and payment is needed to cover such expenses. Hardship withdrawals are only allowed for the reasons specified in the hardship distribution rules for SMUD's 457(b) plan as well as other similar hardships approved by SMUD.
- D. All annual leave payments are computed at the straight-time rate of pay for the employee's current effective base pay in the classification at the time annual leave credits are paid.

9. PAYMENT FOR UNUSED ANNUAL LEAVE

- A. Separation of Employment
 - 1) When an employee separates from SMUD employment for any reason, they shall be paid for any accumulated annual leave credits at their current effective base pay.
 - 2) Employees who are separating from SMUD employment for any reason other than retirement may not use their accumulated annual leave credits immediately prior to the effective date of their separation. The employee shall receive cash compensation pursuant to Section 9.A.1) of this Article.

B. Retirement

A retiring employee may take a lump-sum payment for their accumulated annual leave. If the employee has an equivalent of five (5) years of full-time uninterrupted service with SMUD, they may choose to take a portion or all of their accumulated annual leave prior to the effective date of their retirement.

ARTICLE 13

TIME OFF

1. INTRODUCTION

Where current SMUD policy and/or the provisions of this Agreement provide a greater benefit than is required by State and/or Federal law or regulation, SMUD shall provide the greater benefit.

2. TIME OFF WITH PAY

A. Eligibility

All Unit 2 employees except the following are eligible for paid time off:

- 1) Part-time employees scheduled to work less than twenty (20) hours per week.
- 2) Student Employment Program participants.
- 3) Rehired CalPERS Annuitants.
- 4) Contract employees.

B. Bereavement Leave

- 1) Bereavement Leave will be administered in accordance with the applicable Management Procedure (MP 04.05.13.100). Bereavement leave may be taken intermittently or consecutively.

C. Voting Leave

SMUD shall allow eligible employees, as defined in Section 2.A of this Article, a maximum of two (2) hours paid time off to vote in any statewide general election, in accordance with State law and SMUD Voting Leave Policy (MP 04.05.12.100).

D. Jury Duty and Court Appearances

- 1) SMUD shall allow eligible employees, as defined in Section 2.A of this Article, time off with pay to report for jury duty or to respond to a subpoena. Employees who are involved in a court case as a plaintiff, defendant or expert witness, in a matter unrelated to official SMUD business, may be required to use annual leave.
- 2) Employees summoned for jury duty or subpoenaed as a witness shall notify SMUD promptly by providing a copy of the summons or subpoena.

3) Effects on Work Hours

- a) Employees whose jury duty or court appearance is the length of their scheduled workday or more shall be excused from work for their entire workday.
- b) Employees whose jury duty or court appearance is less than the length of their scheduled workday must notify SMUD and may be required to work the remaining portion of their workday.
- c) Employees whose jury duty or court appearance of eight (8) or more hours occurs during the sixteen (16) hours preceding their regular workday, or starts during the

eight (8) hours after the end of their regular workday, employees shall be entitled to an eight and one-half (8.5) hour rest period.

E. Professional Leave

- 1) Eligible employees will be granted up to 80 hours of paid time off (Professional Leave) per calendar year to participate in professional activities as follows:
 - a) Professional Organizations: Upon approval of SMUD employees who hold office in a recognized professional association may be granted paid time off for performance of their duties on behalf of such organization. SMUD shall also reimburse such employees for travel or other expenses incurred when SMUD determines that it receives a direct benefit from these activities.
 - b) Professional Development: Out the 80 hours of Professional Leave allotted each year, eligible employees may choose to use up to two (2) hours of paid time off per month to attend or participate in professional development opportunities at SMUD, including training (for example, LMS optional training, LinkedIn Learning, Brown Bags) or other activities (e.g., ERG meetings, DEI Council, Leadership Programs).
 - c) Except when operational needs require otherwise, employees shall be entitled to use their Professional Leave at the time of their choice. Employees shall provide advance notice when requesting leave, and should communicate to their supervisor, as appropriate, to ensure the request is understood. Supervisors shall provide approvals/denials in a timely manner.
 - d) In an emergency, employees may be asked to forgo their scheduled Professional Leave.
 - e) Employees shall be reimbursed for any documented expenses and/or loss of money resulting from SMUD's actions pursuant to Section E.1.d., provided the employee informs SMUD of the pending loss at the time the employee is requested to either cancel or reschedule their professional leave.

3. TIME OFF WITHOUT PAY

A. Eligibility

All employees are eligible for time off without pay.

B. Personal Time Off

- 1) Requests for leaves of absence without pay shall be approved when required by law, and may be approved at SMUD's discretion when not required by law. SMUD shall consider the following factors when approving requests for non-required leave: the merits and the nature of the request, the length of time being requested, and the impact that the employee's absence will have on SMUD.
- 2) Employees may take up to forty (40) hours of leave without pay per payroll year without first exhausting their CTO and/or annual leave balances. When using this option in conjunction with paid annual leave, paid annual leave must be taken first.
- 2) Except as provided in Section 3.B.2) of this Article, leave without pay for personal reasons require that employees first use all of their accrued CTO and annual leave.

- 3) Except in cases of emergency, requests for personal time off without pay must be made reasonably well in advance of the dates requested.

C. Medical Leave

Employees must exhaust all of their sick and annual leave before going on an unpaid medical leave of absence in accordance with SMUD's Family Care and Medical Leave Policy (AP 04.05.05).

4. EFFECTS OF LEAVE WITHOUT PAY ON SMUD BENEFITS

A. Leave Without Pay for Personal or Medical Reasons

- 1) Extended Leave Without Pay – Employees who are in an unpaid status for thirty (30) consecutive days or more shall not earn annual leave credits during their absence.
- 2) Intermittent Leave Without Pay – Employees who are in an unpaid status intermittently during the payroll year shall not earn annual leave accrual for each cumulative total of eighty (80) hours of unpaid leave.
- 3) Leave without pay, taken pursuant to Section 3.B.2) of this Article, shall not have any impact on the accrual of annual leave.

B. Workers' Compensation

Employees who are on unpaid authorized leave relating to an approved Workers' Compensation claim shall continue accruing annual leave credits.

C. Insurance Benefits

- 1) Non-Medical Leave – Employees on an approved unpaid leave of absence may continue to participate in SMUD's health, life insurance, vision and dental plans. SMUD and the employee shall each pay their share of each premium under the provisions of this Agreement for up to three (3) months. After three (3) months, the employee must pay the full premium if they wish to maintain coverage.
- 2) Medical Leave – Employees on an approved unpaid medical leave of absence may continue to participate in SMUD's health, life insurance, vision and dental plans. SMUD and the employee shall each pay their share of each premium under the provisions of this Agreement, until the employee either returns to work or separates from SMUD employment.

D. CalPERS and Social Security Contributions

The employee or SMUD shall not make CalPERS and Social Security contributions when an employee is on an unpaid leave of absence.

ARTICLE 14

TRANSFERS / PROMOTIONS

1. INTRODUCTION

Qualified employees may move from one position to another in either the same or in a different classification subject to the Transfer/Promotion Process or by demotion.

2. TRANSFER / PROMOTION PROCESS

In accordance with current Civil Service Rules, when SMUD decides to fill a vacant Civil Service position in an OSE classification, the vacant position will be posted except when making involuntary demotions and other special circumstances deemed necessary by SMUD. SMUD will continue its practice of establishing eligibility lists of qualified applicants using the existing “Open” and “Continuously Open” processes. SMUD may post and fill positions using the long established “Transfer/Promotion” hiring process.

When a permanent civil service vacancy is to be filled through the Transfer/Promotion Process, it shall be posted subject to the following:

A. Posting / Eligibility

- 1) The Transfer/Promotion Job Announcement shall be posted for a minimum of ten (10) working days.
- 2) Eligibility for transfer/promotion opportunities shall be determined pursuant to the Civil Service Rules.

An eligibility list may or may not be established from a transfer/promotion exam process. If an eligibility list is established, it shall be maintained by People Services & Strategies and governed by the Civil Service Rule provision pertaining to eligibility lists.

Additionally, SMUD may, at its discretion, post to fill a vacancy using a “Transfer/Eligible List” announcement. When filling a vacancy identified by a “Transfer/Eligible List” announcement, the hiring supervisor may choose a qualified candidate from an existing eligible list or transfer a qualified employee in the same classification who has applied for the job in response to the “Transfer/Eligible List” announcement. Applicants not on an eligible list or eligible for transfer or who have not applied for the job in response to the “Transfer/Eligible List” announcement will not be considered for positions posted in this manner.

- 3) The Transfer/Eligible Job Announcement for an OSE position shall be posted for a minimum of five (5) working days.

B. Whenever SMUD determines that it is necessary to fill vacancies without first posting the vacancy due to the existence of “special circumstances” (Civil Service Rule 5), PS&S shall notify the OSE President, by letter or email, of that determination within 24 hours and before any person is selected to fill a vacancy. The notification will include (1) a description of the “special circumstances” that prevent SMUD from posting the vacancy, (2) a list of the job titles and positions sought to be filled, (3) the

department(s) where the vacancies exist, (4) the method and/or procedure SMUD will use to fill the vacancy, (5) the starting date, and (6) a description of how SMUD intends to notify employees of the vacancies without posting.

C. Appointment

- 1) Following completion of the selection process the hiring department may offer the position to a certified candidate pursuant to Civil Service Rules.
- 2) Transfer/promotions normally will be effective at the beginning of a payroll period.
 - a) The effective date of a promotion shall be no later than the beginning of the first payroll period following the employee's two (2) weeks' notice to their supervisor. The actual release date shall be mutually agreed upon by the affected Department Managers.
 - b) The release date of a transfer employee shall be determined by the hiring supervisor and the employee's current supervisor, but should be no later than four (4) weeks following the date that the transferred employee was offered the position.
- 3) A promoted employee's salary shall be increased as follows:
 - a) Unless stated otherwise in this Agreement, employees who are promoted to a Unit 2 classification shall be placed at the first pay step that provides a minimum of a 2.5 % pay increase.
 - b) Unless stated otherwise in this Agreement, a Unit 2 employee who is temporarily promoted to an IBEW classification shall be placed at the wage that provides a minimum of a 2.5% pay increase and shall retain their existing Unit 2 benefits.
 - c) Unless stated otherwise in this Agreement, a Unit 2 employee who is temporarily promoted to a PAS classification shall be placed at the wage that provides a minimum of a 5% pay increase and shall retain their existing Unit 2 benefits.
 - d) Promoted employees may be considered for placement at a pay step higher than that provided in Sections 2.B.3)a), 2.B.3)b) and 2.B.3)c) of this Article, based on their qualifications and experience, subject to the recommendation and approval of SMUD.
 - e) A promotional salary increase shall be in addition to any scheduled merit increase that would have been received by the employee within three (3) months from the date of their promotion.
 - f) An employee's promotional increase shall be based upon the pay step held within their permanent classification.

3. TRANSFERS / PROMOTIONS

- A. Except as otherwise provided by the provisions of this MOU, promotions and/or transfers shall be administered in accordance with the Civil Service Rules.
- B. When vacancies are to be filled and a reinstatement list does not exist, SMUD agrees to consider existing eligible lists in the following order of priority:

- Integrated Disability Management (IDM) Placement List
- Transfer/Eligible or Transfer/Promotion Lists
- Voluntary Demotion List
- Rehire
- Open List

SMUD reserves the right to make the final selection based upon the best qualified candidate.

C. Whenever eligibility lists are abolished, SMUD shall provide written notification to the OSE of the cancellation of the list(s). This is to ensure the OSE is aware of the list(s) cancellation and can answer or counsel employees as appropriate.

4. MEDICAL TRANSFERS/ASSIGNMENTS

SMUD may transfer or reassign employees for medical reasons.

- A. SMUD shall comply with State and Federal laws when accommodating/transferring employees with qualifying illnesses/injuries.
- B. SMUD may transfer or reassign employees for medical reasons based on State and Federal laws which govern accommodations/transfers for employees with qualifying illnesses/injuries.

5. TRAINING ASSIGNMENTS

A. Training assignments are for cross-training purposes. They allow SMUD and employees an opportunity to maximize their potential without a change in their permanent classification. Employees, who have completed their probationary period, or who have completed 6 months of service in their current non-civil service classification, whichever is greater, may be assigned to temporary training in another classification subject to the following:

- 1) Training assignments shall be made on a voluntary basis only.
- 2) Training assignments must be approved in advance by SMUD pursuant to established procedures.
- 3) Training assignments normally are not to exceed six (6) months. They may be extended for one additional six (6) month period when in the best interests of both the employee and SMUD.
- 4) The employee's classification and pay level shall remain unchanged during the training assignment when a bona fide training program is provided.

6. DEMOTIONS

- A. An employee may move to a position or classification with a lower pay range or rate of pay.
- 1) A demotion may be voluntary or involuntary and is made to a position whose duties the employee is qualified to perform.

- 2) When Federal, State, or local regulations require an employee to obtain and maintain special qualifications and the employee is unable to obtain or maintain them, the employee may be transferred or demoted.

7. POSITION PROBATION

- A. A promoted employee and/or an employee who is transferring or being reassigned into another classification shall be required to complete a position probationary period pursuant to Civil Service Rules. However, incumbents hired prior to December 31, 2017, in the OSE Slant-Line/Flex classifications (which existed prior to 2010) identified in Article 4, Section 3, shall serve position probation only upon initial entry into the Slant-Line/Flex classification series.
- B. Employees who are transferred or reassigned pursuant to the Civil Service Rules to a new position within their current classification shall not be required to complete another position probationary period.
- C. A demoted employee shall not be required to serve another probationary period if they have previously completed probation in that classification.
- D. Employees who are reallocated to a higher or lower classification pursuant to the Civil Service Rules shall not be required to serve a new probationary period.

