

Board Policy Committee Meeting and Special SMUD Board of Directors Meeting

Date: Tuesday, February 17, 2026

Time: Immediately following the Finance & Audit
Committee Meeting and Special Board of Directors
Meeting scheduled to begin at 6:00 p.m.

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

AGENDA BOARD POLICY COMMITTEE MEETING AND SPECIAL SMUD BOARD OF DIRECTORS MEETING

**Tuesday, February 17, 2026
SMUD Headquarters Building, Auditorium
6201 S Street, Sacramento, California
immediately following the Finance & Audit Committee
and Special SMUD Board of Directors meeting
scheduled to begin at 6:00 p.m.**

This Committee meeting is noticed as a joint meeting with the Board of Directors for the purpose of compliance with the Brown Act. In order to preserve the function of the Committee as advisory to the Board, members of the Board may attend and participate in the discussions, but no Board action will be taken. The Policy Committee will review, discuss and provide the Policy Committee's recommendation on the below agendized item(s):

Virtual Viewing or Attendance:

Live video streams (view-only) and indexed archives of meetings are available at:

<https://www.smud.org/Corporate/About-us/Company-Information/Board-Meetings/Watch-or-Listen-online>

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

Webinar/Meeting ID: 160 232 8870

Passcode: 676092

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

Verbal Public Comment:

Members of the public may provide verbal public comment by:

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

Written Public Comment:

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

DISCUSSION ITEMS

1. Alcides Hernandez Discuss the monitoring report for **Strategic Direction SD-2, Competitive Rates.**
Presentation: 10 minutes
Discussion: 10 minutes
2. Jennifer Restivo Discuss the monitoring report for **Strategic Direction SD-3, Access to Credit Markets.**
Presentation: 10 minutes
Discussion: 5 minutes

INFORMATIONAL ITEMS

3. Dave Tamayo Board Work Plan.
Discussion: 5 minutes
4. Public Comment
5. Rosanna Herber Summary of Committee Direction.
Discussion: 1 minute

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

Members of the public wishing to inspect public documents related to agenda items may click on the Information Packet link for this meeting on the smud.org 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.

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	x	Yes	No If no, schedule a dry run presentation.	Budgeted	x	Yes	No (If no, explain in Cost/Budgeted section.)
FROM (IPR) Alcides Hernandez				DEPARTMENT Revenue Strategy			
				MAIL STOP B256	EXT. 6397	DATE SENT 01/27/26	

NARRATIVE:

Requested Action: Accept the monitoring report for Strategic Direction SD-2, Competitive Rates.

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.

Board Policy: Strategic Direction SD-2, Competitive Rates
(Number & Title)

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.

Cost/Budgeted: Costs contained in budget for internal labor.

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

Affected Parties: Revenue Strategy, Internal Audit Services, and Legal

Coordination: Revenue Strategy, Internal Audit Services, and Legal

Presenter: Alcides Hernandez, Manager, Revenue Strategy

Additional Links:

SUBJECT	SD-2, Competitive Rates Board Monitoring Report	ITEM NO. (FOR LEGAL USE ONLY)
---------	---	-------------------------------

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	Difference	Difference Above SMUD
				PG&E	SMUD	Below PG&E*	Below PG&E*	
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