ARTICLE 15

PERFORMANCE EVALUATIONS

1. INTRODUCTION

Employee performance shall be periodically evaluated and documented.

2. PERFORMANCE EVALUATION SCHEDULE

A. During Probation

- 1) Six-Month Probation – Employees in classifications requiring a six (6) month probationary period shall be evaluated at the end of the third (3rd) and fifth (5th) month.
- 2) Twelve-Month Probation – Employees in classifications requiring a twelve (12) month probationary period pursuant to the MUD Act shall be evaluated at the end of the fifth (5th) and the eleventh (11th) month.
- 3) Supervisors may formally evaluate an employee's performance at more frequent intervals.

B. Following Probation

- 1) Employees who are not at the top of their pay range shall be evaluated at the time they are eligible for a merit pay increase.
- 2) Employees who are at the top of their pay range shall be evaluated annually.
- 3) SMUD may formally evaluate an employee's performance at more frequent intervals.

C. Upon Separation

Employees may be evaluated at the time they separate from SMUD employment. Employees with less than satisfactory performance at the time of separation normally are not eligible for rehire.

3. EMPLOYEE RIGHT TO REBUTTAL

In the event an employee disagrees with their performance evaluation, they may submit a rebuttal to the People Service & Strategies Department to be included in their personnel file.

ARTICLE 16

POSITIVE DISCIPLINE

1. INTRODUCTION

Unit 2 Civil Service Employees who have completed their initial SMUD probationary period are subject to the provisions of SMUD's Positive Discipline Program contained in the SMUD Positive Discipline Policy (AP 05.02.09).

2. RELATIONSHIP TO SUBSTANCE ABUSE TESTING AND REHABILITATION PROGRAM

SMUD's Substance Abuse Testing and Rehabilitation Program is a stand-alone program and violations shall not be subject to the provisions of this Article.

3. RELATIONSHIP TO DISCRIMINATION/HARASSMENT POLICIES

The SMUD Nondiscrimination, Anti-Harassment and Non-Retaliation Policy (AP 05.01.01) is a stand-alone program and violations shall not be subject to the provisions of this Article.

4. DISCIPLINE FOR CAUSE

Unit 2 employees only may be disciplined "for cause" as set forth in Civil Service Rules and Section 12162 of the MUD Act.

5. DISCIPLINE NOTICES

SMUD shall concurrently notify the OSE of all discipline issued to Unit 2 employees.

ARTICLE 17

LAYOFF PROCEDURE

1. INTRODUCTION

It is the intent of SMUD to minimize the number of layoffs if a reduction in force becomes necessary. If layoffs do become necessary, they shall be implemented pursuant to the Civil Service Rules.

2. WORKSITE AGREEMENT

- A. When a reassignment of work becomes necessary due to a reduction in force at a SMUD work site, employees at the work site with the least amount of SMUD seniority, who are in the classification to be reduced, shall be impacted first; provided however, that a more senior employee at that work site has not voluntarily accepted an offer to change work sites (any such offer would be extended for two (2) work days only). SMUD work sites are Sacramento/Headquarters, East Campus-Operations Center, Rancho Seco, Elk Grove Yard, and Fresh Pond.
- B. The impacted employee shall have the opportunity to move to the least senior position in the same classification SMUD-wide; provided however, that their SMUD seniority is greater. For this purpose, vacancies shall be considered to be the least senior positions within the classification.
- C. Where multiple positions are involved, impacted employees shall choose their placement from among the equivalent number of least senior positions in order of their seniority; i.e., the most senior impacted employee shall have first choice of placement. Where multiple placements are possible at a single work site, SMUD shall determine the placements at that work site.
- D. In the event no placement is possible within the same classification or the employee refuses a placement within the same classification, that employee shall be laid off unless the employee exercises their bumping rights under the Civil Service Rules.
- E. Should a vacancy occur in the same classification at the work site of an employee who was transferred pursuant to Section 2.A of this Article, within twelve (12) months of their displacement, said employee(s) shall have a right of return to the former work site in order of seniority.

ARTICLE 18

AUTOMATIC RESIGNATION

1. AUTOMATIC RESIGNATION

An unauthorized leave of absence, whether voluntary or involuntary, for five (5) consecutive workdays, is considered an automatic resignation from SMUD service, effective the day after the fifth consecutive workday of unauthorized leave. SMUD shall notify the employee, in writing, of this determination. Such notice shall be mailed by certified mail to the employee's last known address. A copy of this notice shall be provided to the OSE simultaneously.

2. RETURN FOLLOWING AUTOMATIC RESIGNATION

Employees may request to return from automatic resignation in writing to SMUD. Requests for return must be made within ten (10) working days following SMUD's mailing of a notice acknowledging the employee's resignation. Upon receipt of the employee's request, SMUD shall notify the OSE, in writing, of an employee's request to return from automatic resignation, and shall evaluate the request and may rescind the resignation.

ARTICLE 19

GRIEVANCE PROCEDURE

1. DEFINITIONS

- A. Grievance: A dispute that involves the interpretation or application of this Agreement, a disciplinary action taken against a Unit 2 employee, or the application of a SMUD rule or policy. An objection to the terms and provisions of a rule, policy, or memorandum of understanding is not considered a grievance. However, an objection to the way a rule, policy, or memorandum of understanding is applied in a particular situation would be considered a grievance.
- B. Grievant: A Unit 2 employee or the OSE.
Non-civil service employees shall not be entitled to file grievances over disciplinary actions.
- C. Date of occurrence: The day the event that is the subject of the grievance occurred, or the date when the grievant reasonably should have been aware of the occurrence of the event that is the subject of the grievance.
- D. Receipt Date: The earlier of the following:
 - 1) The date the OSE President and Manager, Employee Relations are e-mailed a copy of the grievance, response, or decision. The hard copy is to be sent via interoffice mail or postal service on the same day.
 - 2) The date the hard copy grievance, response, or decision is received by the OSE or SMUD.

2. APPLICATION

- A. A grievance may be filed by a Unit 2 employee or by the OSE. By mutual agreement between SMUD and the OSE, concurrent grievances alleging violations of the same provisions may be consolidated into a single grievance.
- B. The OSE may file a grievance directly at Step 2. SMUD and the OSE also may mutually waive any step of the grievance procedure. Such waivers shall be in writing and apply only to the specific grievance for which they are granted.
- C. A grievance appealing termination or other discipline involving the loss of property interests shall be filed directly at Step 3.
- D. All disputes described in Section 1.A of this Article shall be resolved through the use of these grievance procedures.

3. TIME LIMITS

- A. The time limits contained in this Grievance Procedure are mandatory and failure to meet the time limits shall result in forfeiture of the grievance by the party not meeting the time limit requirements.
- B. SMUD and the OSE may, by mutual agreement in writing, extend time limits for a specified period of time.

- C. Any time limit contained in this Grievance Procedure may be recessed or delayed by the mutual agreement of the parties for the purposes of convening a Fact Finding Committee, as described in Section 8.A of this Article.
- D. A grievance must be filed or advanced by 11:59 p.m. on the last eligible working day within the time limits outlined in each step of the grievance procedure under Section 6 of this Article. For example, if filing at Step 1 of the grievance procedure, the grievance must be filed by 5:00 p.m. on the 20th working day. If not resolved at Step 1 of the grievance procedure, the grievance must be advanced by 11:59 p.m. on the 15th working day, so on and so forth.
- E. Timelines for notice commences on the first day following receipt.

4. REPRESENTATION

- A. Grievants are entitled to be represented throughout the Grievance Procedure by the representative(s) of their choice. However, the OSE shall have the right to have its representative(s) present at any step of the grievance process. This right to individual representation does not include the right to take the matter to arbitration, unless the OSE agrees to do so.
- B. Unit 2 employees who are grievants, representatives, or witnesses shall be given time off with pay during their regular work hours to attend hearings. Unit 2 employees shall be reimbursed for personal expenses (excluding legal fees) incurred in connection with such hearings.
- C. Unit 2 employees who are grievants, representatives, or witnesses in a formal grievance proceeding shall be paid overtime when requested to appear at proceedings outside their regular work hours.

5. INFORMAL RESOLUTION

Unit 2 employees and/or the OSE may attempt to resolve workplace issues informally.

6. GRIEVANCE PROCEDURE

A formal grievance shall be submitted on the SMUD and OSE Grievance Form (SMUD Form 2377) using the following procedure:

- A. Step 1 – Department Manager
 - 1) A completed grievance form (SMUD Form 2377) must be filed with the Department Manager within twenty (20) working days following the date of occurrence.
 - 2) Immediately upon receipt of the grievance, the Department Manager shall contact the Labor Relations Department to obtain or verify the grievance control number and to forward a copy of the grievance.
 - 3) If the grievance was filed exclusively by a Unit 2 employee, upon receipt of the grievance, the Labor Relations Department shall forward a copy of the grievance to the OSE.
 - 4) Within five (5) working days following the date the grievance was filed, the Department Manager shall schedule a Step 1 meeting for a mutually agreeable date and time.

- 5) The Step 1 meeting may be attended by the grievant, the grievant's representative(s), the grievant's immediate supervisor, and any other involved supervisors/managers.
- 6) Within ten (10) working days following the Step 1 meeting, the Department Manager shall provide the grievant, Labor Relations, and the OSE a written response setting forth the basis for their decision regarding the grievance, including all supporting documentation.
- 7) If the grievant or the OSE is not satisfied with the Department Manager's decision, the OSE may advance the grievance to Step 2.

D. Step 2 – Manager, Employee Relations

- 1) If the grievance is not resolved at Step 1, the OSE may advance the written grievance, including all supporting documentation, to the Manager, Employee Relations, within fifteen (15) working days of receipt of the Department Manager's response.
- 2) Within ten (10) working days following receipt of the grievance, the Manager, Employee Relations shall schedule a Step 2 meeting for a mutually agreeable date and time where the grievance shall be discussed between the OSE representative(s) and the Manager, Employee Relations.
- 3) Within ten (10) working days of the conclusion of the Step 2 meeting, the Manager, Employee Relations shall provide the OSE a written response setting forth the basis for their decision regarding the grievance, including all supporting documentation.

C. Step 3 – Grievance Review Committee

- 1) If the grievance is not resolved at Step 2, the OSE may advance the written grievance, including all supporting documentation, to the Grievance Review Committee, pursuant to Section 7.B of this Article, within ten (10) working days of receipt of the Manager, Employee Relations response.
- 2) When a grievance is advanced to this level, the Grievance Review Committee shall convene a meeting as soon as possible and no later than 30 calendar days after the grievance is received. Labor Relations shall take responsibility for arranging meeting locations and notifying members.
- 3) If the Grievance Review Committee reaches a unanimous agreement regarding the resolution of the grievance, it shall issue a written decision, signed by each member of the committee, within fifteen (15) working days of the conclusion of the Grievance Review Committee meeting. A draft of the decision shall be issued by Labor Relations simultaneously to all committee members within five (5) working days, upon conclusion of the GRC meeting. The unanimous agreement of the Grievance Review Committee shall be final and binding on the parties.
- 4) If the Grievance Review Committee is unable to reach a unanimous agreement, it shall notify the parties in writing within five (5) working days of the conclusion of the Grievance Review Committee meeting.
- 5) If the Grievance Review Committee does not reach a unanimous agreement, either SMUD or the OSE may submit the grievance to arbitration by serving written notice on the other party in accordance with Step 4 of the grievance procedure in Section D of this article.

D. Step 4 – Arbitration

- 1) If the Grievance Review Committee does not reach a unanimous agreement, either SMUD or the OSE may submit the grievance to binding arbitration by serving written notice on the other party within fifteen (15) working days following receipt of the Grievance Review Committee's notification.
- 2) The parties shall jointly request a list of seven (7) labor arbitrators from the American Arbitration Association (AAA). Within fifteen (15) calendar days from the receipt of the list from AAA, the parties shall select an arbitrator by the process of alternately striking names from such list.
- 3) The Arbitrator's authority shall be limited to the resolution of the grievance before them including, but not limited to, a determination that the grievance either has or has not raised a grievable issue and therefore is or is not arbitrable. In so doing, the Arbitrator shall have no authority to alter, change, detract from or add to the provisions of this Agreement, the provisions governing labor relations between SMUD and its employees, and/or the MUD Act.
- 4) The decision of the Arbitrator shall be final and binding on the parties.
- 5) The fees and expenses of the Arbitrator and the Court Reporter, if one is utilized, shall be shared equally by SMUD and the OSE.

7. GRIEVANCE COMMITTEES

A. Fact Finding Committee

- 1) The Fact Finding Committee shall be comprised of one (1) person appointed by SMUD and one (1) person appointed by the grievant or the OSE, whichever is appropriate.
- 2) The parties shall determine the amount of time that will be allotted for the completion of the investigation and shall communicate same to the Committee at the time of their appointment.
- 3) The Committee shall conduct an independent investigation of the grievance and shall prepare an objective report of their findings in writing to the parties within ten (10) working days following the completion of their investigation.
- 4) The Fact Finding Committee shall not make recommendations regarding the resolution of the grievance.

B. Grievance Review Committee

- 1) The Grievance Review Committee shall be comprised of six (6) members: the Manager, Employee Relations, and two (2) representatives appointed by SMUD; and the OSE President and two (2) representatives appointed by the OSE. At least one (1) of the SMUD representatives will be an Executive/Chief Officer or equivalent, in a rotational capacity. At least one (1) of the OSE representatives shall be a member of the OSE Board of Directors.
- 2) The Committee will be co-chaired by one (1) OSE Representative appointed by the OSE President, and the Manager, Employee Relations.

- 3) The Grievance Review Committee shall schedule meetings as needed. When a grievance is advanced to the Grievance Review Committee level, the Grievance Review Committee shall convene a meeting as soon as possible and no later than 30 calendar days after the grievance is advanced to the Grievance Review Committee level.
- 4) The established procedural guidelines for the conduct of Grievance Review Committee hearings may be updated periodically, as needed, by mutual agreement of the parties.
- 5) Labor Relations shall prepare and distribute an agenda (including a section for Action Items), along with the appropriate supporting documents.
- 6) If the Committee is unable to reach a settlement during the first discussion, the grievance may be tabled until the next meeting or until further information is available.
- 7) The Grievance Review Committee may render findings only by the unanimous vote of its members. Such unanimous findings are final and binding on the parties.

8. DISCRIMINATION/HARASSMENT/RETALIATION COMPLAINTS

- A. Whenever a Unit 2 employee is the subject of a complaint that alleges a violation of the SMUD Nondiscrimination, Anti-Harassment and Non-Retaliation Policy (AP 05.01.01), SMUD's Fair Employment Office shall initiate an investigation, explore all reasonable leads and, within reason, interview all persons identified as having information likely to influence the eventual outcome of the investigation. The OSE shall be advised of the initiation of such an investigation.
- B. The Unit 2 employee who is the subject of the investigation shall be entitled to representation during all phases of the investigatory process.
- C. A written confidential report will be prepared upon investigation completion. SMUD shall determine whether or not discipline is appropriate. If no discipline is imposed, the case shall be closed and the report shall be filed with the Fair Employment Office. The report shall be held in the strictest confidence to ensure and protect the privacy of the individuals involved.
- D. If discipline is imposed and the OSE chooses to appeal the discipline using the grievance procedure, the grievance shall be filed initially at Step 3.

9. GRIEVANCE SETTLEMENT

The parties to a grievance may agree to a negotiated settlement of the grievance at any step of the grievance procedure.

10. GRIEVANCE RESOLUTION

No grievance may be resolved inconsistent with the provisions of this Agreement.

ARTICLE 20

MISCELLANEOUS

1. WORK CLOTHING

A. Flame Resistant (FR) Clothing

SMUD shall provide FR clothing in accordance with OSHA Standard CFR 1910.269, using the services of an outside vendor. The following employees are eligible for the below allotment:

Field Services Technicians
Utility Service Field Investigators
Construction Management Inspectors
Survey Engineering Technicians

The initial allotment of FR clothing for new hires is six (6) shirts, six (6) pairs of pants, one (1) sweatshirt, and one (1) jacket. FR raingear will be included as appropriate. Employees are responsible for the care and maintenance of FR clothing. Each employee is allotted up to \$600 each calendar year for replacement items.

SMUD shall provide FR clothing outside of the above referenced OSHA standard for Substation Designers, Drafting Technicians and Senior Designers Drafters. FR clothing must be worn at all times while working in Substations.

The initial allotment of FR clothing for the above referenced classifications is (2) shirts, (2) pairs of pants. Employees are responsible for the care and maintenance of FR clothing. SMUD shall not provide an annual allotment for replacement items; employees should work with their supervisor and Safety if replacement items are needed.

B. Non Flame Resistant Clothing

SMUD shall provide Engineering Technicians with an initial allotment of clothing for new hires and existing employees in the classification who have not yet received an initial allotment comprised of two (2) shirts (short and/or long sleeve), two (2) pairs of pants, and one (1) jacket or one (1) sweatshirt. Each employee is allotted up to \$300 every two (2) years for replacement items.

C. Footwear

- 1) All OSE-represented employees who are assigned to the following classifications series: Field Service Technician, Energy Specialist, Trade Show Coordinator, and Utility Service Field Investigator, will be reimbursed up to \$300.00 per calendar year for the purchase of and/or repair of appropriate footwear and the purchase of insoles/inserts approved by SMUD.

Proper foot protection shall be worn at all times while on duty. Foot protection is defined as shoes or boots that are constructed of quality leather uppers or similar material (i.e., canvas or woven mesh) with sturdy sole and heel, made of durable slip resistant and/or oil resistant material. For definition purposes, no athletic type shoe

(i.e., tennis shoes, jogging shoes or basketball shoes, etc.) will meet the definition of proper foot protection.

2) All OSE-represented employees who are assigned to the following classifications series: ~~Construction Management Inspector, Drafting Technician, Engineering Designer, Engineering Technician, Generation Designer~~, and Survey Engineering Technician, shall be reimbursed up to \$300.00 per calendar year for the purchase of and/or repair of appropriate footwear and the purchase of insoles/inserts approved by SMUD.

Proper foot protection shall be worn at all times while on duty. Foot protection is defined as boots that are constructed of quality leather uppers with a sturdy sole and heel, made of durable slip resistant and/or oil resistant material. Leather uppers shall be six (6) inches minimum to provide ankle support for walking on uneven surfaces and through gravel. Boot outsoles shall be puncture resistant to provide protection from nails and sharp objects. For definition purposes, no athletic type shoe (i.e., tennis shoes, jogging shoes or basketball shoes, etc.) will meet the definition of proper foot protection.

3) All OSE-represented employees who are assigned to the following classifications series: Engineering Designer, Engineering Technician and Generation Designer, shall be reimbursed up to \$300.00 every 2 years for the purchase of and/or repair of appropriate footwear and the purchase of insoles/inserts approved by SMUD.

Proper foot protection shall be worn at all times while on duty. Foot protection is defined as boots that are constructed of quality leather uppers with a sturdy sole and heel, made of durable slip resistant and/or oil resistant material. Leather uppers shall be six (6) inches minimum to provide ankle support for walking on uneven surfaces and through gravel. Boot outsoles shall be puncture resistant to provide protection from nails and sharp objects. For definition purposes, no athletic type shoe (i.e., tennis shoes, jogging shoes or basketball shoes, etc.) will meet the definition of proper foot protection.

4) All OSE-represented employees who are assigned to the Drafting Technician classification series and Senior Designer/Drafter job classification shall receive a one-time reimbursement of up to \$300.00 for the purchase of appropriate footwear and the purchase of insoles/inserts approved by SMUD. Due to limited use of based on time in the field, and every two (2) year reimbursement is not deemed necessary.

Management maintains the right to provide additional reimbursement for purchase or repair of footwear as they see fit.

Proper foot protection shall be worn at all times while working in substations. Foot protection is defined as boots that are constructed of quality leather uppers with a sturdy sole and heel, make of durable slip resistant and/or oil resistant material. Leather uppers shall be six (6) inches minimum to provide ankle support for walking on uneven surfaces and through gravel. Boot outsoles shall be puncture resistant to provide protection from nails and sharp objects. For definition purposes, no athletic type shoe (i.e., tennis shoe, jogging shoe, or basketball shoe, etc.) will meet the definition of proper foot protection.

- 5) All OSE-represented employees who are assigned to the IPPS Specialist series shall receive a one-time reimbursement of up to \$300 for the purchase of footwear insoles/inserts (orthotics). Management maintains the right to provide additional reimbursement for purchase of footwear insoles/inserts (orthotics) as they see fit.
- 6) After the purchase and/or repair of the appropriate footwear, employees will submit the proper receipt(s) to their supervisor for reimbursement.
- 7) SMUD acknowledges that additional OSE classifications/positions may require special footwear to perform work safely. When an additional classification/position is identified as needing special footwear, employees will be considered eligible for reimbursement commensurate with the footwear required and frequency of use. SMUD agrees to meet and confer with OSE to establish footwear requirements and reasonable reimbursements for these classifications/positions.

2. CONTRACTING OUT

SMUD shall not contract for any work normally performed by classifications assigned to Unit 2 if such contracting is intended to reduce or has the effect of reducing the regular work force by attrition, demotion, displacement or lay off. Further, prior to any reduction in force of OSE represented employees, affected Unit 2 employees meeting the minimum qualifications of the job being contracted out shall be offered any bargaining unit work being performed by contractors. These assignments shall be of a temporary nature. All current rules concerning bumping and selection shall apply.

For the purpose of this Agreement, contracting out occurs when a Unit 2 position is filled temporarily by a non-OSE represented employee or by an outside contractor for any reason. SMUD agrees to notify the OSE in each instance of its intent to contract OSE bargaining unit work.

3. NO STRIKES/NO LOCKOUTS

During the term of this Agreement, SMUD agrees that there shall be no lockout. The OSE agrees that there shall be no authorized, concerted failure to report to work, cessation or interruption of work, slowdown, strike (including, but not limited to, sympathy strikes), boycott, or any type of organized or concerted interference with SMUD's business. Should any employee or group of employees commit any such acts in violation of this provision, the OSE agrees that it shall notify such employee(s) of their obligation pursuant to this Section and shall publicly discourage such acts.

4. TECHNOLOGICAL CHANGES

SMUD shall continue to provide the OSE with as much advance notice as practical of any technological changes that may have an impact on Unit 2 employees. In such circumstances, SMUD and the OSE shall meet and confer in an attempt to reach a mutual agreement regarding appropriate solutions. If the parties are unable to reach agreement, the matter shall be resolved pursuant to Article 22, Full Understanding/Non-Nullification, of this Agreement.

5. MEDICALLY RESTRICTED DUTY PROGRAM

Employees who are partially disabled due to an industrial illness or injury and cannot perform the full range of their regularly assigned duties may be provided limited duty work consistent with the employee's medical restrictions. SMUD shall make a reasonable effort to identify and

provide the employee with a limited duty assignment. An employee so assigned shall continue to receive their base rate of pay when performing limited duty work. Unit 2 employees have priority when assigning Unit 2 limited duty work. SMUD will inform the OSE when assigning non-Unit 2 employees to perform limited duty work in Unit 2 positions.

6. JOB SHARING

For the purpose of this Section, job sharing is defined as the joint performance of the functions of a single position by two (2) employees. Unit 2 employees may voluntarily job share subject to SMUD's approval. SMUD reserves the right to cancel a job-sharing arrangement at any time with thirty (30) calendar day's written notice to employees. Employees who are job sharing are eligible for the benefits afforded to part-time employees who are regularly scheduled to work twenty (20) or more hours and less than 40 hours (including overtime) per week. In all other respects, job sharing employees shall be treated consistent with their Civil Service status.

7. SENIORITY

Except as provided elsewhere in this Agreement or any side letter agreement between SMUD and the OSE, whenever seniority is used to make workplace decisions, such decisions shall be based upon SMUD seniority defined as an employee's total years of continuous SMUD employment. It includes temporary and part-time employment as long as the employment has been continuous.

8. TELECOMMUTING

For the purpose of this Section, telecommuting is defined as the performance of some or all of an employee's duties from a remote location. Unit 2 employees may volunteer to telecommute subject to the prior approval of SMUD. Telecommuting agreements shall be in writing. The terms of the telecommuting agreements shall be consistent with this Agreement. The telecommuting agreements also will contain a definition of a termination notice. SMUD shall forward a copy of the telecommuting agreement to the OSE President.

9. DONATION OF LEAVE

SMUD and the OSE agree that SMUD's Donation of Leave Program shall be modified to eliminate the donation of sick leave except as provided below:

In extraordinary circumstances only, the OSE may petition the Grievance Review Committee to authorize the donation of sick leave. The decision of the Grievance Review Committee is final.

10. CONSTRUCTION MANAGEMENT INSPECTORS

A. Take-Home Vehicles

Construction Management Inspectors (CMIs) may, with prior approval from their supervisor, take home their assigned SMUD vehicle on a temporary, case-by-case basis for the purpose of traveling directly from the employee's place of residence to a designated project or job site without first reporting to their regular headquarters. The supervisor's decision regarding authorization of take-home use is final and is not subject to appeal or the grievance procedure.

Employees are responsible for ensuring the assigned vehicle is secure at all times while parked at their residence and that all electronic devices, equipment, and personal belongings are removed and stored inside the employee's home.

Travel time between the employee's place of residence and the designated project or job site is not considered compensable work time unless the travel distance exceeds the employee's normal commute to their regular headquarters. Any travel time in excess of the employee's normal commute is considered time worked.

Take-home SMUD vehicles may not be used for personal business or for any purpose other than authorized District business.

B. Meal Payments During Overtime

When CMIs are required to work overtime, CMIs who are unable to take a meal break are eligible for a meal payment of thirty dollars and forty cents (\$30.40). The normal practice is for CMIs to have meals every five (5) hours worked. All work hours apply towards overtime meal eligibility.