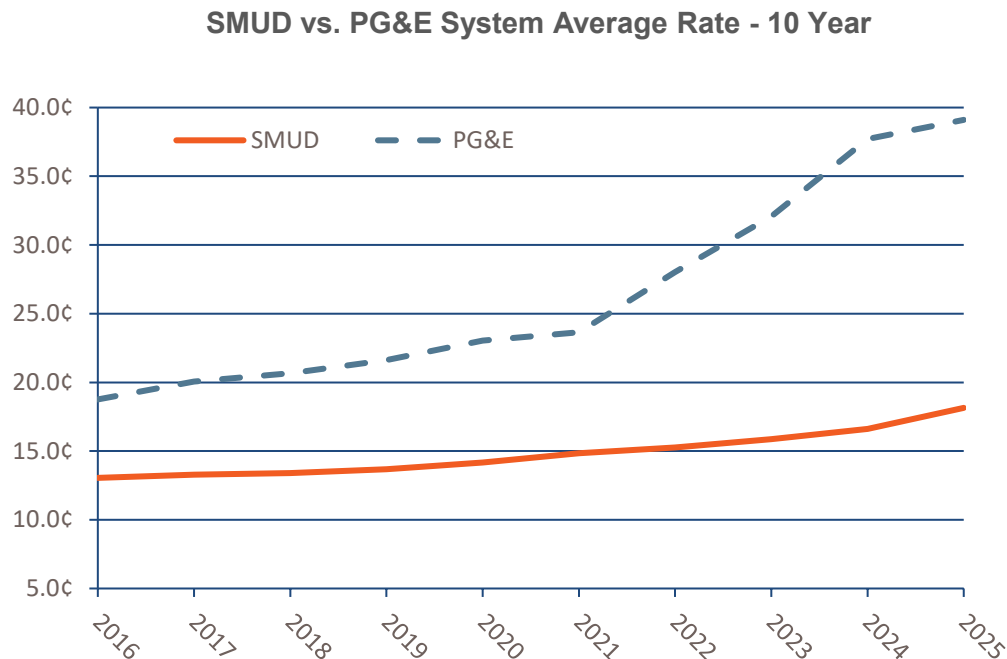
It is recommended that the Board accept the Monitoring Report for SD 2, Competitive Rates.

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



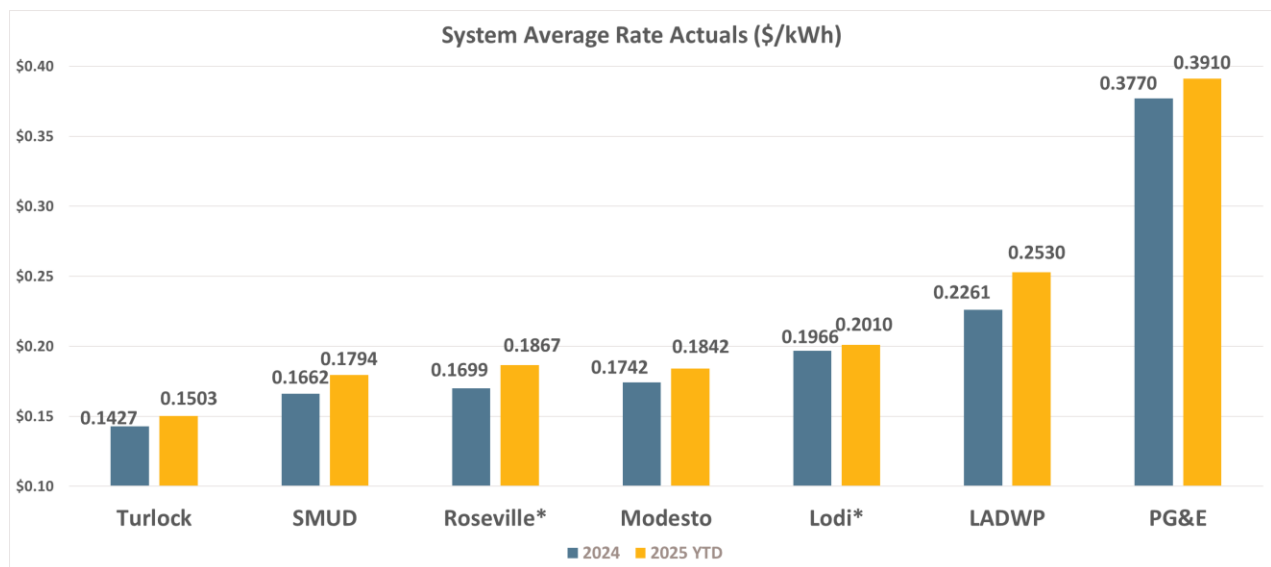
Appendix B: Local Utility Rates

- **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 utilities 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.