ARTICLE 21

FULL UNDERSTANDING / NON-NULLIFICATION

1. FULL UNDERSTANDING

- A. This Agreement sets forth the entire understanding of the parties regarding the matters contained herein, and any other prior or existing understanding or Agreement by the parties, whether formal or informal, regarding such matters are hereby superseded. Except as provided in this Agreement, it is agreed and understood that all benefits and working conditions provided by this Agreement shall remain unchanged during the term of this Agreement, unless expressly modified by mutual agreement through the meet and confer process.
- B. With regard to terms and conditions of employment not expressly covered by this Agreement, the parties recognize that during the term of this Agreement it may be necessary or desirable for SMUD to make changes on matters within the scope of representation. If and when SMUD finds it necessary to make such changes, it shall notify the OSE at least thirty (30) calendar days prior to the proposed implementation. At the request of the OSE, the parties shall meet and confer in a good faith effort to reach agreement over such matters that fall within the scope of representation.

If the parties are unable to reach agreement, the matter shall be resolved through the use of MED(iation)-ARB(itation). Agreements or decisions resulting from this process shall be binding on the parties.

2. CHANGE OF LAW AND NON-NULLIFICATION

If any provision of this Agreement, or the application of such provision(s), should be found invalid by any decree of a court of competent jurisdiction or by the reason of any existing or subsequently enacted legislation, or applicable administrative regulations (e.g. CalPERS), all other provisions of this Agreement shall remain in full force and effect. In such event, the parties shall meet and confer in good faith within thirty (30) calendar days in an attempt to develop a replacement for the provision(s) found to be invalid.

APPENDIX A

REQUEST FOR WORK WEEK PATTERN

(See SMUD Form 3803, 6/24)

Hourly Work Week Schedule Request

Employee name: _____ Employee ID no: _____

Supervisor name: _____ Cost center: _____

Schedule change effective date (First day of the pay period): _____

Directions: Enter bi-weekly work week schedule requested with the days and times, including scheduled lunch break.

Note for timekeeper: If schedule template doesn't exist, please email this request to Time@smud.org and include the employee group the schedule will be applied to (OSE, IBEW, CONF or PSOA).

Week 1: Payroll week

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Start time							
End time							
Meal break (duration)							
Total daily hours							
							Total weekly hours

Week 2: Non-payroll processing week

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Start time							
End time							
Meal break (duration)							
Total daily hours							
							Total weekly hours

Supervisor approval: _____ Date: _____

For Time & Attendance use only	
Schedule ID: _____	Schedule description: _____
Entered by: _____	Date entered in WFS: _____
Policy sets: _____	



© SMUD-3803 6/24 Forms Management

APPENDIX B

LIST OF UNIT 2 REPRESENTED JOB CLASSIFICATIONS

This list may not be all-inclusive and is subject to change by mutual agreement.

ACCOUNTING TECH	GENERATION DES III	SCHEDULING TECH
COMPUTER OPERS SPCLST (E)	GENERATION DES IV	SECRETARY
COMPUTER OPERS SPCLST (J)	GIS DATA TECH (E)	SERVICE DISPATCHER
CONSTR MGMT INSPCTR I	GIS DATA TECH (J)	SR CUST SVCS REP
CONSTR MGMT INSPCTR II	GRAPHIC DESIGNER	SR DESIGNER/DRAFTER
CONSTR MGMT INSPCTR III	HYDROGRAPHY SPCLST	SR DOC RECORDS SPCLST
CUST SVC REP I	I/T TECHNICIAN	SR ENERGY SPCLST
CUST SVC REP II	INVENTORY TECH	SR ENGINEERING TECH
DOC RECORDS SPCLST I	IPPS SPCLST I	SR FIELD SERVICE TECH
DOC RECORDS SPCLST II	IPPS SPCLST II	SR GIS DATA TECH
DRAFTING TECH I	IPPS SPCLST III	SR GRAPHIC DESIGNER
DRAFTING TECH II	LAND AGENT - A	SR MAPPER
ENERGY SPECIALIST (E)	LAND AGENT - B	SR OFFICE SPCLST
ENERGY SPECIALIST (J)	LAND AGENT - C	SR PRESS OPERATOR
ENGINEERING DES I	LEAD OFFICE TECH	SR STAFF SECRETARY
ENGINEERING DES II	MAPPER	SR SURV ENGRG TECH-COP
ENGINEERING DES III	MATERIAL PARTS CLERK	SR SURV ENGRG TECH-OFF
ENGINEERING DES IV	METER & SERVICE DESIGNER	STAFF SECRETARY
ENGINEERING TECH (E)	OFFICE ASST A	STEM CO-OP STUDENT ASST
ENGINEERING TECH (J)	OFFICE ASST B	STEM STUDENT ASST
EQUIP TESTING REP	OFFICE ASST C	STUDENT STAFF ASST
EQUIP TESTING REP ASST	OFFICE SPCLST I	SURVEY ENGRG TECH (J)
FIELD SERVICES TECH	OFFICE SPCLST II	TRADE SHOW COORD
FORMS ASSISTANT	OFFICE TECH	UTILITY SERV FIELD INVES
FORMS TECH	POWER QUALITY TECH	VEHICLE PARTS CLERK
GENERATION DES I	PRESS OPERATOR	
GENERATION DES II	PRIN ENGINEERING TECH	

APPENDIX C

LIST OF AGENCIES/COMPANIES TO BE SURVEYED

(For Classification and Pay Studies of Unit 2 positions during the term of this Agreement)

1. City of Alameda
2. City of Fairfield
3. City of Lodi
4. City of Palo Alto
5. City of Redding
6. City of Roseville
7. City of Sacramento
8. City of Santa Clara
9. City of Stockton
10. County of Sacramento
11. East Bay Municipal Utility District
12. Kaiser Permanente
13. Los Angeles Department of Water & Power
14. Modesto Irrigation District
15. Office of Personnel Management/US
16. Pacific Gas & Electric
17. Nevada Energy
18. State of California

APPENDIX D

SUPPLEMENTAL SIDE LETTERS OF AGREEMENT

The parties have agreed that the following Letter Agreements shall remain in effect for the term of this MOU or until such time as the provisions or term of the individual Letter Agreement are satisfied:

August 30, 1999 – Subject: Classification and Pay Studies setting forth procedures for an employee who wishes to request a classification and pay study of their desk.

May 28, 2010 – Subject: Contact Center Bidding Process, LR 10-022.

March 8, 2012 – Subject: Personal Computer Purchase Plan, LR 12-017.

November 14, 2012 – Subject: Contact Center – Voluntary Time Off (VTO), LR 12-042.

November 21, 2012 – Subject: Contact Center – Vacation Bid, LR 12-043.

November 27, 2012 – Subject: Contact Center – Distribution of Overtime, LR 12-045.

October 1, 2013 – Subject: Field Services Credit and Collections’ Vacation Scheduling Process, LR 13-031.

October 7, 2013 – Subject: Customer Operations’ Vacation Scheduling Process, LR 13-035.

March 4, 2015 (revised) – Subject: Contact Center Customer Service Representative (CSR) Progression, LR 15-007.

October 13, 2017 – Subject: Change to Retiree COLA and Enhancement to the Survivor Continuance Benefit, LR 17-021 (combines LR 13-006A & LR 14-002 {not executed}).

May 19, 2020 – Subject: Side Letter Agreement – Impacts of Discipline for Nondiscrimination Policy Violations, LR 20-008.

November 16, 2021 – Subject: Side Letter Agreement – Engineering Designer Progression, LR 21-012

June 28, 2023 – Subject: Side Letter Agreement – Inclement Weather 2 for 1, LR 22-009.

APPENDIX E

BENEFITS FOR UNIT 2 LIMITED-TERM, FULL-TIME EMPLOYEES

1. Dental, Medical, Vision, and Life Insurance Programs

- A. SMUD provides a number of plans from which eligible Unit 2 employees can choose. Eligibility for coverage and co-payment for each plan is the same for all eligible employees. The employee's coverage becomes effective the first month after employment as a limited-term employee. The employee must sign-up for the following coverages within thirty (30) calendar days of employment. Subsequent enrollment opportunities occur during the Annual Open Enrollment period or for allowable changes in status.
 - 1) Medical Benefits
 - 2) Dental Benefits
 - 3) Vision Benefits
 - 4) Life Insurance - an age-based amount that equals 50% of the equivalent salary for a full-time employee rounded up to the nearest \$5,000.
- B. If an employee selects higher-cost medical plans or additional coverage for life insurance plans, the employee shall pay the additional premiums on a "pre-tax" basis. Please contact the People Services & Strategies Department for monthly premiums.

2. Flexible Benefits Program

- A. Limited-term, full-time employees in Unit 2 are given the opportunity to participate in SMUD's flexible benefits program to enroll in the following benefit plans: medical, dental, vision, and life insurance. This program allows the employee to choose which benefits they want for the calendar year.
- B. SMUD issues flex credits that give the employee purchasing power to "pay for" the benefits of their choice. Limited-Term employees receive a percentage of the flex credits allotted to Full-Time employees, as follows: 82.5% for 2022-2025. If the employee chooses benefits costing more than the flex credits provided by SMUD, the employee shall pay the difference through payroll deductions. The payments for most flexible benefits are made on a pre-tax basis, so the employee can save on taxes.
- C. If an employee is already covered and chooses not to enroll in SMUD-provided medical, dental, and/or vision plans, they can "opt out" of coverage and SMUD shall give the employee cash in exchange for the flex credits. Credits are paid to the employee on a monthly basis in the form of cash. Such payments are taxable income.

- D. Under the Flexible Benefits Program, base pay is the employee's annual earnings as of a certain date, excluding bonuses, commissions, overtime pay and other special compensation. Base pay for computing life insurance costs and coverage amounts is 50% of the equivalent salary for a regular employee.
- E. Contact the People Services & Strategies Department for the latest OSE Benefit Guide or individual plan documents for a more detailed explanation of the benefit options.

3. Supplemental Benefits

- A. Limited-Term, full-time employees may supplement their temporary disability payments with sick or annual leave credits. The employee cannot exceed 100% of their base salary.
- B. The following are not available to Limited-Term employees:
 - 1) Extended Compensation
 - 2) Short-term Disability
 - 3) Long-term Disability
 - 4) Medical or Dependent Reimbursement Flexible Spending Accounts (FSAs) under the flexible benefits program

Signature Page

Dated: _____

Organization of SMUD Employees

By: _____

Timothy K. Talbot
Lead Negotiator

OSE Team Members:

Danette Shipley

Aaron Cager

Tamara Hill

Jennifer Harris-Evans

Kevin Lopez

Anna O'Brien

Ana Jimenez-Chavez

Sacramento Municipal Utility District

By: _____

Michael Jarvis
Lead Negotiator

SMUD Team Members:

Christopher Martin

Alcides Hernandez

Regina Hobie

Jason Cameron

Mackenzie Shea

Approved as to form:

Laura Lewis
General Counsel
Approved:

Paul Lau
General Manager & CEO

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DRAFT

RESOLUTION NO. _____

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

That this Board hereby approves a **Memorandum of Understanding** between the **Sacramento Municipal Utility District** and the **Organization of SMUD Employees (OSE)** for the period January 1, 2026, through December 31, 2029, substantially in the form set forth in **Attachment** hereto and made a part here.

SSS No.
RS26-001

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date Policy – 02/17/26
Board Meeting Date February 19, 2026

TO				TO			
1. Jennifer Restivo	6.						
2. Scott Martin	7.						
3. Farres Everly	8.						
4. Brandy Bolden	9.	Legal					
5. Suresh Kotha	10.	CEO & General Manager					
Consent Calendar	<input checked="" type="checkbox"/>	Yes	No <i>If no, schedule a dry run presentation.</i>	Budgeted	<input checked="" type="checkbox"/>	Yes	No <i>(If no, explain in Cost/Budgeted section.)</i>
FROM (IPR) Alcides Hernandez	DEPARTMENT Revenue Strategy			MAIL STOP B256	EXT. 6397	DATE SENT 01/27/26	
NARRATIVE:							
<p>Requested Action: Accept the monitoring report for Strategic Direction SD-2, Competitive Rates.</p> <p>Summary: As of December 31, 2025, SMUD is in compliance with the SD-2 Competitive Rates, continuing to have rates at least 18 percent below Pacific Gas & Electric Company's (PG&E's) system average rates and at least 10 percent below PG&E's published average rates for each customer class. As of December 31, 2025, SMUD's Energy Assistance Program Rate (EAPR) & EAPR/Medical Rate Discount (MED) programs average rates were 46.4 percent below PG&E's average published California Alternate Rates for Energy (CARE) program.</p> <p>Board Policy: Strategic Direction SD-2, Competitive Rates <i>(Number & Title)</i></p> <p>Benefits: Provide the scheduled monitoring report as requested by the Board of Directors. The report provides an opportunity to make recommendations or policy revisions, as necessary. As of December 31, 2025, SMUD system average rates are 50.3 percent below PG&E's system average rates.</p> <p>Cost/Budgeted: Costs contained in budget for internal labor.</p> <p>Alternatives: Provide via written report through the Chief Executive Officer and General Manager.</p> <p>Affected Parties: Revenue Strategy, Internal Audit Services, and Legal</p> <p>Coordination: Revenue Strategy, Internal Audit Services, and Legal</p> <p>Presenter: Alcides Hernandez, Manager, Revenue Strategy</p>							

Additional Links:

SUBJECT SD-2, Competitive Rates Board Monitoring Report	ITEM NO. (FOR LEGAL USE ONLY) 6
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ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

OFFICE MEMORANDUM

TO: Board of Directors

DATE: January 29, 2026

FROM: Claire Rogers *CR 1/29/26*

SUBJECT: Audit Report No. 28008022
Board Monitoring Report; SD-2: Competitive Rates

Internal Audit Services (IAS) received the SD-2 *Competitive Rates* 2025 Annual Board Monitoring Report and performed the following:

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

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

CC:

Paul Lau

Board Monitoring Report 2025

SD-2, Competitive Rates



1. Background

Strategic Direction 2, Competitive Rates states that:

Maintaining competitive rates is a core value of SMUD.

Therefore:

- a) The Board establishes a rate target of 18 percent below Pacific Gas & Electric Company's published rates on a system average basis. In addition, the Board establishes a rate target of at least 10 percent below PG&E's published rates for each customer class.
- b) SMUD's rates shall be competitive with other local utilities on a system average basis.
- c) In addition, SMUD's rates shall be designed to balance and achieve the following goals:
 - i) Reflect the cost of energy when it is used or exported to the SMUD grid;
 - ii) Reduce consumption during periods of high system demand;
 - iii) Encourage energy efficiency, conservation, and carbon reduction;
 - iv) Encourage cost effective and environmentally beneficial Distributed Energy Resources (DERs) (examples of DERs include but are not limited to rooftop solar, battery storage, and energy reduction applications);
 - v) Minimize the rate of change in the transition from one rate design to another;
 - vi) Provide customers flexibility and choices;
 - vii) Be as simple and easy to understand as possible;
 - viii) Address the needs of people with low incomes and severe medical conditions; and
 - ix) Equitably allocate costs across and within customer classes.

2. Executive summary

a) SMUD is in compliance with SD-2, Competitive Rates.

As of December 31, 2025, SMUD's rates remain among the lowest in the state and on a system average rate basis are 50.3% below Pacific Gas & Electric (PG&E) Company's, which is better than the SD-2 target of at least 18% below on a system average rate basis. Residential average rates are at least 47.1% below PG&E's residential average rates. See Figure 1 below for details.

There were two rate increases to SMUD's rates in 2025. Rates for all customers were increased by 2.75% on January 1, 2025 and 2.75% on May 1, 2025, as adopted by the Board on September 21, 2023. The reduction in the percentage below PG&E has decreased due to a combination of SMUD's rate increases and PG&E's overall rate decreases in 2025, as described in Appendix C. The overall rate advantage between SMUD and PG&E remains well above the SD-2 target of at least 18% on a system average basis.

Metric	2025 performance	2024 performance	5 year average
System average rates 18% below PG&E rates	50.3% below PG&E on a system average rate basis	52.2% below PG&E on a system average rate basis	47.0% below PG&E on a system average rate basis

2025 marked the continuation of several rate developments that balance the SD-2 requirements and help SMUD maintain our critical financial performance and metrics. In June 2025, the Board approved Rate Resolution 25-06-15 which included a 3% rate increase in both 2026 and 2027, allowing SMUD to continue to meet California mandates, while addressing the impacts of the current economy and inflation. Despite these rate changes SMUD anticipates continuing to meet SD-2 requirements in the future. These approved increases are lower than other electric utilities that raised rates in the state of California. These increases are driven by commodity price increases, compliance requirements and inflation, among other things as described in Section 4 below.

In June 2025, the Board approved a new optional rate for residential customers who have an electrical panel size of up to 125 Amps. This rate has the same structure as the standard Time-of-Day (5-8 p.m.) Rate but a lower monthly System Infrastructure Fixed Charge (SIFC) of \$17 and slightly higher per kWh energy charges. Customers with low electricity consumption and who take steps to further reduce their energy consumption could see savings under this optional rate. Bill impacts will vary based on specific energy patterns from customers and amount of usage. This rate, called the Time-of-Day (Low Use) Rate, will be available beginning January 2026. SMUD is identifying eligible customers with low monthly usage who may benefit from the new optional rate. Once identified, SMUD will recruit these customers with direct communications. Recruitment material includes a rate comparison report that shows the annual and monthly costs on the new optional rate and the standard Time-of-Day Rate, information on how to enroll, and answers to commonly asked questions. Smud.org has been updated with the latest rate information. A dedicated page is now available at smud.org/TODLowUse with all the details.

3) Additional supporting information

- a) The Board establishes a rate target of 18% below PG&E's published rates on a system average basis. In addition, the Board establishes a rate target of at least 10% below PG&E's published rates for each customer class.

SMUD continues to maintain average rates that are lower than PG&E's, both at a system level and by rate class. Figure 1 provides a detailed picture of the difference between SMUD's and PG&E's average rates by rate class in 2025 as well as the difference between rates in 2024.

Figure 1 – Summary of SMUD and PG&E Rate Comparison in \$/kWh

Customer		Rate Categories		Average Annual Rate		Difference Below PG&E*	Difference Below PG&E*	Difference Above SMUD
Class	Description	PG&E	SMUD	2025	2025	2025	2024	2025
Residential	Standard	E-1	TOD	\$0.4218	\$0.1975	-53.2%	-55.5%	113.6%
	Low Income	CARE***	EAPR & EAPRMED**	\$0.2466	\$0.1321	-46.4%	-50.9%	86.7%
All Residential				\$0.3566	\$0.1888	-47.1%	-50.1%	88.9%
Small Commercial****	<= 20 kW	B-1	GFN, CITS-0	\$0.4326	\$0.1931	-55.4%	-57.0%	124.0%
	21 - 299 kW	B-6	CITS-1	\$0.4287	\$0.1782	-58.4%	-59.8%	140.6%
Medium Commercial****	300 - 499 kW	B-10	CITS-2, CITP-2	\$0.3827	\$0.1674	-56.3%	-58.3%	128.7%
	500 - 999 kW	B-19	CITS-3, CITP-3, CITT-3	\$0.3359	\$0.1551	-53.8%	-54.6%	116.6%
Large Commercial****	=> 1 MW	B-20	CITS-4, CITP-4, CITT-4	\$0.2226	\$0.1275	-42.7%	-43.4%	74.6%
Lighting	Traffic Signals	TC-1	TS	\$0.4300	\$0.1519	-64.7%	-65.8%	183.1%
	Street Lighting	various	SLS,NLGT	\$0.4631	\$0.1783	-61.5%	-66.1%	159.7%
Agriculture	Ag & Pumping	AG	ASN/D,AON/D	\$0.3892	\$0.1683	-56.8%	-58.2%	131.3%
System Average				\$0.3478	\$0.1728	-50.3%	-52.2%	101.2%

Notes:

* 2025 average prices for SMUD with the rate increases effective 1-1-25 and 5-1-25. PG&E average prices in 2025 reflect rates effective 9-1-25, per Advice Letter 7684-E. The rate difference in year 2024 reflects PG&E average rates as of 10-1-24, per Advice Letter 7382-E dated 9-30-24, and SMUD rates effective 5-1-24.

** CARE vs EAPR includes EAPR & EAPRMED customers.

*** There is no indication from PG&E that their CARE rates include customers who have a medical allowance only.

**** Commercial rates include WAPA credits.

As seen in Figure 1, the rate competitiveness by rate class varies for the different customer classes and is at least 42.7% below comparable PG&E class average rates. Since the creation of this annual monitoring report, SMUD has consistently maintained rates that were more than 10% below PG&E's class average rates. See Appendix A for more details.

b) SMUD's rates shall be competitive with other local utilities on a system average basis

SMUD's system average rate is competitive with other local utilities as shown in detail in Appendix B. In general, we are seeing large rate increases across the other local utilities. Even with our approved rate increases in 2026-2027, SMUD's rates remain competitive. For example, Roseville had a 9% rate increase in June 2024 and another 9% increase in January 2025. In November 2024, Turlock Irrigation District approved rate increases of 5.6%, 5.6% and 5.5% for 2025, 2026 and 2027 respectively. Compounded, this equates to a 17.6% rate increase over a 3-year period. While PG&E's system average rates have decreased a total of 1.43% in 2025, their rates are still significantly higher when compared to SMUD's system average rate.

c) Reflect the cost of energy when it is used or exported to the SMUD grid

SMUD's TOD and restructured commercial rates were designed to more closely reflect the cost of energy when it is used, with prices highest during the peak time periods when the cost of energy is highest. We continually assess our rates as markets and our costs change to determine if any structural changes are needed, which is why we implemented TOD rates in 2018 and restructured our commercial rates in 2021. In 2021, the Board adopted the Solar and Storage Rate (SSR) to reflect the value of energy when it is exported to the grid. The rate has been in effect over the past four years, and as established in the SSR tariff, the export rate is reviewed every four years. Staff is in the process of updating the rate following the method approved by the Board in 2021 and will bring a recommendation to update the SSR export compensation rate for the next four years in early 2026.

d) Reduce consumption during periods of high system demand

Both the residential and commercial TOD rates send signals to customers to reduce their on-peak usage. The Peak time for residential customers is 5 p.m. to 8 p.m. while the Peak time for commercial customers is 4 p.m. to 9 p.m. These Peak time periods reflect the highest \$/kWh price to encourage customers to shift their energy usage outside of the Peak time period to reduce system load and help with carbon reduction goals.

The optional residential Critical Peak Pricing (CPP) rate charges a premium on energy delivered during those few critical times during the summer with highest demand, which reduces energy consumption and carbon emissions when the grid is most stressed. Additionally, customers on the CPP rate receive a discount on energy delivered during the summer Off-Peak and Mid-Peak time periods, encouraging them to shift their energy use to times when the grid is less stressed and clean energy is more abundant. The CPP rate is part of SMUD's portfolio of load flexibility programs that support load reduction and state regulations.

e) Encourage energy efficiency, conservation, and carbon reduction

SMUD continues to encourage energy efficiency, conservation and carbon reduction through the residential and non-residential TOD rates and a variety of programs, such as incentives to install storage, and offering a variety of rebates for energy-efficient appliances, heating and cooling systems, and energy-efficient LED lighting. TOD rates encourage customers to shift energy use from peak times when energy is more costly and is produced by a larger portion of carbon-emitting generation plants to off-peak times, when there is often excess carbon-free solar generation on our system. By shifting usage to times when non-carbon emitting resources are plentiful, customers not only save money, but they also contribute to reducing carbon emissions and help SMUD achieve our carbon reduction goals. The residential and restructured commercial TOD rates were designed to be revenue neutral, so customers can save money if they shift or reduce their usage from peak hours. More detailed information about rebates and energy savings tips can be found on smud.org.

f) Encourage cost effective and environmentally beneficial Distributed Energy Resources (DERs) (examples of DERs include but are not limited to rooftop solar, battery storage, and energy reduction applications)

The Solar and Storage Rate (SSR) was designed to work with a series of programs and incentives to help SMUD reach its 2030 Zero Carbon Plan. SMUD started the My Energy Optimizer (MEO) program with expanded storage incentives to encourage customers to invest in battery storage, which could enable the customer to gain additional value from their investment. The CPP rate provides customers with solar and storage even more of an opportunity to increase the value of their system, by providing a significantly larger incentive to send power to the grid during critical events. The CPP rate also encourages customers to adopt smart thermostats, as they may be able to save money on the CPP rate if they use the thermostat to adjust their energy usage.

Customers that live in multi-family properties with as few as four units can now take advantage of the benefits of solar through the new Multi-Tenant Solar option. This program has been expanded from serving only low-income households to including all qualifying residents. In the Multi-Tenant Solar option, the building owner may install solar, with the benefits of that solar allocated to the residents, providing an avenue for customers to adopt solar even though they do not own their own home.

SMUD incentivizes two different technologies for customers to enroll in the My Energy Optimizer (MEO) program. MEO Partner is for customers that want to participate with their smart thermostat, and upon enrollment, can voluntarily adopt the CPP rate. There are currently 38,087 smart thermostats enrolled in the program. MEO Partner+ is for customers that want to participate with their battery storage system. The enrollment incentive was increased to \$5,000 per battery with a maximum of \$10,000 per customer to expand the program and support the battery market. There are

currently 1,665 batteries enrolled in the program. In 2025, the MEO program was able to reduce electricity usage by approximately 18 MW during curtailment events.

g) Minimize the rate of change in the transition from one rate design to another

SMUD follows this principle through gradualism and balance between rate implementation and customer satisfaction when making rate structure changes in combination with rate increases. For example, the Commercial Rate Restructure (CRR) is being phased in over an 8-year period to mitigate bill impacts. The last year of the CRR glidepath is 2028. In addition, we re-negotiated a customer contract to gradually transition them to the standard rates over the course of 3 years.

h) Provide customers flexibility and choices

SMUD provides flexibility and rate options to its customers. Residential customers may select custom due dates, budget billing, and solar customers can choose between monthly or annual settlement options. Residential customers are placed on TOD, but they may select the fixed rate, the recently adopted optional low use rate or the CPP rate. All customers may make online payments and set up billing alerts. In addition, qualified commercial customers moving to SMUD's service area may choose between two different Economic Development Rate discount structures, selecting the option that best suits their needs. In the case of very large commercial loads, SMUD also offers special retail agreements to balance meeting the needs of these large customers and pricing that promotes load growth, business attraction, and retention while avoiding impacts to other customer classes.

i) Be as simple and easy to understand as possible

SMUD works to make sure its many programs and rates are simple and easy to understand. For example, staff designed its TOD rates and restructured commercial rates to balance simplicity while still reflecting the cost of energy when it is used. Ongoing customer outreach and education assists customers in understanding new rate designs, pilots and programs.

j) Address the needs of people with low incomes and severe medical conditions

SMUD continues its commitment to supporting income-eligible customers and those with medical needs through dedicated discount programs. The Energy Assistance Program Rate (EAPR) and Medical Equipment Discount Rate (MED Rate) provide qualifying customers with monthly bill discounts. EAPR discounts are based on Federal Poverty Level (FPL), with the greatest assistance directed to those most in need. Additional financial relief is available through the EAPR Rate Stabilization Fund (ERSF), which offers further discounts to the most vulnerable income-eligible customers. This fund is replenished annually using discretionary, non-retail rate revenue to avoid impacting future rate adjustments.