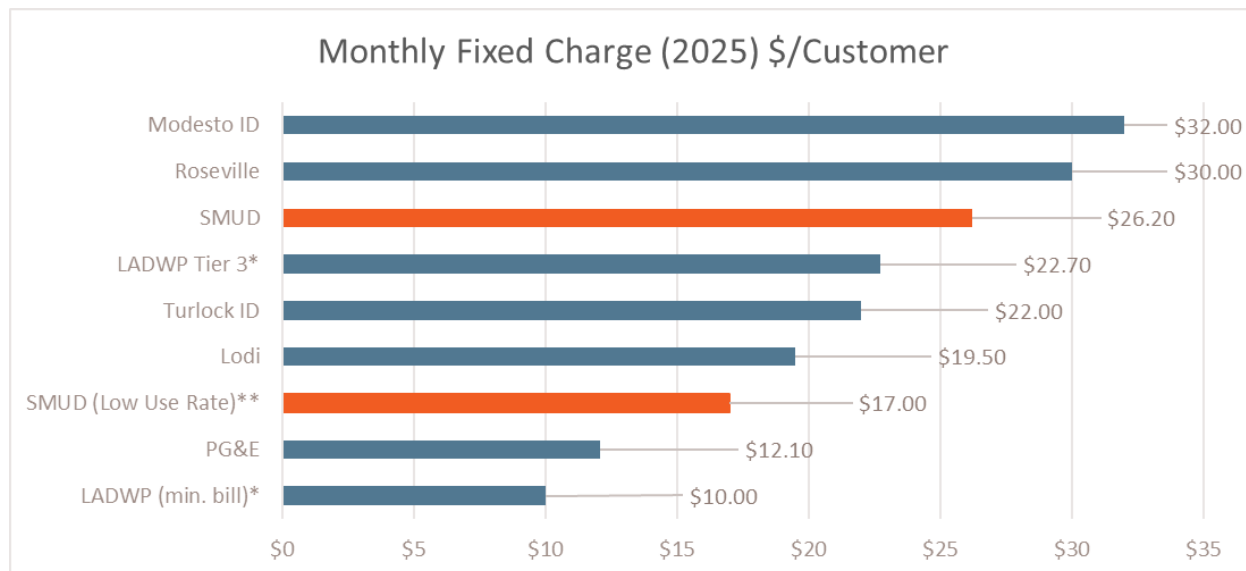
Figure 4 – Utility Pass-through Mechanisms

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.

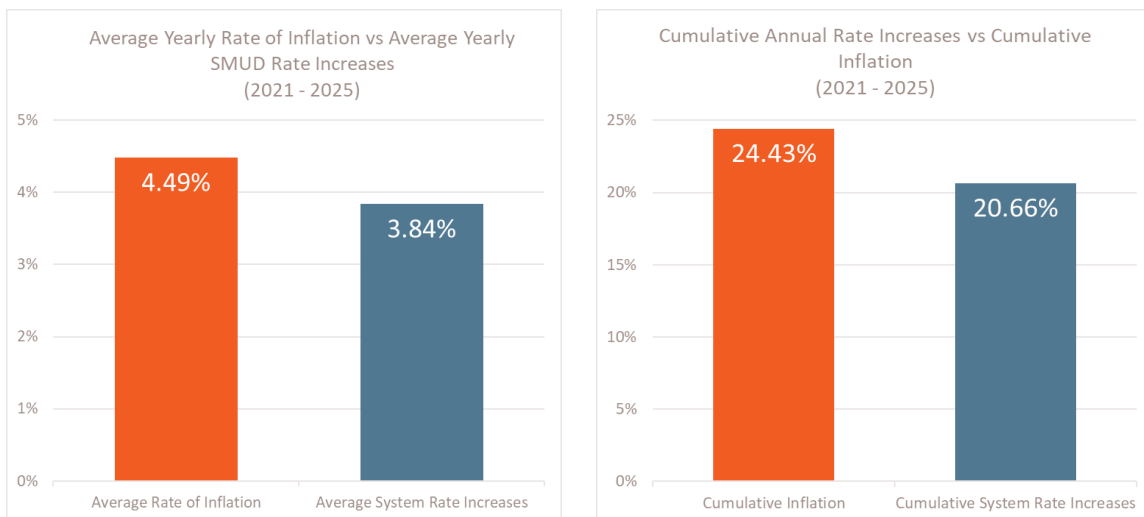
PG&E Residential Time-of-Use Rate

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%

SSS No. CFO 26-001

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting &
Date Policy – 02/17/26Board 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		x	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:

Requested Action: Accept the monitoring report for Strategic Direction SD-3, Access to Credit Markets.

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.

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

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.

Cost/Budgeted: Costs contained in budget for internal labor.

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

Affected Parties: Treasury and Revenue Strategy, Internal Audit Services, and Legal

Coordination: Treasury and Revenue Strategy, Internal Audit Services, and Legal

Presenter: Jennifer Restivo, Director, Treasury and Revenue Strategy

Additional Links:

SUBJECT

SD-3, Access to Credit Markets Board Monitoring Report

ITEM NO. (FOR LEGAL USE ONLY)

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

SSS No. BOD 2026-004

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date
POLICY - 2026Board Meeting Date
N/A

TO					TO							
1.	Brandy Bolden				6.							
2.	Farres Everly				7.							
3.	Suresh Kotha				8.							
4.					9.	Legal						
5.					10.	CEO & General Manager						
Consent Calendar			Yes	<input checked="" type="checkbox"/>	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) Bryanna Schaefer / Crystal Henderson					DEPARTMENT Board Office					MAIL STOP B307	EXT. 5424	DATE SENT 12/18/25

NARRATIVE:

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

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

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

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

Cost/Budgeted: Included in budget.

Alternatives: Not review the Work Plan at this time.

Affected Parties: Board of Directors and Executive Office

Coordination: Board Office

Presenter: Dave Tamayo, Board President

Additional Links:

SUBJECT

Board Work Plan

ITEM NO. (FOR LEGAL USE ONLY)

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.

SSS No. BOD 2026-005

BOARD AGENDA ITEM

STAFFING SUMMARY SHEET

Committee Meeting & Date
POLICY - 2026Board Meeting Date
N/A

TO					TO							
1.	Brandy Bolden				6.							
2.	Farres Everly				7.							
3.	Suresh Kotha				8.							
4.					9.	Legal						
5.					10.	CEO & General Manager						
Consent Calendar			Yes	X	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) Bryanna Schaefer / Crystal Henderson					DEPARTMENT Board Office					MAIL STOP B304	EXT. 5424	DATE SENT 12/18/25
NARRATIVE:												
<p>Requested Action: A summary of directives is provided to staff during the committee meeting.</p> <p>Summary: The Board requested an ongoing opportunity to do a wrap up period at the end of each committee meeting to summarize various Board member suggestions and requests that were made at the meeting to make clear the will of the Board. The Policy Committee Chair will summarize Board member requests that come out of the committee presentations for this meeting.</p> <p>Board Policy: <i>(Number & Title)</i> Governance Process GP-4, Board/Committee Work Plan and Agenda Planning states the Board will focus on the results the Board wants the organization to achieve.</p> <p>Benefits: Having an agendized opportunity to summarize the Board's requests and suggestions that arise during the committee meeting will help clarify what the will of the Board.</p> <p>Cost/Budgeted: Included in budget.</p> <p>Alternatives: Not to summarize the Board's requests at this meeting.</p> <p>Affected Parties: Board of Directors and Executive Office</p> <p>Coordination: Board Office</p> <p>Presenter: Rosanna Herber, Policy Committee Chair</p>												

Additional Links:

SUBJECT

Summary of Committee Direction – Policy Committee

ITEM NO. (FOR LEGAL USE ONLY)

ITEMS SUBMITTED AFTER DEADLINE WILL BE POSTPONED UNTIL NEXT MEETING.