To increase program awareness and enrollment, SMUD has formed several Interagency Agreements with community organizations, through which we have identified and successfully enrolled eligible customers in the EAPR program. Additionally, customers who have experienced three disconnections and have past due balances exceeding \$500 within the past 12 months are actively identified and encouraged to apply for EAPR, helping to improve their energy affordability.

In addition to EAPR and MED, in 2025, SMUD's Customer Assistance programs supported 1,566 customers by providing energy education, facilitating energy-efficient upgrades and repairs, and advancing SMUD's Clean Energy Vision through building and transportation electrification initiatives. These efforts effectively reduce customers' overall energy burden while improving home comfort, sustainability, and energy affordability.

k) Equitably allocate costs across and within customer classes

To ensure costs are equitably allocated across and within customer classes, staff updates SMUD's marginal cost study and performs rate costing studies and value of solar studies prior to recommending rate structure changes, such as with TOD, the Commercial Rate Restructure and SSR.

4) Challenges

Rate Pressures

SMUD continues to face cost pressures for clean energy compliance and state mandates, as well as make investments in new generation and storage assets to ensure the safe and efficient operation of the grid. Additionally, we continue to face cost pressures due to wildfire and inflation impacts, along with expenses to maintain a reliable and resilient grid. In addition, increased costs for wildfire management, reliability of our hydro facilities, customer programs to support our clean energy vision, and inflation all added pressure to maintaining SMUD's bottom line. These rate pressures were the rate increase drivers and are detailed in the 2025 General Manager's (GM) Report available on smud.org.

5) Recommendation

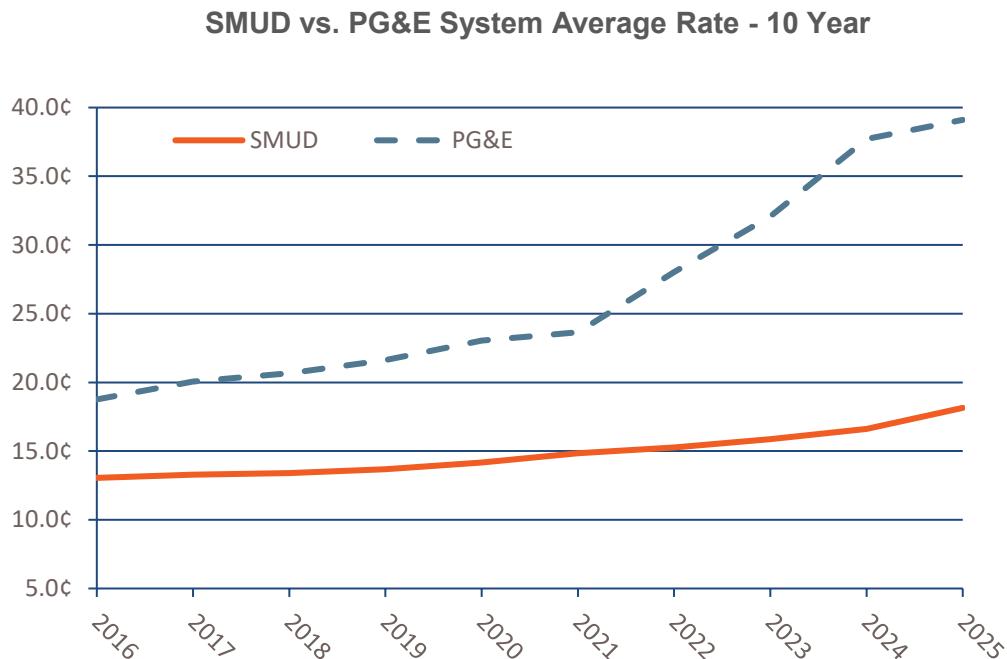
It is recommended that the Board accept the Monitoring Report for SD 2, Competitive Rates.

Appendices

Appendix A: Historical Rate Comparison with PG&E

Figure 2 compares SMUD and PG&E's actual system average rates for the past 10 years. SMUD's system average rates have averaged 40% below PG&E since 2016. These figures may differ from those in Figure 1, as Figure 1 is based on forecasted numbers while these numbers are based on actuals.

Figure 2 – SMUD and PG&E Historical System Average Rate Comparison



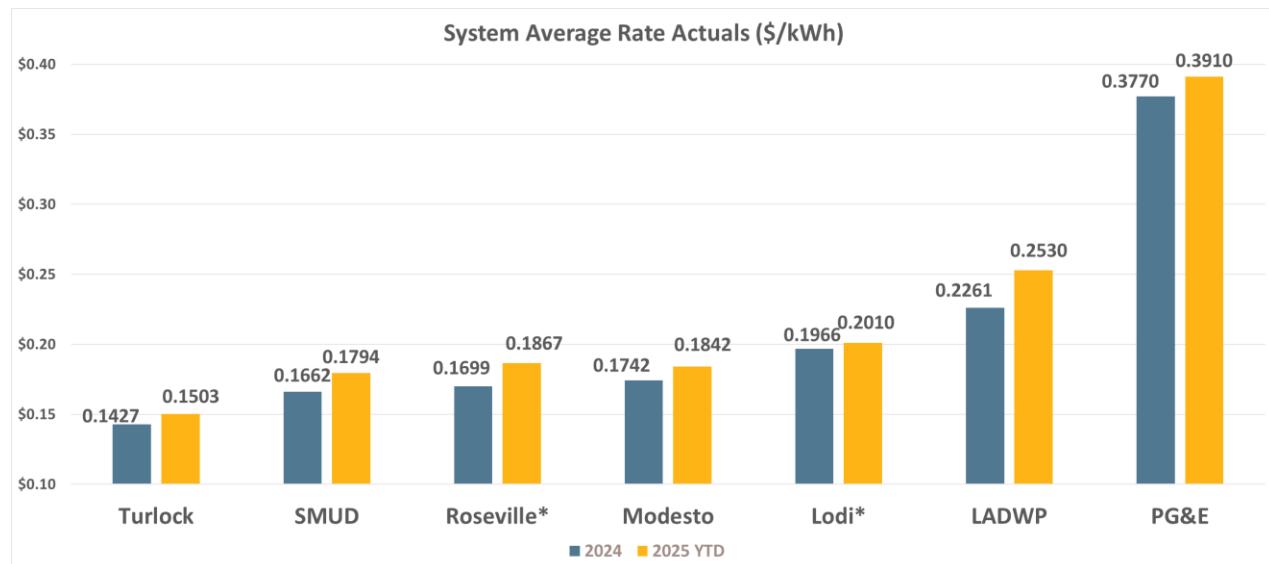
Appendix B: Local Utility Rates

- Modesto Irrigation District (MID): On November 14, 2023, the MID Board of Directors approved another round of rate increases of an additional 7.5% for January 2024, and a subsequent 5.5% increase for 2025 to cover costs and power supply cost pressure. A Power Cost Adjustment (PCA) designed to reflect fluctuating power supply costs was also adopted and has been applied monthly to customer bills in 2025. The range of the PCA for 2025 was \$0.00000/kWh- \$0.01222/kWh.
- Turlock Irrigation District (TID): TID's board recently approved rate increases of 5.6% in both 2025 and 2026, and 5.5% in 2027. In 2025, the Power Supply Adjustment, which is reviewed twice a year on June 1 and December 1, changed from a \$0.000/kWh charge to a \$0.002/kWh credit in June and a \$0.003/kWh charge in December. Prior to 2025, TID did not have a base increase since 2015, allowing its rates to remain comparatively low.
- Roseville Electric: Roseville Electric increased their rates by 9% on June 1, 2024 and another 9% on January 1, 2025. The utility stated that the increases were necessary to cover rising fuel costs and to ensure the utility's financial stability. Beginning on January 1, 2025, Roseville Electric's temporary 8% energy surcharge, enacted in February 2023, became permanent.

- Lodi Electric: Lodi does not anticipate any rate increases until 2030. However, Lodi has a monthly energy cost adjustment that adjusts as power costs increase or decrease. The range of the energy cost adjustment for Fiscal Year 2024/2025 was \$0.0055/kWh to \$0.0598/kWh, so customers are exposed to monthly bill volatility as this cost adjustment varies month to month.
- Los Angeles Department of Water and Power (LADWP): LADWP did not have a base rate increase in fiscal year 2024-2025. LADWP does have a pass-through rate mechanism that adjusts quarterly with costs, outside of any base rate increases. This Energy Cost Adjustment (ECA) ranged between \$0.10499 and \$0.11510 for 2025.

SMUD's system average rate remains competitive, as shown in Figure 3. Figure 3 uses 2024 data from the U.S. Energy Information Administration (EIA), which is the most recent actual yearly data available. 2025 values are based on averaged monthly figures through September 2025. Roseville and Lodi do not participate in the reporting of monthly data, however, self-reported figures are included below. These figures may differ from those in Figure 1, as Figure 1 is based on forecasted numbers while these numbers are based on actuals. System average rates in dollars per kWh is a typical benchmark used in the industry to compare rates and are calculated by taking total electric revenue and dividing it by total kWh retail sales.

Figure 3 – Utility System Average Rate Comparison (\$/kWh)



* Does not participate in reporting monthly EIA data, value shown is self-reported.

Including pass-through mechanisms in rates is a common utility practice, allowing utilities to collect enough revenue to cover their costs without having to increase rates in a formal rate proceeding. SMUD has the Hydro Generation Adjustment, which allows for a small additional charge on customer bills in the event of less than median precipitation. Any pass-through mechanisms that utilities have are included in

Figure 4 details the pass-through mechanisms some of SMUD's neighboring utilities have as part of their rate structures.

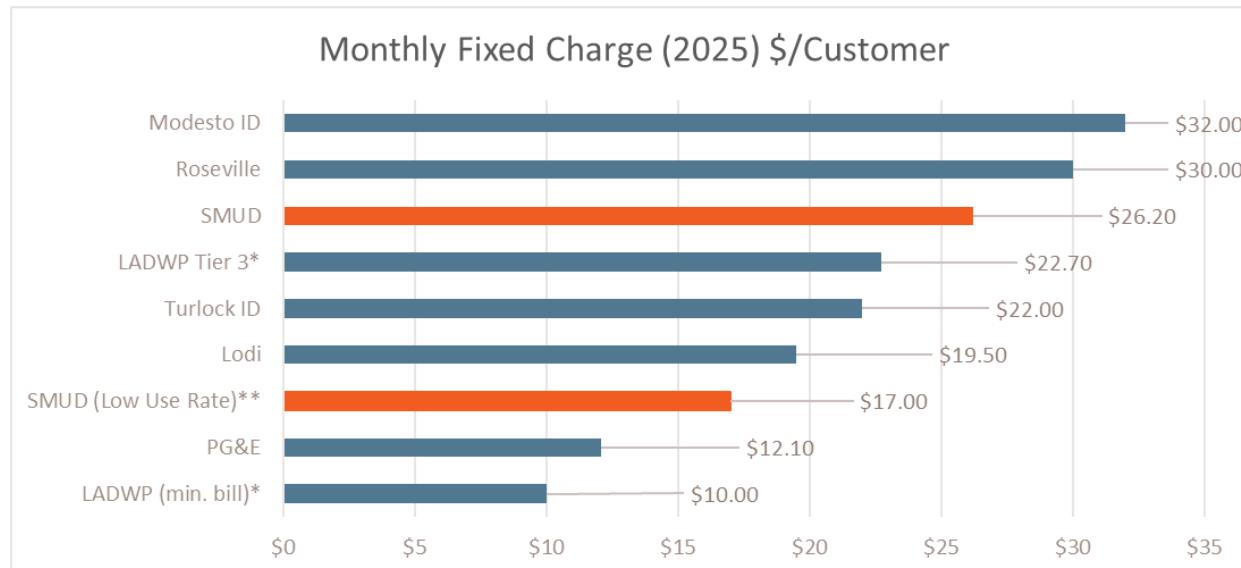
Figure 4 – Utility Pass-through Mechanisms

Utility	Pass through
SMUD	Hydroelectric Generation Adjustment
Modesto Irrigation District	Capital Infrastructure Adjustment
	Environmental Energy Adjustment
	Power Cost Adjustment
Turlock Irrigation District	Power Supply Adjustment
	Environmental Charge
	Public Benefits Surcharge
Roseville Electric	Renewable Energy Surcharge
	Greenhouse Gas Surcharge
	Hydroelectric Adjustment
Lodi Electric	Energy Cost Adjustment
LADWP*	Energy Cost Adjustment
	Electric Subsidy Adjustment
	Reliability Cost Adjustment

* LADWP has other adjustments to reflect approved rate increases.

Including a fixed charge amount on residential customer bills is also a common utility practice. The fixed charge allows for revenue collection for fixed assets that do not vary with electricity consumption. Figure 5 below outlines the fixed charge amount of SMUD's neighboring utilities and SMUD's System Infrastructure Fixed Charge (SIFC). Figure 5 also includes SMUD's new Optional Time-of-Day (Low Use) Rate, which may benefit SMUD's residential customers who have lower electricity consumption.

Figure 5 – Monthly Residential Fixed Charge Amount



* LADWP's Tier 1 fixed charge is \$2.30 and Tier 2 fixed charge is \$7.90 but they have a minimum bill of \$10 per month.

** SMUD's SIFC charge on the Optional TOD (Low Use) Rate will be \$17.00 when it goes into effect January 1, 2026.

Appendix C: PG&E Updates

Overview of PG&E's recent rate proceedings

In 2025 PG&E had three rate changes, decreasing the system average rate in \$/kWh from \$0.3493 in 2024 to \$0.3478 in 2025 as shown in Figure 6.

Figure 6 – PG&E 2024-2025 Rate Changes

	PG&E Rate Changes in 2024							Annual
	January	March	April	July	September	October	2024	
Rate Change (%)	17.10%	0.10%	1.30%	-9.00%	0.70%	2.90%	11.97%	
System Rate (\$/kWh)*	\$0.3657	\$ 0.3661	\$ 0.3708	\$ 0.3373	\$ 0.3395	\$ 0.3493		

	PG&E Rate Changes in 2025				Annual
	January	March	September	2025	
Rate Change (%)	-0.70%	1.50%	-2.20%	-1.43%	
System Rate (\$/kWh)*	\$ 0.3504	\$ 0.3556	\$ 0.3478		

*Includes California Climate Credit

PG&E Rate Change Process

In 2024, the CPUC approved a plan for PG&E to convert part of consumers electric bills to a flat rate based on their income. The fixed charge will be \$24.15 starting in January 2026 and accompany a reduction in energy costs. For customers enrolled in low-income qualified programs the fixed charge will be \$6-12 per month.

Every four years PG&E files a request with California Public Utilities Commission (CPUC) with their proposed general rate increases. For 2025, most of the rate increase was driven by the general rate case (GRC) which supports the continued implementation of the utility's wildfire mitigation plan, safety and reliability investments, capacity upgrades and climate and clean energy goals. PG&E projects that residential electric rates will be lower in 2026 because cost recovery included in current rates will expire. Removing those costs from rates will help offset proposed increases including the 2027 GRC. Per the most recent filing dated 5/15/25, PG&E proposed a system average rate increase of 5.0%, 2.8%, 2.9%, and 3.0% for 2027-2030, respectively.

In December 2025, the CPUC reduced PG&E's allowed Return on Equity (ROE) from 10.28% to 9.98%. The ROE is the allowed rate of return on capital projects and is how PG&E provides a profit to its shareholders. Lowering the ROE does not automatically lower customer bills. The impact depends on a

variety of factors, including which utility projects are approved, which investments are added to the rate base, and how much infrastructure spending PG&E proposes in the future. Staff will monitor the impacts on future rate changes and customer bills of this slight reduction in the ROE moving forward.

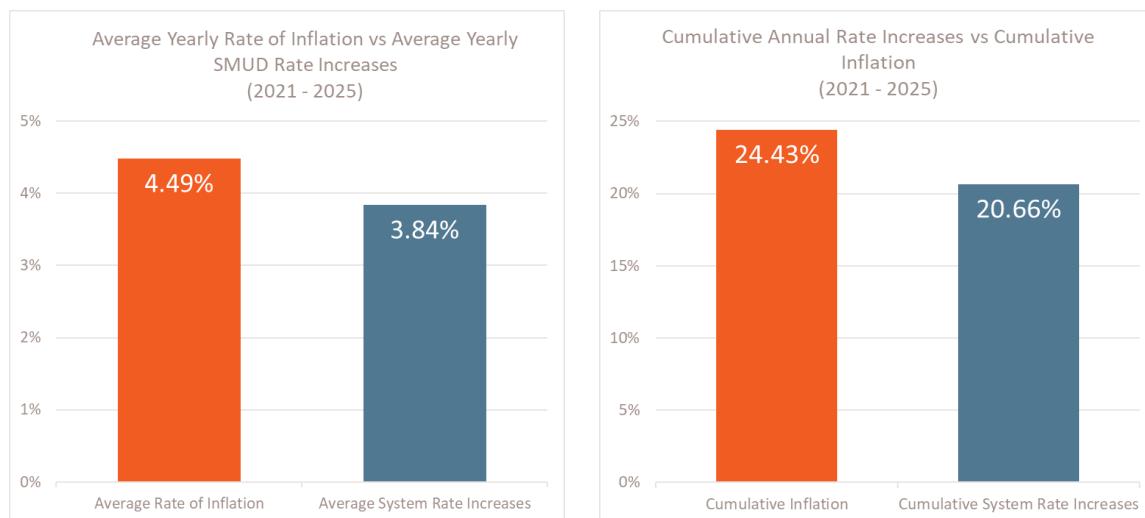
PG&E Residential Time-of-Use Rate

PG&E offers its residential customers a default time-of-use rate (E-TOU-C) that has a peak time-period from 4 p.m. to 9 p.m. every day. Customers may choose from a selection of alternative rates, including an optional E-TOU-D (5-8 p.m.) rate which has a shorter 3-hour Peak time-period during weekdays only.

Appendix D: Historical Rate Increases

Figure 7 shows that SMUD's historical rate increases have been below inflation, which is based on the Consumer Price Index (CPI) over the past 5 years.

Figure 7 – 2021–2025 Rate Increases vs Inflation*



*Cumulative totals are calculated using compounded inflation and rate increases.

Figure 8 shows SMUD's rate increases by year since 2005.

Figure 8 –Residential vs. Non-Residential Rate Increase and Energy Surcharge by Year

Year	Rate Increase		Hydro Generation
	Residential	Non-Residential	
2005	6.00%	6.00%	N/A
2006	0.00%	0.00%	N/A
2007	0.00%	0.00%	0.00%
2008	7.00%	7.00%	0.00%
2009	5.50%	5.50%	0.00%
2010	5.50%	5.50%	0.034%
2011	2.25%	2.25%	0.00%
2012	0.00%	0.00%	0.00%
2013	0.00%	0.00%	0.00%
2014	2.50%	2.50%	0.00%
2015	2.50%	2.50%	1.267%
2016	2.50%	2.50%	0.00%
2017	2.50%	2.50%	0.00%
2018	1.50%	1.00%	0.00%
2019	0.00%	1.00%	0.00%
1/1/2020	3.75%	3.75%	0.00%
10/1/2020	3.00%	3.00%	0.00%
1/1/2021	2.50%	2.50%	0.00%
10/1/2021	2.00%	2.00%	0.00%
3/1/2022	1.50%	1.50%	0.00%
1/1/2023	2.00%	2.00%	0.00%
1/1/2024	2.75%	2.75%	0.00%
5/1/2024	2.75%	2.75%	0.00%
1/1/2025	2.75%	2.75%	0.00%
5/1/2025	2.75%	2.75%	0.00%
1/1/2026	3.00%	3.00%	0.00%
1/1/2027	3.00%	3.00%	0.00%

DRAFT

RESOLUTION NO. _____

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

This Board accepts the monitoring report for **Strategic Direction SD-2, Competitive Rates**, substantially in the form set forth in **Attachment** hereto and made a part hereof.

SSS No. CFO 26-001

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date
Policy – 02/17/26
Board Meeting Date
February 19, 2026

TO				TO					
1. Jennifer Restivo	6.								
2. Scott Martin	7.								
3. Farres Everly	8.								
4. Brandy Bolden	9.	Legal							
5. Suresh Kotha	10.	CEO & General Manager							
Consent Calendar	<input checked="" type="checkbox"/>	Yes	No <i>If no, schedule a dry run presentation.</i>	Budgeted	Yes	No <i>(If no, explain in Cost/Budgeted section.)</i>			
FROM (IPR) Jennifer Restivo		DEPARTMENT Treasury and Revenue Strategy				MAIL STOP B355	EXT. 5193	DATE SENT 01/27/26	
NARRATIVE:									
<p>Requested Action: Accept the monitoring report for Strategic Direction SD-3, Access to Credit Markets.</p> <p>Summary: With SD-3, the Board established that maintaining access to credit markets is a core value for SMUD. Pursuant to this direction, the Board has set certain financial targets, financial considerations, and minimum credit ratings for SMUD to maintain. This annual report outlines the importance of these SD-3 requirements and provides evidence of SMUD's compliance during 2025.</p> <p>Board Policy: Strategic Direction SD-3, Access to Credit Markets <i>(Number & Title)</i></p> <p>Benefits: Provide the SD-3 Monitoring Report as requested by the Board of Directors. The report provides an opportunity to make recommendations or policy revisions as necessary.</p> <p>Cost/Budgeted: Costs contained in budget for internal labor.</p> <p>Alternatives: Provide via written report through the Chief Executive Officer and General Manager.</p> <p>Affected Parties: Treasury and Revenue Strategy, Internal Audit Services, and Legal</p> <p>Coordination: Treasury and Revenue Strategy, Internal Audit Services, and Legal</p> <p>Presenter: Jennifer Restivo, Director, Treasury and Revenue Strategy</p>									

Additional Links:

SUBJECT SD-3, Access to Credit Markets Board Monitoring Report	ITEM NO. (FOR LEGAL USE ONLY) 7
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ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

OFFICE MEMORANDUM

TO: Board of Directors

DATE: January 29, 2026

FROM: Claire Rogers *CR 1/29/26*

SUBJECT: Audit Report No. 28008023
Board Monitoring Report; SD-3: Access to Credit Markets

Internal Audit Services (IAS) received the SD-3 *Access to Credit Markets* 2025 Annual Board Monitoring Report and performed the following:

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

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

CC:

Paul Lau

Board Monitoring Report 2025

SD-3 Board Strategic Direction on Access to Credit Markets



1. Background

Strategic Direction 3 on Access to Credit Markets states that:

Maintaining access to credit is a core value of SMUD.

Therefore:

- a. For SMUD's annual budgets, the Board establishes a minimum target of cash coverage of all debt service payments (fixed charge ratio) of 1.5 times.
- b. When making resource decisions, SMUD shall weigh the impacts on long-term revenue requirements, debt, financial risk and flexibility.
- c. SMUD's goal is to maintain at least an "A" rating with credit rating agencies.

2. Executive summary

SMUD relies on the use of borrowed funds to pay for a portion of its capital needs on an ongoing basis. The Board adopted SD-3, Access to Credit Markets, to help ensure that SMUD maintains the ability to raise new money at competitive rates in the bond market as needed. Making prudent use of borrowed funds to finance capital improvements helps SMUD to mitigate major rate adjustments in periods of intensive capital expansion, and allows SMUD to allocate the costs of those improvements over their useful lives to the customers who benefit from them. Maintaining access to credit markets supports our objective to be financially flexible to make necessary and timely investment and take advantage of opportunities while remaining competitive.

One of the most important indicators of an organization's ability to access credit markets is the independent assessment made by credit rating agencies. SMUD is rated by the three major rating agencies: Standard & Poor's (S&P), Moody's, and Fitch, which review SMUD's credit on approximately an annual basis. The credit ratings assigned are intended to give investors the rating agency's view of the likelihood that SMUD will repay principal and pay interest on bonds when due. They utilize financial metrics in assessing creditworthiness such as the Fixed Charge Ratio that measures revenue sufficiency to meet obligations, and Days Cash on Hand, a measure of liquidity. They also measure leverage and the capacity to finance future capital projects without placing undue burden on customers, either through borrowing or within our rate structure. SMUD's overall governance and risk

management practices are also important to the agencies, along with the ability and willingness to raise rates when necessary while maintaining competitive low-cost energy for our customers.

As indicated in the attached ratings agency reports, SMUD demonstrates robust metrics, and, thanks to well-managed cash flow, has the flexibility to target a more conservative fixed charge ratio. The most recent SMUD credit reports from both Moody's and Fitch also specifically cite the Board's demonstrated willingness to raise rates to support financial performance.

Additionally, there are external factors, such as wildfire liability and regulatory factors that have an impact on ratings. Despite SMUD's robust vegetation management, asset management, and wildfire mitigation programs, concerns persist due to wildfire activities elsewhere in the state, which exerts downward pressure on SMUD's credit ratings.

Credit ratings heavily impact an organization's ability to borrow money in the municipal markets, as well as the interest rates they will be required to pay. Higher credit ratings translate into lower borrowing costs. For example, if SMUD's credit ratings were to fall into a lower category, from AA to A, the impact at today's rates would be approximately \$242k/year for every \$100 million borrowed. However, during periods of financial turmoil, such as experienced in 2007 or 2020, the benefit of having higher credit ratings increases. In the past higher credit ratings have allowed SMUD to access credit markets sooner, more easily, and at a lower interest rate than other lower rated utilities.

Credit ratings also impact an organization's ability to conduct general business transactions. Trading partners utilize credit ratings as a factor in assessing their willingness to transact with SMUD, and to determine commercial terms. Stronger credit ratings enable SMUD to negotiate better terms and conditions for contracts, including power purchase agreements, and commercial insurance policies. For example, SMUD's healthy credit ratings minimize the amount of collateral posting required under many of its commodity contracts to hedge fuel and power. Likewise, if SMUD's ratings were to drop from current levels, collateral posting requirements would increase accordingly. In some cases, a reduction in SMUD's credit ratings below a certain threshold would give our counterparty the right to terminate the contract.

In addition to cash on hand, SMUD maintains a liquidity program consisting of a commercial paper program and a line of credit. The commercial paper program enables SMUD to issue up to \$400 million of commercial paper notes to obtain funding quickly, when it's necessary to maintain our liquidity levels. Our lines of credit allow SMUD access to up to \$150 million on short notice with the advantage that it isn't dependent on investor demand. The commercial paper program and line of credit are instrumental in providing comprehensive liquidity support for SMUD operations and capital initiatives. The liquidity program helps to maintain our credit ratings and mitigate many enterprise risks that are otherwise difficult or financially

prohibitive to mitigate through standard means. The commercial paper program and line of credit are structured with agreements from four separate banks, further reducing concentration risk and enhancing overall execution.

To protect SMUD's financial strength, credit ratings, and operations, SMUD maintains comprehensive property and casualty insurance to guard against catastrophic losses. Insurance programs are continuously reviewed and modified when construction, operational exposures, or developments in the insurance industry so warrant. SMUD's strong financial position, long term relationships with a variety of insurers, and its liquidity program minimize SMUD's susceptibility to the volatility of insurance market cycles. SMUD maintains cash on hand and access to credit to meet potential insurance deductibles and self-insured liability claims and has had no claims that have exceeded coverage limits.

SMUD has remained in compliance with SD-3 as evidenced by the following:

- a. Maintained key financial metrics, including a fixed charge ratio above the minimum policy target of 1.50 times.
 1. 2.83 times in 2024
 2. 3.71 times in 2025 (forecasted figure as of December 31, 2025)
 3. 2.69 times in 2026 (projected in 2026 Budget)
- b. In 2025, Fitch and Moody's affirmed SMUD's senior credit ratings at 'AA' and 'Aa2' respectively (Aa2 is the Moody's equivalent of AA), and remain unchanged from 2024. S&P continues to rate SMUD at a AA credit rating, but in early 2025 placed SMUD on negative outlook, along with many other California utilities, due to wildfire risk concerns.
- c. Issued \$100 million new money in certified green put bonds locking in a 7-year fixed rate, \$100 million certified green new money long term fixed rate debt and rolled \$100 million in put bonds into a fixed 6-year new term. These transactions successfully mitigated interest rate risk in a volatile market environment by strategically refunding \$75 million of variable Commercial Paper debt.
- d. SMUD successfully issued \$50 million of Green Commercial Paper (CP) in April and May. The issuances were the first Green CP notes issued by any U.S. municipal electric utility, and carried the Kestrel-Verified Green Commercial Paper Certificate, an independent external review from Kestrel, a leading verifier of green bonds in U.S. public finance.
- e. Executed a defeasance of the remaining SFA bonds, reducing debt service by \$13.8 million each year through 2030. These bonds were originally issued to finance the Cosumnes Power Plant and represent the last outstanding bonds

associated with SMUD's gas thermal power plants. The defeasance decarbonized SMUD's debt portfolio and provides flexibility to retool or modify the plant. Additionally, the defeasance enabled SMUD to consolidate SFA assets into SMUD, significantly reducing future administrative costs.

- f. Received two Investment Tax Credits (ITC) payments of \$91.7 million for Solano 4 and \$1.5 million for Mitsubishi Electric Power Product Inc ("MEPPI") battery energy storage system, under provisions of the Inflation Reduction Act.
- g. Additional supplemental contributions of \$26 million were made to CalPERS as part of our ongoing efforts to actively monitor and manage our unfunded pension liability. This obligation is something that rating agencies are increasingly focusing on in their reviews, and addressing this unfunded liability sooner helps to prevent rate impacts. These costs would continue to grow into the future since paying only the required minimum payments may not fully mitigate the compounding nature of the outstanding liability. SMUD's most current valuations show the Pension funded status at 86.7% as of June 30, 2024, and the funded status of Other Post Employment Benefits (OPEB) at 91% as of June 30, 2024.
- h. Amidst a stabilizing yet still challenging insurance market, the property and casualty insurance programs were successfully renewed at or below budget, with expanded limits and improved terms. Despite the significant challenges posed by the devastating wildfires in Southern California at the beginning of the year, SMUD secured ample capacity in both the property and wildfire insurance markets. The property program is now fully insured, while wildfire coverage limits were increased by \$25 million and self-insured portions were reduced by 35%. These outcomes represent a significant advancement in SMUD's risk management and financial protection.
- i. Leveraged the SMUD Insurance Captive to support the Sustainable Communities Program efforts to expand the Shine Award Program to community nonprofit organizations. In this challenging insurance market, small nonprofits often struggle to afford the insurance required to participate in SMUD's grant programs. By using the Captive to offer excess insurance coverage for Shine Award exposure, SMUD helps remove barriers for these organizations, strengthening our community, and supporting their valuable work.

3. Additional supporting information:

Details on SMUD specific credit strengths, ratings variables, and potential challenges to SMUD's credit are listed below.

Financial Strengths:

Maintaining SMUD's financial strength is a key component to continually accessing

credit markets. Below is a list of SMUD specific financial strengths mentioned in recent rating agency reports:

- a. Strong financial operations management
- b. Strong financial performance with fixed charge ratio averaging around 2.0x during the last 2 years
- c. Robust liquidity
- d. Low operating costs
- e. Competitive rates
- f. Diverse resource portfolio
- g. Favorable debt and liabilities profile
- h. Proactive planning and hedging practices
- i. Timely rate setting record
- j. Strong wildfire mitigation activities

Ratings Variables:

The rating agencies evaluate a number of factors in deriving municipal power ratings. These include:

- a. Financial ratios and metrics
- b. Rate competitiveness
- c. Cost of production/purchased power (particularly with respect to higher cost renewables)
- d. Risk management practices
- e. Service area demographics
- f. Regulatory factor

4. Challenges:

Below are comments from recent rating agency reports regarding challenges to SMUD's financial strength that could affect SMUD's ability to access credit markets:

- a. Wildfire liability and inverse condemnation exposure
- b. More significant capital spending affecting rate competitiveness and key financial metrics
- c. Substantially weakened competitive position or reduced ability to maintain liquidity and fixed charge ratios
- d. Prioritizing environmental goals or rate affordability at the expense of maintaining a strong financial profile

5. Recommendation:

It is recommended that the Board accept the Monitoring Report for SD SD-3 Board Strategic Direction on Access to Credit Market

DRAFT

RESOLUTION NO. _____

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

This Board accepts the monitoring report for **Strategic Direction SD-3, Access to Credit Markets**, substantially in the form set forth in **Attachment** hereto and made a part hereof.

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date

ERCS – 02/18/26

Board Meeting Date

February 19, 2026

TO				TO			
1.	Scott Martin	6.	Suresh Kotha				
2.	Jose Bodipo-Memba	7.					
3.	Frankie McDermott	8.					
4.	Brandy Bolden	9.	Legal				
5.	Lora Anguay	10.	CEO & General Manager				
Consent Calendar	X	Yes	No <i>If no, schedule a dry run presentation.</i>	Budgeted	X	Yes	No <i>(If no, explain in Cost/Budgeted section.)</i>
FROM (IPR)	DEPARTMENT			MAIL STOP	EXT.	DATE SENT	
Emily Bacchini	Safety, Environmental & Real Estate			B209	6334	01/23/26	

NARRATIVE:

Requested Action: Adopt a resolution declaring the following properties identified by Assessor's Parcel Numbers (APNs) as surplus and exempt from the notice and disposal requirements of the Surplus Land Act (SLA):

- RP 085 (Sacramento APN 265-0173-009-0000, 4,356 SQFT/0.10 Acres), Alamos, a former substation site;
- RP 158 (Sacramento APN 061-0051-036-000, 11,761 SQFT/0.27 Acres), Amador-Power Inn West TAP, former unused parcel; and
- AR/RP 038 (El Dorado APN 012-070-023, 0.74 Acres), Ice House Highland Day Use Area.

Summary: Per the SLA (AB1486), all parcels meet the guidelines for exemption due to the size being less than half an acre or not contiguous to land owned by a state or local agency that is used for open space or being transferred to another public agency for their use.

The Alamos and Amador properties have been offered to other departments at SMUD through the SMUD Real Property Asset Management Committee but received no interest. The Committee approved designating the properties as surplus land not needed for SMUD's operational use.

Ice House High Point parcel was acquired from Sierra Pacific Industries for the specific purpose of building a public day use area as required by our Federal Energy Regulatory Commission (FERC) license. SMUD will transfer title of the property to the United States Forest Service (USFS) via the standard federal transfer mechanism.

- APN 265-0173-009-0000** (RP 085, decommissioned Alamos Substation): The parcel is located at 1220 Alamos Avenue, Sacramento. It is vacant and measures 4,356 sq. ft./ 0.10 acres in size. It is in the residential area of north Sacramento, south of Alamos Ave., north of Amaranth Alley. The adjacent landowner has expressed interest in purchasing the property.
- APN 061-0051-036-000** (RP 158, vacant parcel): The parcel is located at 7901 Amador Ave., Sacramento. It is a vacant lot and measures 11,761 sq. ft. / 0.27 acres in size. It is in the industrial and mixed-use zone east of the Union Pacific Railroad, west of Power Inn Road and north of Amador Avenue. The City of Sacramento expressed interest in acquiring the property for its safe parking program to address unsheltered populations.
- APN 012-070-023** (AR/RP 038) a portion of this parcel which is located adjacent to Ice House Reservoir in El Dorado County. Zoning is Timber Reserve, and measures .74 acres. There is a road running through a portion of the parcel.

Board Policy: Board-Staff Linkage BL-10, Delegation to the CEO with Respect to Real and Personal Property
(Number & Title)

Benefits: Eliminate need to expend funds on non-functioning and non-performing SMUD assets that are no longer necessary to SMUD's operational needs while simultaneously providing sales revenue to offset ongoing

acquisition costs. Sales will activate new public and private uses. Additionally, the Highland Point parcel puts SMUD in compliance with FERC license requirements.

Cost/Budgeted: Highland Point was acquired for \$11,250.00. None for Amador or Alamos.

Alternatives: Continue to own and maintain the Amador-Power Inn West TAP and Alamos substation properties. Do not build the public day use are as required by SMUD FERC license.

Affected Parties: Board of Directors, Executive Office, Real Estate Services

Coordination: Organization-wide

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

Additional Links:

SUBJECT	ITEM NO. (FOR LEGAL USE ONLY)
Request for Exempt Surplus Land Findings	8

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SMUD-1516 10/15 Forms Management

Page 1

RESOLUTION NO. _____

WHEREAS, the **California Surplus Land Act** (the **Act**) states that a “local agency” such as SMUD may only sell “land owned in fee simple … for which the local agency’s governing body takes formal action in a regular public meeting declaring that the land is surplus and is not necessary for the agency’s use”; and

WHEREAS, the **Act** provides for a local agency’s governing body to designate such surplus land as “exempt surplus land,” with designated exemption classifications including (1) sales of property that are less than 1/2 acre in size and not contiguous to land owned by a state or local agency that is used for open-space or low- and moderate-income housing purposes and (2) land transferred to a local, state, or federal agency; and

WHEREAS, SMUD owns 0.10 acres of vacant land in Sacramento County (APN 265-0173-009-0000) located in the residential area of north Sacramento, south of Alamos Ave., east of Amaranth Alley that was formerly the site for the **Alamos Substation** (**Alamos Substation property**) and that is less than 1/2 an acre in size and not contiguous to land owned by a state or local agency that is used for open-space or low- and moderate-income housing purposes; and

WHEREAS, staff has determined the **Alamos Substation property** is not needed for any other SMUD business purpose; and

WHEREAS, SMUD owns 0.27 acres of vacant land in Sacramento County (APN 061-0051-036-000) located at 7901 Amador Ave., Sacramento (**Amador property**) and that is less than 1/2 an acre in size and not contiguous to land owned by a state or local agency that is used for open-space or low- and moderate-income housing purposes; and

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WHEREAS, staff has determined the **Amador property** is no longer needed for any SMUD business purpose and has initiated the disposition process with the **City of Sacramento**, which has expressed interest in obtaining the **Amador property**; and

WHEREAS, SMUD acquired 0.74 acres of vacant land in El Dorado County (APN 012-070-023) located adjacent to **Ice House Reservoir (High Point property)** for the sole purpose of building a day use area on-site and transferring the improved property to the **U.S. Forest Service** in order to comply with SMUD's obligations under the **Upper American River Project (UARP) Federal Energy Regulatory Commission (FERC) License**, and in that connection, the **U.S. Forest Service**, a federal agency, is interested in acquiring ownership of the **High Point property**; and

WHEREAS, staff recommends the **Alamos Substation property**, the **Amador property**, and the **High Point property** be declared exempt surplus land;

NOW, THEREFORE,

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

Section 1. That this Board finds that the former **Alamos Substation property** is not needed for any other SMUD business purpose and declares it is exempt from the **Surplus Land Act** because it is less than 1/2 acre in area and not contiguous to land owned by a state or local agency that is used for open-space or low- and moderate-income housing purposes.

Section 2. That this Board finds that the former **Amador property** is not needed for any other SMUD business purpose and declares that it is exempt from the **Surplus Land Act** for each of the two following independent reasons: it is (a) less than 1/2 acre in area and not contiguous to land owned by a state or local agency that is

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used for open-space or low- and moderate-income housing purposes and (b) intended to be transferred to a local agency (the **City of Sacramento**).

Section 3. That this Board finds that the former **High Point property** is not needed for any other SMUD business purpose and declares it is exempt from the **Surplus Land Act** because it was acquired for the sole purpose of transferring it to, and it will be transferred to, a federal agency (the **U.S. Forest Service**).